

JBIC Signs Japanese ODA Loan Agreement with Tanzania --Extending Fine-Tuned Development Policy Lending in Support of Growth and Poverty Reduction--

1. Japan Bank for International Cooperation (JBIC, Governor: Kyosuke Shinozawa) signed on September 20 an Japanese ODA loan agreement totaling up to 2 billion yen with the government of the United Republic of Tanzania for the Fifth Poverty Reduction Support Credit.
2. The government of Tanzania drafted the National Strategy for Growth and Poverty Reduction (MKUKUTA in Swahili)[1], which was designated as one of its most significant national plans, and has been striving, with a sense of ownership, to accomplish goals set by MKUKUTA. Having a high regard for such efforts by the Tanzanian government, JBIC has decided to provide "Development Policy Lending" to Tanzania, which is aimed at supporting policy and institutional improvement, unlike project loans that are intended for construction of infrastructure and the like. The proceeds of the loan will finance not only the general budget of the Tanzanian government, but policy proposal as well, to help implement goals set by MKUKUTA. As in the case of the Fourth Poverty Reduction Support Credit, for which Japanese ODA loan agreements were signed in March this year, JBIC intends to strengthen cooperation with a number of donors, including the World Bank.
3. The central feature of MKUKUTA is its pursuit of poverty reduction through economic growth. In particular, the government of Tanzania gives priority to the development of infrastructure that underpins economic growth. JBIC has thus sent an infrastructure expert to the government of Tanzania, and made a policy proposal on policy and institutional improvement concerning infrastructure in the country, while drawing on its experience of assisting economic growth primarily through infrastructure development in Asia. These efforts are highly praised by local development actors and donors as playing a leading role in implementing the infrastructure policy in Tanzania.
4. JBIC concurrently assists a road construction project in the country.[2] The Japanese ODA loan is expected to generate synergy effects, since it will finance the accomplishment of MKUKUTA goals, and thus assist the government of Tanzania to make policy improvements, including drafting of the comprehensive transportation sector program and securing of budget allocation for road maintenance, thereby ensuring a better outcome of the ongoing road construction project.
5. The year 2008 will see not only the G8 Summit meeting to be held in Toyako, but also the fourth conference of Tokyo International Conference on African Development (TICAD IV), a process that Japan sponsors once every five years. The global community has been focusing increasing attention to Japan's commitment to and outcomes of assistance for Africa. JBIC will continue to make vigorous efforts to support Africa, including Tanzania, in collaboration with other donors.[3]

(Click here for details.)

[1] MKUKUTA is an action plan that lays out a set of measures to effectively implement the five-year (FY2005-FY2009) development policy. Establishing the three major goals of "growth and poverty reduction," "improving living standards and social welfare," and "good governance and accountability," MKUKUTA further sets specific target indexes under individual goals.

[2] Arusha-Namanga-Athi River Road Development Project: L/A was signed on March, 2007 (6.857 million yen).

[3] With an eye to reducing the procedural workload of the government of Tanzania that individual donors call on, based on their own system, as they provide assistance or conduct evaluation, as well as to mitigating transaction costs, JBIC has been promoting various types of cooperation with a large number of donors, including the World Bank, and those from the UK, Netherlands, Sweden and EU.

Reference

1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period /Grace Period (Year)	Procurement
Fifth Poverty Reduction Support Credit	2,000	0.01%	40/10	General Untied

2. Project Executing Agency

Project executor is Ministry of Finance
(address: P.O. Box 9111, Dar es Salaam, Tanzania;
Tel: 255-22-2111174; Fax: 255-22-2112856).

3. Political and Economic Situation of Tanzania

Located in eastern Africa, Tanzania gained independence and became a nation in 1964. Its land area stretches across 945,000 square kilometers, about 2.5 times that of Japan, and it has a population of some 38.3 million. Over 80% of the country's workforce is engaged in the agriculture sector, whose primary product is food crop.

In the political area, while Chama Cha Mapundizi (CCM) maintained the one-party dictatorship since its establishment in 1972, the multiparty system was adopted in 1992. Incumbent President Kikwete was elected by general election held at the end of 2005. Since there has not been a single coup d'etat attempt since its independence in 1964, Tanzania has a good reputation as one of the most politically stable countries in Africa. As a signatory country of an agreement to establish the East African Community (EAC), the country has been striving to strengthen regional cooperational ties with Kenya and Uganda in a broad range of areas, including political and economic areas.

In the socio-economic area, Tanzania pushed forward socialistic economic policy until the early 1980s, with the country's development lagging behind significantly. Driven by earnest development efforts in recent years, as well as the emergence of new industries such as tourism and mining, the economy of Tanzania recorded an average 6.2% growth over the 2001-2006 period. On the other hand, per capita GNI hovers low at US\$350 (2006) and the poverty incidence exceeds 36%. Tanzania is thus in need of further reforms toward poverty reduction and economic growth.