

P r e f a c e

The PRSP is a work in process. The first Progress Report is a result of consultation with all key stakeholders. This confirms the intention of the government *"to continue to seek fuller representation of the poor and other stakeholders in the implementation, monitoring and evaluation of the poverty reduction strategy, and in subsequent revisions of the PRSP."*

Following the success of the "Tanzania without Poverty" booklet, the government decided to produce this plain language guide to the PRSP Progress Report. This guide remains true to the tone and spirit of the original but includes cartoons, quotations and explanatory notes to help facilitate understanding and stimulate dialogue at different levels of society.

Individuals or groups that want to respond to the ideas in this guide should pass their comments to the organizations listed on the back cover.

"The people know their own needs; once convinced that these can be overcome by their own efforts, they will make these efforts. What they need now is knowledge, self-confidence and sometimes skills or very small amounts of money."

(Mwalimu Julius K Nyerere)

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Introduction

The Poverty Reduction Strategy Paper (PRSP) was produced in October 2000. It was based on development plans that already existed, and on consultations with a wide range of people. It set out a strategy for Poverty Reduction which included measurable targets, activities and indicators. It also contained some thoughts about costs and how these might be met. The PRSP had three guiding ideas which were to:

- reduce income poverty
- improve quality of life and social well-being, and
- reduce vulnerability amongst the poorest groups

In general terms the plan for reducing income poverty was to make it possible for businesses of all sizes to flourish so that there are more jobs, and more money moving around. The plan for improving quality of life and social well being was to make sure that all people have easy access to education, health, safe drinking water and good food. The first step in reducing vulnerability was to identify

those who are vulnerable and to find out what their needs are and this would lead to setting suitable targets which could be used to measure progress.

The first annual PRSP Progress Report was produced in August 2001. It was based on what happened during the financial year which lasted from July 2000 to June 2001. This plain language guide is based on the Progress Report. Topics which are covered include:

- how the PRSP is updated
- how the pro-poor budget was prepared
- how we will know that poverty is being reduced
- progress to date and forward plans

Many of the ideas and words in the report are beyond the common sense of most ordinary people so two sections have been added at the end of this booklet. One section contains short notes to explain some big ideas and the other section gives short definitions of what the big words mean.



How the PRSP is updated

The PRSP can be thought of as a living document which is newly born. As it gets older it will become bigger, stronger and more sophisticated.

The particular strengths of the PRSP are in the way that it

- focuses on poverty reduction (ie on growth which is shared by everybody),
- gathers together priority development strategies into one co-ordinated master plan for reducing poverty
- plans for action in terms of clear targets, activities and indicators and
- takes a hard look at how much the various actions will cost and where the money to pay for them might come from.

The PRSP is one of many government papers which are geared towards poverty reduction. These all inform and are informed by each other. For example, the annual Public Expenditure Review (PER) informs and is guided by the Medium Term Expenditure Framework (MTEF). The MTEF looks in detail at the various ways in which the country and the government might generate wealth and suggests how this might best be used to promote growth which is shared by everybody. As a result of these discussions the PRSP has to be updated and endorsed on a regular basis.

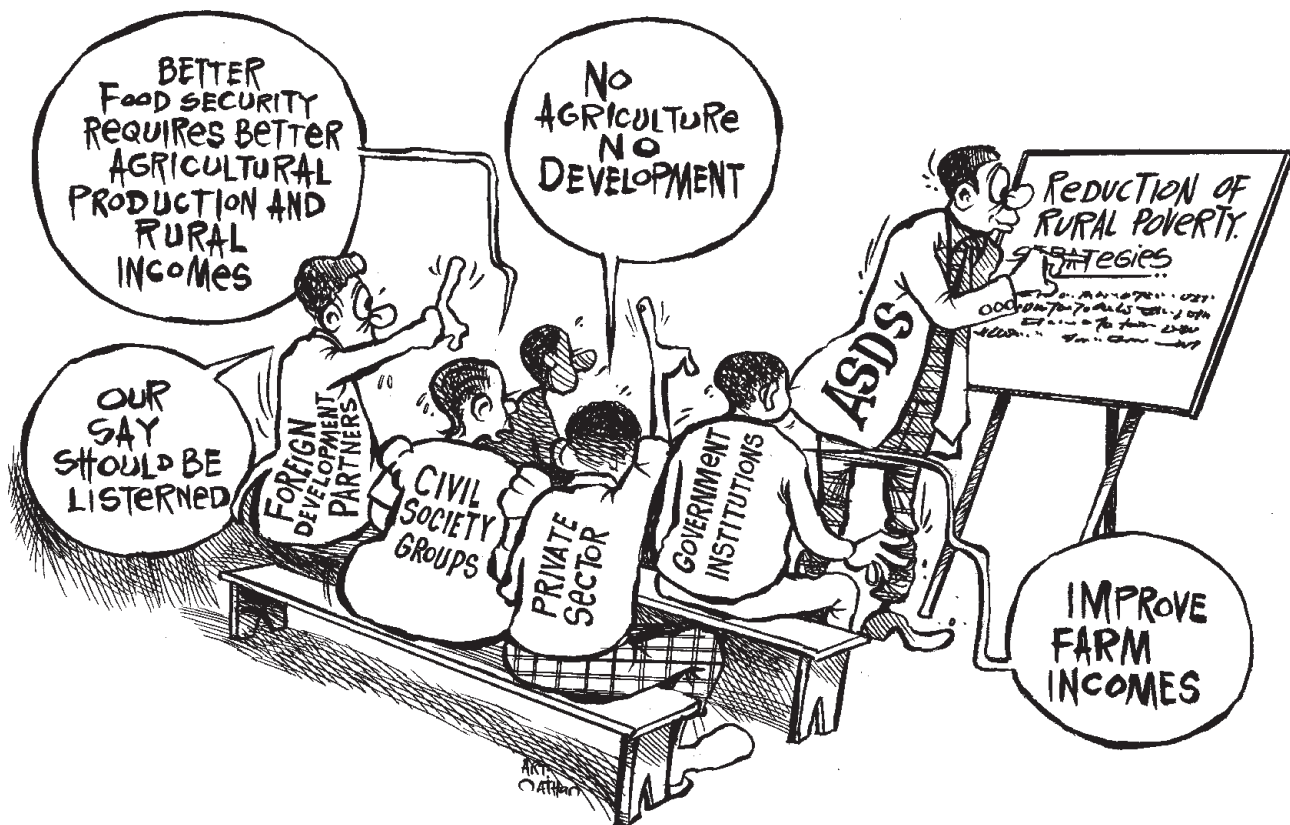
The PRSP Progress Report was also informed by comments at a national workshop in July 2001. Participants included representatives from the World Bank, the IMF, parliamentarians and a wide range of other stakeholders who stressed the importance of:

- giving attention to the condition of poor people, especially in the rural areas
- increasing employment opportunities for youths and women, and
- building concern for gender, HIV/AIDS and the environment into the programmes of all government departments

It is vitally important that the PRSP is also influenced by the views of ordinary people. It is assumed that these views will not have changed much since the zonal workshops which fed into the original PRSP; but the views of ordinary people have also been gathered by the officials who developed plans for the Education, Health and Agriculture sectors, for tackling HIV/AIDS, for developing the poverty monitoring system and in designing the Rural Development Strategy. The people responsible for developing plans about gender and environmental issues also held consultations across the country. These consultations all form part of the government's poverty reduction strategy.

The Progress Report took account of the views of a wide range of stakeholders including many ordinary people. Future updates will continue to be based on careful listening, especially as the amount of local level planning, action and poverty monitoring increases. This will be a result of the Local Government Reform Programme. As President Mkapa said in September 2001, "It is clear that the success and sustainability of our poverty reduction

efforts will henceforth require a more careful balancing of the shorter-term "income poverty" concerns, on one hand with education, health, and other longer-term "non-income" dimensions of poverty, on the other. We also need well-conceived safety nets to prevent the more vulnerable groups in our society from plunging even more deeply into poverty." The PRSP process is making this vision into a reality.



How the pro-poor budget was prepared

This section is in three parts. The first part describes how the pro-poor budget for 2001/02 was prepared. Then the Government's macroeconomic policy is explained in terms of income and expenditure patterns. This is followed by a list of new issues that have to be budgeted for if the PRSP is to be successful in reducing poverty.

Linking different ideas

The *Medium Term Expenditure Framework* (MTEF) was prepared towards the end of 2000. This involved wide ranging consultations on the likely sources of Government income and the best way forward in terms of Government spending.

The *Public Expenditure Review* (PER) was produced in May 2001. This looked in detail at how the MTEF might be put into practice and was therefore a key input to the 2001/02 budget.

Public Expenditure Review (PER)

Each year the PER process provides an independent review of budget performance which is aimed at strengthening the budget management system.

The PER working group includes donors, local researchers and representatives of civil society.

Medium Term Expenditure Framework (MTEF)

The Medium Term Expenditure Framework provides a strategy for how the government spends its money over a three year period. The framework includes a focus on defined priorities and it makes sure that spending is consistent with the macroeconomic stability which is needed for sustained growth.

Between the end of 2000 and July 2001 there were many consultations on the details of targets, activities and indicators for the *Poverty Reduction Strategy Paper* (PRSP).

Bearing in mind the suggestions in MTEF and PER, line Ministries were asked to provide costings for the PRSP activities that they controlled. The results in summary were that :

- Education, Health, Water and HIV/AIDS (except drugs) are almost covered in the budget
- Roads and the Legal and Judicial sectors are not yet fully covered.

Future consultations will find ways to fund the shortfalls and to tackle some of the other poverty issues which are beginning to appear (see below).

Government income and expenditure – a macroeconomic perspective

Economics is basically about patterns of income (money in) and expenditure (money out). When income is greater than expenditure there is PROFIT and the possibility of SAVINGS (Reserves). When expenditure is greater than income there is LOSS and the possibility of DEBT. When Income and expenditure are about equal there is BALANCE.

Note that lending and borrowing (and therefore investment and debt) are good if they allow businesses to grow and make a profit which is then used to pay back the debt (with interest). This helps to make growth possible.

Priority Sectors	The macroeconomic strategy for Tanzania is that both
• Education	Government income (revenue)
• Health	and locally financed
• Water	expenditure should grow.
• Agriculture	
• Roads	
• Legal System	

This will be possible by :

- making better use of existing resources in tourism, mining, agriculture and other sectors
- encouraging local and foreign investment
- making changes that allow market forces to have more control over prices

The short-term plan is that spending on the priority sectors will increase considerably at the expense of other sectors. Medium-term plans are based on taking a cool, hard look at the domestic debt situation before the Government takes on any more to cover its budget shortfalls.

The Government will maintain good monetary and fiscal policies which should make sure that:

- Real GDP will grow at an annual rate of 5-6 percent
- Domestic Inflation (average consumer price index) will fall to about 4 percent

- International loans and grants (including under Highly Indebted Poor Country (HIPC) Debt Relief) will increase noticeably
- International reserves will be kept at the equivalent of 4.5 to 5 months of imports
- The exchange rate for the Tanzania shilling will continue to be market determined

Monetary Policy describes how the government or the central bank varies the amount of money which is available, the cost and availability of credit, and the composition of the national debt.

Fiscal Policy describes how the government manages its taxation and expenditure which together make up its budget. The fiscal policy can influence the activities of both central and local government.

Based on the above ideas budget allocations to the priority sectors are planned to increase annually by about 25 percent over the PRSP period. This, however, will cover only about 80 percent of the funds needed to hit all the PRSP targets. To overcome this shortfall the priority sectors will be asked to

- revise their budgets each year to make sure that resources are being used effectively and that people are able and willing to do what is expected of them
- prioritise their activities and be ready to drop the lower priority items

Budgets for the priority sectors cover three main items – salaries of staff (Personal Emoluments), normal running costs (Other

Charges) and special Development Costs. The recent budget has increased the amount earmarked for other charges and development costs.

Special Budgetary Issues

The theories outlined above make the process seem straightforward but there are many points of fine tuning that need special attention. Some of these were identified by stakeholders at recent consultation meetings.

- The recent drop in world prices for cashew nuts, cotton and coffee had a bad effect on poor people in rural areas who are not able to deal with such economic ‘shocks’. The Government should provide safety-nets to protect the rural poor in the short term and to prevent the collapse of crop production in the longer term.
- Recent surveys show that there is a problem of unemployment of youth and women. There is therefore a need to provide support for income generating activities in rural and urban areas.
- Different Ministries prepare their action plans at different times of year. Some new

priorities might be more important than those which have already been identified. There is therefore a need for another source of funds to cover this common experience.

- Some of the priority sectors are not improving as quickly as they might. The problem is not always lack of money but rather lack of people with the necessary attitudes, knowledge and skills. Solving this problem involves more training (capacity building) and also some flexibility in salary levels so that people with the necessary skills are attracted to the jobs where they can do the most good.
- It quite often happens that nations as a whole get rich but still have large pockets of severe poverty. PRSP activities have been designed to prevent this happening in Tanzania and to make sure that everybody shares in the nation’s growing wealth. This means that some of the money that could be used to promote growth is being used to relieve poverty. It is not easy to strike a balance and there are no proven ‘experts’ in this field. There is therefore a need to update the Medium Term Expenditure Framework (MTEF), Public Expenditure Review (PER) and PRSP on a regular basis.

How we will know that Poverty is being reduced

We need to gather information so that we can tell how successful we have been at eliminating poverty. The Government is committed to this process and it organized a wide ranging consultation which resulted in a master plan with four aims:

Monitoring involves measuring as you go along to make sure that you are following the plan.

Evaluation involves stopping now and again to review progress and decide whether or not the plan needs to be changed

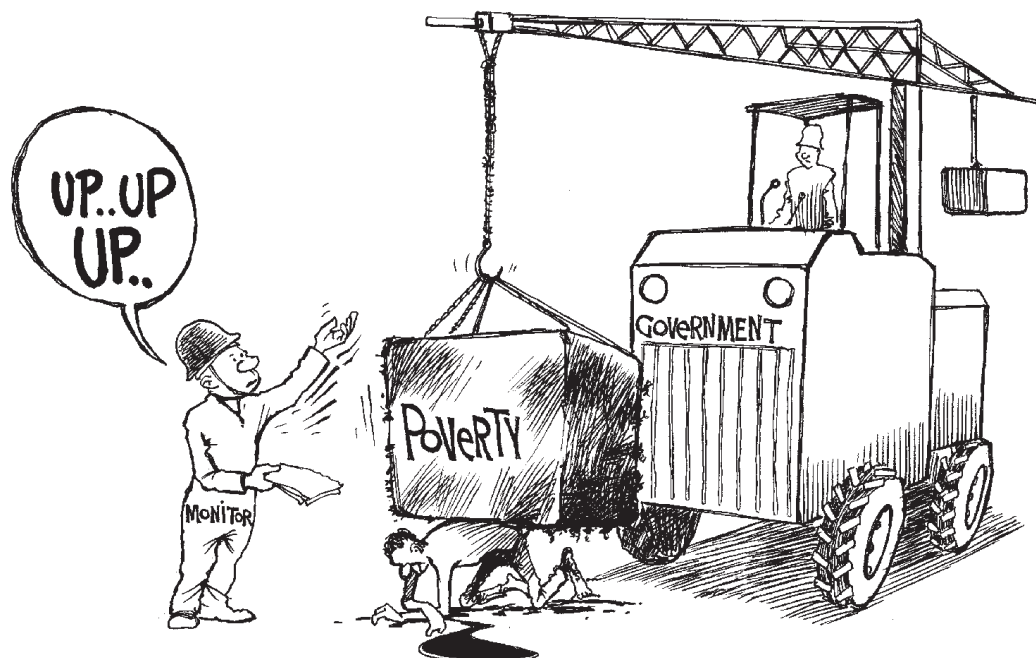
- to decide which organizations should be responsible for collecting, analyzing and storing information about poverty and making it easily available for all those who might want to use it
- to develop indicators that we can use to measure whether our targets are being met
- to ensure that a wide range of people are involved in the process of poverty monitoring
- to arrange that all the above activities can be funded

Who will do what?

Under the Committee of Ministers there is a National Poverty Monitoring Steering Committee (NPMSC) which includes representatives from all the relevant stakeholder groups. The Vice President's Office (VPO) acts as the Secretariat to this committee.

Stakeholders in Poverty Monitoring and Evaluation

Those involved in poverty monitoring and evaluation will include not only central and local government officials but also research institutions and university departments, development partners, civil society organisations and ordinary people. Ordinary people will be particularly important in measuring what actually happens about reducing poverty at the grass roots levels.



The Vice President's Office links to a PRSP Technical Committee which in turn links to the work of four information gathering groups whose tasks are described below beside a short description of their progress to date.

<p>Routine Data</p> <p>This group collects and analyses information from central and local government departments and also from the community level. It is based in the Regional Administration and Local Government section of the President's Office (PO-RALG).</p>	<p>This group has benefited from work done on the Local Government Reform Programme. A framework for monitoring and evaluating progress at the local government level is now well advanced.</p>
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<p>Surveys and Censuses</p> <p>The task here is to conduct a range of sample and national surveys and censuses. This work is co-ordinated by the National Bureau of Statistics (NBS).</p>	<p>The NBS benefited from a consultancy in Jan 2001 which drew up a multi-year survey programme for the next 10 years. The programme includes detailed costings and a training plan.</p>
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<p>Research and Analysis</p> <p>The task here is to strengthen research and analysis about poverty. There is a focus on gender and on participatory poverty assessment techniques. This work is overseen by the Planning and Privatisation section of the President's Office (PO-PP) in collaboration with various more or less independent research institutions.</p>	<p>Four research priorities have been identified –</p> <ul style="list-style-type: none"> • to test the theoretical assumptions upon which the PRSP is based • to make detailed studies of the impact of PRSP • to fill the knowledge gaps that were identified in the original PRSP • to deepen understanding of the data (sex disaggregated) that is emerging
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<p>Dissemination and Sensitisation</p> <p>The task here is to make sure that ordinary people are well informed about the issues and plans and that their thoughts, feelings and actions can influence the future shape of the PRSP. This work is overseen by the Vice President's Office (VPO) in collaboration with a variety of stakeholders.</p>	<p>A dissemination plan was developed at a three day workshop in March 2001. This identifies audiences for information, and possible channels by which it might move.</p> <p>The group will produce annual progress reports on the PRSP. (First was in August 2001)</p>
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Costing and Financing the Poverty Monitoring Masterplan

The cost of putting the master plan into operation (not including administration costs) has been calculated as follows:

Working Group	Cost in billions of Tanzania Shillings (not including administration costs)
Routine Data	1.5
Surveys and Censuses	1.3
Research and Analysis	4.1
Dissemination and Sensitisation	0.6
TOTAL	7.5

Note: an additional budget is being prepared for administration costs

At a meeting with development partners on the Master Plan it was agreed that donors could use one of three methods (see below) to help finance the overall effort. The exact details of who will contribute how much remain to be negotiated.

Ways of funding the Poverty Monitoring Masterplan

- contribute to the overall fund without specifying a particular working group
- contribute to a particular working group without specifying a particular budget line
- contribute to a particular budget line (or activity) of a particular working group

Findings so far

It is too early to draw solid conclusions from the survey work that is being done, but some temporary conclusions can be drawn.

The infant mortality rate and the nutritional status of children does not seem to have changed and neither has the level of ownership of modern machines. However, there are indications that

- the number of households headed by females has increased from 17 per cent in 1991 to 25 percent in 2000. This shows the importance of gender in assessing poverty.
- the number of dependants (people aged 0-14 and over 65 years) in rural households is increasing and this is a cause for concern because households with many dependants are usually the poorest.
- there is a drop in formal employment. More people are now employed in the informal sector (outside agriculture). This is a cause for concern because households headed by people working in the informal sector tend to be poorer than average.

Several of the ongoing surveys will be completed before the next PRSP Progress Report which will therefore be able to report much more fully on the state of different kinds of poverty in different parts of the country.

Progress and plans

The Poverty Reduction Strategy Paper brings a range of other ideas and plans together. These all aim for a style of development which will include and support vulnerable and poor people. This pattern of policies and plans will change through time and it is useful to think of them in four groups.

Macroeconomic stability and structural reforms	Priority Sectors	Cross cutting Programmes	Emerging issues & supplementary programmes
<ul style="list-style-type: none"> • Private sector development • Tax reform • Export Growth • Safety nets for the vulnerable • Good Governance 	<ul style="list-style-type: none"> • Education • Health • Water • Agriculture • Roads • Legal System 	<ul style="list-style-type: none"> • HIV/AIDS • Local Government Reform • Rural Development • Poverty Monitoring and evaluation 	<ul style="list-style-type: none"> • Gender • Environment • Employment • Urban Poverty • Child labour and out-of-school children

Structural reforms are intended to move towards an open-market economy where most of the wealth comes from the private sector producing for the export market. Experience from other countries suggests that these kinds of changes can cause problems unless there are other changes leading to good governance and the building of safety nets. Safety nets protect vulnerable individuals and groups who may not otherwise share in the expanding wealth. This balance between private sector growth and safety nets is crucial to **macroeconomic stability**.

In the **priority sectors** there is one Ministry responsible for one topic. The priority sectors were chosen because they are the most important ones for encouraging growth that

everyone can share. Much of Tanzania's economic development will depend on agriculture, and roads are needed to carry materials to and from markets. But economic growth also depends on people who are well educated and healthy and have access to safe water, and to a legal system which can be relied on to quickly solve any disagreements that arise. [Note that there are also priority sub-sectors – for example Basic rather than Higher Education, *Primary Health Care*, *Agricultural Research and Extension Services* and *Rural Roads*.]

*"The priority sectors and sub sectors are like the connected parts of a bus engine. One part cannot move without the other parts being in motion. They must be in complete harmony if they are to perform their duties without any hitches.
(Feedback to PRSP)*

In the **cross cutting programmes** several Ministries and other agencies have to work together in a co-ordinated way in order to deal with the topic. HIV/AIDS is not only a health problem; to tackle it successfully there has to be a co-ordinated programme for education, the media, religious organisations, youth groups and so on. The other cross cutting programmes have the same need for co-ordinated action between several different Ministries and other agencies.

The Poverty Reduction Strategy Paper was written at a particular period of time and involved particular groups of people. Times change and the number of people involved in the PRSP process is increasing. Many new **issues are emerging** and, where these are generally agreed to be important, **supplementary programmes** have to be designed to tackle them. This is a sign of a healthy and participatory democracy. The PRSP can be thought of as a living document which is still in its infancy. As it gets older it will become bigger, stronger and more sophisticated.

The effect on Poverty so far

It is too early to tell if the *macroeconomic and structural reforms* are having their intended effect. Real GDP has continued to increase because of the performance of the non-agricultural sectors.

The *agricultural sector* has not been performing well. This is in part due to bad weather and in part to the collapse of export prices for cashew nuts, coffee and cotton. The government responded by trying to expand domestic and external markets for the cash crops and to increase the amount paid to farmers for their crops. These efforts will continue along with attempts to deal with the uneven availability of inputs and market information, shortage of credit, and decline in the quality of cash crops.

The problems of the *rural poor* are being considered in the Agricultural Sector Strategy and the Rural Development Strategy. In addition to the ideas mentioned above these will lead to more support to social services for the poor and moves to increase the number of potential income sources. The strategies also suggest measures to improve the effectiveness of government administration and to strengthen financial reporting and accountability.

The Government has also put a range of *safety-nets mechanisms* in place to protect the incomes of the poor. The Tanzania Social Action Fund provides cash incomes to vulnerable groups working on community projects and also helps them to become better managers of their own development. Other initiatives include:

- Small Entrepreneurs Loan Facility
- Poverty Eradication Initiatives
- Community Based Initiatives Trust
- National Income Generation Programme
- Agricultural Input Fund
- Youth and Women Development Funds

The recent abolition of primary school fees and other contributions to schooling should also make it possible for many vulnerable households to send their children to school.

Safety nets may take the form of

- cash or income transfers, such as pensions, child allowances etc,
- transfers in kind, such as food subsidies, housing subsidies, energy subsidies, feeding programs, or
- they may provide income to vulnerable people by providing jobs, in an emergency situation, through a public works program.

The pro-poor focus of the 2001/02 Budget

The purpose of a government budget is to balance and fine tune income and expenditure so that the economy will develop in desirable ways.

A number of taxes and levies, including school fees, have been abolished, reduced or made easier to manage. This should help poor people to access essential services. It should also promote agriculture and investment in the private sector and thus create more jobs.

Expenditure follows the guidelines set out in the Medium Term Expenditure Framework (MTEF) and Public Expenditure Review (PER) exercises. These put a lot of resources to the priority sectors. They also provide for more civil service reform and improvements in the public sector so that it becomes more accountable for serving the needs of the poor.



Linking ideas and calculating the costs

Considerable progress was made during 2000/01 in developing the sectoral strategies and making sure that they are in line with PRSP targets. There has also been progress in making sure that cross cutting pro-

grammes are in line with the PRSP and sectoral plans. (eg for HIV/AIDS, Rural Development Strategy, Local Government Reform Programme, Women, Development and Gender Policy etc)

The priority sectors and sub-sectors with the estimated costs of their programmes over a five year period are shown in the table below.

Five year expenditure on the Priority Sectors

SECTOR	PRIORITY SUB SECTOR	1999/00	2000/01	2001/02	2002/03	2003/04
		The amounts shown are in billions of Tanzania shillings The amounts include recurrent and development expenditures The number have been rounded to make the table easier to read				
Education		162	248	348	433	487
	Basic Education	97	141	183	208	224
Health		57	97	139	202	225
	Primary Health	29	42	101	100	111
Water		8	17	32	50	54
Agriculture		14	19	30		
	Research & Extension	5	7	8		
Roads		51	87	181	260	287
	Rural Roads	16	18	24	69	76
Legal System			8	14	21	81 84
HIV/AIDS		0	0	7	8	9

Note:

1. The amounts for Primary Health in the later years is expected to go up when external financial support is approved
2. The large jump for Rural Roads in the later years covers the need to rehabilitate most of the rural and district roads
3. The large jump for the Judiciary in the later years is to cover rehabilitation of the primary courts
4. Much of the spending on HIV/AIDS is covered by individual ministries. The amounts shown here will be channelled through the Tanzania Commission on AIDS (TACAIDS.)

The cost of action programmes for the priority sectors were based on Medium Term Expenditure Framework (MTEF) and Public Expenditure Review (PER) recommendations and on the relevant targets set out in the PRSP. Key features of the process are that:

- for the basic education, health and water sectors the costs for 2001/01 are covered by the budget
- for agriculture the costs of programmes aimed at meeting the PRSP targets are still being worked out
- for the Roads and Judiciary sectors the costs involved in meeting the PRSP targets are well above what has been set aside in the budget. The costs shown above cover only basic activities and programmes

Much of the cost of running government programmes involves paying the government workers (Personal Emoluments). The above costs have therefore included money to carry out the work that needs doing.

In recent developments stakeholders have called for **supplementary programmes** to address the urgent problems of:

- rural income poverty
- poor rural roads which prevent access to farms and markets
- child labour and young out-of-school children
- unemployment among youths and women

In the spirit of participation and cooperation, the government will develop supplementary programmes to address these problems during 2001/02.



Main Activities in 2000/01

During 2000/01 the main actions for poverty reduction were:

- to increase support for, and strengthen the growth prospects of, the priority and pro-poor sectors
- to work out strategies and costings for developments in the key sectors
- to develop an effective system for monitoring poverty

The principal interventions were as follows:

to increase support for the priority and pro-poor sectors

- the macroeconomic situation was kept healthy by using good monetary and fiscal policies
- revenue and expenditure patterns were set out as suggested in MTEF and PER
- an enabling environment for private investment was created
- the Tanzania National Business Council was launched for regular consultation between the Government and representatives of the private sector
- the efficiency of the financial and goods markets was improved
- the development of the rural sector was supported
- the performance of utilities was improved
- nearly all of the conditions for Highly Indebted Poor Country (HIPC) completion point were met
- the cash budget was managed with increased flexibility
- the Public Finance Act and the Public Procurement Act were passed
- the Integrated Financial Management System (IFMS) was rolled out along with other measures to strengthen budgetary control and accountability

to work out strategies and costings for developments in the key sectors

- strategies for various sectoral, subsectoral and cross cutting programmes were developed and costed
- the budget for education, health and other priority areas was increased and used more effectively
- an Education Fund to support children from very poor families was established
- primary school fees and other enrolment related contributions were abolished
- an action plan for the elimination of child labour was prepared
- the Tanzania Commission on AIDS (TACAIDS) was established
- a Good Governance Co-ordination Unit was established
- the office of the Prevention of Corruption Bureau was extended to the districts
- the Ethics Board and the Human Rights Commission were established
- a new land registration system was put in place
- the Land and Village Act was amended to provide for land ownership for women
- the number of seats reserved for women in Parliament was increased
- the Tanzania Investment Centre was restructured
- a unified tax appeal mechanism was established
- the Commercial Court was strengthened

to develop a wide ranging system for monitoring poverty

- a Household Budget Survey (HBS) and an Integrated Labour Force Survey (ILFS) were conducted to give better information about the extent of poverty in Tanzania
- income and social indicators of poverty were tracked and measures (TASAF) were adopted to reduce rural income poverty and provide relief to vulnerable groups

The Macroeconomic Situation

The ideas involved in macro-economics are beyond what most people would include as common sense. There are some notes at the back of this booklet explaining the main ideas and there are also some short definitions in the section on what the big words mean.

Macroeconomic policies and reforms

Most of the macroeconomic indicators are showing signs of improvement

- good monetary and fiscal policies have resulted in a lower rate of inflation, a relatively stable exchange rate and an adequate level of international reserves.
- the Medium Term Expenditure Framework (MTEF) and Public Expenditure Review (PER) exercises have led to improved public expenditure planning, implementation and control
- changes to the tax system have increased the profitability of agricultural production
- the banking sector has been better regulated and a micro-finance policy is now in place

Structural reforms

A wide range of initiatives have been developed to

- cut down on corruption and promote good governance
- support and develop the rural sector
- support income-generating activities amongst poor people in rural and urban areas by developing a micro-finance policy and promoting savings and credit schemes
- strengthen the economic infrastructure through privatisation of utilities and transport services within regulatory frameworks

Several new agencies and plans were created

- a road agency (TANROADS) was created to manage trunk and regional roads.
- the Tanzania Commission on AIDS (TACAIDS) has been launched to tackle the problem of HIV/AIDS
- the Ministry of Agriculture was split into three parts so as to better focus on rural income poverty
- private investment is being promoted through new land legislation, restructuring the Tanzania Investment Centre, setting up a better system for tax appeals and strengthening the Commercial Court
- the Tanzania National Business Council has been set up for regular consultation between the Government and representatives of the private sector
- a Poverty Monitoring Master Plan was prepared and costed

Macroeconomic performance

Tanzania's macroeconomic performance in recent years has been good and the country is well on track towards meeting the targets set in the PRSP. This shows that the government has been successful with its programme of structural reforms aimed at encouraging private sector led growth.

The main points are as follows:

- GDP in 2000 was 4.9 per cent which is up from 4.0 per cent in 1998. This has been led by a strong performance in exports, increase in gold production and investment in tourism.
- The rate of inflation has fallen dramatically and was driven by a drop in both food and non-food inflation rates from the end of 2000. In June 2001 the inflation rate was recorded at 5.1 per cent.
- Thanks to continued donor support and the government sticking to the cash budget management system the government had a fiscal surplus (after grants) amounting to about 1 per cent of GDP in FY01.

So far the mining and tourism sectors are doing well but otherwise private sector growth has been slow to respond to the new changes. The inflation rate has come down but remains above that of Tanzania's main trading partners. But the plans for FY02 and beyond are designed to continue Tanzania's strong macroeconomic performance

Conditions for the HIPC completion point

All the condition for the HIPC completion point have been met except for a delay in privatising the Dar es Salaam Water and Sewage Authority. This was due to a technical problem which was beyond government control. Some of the conditions which were met included:

- rolling out of the Integrated Financial Management System (IFMS)
- preparation and costing of a Poverty Monitoring Master Plan
- preparation of detailed and carefully costed plans for the Education Sector

[Note: Tanzania's HIPC completion point was reached in November 2001]



The Priority Sectors

In the **priority sectors** there is one Ministry responsible for one topic. The priority sectors were chosen because they are the most important ones for encouraging growth that everyone can share. Much of Tanzania's economic development will depend on agriculture, and roads are needed to carry materials to and from markets. But economic growth also depends on people who are well educated and healthy and have access to safe water, and to a legal system which can be relied on to quickly solve any disagreements that arise. [Note that there are also priority sub-sectors – for example Basic rather than Higher Education, Primary Health Care, Agricultural Research and Extension Services, and Rural Roads.]

Education

After wide ranging consultation, the Ministry of Education and Culture (MOEC) has developed an Education Sector Development Programme (ESDP) covering pre-primary, primary, secondary and adult education, teacher training and school-based programmes.

PRSP objectives for basic education are contained within the ESDP and include:

- improving quality
- raising enrolment
- making better use of available resources
- building local capacity for managing schools
- addressing the issues of gender, the environment and HIV/AIDS



*"I know of no safe depository of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion."
(Thomas Jefferson, President of the USA (1820))*

Progress and Plans

The overall aim is to have more and better education and in particular to have all 7-10 year old children in school by 2004.

Progress to date

- An Education Sector Development Plan has been prepared
- Gross enrolment is now estimated to be 83.2 per cent
- By June 2001 the School Mapping exercise had covered 58 per cent of all districts and micro plans for 38 districts have also been prepared
- Spending on education has gone up from 1.6 per cent of GDP to 3.2 per cent in the last three years

Planned Actions

- to complete the school mapping exercise and prepare micro plans for primary schools in all districts
- to provide money for buildings so that the target of 100 per cent enrolment by 2004 is possible
- to increase funding for teaching aids
- to improve the quality and distribution of teachers
- to strengthen community capacity for managing primary schools

Specific Targets for 2002/03

- gross primary school enrollment from 83.2 to 85%
- net primary school enrollment from 65 to 70%
- drop out from primary school from 6.6 to 3%
- pass rate in standard 7 from exams 22 to 50%
- progress from primary to secondary from 19.5 to 21%

Costing of Interventions

The cost of basic education is estimated to be Tsh.183 billion (2.2 per cent of GDP) in 2001/02 and it is targeted to increase in the years ahead. The money to cover these costs has been earmarked in the budget.



Health

A detailed Health Sector programme has been prepared covering the period till 2003/04. This calls for increased spending to repair health centres and to make sure that more people have access to basic health care. In line with PRSP targets, special attention was given to gender and vulnerable groups, including the poor in rural areas. The government is optimistic that the original PRSP targets for infant, under-five and maternal mortality will be met.

Progress and Plans

The goal is to increase life expectancy to 52 years by 2010. This will be done through improving nutrition and making health services and safe water more available. Objectives include strengthening immunisation and malaria control activities, improving nutritional

programmes, reducing maternal and child mortality rates, and reducing the amount of HIV/AIDS.

Specific Targets for 2002/03

- children under 2 years immunised against measles and DTP from 78 to 85%
- births attended by trained staff from 50 to 80%
- all districts covered by an active HIV/AIDS awareness campaign

Progress to date

- Spending on the sector has increased from 0.4 to 1.3 per cent of GDP
- The Integrated Management of Child Illness service has increased from 17 to 31 districts
- District Health Plans now cover 82 of the 114 districts
- The National Package of Essential Health Interventions has been published
- Guidelines for the management of malaria cases have been distributed to all Health Centres

Planned Actions

- No change in the nutritional status of children under five
- to increase the Health budget from US\$6.0 to \$9.0 per person
- to introduce
 - a National Health Insurance Fund
 - a Revolving Drugs Fund in all district hospitals
 - a Community Health Fund in 25 districts
- to implement the malaria control guidelines
- to begin community based nutrition projects and promote nutritional education for mothers

Costing of Interventions

The amount of money made available for the priority activities in the Health Sector has been gradually increasing and this is planned to continue. International partners have agreed to a system of 'basket funding' for Health which will amount of Tsh. 86.5 million for 2001/02.

The total budget for Primary Health in 2001/02 is Tsh.101 billion and this is planned to rise to Tsh.111 billion by 2003/04



In the world's 60 poorest nations, the average per capita health spending every year is \$13. The WHO report recommends that as a minimum, this should rise to \$34. In the United States the figure is \$4,500. (The World Health Organisation Commission on Macroeconomics and Health)

Water

The Ministry of Water and Livestock Development (MWLD) has revised the National Water Policy to provide safe water and sanitation services by:

- repairing rural water schemes and increasing coverage from 48 to 55 per cent by 2004
- repairing urban water schemes and increasing coverage from 68 to 78 per cent by 2004
- strengthening the environmental and pollution control system so as to reduce pollution levels from 20 to 10 per cent by 2004
- reinforcing the involvement of local communities and the private sector in developing water resources

Progress and Plans

The goal is to make safe water and sanitation available to all.

Progress to date

- The National Water Policy is being prepared
- The control of urban water supplies has been decentralised to Urban Authorities

Planned Actions

- to implement Phases I&II of the urban water supply programme
- to construct new, and extend existing, water projects in rural areas
- to strengthen the water resource environmental and pollution control network
- to review the National Water Policy and make sure that it is implemented
- to privatise DAWASA by March 2002

Costing of Interventions

Spending on the water sector has been increasing and will continue to do so. Plans are for an increase from about Tsh.8 billion in 1999/00 to about Tsh.54 billion in 2003/04.

Agriculture

Agriculture forms the basis of Tanzania's social and economic development for three main reasons:

- improved farm incomes are needed to reduce rural poverty
- better food security requires better agricultural production and rural incomes
- agriculture is the single most important contributor to the nation's GDP and therefore to the nation's overall development

Stakeholders in Agriculture

- Government institutions including central government, ministries, regional secretariats, local government, research and training institutions
- Private sector groups such as farmers, agri-businessmen and financial institutions
- Civil Society Groups
- Foreign Development Partners

The Agricultural Sector Development Strategy (ASDS) came from a wide ranging set of consultations which included four zonal workshops. This allowed people with many different interests in agriculture (see the box) to have their say. The success of the ASDS will depend on the stakeholders being able to work together in a coordinated way. (See Note 5 for more details)



The ASDS also took account of work being done on the Government's Rural Development Strategy (RDS) as there are many overlapping issues such as youth, gender, HIV/AIDS, rural unemployment, environmental degradation, infrastructure development, good governance and an all-round need for appropriate training at various levels in the system.

The ASDS sees that improvements are possible for a range of reasons:

- we still have a lot of unused and under used natural resources
- many people are still involved in agriculture
- structures are being put in place to give more control over agriculture and livestock development to the district level
- many opportunities exist to form partnerships between agro-industries and small holder farmers through out-growers/contract farming models
- membership of regional and international trade groups will increase domestic and international trading opportunities
- the government is committed to making changes that will stimulate agricultural growth and this includes providing incentives to attract private investments in agriculture.

Progress and Plans

The overall aim is to improve the profitability of the sector and to ensure food security. Between now and 2005, the target is to increase the growth in agriculture from 3.6 to 6 per cent of GDP.

Progress to date

- An Agricultural Sector Development Strategy (ASDS) has been prepared and it links with the Rural Development Strategy (RDS)
- The Agriculture Sector's contribution to the GDP has been less than expected due to bad weather, drop in export prices for key crops and the existence of structural bottlenecks

Planned Actions

- to revamp agro-processing plants
- to strengthen the cooperative movements
- to develop short term plans to address shortages of inputs and credit facilities, and various marketing problems

Costing of Interventions

The strategy will be converted into a set of action plans with costs. In the meantime changes are being made to encourage private investment. Present budgeting is in line with Medium Term Expenditure Framework (MTEF) recommendations of about Tsh.33 billion for FY2001/02. These recommendations cover only a part of what is needed to meet PRSP targets. Thought is thus being given to ways of providing short-term supplementary funds to alleviate income poverty.

"Agricultural development is a social product. It is not the result of the work of farmers alone. It is a result of the activities of farmers and farm families, lawmakers, highway engineers, merchants, manufacturers, research workers, teachers, veterinarians, editors and every citizen who participates in electing public officials and influencing the laws of his country." (Arthur T Mosher (1966) Getting Agriculture Moving)

"The terrible poverty in the Third World comes, in part, from the fact that farmers are producing crops for the rich countries, not for themselves. Very little of the coffee or tea grown in the Third World is consumed there, and very little of the profits from that coffee and tea go back to the grower." (Dorothy Rowe (1997) UK Psychologist: The Real Meaning of Money; Harper Collins;)

Roads

A study of roads in 2000 showed that

- There are 24,700km of **Regional** roads. Of these only 20 percent are in good condition.
- There are 20,000km of **District** roads. Of these only 8 per cent are in good condition.
- There are 27,550km of **Feeder** roads and most of these are in poor condition.

The Ministry of Works and The Regional Administration and Local Government section of the President's Office (PO-RALG) will work with the Tanzania Social Action Fund, and related programmes supported by donors, to improve the road system. This will make it easier to get to markets and to regions with good agriculture potential.

Pilot programmes are being tried for spot and emergency repairs on 50,000km of roads. Examples of 'best practice' will be used to expand the programme in the future in a way that ensures that roads stay open and that communities benefit.

The government will put a focus on roads at the community level and this will include footpaths, tracks and trails. Local studies will show who travels where and for what purpose and this will lead to programmes to support the welfare of women. Communities will be encouraged and supported to carry out the improvements that are needed.

The road programme will soon be reviewed by stakeholders. This might lead to more funding being made available for road improvement work at the community level.

Progress and Plans

The aim is to improve rural, district and cross border roads so as to make it easier to reach farms and agricultural markets

Progress to date

- The roads which need work have been identified.
- More money has been made available through the creation of the Road Fund
- Communities are being helped to implement local road programmes

Planned Actions

- to repair 4,500km and upgrade 7,000km of roads
- to prepare a programme similar to the Urgent Road Rehabilitation Programme (URRP) for district, feeder and urban roads
- to improve the ability of district engineers to manage road maintenance works at district level
- to allocate TShs.1.8billion each month to improve roads in the NW and Southern regions

Costing of interventions

The proposed spending for the next three years is as follows:

- Trunk roads from 157 to 211 billion shillings
- Rural roads from 24 to 77 billion shillings

The big jump in spending for rural roads is to cover the large amount of urgent repair work that has to be done.



Legal and Judicial System

The Legal Sector Reform Programme (LSRP) was launched in December 1999. Although there has been progress in some areas there has been some delay in achieving such PRSP targets as

- speeding up case settlements in primary courts
- rehabilitation of buildings and facilities on the primary courts
- increasing the frequency of Court of Appeal sessions
- promotion of community-based security arrangements

Progress and Plans

The aim is to increase the number of cases being processed by the courts.

Progress to date

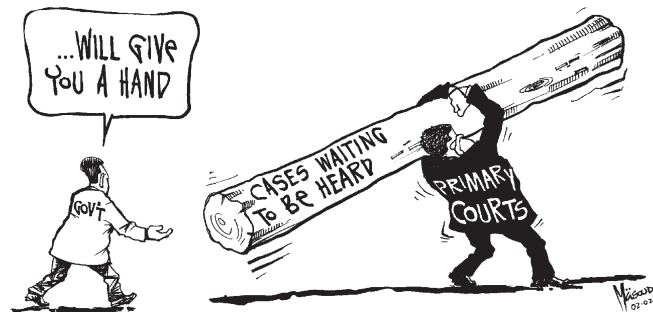
- The Institute of Administrative Justice has been set up to train primary court magistrates and their administrators.
- More state attorneys and magistrates, and judges for the High Court have been employed.
- Independent Judicial Ethical Committees have been set up in the districts to watch over judicial officials.
- The clearing rate in the commercial court has risen from 53 to 78 cases in two years and the congestion rate has dropped from 229 to 183 per cent.
- Other courts have not improved as much because of shortages of money and qualified people

Planned Actions

- to construct and rehabilitate primary and high courts
- to recruit new magistrates so as to strengthen the capacity of the Judiciary
- to launch the Alternative Dispute Resolution (ADR) system to reduce the queue of cases waiting to be heard
- to establish the Land Division of the High Court from May 2001
- to establish the Human Rights and Good Governance Commission from July 2001
- to increase the budget for the Judiciary
- to raise the primary court decision rate from 63 to 80 percent

Costing of interventions

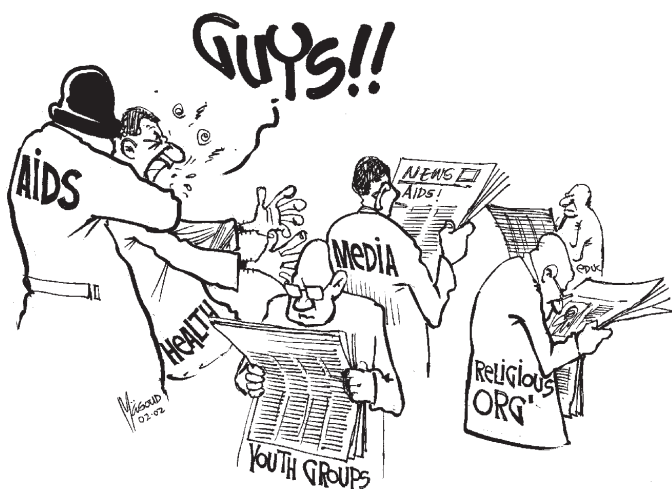
Delay in figuring out how much the planned interventions would cost led to delays in unlocking funds promised from international partners. The government will increase spending in this sector from TShs.8 billion in 1999/00 to TShs84 billion in 2003/04. Much of this increase will cover the cost of repairing the primary courts.



"Justice delayed is justice denied".

Cross Cutting Programmes

In the **cross cutting programmes** several Ministries and other agencies have to work together in a co-ordinated way in order to deal with the topic. For example HIV/AIDS is not only a health problem; to tackle it successfully there has to be a co-ordinated programme for education, the media, religious organisations, youth groups and so on. The other cross cutting programmes have the same need for co-ordinated action between several different Ministries and other agencies.



Programmes for the cross cuttings issues are elements of the PRSP but the costs of dealing with them are normally met through programmes in the relevant Ministries. The following section gives a brief description of the aims, progress to date and future plans for each of the issues.

Notes:

- The Rural Development Strategy is a major cross cutting programme. It was published in November 2001.
- The Poverty Monitoring and Evaluation Master Plan is a cross cutting programme involving a wide range of partners. It was described earlier in this booklet

HIV/AIDS

The aim is to reduce the amount of HIV/AIDS by changing the way that people behave. During 2000/01 the focus was mainly on 'awareness' campaigns by political, religious and civic leaders. The Government set up the Tanzania AIDS Commission (TACAIDS) to co-ordinate the activities of stakeholders and to channel the contributions from local and foreign sources.

The planned actions will be guided by the multi-sectoral, medium-term plan (MTP III Plan 1998-2002).

Progress to date

- The Tanzania AIDS Commission (TACAIDS) was established
- HIV/AIDS programmes were built into the activities of all Ministries
- The School Curricula were changed to tackle the HIV/AIDS problem
- Special efforts were made to discourage traditional practices that help to spread the disease

Planned Actions

- to strengthen TACAIDS and expand its programme of coordinated actions
- to continue negotiating for cheaper drugs
- to make sure that safe blood is available at all blood transfusion places
- to provide adequate Sexually Transmitted Infectious (STI) services
- to conduct HIV/AIDS education in all schools and work places
- to provide nationwide voluntary counselling and testing facilities
- to carry out sample HIV/AIDS Impact Assessment Studies
- to establish a strong monitoring and evaluation system



Local Government Reform

The Local Government Reform Programme (LGRP) is managed from the Regional Administration and Local Government section of the President's Office (PO-RALG). The purpose of the programme is to improve the delivery of government services to the public by promoting the principles of democracy, transparency, accountability, integrity and the rule of law at the local level. An action plan and budget was prepared for the period July 1999 to December 2004. The programme is being rolled out in three phases and it was launched in 38 Councils in January 2000.

The Local Government Reform Programme includes not only training of local staff but also the design of a Monitoring and

Evaluation procedure which includes introducing a computerized system for financial management and accounting (the Integrated Financial Management System (IFMS)).

A joint Government/Donor review of the Local Government Reform Programme took place in May/June 2001. This showed that although there are a few slight problems, especially in making best use of the computer systems, the process is going well.

"Why is it that fighting corruption seems to be the personal crusade of the President only? Does he not have assistants? Why is it that their attitude to corruption seems not to be caring?"
(Amina Isa, a resident of Mwanza)

Progress and Plans

The aim is to strengthen the effectiveness of local government authorities.

Progress to date	Planned Actions
<ul style="list-style-type: none"> • The Local Government Policy Paper has been accepted by the government and two earlier acts have been revised and enacted • Codes of conduct for councilors and staff have been issued • The general public has been informed about changes through a weekly radio programme • Phase I of the Local Government Reform has been implemented and Council Reform Teams have been formed • Zonal Reform Teams have provided training in financial and staff management • Moves have been made to develop participatory planning frameworks at the local level • The Integrated Financial Management System was introduced to 28 Councils • Phase II is on course 	<ul style="list-style-type: none"> • to complete Phase II and III of the Local Government Reform Programme • to run trials of the Monitoring and Evaluation system and use this as the basis for designing a full blown system • to introduce the Integrated Financial Management System IFMS to another 29 councils during 2001/02



Governance

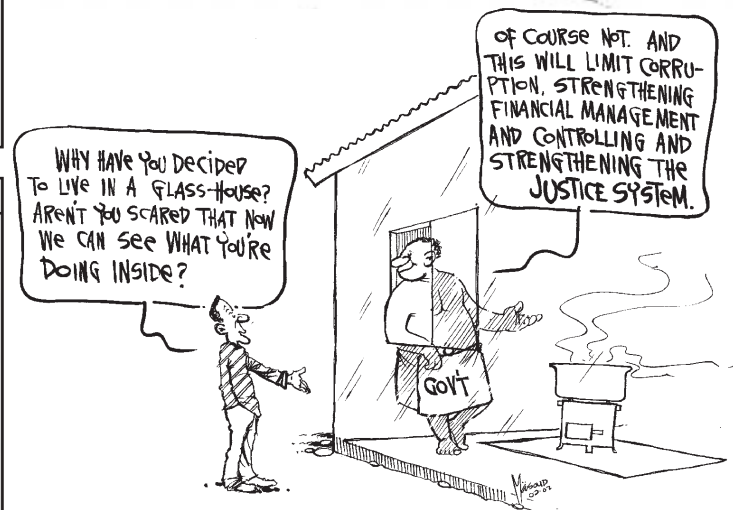
The main aims for good governance are that public services should be delivered effectively and that everyone should know how government money is being spent. The focus is on limiting corruption, strengthening financial management and controlling and strengthening the justice system.

Progress to date

- The Public Finance Act of 2001 and the Public Procurement Act of 2001 were passed in February 2001. These allow the Controller and Auditor General to appoint, manage, control and enforce staff discipline in his office
- An Ethics Secretariat was established to make sure that public leaders do not use their official positions for private gain
- Parliament passed a constitutional amendment to establish the Human Rights and Good Governance Commission
- A Country Financial Accountability Assessment (CFAA) was carried out with the help of development partners
- All central Ministries and several local government authorities were included in the Integrated Financial Management System (IFMS)
- The amounts and times of budget transfers to local governments began to be published
- National Action Plans for the control of corruption were adopted, published and disseminated
- The mass media was actively involved in the fight against corruption

Planned Actions

- to extend the Integrated Financial Management System (IFMS) to cover all government departments
- to have local governments present quarterly budget reports from the beginning of the next fiscal year
- to begin publishing national quarterly budget execution reports starting in the first quarter of 2001/02
- to continue involving the mass media in the fight against corruption
- to enforce the new legislation



Public money is like holy water; everyone helps himself to it. (Italian Proverb)

Emerging Issues and Programmes

The Poverty Reduction Strategy Paper was written at a particular period of time and involved particular groups of people. Times change and the number of people involved in the PRSP process is increasing. Many new issues are emerging and, where these are generally agreed to be important, supplementary programmes have to be designed to tackle them. This section highlights four emerging issues and their associated programmes.

Gender

The aim is to reduce income and non income poverty among women and to strengthen their position in the country's development. More specifically the aim is to help Ministries to tackle gender concerns about the economic, social and political empowerment of women. This includes improving women's

- legal rights
- economic empowerment in poverty eradication
- political empowerment in decision making
- access to education, training and employment



Progress to date

- The National Policy on Women and Gender Development (NPWGD) was developed
- The Ministry of Finance institutionalized gender budgeting
- The number of women in legislative assemblies at national level reached 20 percent and at local level reached 33 percent
- The Ministry of Community Development, Women's Affairs and Children conducted a preliminary gender poverty analysis
- The Sexual Offences Act was changed
- The Land and Village Land Acts were changed
- The Land Act was changed to provide women's right to own land

Planned Actions

- to review all new national policies and strategies from a gender perspective before they are approved and implemented
- to prepare an action plan to operationalise the National Policy on Women and Gender Development (NPWGD)
- to establish gender coordinating mechanisms in all Ministries and public institutions
- to develop gender monitoring tools and techniques
- to ensure that the Poverty Monitoring Action Plan has a focus on gender
- to popularise the Sexual Offences Act
- to popularise the Land and Village Land Acts
- to change the Marriage Act of 1971, the Law on Inheritance and Succession, and the Laws on the maintenance of children

"Let's hope the PRS process in the future is going to give better opportunities for both participation and the development of plans based on a proper gender analysis."

(Gender Mainstreaming Working Group (GMWG) 2001)

Environment

There are six main areas of concern about the environment:

- land degradation
- lack of accessible, good quality water for urban and rural people
- environmental pollution
- loss of wildlife habitats and biodiversity
- deterioration of aquatic systems
- deforestation

Most of these areas are tackled in the plans for the relevant Ministries. The government is supporting community based attempts to improve the environment through various forms of revenue sharing. The government is also working with the private sector on tree planting programmes, the control of industrial wastes and on various awareness campaigns.

Progress to date

- Indicators to monitor Environmental conditions at district and national level have been identified
- The Local Government Reform Programme (LGRP) has developed guidance material on environmental issues

Planned Actions

- to review the legal framework for environmental management
- to promote cost effective adaptation policies

Key stakeholders met in June 2001 to think of ways of including environmental issues in the PRSP process. The results included the need to:

- include environmental experts in the technical working groups for the poverty monitoring system
- analyse existing information to find links between poverty and environmental issues
- include an environmental section in the

- Tanzania Social and Economic Data system provide technical support and training to build environmental concerns into District Authority Development Plans and to support the work of Local Environmental Committees
- identify existing good practice in environmental management at the community level
- strengthen the institutional and legal frameworks for environmental management

The government will review these ideas and decide on priority activities for the 2001/02 period.

The survival of our wildlife is a matter of grave concern to all of us in Africa. These wild creatures amid the wild places they inhabit are not only important as a source of wonder and inspiration but are an integral part of our natural resources and of our future livelihood and well-being. (Julius K Nyerere 1961)

Employment

The solution to the employment problem is to have stronger agriculture and private sectors and the government has designed several reforms to make this possible. These will increase the productivity and competitiveness of businesses and make credit available to small businesses.

Other measures have also been designed to assist with the more mainstream activities:

- The Vocational Education Training Authority has introduced competence based education and training. This stresses the experience of the trainees as well as their academic qualifications. The role of the Folk Development and Community Development Colleges is also being reviewed.
- The National Employment Promotions Services Act has paved the way to test the idea of labour exchange offices in Dar es Salaam. Similar offices will be opened in other towns in 2001/02
- HIV/AIDS seminars on guidance and counselling were given to youths in various

work places around the country. These efforts will continue over the medium term.

- A demand-driven, district-based skills training programme will be co-ordinated by the Ministry of Labour, Youth Development and Sports working with other Ministries and with public and private training institutions across the country. TSh.100 million has been set aside for this programme in 2001/02.

Progress to date

- The Micro-Finance Policy was developed and launched in February 2001.
- The National Employment Policy of 1997 was reviewed.
- The Tanzania Investment Centre was improved
- The privatization of public services went according to plan
- Changes to the Financial Sector and the Capital and Security Markets went according to plan
- A programme for eliminating child labour has been prepared

Planned Actions

- to strengthen saving and credit schemes
- to carry out job training schemes including expanded education opportunities
- to strengthen the money/securities and capital markets
- to privatize public services such as TANESCO, DAWASA, TRC and THA
- to eliminate child labour

Urban Poverty

The government will conduct a study on poverty reduction in urban areas and this will be the basis of designing a plan to tackle the problem. The study will examine three key issues:

- the level of infrastructure and services in low-income urban areas
- financial and other problems of the informal sector
- land and housing problems in low-income households.



The power of people's movements has largely been ignored in the field of development. Attention has been focussed on money rather than social energy as the engine of development. (David Korten (1990) Getting to the 21st Century; Bookmark)

Note 1: Overview of the Poverty Reduction Strategy

Tanzania is not as wealthy as it could be. The tasks therefore are for ordinary people to work together with businessmen and government officials to:

- create more wealth, and
- make sure that the wealth is widely shared rather than being captured by small groups in particular parts of the country.

Many plans have been made describing how this might be done. Some of these try to cover all the sectors (eg The Tanzania Development Vision 2025) while others cover specific sectors (eg The Agriculture Sector Development Strategy) or subsectors (eg National Forestry Policy). There are also some plans that cover several sectors with a particular theme in mind (eg Women, Development and Gender Policy and the Rural Development Strategy).

Some of the plans are basically just lists of things that people want. Other have ideas for actions that might be taken. In some cases officials have figured out how much it would cost to take the actions and, in the more advanced plans, they have figured out where the money might come from to meet the costs.

The last point is very important. There is not enough money to do everything. So there has to be debate and bargaining about two main questions:

- how can we increase the amount of money that the country and the government has at its disposal? and
- how should that money be spent?

There are no easy answers to these questions. Such answers as exist can be divided into those that look at Tanzania's place in the wider world, and those that deal with what happens inside Tanzania.

Tanzania is part of the international community and will therefore suffer 'shocks' because of natural disasters, wars, trade agreements, new technologies and fashions etc that happen in other places. These shocks can affect the markets and prices for imports and exports. Many of these shocks are unpredictable so the government has to have enough reserves (savings) to survive them and to provide safety nets for poor people who suffer most because of them.

If the economy is stable and the government obviously in control this will:

- attract foreign investment and business and these will create jobs
- encourage and enable local people to set up a wide range of small to medium sized businesses which will also create jobs and make good use of the country's natural resources.

Political stability includes having a set of popular, affordable development plans which do not contradict each other and which are carried out effectively and honestly.



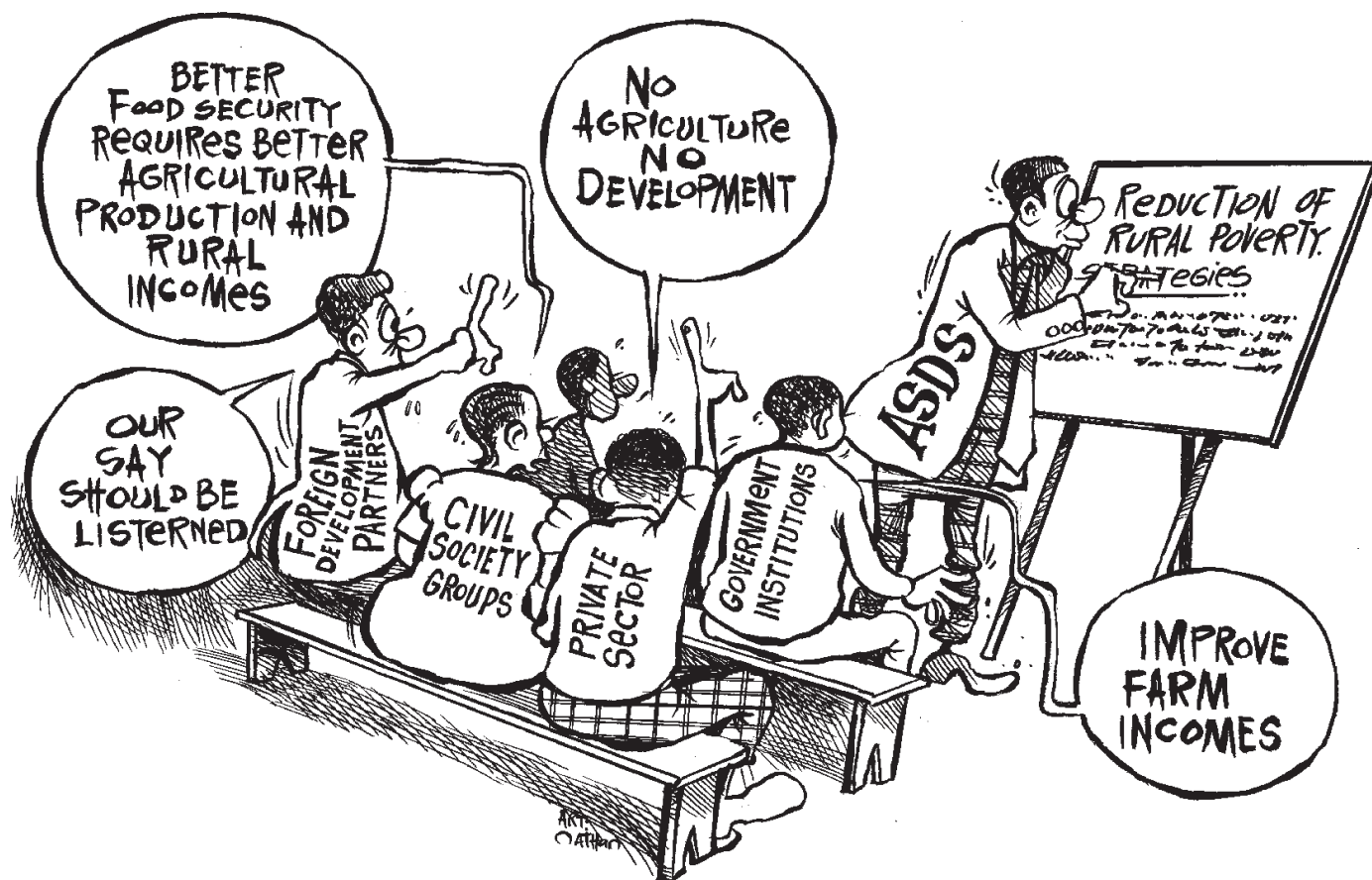
Note 2: Macroeconomic policy

Economic growth is needed to increase the amount of wealth in the nation. However, if it is to bring about poverty reduction, it has to be linked to policies which improve the distribution of income and assets within societies and between nations.

Macroeconomic policies are designed to make economic growth possible; and pro-poor macroeconomic policies can be said to be successful if they lead to the new wealth being well distributed within society and between nations.

The private sector is the engine which drives economic growth. Macroeconomic stability encourages local and foreign investors to set up small, medium and large businesses.

Macroeconomic stability is a result of having macroeconomic policies which set and meet macroeconomic targets suited to the conditions in a given country at a given time. The policies are likely to be about taxation, exchange rates and money supply and the targets are likely to be about the level of economic growth (GDP), the rate of inflation, the



amount of external debt and the amount of international savings (reserves) which the government can call upon in case of economic 'shocks'.

But there is more to a macroeconomic policy than the mathematics of increasing the amount of money. Other more political factors include:

- The problem of unequal asset and income distribution - this will require policies about land tenure, and pro-poor taxation and social spending.
- Which sectors of the economy are most likely to generate high levels of growth? At any given time is it better to encourage agriculture, industry or the service sectors?
- How to overcome those 'traditional' ways of doing things that put a brake on progress and productivity (eg the roles of women in agriculture and government)
- How to make sure that people are fit and able for work through having access to good health and education services
- How to overcome inefficiency and corruption and how to enable government departments to do more with less

Macroeconomic *instability* is normally due to *shocks*. These can be from forces outside the country (eg terms of trade, natural disasters, reversals in capital flows etc) and they hit poor people very hard because they cannot protect themselves against a sudden drop in income. Other types of shock are self induced through poor macroeconomic management.

There are two ways of dealing with shocks. If they are short term the government can draw on its reserves to cover the difficult period. If they are long term then macroeconomic targets are adjusted and this will mean either or both of increasing government revenue or decreasing government spending.

To protect poor people from these shocks the government will have to increase social spending and/or introduce compensatory measures. But it is best to build social safety nets into the long term poverty reduction strategy rather than trying to put them together suddenly in response to a crisis.

"The problem with the Tanzanian macroeconomic performance is that it has not trickled down to the ordinary people to solve their real problems. The government must be made aware of this so that its immediate efforts must be to cater to the immediate and pressing needs of the ordinary people".

(Husna Hassan, a resident of Kariako, Dar es Salaam)

"If the economy is arranged as a pyramid, it is understandable that everyone might want to stand on top. But there is no way that this can be arranged."

(C Douglas Lummis in Sachs, Wolfgang (1992) The Development Dictionary; Zed Books)

One of the main challenges to promoting country ownership is encouraging governments, that have traditionally acted on development decisions unilaterally, to allow civil society and other stakeholders a voice in the policy debate. The task is to provide reassurance that broadening stakeholders' input helps to strengthen support for their strategies and their successful implementation (by) working "with the people not for the people".
<http://www.worldbank.org/cdf/story4.htm>

Note 3: Structural Adjustment and Reform

The IMF and World Bank will lend to governments only when they agree to a package of conditions which are generally called structural adjustments or reforms. Several studies have suggested that, in the past, these reforms were not as effective as they might have been. In response to these criticisms the names and contents of the packages have changed.

The IMF used to have what was called a Structural Adjustment Facility (SAF) which was revised to be the Enhanced Structural Adjustment Facility (ESAF) which is now being called the Poverty Reduction and Growth Facility (PRGF). This underpinned what was once called a Policy Framework Paper (PFP) which has now been replaced by a Poverty Reduction Strategy Paper (PRSP). The difference between the PFP and the PRSP is that the PRSP will not be written by the IMF. The PRSP will be written by the government after consultation with a wide range of stakeholders including ordinary people.

The World Bank continues to produce a Country Assistance Strategy (CAS) but this will now be heavily influenced by the PRSP

which in turn is heavily influenced by the PRGF.

What all this means in the end is that the IMF and the World Bank will still not lend money to a government unless it agrees to move towards a more free-market economy by:

- Tightening up the money supply to increase internal interest rates to whatever level is needed to stabilise the value of the local currency.
- Increasing tax collections and reducing government spending dramatically.
- Selling off public enterprises to the private sector.
- Removing restrictions on the inflow and outflow of international capital as well as restrictions on what foreign businesses and banks are allowed to buy, own, and operate.

These programmes put an emphasis on free market economics and try to increase exports and cut back on government spending. In the past these policies, at least in the short term, often led to a drop in living standards for poor people, damage to the natural environment, and therefore sometimes to political instability. The recent variations of the policy documents suggest involving ordinary people in deciding what must be done and therefore on reducing poverty.

In 1999 the US Congress passed legislation which called for countries that were to receive debt relief to pursue poverty reduction through a range of measures which include:

- wide ranging and open consultation about how to promote economic growth
- improvements in education, health and nutrition
- environment protection
- a strong private sector
- open policy-making and budget procedures
- good governance
- public participation in the fight against poverty

There is still a lot of unlearning needed but hopefully, in time, through paying more attention to what ordinary people are saying, pro-poor growth will become a reality.

*"I don't need to be lobbied about the importance of debt relief, and debt relief is going to be done, but that's not economic development, it may help to alleviate some of the pressures and sins of the past, [but] it's not economic development."
(Paul O'Neill, US Treasury Secretary)*



Note 4: Highly Indebted Poor Countries (HIPC) and Debt Relief

A list has been made which shows the world's richest country at the top and the poorest country at the bottom. The governments of many of the poorest countries spend more on repaying foreign debts than they do on education and health for their people. In some cases the amount of debt is so great that the country does not have enough money to keep up with its debt payments (unsustainable debt)

These worst cases are what have been called Highly Indebted Poor Countries (HIPC) and, since 1996, experts have been trying to find ways of relieving them of their debt burdens. Debt Relief is granted on condition that countries adopt economic and structural reforms which are well integrated with plans for reducing poverty. In 1999 the HIPC initiative was reviewed so that it was 'deeper, broader and faster'.

If a country has successfully stuck to a set of World Bank and IMF conditions for three years then it will reach its HIPC decision point. If the country's debt sustainability situation is serious enough then another set of conditions aimed at poverty reduction will be set, along with a floating completion point. When these new conditions have been met then full HIPC status is granted and the Debt Relief programme as set out at the decision point begins to take effect.

Tanzania reached its decision point in March 2000 and its completion point in November 2001. The conditions to reach its completion point were, in brief, to:

- complete a full Poverty Reduction Strategy Paper (PRSP) and implement the strategy for a least one year,
- continue implementing strong macroeconomic and structural policies supported by the IMF's Poverty Reduction and Growth Facility (PRGF) programme, and
- implement a set of social, structural and institutional reforms.

As a result of HIPC, the value of Tanzania's total external debt will be reduced over time by about 54 percent. Debt service as a percentage of government revenue will be reduced from 19 percent in 2000/01 before HIPC assistance, to an average, after HIPC relief, of 7.7 percent between 2001 and 2011 and 4.4 percent between 2011 and 2021. The money that is freed up by this debt relief will be used to pay for the anti-poverty activities set out in the Poverty Reduction Strategy Paper.

*So there is no doubt that debt cancellation alone will not be enough. The available resource envelope will have to be torn up and replaced by an entirely new realism about the challenge of poverty and HIV/AIDS in the years ahead.
(30 May 2001 www.debtchannel.org)*

Note 5: Priorities in Agriculture

The Agriculture Sector Development Strategy (ASDS) will increase farmer's incomes and national food security. This will be possible through increasing the productivity and profitability of agriculture and livestock production and thus reducing rural poverty. The strategy outlines several new ways of making this happen. These include the following economic, political and technical ideas:

- creating a policy environment which makes investment in agriculture an attractive proposition
- implementing macroeconomic policies (tax reforms and exchange rates) to make the sector competitive in the region and internationally
- creating an administrative and legal environment which reviews and harmonises agricultural legislation, streamlines procedures for land acquisition, and makes it easier for stakeholders to influence commodity boards
- making sure that the ASDS continues to be cross co-ordinated with other development policies such as those dealing with land and water resources, rural infrastructure, the fight against HIV/AIDS, environmental management, better use of labour saving

technologies, gender, and all those initiatives aimed at helping people to develop their knowledge and skills

- empowering local communities by giving responsibility for implementing the ASDS to the district, agricultural development programmes
- building partnerships between agro-industries and contract growers to ensure a steady flow of inputs, credit and outputs between the two
- encouraging the private sector to work together with government in providing support services, input and output marketing, and investment in agricultural infrastructure
- adding value through domestic processing and reducing post-harvest losses
- producing a wider range of products for targeted markets
- introducing a range of measures to strengthen markets for agricultural inputs and outputs. These will include:
 - improving roads and other rural infrastructure
 - collecting and distributing information about markets
 - improving support services such as agricultural research and extension, training etc
 - improving access to micro-finance
 - promoting cross-border trade
 - promoting agro-processing
 - developing independent and efficient farmer's organisations
 - developing a sound policy for food security



Economics – what the big words mean

The English word ‘**economy**’ comes from the Greek word ‘*oikonomia*’ which means ‘household management’ and it refers to what people do about wealth.

Economics is that branch of knowledge which deals with the production, consumption and transfer of wealth. The economy of a country is measured in terms of the production and consumption of goods and services and the supply of money.

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Economic Development. In the 1950s and 1960s economic development was measured in terms of growth of average income per person. The growth happened as the main source of the nation’s wealth moved from the agriculture sector to manufacturing and the service industries. But it became obvious that the results of this kind of growth (poverty, pollution and political unrest) were not what most people wanted.

In the 1970s economic development was thought to be a matter of reducing or eliminating unemployment, inequality

and poverty. This ‘basic needs’ approach tried to make sure that everybody had access to food, shelter, good health and education.

In more recent times the definition has broadened to suggest that economic development should lead to a situation where individuals and societies are self confident and self reliant through being active, prosperous, and free from unfair dependency on other people, nations or institutions.

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Primary, Secondary and Tertiary Sectors of the Economy:

- Primary Sector = agriculture and the extraction of raw materials eg forestry, fishing and mining.
- Secondary Sector = the manufacturing sector which produces final goods from raw materials eg textiles, buildings, motor cars etc.
- Tertiary Sector = services and commerce eg repair of machines, public administration, medical care, transport and communication, banking, teaching etc

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Free Market Economics suggest that governments should not interfere with the way that business is done. The idea is that where many businesses are free to compete with each other then prices will sort themselves out and the economy will be as efficient as it possibly can be. The problem with the theory is that unless the government takes at least some action then public amenities and services will be neglected and the rich will get richer while the poor get poorer.

Tanzania's recent macroeconomic achievements *"reflect the government's continued efforts at laying the foundation of a modern, diversified economy through accelerated implementation of structural reforms aimed at removing the remaining constraints for private investors, increasing the efficiency of the economy and creating an environment for private sector led growth."* (PER)

Welfare refers to government support for the poor, and particularly to the free or subsidised supply of certain goods and services – for example health and education.

Welfare Economics is found in countries where the government takes responsibility for protecting and promoting the social security and welfare of its citizens. This usually includes the 'cradle to grave' supply of universal medical care, insurance against sickness and unemployment, old age pensions, family allowances, public housing and so on. Welfare states have existed in various parts of the world since the 1880s but have been criticised in recent times because they are thought to destroy the self-reliance of citizens.

Safety nets are traditionally provided by family and community networks and the government can support these by

- cash or income transfers, such as pensions, child allowances etc,
- transfers in kind, such as food subsidies, housing subsidies, energy subsidies, feeding programs, or
- providing income to vulnerable people by providing jobs, in an emergency situation, through a public works program.

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Gross Domestic Product (GDP) is a measure of the total amount of wealth created in a country over a given period of time – this means the total value of all the goods and services created and exchanged for money. If the total for this year is 1 percent higher than for last year then the growth in GDP is 1 percent. But the GDP is famous for ignoring a lot of valuable work that could be included – for example running a household and family by cooking and fetching fuel and water, and also people building their own houses from local materials and growing food for their own use.

Gross National Product (GNP) is the same sort of thing as GDP but it includes imports and exports.

Real Growth: for both GDP and GNP, if the measured growth is 7 percent per year but inflation has been 5 percent per year then the ‘real growth’ will have been only 2 percent per year.

Inflation is a measure of how much prices rise between one year and the next. This is often based on the cost of filling an average shopping basket.

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Government Revenue is the government’s annual income from which it meets all the public expenses. A large part of the revenue comes from tax but there is also non-tax revenue from licences and fees and the possibility of loans and grants.

Tax is gathered by the Government from personal income and business profits (direct tax) or is added to the costs of some goods, services and transactions (indirect tax). Tax makes a up a large part of the government revenue. Some kinds of tax are harder on poor people than on rich people.

Public Expenditure is what the government spends its money on. The Government very rarely has as much money as it needs and it therefore has to decide how much to spend on different Ministries eg Education OR Health OR Roads. There is also the problem of deciding how much to spend to support issues that cut across several different ministries eg rural development, gender, employment etc.

Government Budgeting involves gathering information about possible revenue and expenditure and making decisions accordingly. In Tanzania the process is influenced by the Medium Term Expenditure Framework (MTEF), the Public Expenditure Review (PER) the Poverty Reduction Strategy Paper (PRSP) and a range of sectoral policy documents. Present policies support moving away from state ownership and welfare towards a more free-market and private-sector led style of economic development.

Public Expenditure Review (PER)

Each year the PER process provides an independent review of budget performance which is aimed at strengthening the budget management system. The PER working group includes donors, local researchers and representatives of civil society.

Medium Term Expenditure Framework (MTEF)

The Medium Term Expenditure Framework provides a strategy for how the government spends its money over a three year period. The framework includes a focus on defined priorities and it makes sure that spending is consistent with the

macroeconomic stability which is needed for sustained growth.

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Fiscal Policy describes how the government manages its taxation and expenditure which together make up its budget. The fiscal policy can influence the activities of both central and local government.

Monetary Policy describes how the government or the central bank varies the amount of money which is available, the cost and availability of credit, and the composition of the national debt.

Exchange Rate Policy decides the foreign currency price of one unit of the local currency.

Macroeconomic Policy balances fiscal, monetary and exchange rate policies so as to:

- control the level of economic activity, the price level and the balance of payments
- divide up productive resources between the public and private sectors and different parts of the public sector and

- influence the distribution of income and wealth both through taxation and through the pattern of public expenditure

Note: economic experts disagree about the relative importance of fiscal and monetary policies for controlling a nation's economic activity.

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Grant – a gift of money or technical assistance from one country to another which does not have to be repaid.

Loan – the transfer of money which must be repaid with interest over a fixed period of time. 'Hard' loans charge the market rate of interest while 'soft' loans charge a

lower rate of interest. (see Note 4: HIPC and Debt Relief)

Tied Aid – where the receiving country must use grants and loans to buy equipment and technical assistance from the donor country.

Foreign Aid – the international transfer of public funds in the form of loans, grants or technical assistance either directly from one government to another (bilateral assistance) or indirectly through multilateral assistance agencies like the World Bank.

Technical Assistance – foreign aid in the form of experts rather than in the form of money.

Acknowledgements

This plain language guide demonstrates the commitment of government to making the Poverty Reduction Strategy Paper (PRSP) a participatory and living document.

The government wishes to acknowledge the contribution of all stakeholders to the production of the PRSP First Progress Report. In particular it wishes to acknowledge the work of Hakikazi Catalyst (a local Civil Society Organization) in producing this plain language guide.

Particular thanks are due to Emmanuel Kallonga of Hakikazi Catalyst (www.hakikazi.org) for coordinating and managing the overall process; to George Clark of the Caledonia Centre for Social Development (www.aledonia.org.uk), the technical backup partner to Hakikazi Catalyst, for interpreting the document and writing the plain English text; to Nathan Mpangala and Ally Masoud for producing the cartoons; to Prof H Mwansoko and Dr I Y Rubanza for translation into Kiswahili; and to the many readers, both inside and outside government, who commented on both the English and Kiswahili drafts.

Production of this guide was funded by the United Nations Development Programme (UNDP) through the Ministry of Finance.

Design and Printing:
Colour Print Tanzania Limited

Websites with information about poverty reduction

Online version of the original PRSP
www.imf.org/external/np/prsp/2000/tza/02/index.htm
www.tzonline.org/pdf/FinalPRSP25

Tanzania without Poverty
www.hakikazi.org/eng

Tanzania bila Umasikini
www.hakikazi.org/twp

Online versions of this document:
English - www.hakikazi.org/eng2
Kiswahili - www.hakikazi.org/twp2

The Tanzania National Website
www.tanzania.go.tz

Tanzania On-line
www.tzonline.org

Tanzania at the World Bank Website
www.worldbank.org/hipc/country-cases/tanzania/tanzania.html

Tanzania at the International Monetary Fund website
www.imf.org/external/country/tza/index.htm

The Jubilee 2000 Coalition
www.jubilee2000uk.org/

The Debt Channel
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The Bretton Woods Project
www.brettonwoodsproject.org

European Network on Debt and Development
www.eurodad.org/

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www.attac.org/indexen.htm

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www.pambazuka.org/