THE UNITED REPUBLIC OF TANZANIA

ACTION PROGRAMME FOR THE DEVELOPMENT OF TANZANIA 2001 - 2010

Revised First Draft

PRESENTATION OF THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA AT
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Dar es Salaam - June, 2000

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TANZANIA: FACTS AND FIGURES

Political Independence:	Mainland Tanzania (Tanganyika) December, 1961; Zanzibar 1964 (January)
Form of Government:	Union Government, the United Republic of Tanzania.
Political System:	Pluralist
Population, 1999:	31.6, million (estimates) of which 2.5% Zanzibar.
HIPC Eligibility:	April 4th, 2000.
Currency:	The Tanzanian Shilling. Exchange rate: approximately T.shs. 800= US$ 1 (June 2000)
Inflation rate:	6.3% (Mainland, February, 2000)
Agricultural GDP,	T.shs. Million at factor cost, 1992 prices. Mainland 770509 (1999) Zanzibar (1976 prices) 1,089. (1998)
Real GDP growth, 1999:	Mainland 4.7% Zanzibar 0.4% (1998)
Per capita GDP (US $), 1999:	270
Total Revenue/GDP, 1998/9:	Mainland 12.6% Zanzibar 29.6%
Total govt. exp/GDP, 1998/9:	Mainland 18:2% Zanzibar 30%
Primary School enrolment as % population, 1998:	17.4
Gross enrolment rate 1998:	76.5%
Net enrolment rate 1998:	57%
Drop-out rate 1998:	17%
Higher education students per 100,000 inhabitants, 1999:	47
Higher education Gross Enrolment Ratio, 1999:	0.27
Maternal mortality per 100,000 live births 1999	200-400
U-5 mortality rate (1999) per 1000	137
Moderate malnutrition U5 (%) (1999)	44

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ACRONYMS

ADB	African Development Bank
AIDS	Acquired Immunity Deficiency Syndrome
AERC	African Economic Research Consortium
BOT	Bank of Tanzania
CAS	Country Assistance Strategy
CAC	Command and Control
COMESA	Common Market for Eastern and Southern African
ERP	Economic Recovery Programme
ESAF	Enhanced Structural Adjustment Facility
ESRF	Economic and Social Research Foundation
ESAP	Economic and Social Action Programme
EAC	East African Community
EU	European Union
FDI	Foreign Direct Investment
GDI	Gender - related Development Index
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries (Initiative)
IDA	International Development Agency
IMF	International Monetary Fund
ISIC	International Standard Industrial Classification
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme To Selected Least Developed and other African Countries
LDCs	Least Developed Countries

MTEF	Medium Term Expenditure Framework
NESP	National Economic Survival Programme
NEMC	National Environmental Management Council
NGO	Non governmental Organization
NSSD	National Strategy for Sustainable Development
ODA	Official Development Assistance
OGL	Open General License
OAU	Organization of African Unity
REPOA	Research on Poverty Alleviation (NGO)
RPFB	Rolling Plan and Forward Budget
PRSP	Poverty Reduction Strategy paper
PTA	Preferential Trade Area
SAP	Structural Adjustment Programme
SIDA	Swedish International Development Cooperation Agency.
SADC	Southern Africa Development Community
SNPA	Substantial New Programme of Action
TAS	Tanzania Assistance Strategy
TAYOA	Tanzania Youth Awareness Trust Fund
U5	Under Five (Years)
URT	United Republic of Tanzania
UNCTAD	United Nations Conference on Trade and Development
UN	United Nations
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Fund for Children

UNDP	United Nations Development Programme
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Background:

Concern is rising globally that the number of countries categorized as Least Developed has been increasing over the past three decades or so. In addition the socio-economic situation of these countries has continued to deteriorate.

Earlier attempts to address the plight of LDCs have largely not succeeded. It is against this background that the Third United Nations Conference on LDCs is being convened, to assess results, review implementation and adopt appropriate policies.

Tanzania is preparing for participation in the third UN LDC Conference scheduled for Brussels Belgium, May 13-20, 2001.

Preparations for LDC I were undertaken against a background of a severe economic crisis. At the Conference, held in Paris in 1981 Tanzania expected support for her programmes on stabilization, structural adjustment, stimulating economic growth and improving delivery of social services. The outcome of LDC I was the substantial New Programme of Action (SNPA) for the 1980s. Tanzania did not gain much in terms of international support which only started to be received during the second half of 1980s, with the adoption of Economic Recovery Programme (ERP) I, 1986/7 - 88/9.

Tanzania's participation in LDC II in Paris, in September, 1990 took place in the context of continued deterioration of socio-economic conditions. The preparations were not broad-based due to financial constraints and were done when Tanzania had adopted ERP II or the Economic and Social Action Programme (ESAP). The outcome of the Conference, the Paris Declaration and Programme of Action for the LDCs in the 1990s promised strong, substantial and continued support in augmenting resource flows to LDCs, mitigating the external debt problems of LDCs and improving access to markets for LDC exports.

Tanzania did not meet many of the objectives of LDC II like improving access to markets for her exports, mitigating the external debt problem, modernizing the productive base, etc. The social situation continued to deteriorate further.

Preparation for LDC III takes place when Tanzania continues to be marginalized in world trade, faces unsustainable debt servicing burden and reduced flow of development resources though much more prepared in terms of having policies in place that promote growth and poverty reduction (a national long term vision (Vision 2025), a National poverty Eradication Strategy, and a National Framework for Good Governance). Intensive and extensive implementation of adjustment programmes has improved macroeconomic indicators. The social record is however poor with indications of deterioration and reversals in past achievements. Potentials for (further) improvements lie in mining and tourism sectors once further requisite investments have been made, while the social sectors are expected to improve further through expected relief under the HIPC framework for which Tanzania qualified on April 4th, 2000.

Economy of Tanzania: Structure and performance

Structure of the economy is dominated by the sector of Agriculture (crops, livestock, fishing, forestry and, hunting) which accounted for 48.9 per cent of real GDP in 1999. The next three important sectors are Trade, restaurants and hotels (16.1 per cent) followed by Financial services (10.4 per cent) and Manufacturing (ISIC 3), 8.3 per cent.

The structure of the economy remained static during the 1990s. Between 1990 and 1999 the real sector only showed a slight change from 66.2 per cent of GDP in 1990 to 70 per cent in 1999. Manufacturing, broadly defined, shrunk by 0.3 per cent in real terms between 1990 and 1998, to 16.6 per cent. This is the sector expected to propel Tanzania into a diversified, semi-industrialized economy. The share of this sector has been targeted at 40 per cent in year 2025.

The economic crisis of the 1980s shaped events in Tanzania for the 1990s. A radical economic policy and ideology was required. Sound macroeconomic policies which began in the 1980s had to be continued in the 1990s.

ERP I and ERP II set targets which were quite high compared to actual performance of the economy in the 1980s. All targets were largely not met and where they were, it was far from the targeted date.

Specifically real GDP growth remained at positive levels throughout the 1990s with growth in real per capita income staggering slowly. Integration in the world economy/trading system was fast. The economy continued to depend on agriculture with no significant diversification. Inflation reached single digit level in 1999. Domestic saving and domestic investments as share of GDP declined. Money supply declined too. Export performance was poor while the debt service burden was greatly felt in the economy. Performance in social indicators was poor. General explanations for the poor performance of the social sector and mild for the economy as a whole include, a weak economy, low capacity for economic management, failures in governance and organization for development and ineffective implementation.

Tanzania has recorded a number of success stories during implementation of Structural Adjustment Programmes. Two deserve special attention.

First, a combination of various macroeconomic policies have led to achieving both exchange rate convergence and low inflation. Usually there is a trade-off as evidenced in other countries in

Sub-Saharan African e.g. Zambia. Tanzania's success is similar to experiences of few countries in the region e.g. Uganda.

The second success story is Tanzania's eligibility for the Enhanced HIPC Initiative on April 4th, 2000. This is a result of having a good track record of performance, pursuing strong adjustment and reform programmes and having in place policies that promote sustainable growth and aim at poverty eradication.

Factors that influenced positively, development in Tanzania

Tanzania's development in the 1990s was influenced by a number of factors. Factors that have promoted development include peace and stability, policy reforms, improved governance and increased government ownership of reform programmes and enhanced consultations with the civil society. Externally, increased cooperation with (external) development partners and participation in regional groupings have influenced Tanzania's development positively. Further, continued integration of women in development (targeted support schemes, raised participation in decision and policy making and improved participation in formal employment - about 33 per cent of total employees are women).

Increased care for the physical environment is another factor manifested in establishing the National Environmental Management Council (NEMC) and placing of environmental concerns in the second highest office in Tanzania, Office of the Vice President.

External factors which have facilitated Tanzania's development in the 1990s included sustained increased and improved dialogue with development partners with potentials of increased foreign inflows (FDI, ODA) and involvement in regional and other international groupings. Tanzania's gains are however low given its low competitive edge. Tanzania continued to be inside her production possibilities frontier due to an interplay of many factors, some dating to the colonial era.

Foreign Director Investments have grown in the 1990s. The share of FDIS in domestic investments is higher than the averages for both Africa and the world. Such an upsurge is indicative of credibility to the reforms being implemented.

Factors that have impeded growth

The colonial legacy denied Tanzania the kick start in terms of having the necessary labour: healthy and skilled. Wide spread proverty estimated at about 50 per cent of the population is a major constraint. Agriculture, has a high decapitation rate with the consequencies that productivity is low and unsustainable farming practices continue unabated. The rapid spread of HIV/AIDS increases the vulnerability of the poor. Life expectancy has declined to only 48 years due to AIDS, with about 50 percent of hospital beds being occupied by patients with HIV/AIDS related illnesses. An active labour force is being "withdrawn" from the economy. The AIDs scourge compounds the already bad situation brought about by diseases like malaria.

Other constraints include low levels of domestic resource mobilization due to low levels of income and activities which stretch to the limit efforts to widen the tax base; and the low level of human resources development. The environment for private sector development is not conducive enough to enable this sector assume the role of leadership in the economy following the withdrawal of government in some economic ventures.

Tanzania's external debt is unsustainable by all indicators averaging 87.7 per cent of GDP between 1990 and 1999 against sustainable recommended ratio of 50 per cent. Servicing mechanisms exert great pressure on government finance, averaging 37.8 per cent between 1990 and 1999. The opportunity cost of this high servicing ratio is doubling primary school enrolment and increasing gross enrolment to 90 per cent from current 76.5 per cent.

The flow of ODA declined between 1990 and 1997, while the proportion of Technical Assistance is above the average for LDCs. This has serious implication on resource outflows. Improvements have been recorded in mainstreaming ODA in the government budgetary process.

Tanzania is host to millions of refugees, externally displaced persons in the volatile Great Lakes region. The first shock came in 1994 when some 500,000 refugees arrived in Kagera region. Quick and effective mounting of relief operation largely succeeded in avoiding major human suffering.

The influx of refugees led to unsettling the ecological balance of the area, negative impact on the environment and game and forest reserves, deterioration of infrastructure like schools and health facilities quickly converted into refugee reception infrastructure, damage of transport infrastructure and a rise in social vices.

Mitigation in the refugee stressed areas also benefited the local people. The programmes, at first the instrumental work of UNHCR and later joined by donors and other UN agencies, led to a number of positive impacts in environmental conservation, rehabilitation of schools and health centres, support to local authorities and local administration, rehabilitation of the physical infrastructure (transport), provision of transport and communication equipment.

The participation of Tanzania in the world trading system is greatly constrained by supply factors, capacity, poor supportive services, low level of technology and poor export culture.

Future outlook

Vision 2025 states the attributes for Tanzania of 2025 as high quality livelihood, peace, stability and unity, good governance, a well educated and learning society and a competitive economy capable of producing sustainable growth and shared benefits. The experience that Tanzania went through in the 1980s and 1990s has given the country the lessons for charting a development agenda which aims at realizing these objectives.

INTRODUCTION: THE SETTING FOR TANZANIA'S PARTICIPATION IN LDC III

EXPERIENCE IN THE PREPARATION AND IMPLEMENTATION OF PROGRAMMES OF ACTION OF LDC I AND LDC II

Background

The plight of countries which have become to be known as Least Developed Countries (LDCs) is not only the concern of these countries themselves, but also of their development partners in the Developed World. The disturbing reality is the growing number of LDCs within the last three decades or so, from 25 in 1971 through 42 by 1990, to 48 at present. Africa, with 33 LDCs forms the largest proportion (69%). What is even more disturbing is the fact that in the 1960s many African countries were richer then their Asian counterparts (World Bank 2000). The decline of Africa after the 1970s was un expected given its strong natural resource base. There is however, hope for restarting and sustaining growth in Africa. Asia's experience is a reflection that Africa's challenges can be overcome. It is against this background that the plight of LDCs has become a concern for all countries. Attempts to address the plight of LDCs seriously have included efforts by the international community to convene UN conferences tailored to tackling LDC constraints. Such earlier efforts included LDC I in 1981 and LDC II in 1990.

The fact that the number of LDCs has continued to increase points to the fact that these earlier efforts have largely not succeeding in addressing the problem. Indeed the overall socio-economic situation of these countries has continued to deteriorate as the same continue to be marginalized in their participation in world trade, face unsustainable external debt burden and receive less in terms of development assistance.

Terms of Reference for LDC III

Against this background, the UN Assembly in its resolution 52/187 of 18th December, 1997 decided to convene the Third United Nations Conference on the Least Developed Countries (LDC III) with the following mandate:

(a) to assess the results of the Programme of Action during the 1990s at the country level.

(b) To review the implementation of international support measures, particularly in the areas of official development assistance, debt, investment and trade.

(c) To consider the formulation and adoption of appropriate national and international policies and measures for sustainable development of the least developed countries and their progressive integration into the world economy.

Tanzania's Case

Tanzania is among African LDCs which have participated proactively in the international arena, in order to address the plight of LDCs. Domestically she is committed to a coherent and comprehensive development agenda, well articulated in Vision 2025. However poverty remains the major challenge. What then is the way forward for Tanzania?.

Objective of the report
This report assesses Tanzania's constraints and opportunities in her development agenda. It looks at earlier participation in LDC I and II and attempts to identify the missing links. Past lessons (positive and negative) are then used to construct future development agenda. The Terms of Reference for the study are same as those of LDC III (previous page).

Experiences in the preparation and implementation of programmes of Action of LDC I and LDC II

LDC I:

Tanzania's preparation at the First United Nations Conference on the Least Developed Countries (LDC I) held in Paris in 1981 was undertaken during the onset of serious economic crisis facing the Tanzanian economy (1980-81). The economy was overwhelmed by both domestic and external factors (Green et al, 1980).

Tanzania sought from the international community, through LDC I, support to implement identified projects: support for stabilization, structural adjustment, stimulating economic growth and improving the delivery of social services. Sectoral Programmes covered projects in agriculture, livestock, mining, industries, transport and communications, water, energy, natural resources, trade, education, health, housing, information and culture, statistics and research, labour and social welfare, and multi purpose projects.

The outcome of LDC I, i.e the Substantial New Programme of Action (SNPA) for the 1980s brought new hopes for the LDCs in tackling their conjunctural and structural constraints with the expected substantial and additional support of the international community - ODA flows, debt reduction, market access.

The goals, targets and promise of the SNPA were largely unfulfilled, especially in international support measures. The economic situation of Tanzania worsened during the 1980s.

Tanzania's efforts and initiatives only received the support of the international community through the Consultative Group managed by the World Bank, which backed up Tanzania's Economic Recovery Program (ERP I) for 1986/87 - 1988/89.

By the end of ERP I (June 1989) there were some encouraging signs of achievements:

- GDP grew at an average rate of 4% from an average of 1% during 1980-85.
- Inflation rate (CPI) declined marginally from about 32.5% in 1986 to about 30% in June 1989.
- Manufacturing capacity utilisation increased.

In spite of such achievements, economic growth continued to be limited by a number of factors:

- Inadequate domestic savings and investments in physical infrastructure notably transport, marketing and processing.
- Rate of inflation was still high, mainly due to failure to control money supply as well as unsatisfactory supply response and distribution bottlenecks.
- Weak balance of payments position due to decline in export commodity prices, rising import prices, debt service obligations and slow recovery of the export sector.
- Weaknesses in the agricultural marketing systems, processing and transportation problems.
- Continued worsening trend in the provision of social services, particularly education, health, water and nutrition.

LDC II

Preparations for Tanzania's participation in LDC II (held in Paris in September, 1990) were made within a background of continued deterioration of the socio-economic situation. During the country preparations of LDC II, Tanzania had adopted ERP II or Economic and Social Action Program (ESAP) for 1989/90 - 1991/92. Largely due to limited resources, the preparatory process was not broad-based.

The main outcome of LDC II was the Paris Declaration and Program of Action for the LDCs for the 1990s. The prime objective of the Program of action was to arrest further deterioration in the socio-economic situation of LDCs and to reactivate and accelerate growth and development in these countries to set them on the path of sustained growth and development. The policies and measures in support of these objectives revolved around the following areas:

- Establishment of macroeconomic policy framework conducive to sustained economic growth and long-term development.
- Development and mobilization of human resources.
- Development, expansion and modernization of the productive base.
- Reversing the trend of environmental degradation.
- Promotion of an integrated policy of rural development aimed at increasing food production, enhancing rural income and enhancing non-agricultural sector activities.
- Provision of adequate external support.

Mid-term assessment of progress in the implementation of the Program of Action undertaken in 1995 in New York noted that despite the vigorous endeavours by the LDCs to implement far-reaching policy reforms as envisaged by the Program of Action, the LDCs had not achieved many of the objectives and further that their overall socio-economic situation has continued to deteriorate further.

For Tanzania, implementation of ERP II showed mixed achievements:

- Implementation of the new dimension of social action programs could not be realized during the three years of ERP II.
- Procurement and marketing of agricultural crops (in particular food crops) was liberalised.
- Performance of the industrial sector in general slackened slightly, although a number of industries managed to perform above 50% capacity utilisation.
- Investment Promotion Centre (IPC) was established and National Investment Promotion and Protection Act enacted in 1992 to promote private investment.
- Rate of inflation declined significantly to about 21.8%.

After the expiry of ERP II, further efforts to making the economy recover and stabilise on a sustained growth path continued to be made under the auspices of the IMF's Enhanced Structural Adjustment Facility (ESAF) beginning 1995/96. The major focus of ESAF has been the consolidation of earlier recovery efforts, in particular, efforts that are aimed at ensuring stable macroeconomic environment, efficient resource allocation, increased production growth and more private sector participation in economic activities.

Towards LDC III, Brussels, May, 2001

Preparation for LDC III takes place in two seemingly diagonally positioned contexts. While globally Tanzania continues to be marginalized in the world trade, faces unsustainable debt servicing burden and reduced flow of development resources; domestically she is pursuing policies that have begun to show signs of placing the country on the path of sustainable growth and poverty reduction.

Intensive and extensive implementation of adjustment programmes since 1986 (in the Mainland; 1988 in Zanzibar) has brought commendable achievements in macroeconomic aggregates. The economy has been growing in real terms, inflation has been reduced to a single digit and the exchange rate has been moved closer to equilibrium. The good macroeconomic performance has improved policy credibility with indicators like foreign Direct Investments (FDI) showing positive trends e.g. from an average of US $ 3 million on average, between 1987 and 1992 through US $ 120 million in 1995 to US $ 172 million in 1998; and qualification of Tanzania for the Enhanced Highly Indebted Poor Countries (HIPC) Initiative on April 4th 2000. Politically Tanzania has achieved multiparty democracy in a very peaceful evolution unequalled in many other Least Developed Countries (LDCs). The country is to hold the second elections under multiparty system in October 2000. The government is committed to ensuring free and fair elections.

On the other diametrically opposed end a formidable challenge remains, that of translating the good macroeconomic record and benefits to the household level. The social record is poor: poverty is widespread (at 50 percent and abject at 36 per cent) with almost 61 per cent of the rural population being poor (39 per cent for the urban population). Social indicators have deteriorated and in some cases e.g. in the education sector reversals are experienced. The AIDS epidemic is a tragedy that Tanzania will live with for quite long, having reduced life expectancy to only 48 years.

Fiscal performance, though greatly improved in recent years still faces the challenge of balancing revenue and expenditure. While domestic revenue in financial year 1998/99, for instance, was 11.6 per cent of GDP, the ratio of expenditure was 15.1 per cent.

Performance of the external sector is not satisfactory. Foreign reserves stand at around four months of imports (1999) while exports for the same year covered only 36.5 per cent of imports. GDP real growth rate in 1999 is estimated at around 4.8 per cent and inflation rate at 6.3 per cent (February 2000).

The economy faces a number of constraints in its development effort. In agriculture, productivity is low, mainly due to the low level of technology (hand hoe) unsupportive development of infrastructure (irrigation, transport etc) and inefficiency in marketing. The low level of domestic savings (at 2.2 per cent of GDP in 1999) is another constraining factor. Thirdly the level of human resources development is low even in comparison with neighbouring countries. The external debt overhang has been a serious constraining factor. Estimated at about 100 per cent of GDP (US $ 7.3 billion as at February - end 2000), servicing has imposed a severe constraint to financing growth, through diverting resources from development programmes and improvements in social services delivery. In the most recent year (1999) debt servicing claimed around 3.4 per cent of GDP. In terms of proportion of recurrent government revenue it claimed around 30% while in terms of export earnings, about 20 percent.

However, unlike in LDC I and II participation, Tanzania is today better prepared in terms of having policies in place that promote growth and poverty reduction. This is a healthy situation which promises greater impact of any actions expected from LDC III participation especially in support of poverty reduction programmes and improvements in social services delivery. The

National "Vision 2025" has been articulated and the National Poverty Eradication Strategy is in place. These are important facets for guiding intervention.

Potentials for growth in Tanzania lie in mining and tourism once further improvements are made in the areas of power, transport, communications and aggressive marketing of tourism endowments. In the social services sector, improvements are expected from utilization of debt relief under the HIPC framework to target areas that have major impacts on poverty reduction and development of human resources.

Organization of the report

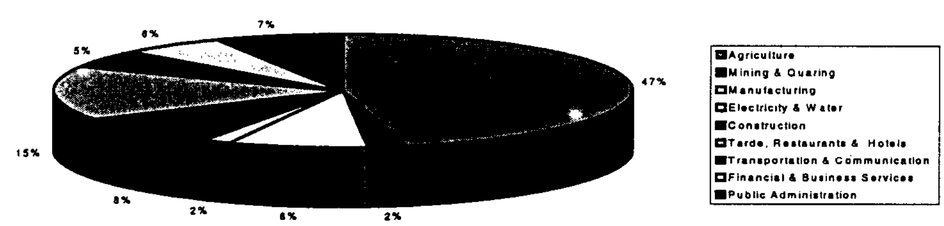
The report has been organized into four sections including the introductory part. In section 2 we review economic performance in the 1990s while in the section that follows we survey the factors that have influenced Tanzania's development, both positively and negatively. The last section is devoted to the programme of action.

TANZANIA'S ECONOMY IN THE 1990s: STRUCTURE, ECONOMIC AND SOCIAL PERFORMANCE

Structure of the economy:

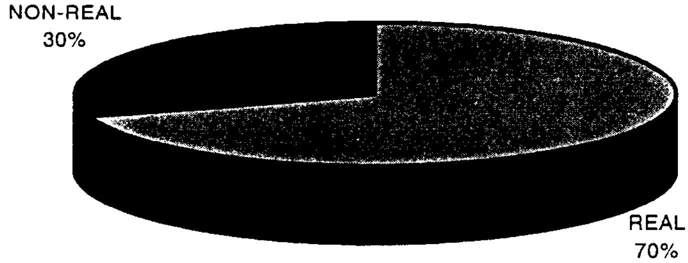
As pointed out above the economy of Tanzania is based on agriculture. In 1999, the year for which most recent data are available, Agriculture (crops, livestock fishing, forestry and hunting) made up 48.9 per cent of real GDP, followed by the sector of trade, restaurants and hotels (16.1 per cent). Construction ranked fourth in importance (8.8 per cent) and fifth was manufacturing (8.3 per cent). See Figure 1.1.

Figure 1.1 TANZANIA: GDP STRUCTURE 1999 (REAL - %)



In terms of decomposition into the real sector and services the proportions were respectively 70 per cent and 30 per cent, as shown in Figure 1.2. These relative proportions do not show a significant difference with those of 1990 in which the real sector constituted 66.2 per cent and services 33.8 per cent. (Computed from URT 2000). Thus the structure of the economy remained largely static during the 1990s. Appendix Table A.1.

Figure 1.2 SIZE OF REAL SECTOR IN TANZANIA 1999 (%)



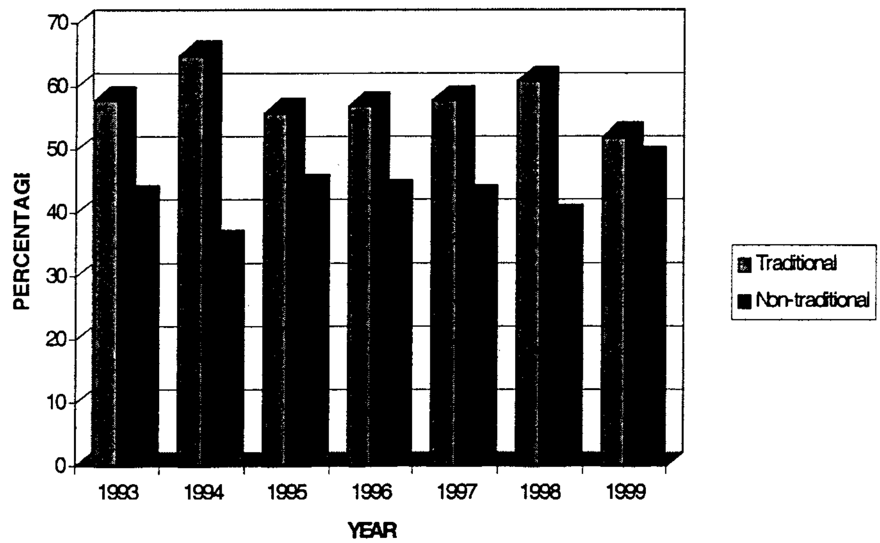
In terms of the structure of exports, traditional export crops account of much of the export earnings e.g. 52 per cent in 1999 as depicted in Figure 1.3

Figure 1.3: TRADITIONAL AND NON-TARDITIONAL EXPORTS IN TANZANIA (%) 1999

The situation of 1999 is less pronounced in terms of the proportions compared to the previous year in which traditional exports accounted for 61 per cent. See also Figure 1.4.

Various measures have been undertaken in the past to diversify the export base from heavy reliance on agricultural crops, without much success. The picture presented by the 1999 performance (Figure 1.4) is slightly misleading given the fact that traditional exports shrunk by (-) 21.7 per cent between 1998 and 1999, from US$ 356.29 million to US$ 278.89 million (URT 2000).

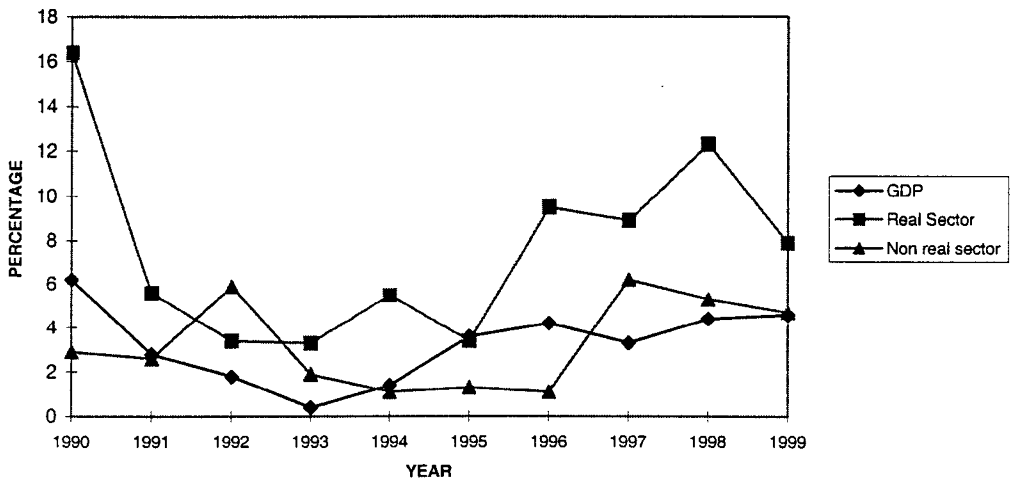
Figure 1.4 : SHARE OF TRADITIONAL AND NON-TRADITIONAL EXPORTS IN TANZANIA: 1993 - 1999



For the period 1993-1999, a peak in total exports was reached in 1996 (US$ 763.76 million) which also reflected a peak in traditional exports (US$ 436.31 million). See URT 2000, Economic Survey 1999 Table 19.

Casual observation on the patterns of growth as depicted in Figure 1.5 shows close association between growth of the real sector and GDP growth. This is expected, given the fact that agriculture, which is dominant in the real sector accounts for about 50 percent of GDP.

Figure 1.5: GROWTH OF GDP, REAL AND NON REAL SECTORS IN TANZANIA 1990 - 1999 (%)



BOX 1: ECONOMETRIC RESULTS:

GROWTH OF THE REAL SECTOR IS A SIGNIFICANT DETERMINANT OF GDP GROWTH IN TANZANIA

An analysis was carried out in order to associate growth of GDP with growth in the real sector econometrically. A simple regression equation was estimated for the period 1980 - 1999, using the Ordinary Least Squares (OLS) method (Mbelle 2000).

Model: $RGDPG = \alpha + \beta RESG + ei$

Where

$RGDPG$ = *real GDP growth*

α = *Constant*

β = *coefficient*

$RESGD$ = *growth of the real sector*

ei = *error term*

The following results were obtained

$$RGDPG = 0.79 + \underset{(3.92)}{0.32}\, RESG$$

Adj. R-square 0.66; $DW = 1.9$; $F = 15.4$

Where (3.92) is the t-statistic.

There results show that changes in the growth of the real sector explain 66 per cent of the changes in GDP growth. RESG is significant at the conventional test levels (1%).

These findings (Box 1) are similar to those by Luvanda (2000) which reported that real sector variables significantly explained business cycles (output changes) in Tanzania, using a structural Vector Autoregression (VAR) model for the period 1965 to 1995. The variables were subjected to co-integration tests.

Benchmarks for the 1990s

After unsuccessful attempts with "home grown" reform programmes (the National Economic Survival Programme, NESP, 1980-81) and the Structural Adjustment Programme, SAP, 1982-85) the IMF/World Bank - sponsored programmes adopted in mid and late 1980s (ERP I, 1986-89; ERP II, 1989 - 1992) addressed the mild targets of NESP and SAP through raising the benchmarks as shown in Table 2.1.

Table 2.1: **Tanzania: Selected Quantitative Economic Benchmarks for the 1990s**

Area	**Policy document**	**Target**		**When Achieved**
		Value	**Date**	
1. GDP real growth	ERP I & ERP II RPFB 1996-99	5% 6%	1990 1998	Only in 1990 and 1991 None
2. Inflation	ERP I & ERP II	Less than 10%	1990	January, 1999
3. Money Supply (M3)	ERP II	8%- 10%	1990	Only in 1996
4. Capacity Utilization in Manufacturing (average).	ERP I & ERP II	60% - 70%	1990	Only in 1997

Source: Compiled from official government statistics.

As depicted in Table 2.1, these targets were quite high compared to actual performance in the 1980s: negative real growth rate of the economy, inflation rate of over 30 per cent, increase in money supply of over 40 per cent and average capacity utilization rate in manufacturing of between 20 per cent and 30 per cent.

In terms of achievements, much left to be desired. The 5 per cent real growth rate target was achieved in two years only, 1990 and 1991; and no achievement with the 6 per cent target. The inflation rate target was reached for the first time in January 1999 while the money supply target was only achieved once in 1996, and the manufacturing one only in 1997. See explanations below.

Economic Performance:

Real GDP growth remained at positive levels throughout the 1990s though below target (except for 1990 and 1991) while **per capita real GDP growth** sustained positive low rates only from 1995 after four successive years of non growth and decline (1991 to 1994) and unequalled high growth rate of 3.2 per cent in 1990. **Integration in the World trading system** as measured by the degree of openness shows a higher and fast growth especially from 1993. This is apparently the year in which reforms in the foreign exchange market were completed. Such a fast move towards integration exposes a developing country like Tanzania to potential risks should any negative shock occur in the international trading system. A cautious approach needs to be taken. Dependence on agriculture continued in the 1990s, with no **significant diversification** of the economy. The manufacturing sector remained small. Success was recorded in **arresting inflation** which declined from 32 per cent in 1990 to 7.9 per cent in 1999 (currently to 6.3 per cent in May 2000).

BOX 2: SUCCESS STORY 1

EXCHANGE RATE CONVERGENCE WITHOUT FUELLING INFLATION

Exchange rate convergence is desired for the main reason that existence of multiple exchange rates misallocates resources. Further, a country gains competitiveness. Convergence entails devaluation. The processes towards convergence started in the 1980s with introduction of the Own Funds window in July 1984; adoption of "true" reforms in July 1986 (ERP I) with a substantial devaluation of the Tanzanian shilling and reintroduction of the Open General Licence (OGL) in February, 1998.

Key phases in the 1990s were:

April, 1991	*Enactment of the Banking and Financial Institutions sector Act. Private banks (both foreign and Local) allowed to operate in the country.*
March, 1992	*Enactment of the Foreign Exchange Act. Foreign exchange bureaux allowed.*
April, 1993	*First forex bereaux starts operation.*
July, 1993	*Weekly Foreign Exchange Auctions introduced. Forex bureaux allowed to participate*
August, 1993	- *Weekly foreign exchange auctions extended to commercial banks and non-bank Financial institutions.* - *Exchange rate convergence achieved (official and parallel).*
June, 1994	*Interbank foreign exchange market (IFEM) introduced to replace weekly forex auctions.*
November, 1995	- *Full currency convertibility for the three East African countries (Kenya, Tanzania and Uganda) achieved.*
July, 1996	- *IFEM confined to commercial banks and non-bank financial institutions only. Forex bureaux limited to over-the-counter money changers.* - *Tanzania accepts obligations of Article VIII, sections 2, 3 and 4 of the IMF's Articles of Agreement, committing itself to a free and open exchange system.*

One indicator of success in convergence is the level of the parallel market premium (and hence forex on demand). From a peak of 477 per cent in 1985 (and forex on demand 33.9 per cent) the premium fell to 5.3 per cent in 1993 (forex on demand reached 100 per cent). By 1995 the premium was less than 1 per cent.

The debate around convergence is concerned with the controversy of a trade off between convergence and inflation (via fiscal deficits) as the government realizes more revenue through taxing exporters. Convergence denies the government of these revenues. This has been the experience of Sierra Leone, Somalia, Zambia etc. Inflation in Tanzania has declined steadily from high rates of over 30 per cent to 6.3 percent by May, 2000. The country has been able to achieve both convergence and low inflation through simultaneous lowering of government spending, raising revenue, pursuing credible fiscal reforms reducing inflationary financing of the budget. Such has also been the experience of Uganda

The various reform programmes intended to increase **domestic savings and investments** did not succeed as their shares in GDP **declined** between 1990 and 1999. For domestic savings the decline was from 12.6 per cent of GDP in 1990 to a mere 2.2 per cent in 1999. With respect to domestic investments, the share declined from 40.8 per cent in 1990 to 15.5 per cent in 1999. **Money supply** (growth) **declined** though largely remaining above the set bands. After an improvement between 1995 and 1997 **export performance declined** in 1999 in terms of ability to finance imports. Debt service burden claimed a sizeable proportion of government recurrent budget.

BOX 3: SUCCESS STORY 2

TANZANIA BECOMES ELIGIBLE FOR THE HIPC INITIATIVE

Tanzania qualified under the Enhanced HIPC Initiative on April 4th 2000.
Tanzania's gains are as follows:
***First phase** involving 2001-2003 and targeting both bilateral and multilateral debt components:*
From:

IMF: US $ 17.97 million (2000 - 2001)
IDA (World Bank): US $ 37.5 million (2001)

***Second Phase** (final decision upon fulfilling the conditions in Phase I)*

IMF: US $ 152 million (total) for next ten years.
IDA: US $ 1.2 billion (total) for next twenty years).

Ceteris paribus, Tanzania will benefit by US $ 100 million annually from the multilateral creditors. This enjoyment, however is conditional upon fulfilling many conditions like continuing to pursue strong economic adjustment policies and good governance.

Tanzania qualified because of having a good track record of performance, pursuing strong adjustment and reform programmes and having in place policies that promote sustainable growth and aim at poverty eradication.
The relief is to be targeted at improving the delivery of social services.

Tanzania, however, should not expect this HIPC eligibility to fix all her debt and development problems. Formidable challenges remain in a number of areas like improving debt management strategy, closer watch on debt creating component of foreign inflows, etc.

Performance in Social indicators:

Table 2. 3 compares selected social indicators between 1990 and 1998. A number of indicators show reversals. These include life expectancy at birth, HDI rank, literacy. Other indictors like infant mortality have stagnated.

Table 2.2: TANZANIA: SELECTED INDICATORS OF ECONOMIC PERFORMANCE 1990-1999

Indicators/Years	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Population (mill.)	23.9	24.6	25.3	26.0	26.7	27.5	28.3	29.1	30.0	31.1
Real GDP growth (%)	5	6	4	4	3	3.6	4.5	3.5	4.0	4.7
Per Capita income (US $)	160.9	180.7	167.0	149.2	156.2	176.9	210.3	235.6	257.0	270.0
Per Capita real GDP growth (%)	3.2	-0.4	0.0	-1.9	-1.0	0.7	1.6	0.7	1.2	1.8
Openness	24.4	27.7	40.5	55.7	71.7	86.3	82.6	79.5	85.7	92.5
Agricultural GDP (%) real	47.9	48.2	48.0	49.3	49.6	50.7	50.6	50.1	49.1	48.9
Manufacturing GDP (ISIC 3)	8.8	8.7	8.2	8.2	8.1	7.9	8.0	8.1	8.4	8.3
Manufacturing GDP % (real) +	16.9	16.5	16.2	15.5	15.6	14.7	15.1	15.6	16.5	21
Inflation rate (%) ++	32	34	24	24	27	27.4	21.0	16.1	12.8	7.9
Gross domestic Savings/GDP (%)	12.6	2.2	2.2	4.1	2.7	0.8	5.7	5.5	3.0	2.2
Gross domestic investments/GDP (%)	13.8	29.5	32.7	32.2	30.7	19.8	17.0	15.2	15.0	15.5
Growth in Money Supply (M .3)*	42.1	26.1	38.5	39.3	35.5	32.2	16.3	18.2	7.7	9.2
External cover rates (%)	28.8	28.0	31.6	34.1	39.8	50.1	64.8	61.4	53.4	38.1
External debt service (%)**	29.9	24.0	31.6	19.7	23.6	44.1	40.8	36.4	40.2	27.9

KEY: + Broadly defined to include manufacturing, Mining & quarrying, energy and construction.

++ Annual average. By February-end 2000 it had declined to 6.3%

* Currency in circulation outside banks + bankers' reserves + time deposits + savings deposits + foreign currency deposits

** As % of government recurrent revenue.

Sources: **BOT** (Various)

URT (2000) Economic Survey 1999, June

URT/World Bank (1999)

Mbelle (2000): computations for Openness, and External cover rates, Manufacturing ratios, from BOT (1999 a, b; and URT 2000) and real per capita growth rate 1990 - 1994 from URT (1996) Economic Survey.

Table 2.3: TANZANIA: SELECTED SOCIAL INDICATORS 1990 AND 1999 COMPARISON

	1990	1999
Life expectancy (years)	52.1	48
HDI rank	126	157
Illiteracy rate	15.5	35.5
Of which female	21	45.7
Male	10	21.2
Primary School Performance		
Gross Enrolment rate	74	76
Net enrolment rate	54	57
Drop-out rate	4.7	17
Maternal mortality per 100 000 live births	530	200-400
Infant mortality rate (per 1,000 live births)	102	92
Moderate malnutrition U 5 (%)	29	44
U5 Mortality rate per 1000	144	137

Sources: ADB African Development Report 1994
World Bank (various)
URT (various)

As shown in Table 2.3, performance in social indicators has been generally poor between 1990 and 1999, notably in life expectancy, HDI rank, illiteracy levels and moderate malnutrition for U5s. Moderate improvements are noted in reducing infant mortality rates and material mortality rate.

Performance in both the economic and Social indicators is influenced by a number of factors; of a general nature and factors that are sector specific. The later will be treated in depth and at length in the next section. We will, thus, in this section point out to factors of a general nature. Vision 2025 identifies four main impediments to performance in the 1990s. These are:-

- Ineffective donor assistance
- A weak economy and low capacity for economic management.
- Weakness in programme designs and implementation.

A study by Bagachwa _et al_ (1996) revealed that the effectiveness of aid to Tanzania has been sub-optimal. Focussing on Danish aid (quite significant at around 12.7% average - computed from Bagachwa, *ibid* Table 2 p.19), effectiveness was limited by the intricacy of donor - recipient relations. Aid substituted, rather then complementing domestic savings and resources, it didn't alleviate poverty, did not lead to the sustainability of projects/programmes and did not effectively relieve some long term developmental constraints (enhancement of human and institutional capacities, fostering local and economic infrastructure). (p.ix). Detailed discussions explaining performance are carried out in the next section.

FACTORS THAT INFLUENCED TANZANIA'S DEVELOPMENT IN THE 1990s: A SURVEY

OVERVIEW:

The development of Tanzania in the 1990s was influenced by a number of factors (either promoting or demoting), both domestic and external. The list of such factors is inexhaustible. It is the intention of this section to focus attention on those factors that seem to persist into year 2000 and beyond. For demoting factors, ways of addressing such constraints in the action programme will be emphasized while facilitating factors will be addressed with a view to ameliorating them.

The section looks at three main areas:

Promoting or facilitating factors (both domestic and external), demoting factors (both domestic and external) and vulnerability to external shocks. An example of the refugees problem will be given.

FACTORS THAT HAVE FACILITATED DEVELOPMENT IN TANZANIA IN THE 1990s

Domestic factors:

Peace and social stability:

The importance of peace, stability and unity in development can not be over emphasized. Indeed Vision 2025 cherishes and sees the existence of these to be part and parcel of future Tanzania. Stability in Tanzania should be credited to Tanzania's first President, the late Mwalimu Julius K. Nyerere whose list of post independence Tanzania's agenda included unity. He unified the 120 or so tribal entities through a common language - Swahili-, while programmes of socialism and self reliance brought a strong sense of unity among Tanzanians. This tradition lives on as a Nyerere legacy. Enhancing good neighbourhood with neighbouring countries continues to cement Tanzania's stability.

Social stability played a major role in ensuring successful transitions in the economy: adoption of ERP I in 1986 which changed very radically economic and social relations sailed through quite moothly. The shift to multiparty system in 1995 went well without civil strife. It should be emphasized that social and political stability are favourable conditions for investments.

Policy reforms:

Tanzania started addressing the economic crisis of the late 1970s and early 1980s through own programmes (NESP and SAP). Indeed the 1982-85 SAP programme foreshadowed what have become to be known as "true" reforms adopted in 1986 (ERP I a la Bretton Woods institutions). The own reform programmes had set "mild" targets partly to avoid disrupting the so important social fabric. Assessment of the impact of these "new" adjustment efforts still remains debatable on both theoretical and empirical grounds, not only in Tanzania but also in many strong adjusters among LDCs. One fact, however, still remains that staying the course of adjustment has helped Tanzania (as is the case with other similar countries).

Governance is improving:
Effective democratic governance influences how societies and economies progress and prosper. Efforts to improve democratic governance have strong impacts on sectoral reforms (Brinkerhoff, 2000).

The issue of governance has been addressed in Tanzania since the 1960s. However concerted efforts in the 1990s were intended to address past failures in the implementation of the strategies experienced in the 1980s and early 1990s.

Governance, in all its ramifications, has improved considerably in Tanzania. Politically and socially Tanzania will continue to stay the course of political pluralism, rule of the law and desirable moral and cultural uprightness. Economic governance, though addressed late in the reform programme is gaining ground fast. Government efforts to fight corruption and other vices are relentless. The **Warioba Report**, one of the most comprehensive, systematic and detailed reports the World has seen pointed out the level of corruption in Tanzania. The government responded to the issues raised in the report through efforts aimed at closing all avenues of corruption and formulating an Anticorruption strategy and Action Plan. One of the outcomes of the Plan has been revitalization of the Prevention of Corruption Bureau (PCB).

To enhance economic governance (transparency of government accounts, the effectiveness of public resource management, etc) strong monitoring and evaluation mechanisms have been institutionalized.

Apart from the articulation of good governance in **Vision 2025,** the National Framework on Good Governance spells out very clearly on the main objective of the framework as being "to help facilitate improved co-ordination of the various governance reforms and to identify specific areas for a targeted approach for supporting good governance initiatives". (p.3)

Improved mainstreaming of women in development:
The 1990s have witnessed an improvement in incorporating the concerns for women in the country's development agenda - partly in response to pressure from the civil society. The levels of integration have included policy and decision making (e.g. with preferential seats for women in Parliament) as well as on the economic front with targeted support and deliberate policies to address gender imbalance. The results have included increased share in total employment (at 33 per cent). Such a spirit has also permeated the area of schooling at all levels where deliberate policies to increase female participation are being implemented e.g. at Universities. Women constitute about 52 per cent of the population in Tanzania (URT 2000) p.26). If fully integrated

in the development process women are certainly going to contribute significantly to national development. The 1992 Policy on Women in Development is currently being reviewed in order to incorporate the concerns of women in sectoral policies, ensure gender sensitive plans and programmes and guarantee equitable distribution of resources.

Protection and conservation of the natural environment:
Having ratified the Rio Convention, Tanzania stands committed to environmental conservation. Political commitment has included placing environmental concerns with the Vice President's Office, second in rank to the President's Office while a number of institutions have been set to regulate and protect the environment e.g. the National Environmental Management Council (NEMC). A National Environmental Policy was formulated in 1997. A cleaner Production Centre has also been established. Areas that still need to be improved include the legal framework to reinforce the Command - and - Control instruments, capacity building in monitoring and working out market - based instruments to regulate environmental usage.

External factors:

Sustained cooperation with development partners:

The reform period has witnessed increased and improved dialogue with both multilateral and bilateral development partners. This interaction has been sustained throughout the reform programmes. A positive outcome of such sustainability is the potential for increased inflows (ODA, thus reversing the declines experienced.

Poverty Reduction Balance Support (PRBS) (formerly Multilateral Debt Relief Fund, MDF):

Since its launching in 1997 this fund has attracted an increasing number of bilateral donors' contributions. Counterpart funds are being channeled into Education and Health sectors. As of April - end 2000 the support had reached US$ 81.5 million, being contributions from the UK, Sweden, The Netherlands, Ireland, Denmark, Finland, Norway and Switzerland.

HIPC eligibility:

Tanzania qualified under the Enhanced HIPC Initiative on April 4th 2000 (see Box 2). The relief proceeds will be channeled to social services delivery, agriculture, roads, HIV/AIDS programmes. The relief in the medium term is shown in Table 3.1. As evidenced, the effect will start to be felt in financial year 2000/1.

Table 3.1 HIPC Relief in Tanzania:

	2000/1	2001/2	2002/3	2003/4
HIPC relief TShs. Billion	10.5	42.6	43.9	55.0
HIPC Relief from IDA & IMF as % of GDP	0.2	0.6	0.5	0.6

Source: World Bank (2000) Table 1 p.9

As pointed out in Box 2 full enjoyment is conditional upon fulfilling many conditions. Paris Club creditors have also provided relief of TShs. 1.1 billion over three years which exerts pressure on government spending due to its shorter maturity period. As of January end 2000, domestic debt amounted to T.Shs. 898.5 billion (approximately US$ 1.1 billion) made up of government securities and contingent liabilities.

The Regional and international Cooperation Dimension:

Regional groupings:

Tanzania is party to a number of regional and international groupings, mainly for economic gains.

Membership in regional groupings include the Southern Africa Development Community (SADC) in which Tanzania signed the Treaty in August 1992. (SADC metamorphosed from the former Southern Africa Coordination Conference, SADCC which was more inclined to anti-apatheid politics). The ultimate goal of SADC is to attain regional economic integration, to be approached via sectoral protocols. Eight of such protocols have been signed on water use, drugs trafficking, minerals development, energy, education and training and simplification of immigration procedures. Two others are under preparation. The trade protocol entered into force on January 25th 2000 with implementation scheduled to commence on September 1st, 2000.

The Common Market for Eastern and Southern Africa (COMESA) was established in 1994 to replace the Preferential Trade Area (PTA) for Eastern and Southern Africa States which was founded in 1981 within the framework of the Organization of African Unity (OAU) Lagos Plan of Action. So far Tanzania has published a 80 per cent tariff reduction as part of the process of implementing tariff reductions for intra-COMESA trade leading eventually to a Free Trade Area in October 2000.

Tanzania has decided to withdraw from COMESA and has already given a notice of withdrawal which ends on September, 1st, 2000.

In November, 1999 the East African Community (EAC) Treaty was signed with Tanzania as a founding member (others are Kenya and Uganda), aimed basically at creating a Customs Union and a Common Market in East Africa, with an ultimate Monetary Union and political federation. The Treaty covers many other areas such as infrastructure and services, investments in industrial activities, development of human resources, science and technology, agriculture and food security, tourism and wildlife, e.t.c. See Treaty (November, 1999). Achievements to-date include full convertibility of the currencies of member countries and creation of common internal passports while mechanisms for free movement of people and capital are on the drawing board.

Assessment of gains from regional groupings:

Tanzania's gains from regional groupings have been quite small principally because of low competitiveness. A Dar es Salaam - based research institution, a non-governmental organization (NGO), ESRF has carried out extensive analysis of the issues of Tanzania's edge in regional competitiveness. In order for Tanzania to gain more, a number of critical issues are pointed out to be addressed, with a view to enhancing competitiveness. Such issues include the tax regime, expensive and unreliable supply of utilities, poor infrastructure, etc.

International groupings:
Most notable is membership in the Lome Convention which has granted Tanzania better access to the EU market compared to some of Tanzania's potential competitors. The EU is the most important market for Tanzania's exports e.g. accounting for more then 28 per cent of Tanzania's destination of exports.

Foreign Direct Investments (FDIs) 1992-1999:
The flow of FDIs has improved considerably in the post 1993 period. From an average of US $ 3 million per annum between 1987 and 1992, FDIs increased to US $ 20 million in 1993; US$ 150.9 million in 1995 and to US$ 183.8 million in 1999 (URT 2000, Table 1 p.30).

FDIs constituted 13.6 per cent of domestic investments in 1998, higher than the average of 8.3 per cent for Africa and 7.7 per cent world average. The upsurge of FDIs is most probably due to increased credibility of the good macroeconomic policies being pursued in Tanzania.

FACTORS THAT HAVE CONSTRAINED TANZANIA'S DEVELOPMENT IN THE 1990s:
Domestic factors:
Colonial legacy:
The colonial system deliberately depressed delivery of social services and made no efforts to improve the standards of living of the colonized. Even after the then Tanganyika became a UN Protectorate under British rule following the defeat of Germany in World War I, not much was done.

The other aspect reflects utilization of resources to address the colonial ills. The immediate post-independence era (1961) witnessed strong devotion of national resources to fighting ignorance, poverty and diseases. This certainly meant less resources to direct productive sectors. It is difficult to cover such lost time in terms of development programmes.

Wide-spread poverty:
Poverty is widespread in Tanzania. It is estimated that between 15 million and 18 million Tanzanians (about a half of the population of 30.9 million), Mainland, live below the poverty line of US $ 0.65 a day. Of these about 12.5 million (36 per cent) live in abject poverty, spending less than US $ 0.50 on consumption a day. Poverty remains predominantly a rural phenomenon with 61 per cent of the rural inhabitants categorized as poor. In urban areas 39 percent of dwellers are categorized as poor. Tanzania has responded more comprehensively to the challenge through formulating the "National Poverty Eradication Strategy, producing Poverty and Welfare Indicators (1999) and drawing more participatory strategies through zonal and national-level consultations. The Poverty Reduction Strategy Paper (PRSP) for HIPC relief is in the process of being finalized.

A high decapitation rate in agriculture:
Agriculture is the mainstay of the economy (see sections 1 and 2). Despite its importance this sector does not receive due attention in overall planning and resource allocation. Low levels of technology have perpetuated low productivity. Unsustainable agricultural practices e.g shift cultivation have led to environmental degradation while some policies continue to give wrong signals to actors in the sector.

The level of decapitation is quite high. Only about 12 per cent of output from agriculture is reinvested in agriculture.

URT (2000) identifies the major constraints to agricultural development to be weak and inappropriate institutions, inadequate supporting services, poor infrastructure and weak capital base and lack of financial services.

High morbidity and mortality of poverty - related illnesses
Ill health reduces productivity of labour with consequent negative effects on welfare and production in general. Poor sanitary-related illnesses are the leading causes of morbidity and mortality in Tanzania. With respect to morbidity, the three leading causes are non-cerebral malaria (31.4%), pneumonia (13%) followed by "other diarrhea" (4.9%). Mortality-wise the leading cause is cerebral malaria (15%) followed by tuberculosis (14%), anemia (11%). Clinical Aids ranks fourth (10%). See Mbelle, 1998; Kiwara, 2000 and REPOA (2000).

Rapid spread of HIV/AIDS:
The rapid spread of AIDS has led to withdrawal of active labour force; has reduced life expectancy to only 48 years and has led to a large number of orphans. TAS (2000) and Kiwara (2000) show the extent of spread. From 83 reported cases in 1983 AIDs cases rose to 75565 in 1993, 103 185 in 1997. Currently it is estimated that there are 365 AIDS patients per 100,000 inhabitants (URT 2000) Economic Survey (1999). Prevalence is highest at age 30-34 (10.1%). In deed Kiwara (*ibid*) notes from one of the respondents in a survey......." this one is a quiet thunderstorm from below. It strikes without lightning. Tell the village to stay indoors"! The government has responded to the HIV/AIDS tragedy through campaigns to raise awareness, forming the National Aids Control Programme, establishing a unit in each Ministry and each government department for the purpose of creating awareness among employees and identifying other necessary actions that might help to contain the spread of AIDS as well as requiring political leaders to campaign against AIDS whenever they address political rallies. NGOs have joined in the war against AIDS and are participating actively.

Low domestic resource mobilization:
Despite concerted efforts to mobilize domestic resources (for savings and investments) little success has been recorded given the low level of incomes and low level of activities, that stetch to the a limit efforts to widen the tax base.

Human resource constraints:
The level of literacy and skills is quite low (see table on facts and figures). There are efforts to address this issue and comprehensive programmes are being worked out to address the crisis in education in a more comprehensive manner. The focus will continue on implementing the Education Sector Development Programme (EdSDP) which targets at increased access, improving quality and equity. Other areas of concern include health, development of skills etc. Complementarily of private sector efforts is greatly called for.

Less conducive environment for private sector participation and development:
Following the various reform measures being implemented in the country, the government is steadily withdrawing from many economic ventures. The private sector is thus supposed to take the lead. Given the fragmented nature of the private sector in Tanzania, and an experience which is not rich, a number of supportive measures need to be put in place. Both the private sector itself and the government have come up with some initiatives to address this issue. These include formation of the Private Sector Foundation (in addition to other association like Chambers of Commerce, the Confederation of Tanzania Industries) while the government has improved its interaction with the sector. The Tanzania National Business Council is in the process of being formed. Despite these and other efforts, the response of the private sector to the reforms has remained slow. This is attributed to factors like past inappropriate policies, high cost of production and distribution, unconducive tax system, high cost of establishing business, limited access to credit (start-up and operational) from the financial system despite the massive reforms in the sector and general low level of knowledgability of private sector operators SIDA (2000).

External factors:
The external debt overhang:
Tanzanias external debt stock during the first quarter of year 2000 stood at US$ 7301.9 million (disbursed outstanding US$ 6077.1 million and committed undisbursed, US$ 1224.8 million). The debt profile was multilateral, 57.5 per cent; bilateral, 35.0 per cent, commercial sources, 4.4 per cent and other private 3.1 per cent (BOT 2000). In terms of borrower category the largest borrower is the central government (92.7 per cent) followed by private institutions (4.2 per cent) and public corporations (3.1 per cent). This structure has remained more or less unchanged throughout the 1990s.

Key debt indicators for the 1990s point to debt unsustainability (Table 3.2). The debt to GDP ratio is well above the internationally recommended ratio of 50 per cent or less.

Table 3.2 Key indicators of the External Debt Burden In Tanzania: 1990 - 1999 (%)

	1990	1995	1196	1997	1998	1999
Debt/GDP	141	117	95	85	103	91
Debt Service/Exports	33	19	18	19	16.2	-
Debt Service/Government recurrent revenue	29.9	44.1	40.8	36.4	40.2	27.9

Sources:
- UNCTAD (1999)
- World Bank (2000)
- Own computation for 1998 and 1999 Debt/DGP ratios.

The area where the debt burden is felt most is with respect to service as a ratio of government recurrent revenues. The ratio was highest in 1995 (44.1 per cent) declining to 27.9 per cent in 1999. Since debt service is first charge, after accommodating salaries (which takes about 30 percent of revenue), the portion of discretionary expenditure remains only at around 40 per cent (1999) for financing development programmes and delivery of social services.

Reflections on social services expenditure are more telling. Health expenditure is at only 12.9 per cent and education at 12.2 per cent of debt servicing expenditure. A 10 per cent cap on servicing rate, and redirecting this "saving" to social services translates into:

- doubling primary education enrolment and primary health care recurrent budgets
- expansion of education and health budgets by 60 percent
- increased gross enrolment in primary school to 90 per cent (URT, National Debt Strategy, Part 1 External debt).

Declining ODA and high technical assistance component

In general terms ODA declined between 1990 and 1997 from US$ 1175 million to US$ 963 million, as shown in Table 3.3. A modest increase is noted between 1995 and 1997.

Table 3.3 Selected Indicators of ODA in Tanzania: 1990s.

Table 3.3 Official Development Assistance to Tanzania 1990 - 1997

	1990	1995	1996	1997
Net disbursements (US$ mill)	1175	882	894	963
Selected ratios 1996 - 1997				
Aid/GDP (%) 13.4				
Aid/imports (%) 42.3				
Aid per capita (US$) 30.1				
1990 - 1997				
Per capita ODA US$ 36.5				
Technical asst/ODA 23.1%				
Bilateral ODA 65.6% of which 68.3% grants				
Multilateral ODA 34.4% of which 12.4% grants.				

Source: - UNCTAD (1999)
- Soludo (2000)

One glaring feature of ODA composition is the proportion of technical assistance which is above the average for LDCs (UNCTAD 1999) . This has a serious implication on resource outflows in addition to denying nationals of employment opportunities.

Tracking ODA in the past presented difficulties as some donors by-passed the government budget system. Improvements have started to bear results as much of ODA is now being reflected in the government budget.

Marginalization in the world trade system and Limited market access

The World Trade Environment has witnessed increasing globalisation and liberalisation and is currently in its fifth year of implementing the new trading rules introduced under the Uruguay Round of Multilateral Trade Negotiations and monitored and enforced by the World Trade Organisation (WTO). The liberalisation of international trade and new rules governing the conduct of trade in goods such as industrial and agricultural products, in services and trade-related intellectual property rights has generated greatly increased competition for countries like Tanzania at all levels of development.

The UN system has an important role to play in assisting LDCs to meet the challenges of globalisation and implementation of WTO commitments. Tanzania joined WTO as a founding member on 1st January, 1995. Increased trade liberalisation at global level, growing regional integration and autonomous trade liberalisation by many developing countries have created both opportunities and challenges for promoting economic growth and sustainable development. The new world trade environment is encouraging policy changes in developing countries including changes in industrial and trade policies due to increased competition in international markets for those countries whose access was hitherto facilitated by preferential tariffs such as General System of Preferences (GSP), the Lome Convention and sub regional trade arrangements such as those within the framework of SADC, COMESA and EAC.

Tanzania as a member of the WTO, is trying seriously to integrate in the world trading system. Exports of agricultural products in unprocessed or semi processed forms constitute around 60 per cent of total exports. Experience with high reliance on agricultural exports (declining terms of trade, susceptibility of output to weather changes, etc) led Tanzania into mounting strategies towards diversification into non-traditional exports with mild success (Ndulu et al 2000). Trade policies, though have been pursued coherently. For Tanzania to benefit from the world trade system she has to seriously address the issue of competitiveness.

The world trading system is changing fast, integrating new consumer preferencies e.g. ecolabelling standards etc. Given the level of technology, Tanzania faces the potential of being left behind. The factors that place Tanzania in a disadvantageous position in the world trading system include:

- Supply constraints especially physical infrastructure as well as costly and unreliable utility services; capacity constraints in production.

- Poor trade support services (trade information, financing, technical, packaging etc.)

- Low level of technology to effect diversification (agriculture - related exports still dominant)

- Poor export culture (non adherence to standards and delivery schedules). (URT 2000).

Vulnerability to shocks:

There have been quite a number of negative shocks that affected Tanzania's development efforts in the 1990s, both internal and external in nature. External factors included successive years of drought and the El Nino rains which devastated the physical infrastructure in most parts of the country and threatened food security in most villages. Lack of disaster preparedness is perhaps the cause of high vulnerability.

In this section we will deal with one such an external shock, the effect of refugees in Tanzania, given the fact that Tanzania may be constrained to continue being the haven of displaced persons in the Great Lakes Region due to limited resources and being hard pressed with own domestic agenda of poverty reduction.

The first shock was provided by the arrival of some 500,000 refugees in Kagera region in 1994, in addition to those already in the region. The consequences were:

- doubling of the population of the region;
- unsettling the ecological balance;
- environmental degradation as a consequence of rapid increase in demand for space to settle the refugees, added demand for firewood and construction needs of the refugees;
- disturbing game and forest reserves;
- deterioration in infrastructure as facilities like schools and health centres were quickly converted to reception centres due to absence of appropriate structures.

Since then, Tanzania has continued to play host to refugees from Burundi, the Democratic Republic of Congo and Rwanda. The general negative impacts have included:

a) Degradation of natural environment through deforestation and removal of soil cover as well as due to overgrazing caused by increased livestock population brought by refugees;

b) Increased destabilization of animal life in game parks especially through poaching;

c) Damage to the physical infrastructure by increased activities of transportation (e.g. frequency and weight of vehicles not accommodated in the initial design of roads, bridges, etc).

d) Increased stress on social services delivery especially health and education due to two reasons: use of such facilities for housing refugees (as transit centres). The teaching and learning process suffered most.

e) Increase in social vices manifested in increases in sexually transmitted diseases, crime, as well as new livestock diseases, etc.

f) increase in food prices;

g) deterioration in sanitation and water pollution as well as decreased water supply as catchment areas became disturbed.

BOX .4 MITIGATING THE STRESS IN AREAS AFFECTED BY INFLUX OF REFUGEES: KAGERA AND KIGOMA REGIONS, TANZANIA:

The first response by the international community to the shock led to the avoidance of major human suffering. Subsequent responses were more programmed and of a permanent nature. The local population soon felt that the quality of water, health and education provided to the refugees was better than that of the local community. Though the local communities gained greater market access for their commodities, still the difference persisted. Some form of compensation was needed.

At the lead of UNHCR which alone has spent more than US $ 16 million in the form of support to refugee affected areas, other donors and UN agencies were orchestrated into channelling assistance to the refugee affected areas in Kagera and Kigoma regions.

Projects have included support to local authorities, rehabilitation of schools and health centres, providing controlled harvesting of firewood coupled with protection of the natural environment, rehabilitation of the social infrastructure, supporting security measures through supporting the Police force and the local administrations. Transport and communication equipment were added too.

The local communities benefited through increased attention by the international community (funding), increased farm land, access to refugee - targeted service e.g. water supply, health services; employment creation and supply of refugee labour, supply of transport and communication facilities; knowledge and use of fuel wood energy saving stoves, increased incomes, created awareness on local women (formation of groups, employment, organizational skills).

Though programmes like those shown in Box 4 are in place, they are inadequate still. It is estimated that such programmes only offset a 50% of the damage caused (Green 1994 as quoted in URT 1999).

A sum-up of the experiences

The balance sheet of experiences tilts in favour of bad experience i.e. performance of the economy being overwhelmed by factors that impede growth. It thus remains a matter of life and death that such constraints are addressed as a matter of priority. Secondly the factors that facilitated growth (e.g. staying the course of adjustment) need to be consolidated and pursued further.

PROGRAMME OF ACTION FOR TANZANIA: 2001-2010:

Preamble: The Vision:

The Action Programme for Tanzania (2001-2010) should be visualized within the country's long term vision (Vision 2025) from which sectors have to derive their missions. This Vision, basically a determination to disentangle Tanzania from the scourge of poverty, states what Tanzania of 2025 should be: a nation imbued with five main attributes:

- high quality livehood (by all Tanzanians)
- peace, stability and unity
- good governance
- a well educated and learning society
- a competitive economy capable of producing sustainable growth and shared benefits (a strong, diversified, resilient and competitive economy which can effectively cope with the challenges of development and which can also easily and confidently adapt to the changing market and technological conditions in the regional and global economy).

Various sectors are in the process of charting out their programmes of action in the short, medium and long term, outlining their responsibilities towards achieving Vision 2025.

Targets for 2010:

The National Poverty Eradication Strategy spells out the goals to be achieved by year 2010 as follows:-

- Reduction of absolute poverty by 50 per cent (i.e. reducing the percentage of the very poor from current 39 per cent to 19.5 per cent by year 2010),
- Increasing the share of the manufacturing sector (narrowly defined to mean ISIC 3) from current 8.4 per cent to 20 per cent,
- Real growth rate of the economy at between 8 per cent and 10 per cent,
- Increased income per capita to between US$ 300 and US$ 500,
- Achieve a literacy rate of 90 per cent,
- Access to clean and safe water by 90 per cent of the population within 400 metres distance,
- Maternal mortality rate of 100-200 per 100,000 live births (currently 200-400),
- Reduced severe malnutrition to 2 per cent (currently 6 per cent),
- Achieve an unemployment rate of less than 10 per cent.

Priority areas:

Priority areas are those areas more focussed to poverty eradication. Three blocks have been identified:

(a) *Policies and strategies for creating an enabling environment for poverty eradication*:
- governance
- coordination
- participation

(b) *Policies and strategies for creating capacity for poverty eradication*:
- policies for economic growth
- policies to raise people's income
- agricultural development
- development of the industrial sector
- mining sector development
- cooperatives
- promoting infrastructure
- resource mobilization.

(c) *Sectoral policies and strategies for poverty eradication*:
- education promotion
- health sector development
- water supply and sanitation
- promotion of employment
- protection and preservation of the environment
- promotion of housing and settlement.

Stylized facts about the development agenda:
The list of priority areas as shown in the previous section is quite long - this partly reflects the extent of the crisis where priority ranking becomes difficult.

The programme has drawn lessons from the constrains she faced in the 1990s and reflect on future challenges especially in the on-going process of globalization. The programme has to address supply side constraints more adequately. These, not only set limit to increased productivity, but also limit competitiveness. Last but most important the resource envelope needs to be looked critically into, first drawing programmes that Tanzania can implement alone and then programmes where international support is required. The target areas must be those that have a major impact on poverty reduction and development of human resources. Growth - enhancing programmes have to be accorded first priority in order to realize the annual growth target of between 8 per cent and 10 per cent.

Areas:

(a) Agriculture

URT (2000, Ministry of Agriculture and Cooperatives) provides the Vision statement for the sector by year 2025, agriculture be transformed from traditional subsistence to one which is modern and commercial. It is the type of agriculture that ensures food security and eradicates malnutrition; protects the environment, is remunerative and thus alleviates poverty; reduces wastage by improving the transportation, storage and processing of agricultural products; and one that stimulates and responds to demand. The ultimate goal is to have an agricultural system/production which improves or raises the standards of living of the rural poor. Significant improvement of productivity is singled out as key to the vision.

The national-related objectives are stated as increased income and welfare of members as well as developing human resources within the sector in order to increase productivity.

It is emphasized that in order to modernize agriculture, all key sectors have to be involved. Ownership by all stakeholders and political commitment are crucial in the successful implementation of any programme in agriculture.

(b) *Manufacturing*

In Manufacturing, action programmes emphasize stimulation of investment, production and export of manufactures.

(c) *Mining*

One of the challenges in the mining sector is to raise contribution to GDP to levels of 10 per cent or higher. The Mineral Policy focuses on private sector initiatives.

(d) *Social services*

Education sub-sector targets at increasing enrolment in primary education, raising transition rates from primary to secondary level, improving the quality of teachers through in-service and pre-service training, increasing enrolment in higher learning institutions, promoting gender equity and improving training as well as increasing the capacity to improve inspection services.

Health

In Health the objective is to improve the health and well being of all Tanzanians particularly the most vulnerable and to make health service accessible, sustainable and efficient. On HIV/AIDs specifically the main thrust is to improve primary health care by focussing on equity with emphasis on capacity building, council level support, improvement of services delivery and provision of drugs, medical supplies and HIV/AIDS contact.

Water

Programmes target rehabilitation of existing water and sanitation facilities and efficient management in order to meet the overall government objective of providing clean, safe and adequate water for all (by the year 2002).

(e) *Tourism*
Tanzania is endowed with unique tourist attractions. The mission of the sector is to increase foreign exchange earnings through aggressive promotion of these endowments.

(f) *Infrastructure and Utilities*
The aim is to improve transportation and supply of utilities (including telecommunication) for these to play a catalistic role in development.

(g) *Environment and sustainable resource management* improvement in management involves various initiatives at conservation and improving the legal and regulatory framework.

TABLE 4.1 (a): ACTION PROGRAMME FOR TANZANIA:

A. ENHANCING ECONOMIC GROWTH	**(Figures in US$ million)**		
	Requirements	**Govt. Funds**	**Financing gap: Support equired**
Agriculture	49.1	30.3	18.1
Manufacturing	5.2	-	5.2
Mining			
B. IMPROVING COMPETITIVENESS/EXPORT EARNINGS			
Export promotion	5	-	5
Export finance and credit Guarantee Scheme	4	-	4
Packaging technology	1	-	1
Competitiveness Technology Diffusion	6	-	6
Targeted Private Sector Support	4.7	-	4.7
C. INFRASTRUCTURE AND UTILITIES			
Roads	195	162	33
E.A. road network	1219	-	1219
Energy	20.8	14.3	6.5
Water	57.3	41	16.3
Lands	4.3	3.9	0.9
D. IMPROVING BASIC SOCIAL SERVICES			
Education	434	293	141
Health	228.3	216.9	11.4
AIDS Campaign	11.8	-	11.8
E. IMPROVING GOVERNANCE			
Judiciary	28.1	17.7	10.4
Election	39.3	39.3	-
Office of Controller and Auditor General	6.0	5.3	0.7
TOTAL	**2318.9**	**823.7**	**1495.2**

Source: Various government documents.

Note:

There figures are tentative. A comprehensive process is under way to firm up the picture under the HIPC PRSP framework. Final figures will be available around end of August 2000.

TABLE 4.1 (b): **PRIORITIZATION AND COSTING YEAR 2001 - 2004 ACTION PROGRAMME FOR TANZANIA: PRIORITIZATION AND COSTING**

YEAR 2005 - 2010

A. ENHANCING GROWTH		**US$ (M)**		
		Requirements	**Govt. Funds**	**Gap**
	1. Improving productivity in agriculture: • Phase I activities • Rural transportation.			
	2. Manufacturing: • Phase I activities			
	3. Mining: • Explorations.			
B. IMPROVING COMPETITIVENESS/EXPORT EARNINGS:				
	• Export Processing Zone			16.8
C. IMPROVING ACCESS TO BASIC PUBLIC SERVICES				
	• Education - Primary - Secondary - Tertiary - Teacher training • Health: - Water Supply - Phase I activities. • Aids Campain			
D. EXPANDING EMPLOYMENT OPPORTUNITIES:				
	• Support to self employment initiatives • Public works.			

Note: Figures to be available around August - end 2000. See also note to Table 4.1(a).

ANNEX I

SELECTED IMPORTANT POLICY DOCUMENTS AND OTHER DOCUMENTS UTILIZED IN LDC III PREPARATIONS

POLICY DOCUMENTS:

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APPENDIX TABLE A.1

STRUCTURE OF REAL GDP IN TANZANIA 1990 - 19991 (%) (at factor cost)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
SECTOR										
A: MONETARY										
Agriculture	26.6%	26.9%	26.6%	27.3%	27.5%	28.3%	28.4%	27.9%	27.4%	27.3%
Crops	18.4%	18.7%	18.3%	18.8%	18.9%	19.8%	19.9%	19.4%	19.1%	19.1%
Livestock	4.5%	4.5%	4.5%	4.6%	4.6%	4.6%	4.5%	4.5%	4.4%	4.4%
Forestry & Hunting	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%
Fisheries	2.4%	2.4%	2.5%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Mining & Quarrying	0.9%	1.0%	1.1%	1.1%	1.3%	1.4%	1.5%	1.7%	2.0%	2.1%
Manufacturing	8.8%	8.7%	8.2%	8.2%	8.1%	7.9%	8.0%	8.1%	8.4%	8.3%
Water and Power	1.5%	1.6%	1.5%	1.6%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%
Power	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%
Water	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Construction	4.8%	4.3%	4.5%	3.7%	3.7%	2.9%	3.0%	3.2%	3.5%	3.6%
Wholesale, retail & Hotels	16.3%	16.2%	15.8%	15.7%	15.7%	15.7%	15.6%	15.8%	15.9%	16.1%
Transport & Communication	4.6%	4.6%	5.2%	5.2%	5.1%	5.3%	5.1%	5.2%	5.3%	5.4%
Finance, Insurance, real estate & business services	5.7%	5.5%	5.7%	6.0%	6.0%	5.7%	5.4%	5.9%	6.1%	6.0%
Finance & Insurance	3.8%	3.6%	3.6%	3.9%	4.0%	3.7%	3.4%	3.8%	4.0%	4.0%
Renting	1.6%	1.6%	1.7%	1.8%	1.7%	1.7%	1.7%	1.7%	1.8%	1.7%
Business Services	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Public Administration & Other Services	8.7%	8.9%	9.2%	8.8%	8.7%	8.2%	8.0%	7.9%	7.8%	7.7%
Administration	6.0%	6.2%	6.4%	5.9%	5.7%	5.2%	4.9%	4.9%	4.8%	4.6%
Education	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.1%
Health	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%	0.6%
Other Services	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%
Less imported bank service charges	-4.4%	-4.3%	-4.5%	-5.0%	-5.3%	-4.8%	-4.2%	-5.0%	-5.2%	-5.1%
Total Monetary	73.5%	73.4%	73.3%	72.6%	72.4%	72.2%	72.4%	72.4%	73.0%	73.1%
B: NON MONETARY										
Agriculture	21.3%	21.3%	21.4%	22.0%	22.1%	22.4%	22.2%	22.2%	21.7%	21.6%
Crops	17.0%	17.0%	17.0%	17.5%	17.6%	17.9%	17.7%	17.8%	17.4%	17.3%
Livestock	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.1%	2.1%
Forestry & Hunting	1.9%	1.9%	1.9%	2.0%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%
Fisheries	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Construction	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Residential Houses	4.3%	4.3%	4.4%	4.5%	4.6%	4.5%	4.5%	4.5%	4.4%	4.4%
Total Non-Monetary	26.5%	26.6%	26.7%	27.4%	27.6%	27.8%	27.6%	27.6%	27.0%	26.9%
Total (GDPfc): A + B	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: **Bureau of Statistics**

APPENDIX TABLE A.2

MAINLAND TANZANIA: GDP Growth 1990 - 1999 (%) |(at factor cost)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
SECTOR										
A: MONETARY										
Agriculture	6.7%	4.2%	0.4%	3.0%	2.4%	6.6%	4.5%	1.5%	2.3%	4.1%
Crops	8.5%	4.8%	-0.6%	2.9%	2.4%	8.1%	5.0%	0.7%	2.3%	4.6%
Livestock	3.0%	2.7%	2.7%	2.7%	1.4%	2.7%	2.7%	2.7%	1.9%	3.5%
Forestry & hunting	2.8%	2.7%	2.7%	2.9%	2.7%	2.7%	2.7%	3.7%	1.2%	2.0%
Fisheries	2.9%	2.9%	3.0%	4.4%	3.9%	4.0%	4.1%	3.8%	3.5%	3.2%
Mining $ Quarrying	16.5%	11.7%	7.7%	8.2%	15.0%	11.7%	9.6%	17.1%	27.4%	9.1%
Manufacturing	4.1%	1.9%	-4.0%	0.6%	-0.2%	1.6%	4.8%	5.0%	8.0%	3.6%
Water and Power	7.9%	11.1%	-1.3%	0.9%	2.0%	6.1%	11.1%	2.2%	5.5%	3.9%
Power	9.9%	12.6%	-1.8%	0.7%	2.0%	6.8%	12.4%	2.3%	6.0%	4.0%
Water	-3.1%	1.1%	2.5%	2.0%	1.8%	1.6%	1.6%	1.7%	1.8%	3.0%
Construction	37.7%	-8.8%	6.6%	-17.7%	1.3%	-18.9%	9.4%	10.0%	12.0%	9.7%
Wholesale, retail & hotels	7.4%	2.5%	-0.7%	-0.4%	1.1%	3.5%	3.5%	5.0%	4.7%	6.0%
Transport & Communications	0.5%	2.7%	14.2%	0.1%	0.9%	5.9%	1.1%	4.9%	6.2%	5.8%
Finance, insurance, real estate & business services	0.7%	0.1%	4.3%	6.1%	2.4%	-1.4%	-1.7%	11.5%	7.7%	3.6%
Finance & Insurance	1.1%	-3.6%	3.2%	8.0%	4.6%	-5.2%	-5.4%	16.5%	9.0%	4.3%
Renting	-0.7%	8.8%	7.0%	2.5%	-3.0%	6.6%	4.6%	3.8%	5.1%	2.2%
Business Services	3.2%	3.3%	3.5%	3.5%	4.5%	5.0%	6.0%	1.2%	6.0%	4.2%
Public Administration & Other Services	3.0%	5.0%	5.6%	-3.9%	-0.1%	-2.7%	1.6%	3.2%	2.7%	3.5%
Administrations	2.1%	5.3%	5.7%	-7.3%	-2.2%	-6.3%	0.0%	2.0%	1.5%	1.9%
Education	6.4%	3.2%	7.0%	3.5%	4.7%	3.6%	3.8%	3.7%	6.6%	3.6%
Health	4.7%	4.3%	3.3%	3.8%	3.6%	3.7%	3.7%	5.1%	2.4%	3.2%
Other Services	4.3%	5.2%	5.1%	4.7%	4.2%	5.1%	4.9%	6.3%	4.0%	9.5%
Less imputed bank services charges	2.7%	1.5%	4.7%	11.9%	7.9%	-5.4%	-10.0%	23.5%	8.6%	3.4%
Total Monetary	7.1%	2.8%	1.6%	-0.6%	1.2%	3.2%	4.6%	3.2%	4.9%	4.9%
B: NON MONETARY										
Agriculture	4.0%	2.8%	2.3%	3.2%	1.8%	4.9%	3.1%	3.7%	1.4%	4.1%
Crops	4.3%	2.8%	2.1%	3.3%	1.7%	5.5%	3.2%	4.0%	1.4%	4.4%
Livestock	3.0%	2.7%	2.7%	2.7%	1.4%	2.7%	2.7%	2.7%	1.9%	3.5%
Forestry & Hunting	2.8%	2.7%	2.7%	2.9%	2.7%	2.7%	2.7%	2.1%	1.2%	2.7%
Fisheries	2.9%	2.9%	3.0%	4.4%	3.9%	4.0%	4.1%	2.8%	3.5%	3.0%
Contraction	2.1%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.9%	2.0%	4.6%
Residential Houses	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	2.8%	4.7%
Total non monetary	3.8%	2.8%	2.4%	3.1%	2.0%	4.5%	3.1%	3.6%	1.7%	4.2%
Total (GDPfc): A + B	**6.2%**	**2.8%**	**1.8%**	**0.4%**	**1.4%**	**3.6%**	**4.2%**	**3.3%**	**4.0%**	**4.75%**

Source: **Bureau of Statistics**