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IMPLEMENTATION COMPLETION AND RESULTS REPORT

(IDA-41360)

ON A

CREDIT

IN THE AMOUNT OF SDR 65.5 MILLION

(US$95 MILLION EQUIVALENT)

TO THE

UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND PLANNING

FOR THE

PRIVATE SECTOR COMPETITIVENESS PROJECT (P085009)

April 1, 2019

Finance, Competitiveness And Innovation Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective Jan 07, 2019)

Currency Unit = Tanzania Shilling (Tsh)
Tsh 2305.00 = US$1
US$1 = SDR 0.72

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
BDG	Business Development Gateway
BERC	Business Environment Roadmap Committee
BEST	Business Environment Strengthening for Tanzania
BOT	Bank of Tanzania
BRELA	Business Registrations and Licensing Agency
BRN	Big Results Now
CAS	Country Assistance Strategy
CORS	Continuously Operating Reference Stations
DFID	Department for International Development
ERR	Economic Rate of Return
FSDT	Financial Sector Deepening Trust
GDP	Gross Domestic Product
GNI	Gross National Income
GoT	Government of Tanzania
GPS	Global Positioning System
IA	Implementing Agency
IDA	International Development Association
ISR	Implementation Status Reports
ILMIS	Integrated Land Management Information System
IFC	International Finance Corporation
MDA	Ministries Departments and Agencies
MSME	Micro, Small, and Medium Enterprises
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
M&E	Monitoring and Evaluation
NGO	Nongovernmental Organization
NKRA	National Key Results Area

NPV	Net Present Value
OSS	One Stop Shop
PAD	Project Appraisal Document
PDB	President's Delivery Bureau
PDO	Project Development Objective
PIU	Project Implementing Unit
PPP	Public-Private Partnership
PMO	Prime Minister's Office
PSCP	Private Sector Competitiveness Project
SACCOS	Savings and Credit Cooperative Societies
SDR	Special Drawing Rights
SME	Small and Medium Enterprises
TA	Technical Assistance
TTL	Task Team Leader
TMX	Tanzania Mercantile Exchange
TPSF	Tanzania Private Sector Foundation

Regional Vice President:	Hafez M. H. Ghanem
Country Director:	Bella Deborah Mary Bird
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DATA SHEET

BASIC INFORMATION

Product Information

Project ID	Project Name
P085009	Private Sector/MSME Competitiveness
Country	**Financing Instrument**
Tanzania	Investment Project Financing
Original EA Category	**Revised EA Category**
Not Required (C)	

Related Projects

Relationship	Project	Approval	Product Line
Additional Financing	P145971-Private Sector Competitiveness Project Additional Financing	27-Dec-2013	IBRD/IDA

Organizations

Borrower	Implementing Agency
Ministry of Finance and Planning	Prime Ministers Office, Bank of Tanzania

Project Development Objective (PDO)

Original PDO

The project objective is to create sustainable conditions for enterprise creation and growth. The project's progress in achieving this objective will be measured by the increase in the number of formal enterprises, the increase in the value of titled land relative to untitled, and growth in sales and assets of firms participating in the project.

FINANCING

	Original Amount (US$)	Revised Amount (US$)	Actual Disbursed (US$)
World Bank Financing			
IDA-41360	95,000,000	95,000,000	100,689,851
TF-94620	15,754,000	15,754,000	15,754,000
IDA-53260	60,200,000	60,200,000	52,441,254
Total	**170,954,000**	**170,954,000**	**168,885,105**
Non-World Bank Financing			
Borrower/Recipient	62,000,000	0	0
Total	**62,000,000**	**0**	**0**
Total Project Cost	**232,954,000**	**170,954,000**	**168,885,105**

KEY DATES

Approval	Effectiveness	MTR Review	Original Closing	Actual Closing
15-Dec-2005	05-Jul-2006	29-Apr-2009	30-Jun-2012	31-Jul-2018

RESTRUCTURING AND/OR ADDITIONAL FINANCING

Date(s)	Amount Disbursed (US$M)	Key Revisions
14-May-2013	100.69	Change in Loan Closing Date(s)
01-Oct-2015	119.72	Change in Results Framework Change in Loan Closing Date(s) Reallocation between Disbursement Categories
30-Nov-2016	133.08	Change in Results Framework Change in Loan Closing Date(s)

KEY RATINGS

Outcome	Bank Performance	M&E Quality
Moderately Satisfactory	Moderately Satisfactory	Substantial

RATINGS OF PROJECT PERFORMANCE IN ISRs

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US$M)
01	29-Jun-2006	Satisfactory	Satisfactory	0
02	18-Dec-2006	Satisfactory	Satisfactory	6.08
03	28-Jun-2007	Satisfactory	Satisfactory	7.32
04	27-Dec-2007	Moderately Satisfactory	Moderately Satisfactory	8.07
05	26-Jun-2008	Moderately Satisfactory	Moderately Satisfactory	13.11
06	23-Dec-2008	Moderately Satisfactory	Moderately Unsatisfactory	14.43
07	19-Jun-2009	Satisfactory	Satisfactory	30.76
08	29-Dec-2009	Moderately Satisfactory	Moderately Satisfactory	68.08
09	31-May-2010	Moderately Satisfactory	Moderately Satisfactory	68.08
10	27-Mar-2011	Moderately Unsatisfactory	Moderately Satisfactory	91.05
11	13-Jan-2012	Moderately Satisfactory	Moderately Satisfactory	93.50
12	07-Jul-2012	Moderately Satisfactory	Moderately Satisfactory	110.64
13	05-Jan-2013	Moderately Satisfactory	Moderately Satisfactory	110.64
14	04-Jul-2013	Moderately Satisfactory	Moderately Satisfactory	116.44
15	29-Mar-2014	Moderately Satisfactory	Moderately Satisfactory	116.44
16	11-Jul-2014	Moderately Satisfactory	Moderately Satisfactory	121.74
17	26-Nov-2014	Moderately Satisfactory	Moderately Satisfactory	122.88
18	26-Jun-2015	Moderately Satisfactory	Moderately Satisfactory	135.59
19	31-Dec-2015	Moderately Satisfactory	Moderately Satisfactory	142.84
20	30-Jun-2016	Moderately Satisfactory	Moderately Satisfactory	146.84
21	07-Jan-2017	Moderately Satisfactory	Moderately Unsatisfactory	148.84
22	10-Jul-2017	Moderately Satisfactory	Moderately Unsatisfactory	156.04
23	14-Mar-2018	Moderately Satisfactory	Moderately Unsatisfactory	162.04
24	27-Jul-2018	Moderately Satisfactory	Moderately Satisfactory	162.04

SECTORS AND THEMES

Sectors

Major Sector/Sector	(%)
Public Administration	**25**
Central Government (Central Agencies)	25
Education	**10**
Tertiary Education	5
Workforce Development and Vocational Education	5
Financial Sector	**20**
Banking Institutions	15
Other Non-bank Financial Institutions	5
Industry, Trade and Services	**45**
Other Industry, Trade and Services	45

Themes

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
Private Sector Development	**0**
Business Enabling Environment	43
Investment and Business Climate	14
Regulation and Competition Policy	29
Jobs	100
Enterprise Development	15
MSME Development	15
Finance	**0**
Financial Infrastructure and Access	15
MSME Finance	15

Human Development and Gender	0
Education	16
Access to Education	4
Science and Technology	4
Teachers	4
Standards, Curriculum and Textbooks	4
Urban and Rural Development	**0**
Rural Development	14
Rural Markets	14

ADM STAFF

Role	At Approval	At ICR
Regional Vice President:	Hafez M. H. Ghanem	Hafez M. H. Ghanem
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Abstract

The Private Sector Competitiveness Project (PSCP) was approved on December 15, 2005 and became effective on July 5, 2006. The Project provided initial Credit of $95 million equivalent and a subsequent Additional Financing (AF) Credit of $60.2 million equivalent to the Government of Tanzania (GoT) to support the development of private sector in the country and contribute to the deepening of financial sector. The Project's original development objective (PDO) was to *create sustainable conditions for enterprise creation and growth* through a series of initiatives aimed at reducing the cost of doing business and increasing the capacity of the local private sector to participate in domestic and international markets, and to access relevant financial services. The success of the Project initiatives is evident by increased number of formal enterprises; increased value of titled land relative to untitled; and the growth of sales and assets of beneficiary firms.

The Project strengthened the business environment by developing an Integrated Land Management Information System (ILMIS); overhauled the geodetic infrastructure for surveying by replacing the outdated one with one based on a modern Global Positioning System (GPS); produced multi-purpose base maps for Dar es Salaam and surrounding areas; strengthened the legal and regulatory framework; and helped land use planning and regularization of tenure rights in the urban areas. The Project also improved access to financial services which included establishing Tanzania Community Exchange offices and training of staff; and preparation of commodity contract specifications for various crops. More specifically, four out of five PDO outcome targets were either met or exceeded their targets, i.e.: (i) number of new financial products for which the legal/regulatory framework was developed increased from zero to 25 against 2 targeted; (ii) One Stop Shop (OSS) for business registration was established and was made fully functional; (iii) direct Project beneficiaries reached 170,000 against 35,000 targeted; (iv) female Project beneficiaries reached 45% against 41% targeted; and (v) the number of days to complete the registration of a certificate of occupancy reduced from 77 to 67 against 40 targeted.

The Project was originally scheduled to close on June 30, 2012 but was extended to July 31, 2018, to scale up Project activities through AF Credit. The objective of the AF was to make growth more inclusive and improve shared prosperity. Towards this end, the AF helped strengthen business environment; improved access to financial services, and helped develop innovative solutions for increased private sector participation and financial sector development. In keeping with this approach, the Project was restructured during which the PDO was changed from *"sustainable conditions for enterprise creation and growth" to "strengthen business environment in Tanzania, including land administration reform, and improve access to financial services".*

The Project was completed in 12.5 years at the total cost of $170.35 million. The Project is rated 'Moderately Satisfactory. This rating is derived from the split rating calculation provided in Annex 7.

The Project also provided effective lessons that may be applicable for similar operations in the sector or in other countries. Key lessons include: (i) it is beneficial to sequence sector reforms and to use piloting as an approach to prepare for later implementation of other sector activities; (ii) adequate planning is necessary during project preparation to avoid delays. It is recommended to design the infrastructure at project preparation so that implementation can start as soon as the project is approved; (iii) capacity of the implementing staff needs to be improved especially when multiple agencies are involved; (iv) for projects involving multiple implementing agencies (IAs), procurement function should be centralized in one IA where sustainable procurement capacity should be built at an earlier stage of the project; (v) high number of indicators should be avoided as this creates more complexity for the client and is burdensome for the M&E specialist; (vi) it is important to identify a champion early on who will need to have an overall coordinating responsibility, especially for a project which has a land reforms component, as land is a cross cutting sector which affects all sectors of the economy. Securing the support and commitment from the executive, the Minister of Lands, and the Permanent Secretary is also very important. Issues of land tend to be highly emotional and sensitive in Tanzania. The endorsement and buy-in of the executive branch of government is therefore critical in raising awareness and mobilizing support; and (vii) South-South Cooperation and peer to peer learning are effective means of knowledge exchange and transfer which the Project effectively used in Uganda through Competitiveness and Enterprise Development Project where the Government of Tanzania developed its own ILMIS from Uganda’s Land Information System which resulted in a strong learning relationship of cooperation between the two countries.

I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

A. CONTEXT AT APPRAISAL

Context

Country and Sector Context

1. During the years 2000 through 2005, Tanzania had grown rapidly, albeit from a low base. Its growth rate of 6.7 percent was higher than that of South Asia (5.4 percent) and Southeast Asia (5.6 percent)[1/]. Growth over this period had contributed to reductions in poverty. Despite this progress, Tanzania remained among the poorest countries in the world with an estimated per capita income of US$330 (Atlas method) in 2004. Tanzania was still in transition from an economy dominated by the public sector and public enterprises to a dynamic private sector-led economy.

2. This increase had been primarily driven by exports, which had grown at an average of 11 percent per year since 2000. Non-traditional exports (such as fish, gold, tourism, and horticulture) were responsible for this growth. Although some traditional exports continued to contribute significantly to growth-for example, revenues from cashew nuts increased from US$l5.5 million in 1990 to about US$48.6 million in 2004 - the share of traditional exports had more than halved to just 22 percent of Tanzania's total exports. Gold, tourism, and fisheries were the primary sources of nontraditional export growth. Gold exports experienced a massive surge since 1997, growing from 1 percent of exports to 47 percent in 2004. Fish exports also grew strongly from 7.5 percent of total exports in 1997 to 10.1 percent in 2004, more than both coffee (3.4 percent) and cotton (8.0 percent). Since the mid-l990s, tourism had grown an average of 6 percent per year, with the number of arrivals increasing more than fourfold since 1990 and generating receipts of US$497 million.

Sectoral Context

3. Specific sector issues include the following:

4. *Micro, small, and medium enterprises (MSMEs) dominated Tanzania’s economy.* Microenterprises constituted 98 percent of the 2.7 million MSMEs, of which over 60 percent exited the business during the first five years of operation. MSMEs were represented in all sectors of the Tanzanian economy but dominated in trade and services. Large firms accounted for only 12 percent of all registered firms but contributed 38 percent of gross domestic product (GDP) and generated employment for 20 percent of the workforce.

Informality: A large informal sector accounted for around 70 percent of employment and 58 percent of Gross National Income (GNP). The informal sector had assets worth US$29.3 billion, equivalent to 10 times all foreign direct investment accumulated since independence. This underlined the fact that economic activity by majority of Tanzanians took place outside the legal framework and was limited.

[1] Robert Utz, Country Economic Memorandum (Background Paper (Washington, DC: World Bank, 1 2005).

5. *High Cost of Doing Business:* In the World Bank's 2006 Doing Business report, Tanzania ranked 140 out of 155 countries in terms of ease of doing business, highlighting the urgent need for the Government to fast track implementation of reforms to reduce the cost of doing business.

6. *Property Rights:* Most property rights in land were not documented or mapped to facilitate land transactions. Consequently, about 90 percent of Tanzanians could not be located through the property registry system, which would have allowed them to gain access to collateral-based credit.

7. *Access to Finance:* The existing microfinance nongovernmental organizations (NGOs) were limited in terms of their activities, products and outreach. Most financial cooperatives (Savings and Credit Cooperative Small and Medium Enterprise, or SACCOs) were operationally weak and needed capacity strengthening and support from commercial banks.

B. Project Background

8. The Project supported both the development of the private sector and deepening of the financial sector. However, it is worth mentioning that during the 12.5 years of implementation, there were significant changes in the overall policy environment toward private sector development and the Government's commitments in business environment reforms. For example: The original Project was appraised at the time the last wave of economic reforms was completed under Benjamin Mkapa's administration[2/]. A good momentum of structural reforms was kept under Jakaya Kikwete's[3/] first administration, including the Business Environment Strengthening for Tanzania (BEST) reform program, which the original Project was aligned with. However, the reform momentum gradually waned as shown in the underperformance of BEST and introduction of controversial BARA (Business Activities Registration Act) in 2007.

9. Similarly, during the second Kikwete administration, the Government adopted the Big Results Now (BRN) initiative to reinvigorate reforms in the National Key Results Areas (NKRAs) including business environment, which the Project's Additional Financing was aligned with. But in reality the Government did not adopt the business environment lab report of BRN as a whole although some specific reform actions were taken in rather fragmented manners by individual line ministries.

10. In the meantime, the new administration of John Magufuli took office in 2015 and decided to discontinue the BRN initiative, though most of the reform proposals under BRN were carried over into the new initiative of "Blueprint for Regulatory Reforms to Improve the Business Environment" (Business Environment Blueprint, or Blueprint) which managed to obtain Cabinet approval in May 2018. Even though the speed of implementation had been slow, given the number of reforms achieved, the challenges encountered during implementation did not affect the results achieved.

[2] The third President of Tanzania - in office from 1995 to 2005
[3] The fourth President of Tanzania - in office from 2005 to 2015

Theory of Change (Results Chain)

11. Various aspects of the project design were taken into account including similar program documents, consultation with a broad range of stakeholders, and analyzing data to understand what had worked before. During project design, the team described critical activities that would lead to long-term goal of lowering the costs of investment; enhance enterprise competitiveness and improve access to financial services that had inhibited a growing and competitive private sector. Consequently, a Results Framework was prepared which articulated project's pathway from planned interventions to the intended outcomes. See diagram below:

Results Chain

Resources: $170.35 million

Activities

Component 1

- Land Administration Reform
- Support to Business Registration Reform
- Support to Big Result Now

Component 2

- Strengthening legal and regulatory framework for financial sector and capacity of regulators
- Supporting new products to expand access to finance

Component 3

- Project Management

Intermediate Outcomes

- Cost to formally start business reduced as % of GNI
- Establishment of an Operational National Land Information Center to host ILMIS
- Establishment of a Customer Service Center (Min. of Lands)
- Number of established Ministry of Lands Zonal Office with functioning ILMIS
- Percentage of beneficiaries satisfied with specified dimensions
- Number of Legal Bills related to land administration drafted
- Integrated ILMIS established
- Number of days to formally start a business reduced
- Number of days to complete the registration of mortgage reduced
- Staff of President's Delivery Bureau (PDB), MDU and MDA appropriately trained in private sector operations
- Completion of detailed plans for new NKRA's
- PPP projects brought to market through competitive procurement
- Tourism sector strategic report
- Creation for frame work for Deposit Insurance
- Development of Financial reporting standard for micro finance institutions

Outcomes

- Number of days to complete the registration of a certificate of occupancy reduced from 77 to 67 days
- 25 new financial products, for which legal/regulatory framework is developed
- One Stop Shop established for business registration and fully functional
- Direct Project beneficiaries reached 30,000
- Female beneficiaries reached 31%

Underlying Assumption: A substantial transformative impact on the economy over the medium term
A reliable national ID system will serve as the basis for efficient and transparent service

Project Development Objectives (PDOs)

12. The original PDO was to *create sustainable conditions for enterprise creation and growth*. This objective was designed to be measured through three indicators, as given below:

Key Expected Outcomes and Outcome Indicators

Indicator Name	Baseline	End Target Outcome
Number of formal enterprises increased	50,000	75,000
Value of titled land compared to untitled increased (US$/square meter)	N/A under original In 2007: Titled = 1.2 Un-titled = 0.08	Titled = 7.76 Un-titled = 7.60
Increase in sales and assets for firms supported under the Project (US$)	N/A under original In 2007/2011: Sales = $188,700 Assets = $57,081,000	Sales = $562,500,000 Assets = $70,000,000

Components

Component 1: Strengthening Business Environment (*Estimated* cost: $60.4 million, of which US$41.4 million IDA)

13. The component supported the Business Environment Strengthening for Tanzania (BEST[4]) program to reduce the costs of investing in and operating business in Tanzania by reducing the regulatory and institutional constraints inhibiting a growing and competitive private sector by: (i) achieving better regulation, (ii) improving *commercial* dispute resolution, (iii) strengthening the Tanzania Investment Center (TIC), (iv) changing the culture of Government, and (v) empowering private sector advocacy. Based on this approach, the BEST program was refocused into eight main program areas, covering business registration reform, land reform, commercial law and justice, labor law reform, strengthening the TIC, establishment of a National Individual Identification Database, an MSME Policy Unit in the Ministry of Trade and Industry, and a Growth Unit in President's Office of Planning and Privatization.

Component 2: Enhancing Enterprise Competitiveness (*Estimated* cost: $48.5 million, of which US$36.4 million IDA)

14. The component aimed at improving the private sector's capacity to respond to viable opportunities in domestic, regional and international markets, as well as to help strengthen the

[4] BEST is a government program supported by four bilateral donors-UK Department for International Development (DFID), the Danish International Development Agency (Danida), the Swedish International Development Agency (SIDA), and the Government of the Netherlands

Tanzania Private Sector Foundation (TPSF). It had four sub-components:

15. Subcomponent A: Cluster Competitiveness and Business School Linkages – focused on strengthening TPSF competencies in monitoring sector developments and in promoting a dialogue between Government and private sector players, via the Tanzania Round Table mechanism; and in collaboration with International Finance Corporation's (IFC) Global Business School Network Unit, to help local management and financial schools deliver better training to entrepreneurs.

16. Subcomponent B: Tanzania Business Development Scheme – facilitated matching grants program and provided technical assistance (TA), know-how *and* expertise to entrepreneurs as a means of boosting productivity.

17. Subcomponent C: Business Development Gateway (BDG) – *provided* grants to entrepreneurs on the basis of a business plan competition.

18. Subcomponent D: Technical Innovation Applied Research Scheme facilitated a program for improving the capacity of technical institutions to provide training and other services to boost private sector's productivity and competitiveness.

Component 3: Improving Access to Financial Services (*Estimated* cost: $42 million, of which US$12 million IDA)

19. The component would increase access to financial services by contributing to the Financial Services Deepening Trust (FSDT) and providing TA and financing for studies. The FSDT provided financing, through matching grants, for activities such as: (a) training to develop resources and capacity to serve low income groups, (b) developing new financial products addressing the needs of poor households and MSMEs, (c) improving the policy and regulatory framework for delivery of financial services, and (d) improving financial market integration and access to wholesale forms of finance. The TA and studies component included funding for (i) two long-term technical experts to be part of the trust's management structure, and (ii) industry assessments and case studies on expanding SME finance on strengthening micro and rural finance

B. SIGNIFICANT CHANGES DURING IMPLEMENTATION (IF APPLICABLE)

Additional Financing (AF) and Project Restructuring:

20. In December 2013, an AF Credit of US$60.2 million equivalent was introduced to scale up Project's activities with the objective of making growth more inclusive and improving shared prosperity. In keeping with this approach, the Project's developmental objective was changed from *creating sustainable conditions for enterprise creation and growth*, to strengthen *the business environment in Tanzania, including land administration reform, and improve access to financial services*.

21. During restructuring exercise, the previous PDO indicators were either modified or

discontinued to (i) strengthen attribution, (ii) reflect completed actions and achieved results, and (iii) align with revisions to the Project design with the AF. Similarly, a number of intermediate indicators were discontinued from the AF because their underlying actions were already successfully completed under the original project. For example, the indicator measuring an increase in gross revenue in firms supported by the Project was no longer applicable because the component related to it (*Enhancing Enterprise Competitiveness*) had been successfully completed and was not continued under AF. This activity had achieved higher increase in gross revenue of firms against the baseline than what was targeted under the Project (17 percent increase in 2012 compared 15 percent target).

22. In support of its revised PDO, the AF had two main and a new Project Management component. These were grouped under the same heading as two of the three components under the original Project; however, there were some significant differences in focus, as outlined below:

23. *Component 1: Strengthening Business Environment*. This component, which accounted for the bulk of the funds provided by the AF (US$49.2 million), focused on a number of subcomponents. In practice, however, it was dominated by one sub-component, *Land Administration Reforms*, which accounted for US$35.2 million or 71 percent of the funding available to the component. Of this, Infrastructural Interventions accounted for US$25.5 million, and Strengthening of the legal and regulatory framework, work on land use planning and regularization of tenure rights, and regulatory simplification of land administration processes together accounted for the balance US$9.7 million. Also included in the component was Support to *Business Registration Reforms*, which accounted for US$4 million, and Support to *Big Result Now (BRN*), accounting for US$10 million. Each of these subcomponents supported a number of activities: i.e.: the major Infrastructural Interventions subcomponent supported efforts to: (a) convert old survey and mapping data to fit new geodetic surveying infrastructure; (b) implement a new surveying and mapping policy; (c) strengthen land use planning through improving the collection, storage and dissemination of geospatial data; and (d) implement the ILMIS. Similarly, the Business Registration Reform subcomponent supported (i) the design and development of a One Stop Shop for starting a business in Business Regulation and Licensing agency (BRELA), (ii) procurement of necessary hardware, and (iii) capacity building of BRELA staff on the use of the on-line registration system.

24. *Component 2: Improving Access to Financial Services.* This component, for which US$10 million was allocated, aimed on the one hand to strengthen the legal and regulatory framework for the financial sector, while improving the capacity of regulators, and on the other to support new products to expand access to finance. The object of the former subcomponent was to fill in gaps in the legal and regulatory framework that hindered the uptake of available financial products, and included a large number of diverse activities, including (i) the establishment of a coordination mechanism for financial protection among financial regulators (Bank of Tanzania (BoT); Social Regulatory Authority; Capital Markets and Securities Authority; Tanzania Regulatory Insurance Agency; Tanzania Communication Regulatory Authority; the Fair Competition Commission and the Ministry of Finance; strengthening of the consumer protection legal and regulatory framework; and capacity improvements for regulators to better monitor compliance of financial institutions with market conduct regulations; (ii) setting up a legal framework for a deposit insurance system in Tanzania; (iii) development of reporting standards for microfinance institutions, (iv) fixing weaknesses in the

collateral system; and (v) developing standards for overseeing mobile financial services infrastructure. The latter subcomponent was intended to support broadening of the market through development of new financial products, such as leasing finance and M-Akiba savings bonds[5/].

25. *Component 3: Project Management. Project Management.* Under the original Project design, the President's Office for Planning and Privatization (POPP) was responsible for the overall project coordination, where a Project coordinator in the department was responsible for growth, reporting to the Permanent Secretary of POPP, and supported the POPP in administering the program, assembling quarterly and annual reports, compiling the annual work plans and procurement plans prepared by the implementing agencies, keeping all institutions involved in the program informed, and informing stakeholders and decision makers of project progress and constraints. The Project coordinator also ensured that Project activities were aligned with those of other Government programs. After the AF, a dedicated Project Implementation Unit (PIU) was set up, for which US$1 million was allocated, carried out overall coordination and management activities. Also, to ensure proper coordination and supervision of the Project, the Business Environment Roadmap Committee (BERC) continued to provide policy guidance and oversight on the Project as it had done under original Project. The BERC was comprised of eight thematic Task Forces each headed by a respective Permanent Secretary and included private sector representatives. Involvement of private sector in the Task Team provided field experience and the recipient perspective to the proposals of the required reforms. The PIU developed and implemented an information, education and communications strategy.

Revised PDOs and Outcome Targets

26. **Revised PDO**: The AF included modifications to the PDO resulting in the revisions to the Results Framework. The original PDO *to create sustainable conditions for enterprise creation and growth* was modified to *strengthen the business* environment *in Tanzania including land administration* reform *and improving access to financial services.* The revised PDO reflected more precise targeting of outcomes for improved measurement and attribution under the revised design.

27. **Revised Results Indicators:** The introduction of AF was accompanied by a change in the Project's results framework – with the dropping of several indicators for activities that had either been completed or were no longer relevant, and the revision of some indicator targets to align with the modified PDO. Key changes to outcome indicators are highlighted in the Table below. Three outcome indicators were dropped from the results framework for the AF, two (core) indicators were retained, and three new indicators were added (one of which had been originally utilized as an intermediate indicator). Among intermediate indicators, ten from the original framework were dropped, three were continued with, and four new were added.

[5] M-Akiba is a Government of Kenya issued retail bond that seeks to enhance financial inclusion for economic development. Money raised from issuance of M-Akiba is dedicated to infrastructural development projects, both new and on-going.

Project Outcome Indicator	Original Target	Changes with AF	Revised Target
PDO Level			
Number of formal MSME increased	75,000	Not an indicator for AF	N/A
Value of the titled land compared to untitled increased	7.76 titled 7.60 untitled	Not an indicator for AF	N/A
Increase in sales and assets for firms supported under the Project: (a) Sales, (b) Assets	562,500,000 70,000,000	Not an indicator for AF	N/A
Number of days to complete the registration of a certificate of occupancy	20	Calculation methodology revised[6/] and indicator moved from intermediate to PDO level	40
One Stop Shop (OSS) for business registration established and fully functional	N/A	New indicator	Yes[7/]
Number of new financial products for which the legal/regulatory framework is developed	N/A	New indicator	2
Direct Project beneficiaries (number)	14,490	Target revised	35,000
Of which female (% of total)	41%	Target maintained	41%

Intermediate Results Indicators		
Original (PAD)	**Changes Introduced**	**Rationale for Change**
Number of steps to formally start a business reduced	Discontinued	Number of steps to formally start business was less relevant than the number of days required, once the OSS was established at BRELA that combined steps using technology links with other agencies and thereby streamlined as well as expending the process of business startups.
Number of days to formally start a business reduced	Retained	No Change

[6] When the indicator for the Project was introduced, it measured the days taken to register a certificate of occupancy, excluding the first process to approve a land allocation. The AF indicator included this first process of approving a land allocation and was consistent with the method used by Doing Business report.

7 OSS for business registration established and operational, as evidenced by completion of all the following steps: (i) BRELA technology platform connected with TRA and social security funds; (ii) OSS fully staffed; (iii) OSS online registration and payment enabled, and (iv) OSS personnel and key stakeholders trained

Cost to formally start a business reduced (GNI per capita)	Retained	Indicator remained the same but the End Project target was reduced from 60% to 20% to reflect even lower expected costs.
Number of days to complete the registration of a certificate of occupancy	discontinued as intermediate indicator; revised and used as PDO indicator	This measure was indicative of the regulatory and ILMIS activities supported under Land Administration Reform sub-component thereby made it PDO-level rather than intermediate indicator.
Number of days to complete the registration of a mortgage	Retained	Indicator remained same but End Project target was reduced from 20 to 4 days.
Number of days to resolve a dispute on the overdue debt in court reduced	Discontinued	Indicator not linked to AF investments.
Official cost (as a % of debt) to complete a dispute on the overdue debt in court reduced	Discontinued	Indicator not linked to AF investments.
Rigidity of employment index	Discontinued	Indicator not linked to AF investments.
Staff of PDB, MDU and Ministries Departments and Agencies (MDA) trained in private sector operations	New added	Indicator for activities under sub-component 1C: Support to BRN
Completion of detailed plans for new NKRAs	New added	Indicator for activities under sub-component 1C: Support to BRN added
Increase in gross revenue in firms	Discontinued	Indicator not linked to AF investments.
Creation of the framework for deposit insurance	New added	Indicator for activities under sub-component Strengthening legal & regulatory structures & Improving Access to Financial Services was added.
Number of active loan accounts SME	Discontinued	Indicator not linked to AF investments.
Number of active loan accounts	Discontinued	Indicator not linked to AF investments.
Increase in the volume of savings	Discontinued	Indicator not linked to AF investments.
Number of active -savings accounts	Discontinued	Indicator not linked to AF investments.
Active accounts held by women	Discontinued	Indicator not linked to AF investments.
Development of financial reporting standards for microfinance institutions	New added	Indicator for sub-component Strengthening legal and regulatory structures and Improving Access to Financial Services added.

Revised Components N/A

Other Changes

28. **Extension of Project Closing Date:** The Project was originally scheduled to close on June 30, 2012 but was extended five times (including to process the Additional Financing) at the government's request and management agreement, for a total of six years as follows:

29. ***First Extension (from June 30, 2012 to June 30, 2013):*** There had been a slowdown in disbursement in the last 12 months due to the slow release of funds as a result of overdrawn status of two categories under the Credit preventing new funds to be disbursed. As a result, there was a build-up of arrears which needed to be cleared. Also, no new contracts had been signed in the last eight months and field activities such as rural land titling and formalization of urban informal settlements were temporarily put on hold. More specifically, the activities included completion of the Cluster Competitiveness Program due to delayed launch, completion of the geodetic network; renovation of office buildings; and preparation of the Dar es Salaam master plan. The extension was necessary to allow for the implementation of the planned Project activities and in particular, to make up for the delays caused by overdrawn categories which led to non-disbursement of funds.

30. ***Second Extension (from June 30, 2013 to December 2013):*** In order to keep the momentum going, and at the request of the Government, a six month extension was provided for the Project team to prepare Additional Financing documents to scale up ongoing Project activities and to make growth more inclusive and to improve shared prosperity.

31. ***Third Extension (from December 2013 to November 2015):*** A two year extension was granted to implement scaled up activities under the AF Credit of $60.2 million equivalent.

32. ***Fourth Extension (from November 2015 to May 2017):*** The closing date was extended by *18* months to complete one critical and high priority contract for the Integrated Land Management Information System (ILMIS) that was to run until May 30, 2017 and to prepare Base maps for ILMIS and refurbishment of the national Land Information Center.

33. ***Fifth Extension (from May 2017 to July 31, 2018):*** To allow completion of the scaled up activities, the closing date was extended by 14 months.

34. **Change in Component Cost:** The changes in total Project cost by component and impact of the AF on the Project by component are shown in table below:

($ Million)

Component	Original Costs	Changes with AF	Revised Cost
Business Environment Strengthening	51.8	49.2	101.0
Enterprise Competitiveness	38.9	-	38.9
Improving Access to Financial Services	5.0	10.0	15.0
Project Management	*	1.0	1.0
Total	**95.7**	**60.2**	**155.9**

*/ Project Management Cost was covered under Business Environment Strengthening

35. **Cancellation of Funds:** Unutilized amount of 1,450,040 was cancelled.

Rationale for Changes and Their Implication on the Original Theory of Change

36. The above restructurings did not have any major implications on the theory of change; in fact it provided more clarity in measuring the PDO because of the new and modified indicators for activities under AF, and additional time for more effective linkage in the results chain.

II. OUTCOME

A. RELEVANCE OF PDOs

Relevance of PDO is rated as Substantial.

37. The original PDO, to create sustainable conditions for enterprise creation and growth, was considered somewhat broad in relation to the actual focus of the operation, which was to strengthen the business environment in Tanzania, including land administration reform and improving access to financial services. The revised PDO reflected more precise targeting of outcomes for improved measurement and attribution under the revised design.

38. The original PDO to which the Project contributed was to achieve significant and sustainable economic growth in Tanzania (8-10 percent per year), which in turn would lead to sustained poverty reduction. The Project supported the Government in implementing a set of priorities in the area of private sector development with a particular focus on key reform challenges; weak business environment and poor governance; underdeveloped trade and transport facilitation systems and institutions; closed and overregulated domestic service sectors' low level of foreign direct investment; rigid factor markets; and barriers to regional integration.

39. The original PDO was fully aligned with the Government's national strategy of growth and poverty reduction as outlined in the National Vision 2025 and the MKUKUTA[8/]. It was also consistent with the goals outlined in the Africa Action Plan and sector work conducted in preparation for the then forthcoming Country Assistance Strategy (CAS). The Project aimed to contribute to increasing non-government sector GDP, along with manufacturing and trade as a percentage of GDP, non-traditional exports as a percentage of total exports, employment in industry as percentage of total employment, the gross capital formation, direct credit to the private sector, and regulatory quality and rule of law.

40. The restructured Project, under AF, was also fully consistent with the 2012-2015 CAS which promoted inclusive and sustainable private sector-led growth.

[8] The National Strategy for Growth and Reduction of Poverty, NSGRP – is better known in Tanzania by its Kiswahili acronym MKUKUTA, Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania

41. The objective, vis-à-vis the Project design, was realistic as it focused on the critical four areas that required improvement for the Government to achieve its ambitious growth targets, both before and after restructuring. These included the regulatory and legal framework, the financial sector, the capacity of the private sector and infrastructure. These broad areas were identified as a result of extensive consultation with the business community and analytical work carried out by the GoT and the Bank.

B. ACHIEVEMENT OF PDOs (EFFICACY)

Overall Achievements before Restructuring (July 2006 – December 2013):

42. In terms of its PDO to create sustainable conditions for enterprise creation and growth, the Project made significant achievements. All three Outcome indicators exceeded their targets as shown below:

(i) The number of formal enterprises increased from the baseline 50,000 to 98,202, exceeding the target of 75,000.

(ii) The value of titled land increased from \$1.2/square meter in 2007 to \$31/square meter, far exceeding the target of \$7.76/square meter; and the value of untitled land increased from \$0.08 square meter in 2007 to \$21/square meter exceeding the target of \$7.70/square meter.

(iii) Sales for firms supported under the Project increased from \$0.19 million to \$627.3 million exceeding the target of \$562.5 million; likewise asset for firms supported under the Project increased from \$57.08 million to \$122 million exceeding the target of \$70 million.

	PDO Indicators	Baseline	End Target	Actual	Status
1	Number of formal enterprises increased	50,000	75,000	98,202	Exceeded Target
2	Value of titled land compared to untitled increased (US\$/square meter)	N/A under original In 2007: Titled = 1.2 Un-titled = 0.08	Titled = 7.76 Un-titled = 7.60	Titled = 31 Un-titled = 21	Exceeded Target
3	Increase in sales and assets for firms supported under the Project (US\$)	N/A under original In 2007/2011: Sales = \$0.19 M Assets = \$57.08 M	Sales = \$562.5 M Assets = \$70 M	Sales = \$627.3 M Assets = \$122 M	Exceeded Target

Source: ISR #14

43. The support provided to the Business Environment Strengthening program resulted in:

a. The Business Registration and Licensing Authority (BRELA) was modernized, by introducing time-saving technologies, streamlining and simplification of the business registration procedures, reorganization of workflow process and integration with other agencies, thereby improving the efficiency of business regulations and spurring new business startups.

b. Progress made in initiating the land reforms agenda with four laws enacted - i. Land use Planning Act 2007, ii. Urban Planning Act 2007, iii. Unit Titles (Condominium) Act 2008; iv. Land Laws Miscellaneous Amendments Act No. 3 of 2009, and v. Land Valuation (Bill) 2010.;
c. Establishment of a geodetic network – This will support modern land surveys to be undertaken.
d. The Integrated Land Management Information System (ILMIS) and
e. Alternative resolution mechanisms for land disputes being established, thereby improving the efficiency of contract enforcement and facilitating business creation and entrepreneurship.

44. Regarding the Enterprise Development Program, all the activities were completed including the larger programs such as the Matching grant programs and the Cluster Competitiveness Program.

45. Activities under the Financial Sector Deepening Trust (FSDT) were also completed which led to the increase in access to financial services.

46. **The achievements of Intermediate Indicators before restructuring:**

47. Five intermediate outcome indicators either exceeded or fully achieved their targets. One target was not achieved. For example, the number of days to complete registration of a mortgage was reduced from 61 to 7; the number of days to resolve a dispute on overdue debt in courts was increased from 242 to 260 days against baseline of 242 days; the gross revenue was increased by 17 percent in the firms supported by the Project; the number of active loan accounts reached 380,177; the number of days to complete registration of a certificate of occupancy was brought down to 30 from 61; and finally the official cost to complete a disputes decreased by 40.4 percent. As shown below, four indicators exceeded the targets while two fully achieved their targets.

	Intermediate Indicators	**Status**
1	The number of days to complete registration of a mortgage was similarly reduced from 61 to 7, well in excess of the target of 20	Exceeded target
2	The number of days to resolve a dispute on overdue debt in court had a baseline of 242, whereas the target value (not specified in the PAD) was set at 365 days. Actuals achieved in 2012 were 260 days	Not Achieved
3	The increase in gross revenue among firms supported by the Project, at 17%, exceeded the target of 15%	Exceeded target
4	The number of active loan accounts – Microfinance had reached 380,177 against 250,000 targeted (152% higher)	Exceeded target
5	The number of days to complete registration of a certificate of occupancy - when the original indicator for the Project was introduced, it measured the days taken to register a certificate of occupancy excluding the first process to approve a land allocation. The AF indicator included this first process of approving a land allocation and was consistent with the method used by	Fully achieved

	Doing Business report. As a result, the number of days to complete registration of a certificate of occupancy was brought down from 61 to 30 against the target of 30	
6	The official cost (as percentage of debt) to complete a dispute on the overdue debt in court had a baseline of 35.3%, whereas the target was set at 39.0%. Actual value achieved was 40.4%	Fully achieved

48. As shown below, six indicators substantially (75% and above) achieved their targets, and five indicators were moderately (below 75%) achieved. One indicator was not measured. More specifically, the cost to formally start a business, expressed as a percentage of GNI, was reduced from 161 to 80; the number of days to start a business declined from 35 to 28; steps to formally start a business reduced from 13 to 9; the number of active SME loan accounts reached 26,698; the percentage of project supported institutions reporting on SME reached 85; the percentage of Project supported institutions reporting on microfinance reached 80; the number of active micro savings accounts reached 951,404; the percentage of Project supported institutions reporting on active micro savings accounts reached 75; the active micro-savings accounts held by women reached 42; and the percentage of Project supported institutions reporting on accounts held by women reached 80.

	Intermediate Indicators	**Status**
1	The cost to formally start a business – expressed as a percentage of GNI - was reduced from 161.30 to 80.00 over the period, against a target of 60.00	Substantially Achieved (80%)
2	The number of days to start a business declined from 35 to 28 against a target of 20	Moderately Achieved (71%)
3	Steps to formally start a business were reduced from 13 to 9, against a target of 7	Moderately Achieved (65%)
4	The number of active loan accounts SME reached 26,698 against 34,440 targeted	Substantially Achieved (78%)
5	Percentage of Project supported institutions that are reporting on this indicator (SME) was 85 against 100 targeted	Substantially Achieved (85%)
6	Percentage of Project supported institutions that are reporting on this indicator (microfinance) reached 80 against 100 targeted	Substantially Achieved (80%)
7	Number of active micro savings accounts had reached 951,404 against 1,396,000 targeted	Moderately Achieved (68%)
8	Percentage of Project supported institutions that are reporting on this indicator (active micro savings accounts) was 75 against 100 envisaged	Substantially Achieved (75%)
9	Percentage active micro-savings accounts held by women was 42 against 58 targeted	Moderately Achieved

		(72%)
10	Percentage of Project supported institutions that are reporting on this indicator (accounts held by women) was 80 against 100 targeted	Substantially Achieved (80%)
11	Rigidity of employment index	Not measured

Project Achievements after Restructuring:

49. The Project's developmental objective was changed from creating sustainable conditions for enterprise creation and growth, to strengthen the business environment in Tanzania, including land administration reform, and improve access to financial services. In this regard, four out of five outcome indicators were either met or exceeded their targets, i.e.:

	PDO Indicators	Baseline	End Target	Actual	Status
1	Number of new financial products for which the legal/regulatory framework is developed	0.00	2.00	25	Exceeded Target
2	Direct beneficiaries	0.00	35,000	170,000	Exceeded Target
3	Female beneficiaries	0.00	41	45	Exceeded Target
4	One Stop Shop (OSS) for business registration established and fully functional	N	Y	Y	Target Met
5	Number of days to complete the registration of a certificate of occupancy	77	40	67	Moderately Achieved

Source: ISR #24

50. **The achievements of Intermediate Indicators after restructuring:**

51. As shown below, eleven indicators either fully met or exceeded their targets:

	Intermediate Indicators	Baseline	End Target	Actual	Status
1	Cost to formally start a business reduced as % of GNI per capita	168.3	20.00	42.90	Exceeded Target
2	Establishment of a Customer Service Center at the Ministry of Lands	N	Y	Y	Target Met
3	Customer Service Center at the Ministry of Lands	N	Y	Y	Target Met
4	Number of established Ministry of Lands Zonal Office with functioning ILMIS	0	1	1	Target Met
5	Number of Legal Bills (related to land administration) drafted	0	2	6	Exceeded Target

6	ILMIS established	N	Y	Y	Target Met
7	Staff of PDB, MDU and MDA trained in private sector operations	N	Y	Y	Target Met
8	Completion of detailed plans for new NKRA's	N	Y	Y	Target Met
9	Tourism sector strategic report	0	1	1	Target Met
10	Creation of framework for Deposit Insurance	N	Y	Y	Target Met
11	Development of Financial reporting standard for micro finance institutions	N	Y	Y	Target Met

Source: ISR #24

52. As shown below, one indicator substantially achieved its target, two indicators moderately achieved the target, and one target was not met.

	Intermediate Indicators	Baseline	End Target	Actual	Status
1	Beneficiaries satisfied with access, service quality, responsiveness to needs etc.	0	100	55	Moderately Met
2	Days to formally start a business reduced	35	20	28	Moderately Met
3	Days reduced to complete registration of a mortgage	61	4	5	Substantially Met
4	PPP projects brought to market through	0	3	0	Not Met

53. Project achievements after restructuring are summarized as follows:

Component 1: Strengthening the Business Environment

<u>A: Land Administration Reform</u>:

54. **Infrastructure Interventions:**

(a) Computerization and streamlining of land administration services: The Project supported: (a) background studies and land records sorting and consolidation in readiness for design and implementation of a computerized ILMIS; (b) provided technical support to the preliminary design of the ILMIS and (c) prepared a strategy for rolling out ILMIS, once design is completed.

(b) Up-grading infrastructure for surveying and mapping – The Project overhauled the geodetic infrastructure by replacing the outdated colonial geodetic infrastructure with a modern Global Positioning System (GPS) based infrastructure for surveying that is faster and cheaper

55. **Legal and Regulatory Framework Interventions:**

(a) Development of a number of new laws and regulations for the following acts:

- *Land Use Planning Act 2007* - essential for efficient and sustainable use of land.

- *Unit Titles (Condominium) Act 2008* - essential to promote more efficient housing including apartments and condominiums.
- *Mortgage Financing Act 2008* - essential to promote collateral based lending.
- *Urban Planning Act 2007* - essential for sustainable use of land in urban areas, and *Operational Manual* with guidelines.
- *The Laws Miscellaneous Amendments Act No. 3 of 2009* (to extend the duration of residential licenses from 2 to 5 years) - essential to protect land rights for more than 200,000 untitled properties located in urban informal settlements.

(b) Undertook strengthening of dispute resolution mechanisms - Established 22 district housing and land tribunals, of which 12 were given office and operational facilities and supported a special program to reduce backlogs of land cases in key municipalities with the biggest case-loads including Dar es Salaam, Mbeya and Arusha.

56. **Work on New Approaches:**

(a) Decentralization of land administration and registration of village land – six zonal land offices covering the whole country were established, and approval authority of Land Commissioner and Directors of Registration and Surveying decentralized to that level; boundaries of 11,000 villages (out of about 12,000) were surveyed, of which more than 7,000 were registered in a national register, thereby empowering their authorities to plan, allocate and manage land; and a low cost and faster demarcation and registration approach (the so-called systematic approach that is a global best practice) was successfully worked upon to replace the traditional high cost registration on demand (sporadic approach that is about ten times more expensive) and more than 100,000 Certificates of Customary Rights of Occupancy (CCROs) issued.

(b) Land use planning in rural areas - Supported the preparation of the National Land Use Framework Plan and worked on a new land use planning model – 1,000 villages were covered with participatory land use planning.

Under the Additional Financing, the following were achieved:

57. **Infrastructural Interventions:**

a) The design, development and installation of ILMIS at the Ministry headquarters and the Coastal Zonal office in Dar es salaam was completed.
b) The conversion and migration of data was finalized.
c) Improvement of associated infrastructure and purchase of equipment was completed.
d) Capacity development and transfer of skills to ILMIS administrators/users was achieved.

58. **Surveys and Mapping:**

a) The aerial photography and producing multi-purpose large scale base maps for Dar es Salam and surrounding areas for ILMIS were completed.

59. **Strengthening of legal and Regulatory Framework:**

a) A review of the 1995 National Land Policy was completed.
b) A new National Land Policy was drafted and submitted to the Cabinet Secretariat (currently under review by Cabinet).

60. **Land Use Planning and Regularization of Tenure Rights in Urban Areas:**

a) This involved implementation of the first phase of 10-year Regularization Program (2013-22) with the aim of scaling up regularization in Dar es Salaam. The regularizing, surveying and registering the targeted 6,000 plots in Dar es Salaam was competed.

61. Notwithstanding the above achievements, a more in-depth review on land/planning, in terms of the impact and value for money is suggested. This could be taken up as part of further dialogue and engagement on this complex topic in the country.

B: Support to Business Registration and Licensing Reform

62. The Business Environment Blueprint was printed and shared with the general public for consultations, ultimately approved by Cabinet in May 2018. The objective of this intervention was to have clear, simple and affordable entry procedures, processes and costs for new companies. Activities geared towards clarifying, simplifying and reducing costs at point of entry for new companies into the formal business and reduce the number of entrepreneurs operating in the informal sector. Key achievements at the close of Project included the following: (i) digitization of BRELA's registries was completed - 88,700 files from company registry and 191,243 files from Business Names registry were scanned and indexed; (ii) a records management system was installed; (iii) online names search database for companies and business names was established on the BRELA web site; (iv) registration of companies now takes an average of three days and business names one day; (v) several business acts were amended or enacted to create a more conducive climate for doing business in Tanzania. Moreover, the Parliament approved amendments to the following acts: (a) Business Names (Registration) Act (Cap. 213), (b) Companies Act (Cap 212) of 2002, (c) Tanzania Trade Development Authority Act (Cap 155) and (d) Merchandise Act (Cap 85).

63. The main outcomes of the Business Registration and Licensing Reform may be summarized as follows: (i) Business Environment Blueprint (for regulatory licensing reform) was completed and approved by Cabinet in August 2018; (ii) Class A license for investors and their family members was issued by the Ministry of Industry and Trade (iii) the Ministry of Agriculture committed to slashing an estimated 80 fees, permit and levies including licenses that are affecting small scale farmer and private sector at large; (iv) the Government has removed the mandate of inspections by Health, Town and Land Officers as a prerequisite of obtaining Business Licenses.

Now health inspection and town planning for un-regulated businesses is done separately and outside the business licensing and registration procedures. Health and town planning requirements prior to issuance of a business license has been delinked. This means health officers and town planning are supposed to inspect business and make sure that all business abides to their mandated laws; (v) companies and business names data capture process has been completed and search for companies/business names are now available on BRELA's website[9/]; (vi) digitization was completed for the BRELA's registries; (vii) officials have accepted to issue TIN at BRELA; (viii) standard format for Memorandum and Articles of Association for incorporation of a company without recourse to lawyers is now available on BRELA's website; (ix) Direct Banking System (DBS) was set up where BRELA has opted to join other Government institutions to use electronic banking facility where customers will be able to pay fees directly to the designated banks (currently NMB and CRDB); (x) Insolvency Rules of the Company Act 2002 has been gazetted since February 2012 and are in use; (xi) one stop center has been set up for the issuance of building permit under one roof for fast tracking the processes; and (xii) single joint team established in the Local Government Authority (LGAs)' to deal with post construction inspection. The inspections after construction include: fire, health, LGAs occupancy permit; final inspection; and occupancy permit.

C: Support to Big Results Now

5. The Ministry of Tourism submitted the policy for tourism promotion, as a prerequisite for development of a national tourism strategy, both of which were prepared under the Project and disseminated for Parliamentary discussion for approval The Business Enabling Environment Support Program is providing additional support to the GoT to finalize the policy following stakeholder consultations.

Component 2: Improving Access in Financial Services

64. Our intervention focused on (i) strengthening the legal and regulatory framework, (ii) supporting deposit insurance, (iii) developing reporting standards for microfinance institutions (MFIs), (iv) addressing weaknesses in the collateral system, (v) developing standards for overseeing and supporting mobile financial services infrastructure, and (vi) supporting development of new products to expand access to finance.

65. *Tanzania Mercantile Exchange* (TMX) has been established as a company established under Public Private Partnership (PPP) between the Government, public institutions and the private sector. TMX was incorporated on 25th August 2014 under the Companies Act, 2002. The TMX is licensed by the Capital Markets and Securities Authority (CMSA) in accordance with the Commodity Exchanges Act 2015 and Commodity Exchanges Regulations, 2016. The TMX offices have been established and staff recruited. Commodity contract specifications have been prepared for the following crops: sesame seeds, sunflower, cashew nut**,** maize, pigeon peas, and cow peas. The Exchange would cut out middle men for trading crops, and this would result in

[9] Business names are available on the website (www.brela-tz.org/company.php).

more transparent business transactions in agriculture produces, thereby leading to more benefits for farmers.

66. *Development of Financial Markets.* Upgrade of the Dar es Salaam Automated Trading System and Central Depository Security system has been completed. The two systems were installed in 2006 and used outdated software that requires significant enhancement. The Dar es Salaam is also in the process of introducing new products in the capital markets such as Derivatives, Real Estate Investment Trusts, and Exchange Traded Fund etc.

67. **Beneficiary Survey:** Consultations with key beneficiary agencies were undertaken during beneficiary survey which provides strong evidence that the Project enabled important reforms that contributed to improved services needed for enterprise growth. The key findings are as follows:

Summary of Key Project Findings

- Several general operational business licenses were reviewed. The survey found dramatic increase in the number of business licenses and title deeds issued in every Local Government Authority (LGA) visited as a result of the reforms and enabling systems. On average, the number of business licenses increased by 50 percent annually, and dramatically by 123 percent from 2005 to 2017.

- Time to issue a license decreased from an average of 3 days in 2005 to 1.7 days in 2017, while revenue from business licenses increased by 53 percent from an average of Tsh 495 million to Tsh 756 million. Part of the reason includes significant reduction in time and procedures to start, register, and operate business as well as the establishment of BRELA which brought various positive changes to business registration. However, participation by rural enterprises is found to be relatively lower compared to urban enterprises.

- Land title service show even more dramatic growth in performance. The number of title deed increased by 190 percent from an average of 180 per year to 517, while the time to issue a title deed declined by nearly 90 percent from an average of 340 days in 2005 to 37 days in 2017. The survey also shows participation of women in land ownership has increased in both urban and rural areas. Further, in the surveyed LGAs revenue from land property increased seven folds from an average of Tsh 112 million in 2010 to Tsh 792 million in 2018, partly due to increased land titling.

- With regards to land, over 70 percent of the respondents in sample survey in both Households and firms reported that it is easier to acquire land in 2018 compared to the past 10 years. The main factor in the increased ease of acquiring land is: (i) decrease in price for getting a title (47.3 percent), (ii) increased awareness and knowledge (24.8%), (iii) lower time it takes to secure a title (11.3%), and (iv) low level of corruption (8.3%). In this regard, the level of satisfaction has also increased, with men showing higher levels of satisfaction (60%), while female (40%). Some remaining levels of dissatisfaction relates to perceived continued structural rigidities, including still high cost of acquiring land, delays and inadequate information and knowledge of the land reforms.

- The Project had significant impacts on improving business environment even as some of the interventions recently introduced to increase government revenues and promote domestic industries have had dampening effects on progress achieved over the past 10 years. However, with regard to above observation, rural enterprises consider business environment to be friendlier, while urban firms, where most of the investment is going and which have the highest potential to spur economic growth, still consider it to be complex and needing further reforms.
- Financial services have improved in terms of the range of financial institutions and other non- commercial banks, as well the range of services provided both in rural and urban areas leading to greater access to credit. In particular, the mobile money revolution explains the dramatic leapfrog in financial inclusion, from coverage of 11 percent to 57 percent within the project period. The main factor explaining the improvement is simplified operation procedures and use of electronic systems (including mobile phone services) that is accessible country-wide all the time.
- Despite improved access to financial services, the policy environment to increase lending to consumers and businesses remains challenging, with only 27 percent of the respondent firms and 21 percent of the Households surveyed receiving bank loans in the past year – mostly from commercial banks (77%) and Village Community Banks and Savings and Credit Cooperative Societies (11%). The main challenges cited by respondents include: high interest rates, lack of collateral and the high cost of procurement of Electronic Fiscal Devices (EFDs) machine for small businesses.

Efficacy Rating Before Restructuring (July 2006 – December 2013):

68. The pre-restructuring Project efficacy is rated ***Substantial***. All the three PDO indicators exceeded their targets (para 42). Regarding intermediate indicators, out of 19, seven were fully achieved, including five that exceeded the targets while an additional six indicators substantially achieved their targets, and five moderately. One indicator was not measured (the rigidity of employment index, as indicated in paras 47 and 48).

Efficacy Rating After Restructuring (December 2013 – July 2018):

69. The post-restructuring efficacy is rated ***Substantial.*** The implementation performance substantially improved after restructuring. For example, out of the five PDO indicators, one was partially achieved, one was fully achieved and three exceeded their targets (para 49). Regarding the intermediate indicators, out of 15 indicators, eleven fully met the targets, including nine that even exceeded their targets. Further, one indicator substantially achieved its target, and two indicators moderately achieved the target; only one target was not met (paras 51 and 52).

C. EFFICIENCY

Economic Analysis

70. An economic and financial analysis was carried out to estimate the economic rate of return of the overall Project and the specific components. Across the Project components, the Net

Present Value (NPV) is estimated at US$8.5 million at a 15 percent discount rate[10/] with an ERR of 19% for the twelve-year project period. Since the Project was extended several times, comparisons were not made to those conducted at Project design and AF given those analyses were conducted with different parameters.

71. The corresponding Benefit-to-Cost ratio for the project is 118%. Together with the positive NPV, this BCR over 100% denotes good value for money given that the discounted value of the impact on project beneficiaries (project benefits) exceeds the discounted value of project costs. For the soft components of the project, Annex 4 includes a further discussion on the literature underpinning the softer activities of the project. This literature provides strong support for these activities even if the direct benefits are difficult to quantify.

72. Component 1: Strengthening the Business Environment focused primarily on two areas, land administration reform and business registration reform.

73. For the land administration reform sub-component, the NPV was estimated to be US$4.6 million with an ERR of 24%. This estimate is based on the central assumption the process to register for a mortgage reduced from 61 days at the onset of the project to 5 days at closing.

74. The analysis of the business registration reform sub-component estimates the NPV to be US$1.9 million with an ERR of 19 percent. The central assumption for this estimate is that the cost of business registration was 168.3% of GNI per capita during Project design and has now reduced to 42.9% of GNI per capita.

75. Component 2: Enterprise Development Competitiveness, the component NPV and ERR was estimated to be US$19.8 million and 22%, respectively. This estimate is based on the increase in total gross sales across beneficiaries of this component (including the matching grant and firms trained under the Business Development Gateway and Business Linkage Programs).

76. Because of the TA and capacity building focus of Component 3 Access to Financial Services, a quantitative valuation was not calculated for this component. Economic literature does however draw strong linkages between access to finance reform and firm performance (Demirguc-Kunt and Klapper, 2012), with the number of financial instruments available to both lenders and borrowers contributing to a higher probability of personal and business investment (Besley, 1995).

Assessment of Efficiency and Rating

[10] Discount rate: Discussions on what discount rates should be used for Bank economic analyses vary widely especially given the low interest rates associated with IDA loans. However, to account for some of the risk and volatility (i.e. Beta) associated with investments in developing countries and taking into account the national inflation rate and opportunity cost as reflected in interest rates in the country, 15% was used for NPV analyses given both the low opportunity cost for Bank capital to be deployed elsewhere *and* the high risk associated with investments in sub-Saharan Africa.

The Efficiency is rated as Substantial

77. The Project was formally revised due to several reasons including: (i) Government's request for AF to address newly targeted priority weaknesses in key areas of Tanzania's business environment based on progress achieved and lessons learned from the original Project which was rated successful, and (ii) Revision of the Results Framework to make it more precise with measurable indicators during the design of the AF; thus introducing several new expected outcomes that laid a solid foundation for progressive improvement in the private sector business environment. For example, the AF enabled development of the ILMIS and its associated ILMIS software which greatly revolutionized the land administration system in Tanzania, scaling up substantially land registration and reducing the time to acquire the right of occupancy both in urban and rural areas.

78. External audit of the Project by the Controller and Auditor General consistently awarded "Unqualified" rating to the Project financial management; implying project implementation adhered to international financial management standards. Further details are summarized in Annex 4.

79. As shown by the positive NPV value (US$8.5 mm) in the economic analysis, the investments from the project demonstrate a substantial degree of efficiency in terms of their outcomes. The cross-component ERR of 19 percent further underscores this point, which includes the additional financing investments as part of the calculation. The additional financing investments supported further land administration and business environment reforms, both of which also demonstrate substantial efficiency with ERRs of 24 and 19 percent, respectively, including both the original project and additional financing investments.

80. The economic analysis calculations have incorporated the full project period for each of the components across the 12.5 years, thereby accounting for the time value of money over the full period of implementation. While some of this extended time period is due to delays, this project length was also due to additional financing; the valuation calculations for the economic analysis have incorporated the extended time period required for the impact quantified in the ERR above. As such, this time period has been fully factored into both the economic analysis and overall efficiency rating.

D. JUSTIFICATION OF OVERALL OUTCOME RATING

81. ***The overall outcome rating is considered Moderately Satisfactory.*** To arrive at the overall Outcome rating, the ICR has used the share of actual Credit disbursements made before and after restructuring, and weighed in the separate outcome ratings. As a result, the rating is based on: (i) Substantial rating for PDO Relevance before and after restructuring; and (ii) Substantial rating for Efficacy before and after restructuring. The overall Efficiency for the Project is rated as Substantial. See Annex 7 (Split Rating calculation).

E. OTHER OUTCOMES AND IMPACTS (IF ANY)

Gender

82. The sub-component "Business Development Gateway (BDG)", under Enterprise Development component, was designed to strengthen entrepreneurial culture by providing entrepreneurs with business ideas and start-up firms with a small risk grant, which enabled them to start or upgrade their businesses. The program particularly supported women in business to: (i) attract ideas and innovations from young graduates from university and technical schools; (ii) encourage spin-offs and specialization; (iii) encourage formalization and business expansion of small business; (iv) enable small or young entrepreneurs' access to a mentoring and professional network; (v) improve their track record and visibility; and (vi) create local successful role models for young Tanzanians.

83. Tanzania Revenue Authority worked with the BRELA to simplify procedures for starting companies as a result of which, more women are establishing business enterprises. Further, the investments made under the Project in digitalization and online facilities has made it possible for women to register their enterprises without leaving their family responsibilities to undertake costly, risky and cumbersome travel to Dar es Salaam, as had been required in the past.

84. The Project's support to development of a new national tourism strategy accentuated the priority issues to strengthen gender parity and empowerment, and recommended specific activities aimed at women to help them get employment and start tourism-related enterprises. Tourism sector offers vast opportunities for growth in services and products from businesses owned and managed by women entrepreneurs.

85. To underscore the gender parity and empowerment agenda, beneficiary surveys (para 56) provided evidence that gender differences in accessing and improvement of various services were insignificant, and where existed, tended to fade away overtime. For instance, 84 percent of households reported no gender bias in owning land, while 93 percent reported such differences to have substantially decreased compared to the past 10 years. It was also reported that, there was no bias in obtaining land title, as reported by 87 percent of respondents. Indeed, 91 percent of respondents reported that procedures for owning land and getting title apply equally between men and women. Similarly, most households (92%) and firms (79.2%) report that there was no bias in registering business between men and women, neither in accessing loans from financial institutions (89%).

Institutional Strengthening

86. The Project contributed substantially in building the institutional capacity of various agencies within the public sector. Institutional strengthening was provided mainly in two areas: (i) change in the institutional know-how, efficiency and increased capacity in meeting the mandate of the Prime Minister's office (PMO); the Ministry of Finance and Planning; and the Ministry of lands; and (ii) overall policy and legal strengthening.

Change in the institutional know-how, efficiency and increased capacity in meeting with the ministry's mandate:

- The Ministry of Lands has successfully gained exposure and experience in managing donor-funded project – the Project was initially fully managed by the PMO but the responsibility was passed on gradually to the Ministry of Lands (for procurement, financial management, M&E and reporting purposes); in addition, the Ministry of Lands took on other donor projects including Land Tenure Support Project funded by a consortium of donors led by DFID and the United States Agency for International Development-funded Land TA Project;

- The capacity was increased in the ability to hire, supervise and approve work carried out by the private sector, notably of private surveyors, valuers and physical planners in the urban land management and administration; and also management of consortium of firms that are implementing ILMIS;

- Modernization of infrastructure and systems are managed more efficiently, notably (i) development of a geodetic reference framework and its densification with continuously operating reference stations that have reduced costs and time taken to complete land surveying; and (ii) ILMIS that reduces time and cost to undertake land transactions;

- Re-engineering of workflows and business processes as part of the system and process reforms driven by ILMIS; and

- Moving from a manual-based work environment towards a paper-less work environment.

Policy and legal strengthening: The four main policy/strategy undertakings included:

- Preparation and processing of the revised National Land Policy[11/]

- The Second 10-year Sector Plan for the Implementation of Land Laws

- Support to a number of land-related laws and bills including:

    - Land Use Planning Act 2007
    - Urban Planning Act 2007
    - Unit Titles (Condominium) Act 2008
    - Mortgage Financing Act 2008
    - Miscellaneous Amendments in Act No. 3 of 2009 and
    - Land Valuation Act 2010

[11] In the final stages of consideration for approval by the cabinet

- Support in the preparation of Issue Papers and drafting bills for the following laws:
    - Land Acquisition and Compensation Bill;
    - Real Estate Agents Bill; and
    - Legal instruments to support implementation of computerized land transactions.

Tanzania Mercantile Exchange: See Section II (b)

Development of Institutional Capacity to conduct effective evidence-based Public-Private Dialogue and Advocacy.

The Project contributed to developing the capacity of Tanzania Private Sector Foundation (TPSF). When the Project started in 2006, TPSF was a small organization with just five employees. By the end of the Project the staff strength increased 22 employees in procurement, financial management, M&E. TPSF has now grown to be an influential and credible organization for policy advocacy, and is able to advocate for conducive business environment, even to raise finance on its own.

Mobilizing Private Sector Financing

87. Not applicable

Poverty Reduction and Shared Prosperity

88. While a poverty/impact assessment is yet to be carried out, the Project is likely to generate benefits for a much larger number of MSMEs, with wider implications for private sector growth, job creation, and poverty reduction. This was obvious as the Project has contributed to the implementation of the Government's growth and MSME strategies in three focus areas: (a) business environment improvements, (b) private sector capacity building, including access to business services and business linkages, and (c) access to financial services in particular for MSMEs. The Project has addressed both supply and demand issues constraining the MSME sector with an expected positive impact on the overall growth of the private sector, employment, and reduction in poverty.

89. Commodity Exchange is working with banks which can give loans to farmers and help them expand their agricultural activities. In addition, the arrangement by agricultural cooperatives to buy, store, and trade farm produces, is expected to reduce the influence of middle men exploiting farmers and this would lead to farmers earning more revenue.

90. New tourism strategy has addressed poverty alleviation through product diversification such as cultural tourism. Under this program, local communities are expected to showcase their cultural aspects and promote tourism and this, in turn, would create jobs in the sector. For example, tourists can be taken to coffee estates to show how to make coffee powder.

Other Unintended Outcomes and Impacts

91. The Project outputs led to supporting other projects in Tanzania's economy with significant payoffs including:

1. The use of large-scale base maps, produced under the Project, for mapping of several dams for hydropower and irrigation for agriculture.

2. The use of Project's nation-wide horizontal geodetic reference framework and its densification with Continuously Operating Reference Stations (CORS) that has enabled undertaking of uniform, more accurate and cost-effective multi-purpose surveys for national projects including new airport in Dar-es-Salaam, standard gauge railway; oil pipeline; and highways

3. The use of Project's nation-wide gravity and height measurement system that enables more accurate measurement of heights and depth that support efficient exploitation of under-surface and under water resources including: Underground mineral exploitation and development; Hydrographic surveying and exploitation of underwater minerals and water resources; and more accurate predictions and assessment of earth movements and earth quakes; their potential and actual damages; and measures to minimize them.

92. The project was instrumental in creating a huge demand for trading stocks and shares through mobile phone. Currently people in rural areas are trading shares through mobile phone on a real time basis.

93. The University Challenge program conducted by the TMX has generated a huge enthusiasm among university students on capital markets. This program has created an awareness on how capital markets function, how to form enterprises, and access capital. For example, at the beginning it was expected that 2000 university students would be participating in the first phase of the program, but more than 7000 students turned up.

III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

A. KEY FACTORS DURING PREPARATION

94. In the context of weak public sector governance, the Project preparation team recognized the implementation challenges[12/] and prepared the design with sound background analysis and comprehensive assessment of the Government's commitment. Lessons learned from similar operations in other jurisdictions were also considered to assess potential risks and mitigation measures.

[12] Weak business environment and poor governance; underdeveloped trade and transport facilitation systems and institutions; closed and overregulated domestic service sectors' low level of foreign direct investment; rigid factor markets; and barriers to regional integration.

Lessons Learned during Project preparation and reflected in the Design:

95. More specifically, the Project drew on the studies carried out by the Bank and the Government during preparation, including a Country Economic Memorandum on Growth, Diagnostic and Trade Integration Study, Investment Climate Assessment, Cost of Doing Business Survey, and value chain analysis of four subsectors. The lessons reflected were drawn from the public-private consultation process and the Investor Round Table. Key lessons included:

(i) Public-private partnership: The importance of building an effective public-private dialogue is a key area in the Africa Region's private sector strategy, because experience has demonstrated the difficulties in implementing change without ownership by the public and private sector. The Project design drew on this lesson and made the private-public interface a central feature of the Project.

(ii) Building strong public-private sector dialogue: An important element to successful private-public dialogue is the ability of the private sector to debate, research, and present issues to the public sector. The Project included capacity building for the Tanzania Private Sector Foundation to enable the apex body to develop clear policy positions and solutions.

(iii) Integrated approach: A principal conclusion of reviews of the past MSME projects highlighted the need for an integrated package of interventions such as access to financial services, business development services, and improvements in the business environment for MSMEs that can address interrelated constraints. This Project was built on these three complementary pillars.

(iv) Matching grant program: Based on the lessons of matching grant schemes in Africa and elsewhere, the demand-driven approach was designed with attention to achieving a suitable balance between incentives for potential demand to come forward and sufficient co-payment to ensure adequate willingness to pay when assistance was removed. The design of the matching grant component specifically took into account lessons learned from the first-generation matching grant schemes, including: (i) lack of institution and financial sustainability; (ii) insufficient ownership and involvement of stakeholders; (iii) insufficient independence of the grant management and risk of capture by special interests; and (iv) inadequacies in M&E capacity.

(v) Specialized financial products: There was a growing body of experience in providing small business loans profitably-either through microfinance institutions entering the market or through commercial bank downscaling. The critical factors underlying these success stories often have less to do with the injection of new liquidity and more to do with the application of new technology, the introduction of new corporate incentives, the development of new staff skill sets, and the provision of institutional support to staff responsible for MSME lending portfolios. This Project paid particular attention to these capacity-building considerations.

(vi) Land Reform: The Bank has assisted many land reform and administration projects since the formulation of its Land Reform Policy Paper in 1975. Significant lessons were drawn from the Bank's experience with these projects including (i) building on a comprehensive multi-tenure approach to land policy and institutional development; (ii) applying community and participatory approaches to land titling; and (iii) emphasizing sustainable systems for land transactions as much as the building of land registration systems.

96. **Risks and Risk Mitigation Measures:** During Project preparation, the Bank task team carried out extensive risk analysis and identified critical risks and risk mitigation measures. Risks of Project implementation had been identified in the AF Restructuring Paper as Substantial. Of particular concern was the coordination and governance challenges likely to arise on account of the existence of multiple beneficiary agencies, many of which had insufficient ownership of their components and followed their own bureaucratic procedures. The mitigation measures proposed were considered effective and realistic. Overall, the Project risk was rated medium likelihood and high impact at both preparation and implementation stage.

97. **Adequacy of Government commitment**: The Government demonstrated ownership and strong commitment in developing conditions for enterprise creation and growth by developing major strategic frameworks, including the National Vision 2025, the MKUKUTA, the Tanzania Mini-Tiger Plan; the SME policy and the Trade Policy, all of which reflected Government's commitment to policy change to a private sector-driven economy. The Government involved all key institutions relevant to the success of investment climate reforms, together with private sector, in the process of developing each component of the program, which helped ensure ownership of the program and sustainability of the reforms introduced. As mentioned earlier, the Government installed a Better Regulation Unit to work with the TPSF in ensuring implementation of policy changes and institutional reform to reduce the cost of doing business and enable stronger private sector participation. In addition, the Government benchmarked all institutions against international standards to be better able to identify actions for change and improvements on an ongoing basis.

B. KEY FACTORS DURING IMPLEMENTATION

98. Notwithstanding achievements, the Project faced a number of challenges including:

Coordination issues

(i) In the aftermath of new Government taking office shortly after the Project was approved in 2005, delays were experienced as the President's Office Planning and Privatization was converted into a fully functional Ministry of Planning Economy and Empowerment.

(ii) Although the Public-Private Partnership (PPP) component was designed, by agreement with the Government, to be implemented through the Prime Minister's office, following amendments to PPP legislation and establishment of a PPP Unit at the Ministry of Finance, the PMO was not able to disburse funds because there were no approved activities presented to it from the PPP Unit, which was impacted by intra-governmental politics, this impeding performance of this component.

(iii) While Government support at top leadership levels appeared strong, many problems existed at intermediate levels - including issues arising from lack of coordination. For instance, despite allocation of priority by the Prime Minister's Office, lack of cooperation from the BRELA, was reported/ to have been a factor making implementation of the business registration reforms component particularly challenging.

Capacity issues

(iv) Despite the fact that the Bank's procurement procedures were similar to those of the National Procurement processes, developing the Government's procurement capacity was a major challenge, for virtually all Bank operations including this Project, irrespective of some sentiments that the Bank's procedures were mainly to blame for slow implementation.

(v) By the end of November 2015, the original closing date of the AF, disbursements had reached only $25 million (46%). This relatively poor performance was on account of a four-month delay in effectiveness of the AF, compounded by significant delays experienced in the Government procurement system, especially affecting the procurement of the largest single cost component, ILMIS, which was crucial to the land administration reforms sub-component. As a consequence the AF had to be extended to May 30, 2017.

(vi) The Project suffered from considerable delays in the implementation of the ILMIS due to limited procurement capacity and long and parallel procedures on the client side. Specifically, both the beneficiary Ministry of Lands as well as the PIU (under the PMO) were applying their own respective (and different) procurement procedures on the same bid. In April 2016 the new Government produced a legislation outlining each Ministry's assignments, functions and responsibilities. This realignment of the new government process revealed discrepancies in the conflicting use of two different procurement procedures. Meanwhile, after 12 months of preparation, the ILMIS contract was awarded. However, the implementation of this contract was to exceed the remaining implementation period which was ending in May 2017.

(vii) Progress during the first half of 2016 was as slow, especially with regard to the sub-objective of land administration reforms, under the Strengthening Business Environment component. Although the Bank had cleared the ILMIS bid documents to be advertised on February 1, 2015, it took the Government eleven months to submit its bid evaluation report on January 5, 2016. The contract was issued on January 25, following which the Government requested a further extension of the Project to end-July 2018, in order to complete implementation of the ILMIS.

Portfolio-wide externalities

(viii) The Project team stopped all funding to the judiciary/commercial justice sectors due to impropriety in the procurement process where several complaints were registered causing unnecessary delays. The Project was able to resume funding for these components only after complaints were addressed.

(ix) Since Tanzania had some lapsed loans affecting performance of the Bank country lending portfolio, the Project was unable to make a lump sum Initial Deposit to the Designated Account under the AF. This also had an impact on the disbursement levels in the first few months after Effectiveness.

(x) There were periods of lagging political leadership of BEST reforms, especially when beset by intragovernmental political transitions, due in part to the multiple ministries involved (no champion). Implementation was also hindered by systemic governance problems that were portfolio-wide.

IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

A. QUALITY OF MONITORING AND EVALUATION (M&E)

M&E Design: The original Project's Results Framework was prepared as per the Bank's guidelines to ensure activities undertaken contributed to achieving the PDO. However, in retrospect there were weaknesses in the M&E design in terms of specificity of outcomes and measurable indicators. For example, the second and the third PDO indicators did not originally include a target value, but merely focused on 'increase the value of the titled land relative to untitled land' and 'increase the growth of sales and assets of beneficiary firms'. Also, the absence of baseline values of these two indicators made it challenging to adequately measure the outcome. There were also inconsistencies in the M&E indicators used in the Implementation Status Reports (ISRs) and those presented in the PAD. However, during restructuring exercise (December 2013) the PDO was revised and results framework improved. Three PDO indicators were replaced with new ones, while two were retained. Among the intermediate indicators, ten from the original framework were dropped, three were retained, and four new added. The revised M&E design also included new indicators to monitor deepening of financial sector and the involvement of women as Project beneficiaries.

M&E Implementation: The Project was subject to on average, two implementation support/supervision missions[13/] that monitored progress and provided extensive support. The progress and the guidance were recorded in the Implementation Status Reports and the Aide-Memoires. Standard formats, guidelines for data collection as well as preparation and submission of monitoring reports to the Project Coordination Committee were established. The task team regularly collected data, updated current progress against the baseline, and highlighted issues for the Bank management's attention

M&E Utilization: Appropriate data collected from the progress reports was evaluated and used to inform decision-makers on the status and activities that needed attention. Based on the various aide memoire and project reports, progress on the Project M&E was considered Modest, partly because of the large number of activities, the extensive coordination required to ensure effective and efficient implementation of the many implementing agencies and the inadequate number of project administration, management and M&E staff at the PMO and later at the Ministry of Lands responsible for M&E.

[13] Details in Annex 6.

Justification of Overall Rating of Quality of M&E

99. ***The overall quality of M&E is considered Modest.*** Given the identified weaknesses in the M&E design at the start of the project, the overall assessment of the M&E is considered modest. As discussed earlier, it was difficult to adequately measure outcomes due to the lack of baseline values and measurable target values for some the indicators. For instance, an in-depth assessment of the impact, effectiveness and value for money of the land component would not be backed by data or the indicators in the results framework.

B. ENVIRONMENTAL, SOCIAL, AND FIDUCIARY COMPLIANCE

100. ***Environmental and Social Safeguards Compliance***: The Project was classified under category C, as it did not involve any activities that impacted environmental or social safeguards.

101. ***Fiduciary Compliance***: The Project complied with all fiduciary requirements during implementation. Internal control arrangements were in place and adequate financial management, procurement, and disbursement systems were maintained.

102. ***Financial Management***: A final financial management (FM) review was conducted for the period covering October 2017 through July 2018 and included assessment of the adequacy of FM arrangements, namely: budgeting, accounting, internal controls, funds flows, financial reporting and auditing. The review highlighted the following main points: (i) long outstanding staff imprests were retired; (ii) the Tsh 50,000,000 advance borrowed by the PMO in August 2015 for procurement of jet fuel for the government plane had been refunded; (iii) Internal Audit review had been completed and (iv) Imprests advanced to staff on 21 October 2015 for a training that was to be held in Dubai but cancelled amounting to $61,241 had been refunded. However, only two out of 16 recommendations made by the Controller and Auditor General for the 2015/2016 audit were partially implemented. Also five observations made by the internal auditors remained outstanding as of close of the Project. Based on the final FM review the rating is considered Moderately Satisfactory.

103. **Procurement:** Overall the assessment of procurement is considered moderately satisfactory. Delays in processing procurement can be attributed to insufficient procurement training which resulted in inadequate preparation of bidding documents, procurement specifications, requests for proposals, terms of reference and evaluations, and adjudicating and approving procurement transactions. Delays were encountered especially under the ILMIS sub-component, because of limited procurement capacity on the government side, compounded by long and parallel procedures by the Ministry of Lands and the Implementing Agency. It appeared that both the Ministry and the PIU, located in the Prime Minister’s Office, were applying their own procurement procedures for the same bid resulting in some delays.

C. BANK PERFORMANCE

Quality at Entry

104. The overall quality of the Bank's performance in ensuring quality at entry was **Moderately Satisfactory**. During preparation, the Bank considered relevant aspects of the project, including technical, financial, economic, institutional, and procurement. Major risk factors and lessons learned from earlier projects were incorporated into the design. The Project was well grounded on the realities of Tanzania and its problems in the micro and small and medium enterprise finance sectors. However, there were some inconsistencies in the original results framework i.e. the indicators used in the PAD and those in the ISR. This resulted in revising some indicators that were more realistic to monitor the financial sector.

105. An experienced and committed task team was constituted to provide technical support to the Project. This was critically important, given the challenging business environment

Quality of Supervision

106. The quality of supervision is considered **Moderately Satisfactory**. From identification to around 13 years of implementation, three TTLs were changed. The Bank's full team included the TTL, technical experts, financial management and procurement specialists, and consultants who consistently engaged closely with the counterparts, particularly with the BEST Steering Committee. The task team responded appropriately and timely to all reasonable requests of the GoT. An important intervention apart from the design of AF was related to addressing procurement challenges where the Bank and the PMO implementing unit made provisions to increase the implementation, procurement capacity and disbursements, mostly through streamlining and coordination of procurement functions between participating Ministries, and Departments and Agencies (MDA).

107. The MDAs including Ministry of Lands Housing and Human Settlements Development, Ministry of Finance and Planning, Ministry of Industry Trade and Investment and the Bank of Tanzania, were accorded the function of handling all procurement processes where they would send procurement packages for approval by to the relevant Permanent Secretary for Ministries (or heads of agencies) to the Permanent Secretary, This considerably improved overall implementation of Project activities. The Bank's technical and fiduciary teams also provided regular support to focus on maximizing the Project's development impact, which resulted in adjustments, including Project restructurings and extending the closing dates. With the inclusion of revised indicators, the Project team utilized adequate resources, including technical experts with sectoral expertise. The task team conducted regular supervision missions, on average twice a year, to take stock of progress. The ISRs were candid, detailed, and well targeted to outline important events, and formulating clear and complete picture. The supervision team also produced clear and detailed aide-memoires.

Justification of Overall Rating of Bank Performance

Rating: **Moderately Satisfactory**

108. Based on the Moderately Satisfactory ratings for both the Quality at Entry and Quality of Supervision the overall rating of the Bank's Performance is considered Moderately Satisfactory. Halfway into the implementation, the overall pace of the key activities remained behind schedule in achieving the PDO. Also, Tanzania had some lapsed loans because of which the Project was unable to make a lump sum Initial Deposit to the Designated Account under the AF which had an impact on the disbursement levels in the first few months after Effectiveness. The Project team also stopped all funding to the judiciary/commercial justice sectors due to impropriety in the procurement process where several complaints were registered resulting in delays. Developing procurement capacity remained a major challenge that affected the implementation of the Project.

D. RISK TO DEVELOPMENT OUTCOME

109. There has been a significant level of uncertainty in the overall policy environment for the private sector in Tanzania. Recent legislative changes in mining and PPPs have sent negative signals to foreign investors. Aggressive tax collection efforts, abrupt policy changes, and introduction of certain policy measures to strengthen state controls over the private sector activities have led to erosion of business confidence and deceleration of growth in the country. National public-private dialogue processes, such as Tanzania National Business Council (TNBC), have yet to be reinvigorated. Business environment reforms remain slow, reflected in the weak performance of Tanzania under the Doing Business indicators with the latest ranking of Tanzania being 144 (DB 2019), down from 137 in the previous DB report.

110. Despite the current uncertainty in policy environment toward the private sector, the Government is committed to the implementation of the Blueprint and other business environment reform plans of the Government through the Comprehensive Action Plan, led by the Prime Minister's Office. The Government's commitment for business environment reforms is being supported by a IFC trust funded program in business environment. Further, the Government of Canada is supporting the IFC's business environment program.

111. For specific areas of land management, financial sector, and business registration, the following achievements of the project are likely to be sustained:

- As mentioned earlier, sufficient institutional capacity has been developed in the Ministry of Finance, Ministry of Land, and various agencies within the public sector, which will help sustain the results from this Project.

- Tanzania Mercantile Exchange, established as a company under PPP between the Government, public institutions and the private sector, is functioning well and is expected to continue its momentum. Likewise, Dar es Salaam Automated Trading System and Central Depository Security system have been modernized and their sustainability appear to be on firm grounds.

- The design, development and installation of ILMIS at the Ministry headquarters and the Coastal Zonal office in Dar es salaam have been completed; the conversion and migration of data has been finalized; improvement of associated infrastructure and purchase of equipment was completed' and capacity development and transfer of skills to ILMIS administrators/users has been achieved. These achievements are likely to stay.

- Digitization of BRELA's registries has been completed; records management system has been installed; (iii) online names search database for companies and business names was established on the BRELA web site; several business acts were amended or enacted to create a more conducive climate for doing business in Tanzania. Moreover, the Parliament has approved amendments to several acts for business promotion. These achievements are sustainable.

112. On the other hand, the government will need to update technology in order to keep pace with the developments in ILMIS and other Information and Communication Technology infrastructure[14/]. In addition, the government will need to provide adequate resources for conducting training programs.

113. In light of the above factors, the risk to development outcome is rated as Substantial.

V. LESSONS AND RECOMMENDATIONS

114. The Project offers several important lessons, some specific to Tanzania and others that
are broader and generally applicable. These are summarized as below:

(i) ***Efficient sequencing of reforms*****:** It is beneficial to sequence sector reforms even within a project framework, and to use piloting as an approach to prepare for later implementation of other sector activities. The Project chose to focus on the policy and institutional reforms while developing first phases of infrastructure (CORS) and ILMIS, and piloting of systematic/mass registration of land in rural and urban areas.

(ii) ***Adequate project design, preparation and implementation****:* (a) adequate planning is necessary during project preparation to avoid delays. The construction design of buildings on average takes around six months, while the selection of a contractor takes about the same time. It is recommended to design the infrastructure at project preparation, so that implementation can start as soon as the project is approved; (b) Due to lack of consultations during the design phase, implementation of various sub-components may occur at different pace. Keeping this in mind, close consultations need to take place with the key stakeholders to ensure implementation starts at an accelerated pace and all sub-components move quickly and efficiently; (c) the capacity of the implementing staff needs to be improved especially when multiple agencies are involved; (d)

[14] A larger $75 million Bank-funded project on land reforms is currently under preparation and is expected to be effective around January 2019. This project would scale up and help sustain the outcomes achieved thus far in the land sector.

for projects involving multiple implementing agencies (IAs), procurement function should be centralized in one IA. Each IA should be mandated to undertaking procurement activities to avoid delays and blaming games. In addition, sustainable procurement capacity should be built in the IAs at earlier stage of the project. Client's User Departments should also be aware on the Bank's procurement procedures and their roles in the procurement cycle especially preparation of Specifications and Terms of References (ToRS); and finally, (e) high number of indicators should be avoided as this creates more complexity for the client and is burdensome for the M&E specialist.

(iii) ***For the success of a project, it is important to identify a champion early on****:* The champion will need to have an overall coordinating responsibility, especially for a project which has a land reforms component, as land is a cross cutting sector which affects all sectors of the economy. Securing the support and commitment from the executive, the Minister of Lands, and the Permanent Secretary is also very important. Issues of land tend to be highly emotional and sensitive in Tanzania. The endorsement and buy-in of the executive branch of government is therefore critical in raising awareness and mobilizing support. The biggest proportion of land is in the rural area, which is home to the majority of the population, and is the biggest source of electoral votes for the ruling government. Historically, this has made political administrations wary of undertaking serious land reforms, for fear of aggravating the population and losing electoral support.

(iv) *South-**South Cooperation and peer to peer learning are effective means of knowledge exchange and transfer**:* The Project effectively used these means with its counterpart project in Uganda: Competitiveness and Enterprise Development Project. In particular, the GoT developed its own ILMIS from Uganda's Land Information System which resulted in a strong learning relationship of cooperation between the two countries.

ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS

- **RESULTS INDICATORS**

A.1 PDO Indicators

Objective/Outcome: To create sustainable conditions for enterprise creation and growth.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of days to complete the registration of a certificate of occupancy	Days	77.00 30-Jun-2006	67.00 06-Oct-2017	40.00 31-Jul-2018	67.00 25-Jul-2018

Comments (achievements against targets): Not achieved. Please note the Integrated Land Management Information System (ILMIS) has just been established and its now operational. This target will be now achieved with ILMIS.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of new financial products for which the legal/regulatory framework is developed	Number	0.00 30-Jun-2013	2.00 06-Oct-2017	2.00 31-Jul-2018	25.00 25-Jul-2018

Comments (achievements against targets): Target achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
One Stop Shop (OSS) for business registration established and fully functional	Yes/No	Y 30-Jun-2011	Y 06-Oct-2017	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets): Achieved. One Stop Shop (OSS) for business registration established and fully functional

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Direct project beneficiaries	Number	0.00 30-Jun-2013	170000.00 25-Jul-2018	35000.00 31-Jul-2018	170000.00 25-Jul-2018
Female beneficiaries	Percentage	0.00 30-Jun-2013	41.00 25-Jul-2018	41.00 31-Jul-2018	45.00 25-Jul-2018

Comments (achievements against targets): Achieved.

A.2 Intermediate Results Indicators

Component: Strengthening Business Environment

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Cost to formally start a business reduced as % of gross national income (GNI per capita)	Percentage	168.30 30-Jun-2018	20.00 31-Jul-2018	20.00 31-Jul-2018	42.90 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Establishment of an Operational National Land Information Center to host ILMIS	Yes/No	N 30-May-2016	Y 31-Jul-2018	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Establishment of a Customer Service Center at the Ministry of Lands	Yes/No	N 30-Jun-2006	Y 31-Jul-2018	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Number of established Ministry of Lands Zonal Office with functioning ILMIS	Number	0.00 30-May-2016	1.00 06-Oct-2017	1.00 31-Jul-2018	1.00 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of Legal Bills (related to land administration) drafted	Number	0.00 30-May-2016	2.00 25-Jul-2018	2.00 31-Jul-2018	6.00 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Integrated Land Management Information System established (ILMIS)	Yes/No	N 30-May-2016	Y 25-Jul-2018	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of days to formally	Days	35.00	28.00	20.00	28.00

start a business reduced		30-Jun-2016	06-Oct-2017	31-Jul-2018	25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Number of days to complete the registration of a mortgage reduced	Days	61.00 30-Jun-2016	4.00 06-Oct-2017	4.00 31-Jul-2018	5.00 25-Jul-2018

Comments (achievements against targets): Achieved

Unlinked Indicators

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Percentage of Beneficiaries satisfied with[specified dimensions e.g access, quality of services, responsiveness to needs, quality of facilities]	Percentage	0.00 30-Jun-2011	100.00 06-Oct-2017	100.00 31-Jul-2018	55.00 25-Jul-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised	Actual Achieved at Completion

				Target	
Staff of PDB, MDU and MDA appropriately trained in private sector operations	Yes/No	N 30-Jun-2016	Y 06-Oct-2017	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Completion of detailed plans for new NKRA's	Yes/No	N 30-Jun-2016	Y 06-Oct-2017	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
PPP projects brought to market through competitive procurement	Number	0.00 01-Jun-2015	3.00 06-Oct-2017	3.00 31-Jul-2018	0.00 25-Jul-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion

Tourism sector strategic report	Number	0.00 01-Feb-2015	1.00 06-Oct-2017	1.00 31-Jul-2018	1.00 25-Jul-2018

Comments (achievements against targets): Achieved

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Creation for the frame work for Deposit Insurance	Yes/No	N 01-Feb-2015	Y 06-Oct-2017	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets):

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
Development of Financial reporting standard for micro finance institutions	Yes/No	N 01-Jan-2015	Y 06-Oct-2017	Y 31-Jul-2018	Y 25-Jul-2018

Comments (achievements against targets):

A. KEY OUTPUTS BY COMPONENT

A. Key outputs under original Private Sector Competitiveness Project

Component 1: Business Environment Strengthening

- Integrated Land Management Information System established
- Alternative resolutions for land disputes established
- Business registration reform; land reform; commercial law and justice; and labor law reform introduced
- Geodetic infrastructure established
- Village titling process improved
- Tanzania Investment Center strengthened
- National Individual Identification Database established
- MSME Policy Unit in the Ministry of Trade and Industry and a Growth Unit in the President's Office Planning and Privatization established

Component 2: Enhancing Enterprise Competitiveness

- All the activities were completed including the larger programs such as the Matching grant programs and the Cluster Competitiveness Program
- Tanzania Private Sector Foundation continued to provided services on advocacy activities
- Financial sustainability analysis was carried out

Component 3: Improving Access to Financial Services

- Access to financial services increased
- BEST Zanzibar supported efforts to strengthen regulatory environment for businesses in Zanzibar: i.e.: steps reduced to formally start a business; number of days reduced to formally start a business; and number of days reduced to complete mortgage registration

B. Key outputs under Additional Financing

Component 1: Strengthening Business Environment

Land Administration Reform

- ILMIS developed
- Work at Kinondoni district headquarters finalized
- Migration data conversion completed and a associated infrastructure and equipment completed

Surveys and Mapping

- Aerial photography completed
- Multi-purpose large scale base maps for Dar es Salaam and surrounding areas completed

Review of the 1995 National Land Policy

- National Land Policy drafted and submitted to the Cabinet Secretariat

Land Use Planning and Regularization of Tenure Rights in Urban Areas

- To scale up regularization, first phase ready for 10-year Regularization Program (2013-22)
- Regularizing, surveying and registering the targeted 6,000 plots in Dar es Salaam and Certificates of rights of occupancy (CROs) completed
- Business Registration and Licensing Reform introduced. The establishment of BRELA has brought various positive changes to business registration, including significant reduction in time and procedures to start, register, and operate business.
- Business Environment blueprint printed
- Support to BRN and tourism promotion policy was finalized for the Ministry of Tourism.

Component 2: Improving Access to Financial Services

- Tanzania Commodity Exchange offices established and staff recruited
- Commodity contract specifications prepared for the following crops: sesame seeds, sunflower, cashew nut, maize, pigeon peas, and cow peas.

Component 3: Project Management

- The PIU at the Prime Minister's office implemented the Project with overall responsibility of coordination and management. During this time, information, education and communications strategy was developed and implemented.

ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION

A. TASK TEAM MEMBERS

Name	Role
Preparation	
Supervision/ICR	
Moses K. Kibirige	Task Team Leader(s)
Raymond Joseph Mbishi, Winter M. Chinamale	Procurement Specialist(s)
Vida Ndilanha Nkya	Financial Management Specialist
Neema Mwingu	Team Member
Alexander Birikorang	Team Member
Grace Anselmo Mayala	Team Member
Michael Eriu Okuny	Team Member
Nozomi Mizuno	Team Member
Hardwick Tchale	Environmental Specialist
Andrea Mario Dall'Olio	Team Member
Andreja Marusic	Team Member
Denis Maro Biseko	Team Member
Justina Kajange	Team Member
Monica Patricia Rivero Riveros	Team Member
Geoffrey D. N. Shoo	Team Member
Sarah Kitakule	Team Member
Donald Paul Mneney	Team Member
Klaus Decker	Team Member
Edith Ruguru Mwenda	Team Member
Ravi Ruparel	Team Member
Arleen Cannata Seed	Team Member
Gloria Sindano	Team Member
Jonathan Mills Lindsay	Team Member

Andrei Mikhnev	Team Member
Agata E. Pawlowska	Team Member
Vedasto Rwechungura	Team Member
Klaus W. Deininger	Team Member
Peter R. Kyle	Team Member
Thomas E. Walton	Social Specialist
George R. Clarke	Team Member
Frank Fulgence K. Byamugisha	Team Member
Sherri Ellen Archondo	Team Member

- **STAFF TIME AND COST**

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US$ (including travel and consultant costs)
Preparation		
FY05	47.795	208,119.63
FY06	34.377	220,159.28
Total	**82.17**	**428,278.91**
Supervision/ICR		
FY06	16.492	106,319.60
FY07	44.789	251,002.02
FY08	34.241	166,149.41
FY09	28.291	149,182.83
FY10	20.820	155,122.26
FY11	23.775	96,128.46
FY12	26.962	94,246.78
FY13	34.128	119,527.06
FY14	.875	5,989.41
FY15	.450	2,818.64
FY16	7.737	22,552.46

FY17	27.207	100,424.81
FY18	23.513	116,517.52
FY19	17.450	116,612.02
Total	**306.73**	**1,502,593.28**

ANNEX 3. PROJECT COST BY COMPONENT

Components	Amount at Approval (US$M)	Actual at Project Closing (US$M)	Percentage of Approval (US$M)
Strengthening the Business Environment	51.8	101.0	64.80%
Enterprise Development	38.9	38.9	25.6%
Improving Access to Finance	5.0	15.0	9.6%
Project Implementation	*/	1.00	0.6%
Total	**95.70**	**155.9**	**100.00**

*/ Project Management Cost was covered under Business Environment Strengthening

ANNEX 4. EFFICIENCY ANALYSIS

1. This annex provides an economic and financial analysis for the Tanzania Private Sector Competitiveness Project as part of the ICR. To the extent possible, this analysis is based on actual data gathered as part of the monitoring and evaluation efforts of the Project. Since the Project was extended several times, thus modifying the parameters of the original economic and financial analyses developed at Project design and during additional financing, focused remained on the full twelve-year period of project implementation rather than comparing our current estimates for the project valuation with those generated during the design stage.

2. Across the Project components as shown below, the total Project NPV is estimated at US$8.5 million at a 15 percent discount rate[15] with an ERR of 19%.

Component 1 - Strengthening the Business Environment: Analysis for this component is separated into two parts: Land administration reform and Support to Business Registration and Licensing Reform. The impact of other activities supported under this component such as the Big Results Now initiative and commercial law and justice reform are broadly lumped under these two parts given that these activities are primarily TA, making their impact difficult to quantify.
Land administration reform: Financial analysis of land administration reforms is generally not recommended because of difficulties in attribution of specific Project activities to financial gains of direct beneficiaries. For example, the increase in property values attributed to the Project for both titled and untitled land is likely to *increase* the costs for beneficiaries in terms of property values. Systems such as the ILMIS are also likely to increase government costs, although they do improve the overall efficiency and coverage of national land administration. Follow on benefits however are in the form of more efficient usage of collateral for access to finance, reductions in land disputes and their associated costs, and an increased agricultural yield because of this reduction in disputes. Additionally, the relationship between stronger property rights and land administration and economic growth factors including labor supply, access to finance, and investment are generally supported in the literature (Field 2007, Johnson et al. 2002, and Ditella et al. 2007).

3. To estimate the impact of this component, an illustrative framework was developed that focused on the reduction in costs associated with registration of a mortgage, one of the intermediate Project indicators. At the onset of the Project, this process required 61 days, and at the ICR stage, this had reduced to 5 days. Based on this central assumption, we estimate the sub-component NPV to be US$4.6 million at a 15 percent discount rate with an ERR of 24% for the twelve-year project period.

4. The other central assumptions of this analysis are:

[15] Discount rate: Discussions on what discount rates should be used for World Bank economic analyses vary widely especially given the low interest rates associated with IDA loans. However, to account for some of the risk and volatility (i.e. Beta) associated with investments in developing countries, we have used 15% for our NPV analyses given both the low opportunity cost for World Bank capital to be deployed elsewhere *and* the high risk associated with investments in sub-Saharan Africa.

- Cost of each day: Each day associated with registration of a mortgage is estimated to cost US$3.20 based on a reduced estimate of daily wages.
- Number of properties registered: With the project a 5% annual growth rate was estimated in the number of properties registered over a 5-year period, with growth rates returning to a steady state growth rate of 2%. We estimate that without the project this growth rate would remain at approximately 2%. Because this indicator would be difficult to fully attribute to project design, the number of properties registered is not included in the project results framework; however, this assumption is critical to showing the scale of the impact associated with a reduction in property registration costs. As such we have included this, but kept the project related impact estimate quite low at only an additional 3% in growth despite a 13x reduction in the number of days required to register a mortgage.
- Fee associated with registration: We estimate the fee associated with registration to be 4% of average property value based on the Doing Business Report 2013. We have selected this year because it falls in the middle of project implementation rather than using estimates from the beginning or end of the project for these fees. Similarly, we have based average property values on estimates from this year.
- Government costs: We estimate that the government costs associated with land administration increased by 250% with the new systems (as opposed to without), but following this grow at an annual rate of 2%. While the investment costs will likely be recovered as non-tax revenue (based on implementation of a similar system in Uganda), we have excluded this cost recovery to keep our analysis more conservative. This is particularly of note given that government receipts are provided by individuals who could potentially be considered end beneficiaries of this component; as such, the inflow and the outflow would net zero for the Tanzanian economy.

5. Sensitivity analysis:

- Reducing the estimated daily cost of each day associated with mortgage registration from the assumed US$3.20 to $US2.80 reduces the ERR estimate to 7%.
- Increasing the estimated daily cost of each day associated with mortgage registration from the assumed US$3.20 to $US5 increases the ERR estimate to 127%.
- Reducing the estimated growth in number of registered properties from the assumed 5% with the project to 4% increases the ERR estimate to 25%.
- Increasing the estimated growth in number of registered properties from the assumed 5% with the Project to 6% reduces the ERR estimate to 23%. This increase in number of properties reduces the ERR since the overall cost across the total number of properties increases, while *per property* cost is lower with the project (and vice versa as noted above).

Business registration

6. Because of the difficulties in attribution of business environment reforms, financial analysis of such components is generally not recommended. Any attempt at identifying specific impacts in this area can often lead to double-counting with other Project interventions or simply over attribution of other economic factors as results of the Project. For example, growth in the tourism sector in Tanzania could be the primary driver in the number of new businesses

registered rather than simplifications to the registration procedures. Additionally, the number of new businesses registered does not necessarily imply higher revenues and profits amongst these businesses or the broader economy as a whole. However, the relationship between the characteristics of the business regulatory environment and the performance of firms has been well documented (Djankov et. a1 2002, Botero et. al 2004, Acemoglu and Johnson 2005, Mastruzzi 2006, and Kaufmann et. a1 2006).

7. To estimate the impact of this component, we have used an illustrative framework that focuses on the reduction in costs associated with registration of a business as a percentage of GNI per capita, one of the intermediate project indicators, along with the number of formal MSME enterprises registered, a PDO indicator. At the onset of the project, the cost of business registration was estimated 168.3% and has now reduced to 42.9%. While the number of formal MSME enterprises registered is difficult to fully attribute to the project (as noted above), we have used this to help estimate the impact of the reduction in business registration costs. Based on these central assumptions, we estimate the sub-component NPV to be US$1.9 million at a 15 percent discount rate with an ERR of 19% for the twelve-year project period.

8. The other central assumptions of this analysis are:

- Cost of each day: Each day associated with registration of a business is estimated to cost US$3.20 based on a reduced estimate of daily wages.
- Number of businesses registered: With the project we estimate a 18% annual growth rate in the number of businesses registered over a 5-year period, with growth rates returning to a steady state growth rate of 2%. We estimate that without the project this growth rate would remain at approximately 2%. Using this 18% growth rate provides an accurate number of MSMEs registered by 2018 as noted in the results framework as 98,202 MSMEs.
- Fee associated with registration: As noted above, we have used the actual results of 168.3% of GNI per capita initially with a reduction to 42.9% as a result of the project. For GNI per capita we have used US$1,600 which corresponds approximately to the GNI per capita midway through the project in 2013. We have selected this year because it falls in the middle of project implementation rather than using estimates from the beginning or end of the project for these fees.
- Government costs: We estimate that the government costs associated with business registration increased by 200% with the new systems (as opposed to without), but following this grow at an annual rate of 2%.

9. Sensitivity analysis:

- Reducing the estimated daily cost of each day associated with business registration from the assumed US$3.20 to $US2.80 maintains the ERR estimate at 19%.
- Increasing the estimated daily cost of each day associated with business registration from the assumed US$3.20 to $US5 reduces the ERR estimate to 18%.
- Reducing the estimated growth in government costs from the assumed 200% with the project to 150% increases the ERR estimate to 34%.

- Increasing the estimated growth in government costs from the assumed 200% with the project to 250% reduces the ERR estimate to 8%.

Component 2 - Enterprise Development Competitiveness: This component is a combination of matching grants and overall support to several sectors (including food processing, tourism, and horticulture) that covered the legal and regulatory environment and provided support to the labor and workforce systems. Since the specific impact of these broader interventions is difficult to define, we have combined our analysis to focus only on direct beneficiary firms of the project (matching grants and firms trained under the Business Development Gateway and Business Linkage Programs).

10. Based on the project results framework, the baseline value for gross sales in project beneficiaries totaled at US$188,700, which increased to US$627,299,461 at ICR stage. Using this as the central assumption to calculate the valuation of this component, we estimate the component NPV at US$19.8 million using a 15 percent discount rate with an ERR of 22% for the 12-year project period.

11. The other central assumptions of this analysis are:
- Growth rate in gross sales: As noted above, we have used the total sales of project beneficiaries for our estimates with the project, which amounts to a Compounded Annual Growth Rate (CAGR) of 97% for the 12 year period of the project. To calculate the sales of these beneficiaries in the absence of the project, we have assumed a 10 percent annual growth in revenues. Since MSME growth rates in Sub-Saharan Africa often range 2-5% based on Enterprise Survey Data, using 10% is actually a more conservative assumption given the large CAGR visible through the project data.
- Profit percentage of gross sales: We estimate that profits are 10% of gross sales for project beneficiaries. By using profits rather than revenue figures to calculate the NPV and ERR, we focus on the actual income generated for beneficiaries rather than including what they have to spend to maintain this increased income.

12. Sensitivity analysis:

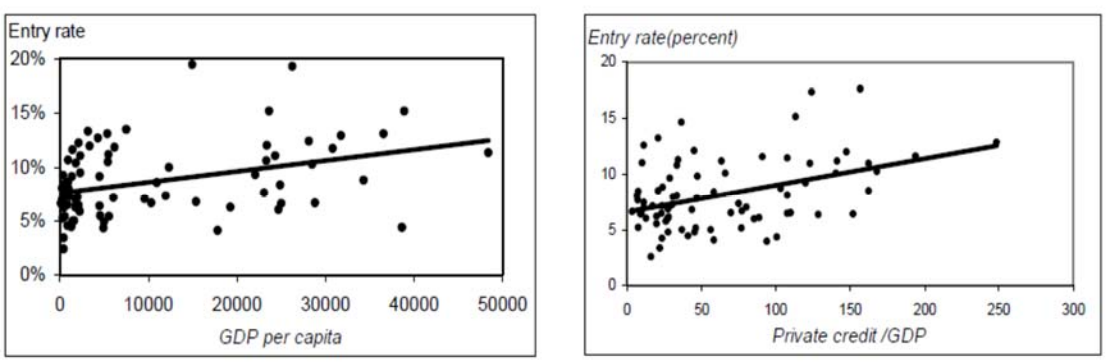
- Reducing the estimated profit percentage from the assumed 10% to 5% reduces the ERR estimate to 9%.
- Increasing the estimated profit percentage from the assumed 10% to 15% increases the ERR estimate to 29%.
- Reducing the estimated revenue growth rate without the project from the assumed 10% to 5% maintains the ERR estimate at 22%.
- Increasing the estimated revenue growth rate without the project from the assumed 10% to 50% reduces the ERR estimate to 21%. This is because the 97% CAGR is still so much higher than these estimates without the project.

Component 3:-Access to Financial Services: Activities under this component focused on capacity building and TA to government entities such as the Central Bank and financial institutions to increase access to finance for MSMEs. As such, these activities helped increase the number of financial products available and better standards/operations for managing these financial products. Because the outputs and outcomes of this component are largely qualitative, a specific component valuation was not calculated; however, some literature references is provided in support of the economic impact of these types of access to finance interventions.

13. The relationship between access to finance reform and the performance of firms is well supported in the literature. Greater business opportunities and better access to finance are generally related to a more robust private sector (Demirguc-Kunt and Klapper, 2012)[16]. Additionally, at the individual and micro-enterprise level, the probability of making an investment tends to increase with greater access to credit and collateral. The number of financial instruments available to both lenders and borrowers also contributes to a higher probability of personal and business investment (Besley, 1995). As such, the literature supports TA programs with financial institutions to increase the number of financial products offered to MSMEs. This benefit is particularly large for relatively unbanked populations, where improvements in access to finance and financial development have larger poverty impacts (Burgess and Pande, 2005). Access to finance reforms and improvements under the Project are likely to benefit Tanzanian individuals and businesses, particularly within the current unbanked population.

14. The data below also show a positive and significant relationship between economic and financial development and entrepreneurship. The log of GDP per capita and domestic credit to the private sector (as a percentage of GDP) are both positively and significantly correlated with entry rates (see below) and business density. This suggests that greater business opportunities and better access to finance are related to a more robust private sector (Klapper et al. 2008), lending further credence to the investments supported by the Project.

Figure 1: Entry rates and GDP per capita and Private Credit to GDP, by country, Average 2003-2005



Source: World Bank Group Entrepreneurship Database (2007) and World Bank (2005).

[16] Demirguc-Kunt, Asli and Klapper, Leora, 2012. "Financial inclusion in Africa : An Overview," Policy Research Working Paper Series 6088, The World Bank.

ANNEX 5. BORROWER, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS

See Appendix 1

ANNEX 6. SUPPORTING DOCUMENTS (IF ANY)

1. Project Appraisal Document, Report No.: 34082-TZ, dated November 22, 2005
2. Project Paper, Report No.:RES67205, dated March 8, 2012
3. Project Paper, Report No. 82483-TZ, dated December 2, 2013
4. Project Paper, Data Sheet, Report No. RES23578
5. Project Paper, Data Sheet, Report No. RES13154
6. Implementation Status and Results Reports: 1 through 24 (June 2006 through July 25, 2018)
7. Mid Term Review Report, dated April 29, - May 17, 2009
8. Aide-Memories: November 2005 through October 2017
9. Rapid Impact Assessment Report (by Tanzania Private Sector Foundation), dated Feb. 2011
10. Project Review Report, (Consultant's Report), dated September 2016
11. Financing Agreement, Report Number 5326-TZ, dated January 17, 2014
12. Memos regarding amendments to the Grant Agreements and Restructuring Papers
13. Borrower's Implementation Completion Report, dated July 31, 2018

ANNEX 7. SPLIT RATING CALCULATION

		Before Restructuring	After Restructuring
Relevance of Objective		Substantial	Substantial
Efficacy (PDO)		Substantial	Substantial
Efficiency		N/A	Substantial (for the whole Project)
1	Outcome Ratings	Moderately Satisfactory	Moderately Satisfactory
2	Numerical Value of the outcome ratings [1/]	4	4
3	Disbursement	$100.6 Million	$69.80 Million
4	Share of Disbursement	59.05	40.97
5	Weighted value of outcome rating (Row 2 x Row 4)	2.36	1.63
6	Final Outcome Rating	Moderately Satisfactory (2.36+1.63 ≃4.0)	

Highly Unsatisfactory (1); Unsatisfactory (2); Moderately Unsatisfactory (3);
Moderately Satisfactory (4); Satisfactory (5); Highly Satisfactory (6)

ANNEX 8: SUMMARY OF BORROWER'S ICR AND/OR COMMENTS ON DRAFT ICR (if any)

The Bank has provided the Borrower with an opportunity to review and comment on the draft ICR. No response was provided.

Appendix 1

Borrower's ICR

1. INTRODUCTION

1.1 The Objective and Basic information of the PSCP

1. The PSCP is a World Bank funded project implemented by the Prime Minister's Office (PMO) through a number of implementing and beneficiary Agencies. The project has evolved in two phases: the original PSCP and the Additional Finance (PSCP – AF). This assessment covers both phases, although the detailed results are presented for the later phase (AF) phase. The project development objectives of each phase are as follows:

1.1.1 Project Development Objective

2. Original Project Development Objective (PDO): To create sustainable conditions for enterprise creation and growth. The project's progress in achieving this objective will be measured by the increase in the number of formal enterprises, the increase in the value of titled land relative to untitled, and growth in sales and assets of firms participating in the project. The project supports the government program through three mutually reinforcing components: (i) strengthening business environment; (ii) developing enterprise competitiveness; and (iii) improving access to financial services.
3. Following the AF (second phase), the PDO was revised as follows: The Project Development Objective is to strengthen the business environment in Tanzania including land administration reform and improving access to financial services. This will be achieved through Land Administration Reform, Support to Business Registration Reform, support to Big Results Now and Improving Access to Financial Services.

1.1.2 Key project dates

4. The original PSCP became effective on March 2006 with expected closing date of June 2012. The project sought to support Government's efforts of improving business environment to Tanzania through a credit to the Government of Tanzania amounting to US$ 95,000; covering three key components. Based on the progress made and emerging needs, the project additional finance was approved on December 27, 2013; signed on January 17, 2014; and became effective on April 15, 2015 and closed on July 31, 2018 after extension. The project provided an additional credit amount of about US$ 60.2 million for the period ending May 31, 2017, hence the needed end of the project assessment.

5. Overall, the project seeks to achieve its objective by supporting Government efforts in improving environment for private sector to reduce cost of Doing Business (DB) in Tanzania. Project outputs are expected to contribute in increasing the capacity of the private sector participation in the country's sustainable and inclusive social-economic development.

1.3 Overall Program Performance

7. Based on the PSCP and PSCP-AF up to closure of the project, substantial achievements have been made on land administration reforms, access to finance and the extent of business enterprise development in Tanzania over time, to warrant project rating as Moderately Satisfactory. Note however, this rating is preliminary pending completion of consultations with the key beneficiary Agencies and

results of the beneficiary survey (expected to be completed by end of August 2018). However, three main observations can be made in the interim.

8. First, the Government has taken critical steps in reforming the business environment. The recent adoption of the Blue Print is a critical step in the Government's plan to drastically reform the barriers affecting business registration. Secondly, there are notable substantial progress made on all PSCP and PSCP-AF project components as outlined briefly under the project outputs and outcomes below. The reforms undertaken in land administration have significantly cut down the number of days for processing land tittles, automated the processes and virtually eliminated critical challenges in acquiring legal land property rights. In addition, subject to implementation of the blueprint reforms, the number of days for obtaining a building permit is anticipated to go further down. Supported by the release of recent FSDT's survey, Tanzania has made substantial progress in improving access to finance, not least given the regulatory measures taken to support interoperability of MNOs and mobile money transactions; and the dramatic growth of microfinance enterprises. As a result, the number of enterprises (mainly medium and small businesses) and business activities has increased overtime signifying growth of the private sector. However, a lot needs to be done to improve the environment for small and medium enterprises (SMEs) to grow, given the myriad of challenges they face.

9. Third and finally, based on the various aide memoire and project reports, progress on the project management has been less satisfactory, partly because of the large number of activities (190), the extensive coordination required to ensure effective and efficient implementation of the many implementing agencies and the inadequate number of project administration, management and M&E staffs at PMU located at the PMO. However, in terms of financial management of the PSCP project, the Tanzania Controller and Auditor audited accounts of the PSCP project has awarded an Unqualified rating as attested as follows in 2015: "Unqualified opinion. In my opinion, the Financial Statements present fairly, in all material respects, the Financial Position of the Private Sector Competitiveness Project (IDA Credit No. 5326-TZ) as at 30th June, 2015, and of the Receipts and Payments and its Cash Flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS). Similarly, the 2017 PSCP-AF audited accounts awards management of project funds unqualified rating as attested in the report: "Unqualified Opinion. I have audited the Financial Statements of Private Sector Competitiveness Project (PSCP), which comprise the Statement of Financial Position as at 30th June, 2017, and the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements. In my opinion, the accompanying financial statements of the Private Sector Competitiveness Project (PSCP) are prepared in all material respects, in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis of accounting and in the manner required by the Public Finance Act, 2001 revised 2004[17].

PROJECT CONTEXT

2.1 Country Context

11. Tanzania is a low-income country with a GNI per capita of US$900 in 2016, aspiring to reach a middle-income country by 2025. However, the path to achieve that country vision is not smooth despite

[17] Report of the Controller and Auditor General on the financial statements of the Private sector competitiveness project (PSCP) for the year ended 30th June, 2017; January 2018.

the economy growing steadily at 6.7 percent annually compared with an average of 3.5 percent for Sub-Saharan Africa (SSA) over this 7-year project. Recent IMF program review report (January 2018) underscores that recent signs of weakening economic activity which might derail the steady growth of the economy. Tanzania is still faced with the challenge of high poverty levels. While Tanzania's Human Development Index improved from 0.392 in 2000 to 0.521 in 2014, with some gains in education indicators, the country was unable to achieve half of the Millennium Development Goals (MDGs).

12. With regards to the private sector, since the mid-1980s Tanzania has increasingly relied on the private sector to grow her economy – undertaking economic liberalization, sound macroeconomic policies, expanding the roles of the private sector and fostering institutional reforms. However, despite the reforms, largely supported by Development Partners (DPs), Tanzania's private sector is still weak, contributing only 10-12 percent of GDP in the early 2000s, and between 14-18 percent over the past ten years. Private investments remains small compared to other African countries, largely due to some weaknesses in Tanzania's business environment; although in recent years, Tanzania moved 12 positions up, from 144 in 2016 to 132 in 2017, in the World Bank (WB) Ease of Doing Business 2017 report. Much still needs to be done and the World Bank support under this project has been timely and well-conceived to address important weaknesses and challenges in the business environment.

2.2Development objectives

14. As stated in the PSCP document, the Additional Financing (AF) will build upon the original project; it will provide financial support to enable scaling up of work on a number of critical activities and support emerging priorities. The original project development objective was to "*create sustainable conditions for enterprise creation and growth*", while the modified objective was to "*strengthen the business environment in Tanzania, including land administration reform, and improve access to financial service".* Specifically, the additional financing will be provided to support and scale up activities under:

- *Component1*of the original project to:(i)advance land administration reform; (ii) complete business registration reform; and (iii) support the BRN President's Delivery Bureau (PDB) initial set up to establish functions, resources and instruments that will be critical to facilitate private sector involvement in NKRAs.

- *Component2*oftheoriginalproject to finance additional demand-driven activities to further improve access to finance in the country. All of the sector cross cutting/horizontal investment climate reforms will help to further improve legal certainty and lower the costs of doing business in Tanzania.

2.3 Project Components

The main project components and interventions are summarized below.

2.3.1 Project Components under the Original PSCP

15. The design of the original PSCP included three main components.

Component 1: Business Environment Strengthening

This component supports the Business Environment Strengthening for Tanzania (BEST) Program that aims to lower the costs of investing in, establishing, and operating a business in Tanzania by eliminating policy, legal, regulatory, and institutional constraints that inhibit a growing and competitive private sector.

Component 2: Enhancing Enterprise Competitiveness
The objective of this component is to improve the capacity of the private sector to respond to viable opportunities in regional and international markets. The project would also help strengthen the Tanzania Private Sector Foundation.

Component 3: Improving Access to Financial Services
The objective of the component is to increase access to financial services. The project would support this objective by contributing to the Financial Sector Deepening Trust. The project would also provide technical assistance and financing for studies associated with the program. The Additional Finance will cover components one and three.

2.3.2 Project Components under the Additional Finance

16. The additional finance was built upon the original project by supporting interventions aimed at scaling up a number of critical activities; and support emerging priorities through three main components.

Component 1: Strengthening the Business Environment

1.1 Land Administration Reform

1) Infrastructural interventions
2) Strengthening of legal and regulatory framework,
3) Work on land use planning in urban areas and regularization of tenure rights,
4) Technical assistance will be provided to advise the government on guidelines in undertaking inventories of government land,
5) Regulatory simplification of land administration process

1.2 Supports to Business Registration Reform

1) Design and Implementation of an OSS for starting a business in BRELA,
2) Streamlining and simplification of the business registration procedures,
3) Reorganization of workflow processes of BRELA to improve the efficiency of the business registration process and a better service delivery,

1.3 Support to “Big Results Now” (BRN)

1) Start-up of the PDB with a focus on private sector functions and capacity,
2) Operationalization of the TDC,
3) Train PDB, MDU and other Ministries, Departments, and Agencies(MDA) staff on the requirements to facilitate private sector operations across the BRN delivery system,
4) Identify additional areas for priority interventions and develop detailed plans for further private sector development under BRN,

Component 2: Improving Access to Financial Services

1) Strengthening legal and regulatory framework for financial sector and improving capacity of regulators:
2) Supporting deposit insurance
3) Development of reporting standards for microfinance
4) Addressing weaknesses in collateral system

5) Development of standards for overseeing and supporting mobile financial services infrastructure
6) Supporting new products to expand access to finance.

Component 3: Project Management

The project documents states:

1) The existing PIU at the Prime Minister's office will implement the project and be responsible for the overall coordination and management of activities.
2) To ensure proper coordination and supervision of the project, the Business Environment Roadmap Committee (BERC) in the Prime Minister's office will continue to provide policy guidance and oversight on the project as it has done under PSCP.
3) The PIU will develop and implement an information, education and communications strategy.

2.4 The design of PSCP and PSCP AF can be described as follows:

17. The initial PSCP project (2006-2013) and PSCP-AF design was based on sound project footing. Several important design issues were considered which eventually resulted into successful implementation of the project as follows:

- The PSCP design took into consideration Tanzania's private sector challenges and the project was aligned with priorities in the government's five-year strategy (MKUKUTA II) and the concurrent Zanzibar Strategy for Growth and Poverty Reduction (MKUZA II) as well as aspirations of the country to reach a middle income country by 2025.
- The PSCP project design combined lending and very well undertaken analytical work to underpin the achievement of program objectives by supporting reforms in Tanzania that would be expected to improve the country's private sector competitiveness. In this regard, extensive dialogue with the government was undertaken to ensure garnering consensus on project outputs and implementation modalities.
- The PSCP project also leveraged other Development Partners supporting private sector business environment strengthening, thus avoiding duplication.
- The Additional Financing was built upon the original project which was rated successful, to address identified weaknesses in key areas of Tanzania's business environment,
- The design took into consideration lessons learned and incorporated experiential learning from the original project,
- The PSCP-AF design revised the Results Framework to make it more realistic with measurable indicators, and
- Accorded greater emphasis on implementing agencies coordination, reporting and accountability.
- However, despite the substantial analytical work and extensive dialogue with the Government agencies and implementing Development Partners, the PSCP ended up with too many sub-components and activities and many implementing agencies, severely weakening effective coordination and project management. Future design should take into account the seemingly weak institutional capacity of the government, take advantage of the large number of development partners in Tanzania so as to allow the WBG to be more selective, with the Bank concentrating on areas where it had agreed to take the lead or where there is a strong potential for achieving development results based on its comparative advantage and the presence of strong government demand.

2.5 Implementation of Monitoring and Evaluation (M&E)

18. The original PSCP design of the project's M&E was rudimentary with identified indicators and targets included in the 2006 results framework, but generally sufficient and consistent with the standards at the time of preparation and Board approval. Outcome indicators and targets were provided for each PSCP objective. The PSCP-AF revised the Results framework indicators and targets making them more amenable to M&E tracking of achievement being made over the entire period of the project. Miner weaknesses were observed in M&E team follow-up with implementing partners to track achievement being made and clearly recording progress over time to enable more informed end-of-project achievements within the PMU offices. Despite observation made above, the outputs of the PSCP support have been shared widely in Tanzania and many of the reforms and legislations have been translated into Kiswahili to make them more accessible to ordinary citizens; thus enhancing the impact of the project support to Tanzania.

2.6 World Bank Performance

19. Disbursement of funds. The World Bank performed exceedingly well, exerting flexibility and timely disbursement of all original PSCP (2006-2013) funds in the amount of US$ 95 million. The project extension during this period facilitated keeping the momentum of the on-going reforms as well as providing room for designing the PSCP-AF support (2014-2018). Despite some components being overdrawn, the World Bank was able to exert flexibility and work with project implementing unit to restructure the portfolio to ensure smooth transition from PSCP to PSCP-AF implementation interventions. With regards to PSCP –AF (2014 to 31st July, 2018) US$ 60.2 million was provided, of which US$ 45,592,709.5 had been disbursed and utilized and US$7,000,000 has been committed and disbursement to fund already committed implemented PSCP-AF sub-component is expected to take place soon; which brings the total disbursed and committed to US$ 52,592,709.5. Thus the expected undisbursed funds for PSCP-AF are US$ 7,607,290.5 or 12.6% of the total PSCP-AF funding – a relatively high performance on the part of the World Bank.

20. Quality of supervision was high. Over 5 World Bank supervision missions were undertaken during implementation of the PSCP project, providing timely and critical advice that translated into achievement of the project outputs and outcomes as outlined below in section 4 of this report. An important intervention apart from the design of PSCP-AF was related to addressing the challenge the project was facing in procurement of project goods and services. Having observed procurement challenges in the past, the World Bank and PMO implementing unit made provisions to increase the implementation, procurement capacity and disbursements, mostly through streamlining and coordination of procurement functions between participating Ministries, Departments and Agencies (MDA). The MDAs (Ministry of Lands Housing and Human Settlements Development, Ministry of Finance and Planning, Ministry of Industry Trade and Investment and Bank of Tanzania) were accorded the function of handling all the procurement process and send procurement packages approved by the relevant Permanent Secretary for Ministries (or heads of agencies) to the Permanent Secretary - Prime Minister's Office (PMO) where the Project Coordination Unit (PCU) is located for payment; considerably scaling up implementation of project activities.

2.7 Borrower Performance

21. The Government performed relatively well in implementing the PSCP and PSCP-AF. Despite structural weaknesses and inadequate institutional capacity, commitment of the Government to effectively implement the project was apparent. This is evidenced by the passage of over 5 legislations aimed at improving private sector business competitiveness, speedy discussions of the bills in Parliament and final approval, translation of some into Kiswahili and wide dissemination, including using Government web-site. External audit of PSCP and PSCP-AF by the Controller and Auditor General has consistently

awarded "Unqualified" rating meaning project implementation adhered to international financial management standards. Weaknesses observed in coordination and procurement of goods and services were largely an outcome of the many sub-activities and many project implementing agencies – an issue observed also by the World Bank missions and addressed to speed up project implementation.

2.8 Implementing Agencies Performance

22. Based on the outputs and outcomes achieved by this project as amplified in Section 4 of this report, the implementing partners performed well. There was clear demonstration of commitment to the project and they showed persistence and resolve to address implementation challenges. However, there were issues on M&E, financial management, procurement and contract management throughout implementation that impacted project implementation; but most resolved through amicable consultations between the World Bank, Project implementing unit (PMU) and the various implementing agencies. In a few implementing agencies, there was a problem of collecting and reporting on outputs and outcomes, despite repeated follow-up by PMU staffs.

23. There was also observed weaknesses in implementing some activities. For example the Bank of Tanzania (BOT) could not implement the activity that relates to coordination mechanism, strengthening legal and regulatory framework and conducting capacity-building for consumer protection sub-component. The reason provided is that the activity could not be accomplished due to delayed submission of Terms of Reference and the entire length of the procurement process. However, the BOT is committed to implement this activity under the National Financial Inclusion Framework. Another example is the BOT planned activity under PSCP-AF to address weaknesses in the collateral system. According to BOT, this activity could not be implemented as planned due to delays in obtaining the Government's approval of the Policy Paper for Secured Transaction Law and Collateral Registry. In the future, sufficient time should be allocated to each activity instead of waiting to implement the activity towards the end of project timeframe to avoid implementation flaws.

2. PROJECT PERFORMANCE: ACHIEVEMENTS, CHALLENGES AND RESULTS ANALYSIS

4.1 COMPONENT 1: BUSINESS ENVIRONMENT STRENGTHENING

32. This component covers business environment strengthening (BEST) and support to business registration (BRELA) under PSCP-AF. **The objective** of the component is to lower the costs of investing in, establishing and operating a business in Tanzania by eliminating policy, legal, regulatory and institutional constraints that inhibit a growing and competitive private sector. Based on a holistic approach, the interventions cover the following program areas: (1) business entities registration and licensing; (2) land reform; (3) commercial law and justice; (4) labor law reform; (5) Big Results Now, and (6) strengthening the Tanzania Investment Center. BEST Zanzibar looks at business and regulatory issues on Zanzibar.

4.1.1 Business entities registration and licensing.

33. **The objective** of this intervention is to have clear, simple and affordable entry procedures, processes and costs for new companies. Activities geared towards clarifying, simplifying and reducing costs at point of entry for new companies into the formal business and reduce the number of entrepreneurs operating in the informal sector. Key achievements at the close of project include the following:

A. Outputs

- Digitization of the BRELA's registries completed. A total of 88,700 files from Company registry and 191,243 files from Business Names registry scanned and indexed.
- A records management system was installed.
- On line names search data base for companies and business names established on the BRELA web site.

- Registration of companies takes an average of 3 days and business names 1 day.
- Several Business acts amended or enacted to create a more conducive climate for doing business in Tanzania. Parliament approved amendments to the following acts: (i) Business Names (Registration) Act (Cap. 213), (ii) Companies Act (Cap 212) of 2002, (iii) Tanzania Trade Development Authority Act (Cap 155) and (IV) Merchandise Act (Cap 85).
- The Business Environment Blueprint has been printed and shared with the general public.

Table 2: Starting and operating a Business in Tanzania – Procedure and Time[18]

Procedure	Time to complete[19]
1. Apply for clearance of the proposed company name. Agency : Business Registration and Licensing Authority (BRELA)	1 day
2. Obtain a notarized declaration of compliance. Agency : Notary	1 day
3. Apply for company incorporation and obtain the certificate of incorporation. Agency : Registrar of Companies	4 days
4. Apply for taxpayer identification number (TIN). Agency : Tanzania Revenue Authority (TRA)	1 day
5. Apply for a business license. Agency : Ministry of Industry and Trade (MIT) or Local Government Authorities (LGAs)	6 days
6. Apply for the VAT certificate (TRA)	4 days
7. Register for the workmen's compensation insurance (Agency: Workers Compensation Fund (WCF) and Tanzania Insurance Regulatory Authority (TIRA)	1 day
Register with the Occupational Safety and Health Authority (OSHA)	10 days (done simultaneously with above procedures)
5. Obtain Social Security registration number (Agency : Social Security Regulatory Authority (SSRA)	7 days (done simultaneously with above procedures)
6. Obtain an official search at the Land Registry. Agency : Registry of Titles	7 days simultaneous with procedures 2 and 3)
7. Submit application letter to obtain evaluation at Ministry of Lands or Local Government Authority. Agency : Ministry of Lands or Local Government Authority	7 days (simultaneous with other procedures
8. Obtain land rent clearance from the Land Ministry showing payment of rents	1 day
9. Obtain location plan from City Council - Ministry of Lands Agency : City Council (Ministry of Lands)	7 days
10. Request and obtain building permit Agency : City Council (Ministry of Lands)	38 days (Done simultaneously with other procedures)
11. Register project with the Architects Registration Board Agency : Architects Registration Board	7 days
12. Electricity: Submit application to TANESCO and await estimate Agency : Tanzania Electric Supply Company Limited - TANESCO	11 days

[18] Source: World Bank (2018): World Bank Group Flagship Report: Doing Business 2018, Tanzania Economic Profile.
[19] Current business environment allows most of the business procedures to be done concurrently thus improving substantially the ease of doing business in Tanzania. On-line application has eliminated any form of rent seeking behavior.

13. Electricity: Receive external inspection by TANESCO Agency : Tanzania Electric Supply Company Limited - TANESCO	7 days

B. Outcomes

- Blueprint for Regulatory Licensing Reform in Business Environment completed and approved for cabinet discussion. Some recommendations were implemented through the 2017 /18 finance bill.
- Class A license which was issued by the Ministry of Industry and Trade. From July, 20 17 MIT will start issuing Class A license through BRELA Head Office and Zone office.
- Ministry of Agriculture during financial year 20 17/2018 budget mentioned to slash estimated 80 fees, permit and levies including license that are affecting small scale farmer and private sector at large.
- Government removed the mandate of inspections by Health, Town and Land Officers as a prerequisite of obtaining Business Licenses. Now health inspection and town planning for un-regulated businesses is done separately and outside the business licensing and registration procedures. Health and town planning requirements prior to issuance of a business license has been delinked. This means health officers and town planning are supposed to inspect business and make sure that all business abides to their mandated laws.
- Companies and business names data capture process has been completed and search for companies / business names are now available on BRELA's website. Business names are available on the website (www.brela-tz.org/company.php). Most of Company and Business names are now available on the website and being updated on a weekly basis; about 117,619 customers have visited the website to 8th June 2012. Taxonomy of acceptable names also on website. Guidance for choice of names for companies' available on the website (taxonomy).
- Digitization of the BRELA's registries: Company registry: 85,059 files and for Business Names registry, 178,738 files have been scanned, indexed and digitized.
- TRA officials accepted to issue TIN at BRELA; Interfacing TIN System with BRELA Registration system after completion of Digitization project in May 2012.
- Standard format for Memorandum and Articles of Association (MEMARTS) for incorporation of a company without recourse to lawyers is now available on BRELA's website.
- Direct Banking System (DBS) where BRELA has opted to join other Government institutions to use electronic banking facility where customers will be able to pay fees directly to the designated banks (currently NMB and CRDB).
- Insolvency Rules of the Company Act 2002 has been gazetted since February 2012, and are in use.
- One – stop centre for the purpose of issuance of building permit under one roof in order to fast track the underlying processes (that combines Pre – Construction Inspection and combining six separate procedures for inspections under the WB Doing Business i.e. (procedures no. 5, 6, 7, 8, 9 and 10) established in Local Government Authorities (LGAs).
- Single joint team in LGAs' to deal with Post – Construction Inspection and combine seven Doing Business procedures into one i.e. (procedures no. 11, 12, 13, 14, 15, 16 and 17). The inspections after construction include: fire, health, LGAs occupancy permit; final inspection; occupancy permit.

4.1.2 Land Reforms

34. The objective of the land reform under the PSCP including PSCP-AF aimed at achieving the following sub-components: (i) Decentralization of land administration and registration of village land; (ii) regularization of tenure in urban inform settlements; (iii) computerization and streamlining of land administration services; (iv) strengthening dispute resolution mechanisms; and (v) upgrading infrastructure for surveying and mapping. Key achievements at the close of project include the following:

A. Outputs

- Upgrading infrastructure for land surveying and mapping completed,
- Improvement of legal framework with introduction of new laws and regulations to complement the basic Land Law and Village Act completed and in use,
- Several regulations and bills enacted to effect implementation of the new laws passed under bullet 2 above,
- Government passed several policies/pronouncements to strengthen land and other property dispute resolutions.
- Decentralization of land administration and registration of village land has been applauded by many Tanzanians.
- A low-cost and faster land demarcation and registration system successfully piloted to replace the traditional high cost registration (sporadic approach that is about 10 times more expensive).
- Regularization of tenure in urban informal settlements has been approved and is now being effected.
- Government unveiled a model for land use planning in rural areas.
- Development of the Integrated Land Management Information System (ILMIS) has made commendable progress.
  - System Design activities including Data Modeling completed,
  - Business process re-engineering and the System Architecture Document completed,
  - ILMIS Alpha Version Proof of progress delivered and ILMIS System Architecture on Physical View Developed,
  - Development of ILMIS - The project supported: the design, development and installation of ILMIS at the Ministry headquarters and the Coastal Zonal office in Dar es Salaam. Work at Kinondoni district headquarters has been finalised. The conversion and migration of data; improvement of associated infrastructure and purchase of associated equipment has been done. Capacity development and transfer of skills to ILMIS administrators and users has also been done.
  - Surveys and Mapping; The aerial photography and producing multi-purpose large scale base maps for Dar es Salam and surrounding areas for ILMIS has been completed;
  - Strengthening of legal and Regulatory Framework made commendable progress, including Review of the 1995 National Land Policy: a new National Land Policy has been drafted and submitted to the Cabinet Secretariat, and is currently under review by Cabinet;
  - Land Use Planning and Regularization of Tenure Rights in Urban Areas - This involves implementing the first phase of the 10-year Regularization Program (2013-22) with the aim of scaling up regularization in Dar es Salaam. Regularizing, surveying and registering the targeted 6,000 plots in Dar es Salaam and pick-up of certificates of rights of occupancy (CROs) were completed.

- Data Conversion; including preparation of office accommodation, acquisition of hardware, and personnel completed. The preparatory works that was on going for the inventory of Data that needs to be converted is completed; the Data convers1on methodology was completed as well as the Data conversion environment set by the closure of the project.
- Production of Base map for Land Administration in Dar es Salaam. Base map information is required in town planning, valuations, land management, environment and survey work. Information is obtained via Ariel photograph or satellite imagery. A separate base map project is being implemented covering 4,300 KM2 in DSM and Cost Regions in collaboration with COWi A/S of Denmark (July 2016 to March 2017). 10 CM Digital Orthorectified Imagery - DOI has been delivered. The Area covered are Kinondoni MC KM2 37 5) and Other DSM areas (KM2 1861) and Cost Region (KM2 2064). Capacity Building of both men and women for Ministry of land staff members has been completed.
- Field work for Coordinate Transformation and Awareness Campaign to Surveyors on new Geodetic Network undertaken.
- Establishment of National Land Information Centre (NLIC) has been completed, the rehabilitation of National Land Information Centre (NL/CJ has also been completed. The centres are now operational.

- Preparation of the New National Land Policy and Implementation Strategy has been completed. The revised National Land Policy, 2016 was completed and produced in English and Kiswahili versions. Implementation strategy was also completed. The Land Use Planning Act has already been translated into Kiswahili.
- Land use Planning Act 2007 as approved by Government now in use. The law is essential for increasing efficiency and accessibility of the use of land by both men and women and has considerably improved identification of land for further development and better use of land as an important resource.
- Urban Planning Act 2007 now in use has been essential for sustainable land use in urban areas and all Local Government Authorities (LGAs) have been instructed by the Government to ensure its effective implementation in urban land use planning.
- Unit Titles (Condominium) Act 2008 now fully operational is essential for promoting more efficient housing, including apartments and condominiums,
- Land Laws Miscellaneous Amendments Act No. 3 of 2009 extended the duration of acquiring residential licenses from 2 years to 5 years and many of its stipulations are essential for protecting land use rights, especially those for women and more than 200,000 untitled properties located in urban informal settlements.
- Land Valuation (Bill) 2010 together use of ICT GPS system to demarcate land property and speeded up issuing land titles and rights of occupancy.
- In an effort to foster amicable property dispute resolutions, the Government established 22 district housing and land tribunals and given office space and operational facilities. Many disputes have been resolved through these tribunals.
- In order to improve justice in disputes, the Government has supported a special program to reduce back logs of land cases in key municipalities with the largest number of case-loads, including Dar es Salaam, Mbeya and Arusha. The back logs have been reduced to a level that can be handled and managed by normal court sessions on a sustainable basis. The reduction of land disputes is essential to minimize the volume of land that is put out of production due to disputes.
- In an effort to put into effect the decentralization of land, 6 Zonal Land Offices have been established and currently fully operational.
- Boundaries of 11,000 villages (out of planned 12,000) or over 90% have been surveyed and demarcated, of which 7,000 have been registered, thus empowering the village authorities to better plan, allocate and manage land use and tenure.
- More than 100,000 Certificates of customary rights of occupancy (some of which have been offered to women) have been issued. Scale up is underway country-wide and the Government plan is to register about 25 million unregistered rural land parcels. This is essential to raise Tanzania's land registration rate of individually owned land including those of women which currently shows only 5 percent of the land is registered, the lowest rate in the world.
- In an effort to regularize tenure, Dar es Salaam Master Plan has been prepared and some properties in unplanned areas are being recognized and offered rights of occupancy.
- Program to scale up participatory land use planning and tenure regularization has been prepared and is currently being scaled up in all urban areas in the country.
- In an effort to foster better land use in rural areas, a legal framework and piloting a new land use planning system has been unveiled and 1,000 villages have been covered with participatory land use planning and rational land use plans have been prepared for those villages. Scaling up is underway that has begun in the Southern Agricultural Corridor of Tanzania (SAGCOT).
- Land Use Plan in Urban Areas and Regularization of Tenure rights has been scaled up and 4,857 plots have already been demarcated, 4,333 plots coordinated, 17 urban plan drawings approved and 21 survey plans approved in Kilungule A, Kilungule B and Mavurunza Sub-wards of Kimara ward.

- The development of the Integrated Land Management Information System (ILMIS) and its associated ILMIS software has greatly revolutionized the land administration system, not only in terms of land registration and reducing the time it takes to acquire the right of occupancy, but also eliminated rent-seeking behaviour. It impact on Tanzania's land administration is substantial, including considerable reduction of double allocation of parcels of land and minimizing land disputes.
- Dispute resolution mechanisms were strengthened. Notably 23 district housing and land tribunals were established, of which 12 were given office and operational facilities; and a public awareness campaign on the Dispute Court Act 2002 was carried out in more than 100 Ward Tribunals.
- With completion of ILMIS, the Directorate of Rural and Town Planning prepared town planning drawings using base maps as inputs and extracts prepared based on changes in TP drawings. On inventories conducted. ILMIS project converted 1,500 TP drawings and 2,000 extracts of scales 1:1,000 and 1:2,500 where applicable. The work involves Scanning, georeferencing and vectorization.
- Survey and Mapping Division prepared Survey Plan for identified areas based on TP drawings and registers the survey plans as per existing regulation. There are 14,925 (Scales 1:500; 1:1,000; 1:2,000; 1:2,500 etc.) that were identified during inventory for the Kinondoni Municipal Council. There are about 550 other maps; 300 (unknown scales) Restricted/Copyrighted Maps; 70 (of scales 1:250,000) East Africa Map Series; 30 (of scales 1:250,000) Regional Maps; 120 (of scales 1:200,000) District Maps and 5 (of scales 1 :50,000) East Africa Maps Series) that were also identified. The maps will be Scanned and recognized including (Survey Computation Files - Com files 4,200; Survey Division Files - I 83 and Control Point Descriptions - 300). While all datasets will be converted, only the Survey Plans will be vectorised. Moreover there are 6 transactions that were identified for ILMIS implementation namely: Creating a Survey, Mutation of a Parcel and creating deed plan.
- Land Administration Division undertook functions such as giving occupiers of the land Certificate Rights of Occupancy (CRO) and setting development conditions. ILMIS project has identified 23 transactions being undertaken by Land Administration Division. Data conversion involving entire land administration process will be scanned, indexed and made available to Land Officers based on their roles. It is estimated that there are 80,000 files at the Ministry and a total of 80,000 for Ubungo and IIala Councils.
- Participatory land use planning, involving local communities, and regularization of land rights in informal settlements were successfully piloted in Mwanza and Dar es-Salaam. About 33,627 plots, of which 1,057 are in Dar-es-Salaam City were identified, out of which 25,445 were planned, 10,333 were surveyed, and 2,000 were issued with Certificates of Rights of Occupancy (CROs) in Mwanza City.
- Registrar of Title currently undertakes certificates and documents registrations based on existing legislation enacted during the project period. A total of 59 transactions have been identified and they will be implemented in ILMIS. Data conversion involving these transactions will be scanned, indexed and made available to Registrars and others based on their roles. It is estimated that there are 80,000 files at Zonal Offices that will be converted into digital formats.
- Valuation Unit currently undertakes General Valuation and Premium Estimation in relation to land administration functions. The Valuation unit will be involved with setting premium values in ILMIS as well as providing valuations with regard to subsequent transactions on registered land. Moreover, the Unit will have access to all ILMIS data including base map and registered occupiers.
- The Ministry completed the establishment of a new geodetic network comprising of 16 zero points, 72 first order points and 525 second order point. The new network computation has been recently completed based on the "International Reference Frame of 2014 (ITRF 14)" with 151January 2011 as the reference epoch and because of that the new network has been named as Tanzania Reference Frame of 2011-TAREF11 ". Procedures to publish the Zero and First order control points on official government gazette have been completed. The computation of Second Order points (525) is also completed and results published.

4.1.3 Commercial Law and Justice and Labour Law Reforms

35. The objective of this sub-component is to (i) Review the legislative framework for the business sector, (ii) Disseminate the legislations, (iii) Contribute to enhance legal education, and (iv) Provide support to the Judiciary. The Labour laws reform aims at supporting the creation of efficient,

effective, flexible and socially responsible labour market which will generate decent jobs. These sub-components have achieved the following:

A. Outputs

- High Court of Tanzania (Commercial Division Fees) Rules, 2012 and High Court of Tanzania (Commercial Division) Procedure Rules, 2012 enacted and gazetted.
- Electronic case management system installed,
- E-library linking Commercial Court sub-registry installed,
- Commercial Court website upgraded and made operational.
- Labour laws reform completed include: (i) Social Security (Regulatory Authority) Act 2008 (SSRA No. 8 of 2008), Employment and Labour Relations Act, (iii) Worker Compensation Act 2008, (iv) Occupational and Safety Health Policy, and (v) National Employment Promotion and Services Policy.

B. Outcomes

- Dissemination of all legislations undertaken to inform the general public as well as lower courts dispensing justice,
- Legal education undertaken in all institutions empowered to offer legal services training, including the faculty of law in the University of Dar es Salaam,
- Electronic case management system has reduced back log cases facilitating normal case management in regular court sessions,
- The Social Security (Regulatory Authority) Act 2008 (SSRA No. 8 of 2008) has empowered authorities to offer better and legislative-rooted benefits to their members,
- The Occupational and Safety Health Policy unveiled in this sub-component support has improved worker's safety and Government agencies close follow-up to protect the safety of workers,
- The Worker Compensation Act 2008 enacted as part of this sub-component has mandated all employers – private and public to ensure enrolment and inclusion of all workers into social security fund and compensate workers where applicable according to the regulations,
- The National Employment Promotion and Services Policy unveiled as part of this sub-component has empowered employers, both public and private to ensure workers who deserve promotion actually get their rights as rooted in the policy and legislation,
- The Employment and Labour Relations Act enacted as part of this sub-component has provided more cordial relationships between employers and employees and better recourse to justice in case of employee-employer disputes.

4.1.4 Strengthening Tanzania Investment Centre (TIC)

36. The objective of this sub-component is to support TIC's corporate plan which is built around six strategic objectives. The main achievements up to the closure of this project have included the following:

A. Outputs
- Raised the profile and image of Tanzania as a business location,
- Increased FDI flows in strategic sectors,
- Maximized the impact of new investments on the Tanzanian economy,
- Facilitated creation of a business competitive environment in Tanzania,
- Facilitated development of site and infrastructure that meets investor's needs, and
- Built capacity for TIC to provide better services to investors.

B. Outcomes

- 434 projects registered between 2006 to 2013 employing 82,892 people, with a total investment of

US$ 2,770 million,

- According to Tanzania Investment Report 2012, Tanzania has made headway in attracting foreign private investment (FPI) at an impressive annual growth level of 10.3 percent between 2008 and 2011 despite global financial turndown. The FPI increased to $ 10,393 million in 2011 from $ 7,751 million in 2008. The report findings were based on the surveys conducted by Tanzania Investment Centre (TIC) in partnership with Bank of Tanzania (BoT) and National Bureau of Statistics (NBS) focusing on Foreign Private Investment and Investor Perspective.

4.1.5 Big Results Now (BRN)

37. Tanzania's BRN initiative of the government aimed at establishing a strong and effective system to oversee, monitor and evaluate the implementation of its development plans (particularly the Five-year development plans and programmes) based on Malaysia's Big Fast Results approach, which hinges on: prioritisation; detailed monitoring tools; and accountability for performance.

38. Phase 1 of BRN consisted of an intense planning process ("Labs"), in February- April, 2013 covering six National Key Results Areas (NKRAs): Agriculture, Education, Energy, Water, Transport, and Resource Mobilization. Phase 2 operationalizes the Labs' implementation plans -- while future labs on new NKRAs would be identified in later years to complement interventions and enhance growth. An important objective of the BRN initiative is to facilitate greater private sector involvement in the priority result areas.

39. Under PSCP, the project aims at supporting the BRN President's Delivery Bureau (PDB) initial set up[20] to establish functions, resources and instruments that will be critical to facilitate private sector involvement in NKRAs, and under Component 3 of the original project -- to finance additional demand-driven activities to further improve access to finance in the country. All of these cross-cutting/horizontal investment climate reforms will help to further improve legal certainty and lower the costs of doing business. The main achievements at the closure of the project shows 5 out of the 8 key BRN key results areas or 63% of the expected planned results have been achieved, namely:

A. Outputs

- Strategic direction: Done through Multiple Cabinet retreats, finally 6 NKRAs picked for greater focus in implementation,
- Lab: Established in detail what needs to be done; conducted in capacity building and training at White Sands Hotel, 22/02 – 5/04/2013
- Shared lab output with general public and got feedback- 24/05/2013 at National Museum Grounds,
- Conducted sensitization and capacity building to managers implementing government development plans for 6 key Ministries (as shown on POPC website *www.mipangotz.go.tz*)
- Project Preparation Advance (PPA) supported the work under the BRN sub-component with commendable contribution to improve implementation,
- Legislative amendments related to PPPs completed to facilitate private sector investment in the economy. For example, private sector in funding improvement of railway infrastructure (Ministry of Finance, June 2012).

[20] The BRN delivery system is structured as follows: at the center, there is the PDB and in each NKRA lead Ministry, there are the MDUs. Throughout the year the PDB and MDUs will ensure that progress is regularly monitored and fed up the system, delivery bottlenecks are speedily identified and if necessary escalated and ultimately results delivery is kept on track. They will be supervised by the TDC and the NKRA Steering Committee respectively

- Built capacity of PDB through private sector-related capacity, equipment, resources, and instruments to enable it to deliver its mandate during the start-up phase, including activities related to establish the Transformation and Delivery Council (TDC).
- PDB undertook analysis to identify additional strategic areas (in addition to the 6 KRAs) where results can be delivered through private sector interventions and developed the associated action plans and solutions.
- Promotion of Tourism – The Ministry of Tourism finalized the Tourism policy.
- PPP - Government decided not to implement this activity and but plans to implement PPP activities under another source of funding.

B. Outcomes

- Transformation and Delivery Council (TBC) established and operational. TBC has reviewed NKRA progress and advanced solutions, including addressing challenges encountered by NKRA ministries – thus improving private sector involvement in the economy.
- Capacity building and training provided to PDB, MDU and other Ministries, Departments, and Agencies (MDA) staff on the requirements to facilitate private sector operations across the BRN delivery system has clearly contributed to improving the overall business environment and the overall transformation of government delivery capacity; although much remains to be done.
- Despite closure of PDB in 2016, the Government is committed towards moving the PPP agenda forward, including strengthening the legal and institutional frameworks for PPPs, which has recently been placed under the custodian of the Ministry of Finance and Planning (MoFP). Accordingly, in April 2016 accountability for all PPP initiatives and related activities was transferred to the MoFP which is now also responsible to identify appropriate funding for PPP projects and coordinate with all other Ministries; including the establishment of a dedicated PPP Center. The MoFP has begun to develop action plan to start work on PPP activities taking into consideration Government priorities which will enhance private sector participation in partnership with Government.

4.1.6 Business Environment Strengthening - Zanzibar

40. The objective of this sub-component is to improve the business and regulatory reforms in Zanzibar. The main achievements up to the closure of this project have included the following:

A. Outputs

- Report prepared on Business Entry, Exit, Security and Registration applicable to Zanzibar.
- Several legislations enacted by the Revolutionary Government of Zanzibar, including the following:
    - Business Registration Act,
    - Secure Transaction of Movable Properties Act,
    - Insolvency Act,
    - Companies Act
- Consolidation of Zanzibar Laws from 1980 to 2010 completed
- New Commercial Court Bill enacted to establish the Zanzibar Commercial Court,
- A Corporate Plan of Zanzibar Investment Promotion Agency prepared.

B. Outcomes

- 32 advocates and legal officers trained in the areas of commercial laws, alternative dispute resolutions and key legal case management in courts,
- Zanzibar Law Society provided with capacity building, training and equipment,
- Review and reduction of levies and taxation of SMEs which is under the President's office, Finance, Economy and Development Planning completed successfully and applauded by SMEs.

4.2 COMPONENT 2: ENTERPRISE DEVELOPMENT COMPETITIVENESS

41. The objective of this component is to improve the capacity of the private sector in Tanzania to respond to viable opportunities in domestic, regional and international markets. To achieve this objective the Tanzania Private Sector Foundation (TPSF) leads the implementation of four major sub-components, namely: 1. Cluster Competitiveness Program, 2. Matching Grants Programme (comprised of Technical Innovation Scheme (TIAS) and the Tanzania Business Development Programme (TBDS), 3. Tanzania Business Gateway Programme, and 4. International business School Linkage Program.

42. Achievements observed for this component are as follows:

4.2.1 Cluster Competitiveness Program.
This sub-component focused on food processing, horticulture and tourism clusters. The achievements are as follows:

A. Outputs
- Legal and regulatory environment for food processing, horticulture and tourism has been improved,
- Labour and workforce system in the sub-sectors of food processing, horticulture and tourism has been improved.
- Productivity of farmers engaged in horticulture and food processing has been improved.
- Report on Tourism developed in 2015 and in circulation

B. Outcomes
- 1,000 farmers trained in farming as a business and their productivity has increased,
- 550 farmers and 16 local consultants have been trained on global GAP Standard thus enhancing competitiveness in the industry,
- 500 taxi drivers certified in tourism friendly services, thus enhancing their capacity to provide better services to the tourism sub-sector,
- 10 tour guides trained and certified, thus offering better services to tourists,
- Established the Association of Women in Tourism, thus increasing women participation in the tourism industry.

4.2.2 Matching Grant Program
43. This sub-component implemented by the Tanzania Business Development Programme (TBDP) aimed at improving the competitiveness of private firms.

A. Outputs
- 910 grants provided to MSMEs,
- 16,784 men and women trained in various business-related skills (Target was 1,000 people),
- 2,010 microenterprises and their employees trained in entrepreneurship (target was 1,000 microenterprises).

B. Outcomes
- 7,100 new jobs created,
- 69% of the enterprises reported increase in sales,
- 39% of the enterprises achieved new export sales,
- 23% of the enterprises developed new products.

44. The Technical Innovation and Applied Research Scheme (TIAS). This sub-component aimed at

improving the capacity of technical institutions to provide training and other services that help boost productivity and competitiveness of the private sector.

A. Outputs
- Capacity development training provided to technical institutions,
- Various types of machinery and equipment provided to the training institutions.

B. Outcomes
- 50 new degrees and diploma courses established in the various technical institutions,
- 9,240 students enrolled in the various technical institutions,
- 16,784 men and women trained on various technical skills,
- Over 10,304 people employed in the beneficiary companies and institutions.

4.2.3 Tanzania Business Development Gateway (BDG) Programme

45. The objective of this sub-component was to strengthen the entrepreneurial culture of Tanzanians by providing entrepreneurs with business ideas and start-up firms with risk grants, thereby enabling them to either start or upgrade a business. Achievements include:

A. Outputs
- US$ 13.89 million worth of grants provided to SMEs,
- Entrepreneurial skills training provided to SMEs,
- Business clubs established in each region of Tanzania to provide additional business support services to entrepreneurs.

B. Outcomes
- 11,000 MSMEs members trained in capacity building that has empowered both men and women trained with new business ideas,
- 8,736 MSMEs provided with entrepreneurship training that has increased their productivity,
- 5,994 MSMEs provided with grants that has enabled some to upgrade their businesses and others to use the training offered to start own businesses.
- 26 business clubs established in the regions are fully operational providing much needed business support, including sourcing markets for the entrepreneurs.

4.2.4 Business Linkage Programme

46. This sub-component aimed at enhancing the training capacity of local training institutions to ensure a sustainable increase in the supply of quality managers in Tanzania. Achievements during implementation of this subcomponent include the following:

A. Outputs
- 32 faculty staffs in various institutions trained as trainers in entrepreneurship,
- 2 faculty staff trained in Teaching the Practice of Management,
- 24 faculty staff trained in curriculum development and research.

B. Outcomes
- Faculty staffs trained as trainers imparting the skills to other faculty members and students,
- 13 curriculum case studies developed,
- Students now invited to apply a course on curriculum development and research methodology.

4.3 COMPONENT 3: ACCESS TO FINANCIAL SERVICES

47. This component aimed at increasing access to financial services initially implemented under the Financial Sector Deepening Trust (FSDT). Under PSCP-AF this component aimed at supporting

access to financial services through: (i) strengthening the legal and regulatory framework, (ii) supporting deposit insurance, (iii) developing reporting standards for microfinance institutions (MFIs), (iv) Addressing weaknesses in the collateral system, (v) developing standards for overseeing and supporting mobile financial services infrastructure, and (vi) Supporting development of new products to expand access to finance.

48. The institutions supported by the PSCP-AF include Bank of Tanzania, Dar es Salaam Stock of Exchange (DSE), Capital Market and Securities Authority (CMSA), Tanzania Insurance Regulatory Authority (TIRA), National Board of Auditors and Accountant (NBAA), Tanzania Warehousing Licensing Board (TWLB) and TIB Development Bank (TIB-DB). .

49. The main achievements of PSCP and PSCP-AF up to the closure of the project are as follows:

A. Outputs

- Facilitated improvement of policy, institutional, legal and regulatory framework and data for delivery of financial services,
- Provided increased wholesale financial service provision to support retail financial service providers (financial linkages)
- Facilitated enhanced appropriate business services for SACCOS and other MF providers (capacity building)
- Facilitated availability of more and better financial services to meet the needs of urban and rural enterprises (MSMEs), including those for women.
- Facilitated availability of more and better financial services to meet the needs of poor urban and rural households and individuals (retails customers).
- Drafting of regulations that allow for the effective functioning of the Deposit Insurance Board had already been done by M/s Aries under a different project. Therefore this sub-component can be considered completed.
- Specifications for the Enterprise Resource Management System (ERMS) were developed as part of the consultancy funded through PSCP-AF project. However, the Bank of Tanzania is waiting to make the system functional due to ongoing discussion by the Government on transformation of the ERMS Board into an autonomous institution.
- Reporting standards for microfinance institutions (IFRS) have been completed. IFRS for Tanzanian micro entities were developed by M/s Cadogan in 2017 under the auspices of the Bank of Tanzania PSCP-AF support.
- Developing standards for overseeing and supporting mobile financial services infrastructure has been done under a separate funding support to the Government of Tanzania. Therefore, this sub-component can be considered completed.
- New products have been developed by Tanzania's financial institutions and approved by the Bank of Tanzania, including for example Tanzania Mercantile Exchange (TMX) which started implementation with cashew nuts. Warehouse Receipts System (WRS) improved and equipped to function as intended.
- The Tanzania Commodity Exchange offices have been established and staff recruited.
- .Commodity contract specifications have been prepared for the following crops: sesame seeds, sunflower, cashew nut, maize, pigeon peas, cow peas, chick peas, and paddy rice.

B. Outcomes

- The ninth edition of the World Bank "Tanzania Economic Update" which focuses on the special topic, "Money Within Reach: Extending Financial Inclusion in Tanzania." It analyses the country's extraordinary progress in bringing financial services to 62% of its population today compared to 11% in 2006, making it a regional leader in the use of digital financial services and putting it on a solid footing to achieve Universal Financial Access by 2020.

- New financial products progress has been credited to money transfer services that were introduced by mobile network operators in 2008 through approval of the Bank of Tanzania. These are operated by a network of agents across the country offering a range of services and products, whereas the traditional bank-dominated financial system remains mostly urban-based and is still unaffordable for the vast majority of Tanzanians and their businesses.
- New financial products have also reached ordinary citizens who once had to enter into risky arrangements to send money urgently to their families, the mobile money services have almost eliminated this risk and drastically reduced the time and cost transactions used to take. They have moved further to offer products at affordable cost, such as insurance and credit, as well as offering platforms for paying utility bills such as water and electricity as well as various taxes.
- Proportion of adult population that uses financial services provided by formal financial service providers increased from the base value of 9% (2006) to 56.8% (2013) exceeding the target set at 18%.
- Proportion of adult population classified as unserved/excluded reduced from 54% (2006) to 27.4% (2013 against a target of 48.5%.
- Credit extended to the private sector as a percentage of GDP increased from 8.9% (2006) to 16% in 2009 against a target of 13.1%.
- Volume of deposits mobilized by a cross section of microfinance providers from MSMEs and poor people (TZS billion) increased from TZS 40.5 billion (2006) to ... (Target 162.1)
- Volume of non-directed finance from commercial banks available to MFPs increased TZS 5.2 billion (2006) to TZS 85.3bn in 2009 (Target 21.0 billion)
- Proportion of micro entrepreneurs with investments valued at TZS 5 million in assisted MFPs who are women] increased from 1.3% (2006) to (target 30%)
- Proportion of micro entrepreneurs with investments valued at TZS 5 million in assisted MFPs who are youth (aged 18-25) increased from 0% (2006) to (Target 5%)
- Number of poor people accessing financial services from assisted financial institutions increased from 171,898 (2006) to 744,418 in 2009 against a target of 687,592.
- Number of women and youth accessing financial services from assisted financial institutions increased from 92,678 (2006) to (Target 370,713)

4.4 PROJECT MANAGEMENT

50. General: Despite some delays in procurement of some PSCP and PSCP-AF planned activities, due partly to the need to garner consensus with the large number of implementing agencies and the legal time required to effect a public procurement service, the overall management of the project has been fairly good. Project reports overall have been comprehensive and the monitoring and evaluation table was prepared, including results framework with expected yearly targets and end-of-project targets which have facilitated implementation and tracking of achievements.

51. The closing date for the initial PSCP support was extended from June 30, 2013 to December 31, 2013 to provide necessary period to sustain momentum during preparation of the PSCP Additional Financing. In order to keep the momentum, the World Bank and the Government proposed an additional financing which would support (i) the land component of PSCP, which will "bridge" land administration activities while a new private sector operation was still being designed, (ii) regulatory reform and (iii) improving access to financial services. An additional extension was requested during implementation which brought the PSCP-AF and therefore the entire project to closure on 31st July, 2018.

52. Financial Management: Overall, the PSCP and PSCP-AF have been financially managed well according to international standards as attested by external PSCP audits by Tanzania Controller and Auditor General – who have consistently issued 'Unqualified' rating indicating proper management of funds in terms of adhering to proper disbursement and utilization of project funds[21]. Due to unavoidable circumstances that necessitated additional funding to get some sub-components implementation momentum, some categories were overdrawn hence requiring reallocation of funds. The World Bank and project implementation staffs worked together to come up with a proposal for reallocation of the existing funds so as to meet the existing outstanding obligations and proposed commitments.

53. Funds disbursement and utilization. The PSCP and PSCP-AF have performed well in terms of funds disbursement and utilization. As of the closure of the project, 31st July 2018, all the initial PSCP IDA 41360-TZ, 2006 to 2013 of US$ 95 million had been fully disbursed and utilized. With regards to PSCP –AF IDA 53260-TZ, 2014 to 31st July, 2018 of US$ 60.2 million, US$ 45, 592,709.5 had been disbursed and utilized and US$7,000, 000 has been committed and disbursement to fund already committed implemented PSCP-AF sub-component is expected to take place soon; which brings the total disbursed and committed to US$ 52,592,709.5. Thus the expected undisbursed funds for PSCP-AF are US$ 7,607,290.5 or 12.6% of the total PSCP-AF funding. Overall, the total project funding was US$ 155,200,000 of which only US$ 7,607,290.5 will be undisbursed or 4.9%, implying very good disbursement and utilization of project fund on both the World Bank and Government project implementing agencies.

4.5

54. The PSCP and PSCP-AF indicator, targets and actual achievements of the targets is shown on Table 3. Overall, most of the planned targets were met, despite many challenges in the Tanzania business environment including: (i) Nearly three decades of economic growth reliance on public sector as the "engine' of that growth, thus marginally involving the private sector, which should have been the main actor in the growth drive; (ii) The need to garner consensus due to the many PSCP implementing agencies, (iii) Coordination of many sub-project components exceeding 120 activities with few staffs at the PIU located in the PMO's office, and (iv) the need to put in place systems of project implementation, including inadequate supportive public service procurement systems that tend to take longer time due to the legal procedural requirements.

5. Assessment of PSCP and PSCP-AF Performance: The Results Framework analysis shown above indicates substantial achievement of the planned indicators and targets (Green colour). Overall, only one indicator was not achieved and 0ver 85% of the 28 indicators assessed on the Results Framework above were achieved fully. Given the high achievements of the PSCP and PSCP-AF as outlined in Section 4.1 and combined with the performance of the Results Framework indicators, the project should be ranked "Satisfactory". However, given observed implementation inadequacies such as delays in procurement of goods and services, management of the entire project, and several other issues narrated in World Bank Aide-Mémoires and project implementation review reports, many of which, cannot be quantified; the rating proposed for this PSCP is "Moderately Satisfactory".

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[21] See Report of the Controller and Auditor General on the financial statements of the Private sector competitiveness project (PSCP) for the year ended 30th June, 2015 and June 30, 2017; January 2018

3. BENEFICIARY SURVEY

2.1 Introduction

56. This section provides a summary of the beneficiary survey undertaken as part of this ICR. The results and methodology used for the survey are detailed in Annex 1. Overall, despite observing that attribution is not direct or straightforward due to existence of other stakeholders; the results of the beneficiary survey provides strong evidence that the Private sector competitiveness project enabled important reforms that contributed to improved services needed for enterprise growth. The key findings are as follows:

5.2 Key Findings

- The survey found dramatic increase in the number of business licenses and title deeds issued in every LGA visited as a result of the reforms and enabling systems. On average, the number of business licenses increased by 50 percent annually, and dramatically by 123 percent from 2005 to 2017.
- Time to issue a license decreased from an average of 3 days in 2005 to 1.7 days in 2017, while revenue from business licenses increased by 53 percent from an average of TZS 495 million to TZS 756 million. Part of the reason includes significant reduction in time and procedures to start, register, and operate business as well as the establishment of BRELA which brought various positive changes to business registration. However, participation by rural enterprises is found to be relatively lower compared to urban enterprises.
- Land title service show even more dramatic growth in performance. The number of title deed increased by 190 percent from an average of 180 per year to 517, while the time to issue a title deed declined by nearly 90 percent from an average of 340 days in 2005 to 37 days in 2017. The survey also shows participation of women in land ownership has increased in both urban and rural areas. Further, in the surveyed LGAs revenue from land property increased seven folds from an average of TZS 112 million in 2010 to TZS 792 million in 2018, partly due to increased land titling.
- With regards to land, over 70 percent of the respondents in sample survey in both Households and firms reported that it *is easier to acquire land in 2018 compared to the past 10 years.* The main factor in the increased ease of acquiring land is: (i) decrease in price for getting a title (47.3 percent), (ii) increased awareness and knowledge (24.8%), (iii) lower time it takes to secure a title (11.3%), and (iv) low level of corruption (8.3%). In this regard, the level of satisfaction has also increased, with men showing higher levels of satisfaction (60%), while female (40%). Some remaining levels of dissatisfaction relates to perceived continued structural rigidities, including still high cost of acquiring land, delays and inadequate information and knowledge of the land reforms.
- The project has had significant impacts on improving business environment, although most (70%) of respondents reported that recently, business climate has deteriorated, reporting that it is now difficult to do business compared to the past 10 years. However, with regard to above observation, rural enterprises consider business environment to be friendlier, while urban firms consider it to be complex and needs further reforms.
- Financial services have improved in terms of the range of financial institutions and other non- commercial banks, as well the range of services provided both in rural and urban areas leading to greater access to credit. In particular, the mobile money revolution explains the dramatic leapfrog in financial inclusion, from coverage of 11 percent to 57 percent within the project period. The main factor explaining the improvement is simplified operation procedures and use of electronic systems (including mobile phone services) that is accessible country-wide all the time.
- Despite improved access to financial services, access to loans is still low. Only 27 percent of the respondent firms and 21 percent of the Households surveyed received loans in the past year – mostly from commercial banks (77%) and VICOBA/SACCOS (11%). The main challenges cited by respondents include: high interest rates, lack of collateral and the high cost of procurement of Electronic Fiscal Devices (EFDs) machine for small businesses.

- The survey probed on the gender differences in accessing and improvement of various services. The findings shows the gender differences were insignificant, and where existed, have tended to fade away overtime. For instance, 84 percent of households reported no gender bias in owning land, while 93 percent report such differences to have substantially decreased compared to the past 10 years. It is also reported that, there is no bias in obtaining land title, as reported by 87 percent of respondents. Indeed, 91 percent of respondents reported that procedures for owning land and getting title apply equally between men and women. Similarly, most households (92%) and firms (79.2%) report that there is no bias in registering business between men and women, neither in accessing loans from financial institutions (89%).

5.3 Challenges

57. Despite the substantial achievements made in implementing the project, some challenges still exist, limiting full realization of the project's intended outcomes. The major challenges can be summarized as follows:

- Lack of financial and human resources to sustain the huge demand for the project services.
- Weak institutional framework where the land office is not accorded sufficient space and attention at the LGA level, and the fact that Trade office is wrongly placed under Treasurer's department thus compromising the trade facilitation objective; and
- Low level of awareness and capacity of the beneficiaries limiting their ability to navigate through a difficult but improving business environment.
- Some obstructive legislation and regulations on trade, commerce, employment and resource utilization, despite many reforms and supportive legislations since the mid-1980 and the support provided under PSCP and PSCP-AF.
- Costly and complicated procedures to establish and run a business, despite substantial improvement in recent years. The number of days to achieve most of the procedures can still be reduced considerably, compared with other countries with a better rating on the World Bank cost of doing business.
- Streamline further the land acquisition process, despite commendable progress in recent years to automate most of the procedures and clearly eliminating rent-seeking behavior.
- Support further improvement to formal and non-formal financial service providers, particularly for men and women MSMEs to ensure greater inclusion in the country's financial system.
- Address remaining challenges in business labour laws which still persist despite recent enactment of several more responsive labour laws and regulations as outlined in the preceding sections.
- Review further the dispute resolution mechanism, despite recent reforms and legislation to address this challenge. Much remains to be done in this area, not-with-standing the good progress made in recent years under to the land administration reforms.
- Continue to address the limited entrepreneurship and business skills challenge, despite much improvement in recent years to revamp vocational training institutes and capacity building and training offered and supported by Development Partners, including the PSCP project support.
- Facilitate private sector to enhance their capacity to respond to opportunities in Local and Regional Markets, as well as access to information and provide more support to the private sector by Government agencies working closely with national and regional business councils.

- Continue to address the issue of the large unorganized and informal sector[22] despite efforts to address informality through a program such as luring informal entrepreneurs to become formal, register their businesses and pay relatively low taxes to the Government coffers (dubbed in Kiswahili MKURUBITA).

3. ECONOMIC AND FINANCIAL ANALYSIS

6.1 Introduction

58. This section provides a summary of the project economic and financial analysis. Further analysis and methodology used is shown on Annex 2. Overall, despite some few challenges encountered during implementation, the PSCP and PSCP-AF project was cost effective and efficiently implemented as outlined below.

6.2. Key Findings

- The project experienced substantial financial management efficiency. Over 94% of the loan/credit was disbursed and utilized to implement over 190 project sub-activities. PSCP Project PO85009 IDA - 41360 of US$95 million was fully disbursed and utilized. PSCP Project PO85009 IDA- 53260 of US$60.2 million, 82% of the loan/credit was disbursed and utilized. PSCP Project PO85009 TF- 94620 of US$15.75 was fully disbursed and utilized. The cumulative disbursement trend is shown on Figure 1.

Figure 1: PSCP project cumulative disbursements

- External audit of PSCP and PSCP-AF by the Controller and Auditor General consistently awarded "Unqualified" rating to the project financial management; implying project implementation adhered to international financial management standards.
- The ex-post Cost-Benefit analysis vindicated the good analysis conducted at appraisal. The appraisal net benefits (NPV) of the overall project were estimated at US$56 million for a 12 percent discount rate while it's ERR was estimated at 27 percent. In contrast, the ex-post analysis using also 12 percent discount rate yielded NPV of US$110 and ERR of 35 percent, indicating the benefits and viability of the project at appraisal period were well anticipated.

4. LESSONS LEARNED

64. The following are the main lessons learned and factors affecting development outcomes during implementation of the PSCP and PSCP-AF project:

- Design of future projects should limit the number of priority actions on planned reforms in order to maximize their impact and achieve results in time. There is a tendency of planning many activities (for example by June 2015 PSCP project had 190 activities of which 116 had been committed (contracts signed and activities ongoing/closed) which is 61% of all activities. A fewer number of activities would have been implemented more cost effectively and efficiently to maximize positive impact.

[22] According to informal sector study done in Tanzania, the informal sector has assets worth 29.3 billion dollars, equivalent to 10 times all foreign direct investment (FDI) accumulated since independence and four times net financial flows from multilateral institutions in the same period.(Hemando De Soto, Empowering the Disadvantaged towards Expanded Market Economy September 2005).

- Project design need to garner the highest level of political support for the reform effort through consultations and dialogue. Reforms designed around sensitive sectors such as lands require a champion at the high level, since such sectors or reforms cut across all other sectors and touches majority of the population. A strong champion at high political level would also enhance project's success and sustainability of the outcomes.

- In the future, there is need to follow-up on business registration process validation and involvement of key private-sector representatives. Often what officials have in their books as the registration process and what is experienced by the applicant are different. Prior to reforming the system, it is necessary to do a detailed mapping of the current procedures (process mapping) involving key stakeholders (especially the private sector) so as to enhance traction, relevance and impact of project activities.

- The beneficiary survey found that use of online and electronic systems has dramatically increased results and impacts. In the case of business registration, future project design should take into account the need to invest more resources into maintaining such systems. Often time the project implementers are satisfied with successful installation and establishment of the system but to sustain the impact, more resources need to be spent on maintenance and troubleshoot. For instance, the major cause of delay in issuing business license and land title is system outage. If more efforts could be put into mitigating such risks, then the reforms would be much more impactful.

- In the case of business liencing and registration, One-Stop-Center branded as One Stop Business Center has huge potential to bring about much more dramatic impact and results. The ongoing pilot project funded by DANIDA provides initial signals that the project will have much greater impact. Similarly, in the case of land reforms, the pilot of ILMS in Kinondoni Municipal Council has produced notable results, which indicates potential for it system to transform land titling process once rolled out.

- The desire to realize efficiencies and comprehensiveness with a large project such as the PSCP should not over-ride the risks inherent in a complex project design with many beneficiary implementing agencies and activities. Moreover, the implementing agencies' institutional preparedness and strong governance framework should be considered paramount, especially the capacity to handle complex project issues such as preparing draft legislations and regulations.

- Need to align project design with the "implementing agency challenges" at the local level so as to increase effectiveness. Most of the challenges affecting delivering of the land and business registration services at the local Government level were not addressed by the project. While this level of intervention could be a logical follow up phase for the project, this review provides important lessons and areas for informing its design. The future project could aim to improve the working environment and equipment for land and trade officers, boost the functioning of payment system, introduce records management and retrieval system, build capacity of the officers and support the institutional reforms at the national level.

- Institutional reforms could aim to unlock the functions of trade officers from purely fees/tax collection and inspection agents to trade facilitation agents. Indeed, the districts/town trade officers could be empowered to be BRELA Agents at the LGA level, and empower small businesses to grow by providing necessary BDS services. On land, the reforms could enhance a more effective functional relationship between land office and the LGA, and unlock the potential for land reforms to drive local economic development and revenue generation of the LGAs.

- Finally, most of the recommendations made by the LGA officials should provide a rich menu of low hanging fruits reforms at the LGA level that can be taken on board in designing future projects.

5. SUMMARY OF THE ASSESSMENT AND RECOMMENDATIONS

66. The Government of Tanzania recognizes that rapid, private sector-led growth is essential for ending the country's extreme poverty and boosting shared, inclusive prosperity. As such, the World Bank and other donor's support to improve private sector competitiveness are critical towards creation of vibrant private sector business environment.

67. The assessment conducted and discussed in the preceding sections, including the beneficiary survey conclusively shows that PSCP and PSCP-AF achieved substantially the intended development objectives. The project has enabled Tanzania to create sustainable conditions for enterprise growth, especially due to the sound legislative, regulatory, institutional and ICT systems put in place with support from the project. In particular, the project facilitated increased number of formal enterprises, enhanced value of titled land relative to untitled due to improved land demarcation and titling, and growth in sales and assets of firms participating in the project; as well as strengthening the business environment in Tanzania, especially through the support in land administration reform and improvement of access to financial services country-wide.

68. Key achievements in the strengthening of business environment include:

- Substantially improved land administration system that has enhanced land ownership security through titling to foster inclusive productive land tenure systems, increase agriculture productivity and reduce land conflicts. In particular, facilitation that enabled introduction of the New National Land Policy and five new land laws to provide the legal framework for implementation of the land development policy and strategy. As a result, during the project period, boundaries of 11,000 villages (out of planned 12,000) or over 90% have been surveyed and demarcated, of which 7,000 have been registered, thus empowering the village authorities to better plan, allocate and manage land use and tenure, including reducing land conflicts. More than 100,000 Certificates of customary rights of occupancy (some of which some have been offered to women) have been issued.
- Establishment of the Land Information Centre (NLIC), which provides access of land information to private and foreign investors as well as ordinary citizens who are interested in purchasing land but would like assurance of land property ownership,
- Development of the Integrated Land Management Information System (ILMIS) which has revolutionized land administration in Tanzania by sustainably providing capacity to produce Base maps for Land Administration which started in Dar es Salaam and expected to be scaled up country-wide. Base map information is required in rural and town planning, valuations, land management, environment and survey work. Other powerful key features of ILMIS are critical to support the new land policy, legal framework and on-going land reform implementation strategy.
- The reforms supported several implementing agencies, including those responsible for enhancing tourism (MNRT), foreign investment (TIC), private sector facilitation (Private sector foundation), business registration (BRELA), and several others. PSCP and PSCP-AF aimed at reducing the costs of investing in, establishing, and operating a business in Tanzania by eliminating policy, legal, regulatory, and institutional constraints that inhibit a growing and competitive private sector. In this regard, Tanzania has made substantial progress in reducing the burden on businesses by eradicating as many procedural and administrative barriers as possible, and improving the quality of services provided by Government to the private sector. The reforms have laid a solid foundation for sustained improvement in Tanzania's private sector competitiveness. For example business registration time has been reduced from 90 days to 3 days during the project period; tourist visits and tourism earnings are increasing; foreign direct investments (FDI) is increasing, creating much needed jobs and bringing

in new technology and foreign exchange; the business legal and regulatory framework is improving, creating an enabling environment for facilitating a growing, vibrant private sector capable of identifying market opportunities, take initiatives, innovate and compete at regional and global markets.

69. Similarly, the key achievements of PSCP and PSCP-AF in improving Tanzania's citizens' access to financial services include:

- Substantially increased financial inclusion during the project with 2017 available information showing 62% of the 55 million Tanzanians have access to financial services compared with 11% in 2006, making it a regional leader in the use of digital financial services and putting it on a solid footing to achieve Universal Financial Access by 2020,
- Tanzania made commendable progress in the establishment of formal and non-formal providers of financial services. In 2017, there were 56 banks of which 22 banks are offering microfinance products and services that include 8 commercial banks, three microfinance banks and 11 community and cooperative banks. The number of non-financial institutions has also increased substantially from 803 in 2006 to 133,134 in 2017.
- With increased financial service providers and mobile-phone based electronic payment systems; access to finance by MSMEs has also increased; facilitating private enterprise development, creating jobs and incomes; which is essential for improving the livelihood of the majority of Tanzanians. The reforms supported under PSCP and PSCP-AF apart from improving financial access inclusiveness, provided matching grants to MSMEs which succeeded in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation. Without finance, MSMEs cannot acquire or absorb new technologies nor can they expand to compete in global markets or even strike business linkages with larger firms located in Tanzania or take advantage of the large East Africa Community market, especially taking into account recent improved border trading.

9.2 Recommendations

70. Tanzania Government recognizes the good progress that the country has made in creating an enabling environment for enhanced private sector competitiveness and the challenges still ahead to reduce further the cost of doing business to increase investment profitability and create more amicable equitable business playing field. In this regard, the Government is committed towards continuing to improve private sector competitiveness through the following actions:

- Scaling up implementation of the successful land administration reforms, through speeding up land surveying, demarcation and titling of formal private and public village land to ensure all land in Tanzania has legally certified land property ownership. In this regard, ILMIS will facilitate achievement of this resolve as well as the other land policy and legislative frameworks put in place under the reforms.

- Making further improvement to reduce the costs of investing in, establishing, and operating a business in Tanzania by continuing to eliminate challenges still existing in policy, legal, regulatory, and institutional areas that inhibit a growing and competitive private sector. In this regard, the Government is committed to further reduction in the burden on businesses by eradicating remaining procedural and administrative barriers, and improving the quality of services offered to domestic and foreign investors.

- In recognition of vital role MSMEs play in building economy-wide productive capacity, to compete domestically and globally as well as to create much needed jobs and contribute to poverty alleviation; the Government is committed to explore mechanisms for reducing high risks and costs of lending to MSMEs; including imploring formal and non-formal providers of financial services to increase credit to MSMEs at reduced interest rates, take initiatives to develop mechanisms for reducing risks and costs of MSMEs financing such as credit scoring systems which automate MSMEs lending and improve credit risk management.

- Continuing to scale up the successful reforms made under PSCP and PSCP-AF to revamp Tanzania's tourism sub-sector, attract more foreign direct investment and scale up activities under the Dar es Salaam Stock of Exchange (DSE) and Capital Market and Securities Authority (CMSA) in order to increase domestic and foreign investment, create jobs, earn greater revenue for the country as well as anchor private sector as the main driver of poverty reduction in Tanzania.

ANNEX 8. COMMENTS ON THE DRAFT VERSION

Comments for Draft Version of the Project Implementation Completion and Results Report of the Tanzania Private Sector Competitive Project

Tanzania is already implementing the above project with the initial credit from the World Bank of USD 95 Million and subsequent Additional Financing (AF) credit of USD 60 Million. The aim of the project is to support the development of the private sector in the country and contribute to the deepening of the financial sector. The project original development objective was to *create sustainable conditions for enterprise creation and growth* through a series of initiatives aimed at reducing the cost of doing business and increasing the capacity of the local private sector to participation in domestic and international markets and access to relevant financial services.
The project development objectives were later changed from *sustainable conditions for enterpriese creation and growth* to *strengthen business environment in Tanzania including land administration reform and improve access to financial services.* From our side the project had strengthen the business environment by establishing a One Stop Shop (OSS) for business registration at BRELA which is fully functional. This means that digitization of BRELA's registries has been completed; records management system has been installed; online names search database for companies and business names has been established on BRELA's website; several business acts have been amended or enacted to create more conducive climate for doing business in Tanzania. As a result of these achievements, the parliament is now able to approve amendments of several acts for business promotion.

The World Bank has also been supporting MSMEs through addressing some of its key constraints hindering its development such as unfavourable legal and regulatory frameworks, undeveloped infrastructure, poor business development services, limited access to financing, and ineffective and poorly coordinated institutional support framework. Among these constraints, access to finance is the most critical one. As such, the government of Tanzania has been working with the World Bank on a new US$150 million financial intermediary lending operation designed to increase access to finance for MSMEs.

The growth of MSMEs has been hindered by several factors such as market access, legal and regulatory frameworks, infrastructure, human capital, technology including access to finance. Some of these constraints have been intervened by the World Bank support through financing, advocacy, advisory, training and other forms of technical assistance activities.
One of the key output that is yet to be addressed is the establishment of MSME Policy Unit at the Ministry of Industry and Trade (Refer Component 2: Enhancing Enterprise Competitiveness on page 46 of the draft report).

This activity/output has not yet been implemented under the project initiative apart from the existing Ministry's policy unit. There is still a need to strengthen the Policy Unit dealing with MSME policy issues. This activity/output still needs to be addressed. The MSME Policy Unit if established, will be able to oversee the implementation of the following policies related to MSMEs:

1) The Sustainable Industrial Development Policy-SIDP (1996-2020), which places specific emphasis on the promotion of SMEs through the following measures: supporting existing and new promotion institutions, simplifying taxation, licensing and registering SMEs, and improving access to financial services. In addition, SIDP encourages informal sector businesses to grow and become formalized and identifies measures that would enable indigenous entrepreneurs, women, youth and people with disabilities to take part in economic activities.

2) Small and Medium Enterprise Development Policy (2003), which outlines strategies for implementing the SME development policy, which focuses on three main areas: creating an enabling business environment, developing financial and non-financial services, and putting in place supportive institutional infrastructure. This includes strategies for a legal and regulatory framework, physical infrastructure, business development services (including entrepreneurship development, business training, information, technology, marketing and access to finance), and an institutional framework for SME development.

The World Bank has also supported us in the formulation of the Blueprint which elaborates challenging areas in policies, laws, regulations, levies, taxes that require reforms aimed at reducing the cost of doing business in the country. It also covers regulatory issues that require reforms, fiscal implications of the reforms and recommendations necessary for improving the business environment in Tanzania. Specifically the Blueprint discusses issues faced during business registration (such as Permits, licenses and inspection) and issues faced during business operations (such as taxes, levies and registering products and inspections). The analysis covers six economic sectors (agriculture, natural resources and tourism, construction, health, energy and minerals and transportation) that are prioritized in Tanzania's Five Year Development Plan. The Blueprint for regulatory reforms also provides the government's main framework for enabling a holistic review of business environment in order to improve the business climate in Tanzania. It presents the key challenges affecting the private sector development in Tanzania as well set recommendations for reform to put in place a more friendly business environment. It covers regulatory issues at different level namely, at national level and local government level, at sectors level. The blueprint propose reforms to reduce regulatory burden by:

1) Adopting and implementing mechanism that will promote and ensure an efficient regulatory policy. This will guarantee that the gains arising out of the reforms are not eroded by the introduction of new regulations of low quality;

2) Simplifying the business-regulatory regime to avoid duplications and overlaps of mandates within the regulatory institutions;

3) Promoting transparency of the regulatory regime by using information and communication technology (ICT) platforms that provide information on regulatory processes to the general public.

The World Bank has also supported the social security pension fund reforms which brought

about the merging of five (5) pensions funds institution into two major entities through the Public Service Social Security Act of 2018 which sought to merge all the pension funds into just two major entities namely; the Public Service Social Security Fund (PSSSF) and the National Social Security Fund (NSSF). The NSSF would now cater for the public and private sectors while the Public Service Social Security Scheme, would now serve all employees in the public service sector by taking in all employees in other pension funds. Formally, there were five (5) social security funds in the country, with almost similar benefits. They were the National Social Security Fund (NSSF), PPF Pension Fund(PPF), Public Service Pension Fund (PSPF), Local Authorities Pension Fund (LAPF), and Government Employees Provident Fund (GEPF). Currently there are only two pension funds namely, Public Service Social Security Fund (PSSSF) and the National Social Security Fund (NSSF). The reasons for merging the above pension funds was to reduce the costs of pension benefits and operating costs due to the fact that by having many pension funds institutions would reduce their ability to offer quality services efficiently and effectively. The Social Security Regulatory Authority (SSRA) has been mandated to oversee, supervise and regulate the provisions of social security services in the country.
The business environment legal and regulatory reforms have been implemented in order to increase job creation potential of the Tanzanian private sector by reducing the overall cost of doing business and by creating an enabling environment for selected labour-intensive industries. The World Bank has supported reforms in three thematic policy area namely:

1) Making the regulatory environment (for business registration, licensing, trade, and taxation) more business friendly;

2) Improving the functioning of factor markets (labour, land, and capital) and;

3) Establishing an enabling environment for competitive, job-creating industries (in particular for agribusiness and tourism).

Any strategy to support employment creation by the private sector in Tanzania should be anchored on the need to eliminate or reduce barriers to growth for small and informal businesses which represent approximately 90 percent of existing operators, and on fostering investments in labour-intensive sectors. The policy reforms supported by the World Bank will help remove critical business environment constraints in Tanzania .