

## EXECUTIVE SUMMARY

### 1.0. INTRODUCTION

The second PRS progress report is a product of a consultative process involving stakeholders in government, civil society, private sector and development partners. The preparation of the report benefited from views gathered through the Participatory Poverty Assessment (PPA) exercise, which was carried out within the context of the Poverty Monitoring System, with particular focus on vulnerability. It also benefited from the Poverty Policy Week, which was held for the first time in September this year, drawing participation from a wide range of stakeholders and from the Consultative Group meeting held in December 2-5.

### 2.0. POVERTY STATUS

The poverty status comprises both income poverty and non-income poverty.

#### 2.1. Income Poverty:

The report on the status of poverty is based on the Household Budget Survey of 2000/01, which was carried out as part of the Poverty Monitoring System and the Integrated Labour Force Survey of 2000/01. The analysis has enabled Tanzania to establish baseline data for poverty and has facilitated revision of the PRS targets.

- Results show that 18.7 percent of the Tanzanians live below the food poverty line and 35.7 percent live below the basic needs poverty line. Poverty is more severe in rural areas compared to urban areas. Indeed among the total poor population, the urban poor constitute about 13% compared to 87% in rural areas. Dar es Salaam has the least incidence of poverty. There is also growing inequality as shown by the rise in the Gini coefficient from 0.34 in 1991/92 to 0.35 in 2000/01.
- Urban poverty is also a matter of serious concern. Notable features are in the area of low and uncertain incomes for people in the informal sector, limited formal employment opportunities particularly for youth, especially girls, lack of access to credit for business and housing for low income groups. There is also the problem of inability to afford decent and adequate housing for people living in unplanned settlements.

#### 2.2. Non-Income Poverty:

The non-income poverty covers 4 main categories, namely: (i) human capabilities, (ii) survival, (iii) nutrition, and (iv) extreme vulnerability.

- Human capabilities:

Notable here is the impressive performance in the education sector attributed to the implementation of the Primary Education Development Programme (PEDP). There are dramatic increases in the intake in primary schools with gross enrolment reaching 100.4 percent in 2002 compared to 77.6 percent in 1990, and net enrolment rising from 58.8 percent in 1990 to 85 percent in 2002. The challenge is how to further improve the quality of education, the learning environment, eliminate gender inequality at all levels, health and other basic services. It is the government's resolve to address all these issues appropriately.

- *Survival:*

*There has been an increase in the use of improved sources of drinking water in rural areas over the 1990s. But more efforts will be made to ensure that adequate resources are allocated to the provision of rural water. There are indications of slight increases in infant and under-five mortality rates in recent years, attributed mainly to HIV/AIDS pandemic. This poses a major challenge as far as the PRS targets are concerned.*

- *Nutrition:*

*Little progress was achieved during the 1990s with regard to the improvement of nutrition rates for children. There are significant disparities in the levels of under-nourishment between rural and urban areas, and between children from poorer and richer households.*

- *Extreme Vulnerability:*

*The PRS recognizes vulnerability as an important aspect in initiatives towards poverty reduction. However, setting targets and quantitative measures of extreme vulnerability remains a challenging task in the absence of a clear understanding of the concept and its manifestations in Tanzania. It is expected that the findings of the PPA will enhance this understanding and guide the design of effective policy interventions.*

### **2.3. Millennium Development Goals and the PRS:**

*Tanzania is committed to the Millennium Development Goals (MDGs). Tanzania produced the first report on progress towards the MDGs in 2001 and a report on costing the achievements of the MDGs in 2002. The report also indicated the likelihood of achieving the targets for Tanzania. The government has put in place a sound policy framework for poverty reduction and a comprehensive Poverty Monitoring System to monitor progress towards the MDGs.*

### **3.0. MACRO LEVEL PERFORMANCE AND LINKAGE TO THE MICRO LEVEL**

*The performance of the Tanzanian economy at macro level has been impressive and Tanzania is viewed as one of the top most improved countries in Sub-Saharan Africa. There have been notable improvements in fiscal performance, which ensured macroeconomic stability and growth achieved over the past recent years. This has enabled the government to steadily increase budget allocations to PRS priority sectors mostly education, health, water, agriculture and rural roads.*

*The HBS 2000/01 results report improvements in housing conditions, increased possession of consumer durables, decrease in distance to markets, shops, public transport etc., which are all pointers to improvement in welfare as a result of good macroeconomic performance.*

*Transforming this impressive macro performance into micro level benefits remains a big challenge for the government, and continues to be explored further. The Government is committed to strengthening ties between the rural and urban economy, improve rural infrastructure, encourage development of SMEs, facilitate provision of micro credits, strengthen local capacity and strive to achieve a more broad based economic growth. The government also seeks to ensure that poverty reduction continues to occupy center stage in the macro and sectoral policies.*

#### 4.0. **IMPLEMENTATION STATUS OF THE PRIORITY SECTORS**

*The implementation status is based on various performance reports of the sectors and covers all the PRS priority sectors, namely: Agriculture, Primary Education, Rural Roads, Water and Sanitation, Legal and Judicial System, and Health. In each of these sectors this progress report gives progress and achievements in relation to the last year's planned activities, lessons learned and challenges ahead, planned interventions or next steps and costing of the interventions. Given that the baseline data on the key indicators has now been established, future PRS progress reports will go beyond sector performance reports into tracking changes in the impact and outcome indicators.*

#### 5.0. **CROSS-CUTTING ISSUES**

- *The PRS has identified certain cross cutting issues that need to be addressed as they have a bearing on initiatives towards poverty reduction. These include environment, gender, good governance, HIV/AIDS and employment. Efforts are on the ground to address all these especially in capturing the dynamics underlying each one of them and their relation to poverty.*

- *Local Government Reform:*

*The restructuring of LGAs is an ongoing process. The reform programme is aimed at reorganization of structures of LGAs to meet the challenges of delivery of quality services. There is currently a Fiscal Decentralization Task Force (FDTF) established in November 2001 with the objective to establish stronger coordination with regard to the implementation of fiscal decentralization so that councils can have stronger financial autonomy and vibrant revenue bases.*

#### 6.0. **POVERTY ORIENTATION OF THE 2002/03 BUDGET**

*The budget remains the key instrument in our ongoing efforts to consolidate further the macroeconomic situation and provides an environment conducive to poverty reduction. The implementation of the Poverty Reduction Strategy depends on the resources available from domestic as well as foreign sources. Financing of the PRS is outlined in the Medium Term Expenditure Framework (MTEF), and is annually reviewed through the PER process. An important development to note is the substantial increase in resources going to the priority sectors in line with the PRS objectives.*

*Given the importance of SMEs in employment creation and poverty reduction, the budget for 2002/03 has provided support to the SMEs. The government continues with the reform and privatization of the remaining parastatals, particularly those providing economic services. The aim is to increase their productive efficiency and reduce the burden on the government budget.*

*On the revenue front, the government has taken measures that aim at enhancing revenue collection, protecting the vulnerable and ensure that privatization contributes to economic growth, employment creation and poverty reduction.*

#### 7.0. **POVERTY MONITORING SYSTEM**

*One of the innovations undertaken in Tanzania is the establishment of a comprehensive Poverty Monitoring System. The system is now fully operational and is implemented through four (4) technical working groups. These are (i) Censuses and Surveys, (ii) Routine*

*Data System, (iii) Research and Analysis; and (iv) Dissemination, Sensitization and Advocacy.*

- *The Technical Working Groups have representation from a wide range of stakeholders including Government, civil society organizations, representatives from development partners, private sector, and research and academic institutions. They have completed the Household Budget Survey (HBS 2000/01) and Integrated Labour Force Survey. These surveys have greatly informed on the status of poverty in the country. Recently the National Population and Housing Census was carried out throughout the country, the results of which will be published in the near future. Capacity building for data collection and processing at the local government levels is also being addressed.*
- *Studies have been carried out in the areas of poverty and vulnerability, macro-micro linkage, urban poverty and geographic diversity of poverty. The first Poverty and Human Development Report has been prepared and Participatory Poverty Assessment (PPA) exercise conducted to get people's own assessment of poverty. Popularization of policies and strategies on poverty, targeting both upstream policy level and down stream actors has been done. For the first time the Poverty Policy Week was held in September 2002. It is planned that this becomes an annual event to provide a more formal forum for stakeholders' participation in the national dialogue to inform poverty reduction initiatives and feedback.*
- *The Government views the PMS as an important vehicle for generating information that will better inform policy interventions. The government has thus included the cost of poverty monitoring in its budget for 2002/03 financial year and will continue to do so in future budgets. It has created a budget line under the Vice President's Office for this purpose. Out of about 2.5 billion shillings required for implementing activities of the PMMP during 2002/03, the Government has already committed Tshs. 1.1 billion. A line item has also been established for capacity building on poverty related issues.*