



THE UNITED REPUBLIC OF TANZANIA

POVERTY REDUCTION STRATEGY PAPER

PROGRESS REPORT 2000/01

DAR ES SALAAM
14 August 2001

**UNITED REPUBLIC OF TANZANIA
POVERTY REDUCTION STRATEGY PAPER
PROGRESS REPORT 2000/01**

1. INTRODUCTION

1.1 *Objectives of the paper*

1. The objectives of this paper are to outline the progress that was made in implementing Tanzania's poverty reduction strategy during FY 2000/01 (July-June), and "update" the Poverty Reduction Strategy Paper (PRSP) that was prepared by the Government in 2000, and reviewed by the Executive Boards of the Bretton Woods Institutions toward the end of the same year. More specifically the paper seeks to:

- report on the status of outstanding work, as indicated in the PRSP, notably in regard to the conduct of the 2000/01 Household Budget Survey (HBS) and the Integrated Labour Force Survey (ILFS), the elaboration of poverty-oriented strategies for the priority areas, and the costing of key interventions;
- provide an update of the poverty status on the basis of available information, including preliminary results of the HBS and ILFS and other data collected as part of the ongoing efforts to monitor the status of poverty;
- outline related progress in the macroeconomic and structural reforms, as well as in regard to the specific prerequisites for the Highly Indebted Poor Countries (HIPC) Completion Point; and
- provide a rolling perspective of the Government's poverty reduction efforts through 2003/2004, together with the financial requirements.

1.2 *Overview*

1.2.1 *Process of updating the PRSP*

2. Henceforth the process of updating the PRSP will be carried out annually in order to ensure that the PRSP is an effective instrument for guiding the national poverty reduction efforts. Such exercises will help anchor consultations under the Tanzania Assistance Strategy (TAS), between the Tanzanian authorities and the international partners; provide a basis for elaborating programmes and operations that are supported by international development partners; and provide a major input into the Consultative Group (CG) meetings. The annual process of updating the PRSP will also provide opportunity for periodic consultations with a wide range of domestic stakeholders, especially the poor, to obtain needed feedback and foster ownership.

3. In particular, the process of updating the PRSP will continue to involve all stakeholders through clearly specified roles (Box 1). This initial update of the PRSP is based on the assumption that the concerns and views of the poor have not changed significantly from those documented recently in the zonal workshops and described in the original PRSP. Further more, the processes of formulating strategies and action plans for the education, agricultural and health sectors; the containment of HIV/AIDS; the poverty monitoring system; and the ongoing preparation of the rural development strategy have entailed wide consultations, including zonal and national workshops. The process of integrating gender and environmental concerns into the poverty reduction strategy has also involved consultations with national and international stakeholders through meetings and workshops.

Box 1: Envisaged Participatory Process in Updating the PRSP	
<u>Stakeholders</u>	<u>Specific roles</u>
International stakeholders	<ul style="list-style-type: none"> • Ongoing discussions and consultations under the TAS, in time for the updating of the PRSP. • Preparation and monitoring of poverty-related programmes and operations supported by bilateral and multilateral organizations. • Discussions relating to the PRSP during the CG meetings. • Review of PRSP drafts, as well as participation in related meetings in zonal and national workshops with domestic stakeholders.
Domestic stakeholders (representatives of the poor, civil society and private sector)	<ul style="list-style-type: none"> • Implementation and monitoring of sector-specific strategies. • Zonal workshops and participatory poverty assessment exercises, to revalidate and, if necessary re-orient, the focus of the PRSP. • Review of preliminary drafts of the PRSP and participation in related workshops. • Participation in CG meetings held in the country.
The Government	<ul style="list-style-type: none"> • Quarterly Cabinet reviews of the implementation of the PRSP, based on reports submitted by the PRSP Ministerial Steering Committee. • Parliamentary review of the implementation of the PRSP during the annual budget discussions.

4. This document has also benefited from comments by the World Bank and IMF missions, Parliamentarians, and a broad range of stakeholders during a national workshop that was held in early July 2001. These consultations have confirmed further the importance of the priority activities that were identified in the original PRSP. During the more recent consultations with Parliamentarians and stakeholders (at the national workshop), views converged on the importance of effective implementation and monitoring of interventions in rural and other pro-poor sectors. The participants at the national workshop also underscored the importance of increasing employment opportunities for youths and women, as well as mainstreaming gender, environment and HIV/AIDS concerns in line ministries and other areas of the poverty reduction program.

1.2.2 Principal interventions in 2000/01

5. During 2000/01, the implementation of the poverty reduction programme focused on initiatives to strengthen growth prospects, especially in the pro-poor sectors; increase material and other forms of support for the priority sectors; develop an effective framework for monitoring poverty; and elaborate strategies and cost interventions for the key sectors. More specifically, these initiatives included:

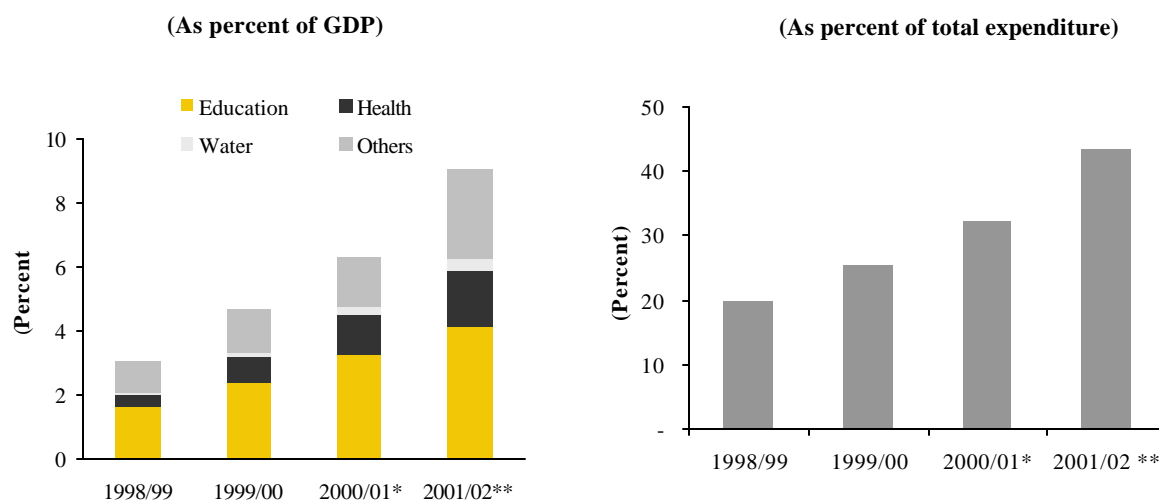
- Continued consolidation of the macroeconomic situation through prudent monetary and fiscal policies, in the context of substantially enhanced budgetary support for education, health, and other priority areas, and guided by the Medium-Term Expenditure Framework (MTEF) and the Public Expenditure Review (PER) yearly exercises (Chart I).
- Efforts to ensure effective use of the resources allocated to the priority sectors, including adoption of increased flexibility in managing the cash budget; promulgation of Public Finance Act, and the Public Procurement Act; rolling out of the Integrated Financial Management System (IFMS); and other measures to strength budgetary control and accountability.
- Development of a comprehensive framework for monitoring poverty.
- Carrying out a new Household Budget Survey (HBS) and an Integrated Labour Force Survey (ILFS), as part of a broader ongoing effort to improve understanding of the status of poverty in Tanzania.
- Tracking of the income and social indicators of poverty, and adoption of measures, including in the context of the Tanzania Social Action Fund (TASAF), to alleviate rural income poverty and provide relief to vulnerable groups.
- Elaboration of development strategies for the education and agricultural sectors; amplification of strategies for other sectors and cross-cutting areas (HIV/AIDs, governance, environment, gender and employment); and costing of interventions, notably those for FY 2001/02.

- Implementation of a broad agenda of reforms mainly in the context of programmes supported by the IMF under the Poverty Reduction and Growth Facility (PRGF), and the World Bank under the Programmatic Structural Adjustment Credit (PSAC-I), and other international partners. The reforms were aimed mainly at strengthening further the macroeconomic situation, bolstering efficiency of the financial and goods markets, supporting the development of the rural sector, improving performance of utilities, and creating an enabling environment for private investment. Moreover, the reforms included the conditions for the HIPC-Completion Point, virtually all of which were carried out as planned.
- The Budget for FY 2001/02 has provided for continued strong support for the priority sectors, as well as comprehensive fiscal initiatives. It includes measures directed at promoting private sector-led economic growth, and strengthening performance of the pro-poor sectors.
- Establishment of a Good Governance Coordination Unit; extending the offices of the Prevention of Corruption Bureau to the districts;
- Promotion of an enabling environment for private investment, including through enactment of new land legislation, restructuring of the Tanzania Investment Centre, establishment of a unified tax appeal mechanism, and a strengthening of the Commercial Court.
- Launching of the Tanzania National Business Council — under the chairmanship of the President— to provide an avenue for regular consultation between the Government and representatives of the private sector.
- Establishment of the Education Fund, to support children from very poor families.
- Abolition of primary school fees and other enrolment related contributions.
- The amendment to the Land and Village Act to provide for land ownership by women.
- Preparation of the action plan for elimination of child labour.
- Increase in the number of seats reserved for women in Parliament.
- Establishment of Ethics Board and the Human Rights Commission.
- Establishment of Tanzania Commission on AIDS (TACAIDS)

6. The principal achievements during the first year (that is FY 2000/01) of the PRSP are summarized in Box 2. In brief, determined efforts were made to implement the envisaged action programme. As a result, the macroeconomic situation improved further, and the economy continued to grow at an accelerated pace. However, in agriculture – a key sector for the poor – performance lagged behind expectation, owing to adverse weather and the collapse of export prices. In other areas, the elapsed time is too short to allow definitive conclusions.

Nonetheless, there have been encouraging developments in regard to education (increased gross primary school enrolment); health (expanded management of child illnesses and strengthening of maternity service); judiciary (strong performance of the commercial court); financial management and accountability (rolling out of the IFMS); and empowerment of the poor (continued progress in local government reform and operations at the community level).

Chart 1. Priority Sector Expenditures, 1998/99 – 2001/02 (July – June)



Source: Ministry of Finance. * Preliminary out-turn. ** Budget estimates.

II. STATUS OF POVERTY

2.1 *Progress with collection and analysis of poverty data*

7. In 2000/01, the National Bureau of Statistics (NBS) covered a substantial number of PRSP-related activities, in addition to its functions in other areas. These activities involved:

- Dissemination (through a workshop) of the results of the 1999 Tanzania Reproductive and Child Health Survey (TRCHS).
- Planning, execution and processing of data for the HBS (spanning May 2000 – April 2001; and covering 22584 households), and the ILFS (April 2000 – March 2001; 11660 households).

- Preliminary analysis (completed in April 2001) of data, covering 1308 households during the first 3 months of the HBS, as well data for 2861 households, also during the first quarter of the ILFS.
- Reassessment (completed in April 2001) of the results of the 1991/92 HBS, using implicit price data from that survey, to allow trend comparison with the 2000/01 HBS.
- Production (in April 2001) of comprehensive data on poverty, based on the 1991/92 HBS and the preliminary results of the 2000/01 HBS.
- Planning and execution of cartographic work for the 2002 Population and Housing Census.
- Launching of the Tanzania Socio-Economic Database (TSED); the database is currently disseminated through a designated website.

2.2 *Assessment of the poverty situation*

8. It is not yet possible to make definitive statements about the level of the poverty headcount ratio or poverty depth in 2000, because of the limitations of the consumption expenditure data in the HBS preliminary analysis. The size of the sub-sample (1308 households) on which these results are based is very small, thus raising concerns of sampling error. Moreover, since the data for the sub-sample are drawn from only one quarter of the year, they are subject to seasonality bias. Nonetheless, on the basis of selected information from the HBS and other poverty indicators (notably the series of Demographic and Health Surveys carried out in the nineties), it is possible to identify some changes and trends in poverty. More specifically, this data suggests that important changes have taken place in the demographic structure of households. The number of households headed by females increased significantly from about 17 percent in 1991, to about 25 per cent in 2000. This change seems to underscore the importance of gender in the assessment of poverty (Table 1(a)).

9. While the average household size does not seem to have changed significantly, there is some indication that the dependency ratio has increased among households in rural areas¹. Since households with higher levels of dependency are more likely to be poor, this change, if it is confirmed from the full HBS data and results from the forthcoming census, is of concern (Tables 1(b) and 1(c)).

¹ Dependency ratio has been defined as the ratio of the number of persons aged 0-14 and 65 years and above divided by the number of persons aged 15-64 years

Box 2: Principal Achievements in 2000/01

Sector	Targets/Outcome Indicators for 2002/03	Performance during 2000/01
Education	Increase gross enrolment from 77 percent to 85 percent.	Based on the 2000/01 HBS, gross primary school enrolment is estimated at 83.2, suggesting that the target for 2003 will be met.
	Increase net primary enrolment from 57 percent to 70 percent.	The net enrolment in 2000/01 increased rapidly from 57 percent to around 65 percent following abolition of school fees and other enrolment related contributions.
	Increase progression rate of primary to secondary level from 15 percent to 21 percent.	Performance is quite encouraging, as the current rate is estimated at 19.5 - 20 percent, following increased number of Government - aided community, and non-government secondary schools.
	Reduce the drop-out rate in primary schools from 6.6 percent to 3 percent.	Situation has not changed significantly; however, it is expected to improve following implementation of planned measures to improve the teaching and learning environment, as well as the abolition of school fees and other enrolment related contributions.
	Increase pass rate in standard 7 examination from 20 percent to 50 percent.	The pass rate has increased to 22 percent in 2000/01. The benchmark of 50 percent is considered ambitious and the medium-term target will be reviewed downwards in due course.
Health	Increase the number of children under 2 years immunized against measles and DPT from 71 percent to 85 percent.	Performance has improved to 78 percent, following increased coverage of the Integrated Management of Child Illness (IMCI) in health facilities from 17 to 31 districts
	75 percent of districts covered by an active HIV/AIDS awareness campaign.	All districts are covered following preparation of HIV/AIDS plans for all districts
	Increase coverage of births by trained personnel from 50 percent to 80 percent.	Performance has not changed substantially; however, it is expected to accelerate following adoption of District Health Plans that currently cover 82 out of 114 districts.
	Implement a full malaria control programme.	New guidelines have been developed and distributed, training of trainers has been completed, and drugs have been ordered.
Agriculture	Attain growth rate of 5 percent .	Overall growth was 3.5 percent during 2000, down from 4.1 percent during 1999, owing partly to adverse weather conditions. Forestry and fishery sub-sectors recorded growth rates of 5.0 percent and 7.2 percent respectively
Rural roads	Rehabilitate of 4500 km rural roads under the Urgent Roads Rehabilitation Programme, upgrade 7,000 km of rural roads, carry out spot and emergency repairs over 50,000 km.	Detailed costing of needed interventions has been developed.
Water	Fully implement the 2000 Water Policy.	The policy has been reviewed by the Ministry of Water and Livestock Development, to take into account the PRSP objectives.
Legal and Judicial System	Speed up primary court decisions, raise the ratio of decided filed cases from 63 percent to 80 percent.	The available information by districts shows uneven performance.
	Improve performance of the judicial system.	Introduction of the Independent Judicial Ethical Committee; Establishment of Judicial Administration Institute; approved recruitment of 36 State Attorneys, 6 Resident Magistrates, 13 Primary Court Magistrate and 11 Law Research Officers
	Reduce average time taken to settle commercial disputes to 18 months.	There has been significant improvement, as judged from the increase in cases disposed, from 53 cases in 1999/00 to 78 cases in 2000/01. Moreover, the average time taken to settle commercial disputes has been reduced to less than 6 months. Establishment of Land division of the High Court.
	Raise coverage of actual allocation for legitimate Other Charges (OC) requirement of the Judiciary from 50 percent to 100 percent.	There was a significant increase in the allocation of OC from TShs. 3.9 billion during 1999/00, to TShs. 5.7 billion during 2000/01, representing 100 percent budgeted of OC.
Local Government	Implement full Local Government reform.	Phase I has been completed, and phase II is on course.
Governance	Fully implement the Integrated Financial Management System (IFMS).	All central government operations, including 16 revenue station of the TRA in Dar-es- Salaam, are covered by the IFMS
Macroeconomic stability	Attain real GDP growth rate of 6.0 percent.	During 2000, real GDP grew by 4.9 percent (compared to 4.7 percent in 1999), and is projected to grow by 5.9 percent in 2001.
	Reduce inflation rate to 4.0 percent.	Inflation rate was 5.1 percent as of June 2001, compared to 5.9 percent in the same period in 2000.
	Maintain foreign exchange reserves sufficient to finance four months of imports of goods and non-factor services.	By end December 2000, foreign exchange reserves were equivalent to 5.5 months of imports of goods and non-factor services, and were at about the same level at end-June 2001.

11. The reported ownership of consumer durables conveys a mixed picture. On the basis of an overall index of ownership, it would appear that urban households on balance owned slightly more consumer durables in 2000 than in 1991, while the opposite was true for households in rural areas (Table 1(f)). In the country as a whole, the ownership of consumer durables may have fallen slightly since 1991/92. However, given the likelihood of sampling errors in these numbers, it is difficult to draw definite conclusions in this regard. At best, the data seem to suggest that household welfare, as measured by the ownership of consumer durables, may not have changed significantly during the nineties.

12. This picture of minimal change, if any, in poverty or welfare, is also supported by the DHS data on the nutritional status of children. There is considerable evidence from Tanzania and elsewhere that child nutritional status is a good general indicator of the standard of living. The data from 1991/92, 1996 and 1999 surveys show very little change in the overall levels of either stunting or underweight (Table 1(g)). Given the margin of sampling error, trends cannot be inferred from these indicators.

13. Similar conclusions also seem to emerge from the time series data that was made available recently by UNICEF, on infant and under-five mortality rates (Table 1(h)). The data suggest that there has been little change in the infant mortality rates and the mortality rates for children under five years of age during the 1990s. The recent levelling off of these rates reflects the impact of HIV/AIDS.

14. Based on data from the HBS as well as the preliminary results from the ILFS, one indicator of welfare that seems to point to the possibility of significant change is employment (Table 1(i)). Both surveys indicate that there has been a decrease in formal employment and increased reliance on the informal sector (outside agriculture). This is likely to be of concern, because the 1991/92 data indicated that households whose heads worked in the informal sector are more likely to be poorer than those with heads engaged in formal employment.

15. Overall, therefore, the picture of welfare and poverty in Tanzania in 2001, while still sketchy, is generally one of limited change from the baseline of 1991. A more detailed analysis will only be possible when the data from the full 2000/01 HBS (expected by February 2002) become available. The data currently available suggest that there has been little, if any, variation in the overall poverty levels since 1991, although there are underlying changes that would need to be investigated further. This picture is consistent with the modest growth in real GDP per capita that was registered over the decade. More specifically, the significant improvement in economic growth during the second half of the 1990s barely compensated for the poor performance in the first half of the decade.

2.3 *Next steps*

16. The next PRSP progress report will contain a detailed poverty analysis based on the full sample of the 2000/01 HBS. The report will also include regional estimates of income poverty and proxy indicators of income poverty for use in annual poverty monitoring. Moreover,

once the results of the 2002 Population and Housing Census are available, the Government will develop disaggregated spatial mapping of poverty.

Table 1: Selected Indicators of Poverty

<i>I(a) Percentage of households with female heads</i>					
	DHS			HBS ¹	
	1991/92	1996	1999	1991/92	2000
Urban	18	23	27	20	29
Rural	17	21	22	17	22
Mainland	17	22	23	18	24

<i>I(b) Household size</i>					
	DHS			HBS ¹	
	1991/92	1996	1999	1991/92	2000
Urban	5.4	4.3	4.3	4.9	4.9
Rural	4.4	5.1	5.3	5.9	5.5
Mainland	4.9	4.9	5.0	5.7	5.4

<i>I(c) Dependency ratio</i>					
	DHS			HBS ¹	
	1991/92	1996	1999	1991/92	2000
Urban	0.81	0.79	0.72	0.75	0.81
Rural	1.10	1.14	1.15	0.95	1.02
Mainland	1.03	1.06	1.04	0.89	0.97

<i>I(d) Access to safe water (percentage of households with access to safe water)</i>					
	DHS			HBS ¹	
	1991/92	1996	1999	1991/92	2000
Urban	92	93	95	89	89
Rural	57	60	56	34	47
Mainland	64	68	66	50	56

<i>I(e) Mean distance to water in the dry season (km)</i>		
	HBS ¹	
	1991/92	2000
Urban	0.4	0.9
Rural	1.5	1.3
Mainland	1.2	1.2

<i>I(f) Overall index of ownership of consumer durable goods</i>		
	HBS ¹	
	1991/92	2000
Dar es Salaam	93.7	108.5
Other urban	82.5	88.0
Rural	55.0	51.4
Mainland	64.1	60.6

<i>1(g) Nutritional status of children in Tanzania based on the DHS</i> (Percentage less than 2 standard deviations below the median)			
	Height for age		
	1991/92	1996	1999
Urban	28	33	26
Rural	48	46	48
Mainland	47	44	44
	Under – weight		
	1991/92	1996	1999
Urban	24	20	21
Rural	29	33	31
Mainland	28	30	30

<i>1(h) Infant and under- five mortality rates in Tanzania, 1990 - 2000</i>			
	DHS		
	1990	1995	2000
Infant mortality rate	102	103	104
Under five mortality rate	163	164	165

<i>1(i) Employment status of heads of households (percentage of households with heads employed in the informal sector, outside agriculture)</i>		
	HBS ¹	
	1991/92	2000
Dar es Salaam	30	43
Other urban	23	29
Rural	4	9
Mainland	9	14

¹ The Household Budget Survey data for 2000 are provisional based on preliminary analysis.

III. SOCIO-ECONOMIC REFORMS IN 2000/01

3.1 Macroeconomic and structural reforms

17. The Government has continued to implement tenaciously a wide range of policies and reforms in the context of programmes supported by the IMF (under the PRGF), World Bank (PSAC-I), and other international partners. In 2000/01, the reforms included the conditions for the HIPC-Completion Point, virtually all of which were carried out as agreed.

3.1.1. Macroeconomic policies and reforms

18. During 2000/01, the focus of macroeconomic policies and reforms was on:

- Continuation of prudent monetary and fiscal policies, in order to lower the rate of inflation and maintain a strong external position in a context of a market-determined exchange rate and an adequate level of international reserves (Table 2).
- Improvement of public expenditure planning, execution and control, including through quarterly cash releases for the priority sectors; assessment of expenditure requirement guided by the MTEF and PER exercises; the implementation of a plan to eliminate domestic arrears; and the roll-out of the IFMS to all central government expenditure and the Dar-es-Salaam-based revenue offices of the Tanzania Revenue Authority (TRA).
- Rationalization of the tax system to, among other things, strengthen the profitability of agricultural production.
- Strengthening prudential regulation of the banking sector, as well as elaboration and adoption of a micro-finance policy.

Table 2: Selected Macroeconomic Indicators

	<u>1991-93</u>	<u>1994-96</u>	<u>1997-99</u>	<u>2000</u>	<u>2001</u>
				<u>Preliminary</u>	<u>Estimates</u>
				<u>Out-turn</u>	
	(In percent)				
Real GDP growth rate	1.7	3.1	4.0	4.9	5.9
Per capita GDP growth rate	-1.1	0.2	1.0	1.8	3.0
Inflation rate	24.8	27.3	12.3	6.0	5.0
Budget Deficit/GDP ¹					
Before grants	5.6	3.9	4.0	4.8	6.0
After grants	2.2	1.3	0.3	0.2	0.7
Investment/GDP	26.3	20.5	18.5	18.9	19.0

Source: Ministry of Finance, and National Bureau of Statistics.

¹Refers to fiscal years (July – June), beginning in the years indicated in the column header.

3.1.2 Structural reforms

19. Other structural reforms that were implemented in 2000/01 included:

- Comprehensive initiatives aimed at fostering good governance, notably preparation of the National Anti-Corruption Strategy and Action Plan and its publicization throughout the country; establishment of the Good Governance Coordination Unit; extending the offices of the Prevention of Corruption Bureau to the districts; establishment of a Human Rights and Good Governance Commission (following a constitutional amendment and enactment of an enabling legislation); amendment of the Public Leadership Code of Ethics; and complementary reforms for the civil service and the system of local government.

- Support of the rural sector, through facilitation of crop credit, intensified search for export markets, revival of agro-processing plants, rationalization of local government taxation of crops and livestock, further liberalization of internal and cross-border agricultural trade, and distribution of disease-resistant seedlings.
- Formulation of a micro-finance policy and promotion of savings and credit schemes, to promote income-generating activities of the poor population in rural and urban areas.
- Continued efforts to strengthen the economic infrastructure, including through privatization of utilities and transport services and approval of related regulatory frameworks, and the establishment of a roads agency (TANROADS) to manage trunk and regional roads.
- Promotion of an enabling environment for private investment, including through enactment of new land legislation, restructuring of the Tanzania Investment Centre, establishment of a unified tax appeal mechanism, and a strengthening of the Commercial Court.

3.1.3 Impact on poverty

20. It is difficult at this stage to determine the full impact on poverty of the macroeconomic and structural policies and reforms that were carried out in 2000/01. Nevertheless, the Government is convinced that the continuing consolidation of the macroeconomic situation lays good ground for an effective struggle against poverty. Real GDP has continued to increase at an accelerated pace, reaching 4.9 per cent in 2000 and a projected 5.9 per cent in 2001, largely on the strength of performance in the non-agricultural sectors. At only 3.5 per cent, the growth of real valued-added of agriculture in 2000 was, however, lower than expected, reflecting the impact of adverse weather and underlying structural problems in the sector. The relatively weak growth performance of the agricultural sector, coupled with the collapse of export prices for cashewnuts, coffee, and cotton, pose a major challenge for the poverty reduction strategy. To cope with this problem, in 2000/01 the Government intensified efforts to expand domestic and external markets for the cash crops, and improve financial returns to the farmers. In particular, attempts were made to find new export markets, revive agro-processing activities, improve the quality of the crops, and distribute disease-resistant seedlings. In the period ahead, these efforts will be continued and reinforced with other measures aimed at addressing gaps that have emerged in the aftermath of the liberalization of the agricultural sector. Such gaps include uneven availability of inputs and market information, shortage of credit, and the decline in the quality of cash crops.

21. The Government intends to provide a comprehensive response to the problem of the rural poor in the context of action plans for the Agricultural Sector Strategy (already formulated) and the Rural Development Strategy (being finalized). This response will include, in addition to the interventions noted above, sustained strong support of social services for the poor and diversification of income sources. To this end, the Government, guided by the results of a recently completed expenditure tracking study, will seek to ensure that related budget resources will benefit the poor. Specifically, administrative and institutional steps will be taken to accelerate the release of funds, avoid deflection of funds for administrative purposes, and strengthen financial reporting and accountability.

22. Additionally, the Government has put in place safety-nets directed at protecting the incomes of the poor. One important initiative in this area, the Tanzania Social Action Fund (TASAF), is aimed at generating cash incomes directly to vulnerable groups that are involved in carrying out projects chosen and managed by communities. In addition to the monetary benefits, the TASAF process has also helped to strengthen the technical and managerial capacity of the poor, as well as participatory approaches in planning and implementing poverty-oriented interventions at the community level. Other initiatives include: Small Entrepreneurs Loan Facility; Poverty Eradication Initiatives; Community Based Initiatives Trust; National Income Generation Programme; Agricultural Input Fund; and Youth and Women Development Funds. In reflection of similar concerns, the Government will shortly develop, together with some international partners, a special programme aimed at providing support (such as credit and improved inputs) for the rural poor. Although prompted by essentially different considerations, the recent abolition of primary school fees and other enrolment-related contributions is expected to provide relief for many vulnerable households.

3.2 Conditions for the HIPC-Completion Point

23. The conditions for the HIPC completion point have been implemented as integral parts of the programmes that are being supported by the Bretton Woods Institutions under the PRGF and PSAC-1, as well as other international donors. All the conditions have been implemented as planned, except for a delay in the privatization programme for Dar es Salaam Water and Sewage Authority (DAWASA). Indeed, most of the actions were achieved well ahead of the Government's own schedule, except for a few relatively difficult measures that were completed toward the end of FY 2000/01, notably: (1) the preparation of district education plans, building on the results of the district school mapping and previous studies, and (2) the rolling out of the IFMS to 19 sub-treasuries and 16 revenue centers in Dar es Salaam. Other measures which the Government had wished, on its own, to complete earlier but were delayed until toward the end of the fiscal year were the preparation and costing of a poverty Monitoring Master Plan, and the elaboration of detailed and carefully costed interventions in the education sector.

24. The delay in the privatization schedule for DAWASA was attributable to a technical problem that was largely beyond Government control, notably the absence of responses conforming to the stipulated conditions in the Government's invitation for bids on the private management of DAWASA. In the circumstance, and following close consultation with the World Bank staff, the Government decided in April 2000 to re-launch another round of invitation for bids on the DAWASA lease. A private firm was re-engaged immediately to prepare new bidding documents, and bid invitations are now expected to be issued by end-September, 2001, with the intention of selecting the winning bidder before end-March, 2002.

3.3 Institutional and organizational reforms

25. In the course of FY 2000/01, various institutional and organizational reforms were made, in order to strengthen the implementation of the poverty reduction strategy:

- The ministry of agriculture was split, to enable three constituent ministries to focus on rural income poverty through (a) diversified expansion of crop production and enhanced food security, (b) accelerated development of livestock and water resources, and (c) prudent support of the collective efforts of the rural population in improving the quality and marketing of crops, as well as the availability of agricultural credit and inputs.
- Two key institutions, TACAIDS and TANROADS, were launched to spearhead needed interventions in regard to the containment of HIV/AIDS and the development of the road sector, respectively.
- The Tanzania National Business Council—under the chairmanship of the President—was launched, to provide an avenue for regular consultation between the Government and representatives of the private sector.
- Various capacity building initiatives, including those relating TASAF, have been mounted, with a view to fostering broad participation and ownership of key poverty-reducing interventions.
- A robust framework (discussed below) for monitoring and evaluating the implementation of the poverty reduction strategy was elaborated in close consultation with the international development partners and domestic stakeholders.

3.4 Poverty orientation of the 2001/02 Budget

26. The 2001/02 budget is a key instrument in the Government's ongoing efforts to consolidate further the macroeconomic situation and provide an environment conducive to poverty alleviation (Box 3). A number of taxes and levies including school fees, have been abolished, reduced or rationalized, to support access to essential services, and promote agricultural production as well as employment and investment in the private sector. On the expenditure side, the budget provides for a substantial increase in resources for the priority sectors, in line with the guidelines of the annual PER and MTEF exercises. The 2001/02 budget also provides for continued civil service reform and other initiatives directed at strengthening the effectiveness of the public sector, including accountability for resources aimed at assisting the poor.

Box 3: The 2001/02 Budget

Education	<ul style="list-style-type: none"> • Abolition of VAT on investments relating to education. • Establishment of the Education Fund, to support children from very poor families. • Abolition of primary school fees and other enrolment related contributions.
Health	<ul style="list-style-type: none"> • Abolition of VAT on hospital equipment and all taxes for drugs and preventive materials against TB, HIV/AIDS and Malaria.
Agriculture and livestock	<ul style="list-style-type: none"> • Removal of stamp duty on farm produce sales. • Reduction of tax on milk packaging material. • Imposition of suspended duty on imported milk, to protect livestock keepers from unfair competition. • Re-affirmation of the 5 percent cap on produce and livestock cess levied by local governments.
Private sector investment and development	<ul style="list-style-type: none"> • Rationalization of licensing procedures. • Removal of advance payment of income tax prior to commencement of business.
Employment	<ul style="list-style-type: none"> • Abolition of VAT on locally produced yarn. • Rationalization of payroll levies.
Priority sector expenditures	<ul style="list-style-type: none"> • Substantially increased allocation of resources for these sectors, in line with MTEF and PER, and taking into account the PRSP objectives. The allocations provide for, among other things, the abolition of school fees, capitalization grants for primary schools, reinforced initiatives to contain HIV/AIDS, and raising the Essential Health Package to US\$6 per capita, compared to US\$5.5 in the preceding year.
Roads	<ul style="list-style-type: none"> • Increased budgetary allocation for investment and maintenance of roads, with specific focus on rural roads.
Governance	<ul style="list-style-type: none"> • Further rolling out of the IFMS to local government finances, and stricter enforcement of financial management and control, in keeping with the Public Finance Act, 2001 and the Public Procurement Act, 2001. • Effort to improve the effectiveness of resources allocated to the poor (the Agricultural Input Fund, the Youth Fund, and the Women's Fund) by entrusting their management to domestic banks (on behalf of the government). • Continued progress in Civil Service Reform, including better remuneration, and intensified preparations towards a performance based system.

IV. POVERTY MONITORING AND EVALUATION

4.1 Overview

27. The government attached great importance to the development of comprehensive poverty monitoring and evaluation system in 2000/01. This work was achieved through a consultative process involving many stakeholders including government (central and local), research and higher learning institutions, civil society, and the donor community. These efforts were directed towards:

- Defining an institutional framework and responsibilities for collecting, using, storing and disseminating disaggregated data on poverty.
- Developing indicators to monitor progress towards medium and long-term targets.
- Ensuring continued involvement of the stakeholders in poverty monitoring.
- Securing funding for poverty monitoring activities.

28. Substantial progress has been made in developing a consolidated institutional framework for monitoring poverty at the national level, a poverty monitoring master plan, and funding arrangements.

4.2 The Institutional Framework

29. The institutional framework that has been established (Appendix II) is under the oversight of the Vice President's Office (VPO), and overseen technically by a National Poverty Monitoring Steering Committee. Functionally, the established framework is oriented towards four distinct tasks, namely:

30. **Surveys and censuses:** The major task in this area is to conduct pertinent surveys and the national censuses. This task is coordinated by the National Bureau of Statistics and is currently designed to include completion of the latest Household Budget Survey and Labour Force Survey (carried out during 2000 to 2001); national census (2002); agricultural survey (2003); demographic and health survey (2004); Labour Force Survey (2005); Household Budget Survey (2006); agricultural survey (2008); DHS (2009); LFS (2010); HBS (2011), and national census (2012).

31. **Administrative data:** A group coordinated by the President's Office, Regional Administration and Local Government is working on the enhancement of administrative data within ministries. The group will also collect data at the local government and community levels. Substantial work has already been done to establish a monitoring and evaluation system for local government service delivery.

32. **Research and analysis:** The major task in this area is to strengthen poverty-related research and analysis, with gender focus. This task is overseen by the President's Office, Planning and Privatisation, and will work in close collaboration with Research on Poverty Alleviation (REPOA) and other quasi-autonomous and private research institutions. This group will also coordinate participatory poverty assessments.

33. ***Dissemination and sensitisation:*** The major task in this area is to develop a programme for the dissemination of data and information generated by the poverty monitoring systems, and raise awareness on poverty trends for men and women. The group will also support advocacy of issues relating to poverty. The group responsible for this work is being coordinated by the Vice President's Office.

4.3 Progress towards developing the poverty monitoring master plan

34. The poverty monitoring master plan, which was completed in June 2001, will be an important tool to foster a coherent approach to the monitoring of poverty in Tanzania. The master plan outlines a programme of work for the next three years, provides a detailed costing of activities, and outlines capacity building efforts that will be needed.

35. The poverty monitoring master plan reflects the agreement reached through a series of consultations on the following key elements:

- priority indicators;
- frequency and level of disaggregation of data for these indicators;
- data sources (including surveys, censuses, administrative data, qualitative and quantitative sources, and participatory assessments);
- priorities to guide research and analysis;
- database;
- dissemination channels;
- institutional framework (including a division of labour, flow of information between different institutions, and management of the system);
- procedures for the review of progress under the PRSP;
- involvement of civil society organizations in the monitoring process;
- capacity constraints and plans to address them; and
- cost of the poverty monitoring system, as well as resource mobilization and funding arrangements.

4.4 Progress to date

36. ***The surveys and censuses group:*** This group benefited from a consultancy, in January 2001, to help the National Bureau of Statistics draw up a multi-year survey programme. As the key data collection agency in Tanzania, the National Bureau of Statistics will play a pivotal role in ensuring that the PRSP data requirements are met. The NBS has many other roles to play, apart from its role as a central data collection agency for the PRSP. Therefore, it was felt that a strategic, long-term plan was required to manage the many competing and sometimes conflicting demands that are placed on the NBS. To ensure that the agency adequately responds to national data requirements within the constraints of its available resources, the ten-year work programme noted above was developed. The programme includes a detailed costing and capacity building requirements.

37. ***The group on administrative data:*** The group benefited from the work that has been done under the Local Government Reform Programme in developing a framework for monitoring and evaluating progress at the local government level.

38. ***The research and analysis group:*** The group has identified research priorities along the following lines:

- Research that tests the assumptions underlying the PRSP.
- Detailed studies on the impact of policies and strategies on poverty.
- Research that addresses the knowledge gaps that were identified in the original PRSP.
- Further research to deepen understanding of data (sex disaggregated) emerging from the monitoring system.

39. ***The dissemination group:*** This group has identified target audiences for the data and required channels for the flow of information. Following a three-day retreat in March 2001, a dissemination work plan, indicating tasks and institutional responsibilities, has been developed.

40. In addition, several tools are already in existence for the dissemination of data and information on poverty. These are the Tanzania Socio-Economic Database and the Tanzania Online. The group is also planning to produce an *Annual Status Report On Poverty In Tanzania* which will describe the current status of the PRSP indicators and compare the current values of the indicators against the PRSP targets.

4.5 *Financing of the Poverty Monitoring Master Plan*

41. The total cost for activities envisaged under the Master Plan (excluding its administration) is estimated at Tsh. 7.5 billion (US\$8.6 million) for the three-year period through 2003/04². Of this total, the Research and Analysis group will need TSh. 4.1 billion; the surveys and censuses group, TSh. 1.3 billion (excluding the cost of the 2002 census); administrative data collection group, TSh. 1.5 billion; and the dissemination group, TSh. 0.6 billion. An additional budget is being prepared for administrative expenses. Following a recent meeting with development partners on the Master Plan, it was agreed that donors could use one of three options to contribute to the poverty monitoring system: (i) contribute to the overall poverty monitoring fund without earmarking for a particular working group; (ii) contribute to particular individual budget(s) of working group(s) without earmarking for a particular budget line; (iii) contribute to a particular budget line of a particular working group. This funding modality will be further elaborated shortly.

V. ELABORATION OF STRATEGIES AND COSTING FOR KEY SECTORS

5.1 *Methodological and conceptual issues*

42. During 2000/01, the government prepared sector development strategies for basic education and agriculture, and also reviewed the strategies for the other priority sectors. The purpose of this exercise was to identify action plans for pursuing the PRSP objectives.

² The exchange rate for the Tanzania shilling at end-June 2001 was Tsh. 876=US\$ 1

So far, the interventions for all sectors (except agriculture) have been costed, as have the interventions for some crosscutting areas, notably HIV/AIDS and employment (Table 3). The development strategy for the agricultural sector was completed only toward the end of FY 2000/01, and the government intends to proceed quickly toward the elaboration of a fully costed programme for the sector, for implementation starting in FY 2002/03. Until now, the costing of interventions for the priority sectors has concentrated on FY 2001/02. Cost estimates for the outer years are largely tentative, pending a more careful assessment of requisite interventions, prospective resources, and absorptive capacity.

43. In costing the action programmes for the priority sectors, two distinct exercises were carried out. *First*, an attempt was made to estimate total resource requirements (that is current and development outlays), based on PER and MTEF efficiency and value-for-money criteria and considerations of budget expenditure priorities and constraints, taking into account the PRSP targets. In summary, the estimated resource requirements for the priority sectors reveal the following features:

- For basic education, health and water sectors, resource requirements for 2001/02 are covered almost fully under the budget.
- The estimated resources (needed to meet the PRSP targets) in the Roads as well as the Legal and Judicial System exceed substantially the amounts appropriated under the 2001/02 budget. The implication of the resulting financing gaps is discussed below in the respective sectors and the final chapter of this paper.
- For agriculture, the costing of programmes aimed at meeting the PRSP targets is now being carried out. Hence, the resources appropriated for this sector under the 2001/02 budget cover only the basic activities and programmes determined in the context of the MTEF.

44. During the review of this paper, stakeholders called for supplementary programmes, to be developed jointly by the Government and international and other stakeholders, to address the urgent problems of :

- (a) rural income poverty;
- (b) unemployment among youths and women;
- (c) poor rural roads, impeding access to farms and markets; and
- (d) child labour and out-of-school children aged eleven years and above.

The government intends to develop the supplementary programme over the coming months, to respond to these pressing problems.

45. *Second*, in assessing their resource requirements, the priority sectors paid special attention to non-wage current outlays (that is “other charges”) and development expenditure for key interventions needed to attain the PRSP objectives. For basic education, the cost of hiring new teachers and redeploying teachers was also examined. The detailed technical material resulting from this work has proven helpful in assessing the submitted cost estimates. This material will be retained by the Government, to facilitate monitoring of the respective

Table 3: Resource Allocations and Estimated Requirements for Priority Sectors
FY 1999/00 - 2003/04 (July – June) ¹

	1999/00 Actual	2000/01 PRSP Preliminary Target Out-turn	2001/02 Budget	2002/03 Estimates	2003/04 Estimates
(In billions of Tanzania shillings)					
Education	162.2	247.8	247.8	347.6	486.9
basic education	96.3	141.3	141.3	182.8	224.1
Health	56.7	96.7	96.7	139.3	224.6
primary health	28.8	42.3	42.3	101.0	110.8 ²
Water	8.0	17.1	17.1	31.6	54.1
Agriculture	14.3	18.9	18.9	30.5	...
research and extension	4.8	6.9	6.9	8.1	...
Roads	51.3	91.4	86.8	181.2	260.1
rural roads	15.6	28.8	18.2	24.1	69.5 ³
Judiciary	8.3	13.8	13.8	21.0	80.6 ⁴
HIV/AIDS ⁵	0.0	4.8	0.0	7.3	8.3
Total ⁶	300.8	490.6	481.2	758.5	1,034.2
Total (priority sectors) as percent of aggregate budgetary expenditure excluding CFS ⁷	51.8	67.3	60.9	78.0	0.0
Total (priority sectors) as percent of GDP	4.4	6.4	6.3	9.0	11.0
<i>Memorandum Items:</i>					
Aggregate budgetary expenditure (excluding CFS ⁷)	580.8	728.9	790.0	966.8	...
GDP at current market prices	6,884.9	7,664.2	7,664.2	8,482.2	9,352.0

Source: Ministry of Finance

¹ In this table the indicated resource requirements include recurrent and development expenditure.

² Expected to be revised upwards upon confirmation of external financial support.

³ The substantially increased amounts compared to the budgeted resources in 2001/02 reflect the estimated cost of carrying out (over the medium term) needed repairs and rehabilitation on the bulk of rural and district roads.

⁴ The substantially increased amounts compared to the budgeted measures in 2001/02, reflect the extra costs of rehabilitating the primary courts (over the medium term).

⁵ Expenditure on HIV/AIDS (including only minimal provision of drugs for HIV/AIDS patients) are mostly incorporated in appropriations for individual ministries and departments. The amounts reflected here are for additional interventions, which henceforth will be carried out primarily by TACAIDS.

⁶ Consists of Personnel Emolument, Other Charges and Development Expenditure.

⁷ Consolidated Fund Service.

programmes. The summary results of the arduous costing exercise are selectively reported below.

5.2 Education

46. ***Progress and achievements:*** During 2000/01, the government carried out a number of activities:

- School mapping was completed relatively quickly in the course of 2000/01 for 63 districts (compared to the target of 50) out of 113 districts in the Mainland. Based on the results of this exercise, and guidelines provided by the Ministry of Education and Culture (MOEC), the districts with completed school maps embarked on the preparation (still ongoing) of plans for pursuing the PRSP targets and objectives.
- A PER exercise for the education sector, was completed in February 2001, in time for the PER and the 2001/02 budget.
- The MOEC developed an Education Sector Development Programme (ESDP), encompassing pre-primary, primary, adult and secondary education, teacher training, and school-based programmes. Under the ESDP, the PRSP objectives are being pursued through interventions aimed mainly at (a) improving quality, (b) raising enrolment, (c) optimising effective use of available resources, (d) reinforcing capacity to manage schools at grass-root level, and (e) addressing gender, environment and HIV/AIDS concerns. The strategy was developed on an elaborate participatory approach involving a wide range of stakeholders, including development partners, education administrators, parents, teachers, academic institutions, and other civil society organizations.
- Specific initiatives already implemented under ESDP include: abolition of primary school fees and all other enrollment related contributions; introduction of capitation grant of US\$ 10 per student (compared to US\$ 1 hitherto) per annum; and introduction of an investment grant to finance the construction of new classrooms, teachers houses, toilet facilities and rainwater harvesting tanks.

47. An important objective under the ESPD is to have all 7-10 year old children in school by 2004. To this end, an additional 1 million children are expected to be enrolled by 2003. Another major objective is to improve efficiency in the school system and raise the quality of education. In pursuit of these objectives, the following specific initiatives are envisaged:

- Complete school mapping and micro-planning for the remaining districts.
- Expand enrolment substantially in standard one, especially in the poor regions, in the new school year starting January 2002.
- Improve teacher management at the school level, in order to increase instructional hours.
- Secure a more even allocation of teachers across schools and regions, by raising average number of pupils per teacher from 38 at present, to 45 by 2004.

- Upgrade teachers' qualification through on-the-job training (2/3 of the teachers are expected to have grade "A" certificate by 2008).

Table 4: Estimated Financing Requirements for the Education Sector Development Programme (ESDP), 2001/02 – 2003-04 (July – June)

	2001/02 Budget	2002/03 Projection	2003/04 Projection
	(In billions of Tanzania shillings)		
1. Primary schools	173.3	198.3	215.5
Capitation grant	48.6	73.7	83.5
Construction of new classrooms	60.3	56.2	58.5
Investment grant	24.3	33.9	35.8
Primary school fees (cost of abolition)	11.0	-	-
Classroom rehabilitation	3.6	4.3	5.0
Recruitment of new teachers	6.0	7.7	7.0
Supply of text books and other learning materials	19.5	22.5	25.7
2. Secondary schools	8.4	5.5	2.6
Construct and furnish new classrooms and laboratories	3.4	2.6	0.7
Supply textbooks and other teaching and learning materials	2.2	1.1	0.4
Science teaching equipment for secondary schools	2.0	1.0	1.0
Rehabilitate secondary school physical facilities	0.8	0.8	0.5
3. Teacher training	0.1	0.1	0.1
4. Control of HIV/AIDS	1.0	4.4	5.9
Total expenditure – Basic Education	182.8	208.3	224.1

Source: Ministry of Education and Culture

- Improve the quality and availability of textbooks and other school supplies, through decentralized procurement.
- Extend the system of double-shift.
- Introduce a system of teacher resource centres, to increase the effectiveness of teachers and raise education standards.
- Strengthen the capacity of the authorities at the district and community levels to manage schools.

48. **Costing of interventions:** In order to achieve the PRSP objectives, the financing of basic education is budgeted to increase by 29.4 percent in FY 2001/02 to Tsh. 183 billion, or 2.2 percent of GDP (compared to 1.8 percent of GDP in 2000/01). The required resources for basic education are expected to continue to increase over the medium term, to reflect the impact of the planned expansion in enrolment and initiatives aimed at bolstering the quality of education.

49. Viewed in terms of the ESDP, as much as 96 percent of the estimated financial resources (costed in Table 3) will be absorbed in primary education (mainly as capitation and investment grants to finance non-salary outlays for the construction of classrooms and other facilities, recruitment of new teachers, textbooks and other learning materials, and rehabilitation of classrooms).

5.3 Health

50. **Progress and achievements:** During 2000/01, the government continued to implement the health sector programmes taking into account the PRSP targets. Special attention was given to gender and vulnerable groups, including the poor in the rural areas. A health sector PER carried out in January 2001 revealed that per capita public health spending had continued to increase to nearly US\$6, compared to US\$5.5 in 1999/2000. The share of budget resources devoted to health also increased further to 14 percent, from 12 percent in 1999/2000. Moreover, the allocation of resources in the health sector was guided increasingly by per capita considerations, rather than the number of beds and health facilities (practiced previously).

51. Some progress appears to have been made towards improving survival prospects. The coverage of the Integrated Management of Child Illness (IMCI) increased as planned, from 17 districts in 1999/00 to 31 districts in 2000/01. The utilization of Maternal and Child Health (MCH) services, including reproductive health and family planning, also increased. Moreover, following intensified preparation and adoption of District Health Plans (now covering about 70 percent of the districts), the percentage of births assisted by trained personnel is expected to pick up substantially. In reflection of these developments, the government is optimistic that the original PRSP targets in regard to infant, “under-five”, and maternal mortality will be met. These targets, together with those for nutrition and the sero-positive rate in pregnant women, will be revised during the next updating of the PRSP using more definitive information.

52. **Costing of interventions:** In 2000/01, resources for priority activities in the health sector increased sharply to the equivalent of 1.3 per cent of GDP, compared to 0.8 percent in the preceding year. The 2001/02 budget provides for a further boost in the resources for these activities, to the equivalent of approximately 1.8 percent of GDP. Under the 2001/02 budget, the appropriations for the health sector include a boost in resources for primary health for rehabilitation of health care facilities,

drugs, immunisation of children, and strengthening of referral functions of secondary and tertiary services (Table 5).

Table 5: Financing of Primary health, 2001/02 – 2003/04 (July – June)

	2001/02 Budget	2002/03 Projection	2003/04 Projection
	(In millions of Tanzania shillings)		
1. Drugs	9,962.7	20,857.8	20,625.2
2. Essential medical supplies	2,063.5	4,320.0	5,184.0
3. Essential hospital equipment and reagents	2,550.7	4,940.0	5,184.0
4. EPI-Kerosene	485.5	870.0	7,528.0
5. Utilities	86.0	156.0	197.4
6. Strengthen secondary and tertiary service delivery	1,805.3	3,264.6	4,655.6
7. Strengthen referral functions of secondary and tertiary curative services	5,156.0	10,095.0	12,463.2
8. Provision of counterpart funds for the introduction of community health funds	1,663.1	1,834.8	1,463.2
9. Malaria prevention and control	1,039.8	2,004.5	1,886.3
10. Human resource development	2,259.5	4,148.9	4,435.0
11. Immunisation of children 2-years and below ¹	6,626.2	12,307.2	8,783.6
12. HIV/AIDS awareness programme	2,826.4	5,921.2	7,105.4
13. Environmental health	245.9	1,372.5	974.6
14. Total recurrent expenditure	36,770.4	72,092.4	84,889.5
15. Development expenditure (rehabilitation of facilities)	64,218.6	28,196.6 ²	25,919.5 ²
Total expenditure – Primary Health	100,989.0	100,289.0	110,809.0

Source: Ministry of Health

¹ To meet the PRSP target of increasing such immunization from 71 percent to 75 percent and more.

² Expected to be revised upwards upon confirmation of external financial support.

53. Following a review by stakeholders, of the health sector performance in March 2001, the participating international partners agreed to continue to support the health sector through the mechanism of “basket” funding, and pledged Tsh. 86.5 billion for 2001/02. These pledges were largely targeted at district health services, including interventions relating to the containment of malaria, childhood diseases, HIV/AIDS, TB, leprosy, and malnutrition.

54. The government has already prepared a detailed health sector plan for the three-year period through 2003/04. According to the plan, financial resource requirements for priority activities in the sector will continue to increase, in order to provide for a strengthening of the basic health care package, rehabilitation of health centres, and improved access to basic health care.

5.4 Water

55. ***Progress and achievements:*** In 2000/01, the Ministry of Water and Livestock Development (MWLD) has revised the National Water Policy and developed a vision building on the goals of the original PRSP. The revised policy provides for the following specific targets:

- Raising the proportion of the rural population that has access to safe and clean water from 48.5 percent in 2000, to 53 percent in 2004.
- Increasing, over the same period, the corresponding ratio for the urban population from 68 percent to 78 percent.
- Reinforcing involvement of local communities and the private sector in developing water resources.

56. ***Costing of interventions:*** In 2000/01, the resources allocated to the water sector increased sharply, in relation to GDP, to the equivalent of 0.2 percent, or nearly double the level of the preceding year. The 2001/02 budget provides for a further substantial increase in the appropriations for this sector, to nearly 0.4 percent of GDP. Investment projects are estimated to account for about three-fifths (Tsh. 34.4 billion) of total resources for the sector in FY 2001/02, with urban water and sewerage absorbing over 60 percent of the investment, compared to 17 percent for the infrastructure relating to rural water supply (Table 6). Over the Medium term, the government intends to continue to increase the relative share of resources for the development of such infrastructure, to nearly 30 percent by 2004.

Table 6: Financing of the Water sector programme, 2001/02 – 2003/04 (July – June)

	2001/02 Budget	2002/03 Projection	2003/04 Projection
(In billions of Tanzanian Shillings)			
Recurrent expenditure	10.3	14.0	16.2
Salaries and wages	2.2	3.7	4.6
Other charges	8.1	10.3	11.6
Administration	1.1	1.6	2.5
Electricity	5.0	5.3	4.2
Operation and maintenance	1.1	1.9	3.0
Capacity building	0.9	1.5	1.9
Investment	21.3	36.1	37.9
Rural water supply infrastructure	6.0	8.7	10.5
Urban water and sewerage	7.7	21.4	22.5
Water resources management	3.9	2.1	0.9
Others	3.7	3.9	4.0
Total expenditure – Water Sector	31.6	50.1	54.1

Source. Ministry of Water and Livestock Development

5.5 *Agricultural sector*

Introduction

57. Agriculture is critical to Tanzania's economic and social development goals that are espoused in the Tanzania Development Vision, 2025 for three reasons. First, improvements in farm incomes of the majority of the rural population is a precondition to the reduction of rural poverty. Second, any strategy for addressing food security must involve actions to improve agricultural and livestock production and farm incomes to ensure availability and access to food. Third, agriculture, as the single major contributor to GDP, is key to the country's overall economic development now and in the near future. Its potential in this regard is substantial.

58. The Government has prepared Agricultural Sector Development Strategy (ASDS) as an instrument for stimulating growth and reducing poverty. The strategy document is the product of a participatory consultative process at the national and grassroots levels, encompassing farmers organizations, agribusiness representatives and development partners. The process also benefited from inputs provided by the Special Advisory Committee on Agriculture set up by the Prime Minister in September 1999 and the Task Force on Cooperatives appointed by the President in April 2000. The draft ASDS was vigorously discussed at four zonal workshops, involving grassroots participants from different regions of mainland Tanzania. A total of 167 stakeholders participated in the workshops; 53 percent of the participants were farmers and 40 percent Women.

59. Due to diversity of the agricultural sector, there are many actors playing various roles in the sector. The main actors comprise public institutions (including the central government, ministries, regional secretariats, local government authorities, research and training institutions; the private sector (farmers, agribusiness, financial institutions); the civil society; and development partners. The success of the ASDS will depend on the ability of each of the major actors to play their roles effectively, and the establishment of effective institutional mechanism for coordinating and linking the activities of the actors. The ASDS clearly identifies the role of the actors and the coordination mechanisms to facilitate the participation and linkages of the actors.

60. Together with the formulation of the ASDS, the government has embarked on the preparation of a Rural Development Strategy (RDS) that is aimed at providing a coherent framework for addressing issues (such as rural unemployment, environmental degradation, HIV/AIDS, gender, youth, infrastructural development, governance, and capacity building) that bear heavily on rural poverty. An initial draft of the RDS, incorporating findings from a zonal workshop, has been prepared. This draft being refined further, will be completed in the course of 2001.

61. The ASDS is built upon a number of critical assumptions, including the ability to capitalise on the inherent strengths and comparative advantages of the agricultural sector. Under the Strategy it is assumed that Tanzania will maintain:

- (a) a comparative advantage in the production of major food and export commodities;
- (b) substantial population engaged in agriculture and livestock keeping;
- (c) underused and unused abundant natural resource base;
- (d) strong political commitment to improve policy environment through adjustments and structural reforms;
- (e) appropriate incentives to attract and retain private investments in agriculture;
- (f) domestic and international trading opportunities through membership to regional and international trade groupings and protocols;
- (g) opportunities for forging strategic partnership between agro-industries and smallholder farmers through out-growers/contract farming models; and
- (h) decentralised structures at the district level for agricultural and livestock development planning, implementation, monitoring and evaluation.

Agricultural sector growth targets

62. The Government recognises that stronger performance of the agricultural sector will be key in realising the intended acceleration in real GDP growth and the needed reduction in poverty. Accordingly, the following growth targets have been established for the coming five years:-

- increasing real annual agricultural GDP growth from about 3.6 percent at present to 5 percent by 2003, and 6 percent by 2005;

- raising of the corresponding rate for the livestock sub-sector from 2.7 percent to 5 percent by 2005; and
- increasing real annual growth rate for export crops over the same period from 6.8 percent to 9 percent.

Box 4. Features of the Agricultural Sector Development Strategy (ASDS)

The ASDS has been designed with the objectives of increasing profitability and productivity of agriculture and livestock as a means to reducing rural poverty through improvement of farmers' incomes and promotion of food security. The Government has included a set of innovative approaches in the ASDS, which are considered critical to agricultural development in Tanzania. The new features include:

- focusing on agricultural profitability, by creating a conducive policy environment that will attract investments in the agricultural sector,;
- producing for targeted markets and diversification of products;
- adding value through domestic processing and reducing post-harvest losses;
- building private and public sector partnership, to enable greater private sector involvement in the provision of support services, input and output marketing, and investments in the agricultural sector infrastructure;
- focusing on partnership between agro-industries and contract growers, to provide strategic vertical linkages that will ensure access to inputs, credit, and output market for smallholders, as well as steady supply of raw materials to agro-industries;
- focusing responsibility for implementing the ASDS at the sub-national level district agricultural development programmes, in order to empower the local communities and ensure sustainability;
- strengthening markets for agricultural inputs and outputs through promotion of cross-border trade, formulation and implementation of a sound policy on food security, promotion of agro-processing, improvement of roads and other rural infrastructure, development of autonomous and efficient farmers' organizations, and collection and dissemination of market information;
- creating a conducive administrative and legal environment for the sector, by reviewing and harmonizing agricultural legislation, streamlining procedures for land acquisition, and facilitating stakeholders' participation over commodity boards; and
- implementing tax reforms and pursuing exchange rate and other macroeconomic policies aimed at ensuring regional and international competitiveness of the sector.

Strategic Priority Areas for Agricultural Sector

63. The achievement of the overall strategic objective will require hard choices to be made regarding strategic options guided by financial and human resource constraints. Therefore the ASDS will focus on the following interventions:

- (i) Strengthening capacity of actors and their coordination.
- (ii) Improving support services (agricultural research, extension, training, regulatory services, promotion of farmers' organizations, animal health and crop protection services and agricultural information services).
- (iii) Facilitating investment and financing in agriculture and livestock, with focus on the development of micro-finance, partnerships between smallholders and agri-business, and the development of sector specific incentive packages.
- (iv) Strengthening agriculture and livestock market efficiency for inputs and outputs, including legalisation and promotion of cross border trade, updating and enforcing input and output marketing legislation, improvement of rural infrastructure, establishment of Private Agribusiness Sector Support (PASS) units, and promotion of the use of input voucher system.
- (v) Creating a conducive administrative and legal environment
- (vi) Mainstreaming planning for agricultural development in other sectors. Effective agricultural sector development requires participation of many actors over and above the Ministries directly responsible for the agriculture and livestock sector. The Government therefore plans to integrate the vision for agricultural sector across all ministries, as well as in conjunction with the private sector. Key areas to benefit from greater cross-government planning include improved utilization and management of land and water resources, enhanced rural infrastructure, fight against HIV/AIDS, environmental management, increased use of labour saving technology, gender, and sustained development of human resource base for agriculture.
- (vii) Sustaining macroeconomic stability. The profitability of agriculture is affected by changes in macroeconomic conditions, such as levels and trends in the inflation rate, interest rates and exchange rate regimes. In this respect, the Government will strive to sustain and improve the existing macro-economic stability as a pre-requisite to agricultural profitability and growth, especially under the private sector-led agriculture.

64. **Costing of interventions:** Following the finalization of the ASDS, the government intends to prepare quickly an action programme for the agricultural sector, together with the costing of needed interventions, for implementation starting in FY 2002/03. The preparation of the programme will involve the participation of stakeholders, including smallholder farmers, livestock keepers, farmers' organizations and others.

65. Meanwhile, the Government has embarked on measures for improving the policy and institutional environment to promote private investment and improve the profitability of agriculture. These measures were elaborated above in Box 4. The MCM, MAFS, and local governments are operating on the basis of budget resources allocated according to the MTEF guidelines. These allocations cover only a part of the interventions that would be required to achieve the PRSP objectives. Accordingly, during the review of this report, the stakeholders called for the elaboration quickly of short-term supplementary interventions in the agricultural sector to alleviate income poverty. The Government, in consultation with the stakeholders, intends to embark promptly on the preparation of such interventions, and secure necessary financing. This may entail some reallocation of external project funds.

5.6. Local Government Reform

66. The Government is implementing Local Government Reform Programme (LGRP) with the objective of improving service delivery to the public. Actual phased implementation of LGRP was launched in 38 councils in January 2000. The launching of implementation of the reform programme was preceded by the following policy, legal and strategic interventions:

- Endorsement of a policy paper on Local Government Reform by the Government.
- Enacting Regional Administration Act No.19 of 1997, which paved the way for the restructuring of Regional Administration, so as to become an important government arm for advisory and backstopping support to the Local Government Authorities.
- Amendments of local government laws by Act No.6 of 1999 to provide enabling provisions for implementation of the Local Government Reform.
- Adoption of Action Plan and Budget for the period July 1999 to December 2004, paving the way for sequencing of implementation of the local government reform programme.

67. Steps have been taken to prepare the ground for promoting principles of democracy, transparency, accountability, integrity and the rule of law at the local level. In particular, progress has been made in sensitising and educating the general public through a weekly radio programme. Codes of conduct for councillors and staff have been published and issued for enhancing accountability, transparency and integrity on the part councillors and staffs. An encouraging move has been made in the development of participatory planning framework at the local level.

68. All Phase-I councils have formed Council Reform Teams which are spearheading the reform process. As part of capacity building, training in financial management has been undertaken on in-house basis through the Zonal Reform Teams. Measures aimed at strengthening decentralized management of staff by local government authorities have also been taken.

69. Preparation of the Monitoring and Evaluation (M&E) system for the LGRP to monitor service delivery at local government level is at its final stage. Implementation of the system is planned for the second half of 2001. Activities so far completed include:-

- Designing and testing of a prototype of the M&E system in selected local authorities.
- Assessment of the test results and specification of a manageable number of sector indicators that will be used during the initial period of the implementation of the system.
- Design of a database that will be used to manage data when the system comes into operation.
- Preparation of a manual that will be used to guide users on how to implement the system.

70. A joint Government-Donor review of the LGRP was undertaken in May/June 2001. The review team endorsed the local government reform policy, the implementation strategies, and the manner the reform is being managed. The team provided a valuable snapshot of where the reforms are currently succeeding and failing. It also identified blockages that need to be addressed both administratively and as a matter of policy.

71. Capacity building aimed at improving financial management at local government level continued throughout the year 2000/01. This was largely done through in-house training provided to the relevant staff of the Phase I local government authorities. A computerized system of financial management and accounting (also known as Platinum Epicor) which was introduced in 28 councils at the beginning of 2000, continued to be implemented throughout the financial year as part of capacity building. Implementation of the system aims particularly at enhancing financial accountability in the local government authorities especially in ensuring that funds allocated to pro-poor sectors are not diverted to other unintended purposes. The plan is to roll out the implementation of the Integrated Financial Management System (IFMS) to another batch of 29 councils during the year 2001/02.

5.7. Roads

72. **Progress and achievements:** During 2000, the government conducted comprehensive studies on the road network which showed that:

- Virtually all feeder roads (27,550 kilometres) are earth tracks or gravel roads in poor condition, requiring rehabilitation or spot improvement, in order to restore access to productive agricultural regions and markets.
- Only 8 percent of the district road network (20,000 kilometres) is in good condition (that is, requiring recurrent expenditure for maintenance); the remaining 92 percent is in fair and poor condition (requiring rehabilitation).
- Only 20 percent of the regional road network (24,700 kilometres) is in good condition. The rest is either fair (40 percent) or poor (40 percent).

73. These findings underscore the importance of continuing to improve the road network, in order to provide access to regions with good agricultural potential and markets. For the medium-term period through 2004, the government will be seeking to:

- Rehabilitate about 4,500 kilometres of feeder, district and regional roads in the poorest 8 regions.
- Upgrade (from poor to fair quality) about 7,000 kilometres of such roads. In carrying out this work, emphasis will continue to be placed on the 12 poorest regions.
- Carryout spot and emergency repairs over an estimated 50,000 kilometres of roads in all districts, to ensure uninterrupted use of the roads. Pilot programmes in these areas are under way. The experience gained from these programmes will be used to mount expanded interventions, with particular emphasis on the community welfare.

74. In addition to the emphasis on community roads, the government intends to pay special attention to footpaths, tracks and trails, and to mobilize communities in carrying out needed improvements. Moreover, studies will be carried on the modality of travel and transport at the grass root level, with a view to developing effective programmes to support the welfare of women.

75. **Costing of interventions:** Under the 2001/02 budget, the Government has allocated Tsh. 24 billion for rural roads (Table 6). This amount compares with an estimated Tsh. 44.3 billion for an annual road programme which, if sustained over the medium term, would ensure adequate improvement of the rural road network and attainment of the PRSP objectives. The road programme for the rural sector will be reviewed with the stakeholders shortly, with a view to mobilizing additional support for urgent road improvement at the community level.

Table 7: Costing of the Roads Programme, 2001/02 – 2003/04

	2001/02 Budget	2002/03 Projection	2003/04 Projection
(In billions of Tanzania shillings)			
Trunk Roads	157.1	190.6	210.8
Construction	112.2	114.9	138.7
Maintenance	44.9	75.7	72.1
Rural Roads	24.1	69.5 ¹	76.5 ¹
Construction	3.8
Maintenance	20.3
Total Expenditure – Roads	181.2	260.1	287.3

Source: Ministry of Works

¹ The substantially increased amounts compared to the budgeted resources in 2001/02 reflect the estimated cost of carrying out (over the medium term) needed repairs and rehabilitation on the bulk of rural and district roads

5.8 *Legal and Judicial System*

76. ***Progress and achievements:*** Recent developments following the launch in December 1999 of the Legal Sector Reform Programme (LSRP) and the associated action plan include:

- Substantial improvement in the adjudication of the commercial disputes, following establishment of the Commercial Court in September 1999. In 2000/01 (July – June) 78 commercial cases were resolved, compared with 53 cases in 1999/2000.
- Launching of the Alternative Dispute Resolution (ADR) system, resulting in a significant reduction in the backlog of pending cases in the high court and resident magistrate courts. The government intends to extend this system to district and primary courts by September 2001.
- Establishment in the regions and districts of Independent Judicial Ethical Committees to watch over the integrity of judicial officers.
- Establishment of Land Division in the High Court from May 1, 2001.
- Establishment of Human Rights and Good Governance Commission from July 1, 2001.
- Establishment of the Institute of Administrative Justice in Lushoto, to train primary court magistrates and administrative support for the Judiciary institutions.
- Improvement of the staffing situation through the recruitment of more state attorneys and magistrates, as well as judges for the High Court.

77. These encouraging developments notwithstanding, there appears to have been limited progress in achieving other sector targets under the PRSP, notably those relating to the speeding up of case settlements in primary courts, increasing the frequency of Court of Appeal sessions, rehabilitation of buildings and facilities of the primary courts, and the promotion of community-based security arrangements. The planned interventions during 2001/02 are aimed at improving performance in these areas.

78. ***Costing of interventions:*** In 2001/02, budgetary allocation (for recurrent outlays) for the Judiciary will be increased by nearly 40 percent to about Tsh. 11.4 billion. The government intends to continue to raise substantially appropriations for the Judiciary over the Medium term. Unfortunately, development expenditure in the Legal and Judicial Sector was negligible in FY 2000/01, owing to unforeseen delays in finalizing arrangements for international support. The government intends to review further (in the light of the LSRP action programme) the available costing of interventions for this sector, in order to unblock quickly the pledged international support for the rehabilitation of the primary courts.

CROSSCUTTING ISSUES

6.1. *Overview*

79. During 2000/01, the Government monitored progress in the main crosscutting areas of the poverty struggle, notably governance, gender, environment, HIV/AIDS, employment and urban poverty. For the most part, the interventions needed in these areas have been costed

under the respective priority sectors of the PRSP or the line Ministries. Accordingly, the discussion below will focus mainly on the description of progress to date, and the identification of follow-up steps.

6.2 Governance

80. During 2000/01, the government implemented various measures aimed at fostering good governance. In particular, emphasis was placed on limiting corruption, strengthening financial management and control, and strengthening the justice system. Among the measures implemented so far are:

- Adoption of a national plan against corruption, together with detailed plans for individual ministries and key public agencies.
- Extension of the operations of the Prevention of Corruption Bureau through establishment of offices in all regions of Mainland Tanzania. Efforts are underway to consolidate these offices and establish district offices. The Government has also embarked on a countrywide dissemination of the plans, including through the encouragement of campaigns against corruption by political, religious and other leaders.
- The mass media has been encouraged to assume an active role in the implementation of the Anti-Corruption Strategy and action plans.
- An Ethics Secretariat was established under Article 32 of the Constitution and charged with enforcing ethics by public leaders, including ensuring that they do not use their official positions for private gain. In February 2001, Parliament amended the 1995 Public Leadership Code of Ethics, to authorize the Secretariat to conduct proactive investigations against leaders suspected of breaching the Code.

81. In 2000, the Parliament also passed a constitutional amendment to establish the Human Rights and Good Governance Commission. This amendment has paved the way for the promulgation of Human Rights and Good governance Act, 2001, as well as the establishment of the Commission.

82. In the financial field, the Government proceeded with the rolling out of the IFMS and enactment of the Public Finance Act and the Public Procurement Act. The Office of the Controller and Auditor General (CAG) is currently preparing a new scheme of service which will be accompanied by internal regulation in conformity with the new Public Finance Act, 20001. The Act empowers the CAG to appoint, manage, control and enforce staff discipline in his office. The Act, together with the Public Procurement Act 2001, will help foster sound financial management, and reduce doubtful procurement deals and contracts. Further, a Country Financial Accountability Assessment (CFAA) was recently carried out with involvement development partners.

83. The judiciary is an important pillar of good governance. The Department has taken disciplinary actions against employees involved in corrupt practices. Moreover, a Judicial

Ethics Committee has been set up at the national and zonal levels. The Commercial Court also commenced operation, and personnel and other measures have been implemented to strengthen the institutions and agencies entrusted with the administration and enforcement of justice.

6.3 Gender

84. In 2000/01, the government continued to implement initiatives aimed at reducing income and non-income poverty among women, and strengthening their position in the country's development. Following the adoption (in 2000) of the Policy on Women's Development and Gender, all government ministries are now required to mainstream gender considerations into their operations. Moreover, the Sub-programme on Women and Gender Advancement has been developed. The programme places special emphasis on enhancement of women's legal capacity; economic empowerment and poverty eradication; women political empowerment and decision making; and access to education, training and employment. So far, progress has been made in several areas:

- The Land and Village Acts (providing for land ownership by women) have been promulgated.
- The Sexual Offences Act (protecting women's integrity) has been enacted.
- The number of women in Parliament has been increased (though provision of special seats) to 20 percent of the total number of Parliamentarians, and women representation at the local government level and is now estimated at about one-third.
- The principle of equal opportunity, employment and meritocracy has been adopted in the civil service.

85. Despite these developments, the government recognizes that further progress is needed to narrow gender gaps, such as those noted earlier, in income and non-income poverty and vulnerability.

86. Accordingly, over the medium term actions will be taken to update further and incorporate gender concerns systematically into the PRSP, thereby making it an effective tool for poverty reduction. Such actions, which will build on the outcomes of the poverty-gender analysis (which was carried in the first half of 2001), will include:

- Strengthening the poverty monitoring master plan, to focus on gender. This will be done through the National Poverty Monitoring Steering Committee and relevant Working Groups.
- More careful analysis of the existing data, to highlight the link between gender and poverty.
- Stricter enforcement of the Policy on Women's Development and Gender, through a national strategy and action plan, to mainstream gender into the priority sectors.

- Reviewing, from a gender perspective, all new national policies and strategies before approval and implementation.
- Strengthening the mandate and capacity of ministerial gender units in the priority sectors.

6.4 Environment

87. In 2000/01, the government's environmental concerns continued to focus on six major problem areas:

- Land degradation.
- Lack of accessible, good quality water for urban and rural inhabitants.
- Environmental pollution.
- Loss of wildlife habitats and biodiversity.
- Deterioration of aquatic systems.
- Deforestation.

88. For the most part, the interventions aimed at addressing these problems were incorporated in the work programmes for the respective line ministries. Additionally, the government continued to support community based efforts to improve the environment through the sharing of revenue from forestry, game reserves, and other natural resources. Moreover, the government cooperated closely with the private sector in carrying out tree planting programmes, control of industrial effluents, as well as awareness campaigns.

89. A workshop was held at the beginning of June 2001, with participation of key stakeholders, to explore effective ways to integrate environment into the PRSP process. The main priorities identified at the workshop included the need to:

- Include environment experts in the technical working groups for the poverty monitoring system.
- Undertake analysis of existing data, including the HBS, to capture poverty-environment linkages.
- Include an environmental module in the Tanzania Social and Economic Data system.
- Provide technical support and build capacity for integrating environment into District Authority Development Plans, and support the work of Local Environment Committees.
- Undertake an assessment of the various community-based environmental management projects and programmes, to identify good practices
- Strengthen the institutional and legal framework for environmental management activities.

90. The government intends to review these recommendations, in order to identify concrete measures that will be implemented promptly starting in FY 2001/02.

6.5 HIV/AIDS

91. During FY2000/01, Tanzania's struggle against this pandemic was focused mainly on "awareness" campaigns by political, religious and civic leaders at all levels. Public media (notably newspapers, radio and television) were used intensively; school curricula were modified, to include coverage of HIV/AIDS; and theatrical presentations encompassed skits on AIDS. The government, assisted by domestic and international partners, encouraged and supported (financially) general use of condoms. Special efforts were also made to discourage traditional and cultural practices that compound the problems of HIV/AIDS.

92. On the institutional side, the Government established TACAIDS, as a quasi-autonomous agency, to coordinate all interventions related to AIDS, including the mobilization of resources from domestic and external sources. More specially, the responsibilities of TACAIDS will also cover policy formulation, strategic planning, advocacy, monitoring and evaluation, and the public dissemination of information on HIV/AIDS.

93. The interventions in these areas will be guided by the strategic multi-sectoral medium-term plan (MTP III Plan 1998-2002), which places emphasis on:

- Provision of nation wide Voluntary Counselling and Testing (VCT) facilities.
- Ensuring availability of safe blood in all transfusion sites.
- Provision of adequate Sexually Transmitted Infectious (STI) services.
- Promotion of condom use.
- Introduction of HIV/AIDS education in all schools.
- Activation of public education programs.
- Strengthening coordination for a multi-sectoral response to the epidemic.
- Active implementation of HIV/AIDS programs that are community based in all districts
- Establishment of a strong monitoring and evaluation system.

94. Table 7 provides a comprehensive picture of the cost of HIV/AIDS priority interventions over the medium term. For FY 2001/02, most of the costed items are already included in the budget appropriation for the respective line Ministries. At this stage, the envisaged HIV/AIDS interventions include only a minimal provision for drugs to persons affected by the disease

6.6 Employment

95. The ongoing work to monitor the implementation of the poverty reduction programme has, as noted earlier, highlighted the gravity of under-employment and unemployment, especially among youths and women in urban as well as rural areas. The government believes that a durable solution to this problem requires sustained efforts to strengthen the performance of the agricultural and private sectors. Accordingly, the government is resolved to proceed forcefully with the reforms aimed at supporting these key sectors. In addition to such reforms, the government has also implemented specific measures to improve employment prospects:

- The National Employment Promotion Services Act has been enacted, paving the way for establishment of a pilot labour exchange office in Dar es Salaam. Similar offices will be opened in other urban areas in 2001/02.
- The government (through Vocational Education Training Authority) has taken steps to strengthen skills training by introducing competence-based education and training, which stresses trainees' experience as well as academic qualifications. To reinforce the ongoing efforts in this area, the Government intends to embark on a review of the role of Folk Development and Community Development Colleges.
- In collaboration with international partners under the National Aids Control programme, HIV/AIDS seminars on guidance and counselling were given to youths in various work places and locations in the country. These efforts will be continued over the medium term.

Table 8: Cost of HIV/AIDS Priority Interventions, 2001/02 – 2003/04 (July – June)

		2001/02 Budget	2002/03 Projection	2003/04 Projection
		(In billions of Tanzania shillings)		
1.	Provide appropriate STI case management services	10.2	10.2	11.3
2.	Reduce unsafe sexual behaviour among highly mobile population groups	1.2	1.2	1.3
3.	Reduce HIV transmission among commercial sex workers	0.2	0.2	0.2
4.	Prevent unprotected sexual activity among the civil military alliance	1.4	1.4	1.5
5.	Reduce vulnerability of youths to HIV/AIDS	0.7	0.8	0.8
6.	Maintain safe blood transfusion services	0.9	0.7	0.9
7.	Reduce poverty leading to sexual survival	0.1	0.1	0.1
8.	Promote acceptance of people living with AIDS	3.8	6.6	7.3
9.	Reduce unprotected sex among men with multiple partners	0.6	0.6	0.7
10.	Improve education opportunities especially for girls	0.2	0.2	0.2
11.	Promote cultural norms and values and encourage positive attitude and decision making about sex	0.1	0.1	0.1
12.	Programme management monitoring and evaluation	1.7	1.7	1.8
13.	Other activities	0.5	0.5	0.5
14.	Research	0.7	0.7	0.7
15.	NGO management support	1.1	1.0	1.0
16.	Care and support (Orphans)	0.4	0.3	0.4
17.	Operationalise public education programme	1.0	0.7	0.7
18.	Print and distribution text books	5.5	0.5	-
19.	Maintain TACAIDS	0.6	0.4	0.4
	Total expenditure ¹	30.8	27.7	29.8

Source: TACAIDS

¹ Includes only minimal provision for drugs of HIV/AIDS patients. Expenditures on HIV/AIDS are incorporated in appropriations for individual ministries and departments.

- A time-bound programme for eliminating child labour has been prepared and will be adopted soon.
- A National Youth Council has been established as an autonomous statutory body to advise government on matters relating to youth development.
- The government has embarked on various initiatives aimed at increasing financial support for small employment-creating business. These include an ongoing review (to be completed before the end of 2001) of micro-credit schemes for the youth, women, and other groups, with a view to rationalizing them and increasing their effectiveness.
- The government, in collaboration with ILO, has prepared a Country Action Programme for Employment Promotion. This programme will be implemented in collaboration with the private sector.
- In order to increase employment opportunities for the poor and help enhance their productivity and competitiveness in the rural and urban areas, the Government intends to develop programmes for the promotion of small scale industry in the formal and informal sectors as well as other types of micro enterprises. To this end, it has designed a demand-driven district-based skills training programme for employment promotion. The programme will be implemented in various sectors under the coordination of the Ministry of Labour, Youth Development and Sports, and in collaboration with other ministries as well as public and private training institutions across the country. The budget allocation for this programme is TSh. 100 million in FY 2001/02, and will be reviewed in the context of sector MTEF for the subsequent years.

6.7 Urban poverty

96. Together with the initiatives directed at strengthening employment prospects, the government intends to conduct a comprehensive study on poverty reduction in urban areas. This study, essentially similar to the Rural Development Study, will be key in developing a coherent and effective response to the worrisome problem of urban poverty. Among the issues that will be examined in the study are (a) basic infrastructure and services in low-income urban areas, (b) financial and other problems of the informal sector, and (c) land and housing problems of low-income households. The Government will be consulting shortly with donors on the modality and timeframe for the study.

VII. BUDGET FRAMEWORK FOR POVERTY REDUCTION PROGRAMMES

7.1 Procedural issues

97. The assessment of financial resources required for the poverty reduction programme during FY 2001/04 – 2003/04 involved three distinct processes. *First*, an MTEF exercise was carried out during the last quarter of 2000 by line Ministries, assisted by local and foreign

experts and consultants. The focus of this work was on developing a sound assessment of expenditure requirements, given the budget resource constraint. The MTEF provided inputs into the guidelines (issued toward the end of the year) for ministerial appropriation requests under the 2001/02 budget.

98. **Second**, a PER National Consultative Meeting was held in May 2001. The PER exercise took into account results from the MTEF, and involved a wide range of stakeholders, including representatives of the poor and the international community. The results of the MTEF and PER, including indications of international financial support by the donor representatives, provided a key input into the 2001/02 budget.

99. **Third**, the preparation of resource requirements for the poverty reduction programme commenced toward the end of 2000 and continued through July 2001. This process was started by requesting the Ministries to submit, in addition to the above-noted appropriation requests, the estimated cost of interventions needed to attain the PRSP targets.

100. A special effort was made to examine the consistency between the PER and MTEF work and the costing of interventions for the poverty reduction programme. As a result of this work, the interventions for education, health and HIV/AIDS (except drugs) are almost adequately covered under the 2001/02 budget allocations.

101. In the case of the Roads and the Legal and Judicial sectors, the estimated cost of interventions starting in FY 2001/02 exceeds by large margins the envisaged budget resources for these sectors. The budgeted resources in FY 2001/02 will, however, enable these sectors to continue to carry out a reasonable level of interventions under the poverty reduction programme, pending a further review, with the stakeholders, of the financing gaps. This review, which will be carried out shortly, will take into account the sectors' absorptive capacity, the implications (for the poverty programme) of the ongoing operations, and the possibility of mobilizing additional resources.

7.2 *Resource envelope: a macroeconomic perspective*

102. Budgetary projections (Appendix I-Table 1) over the PRSP horizon were based on the following macroeconomic baseline scenario:

- Real GDP will continue to grow at an annual rate of 5-6 percent, on the strength of increased market efficiency (because of ongoing structural reforms), rising capacity utilization in tourism and other sectors, and recent substantial investment in mining. This economic perspective is consistent with the envisaged relatively low, but increasing, rate of investment (in relation to GDP).
- Domestic inflation (average consumer price index) will decline further to about 4 percent, starting in 2002.
- In line with these assumptions, the government will continue to maintain prudent monetary and fiscal policies. In relation to GDP, domestic revenue is expected to

increase slightly, while domestically financed budgetary expenditure is also projected to rise modestly, with allocations for the priority sectors increasing considerably at the expense of the other sectors.

- International financial support (budgeted loans and grants), including assistance under HIPC, will increase noticeably, compared to the average level of support in recent years.
- Gross official international reserves will be maintained at the equivalent of 4 ~~1/2~~ 5 months of imports, and the exchange rate for the Tanzania Shilling will continue to be market-determined.
- The medium-term projections are based on the principle that the government will first complete an inventory of the domestic debt to assess the possible future burden on the budget, before planning new domestic debt for budget financing.

103. On this basis, likely budgetary appropriation for the priority sectors is presently estimated to increase at an average annual rate of about 25 percent over the PRSP period. This level of budget support for PRSP activities would represent only about 80 percent of the currently estimated resource requirements (excluding the agricultural sector programme) over the PRSP period. To cope with the financing gaps, the priority sectors will be asked to review their resource requirements carefully during the annual exercise of updating the PRSP. This review will take into account the sectors' absorptive capacity, the MTEF and PER guidelines, and proven ways of using the available resources more effectively. Moreover, in order to ensure that the PRSP objectives are pursued in a context of fiscal discipline, the sectors will henceforth be asked to prioritize their interventions, and identify those which will be covered under the anticipated budgetary appropriation in the ensuing fiscal year. The sectors will also be asked to prioritize the remaining interventions, which could be implemented, depending upon the availability of resources.

104. On balance, the budget allocation for the priority sectors includes substantially increased provisions for other charges (Appendix I-Table 2). The Government intends to continue to increase such provisions over the medium term, until the accumulated consequences of past under-spending have been corrected. Likewise, development expenditures in the priority sectors are budgeted to rise substantially in FY2001/02, reflecting mainly the cost of rehabilitating and maintaining existing infrastructure. Resources have also been provided under the budget for construction of new facilities in the more deprived regions, in order to improve access to essential social services.

7.3 *Special budgetary issues*

105. The experience in 2000/01 indicates that a number of budgetary considerations should be taken into account in managing poverty.

106. **First**, the sharp and protracted decline in export prices for cashewnuts, cotton and coffee has severely affected the rural poor, who are least able to cope with such shocks.

Accordingly, the stakeholders have called on the government to mount additional safety nets and other special initiatives to prevent the collapse of crop production.

107. **Second**, efforts in monitoring the poverty reduction programme revealed that unemployment among youths and women has become an important source of poverty. There is, therefore, a need to increase budget and other forms of support for income generating activities in urban as well as rural areas.

108. **Third**, the preparation of action plans and interventions has been uneven among ministries. Because of this phenomenon, which is bound to continue, there will be a need to take on board some newly completed initiatives in the course of a fiscal year. This calls for special provisions, for instance setting aside some “contingency” funds, to facilitate the financing of such initiatives.

109. **Fourth**, the PER and the process of updating the PRSP would need to be coordinated more closely, to ensure that the budget continues to serve as an effective instrument for promoting poverty reduction without compromising macroeconomic stability. This will require efforts to accelerate the process of updating the PRSP.

110. **Finally**, the uneven performance registered in certain priority areas (such as Legal and Judicial System) suggests a need to reinforce the capacity building efforts. In this connection, the 2001/02 budget provides for increased flexibility in wage policy, to allow key sectors, such as Legal and Judicial System, to expand recruitment of qualified personnel.

ANNEX: POLICY MATRIX FOR POVERTY REDUCTION STRATEGY, 2001/02 – 2003/04.

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
I. Reduce Income Poverty		
<p><i>Agriculture</i> Create an enabling and conducive environment for improving profitability of the sector, and ensure food security.</p>	<p>Agricultural Development Strategy has been developed and a comprehensive Rural Development Strategy is being prepared.</p> <p>GDP growth of Agriculture has been less than expected, owing to adverse weather conditions, decline in export prices and existence of structural bottlenecks.</p>	<p>Develop an action programme for the agricultural sector (and costing the needed interventions in 2001/02) for implementation starting in fiscal year 2002/03.</p> <p>Complete the Rural Development Strategy by end December 2001 and start implementation in fiscal year 2002/03.</p> <p>Address problems impeding agricultural growth, including revamping of agro-processing plants, strengthening cooperative movements, development of short-term plan to address shortage of inputs, credit facilities, and marketing problems.</p>
<p><i>Roads</i> Improve rural and district and cross border road network to enhance access to farms and agriculture markets.</p>	<p>Increased share of resources has been ensured through the establishment of the Road Fund.</p> <p>The roads to be rehabilitated and upgraded have been identified. The Ministry of Works and the President's Office, Regional Administration and Local Government are planning to rehabilitate 4,500 km and upgrade 7,000km from poor to fair condition.</p> <p>The President's Office, Regional Administration and Local Government, Ministry of Works, Tanzania Social Action Fund and related programmes supported by donors are assisting communities to develop capacities to implement road programmes.</p>	<p>The Government will allocate TShs. 1.8 billion monthly to improve transport link to the north-western and southern regions of the country.</p> <p>Increase budgetary allocation to finance rehabilitation and maintenance of 4,500 km in 8 most vulnerable regions, upgrading of roads in the relatively poor regions, and spot repairs in all regions .</p> <p>Develop and prepare a programme similar to the "Urgent Road Rehabilitation Programme (URRP) for districts, feeder and urban roads.</p> <p>Improve the capacity of district engineers to manage execution of road maintenance works at district level.</p>
<p><i>Employment</i> Enhance productivity and competitiveness, elimination of child labour, and increased availability of credit facilities for micro enterprises</p>	<p>The Micro - Finance Policy was developed and launched in February 2001.</p> <p>The 1997 National Employment Policy is being reviewed by the Government.</p>	<p>Carry out job training programmes, including expanded education opportunities, and eliminating child labour.</p> <p>Strengthen the performance of saving and credit schemes.</p>

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
Reduce prevalence of poverty in urban areas.	A pilot Labour Exchange Office has been opened in Dar es salaam.	Conduct a comprehensive study on poverty reduction in urban areas with much emphasis on low- income dwellers.
<p><i>Vulnerable Groups</i></p> <p>Improve the welfare of vulnerable groups through upgrading their residential areas, provision of financial and technical services, enhancement of their property rights and adoption of safety nets.</p>	<p>The Government has established the Tanzania Social Action Fund (TASAF) to support demand driven projects at community level.</p> <p>Some NGOs are providing savings and micro-credit services to small business especially those owned by women.</p>	<p>Promotion of safety net programmes.</p> <p>Improve infrastructure network (water, electricity, roads and telecommunication services) in rural and suburbs of urban areas.</p> <p>Regularisation of tenure in informal settlements.</p>
<p align="center">II. Improve Human Capabilities</p>		
<p><i>Education</i></p> <p>Raise gross and net enrolment and enhance the quality of primary education.</p>	<p>Based on the 2000/01 HBS, gross enrolment is estimated at 82.3 percent.</p> <p>School Mapping exercise has already covered 58 percent of all districts by June 2001, and micro plans for 38 districts have been prepared.</p> <p>The 2001/02 budget provided for abolition of primary school fees.</p> <p>There has been progressive increase in resource allocation to the sector over time; increasing from 1.6 percent of GDP during 1998/99 to 3.2 percent in 2000/01.</p> <p>Education Sector Development Strategy Programme (ESDP) has been developed with the aim of increasing primary school enrolment and improving the efficiency of education service delivery.</p>	<p>Complete school mapping for the rest of the districts, and prepare micro plans for primary school in all districts.</p> <p>In view of the objective of attaining 100 percent gross enrolment rate by 2004, class rooms and school facilities will be expanded accordingly by providing capitation grant and class rooms construction grant.</p> <p>Increase allocation for teaching aids.</p> <p>Upgrade teachers qualifications and effect equitable distribution of teachers across schools by region.</p> <p>Strengthen community capacities in managing primary schools.</p>

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
<p>Health</p> <p>Strengthen immunisation services, malaria control activities, nutritional programmes, reduce maternal and child mortality rates and reduce prevalence of HIV/AIDS.</p>	<p>There has been progressive increase in resource allocation to the sector from 0.4 percent of GDP during 1998/99 to 1.3 percent in 2000/01.</p> <p>The Integrated Management of Child Illness has been improved, and its coverage increase from 17 to 31 districts by June 2001.</p>	<p>Increase budgetary allocation from the current level of US\$6.0 per capita to US\$9.0.</p> <p>Introduce Revolving Drug Funds in all district hospitals, Community Health Fund in 25 districts, and National Health Insurance Fund.</p>
	<p>The status of nutrition of children under five years hasn't changed significantly.</p> <p>The Ministry of Health has published the National Package of Essential Health Interventions.</p> <p>Immunisation coverage is now at 78 percent of children under 2 years.</p> <p>Guidelines for the management of malaria cases have been prepared and distributed to all health facilities.</p>	<p>Increase the number of children under 2 years immunised against measles and DPT from 78 percent to 85 percent by 2003.</p> <p>Increase proportion of births assisted by trained personnel from 50 to 80 percent.</p> <p>Initiate community based nutrition projects, and promote nutritional education especially for mothers.</p>
<p>Water</p> <p>Provide adequate, clean, and safe water and sanitation services by; Rehabilitating rural water schemes in order to increase its coverage from 48.5 percent to 55 percent by 2004.</p> <p>Rehabilitate and expansion urban water supply to increase service levels from 68 percent to 78 percent by 2004.</p> <p>Strengthen water resource environmental and pollution control network in order to reduce pollution levels from 20 percent to 10 percent by year 2004.</p>	<p>The Water Policy is being viewed by the Ministry of Water and Livestock Development.</p> <p>Urban water supply has been decentralised to Urban Authorities.</p>	<p>Review of the Water Policy and ensure its implementation.</p> <p>Speed up the divesture process of DAWASA with the view to having the winning bidder for the management contract selected by March, 2002.</p> <p>Implement Phase I & II of urban water supply.</p> <p>Strengthen water resource environmental and pollution control network in order to reduce pollution levels from 20 percent to 10 percent by year 2004.</p> <p>Construct new water projects as well as extension of the existing ones in rural areas.</p>

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
		Identify new alternative sources of water to meet the growing demand.
<i>HIV/AIDS</i> Reduce HIV prevalence and promote behaviour change across the board.	Establishment of Tanzania AIDS Commission (TACAIDS) to spearhead the fight against HIV/AIDS. HIV/AIDS programmes have been integrated into the operation of all line ministries.	Strengthen the TACAIDS, and continue negotiation to acquire drugs at affordable price for HIV/AIDS patients. Intensify struggle to reduce HIV/AIDS infection and promote behaviour change through expended programmes coordinated by TACAIDS.
	HIV/AIDS prevalence is still high, estimated to have affected 2 million people over the last 20 years. School curricular has been modified to address HIV/AIDS and special efforts have been made to discourage traditional and cultural practices that compound the problem of HIV/AIDS.	Ensure that safe blood is available in all blood transfusion sites. Conduct HIV/AIDS education in all schools, as well as in work places. Provide national-wide voluntary counselling and testing facilities. Carry out HIV/AIDS Impact Assessment Studies on selected sectors of the economy.
III. Improve Social well-being		
<i>Local Government</i> Strengthen the effectiveness of local government authorities.	Phase I of Local Government Reform has been implemented and Phase II is on course. The Local Government Policy Paper has been endorsed by the Government, and the Regional Administrative Act No. 19 of 1997, and the Local Government Act No. 6 of 1999 have been revised and enacted.	Completion of Phase II and III of the Local Government Reform.
<i>Governance</i> Improve effectiveness in the delivery of public services and transparency in the accounting system	All central ministries, including 16 revenue stations of the TRA in Dar es Salaam are covered by the IFMS including local Government Authorities. The Public Finance Act of 2001 and the Public Procurement Act of 2001 which empowers Controller and Auditor	Extend IFMS to cover all government operations and strengthen the Prevention of Corruption Bureau . Continue involving the mass media in the fight against corruption.

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
	<p>General to appoint, manage, control and enforce staff discipline in his office was passed by the Parliament in February 2001.</p> <p>Begin publishing the amounts and timing of budget transfers to local governments.</p>	<p>Enforce local governments to present quarterly reports of their revenue by source and expenditure by sector from the beginning of next fiscal year.</p> <p>Begin publishing quarterly budget execution reports drawn from IFMS starting with a report for the first quarter of 2001/02.</p>
	<p>The Government has adopted, published and disseminated national action plans for the control of corruption.</p> <p>The mass media is actively involved in the fight against corruption.</p>	<p>Enforcement adherence to the provision of enacted legislations.</p>
<p><i>Legal and Judicial System</i></p> <p>Improve the efficiency of clearing cases through the Courts.</p>	<p>The commercial court has been able to resolve quickly cases under its jurisdiction .The clearing rate has risen from 53 cases in 1999/00 to 78 cases in 2000/01 whereas, congestion rate dropped from 229 percent to 183 percent. However, performance of the other courts has been uneven owing to shortage of financial resources, qualified magistrates and other personnel.</p> <p>Independent committees to watch over the integrity of judicial officers have been established in the regions and districts.</p> <p>The Institute of Administrative Justice has been established to train primary court magistrates and administrative support for the Judiciary institutions.</p> <p>The staffing situation of the sector institutions has been improved through the recruitment of more state attorneys and magistrates, as well as judges for the High Court.</p>	<p>Strengthen the capacity of the Judiciary through recruitment of new magistrates, and construction and rehabilitate high courts, primary courts.</p> <p>Increase budget appropriation for legitimate other charges requirement for the Judiciary from current 50 to 100 percent.</p>

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
IV. Strengthen Prospects for Growth and Development		
<p>Macroeconomic Stability Attain GDP growth rate of 6 percent.</p> <p>Maintain low inflation rate in line with the average rate of inflation for trading partners . Sustainable current account balance.</p>	<p>Real GDP growth rate increased to 4.9 percent by 2000 (compared to 4.7 in 1999) and is projected at 5.8 percent in 2001.</p> <p>Inflation rate was 5.3 percent as of end May, 2001 compared to 6.0 percent in the same period in 2000.</p> <p>By end December the gross foreign reserve reached 5.5 months of imports.</p>	<p>Continue with the agenda of reform to strengthen private investment and increase efficiency in the goods and financial markets.</p> <p>Continue to reduce further inflation to 4 percent by 2002/03 through maintaining prudent fiscal and monetary policies. Maintain gross foreign reserve sufficient to finance four months of imports.</p>
<p>Tax reform</p> <p>Attain a modern taxation system.</p>	<p>A number of tax measures have been implemented to include:</p> <ul style="list-style-type: none"> · Application of VAT to petroleum products at standard rate. · Abstention from imposing minimum dutiable values on commodities base minimum dutiable values on international prices (with exception of sugar). · Unification of rates of withholding tax on interest earnings, dividends and royalties (with exception of mining and infrastructure). · Abolition of withholding tax on goods and services. · Reduction in the number of excisable commodities from 52 to 6. 	<p>Further reform measures to be developed in time for 2002/03 budget.</p>
<p>Business Environment Provision of enabling environment for private sector investment.</p>	<p>The Tanzania Investment Centre has been transformed into an effective service centre for investors.</p> <p>Privatisation of public enterprises has proceeded largely as planned.</p> <p>Financial sector reform, as well as operations of the capital</p>	<p>Privatisation/divestiture of utility and transport parastatal enterprises notably, TANESCO, DAWASA, TRC and THA.</p> <p>Strengthen the money/securities and capital markets.</p>

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
	and security markets proceeded largely as planned.	
	<p>A high level meeting of chief executives of the private sector was held to develop agenda for strengthening the performance of sector.</p> <p>Tanzania National Business Council has been established to spearhead development of the private sector.</p>	Consultation with private sector will continue and the remaining impediments will be addressed.
Poverty Monitoring and Evaluation		
Improve information on poverty analysis.	The Household Budget Survey 2000/01 and the Integrated Labour Force and Child Labour Survey 2000/01 have been carried out and preliminary analyses were conducted during February - April 2001.	Finalise processing and analysis of HBS 2000/01 by February 2002.
	Institutional framework for poverty monitoring and evaluation has been established, and Poverty Monitoring Master Plan has been instituted.	Finalise costing of the Poverty Monitoring Master Plan activities by end of December 2001.
V. Other Issues		
Gender Enhance capacity building of ministries to address gender concerns in terms of economic, social and political empowerment of women.	<p>Sexual Offences Act and the Land and Village Act have been amended.</p> <p>Women's right to own land is provided in Land Act.</p> <p>Ministry of Finance has institutionalised the gender budgeting as a budgeting requirement.</p> <p>Number of women in legislative assemblies at national and local level has reached 20 and 33 percent respectively.</p> <p>Preliminary gender poverty analysis has been conducted by the Ministry of Community Development Women affairs and Children.</p>	<p>Establish Gender Co-ordinating mechanisms in all Ministries and public institutions.</p> <p>Develop gender monitoring tools and techniques.</p> <p>Popularise the Sexual Offences Act and Land and Village Land Acts.</p> <p>Amend the Marriage Act of 1971 and the Law on Inheritance and Succession and Laws on maintenance of children.</p> <p>Prepare an action plan to operationalize the National Policy on Women and Gender Development.</p>

OBJECTIVE	PROGRESS TO-DATE	PLANNED ACTIONS
<p><i>Environment</i></p> <p>Enhance the ability of the poor to adopt to climatic change and protect environment.</p>	<p>The local Government Reform Programme has developed guidance material on environment issues for distribution at the village level.</p> <p>Appropriate environmental indicators to be monitored at district and national level have been identified.</p>	<p>Promote cost effective adaptation policies.</p> <p>Review the legislative framework for environmental management.</p>

Appendix I

Table 1: Budget Framework, 1999/00 - 2003/04

	<u>1999/00</u>	<u>2000/01</u>		<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>
	Actual	Budget	Preliminary out-turn	Budget ¹	Projection	Projection
(In billions of Tanzania shillings)						
Total Resources	1,262.3	1,394.6	1,490.1	1,764.7	1,707.4	1,810.6
Domestic revenue	777.6	861.4	912.9	1,025.2	1,127.2	1,251.2
PRBS/MDF/BOPS	127.6	196.6	221.8	283.8 ²	253.1	252.0
Project loans and grants	340.5	275.5	271.7	302.3	269.4	249.1
HIPC interim relief	11.2	46.1	57.0	63.6	57.7	58.3
Bank Borrowing	7.9	-	-	69.9 ³	-	-
Adjustment to cash	-2.5	-	-	-	-	-
Privatisation Funds	-	15.0	26.7	20.0	-	-
Total Expenditure	1,262.3	1,394.6	1,490.1	1,764.7	1,707.4	1,810.6
Recurrent Expenditure	902.4	1,081.1	1,110.5	1,368.2	1,372.9	1,508.6
Consolidated Fund Service (CFS)	266.2	293.8	263.4	332.6	282.9	281.0
Debt service	210.6	235.3	206.4	263.8	215.4	211.0
interest	128.3	111.0	118.9	119.6	131.4	131.3
amortization	82.4	124.3	87.5	144.2	84.0	79.7
Others	55.5	58.5	57.0	68.8	67.5	70.0
Recurrent Exp.(excluding CFS)	636.3	783.1	811.1	993.7	1,090.0	1,227.6
salaries & wages	285.3	315.9	308.8	356.3	408.3	452.1
other charges	216.3	315.2	329.5	370.9	418.5	494.2
designated Items	134.7	152.0	149.4	266.5	263.1	281.3
Payment of Arrears	-	4.3	36.0	41.9	-	-
Expenditure Float			23.4			
Contingency	-	-	69.9	44.0	10.2	7.9
Development Expenditure	359.9	313.5	309.7	352.5	324.4	294.1

Source: Ministry of Finance.

1 As approved by Parliament

2 Programme Loans have since been revised upwards by Tsh. 35.6 billion in view of the delay in expected PSAC disbursement from June 2001 to August 2001

3 Bank borrowing is actually a drawdown of deposits accumulated at the Bank of Tanzania during FY 2000/01. This figure has since been revised downwards by Tsh. 35.6 billion in view of the delay in expected PSAC disbursement. This amount was supposed to contribute to the accumulation of deposits at the close of FY 2000/01

Appendix I

Table 2: Proposed Budgetary Allocation for Priority Sectors, FY 1999/00 - 2001/02,
(July - June)

(OC = Other Charges)

	<u>1999/00</u>	<u>2000/01</u>		<u>2001/02</u>
	Actual	PRSP target	Preliminary Out-turn	Budget
	(In billions of Tanzania shillings)			
Education	40.4	120.0	120.0	192.0
Recurrent (OC)	37.2	54.3	54.3	82.5
Development	3.2	65.7	65.7	109.5
Health	24.7	63.1	63.1	93.7
Recurrent (OC)	21.9	32.7	32.7	43.0
Development	2.9	30.4	30.4	50.7
Water	4.8	15.0	15.0	26.0
Recurrent (OC)	2.1	4.9	4.9	9.1
Development	0.0	10.1	10.1	16.9
Judiciary	4.3	9.9	6.1	16.2
Recurrent (OC)	3.9	5.7	5.7	9.2
Development	0.4	4.2	0.4	7.0
Agriculture	6.1	15.1	14.1	23.9
Recurrent (OC)	5.5	6.3	6.3	9.3
Development	0.6	8.7	8.7	14.6
Roads	47.0	86.8	86.8	176.7
Recurrent (OC)	42.2	55.1	55.1	63.8
Development	4.7	31.7	31.7	112.9
Total (OC + Development)	127.3	309.9	306.1	528.5
Total (priority sectors) as percent of aggregate other charges and development expenditures	19.3	39.7	38.6	53.0

Source: Ministry of Finance.

Appendix I

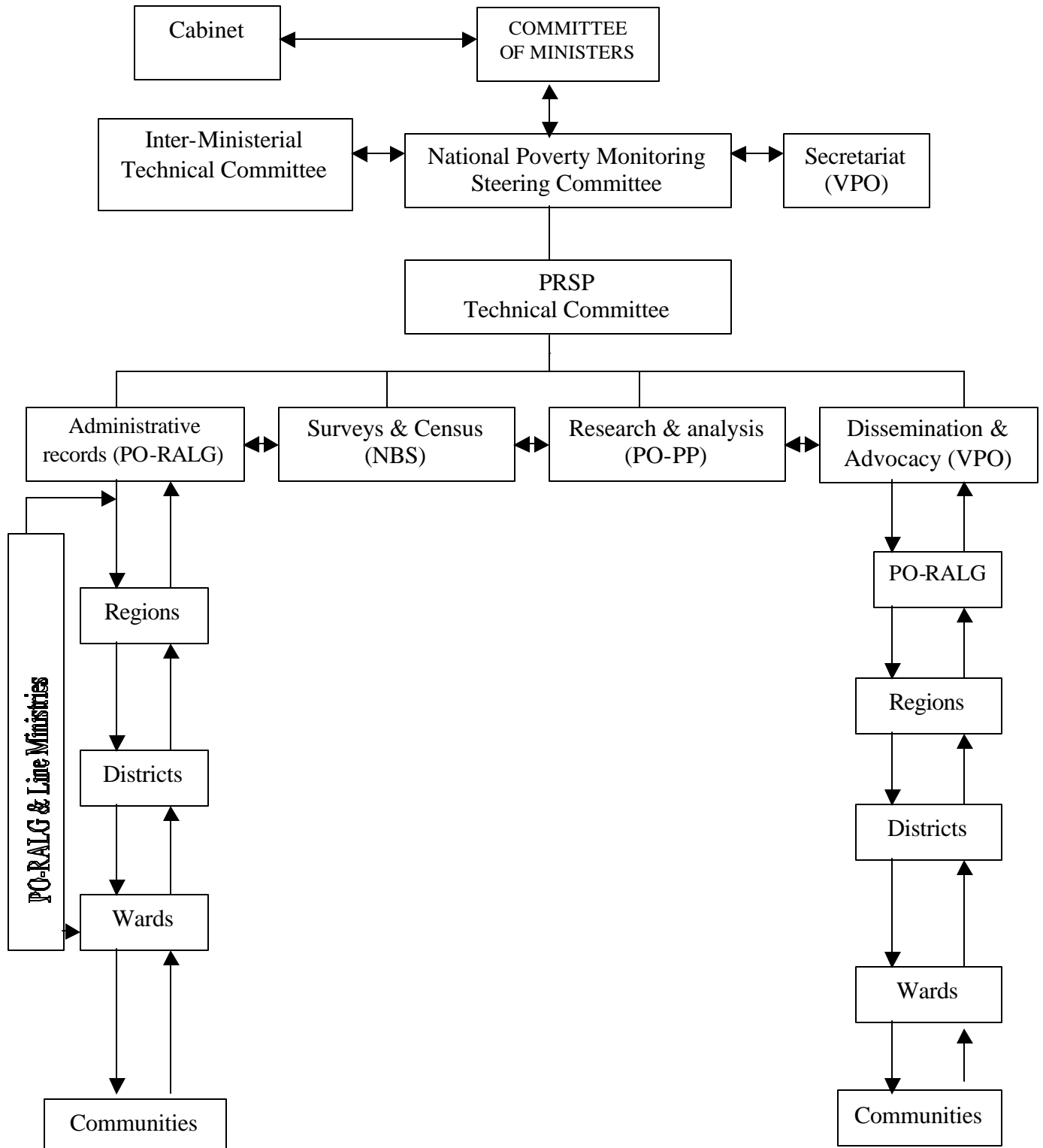
Table 3: Breakdown of Recurrent Expenditure for Priority Sectors: FY 1999/00 - 2001/02 (July - June)*

	1999/00 Actual	2000/01 PRSP Target	2000/01 Preliminary Out-turn	2001/02 Budget
	(In billions of Tanzania shillings)			
Education	158.9	182.1	182.1	238.0
Basic Education	96.3	141.3	141.3	150.2
Health	53.9	66.3	66.3	88.6
Primary Health	28.8	42.3	42.3	53.1
Water	5.4	7.0	7.0	14.7
Roads	42.2	59.6	59.6	68.3
Rural Roads	15.6	28.8	18.2	21.5
Judiciary	7.9	9.7	9.7	14.1
Agriculture and Food Security	13.7	10.2	10.2	13.9
Agriculture Research and Extension	4.8	6.9	6.9	8.1
HIV/AIDS ¹	...	4.8	...	7.3
Total Priority Sectors	282.0	339.6	334.8	444.9
Total Priority Items	148.6	226.9	211.4	269.0
Discretionary Recurrent Expenditure	668.5	783.1	783.1	924.9
	<i>(As a percent of discretionary recurrent expenditure)</i>			
Education	23.8	23.2	23.2	25.6
Basic Education	14.4	18.0	18.0	16.2
Health	8.1	8.5	8.5	10.0
Primary Health	4.3	5.4	5.4	5.7
Water	0.8	0.9	0.9	2.0
Roads	6.3	7.6	7.6	7.0
Rural Roads	2.3	3.7	2.3	2.0
Judiciary	1.2	1.2	1.2	2.0
Agriculture and Food Security	2.0	1.3	1.3	2.0
Agriculture Research and Extension	0.7	0.9	0.9	1.0
HIV/AIDS ¹	...	0.6	...	1.0
Total Priority Sectors	42.2	43.4	42.8	48.0
Total Priority Items	22.2	29.0	27.0	29.0
Discretionary Recurrent Expenditure	100.0	100.0	100.0	100.0

Source: Ministry of Finance

* Recurrent Expenditure consists of Personnel Emoluments (PE) and Other Charges (OC)

Institutional Framework for PRSP Monitoring in Tanzania



ATTACHMENT

TANZANIA: FURTHER UPDATE ON THE IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY (PRSP)

(October 27, 2001)

Tanzania's first annual progress report on the implementation of the PRSP was transmitted to the Fund and the World Bank on August 13, 2001. Since then, the Government of Tanzania has continued to implement tenaciously the programmes and initiatives envisaged under the PRSP, though in a context of heightened uncertainty, following the September 11, 2001 developments in the United States.

1. Consultative Group (CG) meeting during September 7-11, 2001

The recent CG (the third held in Tanzania) was attended by a wide range of stakeholders, including civil society representatives. Following the initial meeting (which was chaired by the President of the United Republic of Tanzania) and the ensuing plenary discussions, working sessions were held on September 10-11, to review the PRSP progress report; the development strategies for agricultural, health, education, and roads sectors; and programmes in the areas of HIV/AIDS and governance.

During the CG meeting, donors and civil society representatives welcomed the Government's ownership and management of the PRSP process, including the active involvement of the poor and other stakeholders in preparing the progress report. The CG participants also commended the Government for the progress that had been achieved in restoring macroeconomic stability, and encouraged the authorities to continue their efforts to accelerate the rate of economic growth, reduce poverty, and promote good governance. In this connection, they noted the substantial work that had been done to elaborate development strategies and programmes for most of the priority sectors and welcomed the ongoing efforts to strengthen public sector resource management, including through the Medium-Term Expenditure Framework, annual Public Expenditure Reviews, and the introduction of the Integrated Financial Management System. During the technical sessions, the CG participants were broadly supportive of the Government's initiatives in the priority sectors and in the important areas of HIV/AIDS and governance.

At the same time, the participants called on the Government to intensify the struggle against corruption by strengthening the legal and judicial system, and accelerate the preparation of programmes and action plans for the agricultural sector. Moreover, they underscored the need to strengthen the focus of the poverty reduction efforts, including through collaborative support of an independent poverty monitoring mechanism and, if necessary, through the adoption of additional well-conceived safety nets to assist the vulnerable groups. All the CG participants concurred on the importance of redoubling the struggle against HIV/AIDS. Accordingly, the Government has since intensified substantially the sensitization campaign against this pandemic, and a Bill to establish TACAIDS has already been prepared for submission to Parliament during the October-November session, commencing October 29, 2001.

In support of the Government's efforts toward poverty reduction, donors pledged US\$1,100 million of "fresh" money for programmes and projects in FY2001/02. The CG participants were also hopeful that Tanzania would reach soon the HIPC Completion Point.

2. The political situation in Zanzibar

During the CG meeting, the President of the United Republic of Tanzania outlined the then ongoing initiatives to find a lasting solution to the political situation in Zanzibar. On October 10, 2001 the leaderships of the ruling political party, CCM, and the main opposition political party in Zanzibar, CUF, signed an agreement providing for a mutually acceptable and time-bound framework for resolving the hitherto contentious issues. This development has paved the way for more forceful interventions by the Government, jointly with the development partners, to address poverty concerns in Zanzibar.

3. Macroeconomic developments

Based on information through end-September 2001, the Government has continued to pursue prudent macroeconomic policies. Accordingly, headline inflation has been contained below 5¼ percent, and gross official international reserves have been maintained at the equivalent of five months of imports of goods and services, with the exchange rate remaining relatively firm, around TSh. 890-895 per US dollar. Meanwhile, fiscal performance has continued to be favourable, with budgetary revenue and current expenditure conforming broadly to the programmed targets.

More recently, the export prices of the leading export crops, notably coffee and cashew nuts, have remained at the substantially depressed levels realized during the first eight months of 2001. This development has tended to compound the poverty situation in the rural sector, thereby giving rise to pressure for additional intervention, including through safety nets, to contain the deepening of income poverty. So far, the Tanzania Social Action Fund has constituted the primary vehicle for supporting the welfare of some of the more vulnerable groups, but initiatives in other areas, including the abolition of primary school fees (starting July 1, 2001), have also provided welcome relief.

4. Impact of the recent terrorist incidents in the United States

Following the tragic events on September 11, 2001, the economy of Tanzania has experienced various adverse shocks. The sale of Tanzanite gemstones, over 80 percent of which is marketed in the United States, declined sharply, and prices in the weeks immediately following terrorist incidents plummeted by as much as 77 percent. The tourism sector, especially in the northern circuit, was also severely affected, following the cancellation of bookings (mainly by potential visitors from the United States and Europe). Beyond these immediate effects, there is concern that the flow of foreign direct investment into Tanzania could fall, and that the country's already depressed export prices could come under renewed pressure.