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POVERTY AND HUMAN DEVELOPMENT REPORT 2009

Research and Analysis Working Group
MKUKUTA Monitoring System
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LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ANC	Antenatal Care
ART	Anti-Retroviral Therapy
ARV	Anti-Retroviral
BEST	Basic Education Statistics Tanzania
BoT	Bank of Tanzania
CBO	Community-Based Organisation
CGD	Center for Global Development
CHRGG	Commission for Human Rights and Good Governance
CSO	Civil Society Organisation
DPG	Development Partners' Group
DPs	Development Partners
DPP	Director of Public Prosecutions
DPT-HB3	Diphtheria, Pertussis (whooping cough) and Tetanus + Hepatitis B (3 doses)
ECD	Early Childhood Development
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EPI	Expanded Programme of Immunisation
ESDP	Education Sector Development Programme
FBO	Faith-Based Organisation
FDI	Foreign Direct Investment
GBS	General budget Support
GDP	Gross Domestic Product
HBS	Household Budget Survey
HH	Household
HIV/AIDS	Human Immuno-Deficiency Virus/ Acquired Immune Deficiency Syndrome
HMIS	Health Management Information System
ILFS	Integrated Labour Force Survey
ILO	International Labour Organisation
IPT	Intermittent Preventive Treatment (of malaria)
ITN	Insecticide-Treated Nets
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant
LGRP	Local Government Reform Programme
LOGIN	Local Government Information (website)

MAAM	Mpango wa Maendeleo ya Afya ya Msingi (Swahili for Primary Health Sector Development Programme (PHSDP))
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goal
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini (Swahili for National Strategy for Growth and Reduction of Poverty (NSGRP))
MAFSC	Ministry of Agriculture, Food Security and Cooperatives
MoCAJ	Ministry of Constitutional Affairs and Justice
MoEVT	Ministry of Education and Vocational Training
MoFEA	Ministry of Finance and Economic Affairs (formerly Ministry of Finance)
MoHSW	Ministry of Health and Social Welfare (formerly Ministry of Health)
MoLYDS	Ministry of Labour, Youth Development and Sports
MoWI	Ministry of Water and Irrigation
MMR	Maternal Mortality Ratio
MPEE	Ministry of Planning, Economy and Empowerment
MTEF	Medium Term Expenditure Framework
MVC	Most Vulnerable Children
NACP	National AIDS Control Programme (within the Ministry of Health and Social Welfare)
NAO	National Audit Office
NGO	Non-Governmental Organisation
NBS	National Bureau of Statistics
NER	Net Enrolment Ratio
NMCP	National Malaria Control Programme
NSGRP	National Strategy for Growth and Poverty Reduction
OCGS	Office of the Chief Government Statistician [Zanzibar]
O&OD	Opportunities and Obstacles for Development
OVC	Orphans and Vulnerable Children
PEDP	Primary Education Development Programme
PEFAR	Public Expenditure and Financial Accountability Review
PER	Public Expenditure Review
PHDR	Poverty and Human Development Report
PHSDP	Primary Health Sector Development Programme (see also MAAM)
PMO	Prime Minister's Office
PMO-RALG	Prime Minister's Office – Regional Administration and Local Government
PMTCT	Prevention of Mother-to-Child Transmission of HIV
PO	President's Office
PO-PSM	President's Office – Public Service Management

PRSP	Poverty Reduction Strategy Paper
PSLE	Primary School Leaving Examination
RAWG	Research and Analysis Working Group (within the Ministry of Finance and Economic Affairs)
REPOA	Research on Poverty Alleviation
RITA	Registration Insolvency and Trusteeship Agency
SEDP	Secondary Education Development Programme
SGR	Strategic Grain Reserve
SMEs	Small and Medium Enterprises
TACAIDS	Tanzania Commission for HIV/AIDS
TASAF	Tanzania Social Action Fund
TAWASANET	Tanzania Water and Sanitation Network
TB	Tuberculosis
TDHS	Tanzania Demographic and Health Survey
TDS	Tanzania Disability Survey
TFNC	Tanzania Food and Nutrition Centre
THIS	Tanzania HIV/AIDS Indicator Survey
THMIS	Tanzania HIV/AIDS and Malaria Indicator Survey
TRA	Tanzania Revenue Authority
TRCHS	Tanzania Reproductive and Child Health Survey
Tshs	Tanzanian Shillings
TVET	Technical and Vocational Education and Training
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNICEF	United Nations Children's Fund
UNRISD	United Nations Research Institute for Social Development
URT	United Republic of Tanzania
USD	United States Dollar
VCT	Voluntary Counselling and Testing
VETA	Vocational Education and Training Authority
VOP	Views of the People
VPO	Vice President's Office
VRP	Vital Registration Programme
WFP	World Food Programme
WHO	World Health Organisation
WSDP	Water Sector Development Programme

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EXECUTIVE SUMMARY

The Poverty and Human Development Report (PHDR) is a key output of the Government of Tanzania's poverty monitoring system. It provides consolidated analysis of progress towards national development goals as well as discussion on important socio-economic issues affecting the country. PHDR 2009 is the fifth report in the series since 2002, and marks the end of the first phase of the National Strategy for Growth and Reduction of Poverty 2005-2010 (commonly known by its Swahili acronym, MKUKUTA). The report highlights the achievements and challenges of the first phase of MKUKUTA and looks ahead to inform the next phase of Tanzania's development strategy.

As for earlier years, PHDR 2009 comprehensively reviews progress towards key development targets based on the national indicator set for MKUKUTA's three major clusters of desired outcomes: Cluster I – growth and reduction of income poverty; Cluster II – improvement of quality of life and social well-being; and Cluster III – governance and accountability. Two thematic chapters are also included in this year's report. Expanding on the status of income poverty outlined in Cluster I, Chapter 2 more closely examines households' economic well-being in Tanzania since 2000/01, while Chapter 3 discusses the role and principal functions of the State in economic management – a topic of central and immediate importance towards realising the vision of socio-economic transformation in Tanzania.

Progress Towards the Goals of Growth, Social Well-being and Governance

Growth and Reduction of Income Poverty

The rate of economic growth per annum has risen strongly over the last decade from 4.1% in 1998 to 7.4% in 2008, which is historically high for Tanzania and comparable to the fastest growing economies in sub-Saharan Africa. However, growth in 2009 is expected to fall to 5% as a result of the global economic crisis, before recovering to 7.5% by 2012. Analysis of growth rates by sector, based on the revised series of national accounts produced in 2007, indicates continuing but modest structural change. The services sector has become a dynamic component of the national economy with annual growth rates of 7.5% since 2000. Communications is the fastest growing services sub-sector, averaging 14% per annum over this period. Services now make up 48% of total GDP. The manufacturing sector has also grown strongly – at around 8% per annum since 2003 – and accounted for 9.4% of total GDP in 2008. In comparison, the agriculture sector has performed less well, averaging 4.4% growth since 2000, well below MKUKUTA's target of 10% by 2010. The sector's contribution to GDP has declined to 24% in 2008.

Timely increases in official aid receipts and the passage of a stimulus package in the Government's 2009/10 budget are helping to minimise the impact of the global recession domestically, but the full scope and depth of the downturn on Tanzania are not yet known.

Consistent with the expected contraction in growth, key aspects of the economy have been affected. Tax revenues as well as earnings from traditional exports and tourism have fallen, though higher gold prices have helped limit the overall decline in export earnings, and reduced oil prices partially contained increasing import expenditures. Inflation has also risen sharply reaching 10.3% in 2008. Despite significant declines in global oil and food prices in the last quarter of 2008, local pump prices have not declined commensurately and food shortages in some parts of the country and in neighbouring countries have put pressure on local food prices. Positively, the banking system in Tanzania appears to have weathered the crisis, with capital adequacy, loan performance and returns to capital all reflecting financial sector soundness. However, Tanzania's banking system was in part insulated due to the limited international linkages of the financial sector, and the lack of depth, diversification and competition for domestic banks. There is still inadequate lending for local investment to raise productivity and promote broad transformation of the economy. The interest rate spread remains high – 12.5% in 2008 – effectively deterring savings and investments by small and medium-scale enterprises.

While the macro-economic outlook is favourable compared with many other developing countries, new data indicate that the strong growth rates over the last decade have not led to significant declines in poverty rates. Income poverty rates changed little between 2000/01 and 2007, as reflected in the nearly constant levels of household consumption and income inequality over this period. Nationally, household consumption per capita increased by only 5%, implying an average change of 0.8% annually. Nominal household consumption remains extremely low. Almost 98% of households spend less than TShs 58,000 per month per adult equivalent on food and basic necessities (2007 prices), and approximately 80% spend less than TShs 38,600 per month or TShs 1,380 per day. Household expenditure patterns and rates of asset ownership are consistent with the finding that income poverty levels have barely changed. Overall, the proportion of Tanzanian households below the basic needs poverty line fell from 35.7% to 33.6%. Given that the incidence of poverty declined only slightly while the population continued to grow, the estimated number of Tanzanians living in poverty increased to 12.9 million in 2007. Poverty remains an overwhelmingly agricultural phenomenon, and particularly among households whose major source of income is from crop production. The majority of Tanzanians are still smallholder farmers, but agriculture is the least remunerative sector in the economy. The household poverty rate in rural areas is 38%, compared with 24% in other urban areas and 16% in Dar es Salaam. The large proportion of the population engaged in agriculture and high rural poverty rates combine to explain why three-quarters of the poor are dependent on agriculture.

The apparent contradiction between robust GDP growth on one hand and small changes in household consumption and inequality on the other may in part be explained by examination of disaggregated GDP data in the national accounts. The share of household consumption in total GDP declined from 77% to 73% between 2000/01 and 2007, compared to a rise from 16% to 24% for investment and government consumption from 12% to 18%. While recent growth has not translated into immediate reductions in poverty, the increased capital investments and the expansion in public spending, in areas such as roads, education and healthcare services, may underpin longer-term benefits for households and provide the foundation for future reductions

in poverty. Nonetheless, the challenge remains to link poor households, particularly smallholder farming households, to the national growth story by enhancing their capabilities and accessibility to inputs and technological improvements for increased productivity.

Improvement in Quality of Life and Social Well-being

Education

Overall results for the education sector show continued expansion in access to pre-primary, secondary and tertiary education. Poor rural children especially have benefited from improved access to primary and secondary education. Nonetheless, the enrolment of the poorest children in secondary and higher levels of education – and hence the benefit they derive from government spending for education – remains far behind that of the least poor. Expanded efforts will be required to ensure poor and disadvantaged children are enrolled in and attend school. Key indicators – including examination pass rates and primary to secondary transition rates – have also deteriorated recently, highlighting the persistent challenges of achieving educational quality. Moreover, increases in education funding in recent years have not flowed through to technical and vocational training so that young people develop the skills required to secure decent livelihoods.

Health

The rate of infant and under-five mortality has continued to decline, and Tanzania is on track to meet the MKUKUTA goal in 2010 and even the MDG for under-five mortality in 2015 (MDG 4). The extraordinary improvement in child survival since 1999 is most likely explained by gains in malaria control. However, neonatal mortality has declined to a much smaller extent and now accounts for a growing share of under-five deaths. Maternal mortality has also remained exceedingly high over the past decade with no improvement. Encouragingly, HIV prevalence rates have declined for both men and women, and across all age groups, including among youth (15-24 years), which is a key indicator of new infections. Care and treatment services for HIV and tuberculosis have also shown performance improvements, following major increases in external support. Indicators of general health service delivery, however, do not exhibit significant improvement. HBS 2007 data show that distance to the nearest health facility has marginally decreased, and the proportion of Tanzanians consulting healthcare providers when ill has remained almost the same. However, findings show a remarkable shift in utilisation away from private providers and towards government facilities, which will place increasing pressure on the public health system.

Water and Sanitation

The new Water Sector Development Programme promises positive change in the water sector, but improvements in water coverage are not yet evident. The latest survey data show a downward trend in access to clean and safe water in both urban and rural areas. At the current rate of progress MKUKUTA and MDG targets for water supply are out of reach. HBS 2007 data also show that poorer households are paying more for water than wealthier households as a proportion of total household expenditure.

Social Protection

The 2006 Integrated Labour Force Survey (IFLS) found that 25% of rural children and 8% of urban children were working in conditions deemed to be child labour, most of which is time-excessive. These children are required by their families to perform domestic chores and/or help out on the farm for such long hours that it may jeopardise school attendance or performance. The Tanzania Disability Survey 2008 – the first rigorous national survey of disability in Tanzania – shows that only 40% of children with disabilities are attending primary school, an attendance rate which is less than half the rate for Tanzanian children overall. Positively, the attendance rate of orphaned children is very similar to that of children who have not been orphaned.

The Household Budget Survey (HBS) 2007 paints a mixed picture of the vulnerability of the elderly, with the poverty rate among households with only elderly persons well below the national average. However, the HBS also revealed that over 80% of elderly people who reported attending government health facilities had to pay for services (for medicines, laboratory tests or a consultation fee). The exemption policy stipulates that exemptions be extended to elderly people (aged 60 years and over) who are unable to share the costs.

Poverty in households with only children and elderly persons is slightly higher than among the population as a whole, but not so different that targeting such households based on this categorisation alone would be an effective strategy. In general, targeting is problematic where there is widespread poverty, and many people live close to the poverty line, as is the case in Tanzania.

Governance and Accountability

Since 1997, the Tanzanian Government has been engaged in transferring the duties and financial resources for delivering public services from central government ministries to local government authorities (LGAs) – a process of decentralisation by devolution. The long-term goal of local government reform is to reduce the proportion of Tanzanians living in poverty, by improving citizens' access to quality public services provided through autonomous local authorities. Key components of the fiscal reforms include provision of formula-based allocations to LGAs for recurrent expenditures in six key sectors – education, health, local roads, agriculture, water and administration – and a new joint donor-Government funded block grant for development, the Local Government Capital Development Grant (LGCDG). In particular, the introduction of formula-based financial allocations based on population and other needs-based criteria aimed to gradually redress disparities in funding between districts.

Data show that 98% of councils have qualified for the LGCDG in the 2009/10 budget. However, formula-based allocations, which are predominantly composed of personal emoluments (PE) for staff, have not yet been fully implemented. Staff recruitment and deployment have remained largely centralised. The prevailing practice allocates staff and funds based on staffing norms for district facilities. Districts with existing facilities, therefore, tend to receive greater funds than districts with limited facilities and staff, hence perpetuating historical disparities in financial and human resources and, in turn, service provision and outcomes. Analysis also indicates that local expenditure patterns are largely driven by the fiscal transfer system, which limits the discretion of local authorities to

revise allocations based on identified local needs. With little locally-generated revenue and tight budgets compared with responsibilities, LGAs still have limited autonomy in spending.

Despite these constraints, the latest round of the Afrobarometer survey in 2008 found that a majority of citizens were satisfied with government education and health services, with more rural residents expressing approval of government efforts in these sectors than urban residents. In contrast, less than half of all respondents were satisfied with water services, reflecting continued low levels of access to clean and safe water supplies. Of additional concern, the number of LGAs with clean audit reports from the National Audit Office dropped from 81% in 2006/07 to 54% in 2007/08, a result partly due to conflicting instructions received by LGAs about the preparation of their accounts. A higher proportion of respondents in Afrobarometer 2008 also held the opinion that local councillors were involved in corruption than in the previous round of the survey in 2005. Overall, therefore, the process of strengthening fiscal autonomy and transparency in local government authorities and, in turn, improving service delivery appears to be progressing slowly. Of further note, the financial management by central government ministries, departments and agencies (MDAs) generally shows improvement over time. The percentage of MDAs which received a clean (unqualified) audit certificate rose from 34% in 2004/05 to 76% in 2006/07, but fell back to 71% in 2007/08.

Another important goal of the governance cluster is to improve personal and material security and to reduce crime. The Afrobarometer 2008 revealed mixed perceptions on public safety. Positively, a substantial majority of the citizens surveyed did not fear crime in their homes and had not experienced theft from their home over the past year. However, the percentages of respondents who reported trust in the police and courts of law declined between 2005 and 2008. The proportion of respondents who trusted the police 'somewhat' or 'a lot' fell from 85% in 2005 to 60% in 2008. Similarly, citizens' level of trust in the courts of law ('somewhat' or 'a lot') diminished from 85% in 2005 to 73% in 2008.

Policy Implications

The MKUKUTA target to reduce income poverty by half by 2010 is now out of reach, and Tanzania faces a huge challenge to achieve MDG1 by 2015. To do so annual real consumption growth of 3.2% per capita will be needed, which is four times higher than that achieved between 2000/01 and 2007. Since Tanzania's level of income inequality is low, even by international standards, redistribution of income is not likely to be effective. A strongly focused approach to sustain and accelerate growth is needed that fully exploits Tanzania's comparative advantages and propels domestic employment and productivity – and, in turn, incomes and consumption levels – particularly in rural areas.

Encouragingly, from a policy perspective, a significant proportion of households have consumption levels not far below the poverty line. Households, too, are already diversifying out of agriculture to improve well-being. Indeed, diversification of income-generating activities is occurring across all wealth quintiles. However, the success of households in diversification varies markedly. The least poor households earn approximately eleven times more in non-farm self-employment than

do the poorest households. It would appear that the least poor households are diversifying to exploit opportunities, while the poorest households are doing so out of desperation and for survival. These findings have strong implications for the development of MKUKUTA II. Given that the majority of Tanzanians will continue to reside in rural areas and derive their livelihoods from farming, it is imperative that interventions raise agricultural productivity. Policies are needed that go beyond liberalisation to include incentives for smallholder farmers to engage in new productive patterns of investment and exchange, and that facilitate smallholder access to technical and management know-how, capital and financing, and connections to local and international markets. Promotion of appropriate forms of organisational and institutional arrangements for coordinating smallholders is central for successful agricultural growth and transformation. *Kilimo Kwanza* (Agriculture First) is part of this push towards agricultural transformation.

Strategic investments in human capabilities and physical capital are needed in the decade ahead underpinned by sound governance and efficient public spending. Business surveys commonly report that a major constraint to investment in Tanzania is the lack of adequately skilled workers. The growth strategy must, therefore, prioritise investment in quality education, including vocational training to meet the demands of the labour market. Expansion of apprenticeship schemes and mentoring systems are urgently needed, including innovative partnerships with the private sector. Improving the provision of electricity and water will also be essential to reduce the substantial 'added' costs to business of maintaining supply of these key utilities, and increased investment in both roads and port facilities are needed to realise Tanzania's comparative advantage as a trade and transport hub for neighbouring landlocked countries. Overcoming these constraints will further unlock the potential of the manufacturing sector to spur growth and employment, especially if linkages with other sectors – particularly agriculture and natural resources (forestry, minerals and fisheries) – are strengthened.

Faster and broad-based economic growth will not be possible without a deepening of the local financial sector. Institutional and legal weaknesses which deter banks from assuming risk and extending credit to domestic initiatives, especially small- and medium-scale enterprises and the agricultural sector, must be addressed. For bank intermediation to deepen, legal and regulatory systems and information frameworks for both creditors and borrowers need to be strengthened. Greater competition among banks also needs to be promoted to encourage development of financial products adapted to meet local needs.

At the same time, the efficient and effective allocation of limited public resources is required to ensure delivery of basic social services. Strong commitment by the Government to the local government reform process – including greater devolution of staffing control to LGAs and full implementation of formula-based allocations – will be needed to achieve autonomous and empowered district councils, and to address current disparities in service delivery and outcomes. Consistent with the aspirations of Vision 2025, the capacity of local services must be continuously enhanced to provide quality education from basic literacy to technical expertise, life-affirming healthcare from before birth to end of life, universal access to clean and safe water supplies, and social protection for the vulnerable that supports the development of individual and community capabilities.

Monitoring Implications

A comprehensive review of the national indicator set is recommended for the next phase of MKUKUTA. Specific suggestions for new or revised indicators have been made for current clusters – for example, additional indicators are needed to better measure progress in educational quality, water access, and the financial and human resources of local government authorities. Moreover, the global economic crisis has highlighted the critical need for improved capacity and systems to identify the causes and assess the impacts of exogenous shocks to the domestic economy so as to facilitate immediate policy response, including appropriate public spending, without compromising long-term development objectives. However, the overall monitoring system must be kept manageable – the set of indicators cannot be so long as to be impractical or overly costly to report on an annual basis – yet sufficient for strategic planning and national reporting.

The current national indicator set is largely focused on quantitative data relevant to the operations of public institutions. However, qualitative data – for example, citizens' levels of satisfaction with key services or their perceptions of local and national governance – valuably highlight issues of real public concern. The institutionalisation of regular national perception surveys would be a welcome addition to the monitoring process, and could help rationalise the myriad of small-scale surveys which are now conducted with varying degrees of reliability.

These suggestions have implications for the staffing and direction of the monitoring process, its institutional organisation and linkages with other key processes, such as planning and reporting systems, and the public expenditure review process. An open assessment of achievements and challenges of the current monitoring system will lay the foundation for enhanced monitoring and planning of the next phase of Tanzania's development.

The Role of the State in a Developing Market Economy

Commencing in 2010, MKUKUTA II will continue to focus on socio-economic growth and transformation towards realising Tanzania's Development Vision 2025. By that year, it is envisaged that Tanzania will be a country characterised by a high level of human development free of abject poverty and a competitive, innovative and dynamic economy capable of sustainable growth and broad-based benefits. Crucially, beyond the establishment of individual sector policies, interventions and targets, successful implementation of MKUKUTA II will depend upon a shared understanding of the Tanzania's long-term direction, as well as a clear recognition of the division of responsibilities among key development actors. This PHDR, therefore, examines the evolving role and principal functions of the Tanzanian State in economic management. This discussion is timely and relevant in light of emerging challenges and opportunities arising from local and global developments. It is argued that the State in Tanzania has a developmental role, one which uses a mix of non-market instruments and selective proactive engagement to facilitate markets and the development of the private sector to ensure that resources are used effectively and efficiently towards realising Vision 2025.

A strong state is essential to steer socio-economic transformation towards the national vision, and the political leadership must ensure that citizens understand the vision and see the future benefits for themselves and for society overall. Unwavering focus as well as consistent and clear communication are needed to embed the national vision into actions for collective benefits. Being a strong state, however, does not mean direct implementation of all development activities and ownership of production means by the State. Rather the state recognises the strengths and capabilities of all development actors in attaining national development goals. In other words, the state leads, providing guidance to all parties, including the private sector and local communities, towards desired outcomes. Consistent with this understanding, any direct state involvement in development activities is dependent on the state's comparative advantage in relation to other actors. For example, activities characterised by large or lumpy investments or that are public consumption in nature, such as infrastructure development, often require direct, though not necessarily exclusive, state participation.

The state also has responsibility for strengthening and aligning the institutional framework and incentive systems for implementation, including (i) the institutions of government, (ii) the private sector and civil society, and (iii) market and regulatory systems. The state must have the capacity and willingness to provide incentives for results-oriented performance. Incentives are not only important to induce new investments and innovation, but also to avoid losses or misuse of resources. Experience shows that in low-income countries selective incentives that provide realistic rents over specified timeframes can promote performance. Such incentives may be necessary for strengthening the local business sector, and are justifiable so long as they are provided for activities that have social as well as private benefits and the rents contribute towards national development. Beyond incentives, the state must proactively support and promote the private sector as a partner in socio-economic transformation. To attract businesses, political stability is required, first and foremost, followed closely by an enabling business environment characterised by reduced uncertainties and costs of doing business, as well as clear management of government and market failures, providing incentives for the private sector to assume risk. However, when promoting the private sector, the state may need to nurture the formation of strong national players in the private sector, so that they may compete effectively with international players. The challenge is to support the emergence of such national champions without succumbing to political patronage and capture, all the while maintaining a competitive environment.

All development actors, including small-scale producers, expect a reasonable degree of predictability in the economy in order to make informed decisions on investments. Thus, prudent fiscal and monetary policies are required to promote macro-economic stability and provide appropriate signals to economic agents. Moreover, the government must also ensure that macro-economic policy is firmly aligned with the developmental agenda. It is not simply an issue of determining macroeconomic policy to get the overall investment climate right, rather it is actually achieving a mutually supportive combination of macro, meso and micro outcomes. Macroeconomic policy, therefore, is used as a means to achieving the developmental goals.

Good governance assures a level and fertile ground for investment and transformation – which in turn leads to more opportunities for increased business and employment. In this sense, good governance is integral to achieving the goals of the medium-term development strategy. However, given limited institutional capacity, it is impossible to simultaneously solve all the governance problems in any low-income country. Therefore, it is vital to prioritise areas critical to development where basic good governance is crucial to successful outcomes. For example, in prioritising reforms and improving performance in areas which are central to economic growth, it is important to insulate major infrastructure investments from special interests and corrupt practices, and to strengthen the capacity of the judiciary. An empowered citizenry, civil society organisations and the media are key actors in achieving good governance and should be valued and encouraged as such by the state.

For the Tanzanian State to effectively and efficiently undertake the responsibilities outlined above, it is vital to create and maintain a highly-skilled and committed bureaucracy, backed by efficient government systems. Experiences from other developing countries show that it takes time to build and transform a bureaucracy to achieve high performance. Again, given limited resources, progressive strengthening of the bureaucracy may be appropriate, with priority on staff and systems in those institutions which are most strategic to realising the national vision of socio-economic transformation. Without a competent bureaucracy the danger exists that government itself can become an impediment to transformation.

More broadly, a skilled and healthy labour force underpins socio-economic transformation in any society. In many developing economies, public investment to date has been focused on basic education and healthcare, which is consistent with securing fundamental human rights to education, nutrition and health, embodied in the Millennium Development Goals. Going forward, it will be increasingly important to strengthen linkages in education to ensure the full development of individual and social capabilities for growth and transformation. Strategic decisions have to be made to phase and sequence the development of the human resource in line with a focused growth strategy. Improvements in the quality of primary, secondary and higher education must go hand-in-hand with expansion of access to appropriately equip students for subsequent employment. In Tanzania, the ongoing discussion about focusing government-sponsored student loans towards strategic training at the tertiary level is a move in the right direction. If well implemented, this change will provide clear signals to providers of technical and higher education, both public and private, on the types of training most needed. Competition among training institutions to attract students and state loans may also be promoted, thus raising the standard of the education. In this way, the state facilitates private-public partnerships to produce the skilled labour force required to realise the national vision.

INTRODUCTION

The Poverty and Human Development Report (PHDR) has been produced on a regular basis by the Government of Tanzania as a key output of the national monitoring system associated with its poverty reduction strategies, the PRS from 2000-2004 and the National Strategy for Growth and Reduction of Poverty 2005-2010 (*Mkakati wa Kukuza Uchumi na Kupunguza Umaskini*, commonly known by its Swahili acronym, MKUKUTA). The reports have provided consolidated national analysis of trends and outcomes in development, as well as discussion of key socio-economic issues.

PHDR 2009 is the fifth in the series published since 2002. This report marks the end of the first phase of MKUKUTA. It is a key document for reviewing the accomplishments of MKUKUTA and for examining the challenges facing the country. The report is structured in three chapters.

Chapter 1 reviews progress towards key development targets based on the national indicator set for MKUKUTA's three major clusters of desired outcomes: growth and reduction of income poverty (Cluster I); improvement of quality of life and social well-being (Cluster II); and governance and accountability (Cluster III).

Chapter 2 expands on the status of income poverty reported in the first chapter. It provides analysis of household well-being in Tanzania since 2000/01 using new data from the Household Budget Survey 2007.

Chapter 3 outlines the role and principal functions of the State in economic management and the broader socio-economic transformation of Tanzania. This discussion is central to the development of MKUKUTA II, including delineation of the roles and responsibilities of all development actors in realising the national vision.

CHAPTER

1

PROGRESS TOWARDS THE GOALS OF GROWTH, SOCIAL WELL-BEING AND GOVERNANCE

This chapter provides a consolidated view of the progress of Tanzania's National Strategy for Growth and Reduction of Poverty 2005-2010 (MKUKUTA). It uses the nationally agreed indicator set as the framework of analysis, and presents the most recent data for the goals and targets of MKUKUTA's three major clusters of desired outcomes: growth and reduction of income poverty (Cluster I); improvement of quality of life and social well-being (Cluster II); and governance and accountability (Cluster III). Conclusions and recommendations for further strengthening of the MKUKUTA Monitoring system are provided at the end of each cluster, and summary tables of statistics are provided at the end of the report.

MKUKUTA Cluster I: Growth and Reduction Of Income Poverty

The overall outcome for Cluster I of MKUKUTA is broad-based, equitable and sustainable growth. Progress towards this outcome is measured against a set of cluster-wide indicators, together with indicators for six supporting goals:

The supporting goals for the overall outcome of MKUKUTA's Cluster I are:

Goal 1:	Ensuring sound macro-economic management
Goal 2:	Promoting sustainable and broad-based growth
Goal 3:	Improving food availability and accessibility at household level in urban and rural areas
Goals 4 and 5:	Reducing income poverty of both men and women in urban and rural areas
Goal 6:	Provision of reliable and affordable energy to consumers

This section begins by analysing progress towards achieving targets for the cluster-wide indicators.

Cluster-wide Indicators

There are four cluster-wide indicators for MKUKUTA's Cluster I. They are:

- Gross Domestic Product (GDP) growth per annum

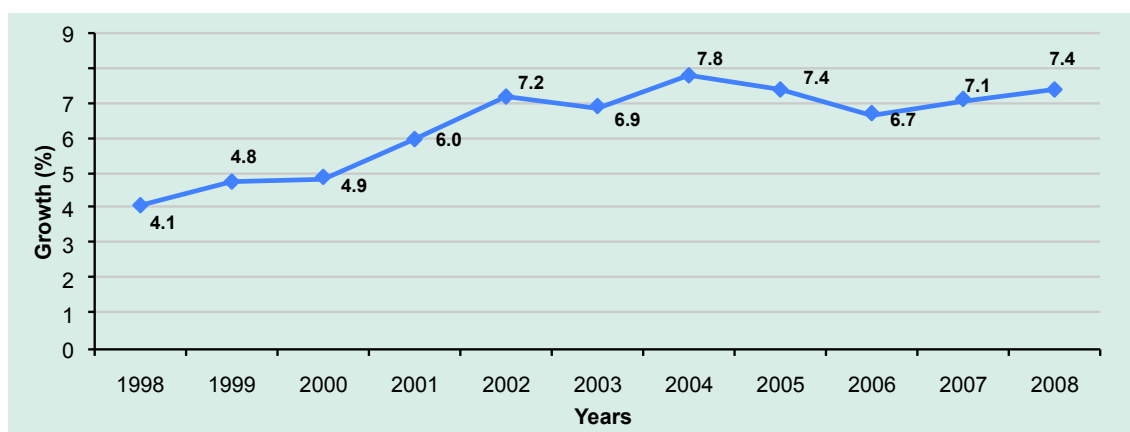
- GDP growth per annum for key sectors
- Gini coefficient
- Headcount ratio, basic needs poverty line

GDP Growth

GDP growth per annum has almost doubled over the last decade from 4.1% in 1998 to 7.4% in 2008 (Figure 1). Since 2000, GDP growth has averaged approximately 7% per annum, which is historically high for Tanzania and comparable to the performance of the fastest growing economies in sub-Saharan Africa.¹

As Figure 1 illustrates, GDP growth peaked in 2004 at 7.8%, but severe and prolonged drought during 2005/6 negatively affected the economy. Since then, GDP has been gradually recovering to reach 7.4% in 2008. The global economic and financial crisis is also having an adverse impact (see Box 2). GDP growth is projected to fall to 5% in 2009, and then gradually increase to 7.5% by 2012.

Figure 1: Real GDP Growth 1993 – 2008 (at 2001 constant prices)*



Source: Economic Survey 2008 (Ministry of Finance and Economic Affairs (MoFEA), 2009a).

Note: * In 2007, the National Bureau of Statistics (NBS) updated GDP estimates in the National Accounts to reflect 2001 prices (NBS, 2007a). The previous set of estimates was based on 1992 prices. Therefore, the historical data series for GDP growth, GDP-derived indicators and annual inflation under Goals 1 and 2 presented in this report will differ from figures presented in earlier PHDRs. Box 1 provides further detail on the NBS revision exercise.

¹ According to the World Bank Development Indicators Database, between 2000 and 2006, the average rate of GDP growth for the 26 countries in sub-Saharan Africa with growth rates exceeding 4% was 6.8% (World Bank, 2008a).

GDP Growth by Sector

The principal theories of economic transformation recognise that the share of the agricultural sector will contract with national development, leaving space for expansion of the industrial and service sectors. Analysis of sectoral contributions to Tanzanian GDP since 1998 indicates modest structural change (Figure 2). Services constitute the largest sector in the economy, and the sector's share in total GDP has increased slightly from 45% in 1998 to almost 48% in 2008. Within this sector, 'trade and repairs' together with 'real estate and business services' are the major contributors. The contribution of construction and mining to GDP also increased from around 7% to 9% over the same period. While the agricultural sector remains central to Tanzania's economy, its contribution to GDP (excluding fishing) has dropped by 6 percentage points from around 30% in 1998 to approximately 24% in 2008.

Box 1: Revision of GDP Estimates in the National Accounts to 2001 Prices

GDP estimates in the National Accounts are fundamental indicators of Tanzania's development, and reliable data are critical for assessing progress in the implementation of growth strategies. The National Bureau of Statistics (NBS) periodically undertakes a systematic review of GDP estimates and, in 2007, the NBS produced an updated set of estimates based on 2001 prices. The previous set of estimates was based on 1992 prices. The changes affect estimates in absolute terms as well as the share of individual sectors in total GDP (see Table 1).

Total GDP (at factor cost) for 2001 using the 1992 benchmark was estimated to be TShs 7,625 million, compared with TShs 8,396 million for that year using the 2001 benchmark, representing a change of 10%. The share of the agricultural sector declined 18%, mainly due to a reduction in the crop sub-sector, as a result of revisions in crop prices. This implies that, at some point between 1992 and 2001, crop prices in the 1992 series had been overestimated. The industrial sector (mining and quarrying, manufacturing, electricity, water and construction) increased by 32%, wholesale trade, retail trade, hotel and restaurants by 51%, transport and communications by 62%, while financial intermediation declined by 29%.

Table 1: GDP Estimates for 2001 (at factor cost) at 1992 and 2001 Prices, by Economic Activity

Economic Activity	2001 GDP (Million TShs)			% Change
	1992 Price	2001 Prices	Change	
Agriculture, forestry, hunting and fishing	3,406,146	2,779,320	(626,826)	(18)
Industry and construction	1,215,091	1,605,968	390,877	32
Wholesale and retail trade, hotels and restaurants	926,870	1,398,071	471,201	51
Transport and communications	361,558	586,455	224,897	62
Financial intermediation	197,989	140,000	(57,989)	(29)

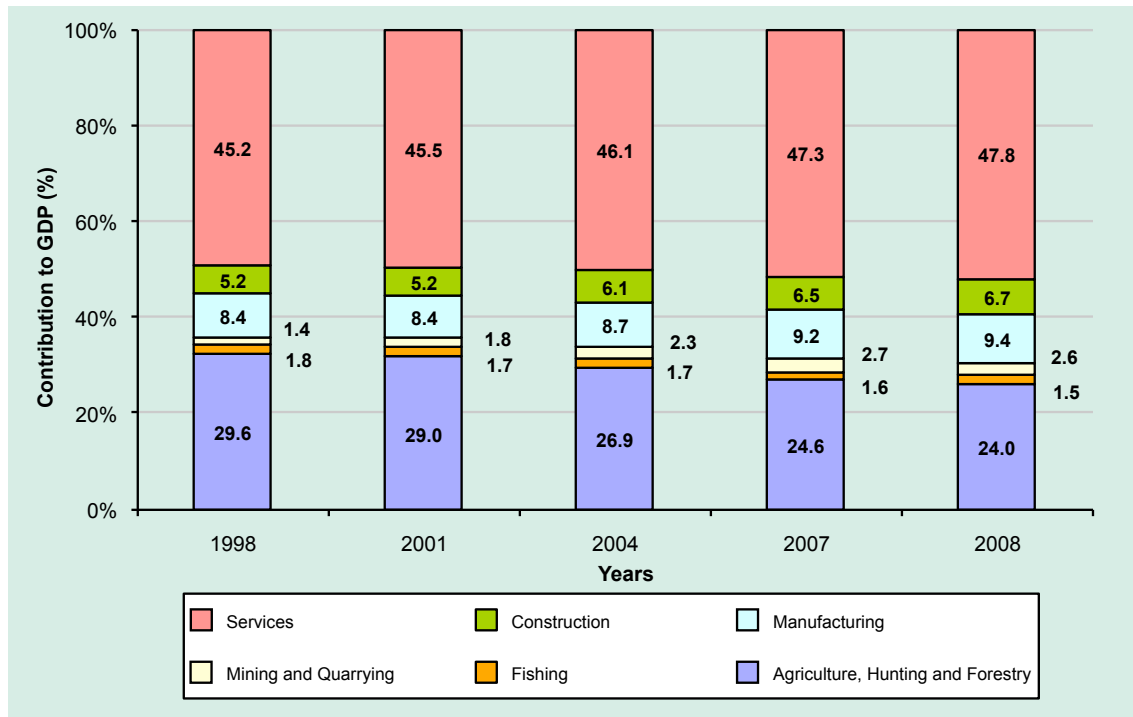
Table 1: GDP Estimates for 2001 (at factor cost) at 1992 and 2001 Prices, by Economic Activity

Economic Activity	2001 GDP (Million TShs)			% Change
	1992 Price	2001 Prices	Change	
Real estate and business services	877,817	936,440	58,623	7
Public administration and other services	796,930	1,029,902	232,972	29
Gross value added (excluding adjustments)	7,782,401	8,476,156	693,755	9
Less: Financial services indirectly measured	157,785	80,000	(77,785)	(49)
GDP (at factor cost)	7,624,616	8,396,156	771,540	10

Source: NBS, 2007a

The contribution to GDP of the agriculture sector (at market prices) for 2001 was 29% according to the 2001 benchmark, compared with 44.7% in the 1992 series. The service and industry sectors contributed 45.5% and 18% respectively in the 2001 series, compared with 39.4% and 15.9% in the 1992 series.

Ideally, the structural decline in the contribution of agriculture to the national economy, and the reduction in the share of the labour force employed in that sector, would be the result of higher farm productivity which would, in turn, have enhanced producer incomes. However, the drop in the share of agriculture in total GDP in Tanzania seems to be largely the result of poor sectoral performance rather than productivity growth. Growth in the agricultural sector is generated in three major ways: 1) through backward linkages with the agricultural input supply sector; 2) through forward linkages with agro-processing industries, transportation and trade; and 3) through consumer linkages whereby enhanced rural prosperity leads to increased demand for goods and services. Moreover, production of crops for export supports the external balance of trade, while the availability of food at relatively low prices enables a growing labour force (employed in expanding secondary and tertiary sectors) to sustain itself at modest wage rates.

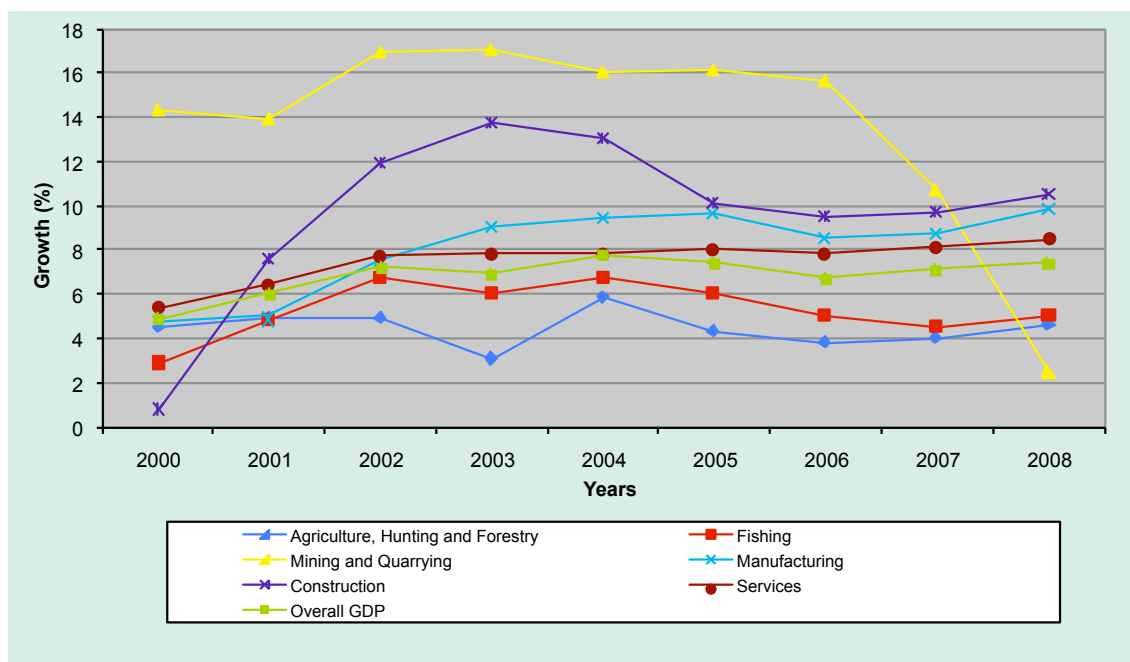
Figure 2: Sectoral Contribution to GDP (2001 constant prices)

Source: Economic Survey 2008

In terms of sectoral growth, agriculture averaged 4.4% in the period 2000-2008 (Figure 3). MKUKUTA had set a target of sustained agricultural growth of 10% by 2010, which, based on the current trend, will not be met.

Mining has been the most dynamic sector, expanding rapidly at an average growth of around 15% annually from 2000 to 2007. However, in 2008, growth in this sector fell sharply to 2.5%, as a result of a fall in production of gold and diamonds. Reasons cited for this fall in production include the transfer of ownership of Williamson Diamond Mine. During this transition period, production dropped drastically and the export of diamonds ceased (MoFEA, 2009a). It is also reported that Geita Gold Mine, the largest in the country, faced serious infrastructural problems which led to a fall in production.

To date, linkages between the mining sector and local supply chains – which could create employment opportunities – have been weak. The challenge then is how to generate benefits for the population as a whole from the mining sector by incorporating domestic processing and service systems.

Figure 3: GDP Growth in Tanzania, by Sector, 2000 – 2008


Source: Economic Survey 2008

The manufacturing sector has grown at around 8% per year since 2003. The sector has even greater growth potential via linkages with the rest of the economy, including agriculture, and the country's natural resource base, especially in forestry, minerals and fisheries. However, an improved regulatory environment for business activities is required, and a number of constraints must be overcome. Currently, the Tanzanian labour force lacks technical, managerial and entrepreneurial skills to meet the challenges of an advanced manufacturing economy. Low capacity utilisation is also associated with poor delivery of services by water and electricity utilities. Supply of these utilities has been irregular, forcing industries to run at sub-optimal levels and/or incur additional costs for the drilling of water wells and the purchase of water pumps and electricity generators.

In recent years, the services sector has become a dynamic component of the national economy and, since 2000, the sector has averaged 7.5% annual growth. Services are characterised by the intensive use of new technology and human capital, close interaction between production and consumption, high information content, the intangible nature of output, and a heavy emphasis on the quality of labour in the delivery of output. On average, between 2000 and 2008, the fastest growing service sub-sectors were communications (14%), public administration (9.7%), financial intermediation (9%), and trade and repairs (7.5%).

Box 2: The Impact of the Global Financial Crisis on Tanzania's Economy

The banking system in Tanzania has weathered the global financial crisis, but other aspects of the economy have been clearly affected. FDI flows, prices of some export commodities, and earnings from tourism have fallen. At the same time, there have been compensatory increases in official aid receipts, and Tanzania's already low level of remittances has hardly changed.

That the banking system was not immediately threatened by the crisis reflects the still limited nature of its cross-border linkages. Financial sector reforms have been pursued over the past decade, and foreign financial institutions have entered the country and private external creditors have emerged. Nonetheless, the breadth, diversification and competitiveness of Tanzania's financial system remain shallow. Foreign assets in the commercial bank system account for only about 11% of total commercial bank assets. Commercial banks in Tanzania do not operate as branches of parent banks abroad but as independent subsidiaries. They have a limited amount of foreign borrowing and none of them holds securities of international banks affected by the crisis. As a consequence, the direct financial transmission of the global crisis appears to have been relatively limited. Key indicators, such as capital adequacy, liquidity, the balance between loans and deposits, the inter-bank payment and settlement system, the ratio of non-performing loans to total loans and returns to capital, all reflect financial sector soundness.

Nevertheless, the impact of the global crisis was felt on several other fronts. There was a slowdown in private capital flows in the form of FDI which will affect the overall rate of investment in the economy. The credit squeeze forced some investors to postpone or shelve investment projects, for example, the USD 3.5 billion aluminum smelting plant in Mtwara, and the re-scheduling of USD 165 million project in nickel mining and extraction at Kabanga in Kagera region. Other delayed projects include: the establishment of an inland cargo depot to de-congest the Dar es Salaam port by NDC and Export Trading Company; the revival of the Kilimanjaro Machine Tools Company; Mtwara Woodchip Project by Oji Paper Co. Ltd of Japan; the construction of a 300MW natural gas power plant by Artumas and Barrick Gold as well as a transmission line from Mnazi Bay to Kibaha; and construction of a cement factory at Mtwara by Dangote Group of Nigeria.

But the scale of the slide in foreign investment should not be overstated. Its impact is expected to be muted because of the concentration of FDI in the natural resources sector, where new investment may be delayed but current projects are likely to continue. The losses associated with withdrawing from natural resource projects prior to their completion, given the sizeable up-front capital investment required, reduce the likelihood of FDI withdrawal.

On the trade front, many commodity prices fell which consequently hurt exporters. The global economy is expected to shrink 0.4% in 2009. Economic recession and job losses in major industrial countries reduced the purchasing power of consumers, dampening demand for imported goods. The demand and prices of some agricultural exports (including cotton, coffee, cloves, cashew nuts and horticulture products) declined following the decline in incomes of major trading partners.

Cotton prices plunged from USD 0.82 per pound in March 2008 to USD 0.45 per pound in March 2009. The price of coffee (Arabica) went down from USD 158 per 50kg bag in August 2008 to USD 104 per 50kg bag in December 2008. The price of sisal also went down from USD 1,000 per ton (f.o.b) in March 2008 to USD 750-850 per ton (f.o.b) in March 2009.

Global market prices for hides and skins (raw and processed) plummeted since September 2008. The price of salted semi-processed leather dropped from USD 1,500 to USD 500 per ton by March 2009. Similarly, unsalted leather fetched only USD 350 per ton in March compared to USD 1,100 per ton in September 2008. Huge stocks piled up in warehouses as exporters were no longer able to find buyers. In turn, tanners and exporters stopped buying hides and skins from producers, and when recommenced buying, the prices they offered were very low, giving no incentive for quality improvement.

Fortunately, the demand for gold, which accounted for about 34.7% of the value of Tanzania's exports in 2008, increased following loss of confidence in the hard currencies of developed countries.

On the import side, food prices were less affected by the crisis since food demand is less income-elastic than other commodities. On the other hand, the world market price of crude oil (NYMEX) rose rapidly to a peak of USD 147 per barrel in July 2008, then fell precipitously to a low of USD 32.40 per barrel in January 2009, after which the oil price began to rise. Thus, while the country's external trade balance was shaped by the collapse of commodity prices, the negative impact was in part mitigated by the drop in fuel prices.

Tanzania's tourism sector has expanded rapidly in recent years, and is currently the leading source of foreign exchange earnings. However, tourist operators indicated a drop in cash flows up to 20%, with tourist cancellations of 30-50% for the season starting January 2009. Growth of passenger traffic at Julius Nyerere International Airport (JNIA) in Dar es Salaam declined to only 6.4% in 2008 contrasted to 16.1% in 2007. In January 2009, aircraft movement at JNIA declined by 11.2%, international passengers by 12.3%, freight tonnage by 4.9% and mail tonnage by 34.1% when compared to January 2008.

Tanzania still receives considerably more aid as a percentage of GDP than most other countries in the region. To date, there has been only limited impact on aid flows, but future funding will depend on the length and depth of the economic crisis in donor countries.

However, given the severity of the slowdown in growth in advanced economies, a potential reduction in aid cannot be ruled out, and this poses a serious concern, though some international organisations, notably the IMF and European Union, have provided compensatory funding.

In order to mitigate the impact of the crisis on the economy, the Government took measures as part of a stimulus package spelt out in the 2009/10 budget. Key elements of the package included: compensating losses incurred by cooperatives and private companies which sold cotton and coffee for export at a loss; rescheduling guarantees of outstanding loans; providing working capital at concessional terms; strengthening the export guarantee scheme and small and medium enterprises (SMEs) guarantee scheme; and soliciting additional resources from development partners.

A crisis of this proportion provides both lessons and opportunities with respect to the country's development policies. It is critical to develop capacity and systems to identify and analyse the causes and impacts of such events on the domestic economy. This will aid development of policy response, including appropriate public spending, to address the downturn without sacrificing the long-term objective of sustainable growth.

Household Income (Consumption) Poverty and Inequality

The 2007 Household Budget Survey (HBS) provides new information to gauge progress towards MKUKUTA's poverty reduction targets. In this section, recent trends in poverty rates are highlighted. A detailed poverty analysis focusing on household consumption, income and asset ownership is provided in Chapter 2 of this report.

Income Poverty

MKUKUTA aims to reduce the incidence of basic needs poverty to 24% in rural areas and to 12.9% in urban areas² by 2010. The Millennium Development Goal (MDG) target is a 50% reduction in the incidence of poverty between 1990 and 2015. In 1991/92, 39% of Tanzanian households were living below the basic needs poverty line, so the MDG target is to reduce this proportion to 19.5% by 2015.

Data from the HBS 2000/01 and 2007 show a limited decline in income poverty levels over the period in all areas (Table 2). Over this period, the proportion of the population below the basic needs poverty line declined slightly from 35.7% to 33.6%, and the incidence of food poverty fell from 18.7% to 16.6%. Of note, the fall in poverty over the period from 1991/92 to 2000/01 was larger; basic needs and food poverty levels both declined by approximately 3 percentage points, and in Dar es Salaam basic needs poverty declined by over 11 percentage points.

Poverty rates remain highest in rural areas: 37.6% of rural households live below the basic needs poverty line, compared with 24% of households in other urban areas and 16.4% in Dar es Salaam. Given the large proportion of Tanzanian households that rely on farming for their livelihoods and the high rate of rural poverty, the overwhelmingly majority (74%) of poor Tanzanians are primarily dependent on agriculture.

Table 2: Incidence of Poverty in Tanzania

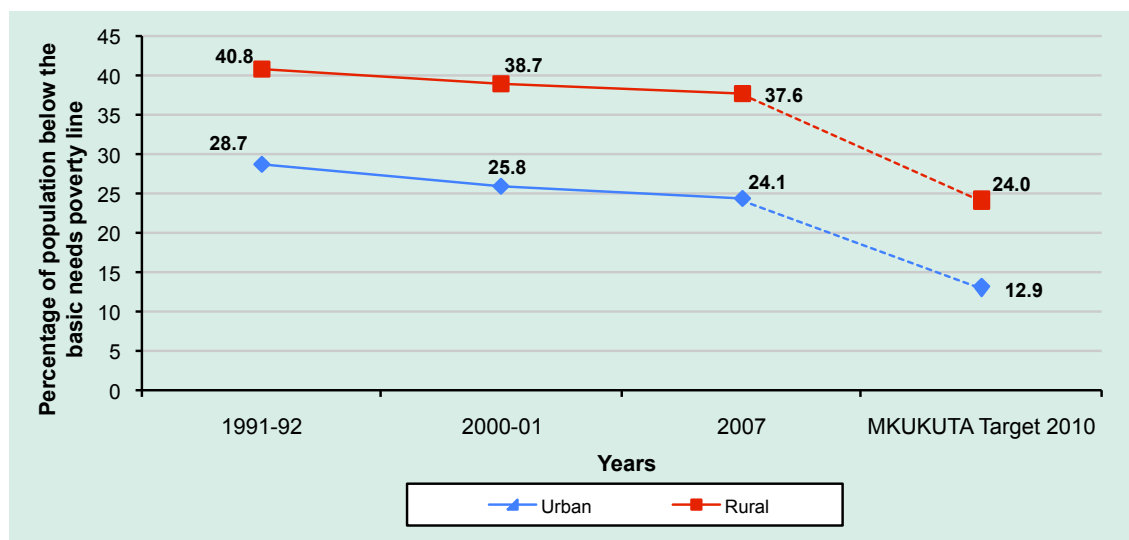
Poverty Line	Year	Dar es Salaam	Other Urban Areas	Rural Areas	Mainland Tanzania
Food	1991/92	13.6	15.0	23.1	21.6
	2000/01	7.5	13.2	20.4	18.7
	2007	7.4	12.9	18.4	16.6
Basic Needs	1991/92	28.1	28.7	40.8	38.6
	2000/01	17.6	25.8	38.7	35.7
	2007	16.4	24.1	37.6	33.6

Source: Household Budget Survey 2007 (NBS, 2009)

² The target for urban areas was set using HBS data for urban areas other than Dar es Salaam.

With such low reductions in poverty, Tanzania is undeniably off track in achieving both MKUKUTA and MDG poverty reduction targets. Figure 4 shows the trend for poverty in rural and urban areas (excluding Dar es Salaam) against MKUKUTA targets.

Figure 4: Trends and Targets of Income Poverty Reduction, Urban-Rural, 1991-92 to 2010



Note: Urban areas excludes Dar es Salaam

Sources: HBS 1991/92 (NBS, 1993); HBS 2000/01 (NBS, 2002); HBS 2007; Vice President's Office (VPO), 2005

Income Inequality

Inequality in income has changed little since 2000/01, as indicated by the Gini coefficient which is a standard measure of inequality³ (Table 3). Inequality is slightly higher in urban areas than in rural areas. A slight fall in the Gini coefficient was noted in Dar es Salaam (0.36 to 0.34) and other urban areas (0.36 to 0.35) from 2000/01 to 2007, although inequality worsened in Dar es Salaam over the period of 1991/92 to 2007 as a whole.

Table 3: Gini Coefficients

	Dar es Salaam	Other urban areas	Rural areas	Mainland Tanzania
1991/92	0.30	0.35	0.33	0.34
2000/01	0.36	0.36	0.33	0.35
2007	0.34	0.35	0.33	0.35

Source: HBS 1991/92, 2000/01 and 2007

³ The Gini coefficient is a measure of inequality of income or wealth and ranges on a scale from 0 to 1. A low Gini coefficient indicates a more equal distribution, with 0 corresponding to perfect equality, while higher Gini coefficients indicate more unequal distribution, with 1 corresponding to perfect inequality.

Income Poverty and GDP Growth

The 2007 poverty estimates indicate that the economy's significant growth since 2000/01 has not translated into income poverty reduction.⁴ One possible explanation is that rising inequality has offset the gains from growth. However, this cannot be the case, since income inequality has hardly changed. It is important therefore to reflect on factors other than income inequality that can explain the apparent lack of impact of economic growth on income poverty.

Analysis of changes in national expenditure between 2000 and 2007 shows that household consumption grew less rapidly than other elements of GDP⁵, such that its share in GDP has declined from 77% in 2000 to 73% in 2007 (at constant 2001 prices) (Table 4). Over the same period, the share of Government consumption increased rapidly from 12% to about 18% of total GDP, investment expenditures rose from 16% to about 24%, and net exports from -5% to -15%.

Table 4: GDP and Expenditure (at constant 2001 prices) (TShs millions)

Economic Activity	2000		2007	
	Expenditure	GDP Share (%)	Expenditure	GDP Share (%)
Household consumption	6,615,765	77	10,021,704	73
Government consumption	1,014,494	12	2,495,962	18
Investment	1,421,461	16	3,358,305	24
Net exports	-466,381	-5	-2,074,049	-15
GDP at market prices	8,585,339	100	13,801,921	100

Source: Economic Survey 2007 (MoFEA, 2008a) and Economic Survey 2008

Thus, trends in GDP growth and income poverty can be partly explained by investments in capital intensive sectors and by increases in government spending. Hence, while growth has not resulted in immediate income poverty reduction, the increased capital investment for structural change in the economy, improved productivity, and expansion in public spending in areas such as roads, education and health services, may provide the foundation for future reduction in poverty.

A further explanation may lie in the use of different data sources – the HBS and the National Accounts – which generate different estimates of household consumption and growth. It is not uncommon for the level of private consumption expenditure derived from National Accounts data to vary from the mean household expenditures derived from household survey data. Estimates of growth rates derived from these two sources may also differ. Moreover, it is not uncommon in

⁴ It should be noted that the measure of income poverty does not reflect benefits accrued from the use of public health, water and education services.

⁵ Note that GDP is the sum of all spending on goods and services in the economy, and may be represented by the formula: $GDP = C + I + G + (Ex - Im)$, where "C" equals households' consumption expenditure, "I" equals investment, "G" equals Government spending and "(Ex - Im)" equals net exports, (i.e. the value of exports minus imports). Net exports will be negative when the value of imports exceeds the value of exports, which has been the case in Tanzania during this period.

developing countries facing severe institutional and capacity constraints that data sources are subject to errors. Ongoing improvements in data collection and processing will be required.⁶

Analysis now follows on the performance of Cluster I's six supporting goals for increasing growth and reducing poverty.

Goal 1 Ensuring Sound Economic Management

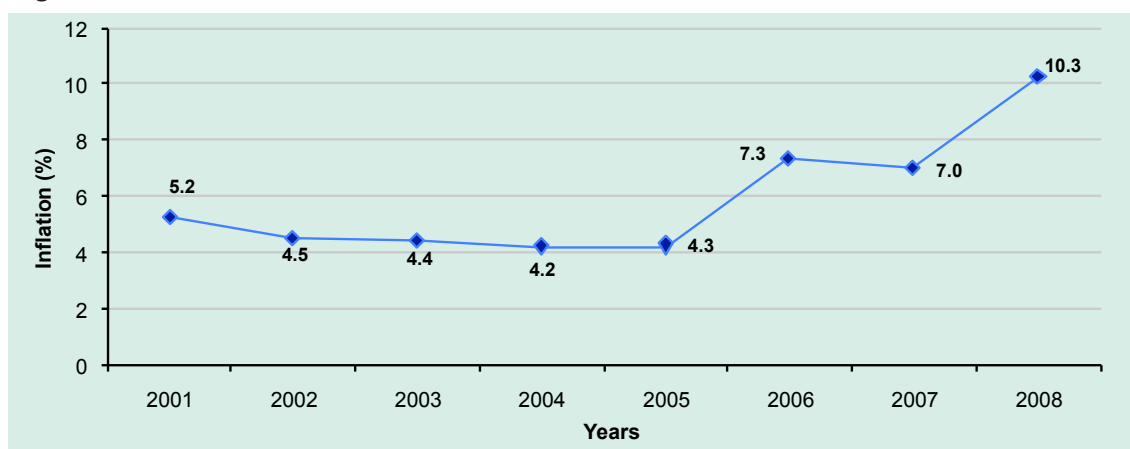
Sound economic management promotes investor confidence and provides the foundation of a successful growth and poverty reduction strategy. Efficiently managed budgets, tied to explicitly agreed priorities for growth are essential element of sound economic management. This goal has the following indicators:

- Annual rate of inflation
- Central government revenue as a percentage of GDP
- Fiscal deficit as a percentage of GDP (before and after grants)
- External debt to export ratio
- Exports as a percentage of GDP

Inflation

The Government's strong focus on macro-economic stability resulted in a reduction in the rate of inflation between 2001 and 2004. Since then, however, the annual rate of inflation has increased sharply reaching 10.3% in 2008 (Figure 5). The initial sharp increase was driven largely by the drought in the 2005/06 rainy season, which adversely affected food production and hydropower generation, and by a hike in petroleum prices. In 2008, the economy was subjected to further inflationary pressure as domestic oil and food prices continued to climb.

Figure 5: Rate of Inflation 2000 – 2008



Source: Economic Survey 2008

⁶ See Deaton & Kozel (2005) for a more detailed discussion of the potential sources of error.

Although global oil and food prices declined sharply in the last quarter of 2008, local pump prices have not declined commensurately, and food shortages in neighbouring countries have put pressure on local food prices. Inflation continued to climb into the early months of 2009 before falling back from 13.3% in February 2009 to 10.9% in July 2009. While international oil and food prices are outside Government control, there has also been a sharp increase in public spending, as indicated by the increasing share of Government consumption in total GDP. Government spending can affect the rate of inflation if such spending is not synchronised with increased aggregate demand to enable the economy to accommodate expanded money supply and hence reduce inflationary pressure.

Central Government Revenue

Domestic revenue collection as a percentage of GDP has been increasing steadily from 11.8% in 2004/05 to 16% in 2007/08. Initial budget estimates indicated that revenue receipts would climb to 17.9% in 2008/09, but declining tax receipts due to the global economic slow-down has necessitated revisions. Revenues in 2008/09 are expected to be 15.9% of GDP, increasing to 16.4% in 2009/10 and to 18.3% by 2011/12.

Increased collections in recent years can be largely attributed to strengthened tax administration. Further improvements in tax administration will be required, including more effective enforcement in under-taxed areas like natural resources. However, the tax structure remains narrowly based, and depends more on indirect taxes (such as VAT, and customs and excise duties) than on direct taxes (income and corporate taxes). The key challenge is to increase tax revenue without increasing the tax rate. In the medium to long run, domestic resource mobilisation should focus primarily on expanding the revenue base through sustained economic growth.

Fiscal Deficit

As Government revenues have increased, so too has public expenditure – from approximately 15.1% of GDP in 2000/01 to 22.8% in 2007/08. Expenditure is estimated to reach 26.6% in 2008/09. The gap between domestic revenue and expenditure has also grown over time; the fiscal deficit after grants was estimated at 4.7% of GDP for 2008/09⁷, compared with 0.4% in 2001/02, having increased sharply in 2005/06 to about 5.1% of GDP.

To facilitate a higher rate of growth, maintain fiscal balances and control inflation, the Government must direct expenditure efficiently, controlling wastage of resources in current and development outlays. In order to maintain macro-economic stability, public expenditure must balance outlays to strengthen capabilities and increase future productivity with outlays directed at satisfying current household needs for goods and services.

⁷ Provisional results

Exports

There has been an increase in exports as a percentage of GDP since 2000/01, from 14.6% to 22% in 2007/08. The increase in goods exported has been largely due to increased exploitation of natural resources, especially minerals. More recently, exports of manufactured goods and agricultural products have also increased. In the past three years, agricultural exports have accounted for about 15% of the value of total exports. Imports have also continued to increase, and at a faster rate than exports, resulting in high trade deficits. However, a higher level of imports for investment is essential to support higher rates of growth.

Goal 2 Promoting Sustainable and Broad-based Growth

The following indicators are analysed to assess progress towards the goal of sustainable and broad-based growth:

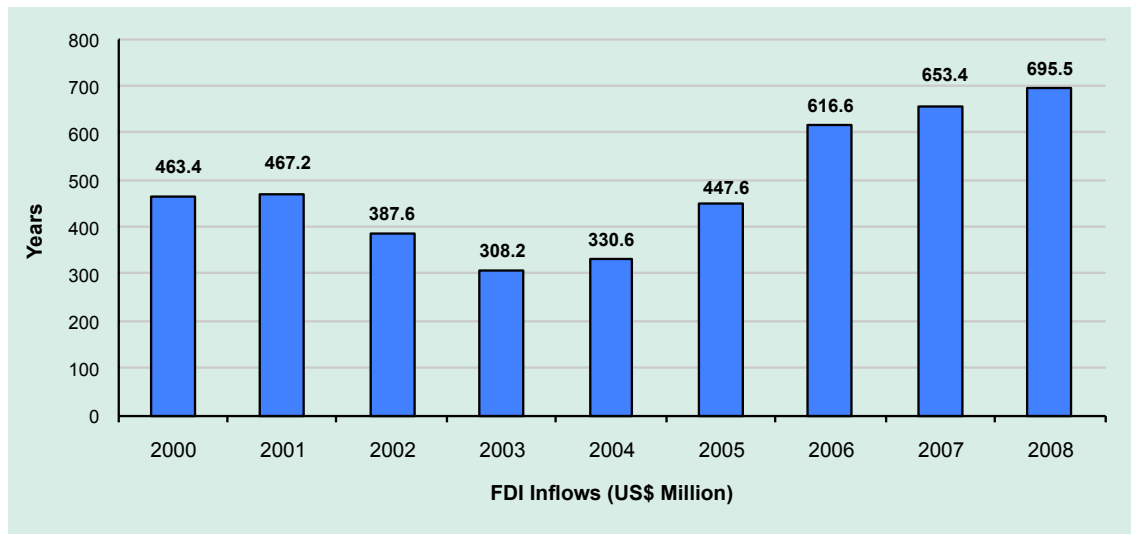
- Domestic credit to the private sector as a percentage of GDP
- Percentage increase in foreign direct investment
- Interest rate spread on lending and deposits
- Unemployment rate
- Percentage of trunk and regional roads in good and fair condition
- Proportion of enterprises undertaking Environmental Impact Assessments complying with regulations

Domestic Credit to the Private Sector

Faster economic growth will not be possible without a deepening of the financial system. Banks are still not providing sufficient support to domestic initiatives, especially small- and medium-scale enterprises (SMEs) and the agricultural sector. While credit to the private sector has maintained an upward trend from 4.6% of GDP in 2001 to 13.8% in 2007, it remains low compared to other developing countries. Banks remain highly liquid and reluctant to expand credit except to the most creditworthy borrowers. Structural weaknesses in the financial system also persist. Under-developed and inefficient legal and regulatory systems and information frameworks, particularly with respect to property rights, result in weak collateralisation of claims and inadequate contract enforcement mechanisms.

Foreign Direct Investment

Foreign direct investment (FDI) can spur growth by facilitating technology transfer, expanding market access and competition, financing physical capital formation, and developing human capabilities. For the period 2000 to 2008, FDI in Tanzania has averaged USD 485.6 million annually, and has increased every year since 2003 (Figure 6). However, inflows have been concentrated largely in mining and tourism, and growth in the mining sector has yet to incorporate domestic processing and service systems in its value chains.

Figure 6: FDI Inflows 2000-2008 (USD millions)

Note: Figure for 2008 is the budget estimate

Source: Economic Survey 2008

Tanzania has great potential to attract increased FDI in coming years, though investments will likely be attracted to the sector where Tanzania's comparative advantage is clear: natural resources. At the same time, the ease of doing business is an important factor. FDI inflows, while growing steadily, fell significantly short of the overall level of interest registered by potential investors, reflecting in part continued difficulties of doing business locally. Tanzania compares poorly to other countries, including neighbouring Kenya and Uganda, in terms of doing business. It is ranked 127 out of 181 economies covered by the World Bank's *Doing Business 2009 Report* (Table 5). Factors that continue to undermine foreign investment include control and ownership rights of production resources (especially land), non-tariff barriers such as customs and administrative procedures, regulations and licenses. The lack of physical infrastructure is an ongoing constraint which will take time to address.

Table 5: Ease of Doing Business in Selected Sub-Saharan African Economies (Rank) 2009

Mauritius	South Africa	Botswana	Kenya	Ghana	Zambia	Uganda	Tanzania	SSA mean	SSA median
24	32	38	82	87	100	111	127	136.7	148.5

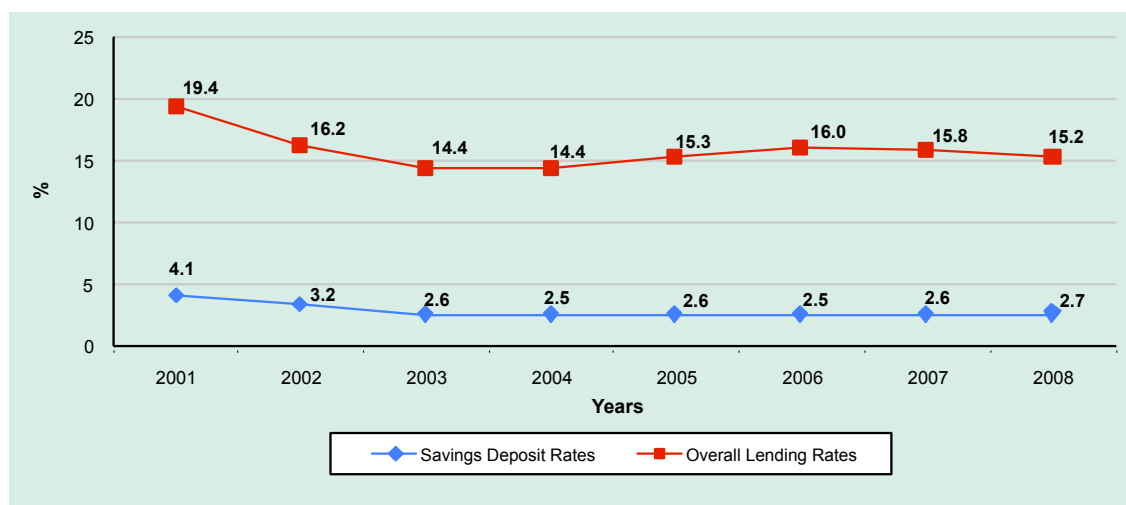
Source: World Bank, 2009a

FDI is particularly needed to support structural transformation in the Tanzanian economy. For a country like Tanzania, there are few meaningful distinctions between policies designed to encourage foreign investment and policies aimed at expanding exports. Some developing countries, such as India or China, have such large populations that foreign investors are principally seeking to access their domestic markets, just as companies invest in North America or Western Europe to increase their penetration in domestic or regional markets. Tanzania, however, lacks the population size and wealth to attract a significant number of large investors in search of domestic market opportunities. A policy regime is required, therefore, that provides an enabling business environment that is conducive to expansion of exports, particularly in non-traditional sectors.

Interest Rate Spread

The spread between overall lending and savings deposit rates has decreased from 13.5 percentage points in 2006 to 12.5 percentage points in 2008 (Figure 7), but there is wide concern that the spread remains too high and will continue to deter investments, especially by small- and medium-scale enterprises.

Figure 7: Overall Lending and Saving Rates of Commercial Banks, 2001 – 2008



Source: Calculations based on Bank of Tanzania (BoT), Quarterly Economic Bulletins (various years)

There is still inadequate lending for domestic investment to raise productivity and encourage transformation in the economy. Risk-free government papers (treasury bills and bonds) – which had been preferred by commercial banks – are no longer a cause of high lending rates. However, other constraints persist that influence the high interest rate spread, including high operating costs, difficulties in obtaining and using collateral, and the absence of efficient judicial procedures to facilitate loan recovery. Much of the credit extended by commercial banks is used for private consumption, and much of the lending to corporate bodies finances trade. Large companies

borrow from outside Tanzania, where more advantageous rates can be obtained, especially for enterprises engaged in exporting.

There is a need to address institutional and legal weaknesses which deter banks from assuming risk and extending credit. For bank intermediation to deepen, it is necessary that financial information on borrowers is readily obtainable, collateral is sufficiently available to borrowers and enforceable to lenders, and the rights of both creditors and borrowers are adequately protected through an effective judicial system with efficient instruments of conflict resolution. At the same time, greater competition among banks needs to be promoted to encourage development of new markets and financial products adapted to meet local needs.

Unemployment

Productive employment is the principal route out of poverty, and job creation should be placed at the heart of Tanzania's development strategy. The country's labour market is currently characterised by high participation compared with other sub-Saharan African countries and low unemployment (Table 6).⁸

Table 6: Labour Force Participation Rates in Various Countries

	Employment to Population Ratio (15+ years)	Labour Force Participation (15-64 years)
Sub-Saharan Africa	66	74
Tanzania	84	90
Kenya	63	82
Uganda	80	84
Rwanda	73	83
Burundi	84	93
Vietnam	73	80
China	73	82

Source: World Development Indicators (World Bank, 2008a)

Table 7 shows unemployment in Dar es Salaam and other urban areas at 3.7%, and in rural areas at 0.7%.⁹ In other words, almost all people 15 years and older in Tanzania are working, and the

⁸ Using the international definition as 'persons with no work but actively seeking work'.

⁹ Higher rates of unemployment are reported by the Integrated Labour Force Survey (ILFS 2006) – 11.7% for the population aged 15 years and above. The ILFS uses a national definition for unemployment which includes people who are not actively looking for work but are available for work and persons with marginal attachment to employment (not sure of availability and income of employment the next day).

central issue is not unemployment but the reliability, quality and productivity of employment. The unemployment rate is highest among youth aged 15 to 24 years.

Table 7: Current Unemployment Rate by Age Group and Residence (international definition)

Residence	Age Group				
	15-24 years	25-34 years	35-64 years	65+ years	Total
Urban areas (including Dar es Salaam)	9.3	3.0	1.0	1.1	3.7
Rural	1.2	0.9	0.3	0.3	0.7
Total	3.1	1.5	0.5	0.4	1.5

Source: Integrated Labour Force Survey (ILFS) 2006 (NBS, 2007b)

Tanzania has done well to keep the employment rate relatively constant during this decade.¹⁰ However, maintaining this rate will require that the economy is able to generate employment for approximately 720,000 new entrants to the labour market annually. This is feasible given that the number of Tanzanians employed grew by an average of 630,000 per year between 2001 and 2006. However, employment creation has been primarily in small informal businesses, which typically have low earnings and productivity.

Earnings are low and hours are long for most Tanzanians. The Integrated Labour Force Survey 2006 found that 75% of employed people earn less than TShs 100,000 per month. The majority of self-employed workers earn less than TShs 50,000 per month, whereas employees of parastatals and central government earn the highest monthly incomes on average. Survey data also show that Tanzanians in all occupations except agriculture and fishing¹¹ tend to work more than 40 hours per week. Men earn more than women across all educational and occupational scales, and a higher proportion of females earn less than TShs 20,000 per month (NBS, 2007b).

With respect to educational attainment, over half of the labour force has completed primary school, but one-quarter of all workers, mostly older adults in rural areas, have no formal education. This situation is expected to improve as illiteracy among youth is declining steeply, but ensuring greater access to quality secondary and higher education and skills training must be a top priority so that today's labour market entrants are equipped with the skills and qualifications in demand in the market. The challenge of creating productive opportunities for those looking for work was highlighted by a recent report which found that the inadequately educated workforce is among the top 10 constraints to business in Tanzania (World Bank, 2007).

¹⁰ This is the case regardless the definition of employment used (international or national).

¹¹ This may be due to seasonality of production.

Infrastructure

Roads

The condition of the primary road network (trunk and regional roads) has been gradually improving. The percentage of trunk and regional roads in good and fair condition has increased from 51% (good 14%; fair 37%) in 2000 to 85% in 2007 (good 48%; fair 37%). These are roads under the jurisdiction of TANROADS.

Available data from 2007 on district, feeder and improved unclassified roads – which are under the jurisdiction of local government authorities – indicate that 55.2% of this network is in good and fair condition. No trend data is available for analysis but the current results show that almost half (44.8%) of this network remains in poor condition (MoFEA, 2008b). Given that investment in upgrading rural transport is strongly linked to economic growth – and poverty reduction – increased resource allocations are required to ensure that local roads are improved and maintained.

Ports

The PHDR 2007 argued that Tanzania's geographical position on the coast represents a strong comparative advantage – and potential growth driver – if transport infrastructure and services can be expanded for landlocked neighbouring countries. Tanzania's current port facilities include coastal ports in Dar es Salaam, Tanga and Mtwara, and smaller facilities in Kilwa, Lindi, Mafia, Pangani and Bagamoyo. In addition, 6 lake ports are operational – three on Lake Victoria (Mwanza, Bukoba and Musoma), two on Lake Nyasa (Itungi and Mbamba) and one on Lake Tanganyika (Kigoma).

The port of Dar es Salaam is by far the largest in the country, handling more than three-quarters of Tanzania's external trade. The port serves as a major logistics gateway to eastern, central and southern Africa, with rail and road links to more than six landlocked countries.¹² A large number of shipping lines use ports in the region, which puts pressure on freight rates generally, and on the efficiency of operations of Dar es Salaam port in particular.

There have been concerns about congestion at the Dar es Salaam port, mostly directed at the Tanzania International Container Terminal (TICS). However, responsibility for easing congestion at Dar es Salaam port cannot be apportioned to a single entity. Other key players include the port operator (Tanzania Port Authority), shipping agents, freight forwarders and clearing agents, Tanzania Revenue Authority, goods inspection services (TISCAN), and road and rail transporters who remove containers from the port. Positively, the contract for TICS has been amended recently to increase competition and enhance port performance.

¹² Tanzania is an important provider of transit traffic for neighbouring countries, including Burundi, the Democratic Republic of Congo, Malawi, Rwanda, Uganda and Zambia.

Forecast container volumes indicate the need for construction of a new, much larger port, capable of servicing domestic and regional needs over the long term. In conjunction with the planned expansion of Dar es Salaam port, additional cargo movement through Tanga and Mtwara ports will help to reduce congestion. Tanzania's coastal ports hold huge potential and, under the right conditions, can perform efficiently and competitively.

Environmental Impact Assessments

Environmental Impact Assessments (EIAs) are both a planning and a decision-making tool to facilitate the adoption of economically viable and environmentally sound development projects while averting costly impacts on communities. The MKUKUTA indicator – the proportion of enterprises undertaking Environmental Impact Assessments complying with regulations – is intended to provide a national view of the extent of compliance with environmental standards. The Environmental Management Act (EMA) (2004) also requires that this indicator be monitored.

No updated data are available from the National Environment Management Council (NEMC) for this indicator. However, experiences with EIAs in Tanzania have shown that they do not always influence decisions, because the option of stopping projects is hardly considered. Many developers, including government entities, are yet to fully appreciate the value of EIAs, but rather consider the assessments as obstacles to economic development. This is due to the fact that projects are often considered to be of national, political and/or strategic importance, and these perceived imperatives can override consideration of negative environmental impacts. It is therefore critical to establish a reliable and transparent EIA system that takes into account the developmental context in Tanzania.

Furthermore, the single indicator in MKUKUTA's current monitoring system does not take into account the larger impact of climate change on the environment. Tanzania is expected to be affected both by warmer temperatures which will impact cropping patterns, as well as higher sea levels which may impact coastal communities, including the cities of Dar es Salaam and Tanga.

Goal 3

Improving Food Availability and Accessibility at Household Level in Urban and Rural Areas

The availability of food, both in required quantity and quality is a fundamental aspect of human well-being, and a lack of food to achieve and sustain good health is a clear manifestation of extreme poverty.

Food security has three aspects: food availability, food accessibility and food utilisation. Food availability refers to the supply of food which should be sufficient in quantity, while food access refers to the demand for food, which is influenced by economic factors, physical infrastructure and consumer preferences. Food availability, though elemental, does not guarantee food security. For individuals and households to be food secure, food access must be adequate not only in

quantity but also in quality. For individual well-being, an adequate, consistent and dependable supply of energy and nutrients is required from sources that are affordable and socio-culturally acceptable. Ultimately food security should translate into consumption of a nutritionally adequate diet (food utilisation) that ensures an active healthy life for every Tanzanian.

In Tanzania, as in many other developing countries, a significant percentage of the food consumed by households in rural settings is obtained from their own farm. The importance of foods purchased from markets in meeting household food security depends on household income and market price. Seasonality also significantly influences food availability in places where little to no food preservation is practiced.

MKUKUTA's indicators for food security focus on production, rather than the broader concept of household capacity to access food, which would also incorporate consideration of income. A more detailed analysis of household food consumption based on data from the HBS 2007 is provided in Chapter 2 of this report.

MKUKUTA's four indicators for this goal are:

- Food self sufficiency ratio
- Proportion of districts reported to have food shortages
- Percentage change in production by smallholder households of key staple crops (maize, rice, sorghum)
- Proportion of households who take no more than one meal per day

Food Self-sufficiency

Data on aggregate national food production indicates that Tanzania is not a famine-prone country, and regularly produces enough food to meet national requirements. The food self-sufficiency ratio (SSR) reflects the ability of food production to meet demand, and is computed by taking production as a percentage of requirements. Since the 2004/05 season, the country has been self-sufficient in food. The SSR in 2007/08 was 104%.¹³

Districts with Food Shortages

National production aggregates may conceal significant variations in food security among regions and districts. Seasonal variations may also be pronounced depending on rainfall. Indeed, most food aid in Tanzania is targeted to areas with perennial shortages in rainfall; some of which is supplied domestically through the Strategic Grain Reserve (SGR). Therefore, the MKUKUTA Monitoring System reports the number of districts that suffer food shortages. According to a Rapid Vulnerability Survey carried out by the Food Security Information Team in 2008, the following ten Mainland regions were identified as food insecure: Arusha, Kilimanjaro, Lindi, Manyara, Mara,

¹³ Data provided by the Food Security Department, Ministry of Agriculture, Food Security and Cooperatives (MAFSC), March 2009.

Mwanza, Mtwara, Shinyanga, Singida and Tabora. In total, 20 districts were identified as having food shortages in 2007/08, the lowest number since 2002/03.¹⁴

Households Who Consume No More than One Meal a Day

Data from the HBS 2007 indicate that only 1% of Tanzanian households consume only one meal a day. This percentage has not changed since 2000/01.

Goal 4 & 5

Reducing Income Poverty of Both Men and Women in Rural and Urban Areas

Poverty in Tanzania is anchored in the widespread reliance on small-scale agriculture. Approximately 75% of the population depends on under-developed smallholder primary agricultural production, characterised by the use of hand tools and reliance upon traditional rain-fed cropping methods and animal husbandry. The majority of indicators for MKUKUTA's goals for reducing income poverty, therefore, relate to assessing progress in improving the status of smallholder agriculture. The indicators are:

- Percentage of smallholders participating in contracting production and outgrower schemes
- Total smallholder land under irrigation as a percentage of total cultivatable land
- Percentage of smallholders who accessed formal credit for agricultural purposes
- Percentage of smallholder households who have one or more off-farm income-generating activities
- Percentage of households whose main income is derived from the harvesting, processing and marketing of natural resource products

Smallholder Agriculture

New data on smallholder agriculture is expected to come out by the end of 2009 following completion of the 2008/09 Agricultural Survey. For most indicators for this goal, no new data is available.

However, data from the HBS 2007 show that in rural areas, the proportion of income derived from agricultural sources has declined from 60% in 2000/01 to 50% in 2007. This suggests that rural households are now equally dependent on off-farm sources of income as they are on income derived from farm production. Data also indicate that the terms of trade for farmers deteriorated from 2000/01 to 2007, and households dependent on agriculture are the poorest. There is a consistent trend among farming households to diversify into non-farm activities to escape poverty (see Chapter 2).

Nonetheless, agriculture will remain a critical part of Tanzania's economy: (i) the sector produces 'tradeables' for domestic and foreign markets, and the majority of Tanzanians spend a large

¹⁴ Data provided by MAFSC, March 2009.

proportion of their incomes on food (particularly staple foods); and (ii) the sector provides a reliable market for local non-agricultural activities.

Modernisation of the agricultural sector – in which 95% of Tanzania’s food is grown under traditional rain-fed agriculture – is an ongoing challenge facing the country. Production is vulnerable to adverse weather conditions, and the sector is characterised by over-reliance on primary agriculture, low fertility soils, minimal use of external farm inputs, environmental degradation, significant food crop loss (both pre- and post- harvest), minimal value addition and product differentiation, and inadequate food storage and preservation that result in significant commodity price fluctuation. Access to markets is a further hurdle that smallholders have to overcome. This problem is multi-faceted. Producers are commonly faced with poor infrastructure to reach markets, barriers in penetrating markets due to limited resources, lack of information, few support mechanisms and restrictive policies.

Despite a clear government commitment to free internal trade in agricultural produce, regional and district authorities often use their residual powers to declare their jurisdictions as “food insecure” so as to restrict or ban movement of maize, wheat or rice. This practice penalises local producers and traders, who are unable to take advantage of higher market prices elsewhere, and inhibits the development of trade in staple foods. Moreover, farmers typically respond by growing smaller volumes, thus leaving the locality less food secure in the long run. The net effect is to reduce commercial agriculture at all scales of operation, and therefore, to reduce growth in incomes and productivity.

These issues equally apply to external trade. The official prohibition on export of food crops inhibits production and restricts farmers’ incomes in areas of the country which have closer infrastructural connections with neighbouring states than with parts of the country which are short of food. The overall costs of this policy – in transportation, lost production and stagnant household income – may well not be balanced by the benefits of satisfying national food requirements from domestic production.

Opportunities therefore exist, nationally and internationally, which could promote increased production, productivity and incomes from food agriculture. To take advantage of these opportunities, staple foods must be considered as commercial crops, as well as safeguards for domestic food security. The co-existence of relatively low levels of smallholder productivity in Tanzania yet widespread use of technical knowledge and productivity-enhancing inputs in many other parts of the world indicates the need to remove barriers to the distribution of information and inputs. Agricultural transformation – and consequently economic structural transformation – can only be realised if key actors in technology generation, institution building and policy formulation work collaboratively and in a coordinated fashion.

Policies are needed that go beyond liberalisation to include incentives for smallholder farmers to engage in new productive patterns of investment and exchange. This implies a major role for future research in identifying organisational arrangements that can facilitate smallholder access

to technical and management know-how, capital and financing, and connections to local and international markets. Integrated producer schemes and farmer cooperatives are two such institutional arrangements that have been tried, with varying levels of success to date.

On the marketing side, current constraints have resulted in a lack of market integration, price volatility, and limited investment and production. Business licensing, registration and import/export procedures need to be simplified, and processes for commercial dispute resolution improved. Enforcement of local taxes has also been inconsistent, thus creating unfair competition. The role of marketing institutions (broadly defined to include institutions and their regulatory and legal framework) in supporting commodity exchange requires examination to ensure that these institutions can effectively reduce transaction costs.

Kilimo Kwanza (Agriculture First) is a “new” push in the agricultural sector initiated by the private sector. This initiative seeks commitment from the government and agricultural stakeholders to pursue action geared towards agricultural transformation. It outlines necessary policies and strategies that Tanzania must now pursue to achieve a Green Revolution in Agriculture. It encompasses a range of proposals for government consideration on issues, such as appropriate institutional arrangements to effectively govern the agricultural sector, strategic uses of land to meet the requirements of modern agriculture as well as the needs of both small- and large-scale farmers, financing agriculture, and the necessity of an industrialisation strategy geared to the transformation of agriculture.

Goal 6 Provision of Reliable and Affordable Energy

A reliable and affordable power supply for producers and consumers underpins economic growth, facilitates productive employment and contributes to quality of life. Electrification, however, is still low and unreliable in Tanzania. The national grid is the mainstay of power transmission in the country but it still has limited coverage.

Three indicators are used to assess progress in this area:

- Percentage increase in the number of customers connected to the national grid and off-grid sources of electricity
- Percentage of households in rural and urban areas using alternative sources of energy to wood fuel (including charcoal) as their main source of energy for cooking
- Total electricity generating capacity and utilisation

These indicators primarily reflect changes in household energy use. The following section describes trends in energy use, but also includes a brief analysis of the sector’s progress and potential as a growth facilitator.

Customers Connected to Sources of Electricity

The HBS 2007 provides information about household energy use. Connections to the electricity grid have increased slightly overall, from 10% in 2000/01 to 12% in 2007 (Table 8). However the percentage of urban households connected to the grid has dropped, in part reflecting the challenge of keeping pace with the growing number of urban households, as well as changes in the classification of urban areas since the HBS 2000/01. Nevertheless, the grid still predominantly serves the urban population.

Table 8: Percentage of Households Connected to the Electricity Grid

Year	Dar es Salaam	Other Urban Areas	Rural areas	Mainland Tanzania
2000/01	58.9	29.7	2.0	10.0
2007	50.8	25.9	2.5	12.1

Source: HBS 2000/01 and 2007

Main Source of Energy for Cooking

Electricity is still the most common source of household energy for lighting in urban areas, but kerosene use has increased (NBS, 2009). In rural areas, paraffin is the fuel used most often for lighting. Biomass is the main source of energy for cooking – 95.8% of the population use firewood and charcoal, and among rural households, the use of charcoal for cooking has increased from 4% in 2000/01 to 7% in 2007. Despite declining between 1991/92 and 2000/01, the use of charcoal for cooking in Dar es Salaam increased between 2000/01 and 2007 to 71%, replacing paraffin as the most common source of cooking fuel. This may in part reflect the rise in prices of fossil fuels in 2007. In the population as a whole, the use of charcoal has increased substantially since 2000/01. Given this continued use of firewood and charcoal for cooking, it is critically important that fuel-efficient stoves and other technologies be adopted to minimise environmental degradation.

Electricity for Production

The structure of electricity demand in Tanzania is changing; industrial share of total demand has increased from 38.7% in 1998 to 47.9% in 2008, while the domestic share decreased from 55.5% to 45.7% over the same period.¹⁵ Reliable and affordable electricity is critical for increased production and growth, and there is urgent need to increase coverage and reliability to raise productivity and enhance the competitiveness of domestic businesses.

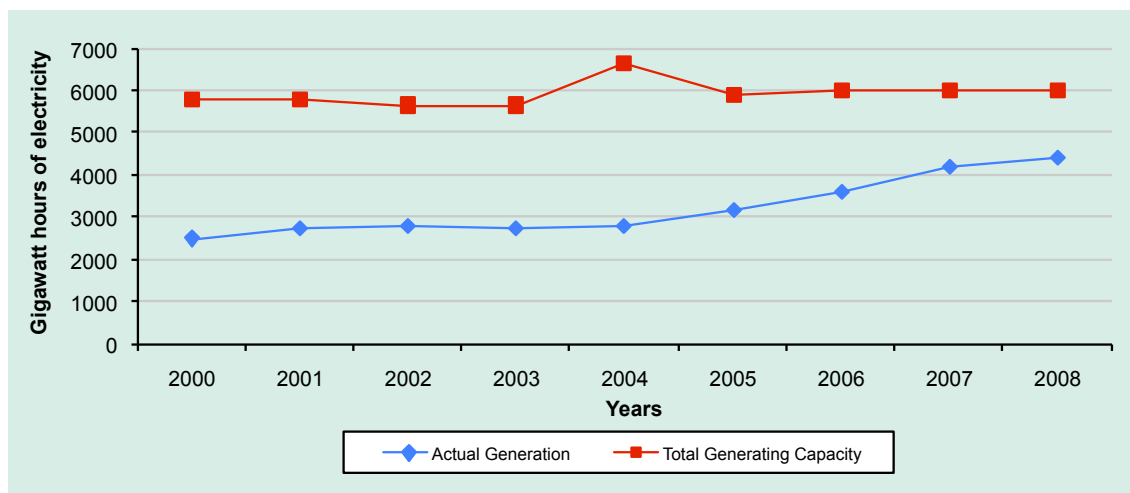
Firms consider that unreliable electricity is by far the most constraining factor in doing business in Tanzania (World Bank, 2008b). Businesses, large and small, are forced to allocate funds for the purchase of generators and fuel, which directly increases production and operating costs and reduces funds available for other productive investments. Indeed, energy costs account for more than 40% of total operating expenses in industries such as fish processing and cement production. The cost of electricity is significant and income losses due to interruptions in supply have been estimated to be between TShs 10-50 million per firm per annum (Mbelle, 2009).

¹⁵ Data provided by TANESCO in 2009.

Electricity Generation and Utilisation

Total generating capacity has remained steady since 2000, but capacity utilisation has increased from less than 50% up until 2004 to 74% by 2008 (Figure 8).

Figure 8: Trends in Electricity Capacity and Actual Generation (2000–2008)



Source: Based on figures from Economic Survey 2007 and 2008 (MoFEA, 2008a and 2009a)

Electricity consumption per capita is still low, estimated at 85 kWh per year compared with 432 kWh and 2,176 kWh for sub-Saharan Africa and world averages respectively.¹⁶ The reasons for this include:

- Poor financial and technical performance, resulting in poor quality of supply and service, and an inability to meet growing electricity demand;
- Insufficient managerial capacity and technical skills;
- Limited funding for expansion and refurbishment;
- Lack of maintenance of existing facilities leading to reliability problems;
- Occasional droughts which have reduced hydropower capacity in some years.
- High operating costs

Despite current shortcomings, the potential of the energy sector to increase productivity and expand employment is significant. Investments to expand electrification should be prioritised, especially in areas where the greatest returns to production and employment can be realised, such as industry, agricultural processing and irrigation. Training in key trades must also be supported to ensure that new labour entrants, notably young people, are skilled for emerging opportunities in an expanded energy sector.

¹⁶ World Bank (2003) analysis in Mbelle, 2009.

Cluster I Conclusions and Policy Implications

Data on indicators for MKUTUTA's Cluster I show that Tanzania has sustained historically high rates of GDP growth since 2000. Yet only slight reductions in household income poverty have been achieved over the same period. In part, increased public spending and capital investment have accounted for much of the distribution of GDP growth from 2000 to 2007, while household consumption has grown less rapidly. However, comprehensive analysis of recent poverty trends is required to inform the strategic choices in the next phase of MKUKUTA towards realising national goals, including poverty reduction targets, of Vision 2025.

The economy is showing signs of structural transformation with an increasing share of GDP from services, mainly transport/communication, wholesale and retail trade, and construction, and from manufacturing, albeit from a small base. In contrast, the share of the agricultural sector in total GDP has reduced. However, the decline in agriculture's contribution to GDP and increasing levels of off-farm employment are not associated with productivity growth but rather with continued low returns in the sector and limited incentives for increased production and trade, especially in food crops. Farming households continue to be the poorest. These are not positive developments. The majority of smallholders remain effectively cut off from the national growth story with little access to technological improvements and inputs that enhance productivity.

On a positive note, analysis in Chapter 2 indicates that rural households own more consumer durables than in 2000/01, and the quality of their housing has improved. Rural residents have also benefited from increased public spending on education and health services.

Unemployment nationally has fallen. The labour market continues to absorb the majority of new entrants, but most jobs are concentrated in the informal sector and characterised by low productivity and low earnings. Many farmers are also under-employed. This contrasts with significant and steady increases in foreign direct investment, especially in mining and tourism. The former has driven major gains in exports and capital investments, but linkages to local supply chains and employment opportunities are still limited. Business surveys commonly report that the lack of adequately skilled workers is a major constraint to development. A growth strategy must, therefore, prioritise investment in quality education and vocational and skills training.

Energy and transport infrastructure are also commonly cited as constraints. Electricity provision is improving, but still subject to outages caused by inadequate maintenance and investment in infrastructure. The proportion of national and regional roads in good and fair condition is also rising. However, a high proportion of district and feeder roads remain in poor condition. Further investment in both roads and port facilities are needed to realise Tanzania's comparative advantage as a trade and transport hub for neighbouring landlocked countries.

The year 2008 was also characterised by a number of shocks, including increased domestic food prices and rising domestic oil prices triggered by a hike in global oil prices. Inflation reached double

digits, and trade and fiscal deficits remained high. Average lending rates by commercial banks are also high, negatively affecting borrowers, while interest rates on savings are extremely low.

The current financial and economic turmoil adds to the challenge of maintaining macroeconomic stability. Thus far, the Tanzanian economy has proved resilient to these exogenous shocks, buoyed by increased public investment, partly supported by continued high levels of international aid. Some capital intensive development projects have been postponed and the GDP growth rate is projected to fall to 5% in 2009, but growth is expected to recover to over 7% by 2011.

To sustain and accelerate economic growth and reach national poverty reduction targets in the Millennium Development Goals and Vision 2025, continued investment, both domestic and foreign, is needed to enable Tanzania to fully exploit its comparative advantages and propel domestic productivity and income. Without greater productivity gains and sound investments in physical and human capital, further external shocks could jeopardise Tanzania's economic growth. A focused growth strategy with disciplined public spending, together with an enabling regulatory environment for the private sector will be essential in the decade ahead.

Cluster I Implications for Monitoring

Revision of indicators for growth and income poverty may be desirable to ensure they provide reliable evidence of national economic trends. GDP figures have sometimes been insensitive to major shocks in the economy, such as drought, suggesting possible shortfalls in the compilation of National Accounts. Many reasons may contribute to this, including capacity constraints in techniques of sampling and data processing, outdated business registers, infrequent data collection and low response rates. Some economic sectors are also not adequately covered in surveys. In addition, institutional constraints – including lack of resources at the NBS and insufficient collaboration of key institutions – need to be addressed.

Collection and reporting of data for the following indicators is also recommended: in the external sector, indicators for imports and reserves; in the fiscal sector, data on government expenditure; and in the financial sector, exchange rates as well as indicators for monetary and capital market developments.

Lastly, rationalisation of indicators across major national surveys will facilitate analysis of trends. One clear example is unemployment; household budget surveys adopt an international definition, while the labour force surveys report details based on a national definition, which is more inclusive of those who are not actively looking for work but are available for work, and those with marginal attachment to their employment.

MKUKUTA INDICATORS – SUMMARY OF DATA AND TARGETS

MKUKUTA Cluster I: Growth and Reduction of Income Poverty

Notes to readers:

- **Meta-data** on each indicators (including definitions, sources and frequency) are available in the MKUKUTA Monitoring Master Plan available at www.povertymonitoring.go.tz
- **The symbol X** indicates no data for that year (in most cases because data is dependent on a particular type of survey)
- **Blanks** indicate data not yet forthcoming from MDA or LGA

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Cluster-wide indicators ¹⁷													
GDP growth per annum (%) ^a	4.9	2000	6.0	7.2	6.9	7.8	7.4	6.7	7.1	7.4		End 2009	6-8%
GDP growth per annum (%) by Sector ^a	4.5	2000	4.9	4.9	3.1	5.9	4.3	3.8	4.0	4.6		End 2009	10%
– Agriculture (Crops, livestock, hunting and forestry)													
– Livestock	3.9	2000	4.0	2.8	2.2	4.1	4.4	2.4	2.4	2.6		End 2009	9%
– Manufacturing	4.8	2000	5.0	7.5	9.0	9.4	9.6	8.5	8.7	9.9		End 2009	15%
– Mining and quarrying	14.3	2000	13.9	16.9	17.1	16.0	16.1	15.6	10.7	2.5		End 2009	3% ¹⁸
– Wholesale trade, retail trade and repairs ¹⁹	4.3	2000	6.4	8.3	9.7	5.8	6.7	9.5	9.8	10.0		End 2009	Not yet determined

¹⁷ Estimates of the National Accounts have been revised from 1992 prices to 2001 prices. For this reason, figures reported for 2006 and earlier years may vary from those included in previous PHDRs and the MKUKUTA Status Report 2006.

¹⁸ The MKUKUTA target for this indicator is to increase the proportion of value added minerals in total minerals exported from 0.5% at the start of the MKUKUTA period in 2005 to 3% by 2010.

¹⁹ In the PHDR 2007, the indicator reported was 'wholesale & retail trade'.

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Gini coefficient (Tanzania Mainland) ^b	0.35	2001	0.35	X	X	X	X	X	0.35	X	X	HBS 2011	Not yet determined
Headcount ratio – basic needs poverty line (%) ^b	35.7%	2001	35.7	X	X	X	X	X	33.6	X	X	HBS 2011	Rural: 24% Urban: 12.9%
Goal 1: Ensuring sound economic management													
Annual rate of inflation ^a	5.2	2000	5.1	4.5	4.4	4.2	4.3	7.3	7.0	10.3		End 2009	4%
Central government revenue as % of GDP ^{c,d}	10.9	2000/1	2000/1 10.9	2001/2 10.8	2002/3 10.9	2003/4 11.2	2004/5 11.8	2005/6 12.5	2006/7 14.0	2007/8 15.9	2008/9 16.0	End of FY 2009/10	16.4%
Fiscal surplus (deficit) as % of GDP ^d - Before grants	(11.1)	2005/6	2000/1 (4.3)	2001/2 (4.3)	2002/3 (4.6)	2003/4 (8.1)	2004/5 (9.3)	2005/6 (11.1)	2006/7 (8.9)	2007/8 (6.8)	2008/9 (10.9) ²⁰	End of FY 2008/9	Not yet determined
- After grants	(5.1)	2005/6	(1.0)	(0.4)	(0.2)	(2.8)	(4.5)	(5.1)	(3.9)	0.0	(4.7) ²¹	End of FY 2008/9	2008/09 - 3%
External debt service as % of exports ^e	15.4	2000/1	2000/1 7.9	2001/2 5.0	2002/3 5.5	2003/4 4.3	2004/5 6.2	2005/6 3.4	2006/7 2.1	2007/8 1.9	2008/9	End of FY 2008/9	Not yet determined
Exports as % of GDP ^e	15	2000/1	2000/1 14.6	2001/2 18.6	2002/3 18.0	2003/4 19.1	2004/5 20.7	2005/6 22	2006/7 23.1	2007/8 22.0	2008/9	End of FY 2008/9	Not yet determined

²⁰ Provisional result

²¹ Provisional result

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Goal 2: Promoting sustainable and broad-based growth													
Domestic credit to private sector as % of GDP ^e	4.6	2001	4.6	5.5	6.7	7.6	8.9	11.3	13.8			End 2008	Increase by 1% of GDP per annum
% increase in stock of FDI Proxy: FDI Inflows (US \$ million) ^a	463.4	2000	467.2	387.6	308.2	330.6	447.6	616.6	653.4	695.5		End 2009	Not yet determined
Interest rate spread on lending and deposits (percentage points) ^e													Not yet determined
- Overall lending rates	19.4	2001	19.4	16.2	14.3	14.4	15.3	15.7	15.8	15.2		End 2009	
- Savings deposit rates	4.1	2001	4.1	3.4	2.6	2.5	2.6	2.6	2.6	2.7		End 2009	
- Spread (lending - deposit)	15.3	2001	15.3	12.8	11.7	11.9	12.6	13.1	13.2	12.5		End 2009	
Proportion (%) of labour force not currently employed ^{d2, f}	12.9	2001	12.9	X	X	X	X	11.7	X	X	X	ILFS 2010	6.9%
% of trunk and regional road network in good and fair condition ^h	51	2000	X	51	72	78	84	78	85				Not yet determined

²² The ILFS uses a national definition of unemployment to include those who want to work but have not recently actively looked for work. Other national surveys, such as HBS, also collect and present information on unemployment rates in Tanzania. These surveys use the international definition of unemployment which counts only those who are actively looking for work.

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
- Good	16	2000	X	14	35	43	53	40	48				Not yet determined
- Fair	35	2000	X	37	37	35	31	38	37				Not yet determined
% of rural population who live within 2kms of all-season passable road Proxy: % of rural communities/ villages with access to all-season passable road within 30 minutes walking distance ^{23 g}	86.4	2007							86.4	X	X	HBS 2011	Not yet determined
Goal 3: Improved food availability and accessibility at household level in urban and rural areas													
Food self sufficiency ratio (rate) % ⁱ	94	2001/2		2001/2 94	2002/3 102	2003/4 88	2004/5 103	2005/6 102	2006/7 112	2007/8 104		End of FY 2008/9	119
Proportion of districts reported to have food shortages Proxy: Number of districts reported to have food shortages (%) ⁱ	15	2001/2	X	2001/2 15	2002/3 13	2003/4 62	2004/5 41	2005/6 41	2006/7 50	2007/8 20		End of FY 2008/9	17 districts

²³ Data were collected for this indicator for the first time in the HBS 2007, Community Characteristics Report.

Indicator	Baseline		Trend										Target
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
% change in production by smallholder households of key staple crops (maize, rice, sorghum in million tonnes) j	2 million tonnes	1987	X	X	2002/3 3.5 million tonnes	X	X	X	X	X	X	Agriculture Survey 2008/9	12 million tonnes
Proportion of households who consume no more than one meal per day (%) b,j,k	Mainland: 1.1 Rural: 1.2	2000/1	1.1	X	X	X	X	X	Mainland: 1.1 Rural: 1.2	X	X	HBS 2011	Not yet determined
- HBS			X	X	Rural: 3.4	X	X	X				Agriculture Survey 2008/9	
- Agricultural Survey			X	X								TDHS 2009/10	
- TDHS			X	X	X	Mainland: 1.9 Rural: 2.2				X	X		
Goals 4 and 5: Reducing income poverty of both men and women in rural and urban areas													
% of smallholders participating in contracting production and out-grower schemes j	0.9	2002/3	X	X	0.9	X	X	X	X	X	X	Agriculture Survey 2008/9	1.3%

Indicator	Baseline		Trend									Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010	
Total smallholder area under irrigation as % of total arable land ¹	2.7	2002/3	X	X	2002/3 2.7	X	X	X	X	X		Agriculture Survey 2008/9	13%	
% of smallholders who accessed formal credit for agricultural purposes ²	0.32	2002/3	X	X	0.32	X	X	X	X	X		Agriculture Survey 2008/9	10%	
Percentage of smallholder (rural) households with one or more off-farm income-generating activities ³														
- Agricultural Survey	60	1994/5	X	X	2002/3 72	X	X	X	X	X		Agriculture Survey 2008/9		
- Integrated Labour Force Survey (IFLS) - Secondary activities	81.4	2001/2	2001/2 81.4	X	X	X	X	X	X	X	X	ILFS 2010		
Goal 6: Provision of reliable and affordable energy to consumers														
% Increase in number of customers connected to national electricity grid and off-grid														
Proxy: Proportion of households connected to electricity ^{b,j,k}														
- HBS	10	2000/1	10	X	X	X	X	X	12	X	X	HBS 2011	Grid 20%	

Indicator	Baseline		Trend										Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010	
- Agricultural Survey			X	X	Rural : 1.4 on grid 0.2 off grid	X	X	X	X	X		Agriculture Survey 2008/9		
- DHS			X	X	X	11.1	X	X	X	X		TDHS 2009/10		
% of households in rural and urban areas using alternative sources of energy to wood fuel (including charcoal) as their main sources of energy for cooking ^{b j}			Mainland: 7.8 Dar: 49.2 Other Urban: 12.9 Rural: 2.7											
- HBS	7.8	2000/1		X	X	X	X	X	Mainland: 4.2 Dar: 16.6 Other Urban: 8.4 Rural: 1.2	X	X	HBS 2011	10%	
- Agricultural Survey			X	X	Rural: 0.9	X	X	X	X	X		Agriculture Survey 2008/9		
Total electricity generating capacity and utilisation (Actual electricity generation as % of potential capacity) ¹	43.06	2000	47.50	49.42	47.81	41.29	53.43	60.27	70.54	74		End 2009	Not yet determined	

Sources:

- a = Economic Survey (various years)
- b = Household Budget Surveys
- c = Budget Digest, 2009/10
- d = Macro-economic Policy Framework for the Plan/Budget 2008/09 – 2010/11
- e = Bank of Tanzania Economic Bulletins
- f = Integrated Labour Force Surveys
- g = Household Budget Survey 2007, Community Characteristics Report
- h = TANROADS
- i = Ministry of Agriculture
- j = Agricultural Survey
- k = Tanzania Demographic and Health Survey
- l = Own computations using TANESCO statistics presented in Economic Surveys

MKUKUTA Cluster II: Improvement of Quality of Life and Social Well-Being

The two broad outcomes for MKUKUTA's Cluster II are:

- i) Improved quality of life and social well-being, with particular focus on the poorest and most vulnerable groups; and
- ii) Reduced inequalities (including in survival, health and education) across geographic areas, income, age, gender and other groups.

Expanded access to, and delivery of, quality social services – notably education, healthcare, water and sanitation – and the establishment of social protection mechanisms are vital to attaining these two outcomes. Moreover, a well-educated and healthy population is central to achieving broad-based and equitable growth (Cluster I) and sound governance (Cluster III). Indeed, the goals of MKUKUTA's three clusters are mutually reinforcing.

To assess progress under Cluster II, indicators under five supporting goals are examined:

Goal 1:	Equitable access to quality primary and secondary education for boys and girls, universal literacy among men and women, and expansion of higher, technical and vocational education
Goal 2:	Improved survival, health and well-being of all children and women, and especially vulnerable groups
Goal 3:	Increased access to clean, affordable and safe water, sanitation, decent shelter, and a safe and sustainable environment
Goal 4:	Adequate social protection and provision of basic needs and services for the vulnerable and needy
Goal 5:	Effective systems to ensure universal access to quality and affordable public services

Goal 1 Equitable Access to Quality Primary and Secondary Education for Boys and Girls, Universal Literacy among Men and Women, and Expansion of Higher, Technical and Vocational Education

The following indicators are used to assess progress in educational outcomes for all Tanzanians:

- Literacy rate of population aged 15+ years
- Net enrolment at pre-primary level
- Net primary school enrolment rate

- Percentage of cohort completing Standard VII
- Percentage of students passing the Primary School Leavers' Exam (PSLE)
- Pupil/teacher ratio in primary schools
- Percentage of teachers with relevant qualifications
- Pupil/text book ratio
- Transition rate from Standard VII to Form 1
- Net secondary enrolment
- Percentage of students passing the Form 4 examination
- Enrolment in higher education institutions

Literacy

The Household Budget Survey 2007 reports a literacy rate of 72.5% among Tanzanians over 15 years of age. Data by gender show that literacy among women has slightly increased from 64% to 66.1% since the HBS 2000/01, while the literacy rate among men was unchanged at 80%.

Improvement in literacy rates will largely be driven by increased and sustained access to education for new generations of Tanzanian children. Total enrolment in all Integrated Community-Based Adult Education (ICBAE) programmes – functional literacy, post-literacy, new curriculum and centres for special needs – is only 1.28 million, and less than 40% of communities surveyed by HBS 2007 have adult education plans in place. Without further expansion of adult literacy programmes, a serious social problem may arise – the still young generation of Tanzanians who missed the rapid expansion of primary and secondary schooling since 2000 risks being left behind with lower basic skills and reduced employability as the economy grows.

Moreover, literacy underpins other social and economic developments, including improvements in governance, for example, access to, and comprehension of information posted by local government authorities, as well as access to agricultural extension or modern technologies, such as mobile telephones and the internet. A lack of competence and confidence in reading, writing and numeracy can inhibit social and economic participation, effectively cutting off households and communities from the full benefits or economic growth.

Pre-primary Education

Continuing the rising trend since 2004, well over one-third (37%) of children are now enrolled in pre-primary education, and the proportion of children starting pre-primary at the requisite age has also improved slightly.²⁴ Government promotion of pre-primary is almost certainly a factor behind this rise.²⁵

²⁴ Ministry of Education and Vocational Training (MoEVT), Basic Education Statistics in Tanzania (BEST) 2005-2009 (MoEVT, 2009, p. 4).

²⁵ Most children access government pre-primary schools where enrolment has risen in the last year from 805,000 to 851,000. Non-government provision had been growing very fast from a low base, but has fallen back from over 68,000 to 45,000 in the last year (MoEVT, 2009, p. 2).

Regional variations in enrolment have improved, reflecting the overall trend of increased pre-primary enrolment, but remain a cause for concern. The PHDR 2007 reported net enrolment ratios (NER) ranging from 5% to 40%, but this gap has now contracted from 11.3% (in Dar es Salaam) to over 40% (in Manyara and Iringa).

The trend is towards gender parity in enrolment, with the NER for boys now marginally ahead of girls in half the regions. The intra-regional gender differences of more than 10 percentage points reported in PHDR 2007, have narrowed; the largest now 4 percentage points in Rukwa, and still favouring girls (MoEVT, 2009, p. 8).

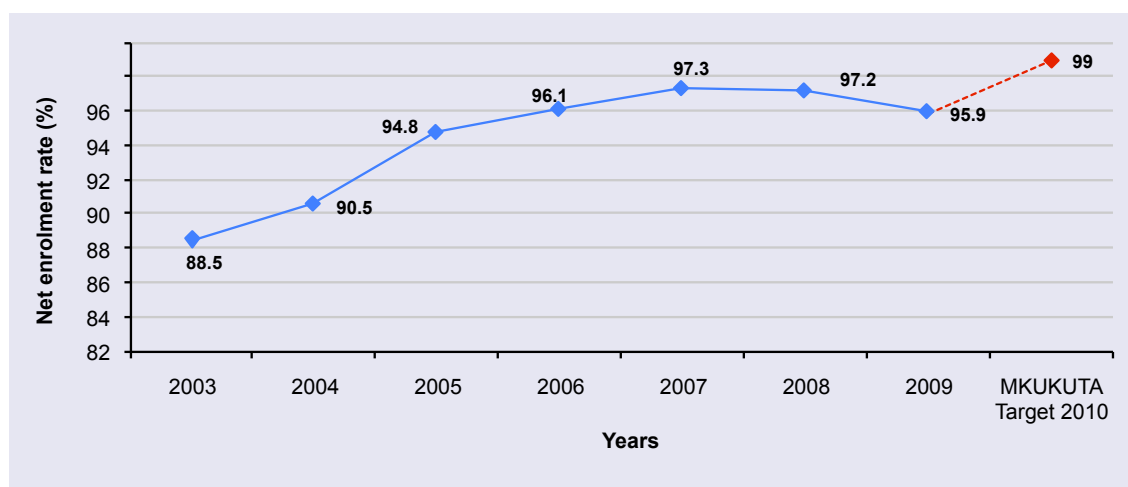
Given that early childhood education requires intensive adult care and attention, the very high pupil:teacher ratio (PTR) of 55:1 in government pre-primary schools is cause for concern. Regional PTRs range from 25:1 to 80:1. In contrast, the PTR in non-government pre-primary schools is only 25:1 (MoEVT, 2009, pp. 6-7). Greater investment in early childhood teachers will be needed to ensure quality provision. An important development towards achieving this objective is the plan to separate pre-primary teacher training from mainstream primary training. There is now an Inter-sectoral Early Childhood Development (ECD) Strategy, and plans to roll-out ECD services in 8 districts. This is an important step towards meeting the needs of young children holistically.

Primary Education

Net Primary School Enrolment Rate

The net primary school enrolment rate – i.e., the percentage of children aged 7-13 years who are enrolled in Standards I to VII – declined marginally from 97.3% in 2007 to 97.1% in 2008, and deteriorated further to 95.9 in 2009 (Figure 9). The MKUKUTA target of 99% by 2010 is still attainable, however, reaching the children not yet enrolled will be a significant challenge, since it implies enrolling the children who are the hardest to reach at the requisite age, including the disabled.

Figure 9: Net Enrolment Rate in Primary Education, 2003 – 2008 (with MKUKUTA Target for 2010)



Sources: Poverty and Human Development Report (PHDR) 2007 (Research and Analysis Working Group (RAWG), 2007) and MoEVT, 2009

Gender parity data for primary schooling have been consistently good. Parity has been reached at national level, though girls in some regions still face difficulties in completing the primary cycle.

However, some discrepancies exist in enrolment data for primary education. In MoEVT's Basic Education Statistics in Tanzanian (BEST) – Regional Statistics 2007, over one-third of districts reported 100% net enrolment, but more detailed figures reveal that NERs of over 100% were recorded and rounded down. Therefore, in these districts more 7-13 year olds were reported to be enrolled than the projected number of 7-13 year olds in the district.²⁶ NERs of 100% were also in all the districts in Manyara region, where pastoralism and agro-pastoralism predominate, and where neighbouring districts with similar socio-economic characteristics show significantly lower enrolment rates.

Significantly, too, the HBS 2007 reports data about school attendance, rather than just enrolment. Results show a dramatic improvement in attendance rates compared with HBS 2000/01, with total attendance at 83.8% up from 58.7%. Rates for girls are slightly better than for boys, except in Dar es Salaam. Nonetheless, this implies that almost one in five pupils is not attending school at any one time²⁷ – which challenges any complacency based on the positive enrolment data. Understanding non-attendance is critical for achieving education targets and for addressing the broader equity goals of MKUKUTA. Children most at risk of not being enrolled, not attending

²⁶ Previous PHDRs pointed out the problems with age related data – in particular the extrapolations from population census data.

²⁷ Concerns exist about the question asked in the HBS which could have multiple interpretations: 'Is (name of child) currently in school?' could include anyone having been formally enrolled but never attended, to a single day's absence due to illness when the survey was carried out.

and/or not completing primary school will include the most vulnerable children – the disabled,²⁸ those living in remote areas, and children for which the opportunity cost of attending school is high.

Percentage of Primary Cohort Completing Standard VII

The cohort completion rate has dropped from 78% in 2006 to 62.5% in 2008, and a significant turnaround is required if the MKUKUTA target of 90% is to be reached. Improvements in routine and survey data collection are needed to better inform strategies to improve retention and completion:

- BEST captures only limited data on *reasons for dropping out of school*. In 2008, 69.5% of children dropping out of school were recorded as doing so because of truancy²⁹, but BEST provides no further information about what caused truancy.
- HBS 2007 records *reasons for non-attendance* amongst 7-13 year olds. Positively, non-attendance because ‘school is too expensive’ has declined to 5% from 11.7% in HBS 2000/01. In addition, non-attendance by children ‘who are too old or who have already completed’ jumped from 4.2% to 48.9%, because more children are starting school at the requisite age or earlier (DPG, 2008). The biggest change is among rural children. Both of these improvements are attributable to the Primary Education Development Programme (PEDP). However, an increase in children reporting that ‘school is useless/uninteresting’ is a worrying development – this proportion increased by almost 5 percentage points nationally while in Dar es Salaam it increased from 2.3% to 24.3%. Research to explore these widespread perceptions of school would be valuable, to ascertain if school is viewed this way due to a lack of connection between what is taught and skills development for youth to secure livelihoods.

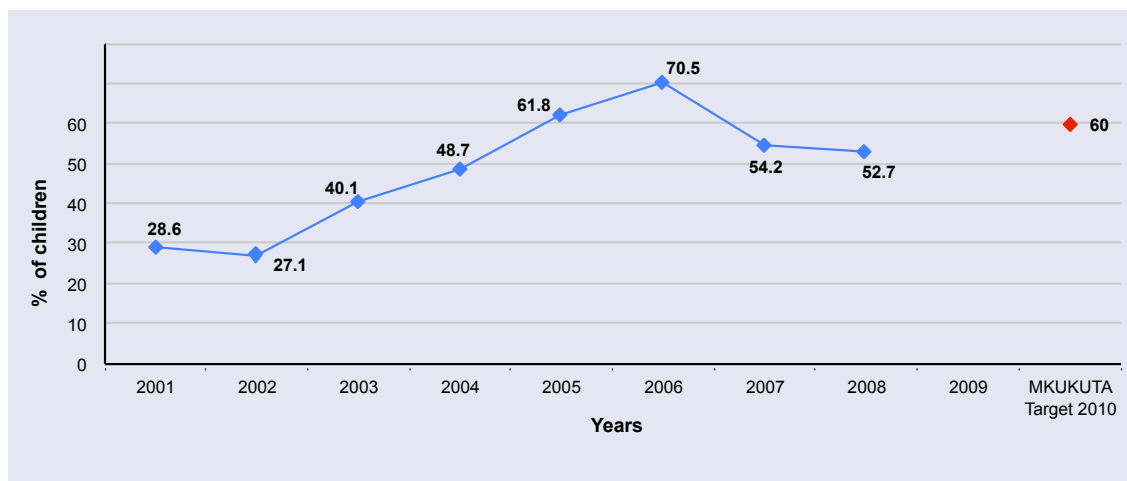
Percentage of Students Passing the Primary School Leaving Examination

The percentage of students passing the primary school leaving examination (PSLE) has fluctuated significantly in recent years, as illustrated by Figure 10. The sharp drop in 2007 was reportedly due to syllabus changes and tighter invigilation. The 2008 data suggests that 2005 and 2006 figures were probably anomalous. Reaching the MKUKUTA target will require a significant effort.

²⁸ According to BEST 2008, a little under 35,000 children in primary schools had some kind of disability, about 0.4% of the school population (MoEVT, 2008a). This figure has now dropped to 27,500. The 2008 Disability Survey found 4 out of 10 children of official primary age attending school, but less than 2% of these children are attending a special school. In addition, 16% of disabled children reported that they were refused entry into educational systems (Ministry of Health and Social Welfare (MoHSW), 2009).

²⁹ Absolute numbers of truants has declined but the percentage of pupils dropping out for reason of truancy has increased.

Figure 10: Percentage of Children Passing Primary School Leaving Examination, 2001-2008 (with MKUKUTA Target for 2010)



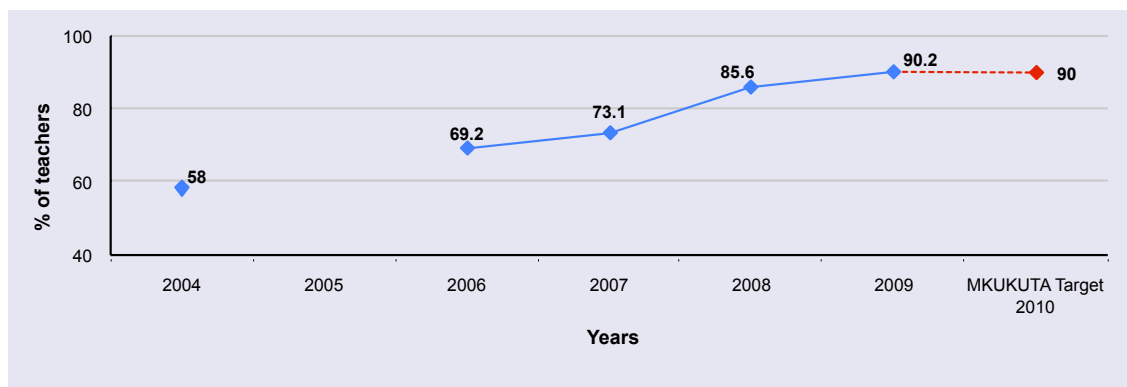
Source: MoEVT, 2009

Disaggregated statistics by region and by gender show widening disparities. In the 2008 examinations, Dar es Salaam recorded the best results with a pass rate just below 74% (boys 82%, girls 66%) while Shinyanga reported the lowest pass rate at 34% (boys 46%, girls 22%).

Percentage of Teachers with Relevant Qualifications

The percentage of teachers with relevant qualifications has risen to 90.2%, which meets the MKUKUTA target for this indicator (Figure 11).

Figure 11: Percentage of Primary School Teachers with Relevant Qualifications, 2004 and 2006 – 2009 (with MKUKUTA Target for 2010)



Sources: RAWG, 2007; MoEVT, 2008a and 2009

Pupil/Teacher Ratio

Overall, the pupil:teacher ratio in 2009 remains at 54:1, and reaching the MKUKUTA target of 45:1 looks increasingly unlikely. The rapid expansion of secondary education is creating strong budgetary pressures which will impact additional recruitment of primary teachers.

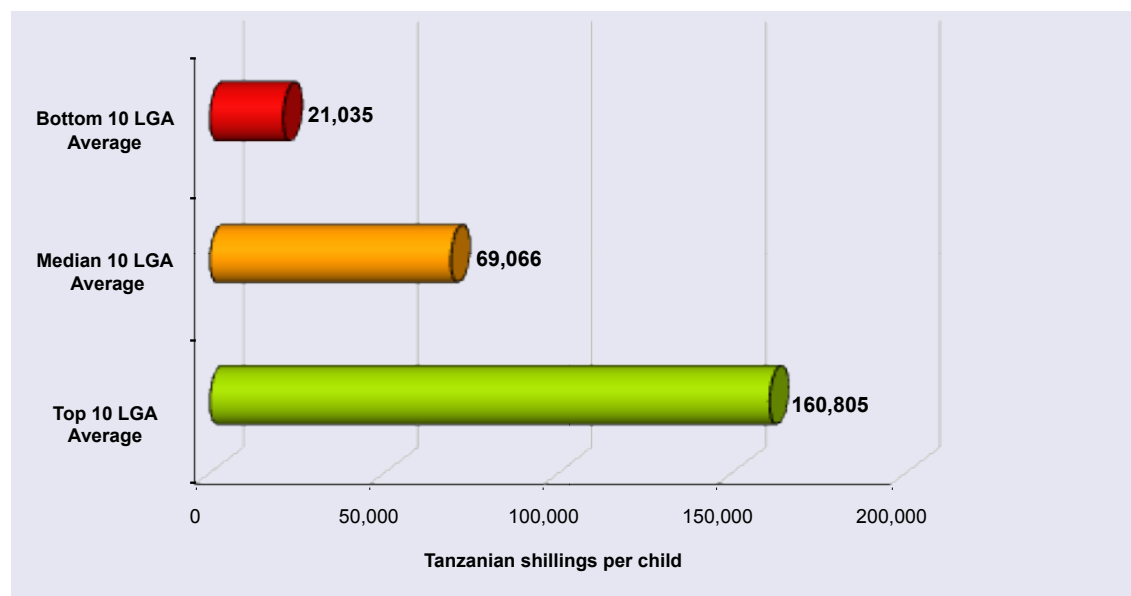
Pupil/Text Book Ratio

No new data are available, but the Annual Sector Review on Education in 2008 expressed serious concern that the textbook procurement and distribution system is not working well. Complaints were raised about the high numbers of books left un-purchased or in storage while, at the same time, 'pirated', poor quality copies of approved books are being used in schools.³⁰

Quality in Primary Education and Financial Allocations

Significant geographic disparities for the indicators of quality in primary education persist. Recent analysis suggests a strong correlation between indicators of quality and of educational outcomes and financial allocations. The ten Local Government Authorities (LGAs) with the lowest budgets received on average Tshs 21,000 for staffing per 7-13 year old child in 2008/09, compared with Tshs 161,000 for the ten LGAs with the largest budgets (Figure 12).

Figure 12: Education Staffing Budget 2008/09 per Child Aged 7-13 Years



Source: URT, 2008

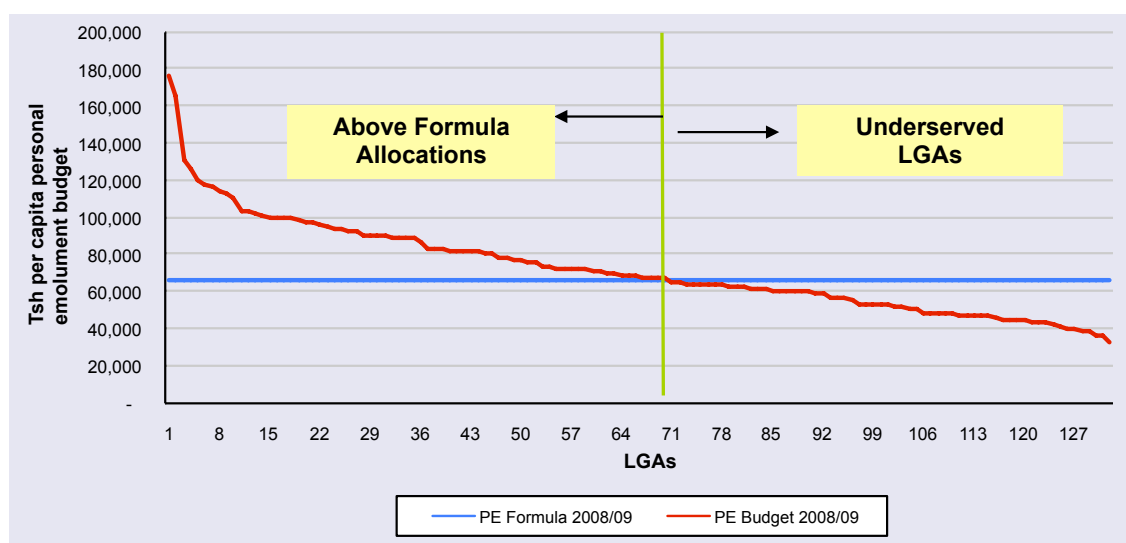
In the 20% of districts with the highest budgets, the average pupil:teacher ratio is 44:1; in the 20% with the smallest budgets, it is 70:1.³¹ In the 20% of districts with the highest budgets the PSLE pass rate is 57.6%, whereas in the bottom 20% of districts it is 43.6%. Improvements

³⁰ Education Sector Review Workshop Report 2008, p. 9.

³¹ URT, 2008: Human Resources, p. 5.

in equity of education provision through the application of formula-based grants are not being realised (Figure 13). Despite a 17% increase in the amount of funding for primary education (Table 9), there was no increase in equity of allocations for primary education.

Figure 13: Education Personal Emolument Budget per capita across Local Government Authorities 2008/09, and the 2008/09 Formula Allocation



Source: URT, 2008: Human Resources, p. 9

Table 9: Budget Allocations for Education, by Level, 2005/06 – 2008/09

Sub sector	2005/06	2006/07	2007/08	2008/09
Primary Education	55.8%	53.9%	49.1%	50.1%
Secondary Education	14.9%	13.2%	15.7%	10.4%
Vocational Training	1.3%	1.2%	1.7%	0.6%
Other Basic Education	5.2%	6.2%	4.5%	5.5%
Folk Development	0.3%	0.3%	0.3%	0.4%
Total Basic Education	77.4%	74.6%	71.4%	67.0%
University Education	16.9%	19.9%	23.9%	26.3%
Technical Education	1.6%	1.6%	1.3%	1.2%
Other Higher Education	4.1%	3.8%	3.5%	5.4%
Total Higher Education	22.6%	25.4%	28.6%	33.0%
Total Education	100.0%	100.0%	100.0%	100.0%
In TShs:	701,124	912,015	1,107,437	1,273,889
Total Government Budget	4,035,100	4,850,600	6,066,800	7,215,631
Education as % of Total Govt. Budget	17.4%	18.8%	18.3%	17.7%

Source: Assad & Kibaja, 2008

Similar disparities also persist in health (see Goal 2 of this Cluster). Implementation of incentive packages to attract staff to underserved areas is unlikely because of existing pressures on the recurrent budget. Therefore, the most likely mechanism to attract teachers to these areas is

provision of housing, funding for which might be drawn from the capital development budget. The application of formula-based allocations to redress geographic disparities under the local government reform programme is discussed in detail in Cluster III.

Secondary Education

Transition Rate from Standard VII to Form 1

The transition rate from Standard VII to Form 1 maintains a downward trend from 67.5% in 2006 to 51.6% in 2008, which is consistent with the declines in PSLE pass rates (MoEVT, 2009, p. 22). Currently, the transition rate exceeds the MKUKUTA target of 50%, but based on the current trend, there is a real risk of failing to meet the target in 2010. Year-on-year swings in data may be symptomatic of weakness in sector planning and general stress in the education system. Financial allocations to secondary education also show significant year-on-year changes without any technical justification (Table 9).

Net Secondary Enrolment

Overall, net secondary enrolment has continued to increase from 20.6% in 2007 to 27.8% in 2009. HBS 2007 data also show that poor families have especially benefited from the expansion in access to secondary education, though they are still under-represented (Table 10 and 11). Cost is likely to be barrier (Maarifa ni Ufunguo, 2008). Few government scholarships for children from poorer households are available, so children of households in higher wealth quintiles continue to have greater access to secondary education. Indeed, research into the impact of costs for secondary education has shown that the poorest families are effectively subsidising secondary education; contributions from all households for the construction of secondary schools are compulsory, but the poorest families cannot afford the fees to send their children to them.³²

Gender equity declines markedly from the outset of secondary level. From gender parity in primary school, the proportion of girls in government schools falls to under 45% in Form 1 and to 35% by the end of Form 6. The proportion of girls in private secondary schools is consistently higher than government schools; 52% in Form 1 and 45% in Form 6. Positively, trends in gender equity are improving in both government and private schools.

How to fund the expansion in secondary education – which is faster than the Secondary Education Development Programme (SEDP) had envisaged – remains a major challenge. A World Bank analysis examined the implications of MKUKUTA's NER targets of 50% for Forms 1 to 4, and 25% in Forms 5 and 6 by 2010 (World Bank, 2008c).

*“In 2010, there will be about 4.1 million young people aged 14-17, and about 1.8 million young people aged 18-19. The implication of the Government's MKUKUTA targets is that about 2.5 million people should be enrolled in secondary education in 2010. Even if the rate of enrolment growth in the non-government sector accelerates from recent experience to 10% annually, Government-supported secondary schools would need to enrol about 2,240,000 pupils in 2010. **This is 2.7 times greater than the enrolment in Government-supported secondary schools in 2007, and more than 8 times greater than the enrolment in Government-supported secondary schools in 2004.** There are no examples of countries that have increased secondary enrolments eightfold over a period of six years. In this sense, what the Government is aiming at achieving in secondary education is unprecedented.”*

³² See, for example, Maarifa ni Ufunguo (2008).

To meet these ambitious targets, the education sector would require up to 40% of the Government's recurrent budget, necessitating significant reallocations from other sectors. Despite this need for increased secondary funding, the sub-sector's allocation has declined in the 2008/09 budget, and the scope for additional efficiency savings in the secondary budget is limited.

Table 10: Primary and Secondary School Attendance Rates by Residence and Gender, 2000/01 and 2007

	Net Attendance Rate		Gross Attendance Rate	
	2000/01	2007	2000/01	2007
Primary Schools				
Dar es Salaam	0.71	0.91	0.99	1.19
Other Urban	0.71	0.91	0.97	1.22
Rural Areas	0.56	0.82	0.82	1.16
Male	0.57	0.82	0.85	1.17
Female	0.61	0.86	0.86	1.18
Tanzania	0.59	0.84	0.85	1.17
Secondary Schools (Forms 1 to 4)				
Dar es Salaam	0.19	0.32	0.31	0.55
Other Urban	0.15	0.28	0.28	0.52
Rural areas	0.02	0.10	0.05	0.20
Males	0.05	0.09	0.09	0.29
Female	0.04	0.09	0.11	0.27
Tanzania	0.05	0.15	0.10	0.28

Source: Hoogeveen and Ruhinduka (2009), calculations based on HBS 2007 data

Note: These calculations interpret attendance data in the HBS as equivalent to enrolment, and report them as enrolment rates.

Table 11: Primary and Secondary School Attendance Rates, by Wealth Quintile, 2000/01 and 2007

	Net Attendance Rate		Gross Attendance Rate	
	2000/01	2007	2000/01	2007
Primary Schools				
Poorest Quintile	0.47	0.78	0.74	1.15
2 nd	0.58	0.79	0.86	1.18
3 rd	0.57	0.84	0.82	1.18
4 th	0.65	0.89	0.95	1.17
Least Poor Quintile	0.72	0.91	0.92	1.19
Tanzania	0.59	0.84	0.85	1.17
Secondary Schools (Forms 1 to 4)				
Poorest Quintile	0.01	0.10	0.04	0.20
2 nd	0.05	0.12	0.08	0.22
3 rd	0.03	0.13	0.07	0.27
4 th	0.05	0.21	0.11	0.38
Least Poor Quintile	0.15	0.25	0.28	0.43
Tanzania	0.05	0.15	0.10	0.28

Source: Hoogeveen et al., 2009, calculations based on HBS 2007 data

Note: These calculations interpret attendance data in the HBS as equivalent to enrolment, and report them as enrolment rates

Percentage of Students Passing the Form 4 Examination

In educational terms, the downside to the rapid rate of secondary expansion – and drop in budget allocation – is the inability to recruit and train sufficient numbers of teachers to ensure students receive a quality education. The percentage of students passing the Form 4 examination (division 1-3) has declined sharply from 35% in 2006 and 2007 to under 27% in 2008, underlining long-held concerns about deteriorating standards of tuition and the stark reality that education expansion cannot be done cheaply. Over 80% of students sitting the exam passed Kiswahili, but only a quarter of candidates passed basic mathematics.

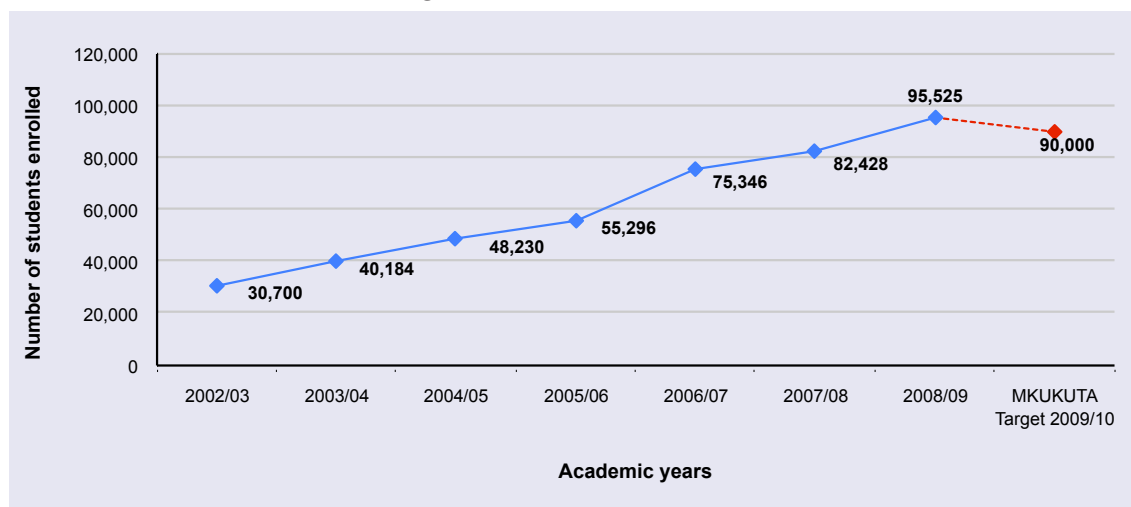
Analysis of 2008 exam results by type of school is not yet available. However, in 2007, less than one-third of students (30.5%) at Community Secondary Schools passed with a division 1-3, compared with over half (56.8%) of students in seminaries, and just under half (47.9%) in other government schools. The high rates of division 4 passes and failing grades strongly indicate poor quality tuition and a missed opportunity to provide young Tanzanians with essential technical and vocational skills to succeed in the labour force. The fall in the percentage of qualified secondary teachers is likely to be a major contributing factor.

Higher Education

Enrolment in Higher Education Institutions

The rapid acceleration in tertiary education continues. Enrolments in higher education institutions totalled 95,525 students in 2008/09, up from 82,428 students in 2006/07 (Figure 14). The MKUKUTA target has now been exceeded.

Figure 14: Gross Enrolment in Higher Education Institutions, 2002/03 – 2008/09, with MKUKUTA Target



Sources: PHDR 2005 (RAWG, 2005) and MoEVT, BEST (various years).

However, the proportion of young people from the poorest two quintiles of households attending tertiary institutions is only 4%, compared with 56% from the least poor quintile (Table 12). In addition, the under-representation of girls in higher secondary continues into tertiary education; only 34% of tertiary students are women. The percentage of female students improved slightly over the previous year, suggesting that the pre-entry programme for women with lower qualifications – which was introduced to expand women’s participation – is having a positive effect.

Investing in the more efficient operation of the Higher Education Loans Board will be a necessary step towards increasing equity – and ensuring that the increased budget allocations to the tertiary sub-sector support the institutions and the students who attend.

Table 12: Benefit Incidence Analysis of Education, by Wealth Quintile

Wealth Quintile	Percent Attending			Percent of public budget				Private contribution	Share of total spending
	Prim	Sec	Tertiary	Primary	Sec	Tertiary	Total		
Poorest	24%	13%	0%	13%	2%	0%	16%	6%	14%
2 nd Quintile	24%	19%	4%	13%	3%	1%	17%	10%	16%
3 rd Quintile	22%	20%	22%	12%	3%	6%	21%	12%	20%
4 th Quintile	18%	23%	18%	10%	4%	5%	19%	19%	19%
Least Poor	12%	24%	56%	7%	4%	16%	27%	53%	31%
Tanzania	100%	100%	100%	55%	17%	28%	100%	100%	100%
Total (billion Tshs)				642.7	201.6	327.7	1172.0	256.6	1428.6

Source: DPG, 2008

Technical and Vocational Education and Training (TVET)

Currently no MKUKUTA indicators have been specified for technical and vocational education. However, BEST 2009 provides TVET data for the first time. Results show a decrease in the number of graduates from 126,000 to 93,000, and an increase in students dropping out from courses. The sharp drop in the proportion of overall funding allocated to TVET in 2008/09 shown in Table 9 will further impact provision.

In terms of disparities, girls' representation in technical training varies widely by course, for example, 17.6% in engineering and other science; 64.6% in health and allied science (MoEVT, 2008b). Overall, in 2008/09, girls made up 43.2% of enrolments in TVET – a decline from the previous year. By location, western Tanzania has relatively fewer TEVT institutions than other parts of the country, making it more expensive (especially in transport costs) for potential students from these regions to access courses. Plans for a national Technical and Vocational Training Development Programme are in train, but they are at a very early stage of development. Despite the lack of an overall plan, a number of vocational training centres are currently being rehabilitated and expanded, including the much needed upgrading of equipment.

Goal 2**Improved Survival, Health and Well-being of All Children and Women and Especially Vulnerable Groups**

This section presents the latest information on indicators for health and nutrition, beginning with data on life expectancy. It draws upon new data from the Tanzania HIV and Malaria Indicator Survey (THMIS) 2007/08, the Household Budget Survey 2007, and updated figures from routine administrative data systems. The analysis also examines human resources in the health sector, and discusses trends in utilisation of, and satisfaction with healthcare services.

MKUKUTA's goal for health and accompanying indicators focus on those groups who bear a disproportionate burden of disease and have greater need for health care – girls and women of reproductive age and young children. The indicators are:

- Infant mortality rate
- Under-five mortality rate
- Immunisation coverage for diphtheria, pertussis, tetanus and hepatitis B (DPTHb3)
- Proportion of under-fives moderately or severely stunted (height for age)
- Maternal mortality ratio
- Proportion of births attended by a skilled health worker
- HIV prevalence among 15-24 year olds
- Percentage of persons with advanced HIV infection receiving anti-retroviral (ARV) combination therapy
- Tuberculosis (TB) treatment completion rate

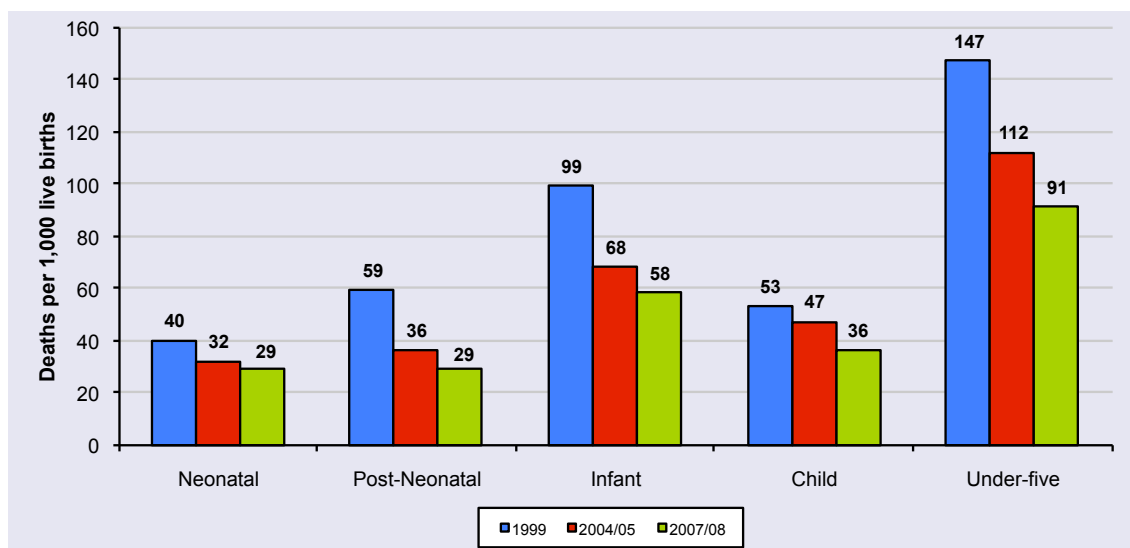
Life Expectancy

According to the official projections by the National Bureau of Statistics, life expectancy was expected to reach 53 years for men and 56 years for women by 2008. However, these projections may be well below actual gains, mainly because HIV prevalence and under-five mortality are lower than assumptions used in the NBS projection model. Information from the demographic surveillance system in Rufiji also suggests that life expectancy increased by five years for men and eight years for women between 1999/2000 and 2006/7. It is perfectly plausible that revised projections using updated assumptions about mortality and HIV would put life expectancy for men in the late fifties and about 60 years for women.

Infant and Under-Five Mortality

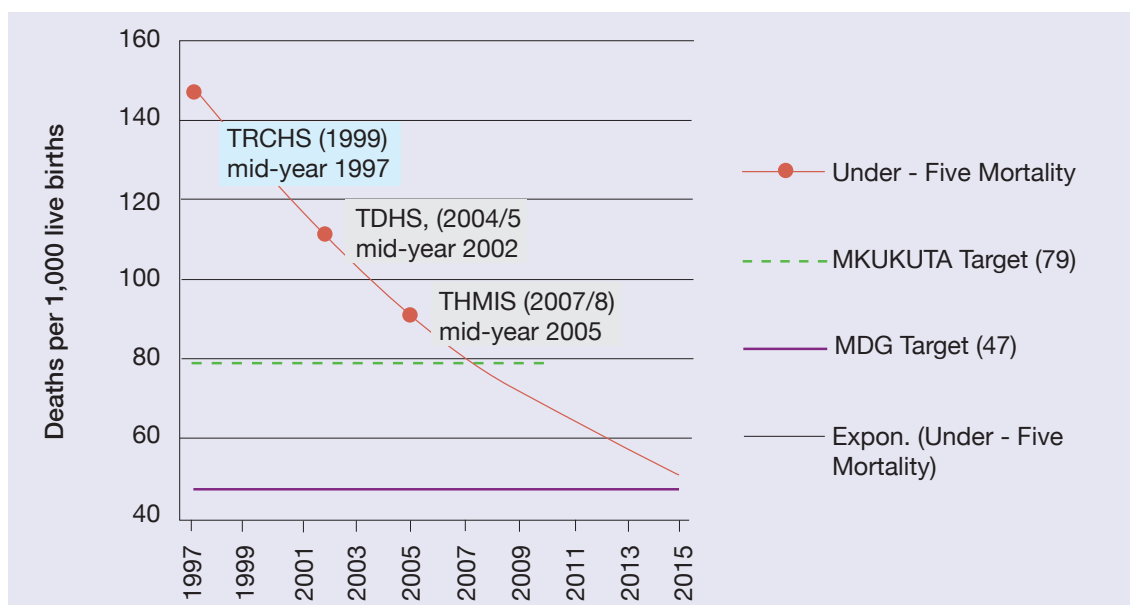
Data from THMIS 2007/8 show continuing declines in infant and under-five mortality (Figure 15). The changes in under-five mortality from 1999 to 2004/5 and from 2004/5 to 2007/8 are both statistically significant. This is extremely good news and confirms the analysis in PHDR 2007 that a steep decline in mortality occurred over the period 2000-2004 (Masanja, et al., 2008). The trend in under-five mortality since 1999 indicates that Tanzania is on track to reach the MKUKUTA target in 2010, and the MDG target in 2015 is also within reach (Figure 16)

Figure 15: Infant and Under-Five Mortality, 1999, 2004/05 and 2007/08



Sources: Tanzania Reproductive and Child Health Survey (TRCHS) 1999 (NBS & Macro International, 2000); Tanzania and Demographic Health Survey (TDHS) 2004/05 (NBS & ORC Macro, 2005); THMIS 2007/08 (Tanzania Commission for AIDS (TACAIDS); NBS, Office of the Chief Government Statistician [Zanzibar] (OGCS) & Macro International, 2008).

Figure 16: Estimated and Projected Under-Five Mortality 1997 - 2015



Sources: TRCHS 1999, TDHS 2004/05, THMIS 2007/08. Survey estimates are assigned to nearest “middle year”³³ with exponential trend line.

³³ Each survey measures mortality in the five years preceding the survey. For the purpose of trend estimation, we have assigned the survey estimate to the middle year of the period measured.

Examination of age-disaggregated data on child mortality (Figure 4) reveals that the greatest change has occurred in post-neonatal and infant mortality. Neonatal mortality has improved to a much smaller extent, and now accounts for a growing share of under-five deaths. Neonatal deaths are inextricably linked to maternal healthcare, where little progress has been made in recent years.

The THMIS 2007/08 found surprisingly little disparity in under-five mortality rates³⁴ between urban (110) and rural (112) areas. However, significant differences persist in mortality risk across wealth quintiles; the mortality rate for children in the least poor 20% of households (101) is 22% lower than the poorest (129). A more pronounced gap is observed between mortality rates for children of mothers with secondary education or higher (78) and children whose mothers have no formal education (129). Nonetheless, the latest data suggest that socio-economic inequalities in under-five mortality have narrowed. These improvements are less likely to be due to increases in health service provision or access, which have not changed much over the past five years, but may be linked to reduction in malaria burden. Gains in malaria control over this period have provided relatively greater benefit in rural areas where prevalence was higher, as was child mortality (Smithson, 2009).

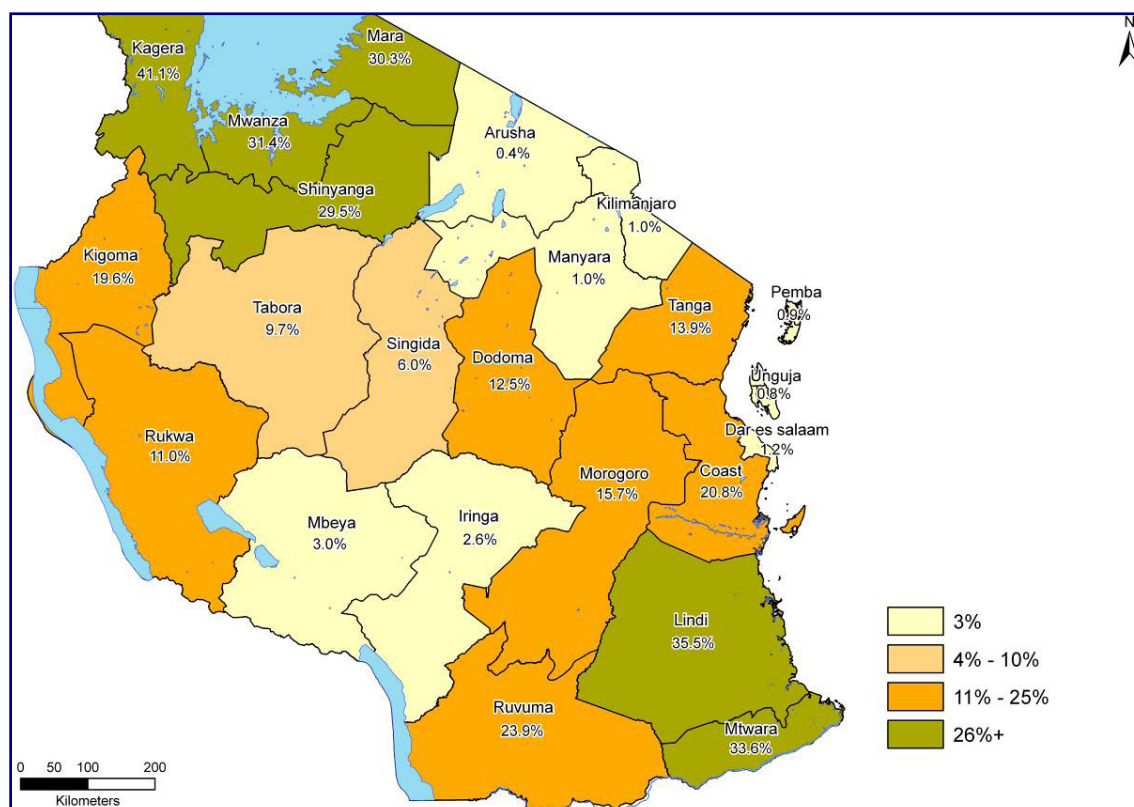
Malaria Control

THMIS 2007/08 was the first nationally representative household survey to investigate the prevalence of malaria, and so provides valuable information to assess the impact of control measures in tackling the disease. Malaria has accounted for the largest burden of morbidity and mortality in Tanzania, especially among young children.

The burden of malaria is highly unevenly distributed across the country. In 2007/8, malaria prevalence in children 6-59 months of age was less than 5% in five Mainland regions, while prevalence in five other regions was 30% or more. The regions most affected are Kagera, Mara and Mwanza, which border Lake Victoria, and Lindi and Mtwara on the south-eastern coastline (Figure 17).

³⁴ Child mortality rates are expressed as under-five or infant deaths per 1,000 live births.

Figure 17: Prevalence of Malaria in Children 6-59 Months of Age, by Region, 2007/08

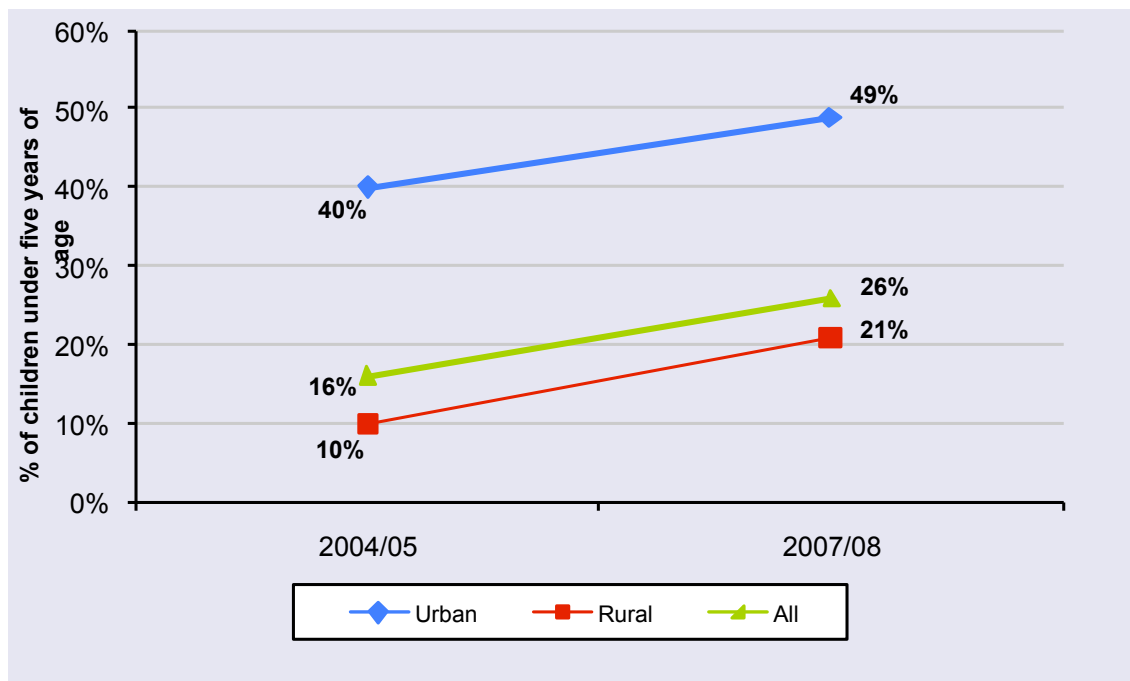


Source: THMIS 2007/08

THMIS data show improvements in the coverage of insecticide-treated nets (ITNs), with proportionately greater increases among rural children, even though coverage in rural areas continues to lag behind urban areas (Figure 18). ITN coverage can be expected to expand further over the next three years – in part due to the switch to permanently-treated nets, and due to the scaling-up of ITN distribution to all households.³⁵ The distribution of free long-lasting nets started in regions with the highest prevalence of malaria.

³⁵ In 2008/9 Tanzania commenced distribution of free, permanently-treated ITNs to all under-fives in the country. In 2010, this initiative is expected to be scaled up further (with support from Global Fund for AIDS, TB and Malaria) to provide ITNs to all households in the country, including those without children under the age of five.

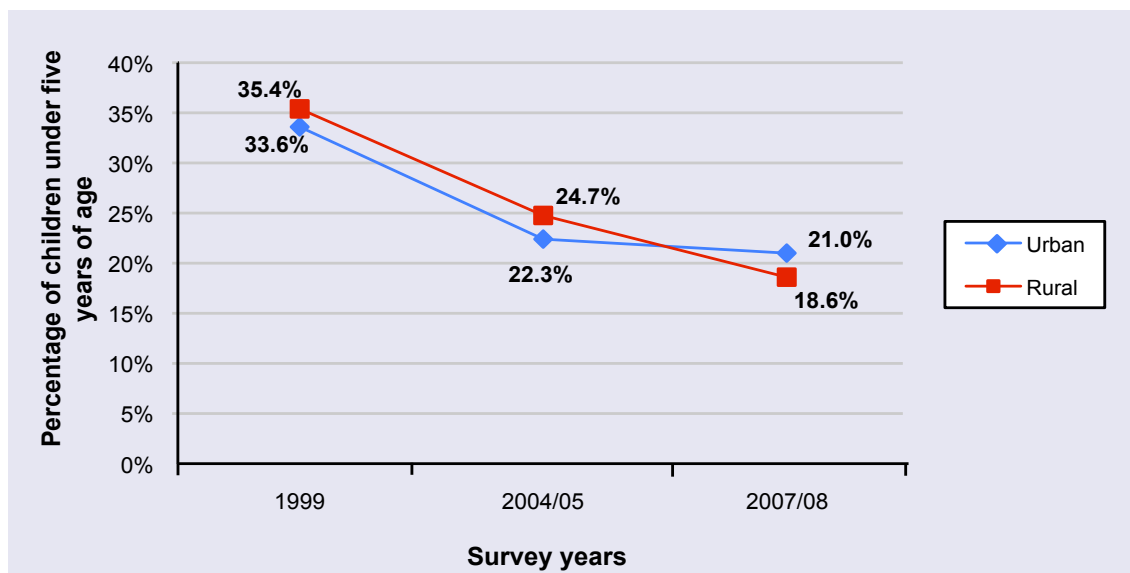
Figure 18: Percentage of Under-Fives who slept under an ITN the Night before the Survey, Rural and Urban, 2004/5 and 2007/08



Sources: TDHS 2004/05; THMIS 2007/08

The effectiveness of malaria treatment has also improved. The highly-effective artemisinin-based combination therapy “ALu” was introduced as the first line treatment in early 2007, replacing “SP” to which resistance was emerging. Other advances in malaria control have thus far been confined to certain parts of the country, including Rapid Diagnostic Tests (RDTs), larviciding (Dar es Salaam) and indoor residual spraying (Muleba, Kagera and Zanzibar). The combined impact of advances in malaria control is evident across a range of indicators. Despite the absence of a nationally-representative baseline, Smithson (2009) concludes that malaria prevalence in Tanzania has roughly halved over the past decade. There have been declines of similar magnitude in malaria transmission, severe anaemia, fever incidence, malaria in-patient admissions and the proportion of fever cases positive for malaria over the same period. Figure 19 shows that the percentage of children under five years who were reported to have had a fever in the two weeks prior to a survey has fallen from 35% in 1999 to 19% in 2007/08. The prevalence of fever which had been higher among children in rural areas, is now slightly lower (19%) compared with urban areas (21%).

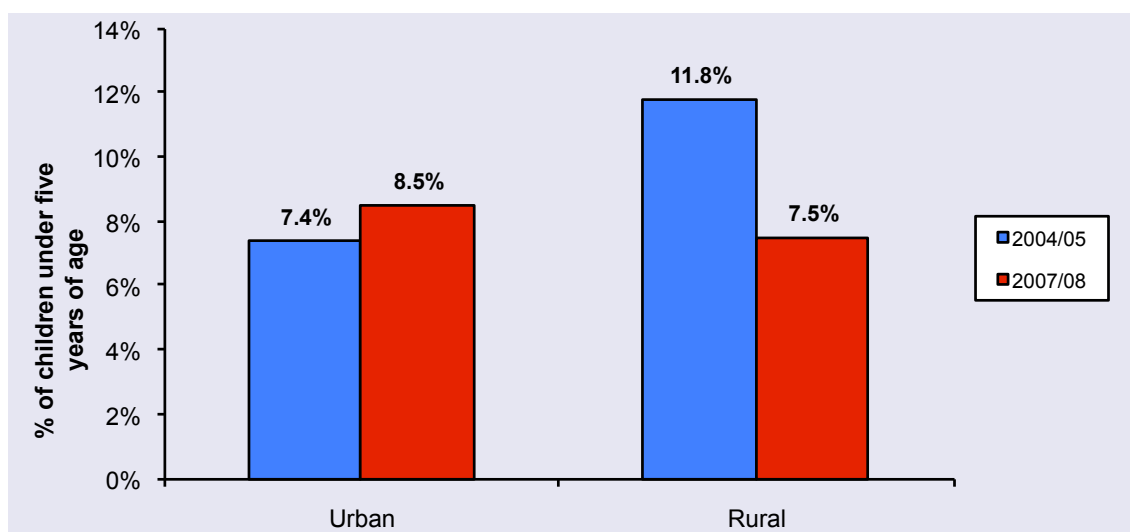
Figure 19: Percentage of Children Under Five Years with Fever in the Two Weeks prior to a Survey, by Residence, 1999, 2004/05 and 2007/08



Sources: TRCHS 1999; TDHS 2004/05; THMIS 2007/08

Another indicator that improved malaria control is having a beneficial effect, and especially among rural children, is the substantial reduction in anaemia³⁶ (Figure 20). The percentage of rural children with anaemia fell from 11.8% in 2004/05 to 7.5% in 2007/08, while the change in anaemia prevalence among urban children is not likely to be significant.

Figure 20: Percentage of Rural and Urban Children Under Five Years with Anaemia, 2004/05 and 2007/08



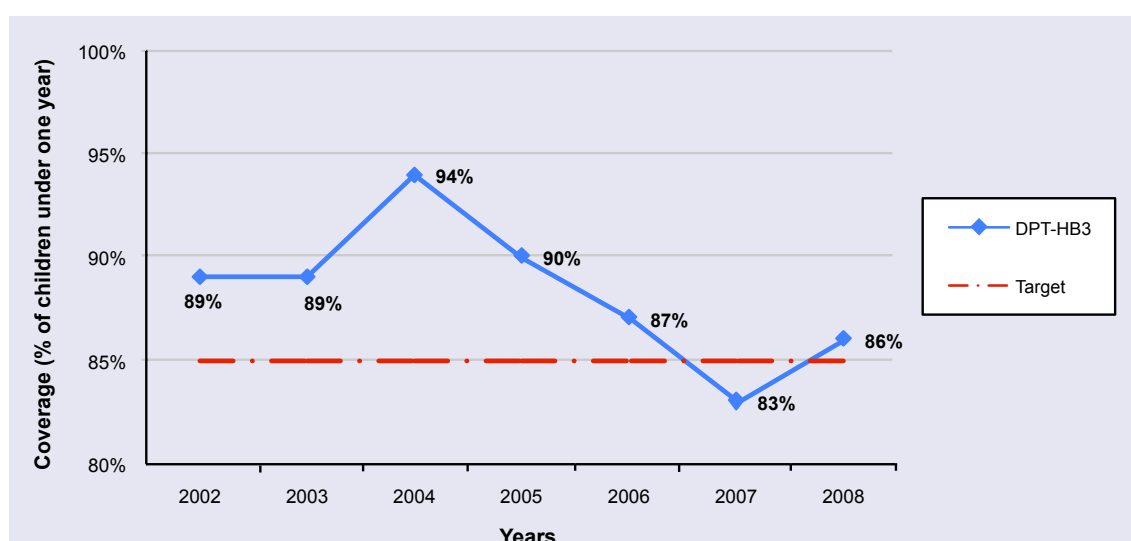
Sources: TDHS 2004/05; THMIS 2007/08 (re-tabulated by IHI with <8g/dl cut-off)

³⁶ Anaemia can result from malaria infection, as well as from worm infestations.

Immunisation

THMIS 2007/08 survey did not collect immunisation data. The latest estimates from routine data for the Expanded Programme of Immunisation (EPI) implemented by the Ministry of Health and Social Welfare (MoHSW) indicate a decline in coverage of DPT-Hb3 from the peak of 94% in 2004 to 83% in 2007, with a small recovery to 86% in 2008 (Figure 21). However, survey-based estimates of coverage are typically four or five percentage points lower than the routine data. Thus actual DPT-Hb3 coverage may be poorer. Coverage of measles vaccination, on the other hand, remains at 90% (2007), most likely due to repeated catch-up campaigns, whereas DPT-Hb3 depends upon routine administration.

Figure 21: Percentage of Children Under One Year Vaccinated Against DPT and Hepatitis B with a Third Dose, 2002-08



Source: MoHSW, EPI routine data

Nutrition

Nutrition and health are inexorably intertwined. In infants in particular, recurrent illness leads to malnutrition, and poor nutrition elevates the risk of disease and death. The latest national estimates of child malnutrition from the TDHS 2004/05 were reported in PHDR 2007. A new TDHS in 2009/10 will provide updated information.

Data on child malnutrition are summarised in Table 13. The percentage of children under five years who were stunted declined from 44% in 1999 to 38% in 2004/05; and the proportion underweight came down from 29.5% to 22%. In the five worst affected regions – Mtwara, Lindi, Ruvuma, Iringa and Kigoma – more than 50% of children under five years were stunted.

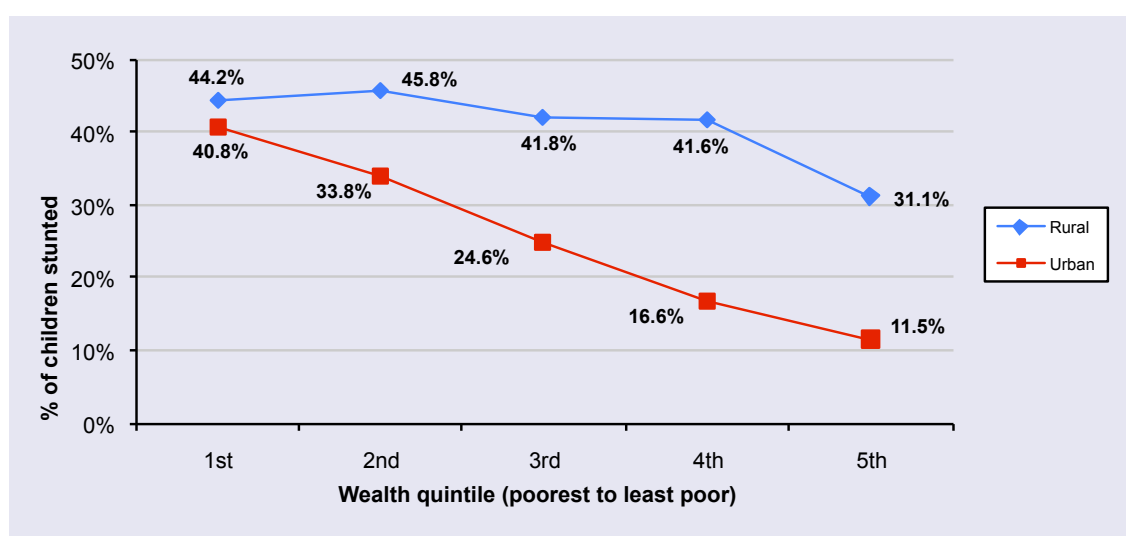
Table 13: Indicators of Malnutrition in Children Under Five Years, Urban-Rural, 1999 and 2004/05

	Stunting (height-for-age below -2SD)	Underweight (weight-for-age below -2SD)	Wasting (weight-for-height below -2SD)
1999 Mainland	44.0%	29.5%	5.3%
Urban	26.1	20.7	5.9
Rural	47.8	31.4	5.2
2004/5 Mainland	38.0%	21.9%	2.9%
Urban	26.0	17.3	2.9
Rural	40.9	23.0	2.9

Source: TRCHS 1999; TDHS 2004/05

Boys are marginally more likely to be malnourished on all three measures (stunting, underweight, wasting) than girls. Rural children are more likely to be stunted (41%) than urban children (26%), and more likely to be underweight (rural 23%, urban 17%). However, the urban-rural gap narrowed between 1999 and 2004/05. A bigger drop was recorded in the proportion of rural children who were malnourished compared with their urban peers.

Among rural children, there is limited correlation between risk of malnutrition and increased household wealth status. Figure 22 shows that the risk of malnutrition is significantly lower only for children in the least poor quintile. In each of the other four quintiles, over 40% of rural children are short for their age (i.e., chronically undernourished). A much stronger relationship between malnutrition and household wealth status is evident among urban children; the proportion of urban children who are stunted steadily declines as household wealth increases.

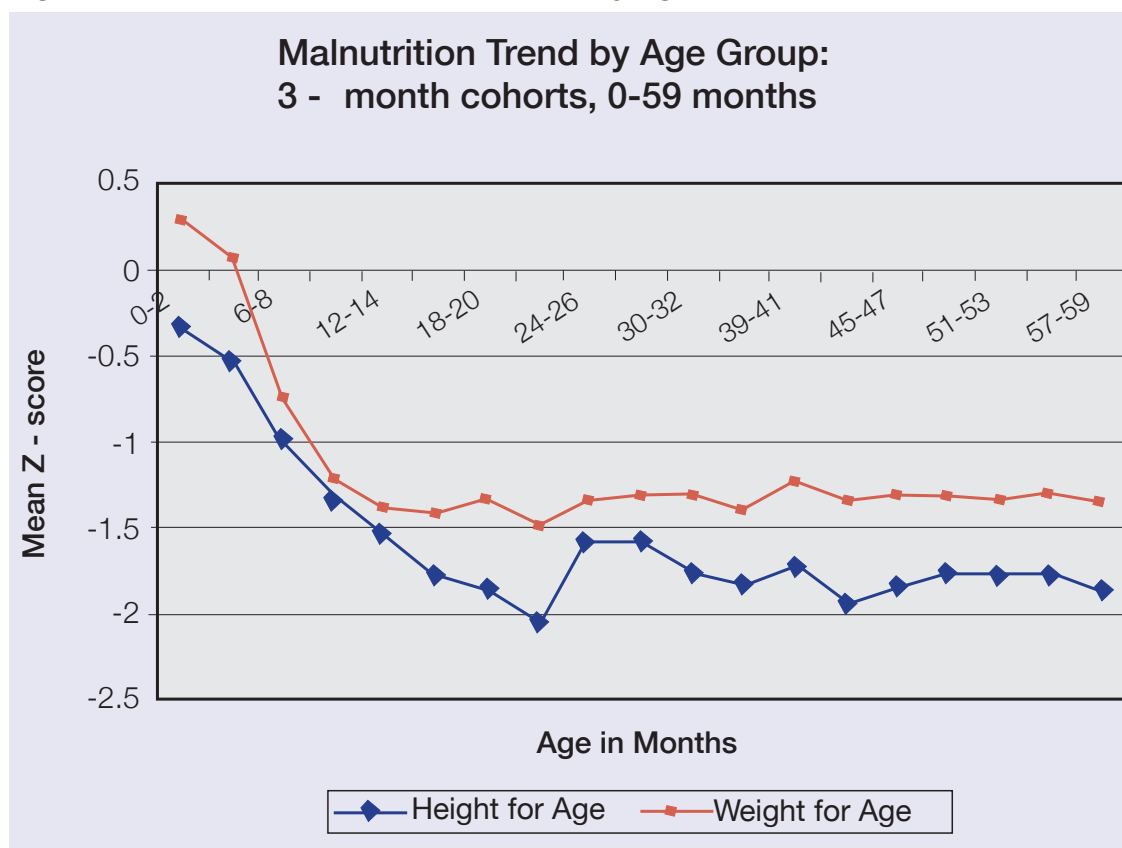
Figure 22: Percentage Children Under Five Years with Low Height-for-Age, Urban-Rural, by Wealth Quintile, 2004/05

Source: TDHS 2004/05

As reported in Cluster I, levels of income poverty declined only slightly between the 2000/01 and 2007. Therefore, it is unlikely that recent improvements in nutrition among under fives, especially in rural areas, can be attributed to changes in income/consumption. It is more probable that they reflect three main factors: (i) advances in malaria control described earlier; (ii) the introduction of universal vitamin A distribution for infants since 2002³⁷; and (iii) the increase in the proportion of women who breastfed their infants exclusively up to three months of age (up from 25% in 1999 to 42% in 2004/05).

The greatest damage to children from poor nutrition occurs in the first two years of life. As Figure 23 illustrates, the *average* Tanzanian child was on the borderline of stunting ($z = -2.0$) by the age of two years, with no subsequent recovery.

Figure 23: Indicators of Child Malnutrition by Age in Months



Source: Ifakara Health Institute calculations based on TDHS 2004/05 data

A major factor in poor nutritional outcomes in very young children is low levels of exclusive breastfeeding for infants; 41% of Tanzanian newborns are not breastfed in the first hour of life, and fewer than 15% are exclusively breastfed up to the age of six months. A recent study from

³⁷ Vitamin A contributes to immunity, thereby reducing the frequency of illness and consequent malnutrition.

Ghana (Edmond et al., 2006) found a four-fold increase in neonatal death associated with non-exclusive breastfeeding in the first month and a 2.4-fold increase in risk due to late initiation of breastfeeding. The study concluded that 22% of neonatal deaths in Ghana could be averted if all newborns commenced breastfeeding in the first hour. Another study on Zanzibar documents the relationship between malaria infection, anaemia, stunting and cognitive development. In Zanzibari children aged 5-19 months, higher malaria parasite density was associated with anaemia and with stunting, while height-for-age significantly predicted better motor and language development (Olney et al., 2009).

Tanzania will not achieve the MKUKUTA target for reduction in prevalence of stunting in under-fives to 20%, unless effective nutrition interventions are vigorously scaled up; a conclusion shared by a recent national nutrition review (Tanzania Food and Nutrition Centre (TFNC) et al., 2007). The key window for scaled-up interventions will be strengthening nutrition during the first two years of life, and the health sector will need to play a leading role in delivering the interventions that impact malnutrition in this age group – in particular, maternal nutrition, malaria prevention, and promotion of breastfeeding/safe weaning practices.

Maternal Health

The TDHS 2004/05 survey estimated the maternal mortality ratio (MMR) at 578 per 100,000 live births which is equivalent to more than one maternal death in Tanzania every hour.³⁸ The previous survey estimate of 529 per 100,000 live births in 1996 indicates that maternal mortality has remained exceedingly high over the past decade with no improvement.

In the absence of frequent estimates of maternal mortality, MKUKUTA monitors a second indicator – proportion of births attended by skilled health workers – to assess progress in the provision of maternal health services. In 2004/05, skilled birth attendance was estimated at 46%, up only slightly from 44% in 1999, indicating little improvement in the provision of maternal health services. The level of skilled birth attendance in Tanzania corresponds closely to the proportion of births taking place in a health facility. In 2004/05, 47% of births took place in a health facility.

Routine data from health facilities provide a slightly higher estimate of births occurring in health facilities; 853,000 institutional births were recorded in 2007 representing 53% of the 1,600,000 births expected that year. However, given known weaknesses in routine data monitoring systems, it would be premature to draw a conclusion without confirmation of this trend by survey data.

Access to institutional delivery/skilled birth attendance varies widely among population sub-groups. Rural women are much less likely than their urban counterparts to deliver at a health facility. Disparities according to household wealth status or educational attainment of the mother are even more pronounced (Table 14).

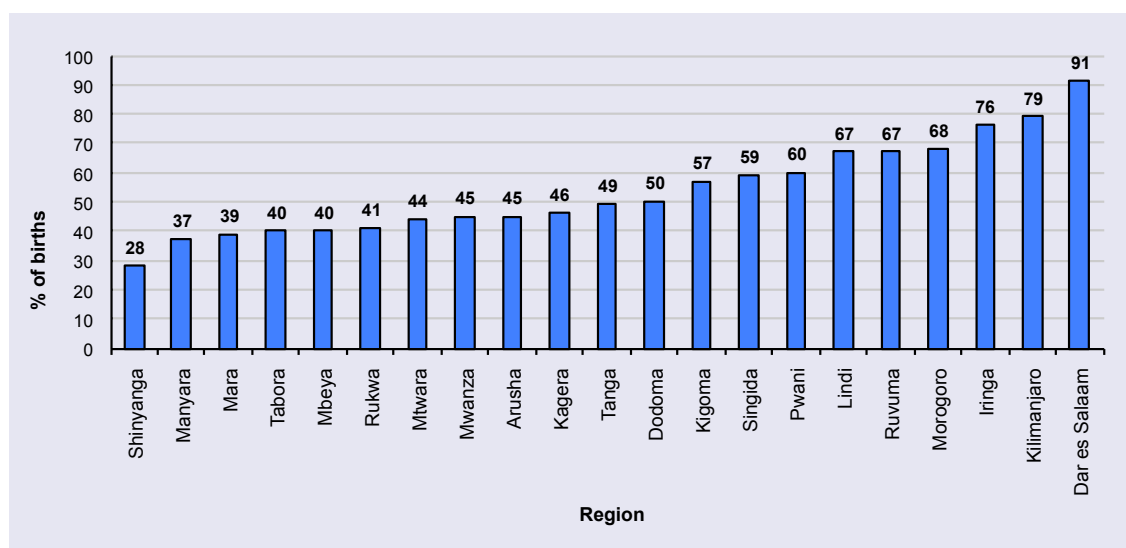
³⁸ Given the need for large sample sizes to accurately estimate maternal mortality, the TDHS 2004/05 calculated the MMR based on maternal deaths occurring in the ten-year period prior to the survey.

Table 14: Percentage of Births taking place in a Health Facility, by Mother's Characteristics

Mainland Tanzania	49%
Residence	
Urban	81%
Rural	39%
Mother's Education	
None	32%
Primary incomplete	42%
Primary complete	53%
Secondary +	85%
Wealth Quintile	
Poorest	32%
2 nd	37%
3 rd	39%
4 th	54%
Least Poor	86%

Source: TDHS 2004/05, based on births in the five years preceding the survey

Just over 80% of urban women deliver in a health facility, compared with 39% of rural women. Across regions, the facility-based deliveries ranged from 28% in Shinyanga to 91% in Dar es Salaam (Figure 24). A recently published study also found that Tanzanian women would prefer to deliver at a health facility but commonly faced multiple barriers in accessing facility-based delivery, including the costs of preparing for delivery, the distance to the closest facility, the lack of affordable transport at the time of labour, and the formal and informal charges incurred for delivery at a facility. Women were still routinely instructed by health workers to purchase and bring basic medical supplies for delivery, a rubber mat for delivery, rubber gloves for the birth attendants, razor blades, and thread for stitching. Participants also related that they commonly had to collect and/or bring water, and carry lamps and kerosene for light. Women often had little or no option but to deliver at home (CARE International in Tanzania and Women's Dignity, 2009).

Figure 24: Percentage of Births Taking Place in a Health Facility, by Region, 2007

Source: Zonal RCH reports of institutional deliveries by region as percentage of expected births by region, 2007

Moreover, the presence of a nearby health facility is not enough. PHDR 2007 documented the extremely limited availability of basic and/or comprehensive obstetric emergency care, even in hospitals and health centres.

To rapidly reduce the high levels of maternal and neonatal mortality, President Kikwete launched the '*National Road Map Strategic Plan to Accelerate Reduction of Maternal, Newborn and Child Deaths in Tanzania*' (also known as 'One Plan'), in April 2008. 'One Plan' aims to reduce maternal mortality by three-quarters from 578 to 193 deaths/100,000 live births and neonatal mortality to 19 deaths/1,000 live births by 2015. Key operational targets include:

- i) Increasing coverage of births by skilled attendants from 46% to 80%;
- ii) Expanding coverage of basic emergency obstetric care from 5% of health centres and dispensaries to 70%, and coverage of comprehensive emergency obstetric care to all hospitals;
- iii) Increasing the proportion of health facilities offering Essential Newborn Care to 75%; and
- iv) Increasing exclusive breastfeeding from 41% to 80% (MoHSW, 2008).

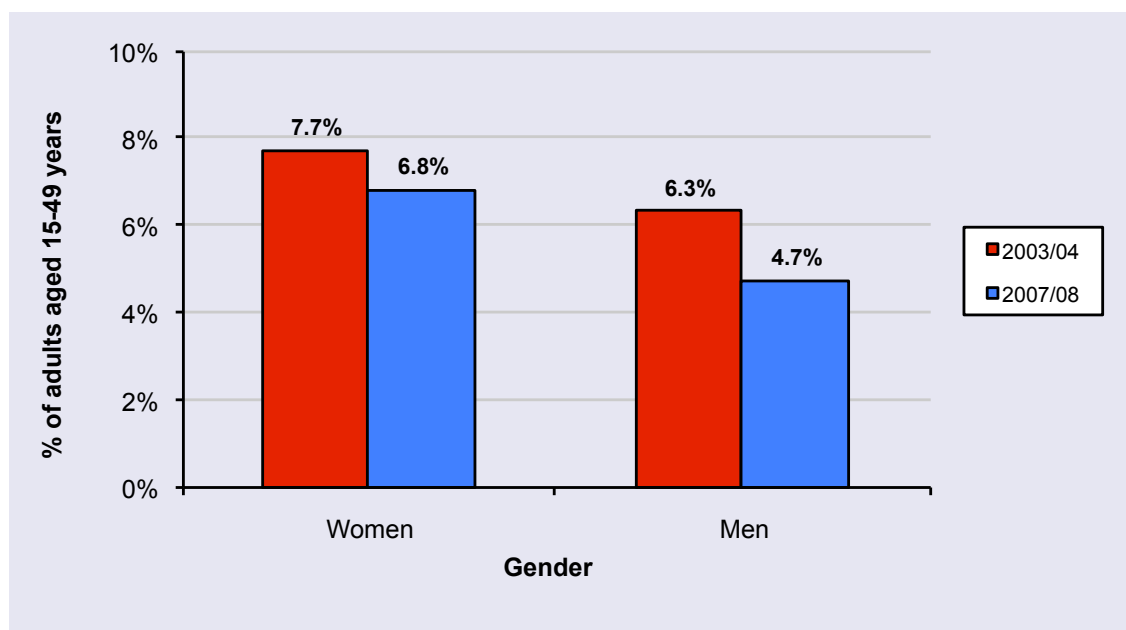
However, the allocation of physical, financial and human resources under 'One Plan' has only begun. Investment and implementation will need to be accelerated rapidly to achieve the targets by 2015.

HIV/AIDS

HIV Prevalence

New data about HIV prevalence from THMIS 2007/08 provide grounds for cautious optimism. Over the period since 2003/04, HIV prevalence in adults (15-49 years) has declined in both males and females, and across most age groups (Figure 25).

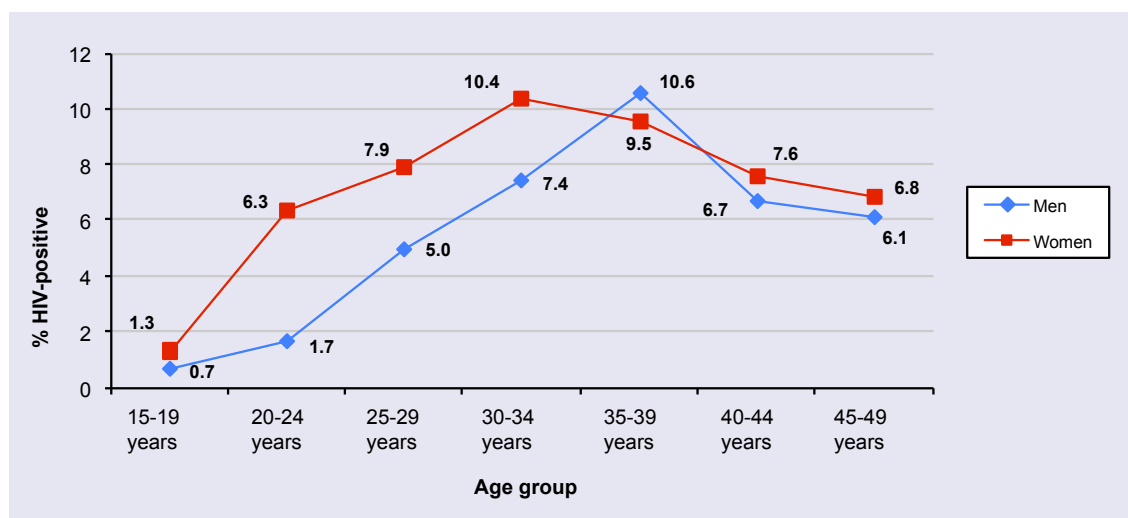
Figure 25: HIV Prevalence in Adults 15-49 Years, 2003/04 and 2007/08



Source: THMIS 2007/08

Youth HIV prevalence (15-24 years) declined largely because of a significant fall in prevalence among young men from 3.0% to 1.1%; the decline in prevalence among young women was small from 4.0% to 3.6% and not statistically significant. Data by age group and gender also reveal that prevalence among young women increases sharply after 15-19 years, which highlights the crucial importance of early prevention interventions (Figure 26). Of note, prevalence among 15-24 year-old females is below the MKUKUTA target of 5%. However, this target was set relative to a baseline estimate of prevalence derived from antenatal clinics where HIV rates are typically higher due to selection bias.³⁹ Now that population-based data series is available, the target for young women needs to be revised.

³⁹ In 2005/6, HIV prevalence among 15-24 year-old ANC attendees was 6.8% (National AIDS Control Programme (NACP), 2007).

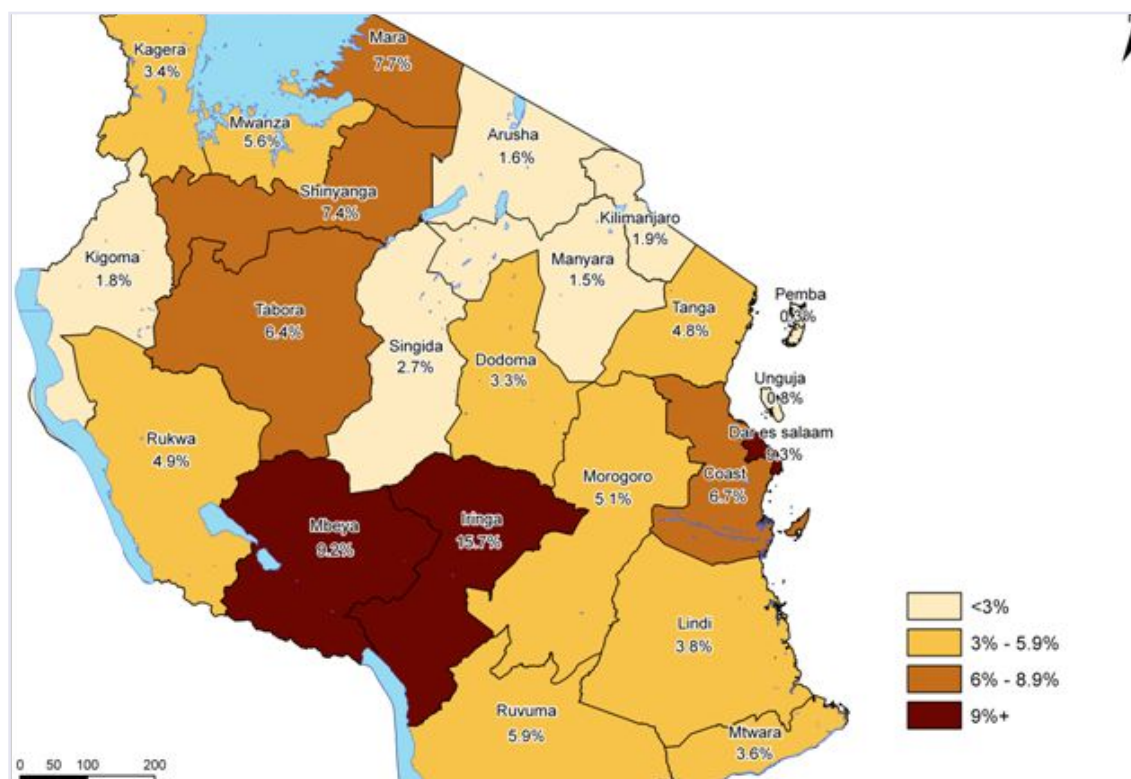
Figure 26: HIV Prevalence by Age Group and Gender, 2007/08

Source: THMIS 2007/08

Whether recent trends in HIV prevalence reflect behaviour modification is open to question. Self-reported measures of sexual behaviour are notoriously unreliable. Moreover, the changes in self-reported sexual behaviour (age at sexual debut, condom use, multiple partners, higher-risk sex) between 2003 and 2007 are only very slight (following larger changes between 1999 and 2003).

Although the survey results are encouraging, HIV prevalence rates across the country continue to exhibit huge disparities – from less than 3% in five regions, to 9% in Dar es Salaam and 15% in Iringa (Figure 27). Moreover, some previously high-prevalence regions (e.g., Mbeya) have seen a reduction in prevalence, while others (e.g., Iringa) exhibit an increase. The factors underlying these changes and the likely trajectory of the epidemic in different regions are largely unknown. This is a priority question demanding further research. As one study contends, the rural epidemic has lagged behind the urban epidemic, and suggests that recent changes in HIV prevalence by region are associated with changing urban/rural population proportions in these regions (AIDS Strategy and Action Plans (ASAP) and UNAIDS, 2008).

Figure 27: HIV Prevalence among Adults 15-49 Years, by Region, 2007/08



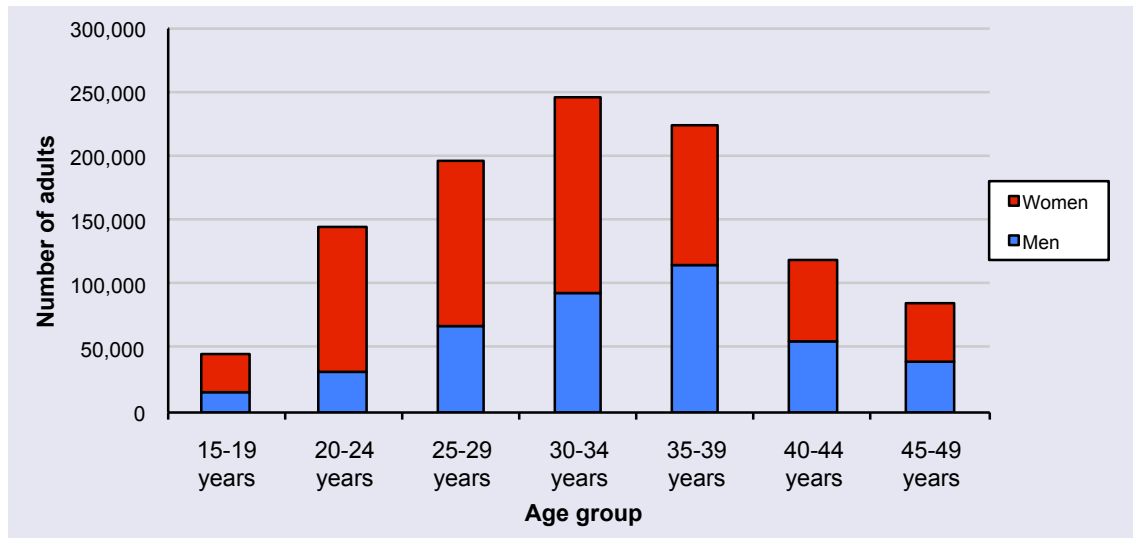
Source: THMIS 2007/08

Based on the age and sex-specific HIV prevalence rates from the THMIS 2007/08 and National Population Projections for 2008⁴⁰, the total number of Tanzanians aged 15-49 years living with HIV is estimated to be slightly over one million.⁴¹ Women predominate in the younger age groups and comprise an estimated 61% of all adults living with HIV (Figure 28).

⁴⁰ The National Population Projections can be found at http://www.nbs.go.tz/National_Projections/Tb111_2003-2025.pdf

⁴¹ Note this estimate does not include the number of adults aged 50 years and older and children aged 0-14 years who are HIV-positive. The THMIS 2007/08 does not provide estimates of HIV prevalence for these population groups.

Figure 28: **Projected Number of Adults 15-49 Years living with HIV, 2008, by Age and Sex**

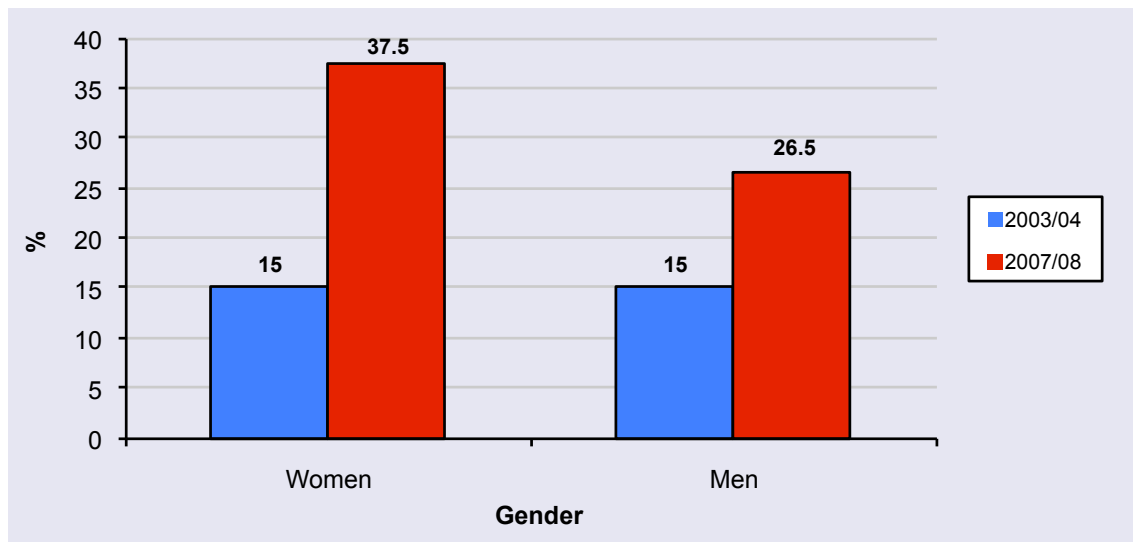


Source: HIV prevalence by age/sex (THMIS 2007/08) applied to official NBS population projections for 2008

HIV/AIDS Care and Treatment

The national campaign for voluntary counselling and testing (VCT) has resulted in a steep increase in the proportion of people who have taken HIV tests, compared to 2003/4 (Figure 29).

Figure 29: **Percentage of Population 15-49 Years Ever Tested for HIV, 2003/04 and 2007/08**



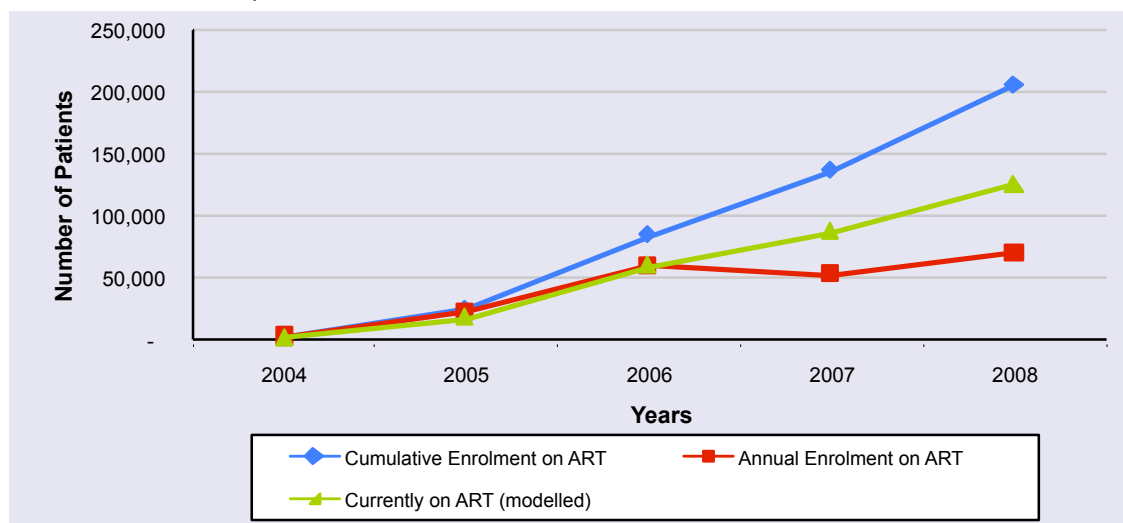
Sources: Tanzania HIV/AIDS Indicator Survey (THIS) 2003/04 (TACAIDS, NBS & ORC Macro, 2005); THMIS 2007/08

Since 2005, there has been a three-fold increase in the number of sites offering VCT, a four-fold increase in the number of clinics offering anti-retroviral treatment (ART), and a five-fold increase in sites with services to prevent mother-to-child transmission (PMTCT) (NACP, 2008). However, the number of people enrolled on care and treatment each year has increased much less quickly – around 50,000 new patients were enrolled in 2006 and 2007, before picking up to 53,354 in the first nine months of 2008 (projected annual enrolment of approximately 70,000).

Strictly speaking, the MKUKUTA indicator is defined as the number of people *currently* on anti-retroviral (ARV) therapy. Presently, this cannot be measured in Tanzania.⁴² Therefore, the exact number of individuals who enrolled on ARV therapy – and are alive and continuing treatment – is not known. Figure 30 presents a model predicting the number of patients *currently on ART*, based on actual enrolment and assumptions about patient retention, validated by the NACP's 2005 cohort study.⁴³ The results predict that the number of patients currently on ART as at September 2008 is approximately 120,000.

This falls a long way short of the target set in the national HIV/AIDS Care and Treatment Plan 2003/08 – where the number of patients currently on ART was expected to have reached 423,000 by the end of 2008. However, targets were set when HIV prevalence was estimated to be far higher than present levels, and when it was assumed that all patients enrolled would continue on treatment.

Figure 30: Annual and Cumulative Enrolment and Projected Numbers Currently on ART, 2004 – 2008



Source: Cumulative enrolment data from NACP. Annual enrolment data calculated from cumulative figures. Current enrolment modelled based on historic enrolment and assumptions on patient retention. Targets from National HIV/AIDS Care & Treatment Plan (MoHSW, 2003).

⁴² This is because the care and treatment information system does not hold patient level data beyond the clinic level.

⁴³ The study shows that 63% and 54% of patients remain alive and on treatment 12 months and 24 months respectively after commencing treatment. This patient retention rate is a little lower than the weighted average of AIDS treatment programs in sub-Saharan Africa: weighted average retention at 6, 12, 24 months was 79%, 75% and 62% respectively (Rosen, Fox & Gill, 2007).

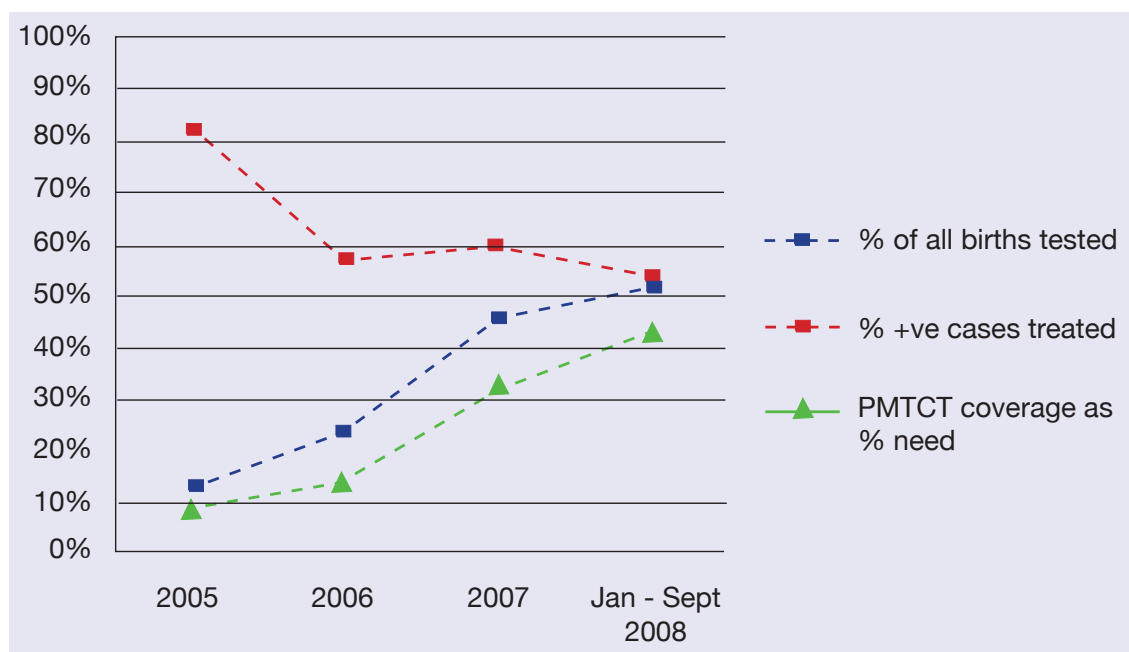
Projections based on the model indicate that patients *currently on ART* would not reach 400,000 even after a decade of enrolling new patients at the rate of 60,000 per year. It is therefore clear that the original targets were overly ambitious. Revision of these targets based on more realistic estimates of HIV prevalence, disease progression and patient retention is an urgent priority – without which the future budgetary needs of the Care and Treatment Programme cannot be known with confidence.

In the meantime, it is imperative that all people clinically eligible for anti-retroviral therapy are enrolled on treatment. This figure is estimated at around 100,000 people per year,⁴⁴ compared with the 50,000 – 60,000 new patients enrolled in each of the past three years. Of equal importance, measures to improve treatment adherence and patient retention are needed to improve post-ARV survival and to reduce the development of drug resistance.

Mother-to-Child Transmission

Coverage under the programme to prevent mother-to-child transmission (PMTCT) of HIV has increased since 2005, but remains fairly low, despite a rapid increase in the number of programme sites. The percentage of HIV-positive pregnant women who receive nevirapine prophylaxis or start on ARV, is estimated to have risen from about 10% in 2005 to around 40% in 2008. There has been a major improvement in the proportion of pregnant women tested for HIV – largely due to the expansion of PMTCT-capable antenatal care clinics. However, this has been off-set by a decline in the proportion of HIV-positive women who actually receive prophylaxis (Figure 31).

Figure 31: PMTCT Programme Performance, 2005 – 2008



Source: Calculated from data provided by PMTCT programme, NACP

⁴⁴ Based on the estimated number of people living with HIV in Tanzania (1 million), stable incidence, and approximately one-tenth becoming clinically eligible for treatment every year.

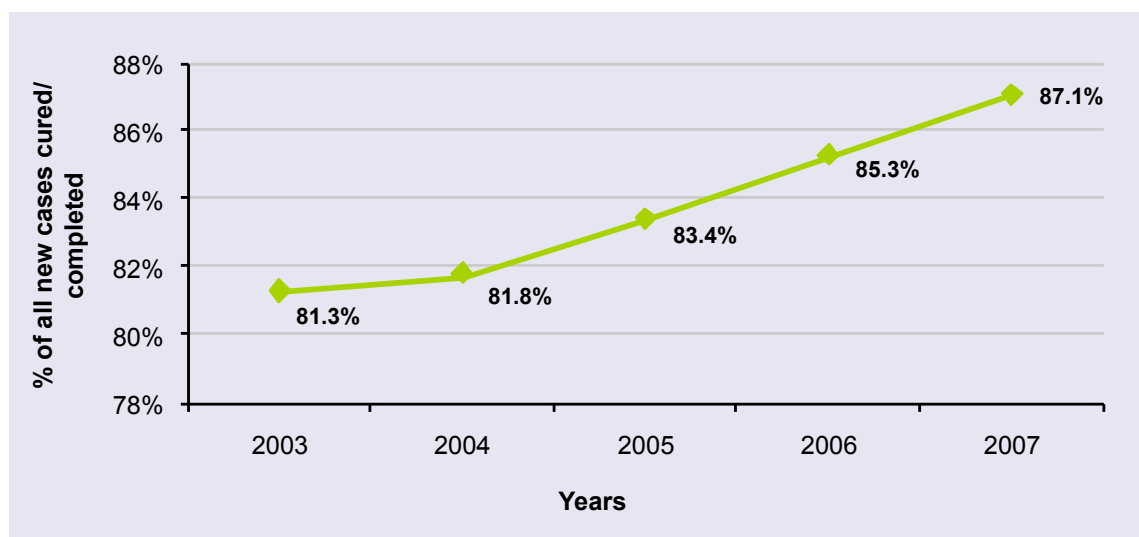
Programme managers attribute these shortcomings to “frequent shortage of supplies, ART and [HIV] test kits” as well as “low uptake of NVP [nevirapine prophylaxis] by HIV-positive pregnant mothers”.⁴⁵

The situation with prophylaxis for neonates is even worse. Among infants born to mothers who tested positive, only about 30% received post-natal prophylaxis – mainly because about half of all deliveries in Tanzania occur at home and many infants are not brought to a health facility for post-natal check-up.

Tuberculosis Control

The performance of the National Tuberculosis and Leprosy Control Programme continues to exhibit solid performance – with recent year-on-year improvements in treatment success. This is accompanied by very low (<<1%) rates of treatment failure. The treatment success results for 2006 and 2007 exceed the WHO target of 85% of all TB cases (Figure 32).

Figure 32: Tuberculosis Treatment Completion Rate, 2003 – 2007



Source: National Leprosy & TB Programme (Tanzania, incl. Zanzibar).

Note: * 2007 figure only for first nine months of year

The annual number of TB cases notified in Tanzania has declined by more than 5% since its peak (from 65,666 in 2004 to 61,950 in 2007). In the early 1990s, 60% of the increase in (smear-positive) TB cases was attributable to the HIV epidemic.⁴⁶ It seems likely that the first signs of decline in TB caseload are also AIDS-related, following a modest decline in HIV prevalence and the introduction of ARV treatment.

⁴⁵ NACP personal communication.

⁴⁶ Between 1991 and 1998, Range et al estimate that approximately 60% of the increase in notification rates of smear-positive tuberculosis between surveys was directly attributable to HIV infection.

Access to Healthcare Services

On the demand side, improved health outcomes are dependent on effective access to quality health services. On the supply side, health facilities must have sufficient skilled health workers and adequate infrastructure, utilities, and medical equipment and supplies to deliver quality care. The following sections, therefore, present recent data on utilisation and staffing of health services.

Utilisation

The Household Budget Surveys in 2000/01 and 2007 collected data on healthcare consultations of survey participants. This permits a national estimate of recent changes in overall (curative) healthcare utilisation and the workload of the government healthcare system.

Data indicate no changes in self-reported morbidity or in the frequency that Tanzanians consult a healthcare provider when ill. However, government facilities accounted for a higher share of healthcare consultations in 2007 than in 2000/1, while consultations at mission facilities and with private doctors diminished. Findings indicate a modest (11%) increase in per capita (curative) healthcare consultations at government clinics (Table 15)

There was no significant difference between males and females in the likelihood of seeking healthcare when ill. However, the proportion who sought care in urban areas (75.8%) was nearly ten percentage points higher than in rural areas (66.5%), a disparity that has remained more or less unchanged since 2000/01.

Factoring in population growth in the intervening years, the gross number of healthcare consultations at government clinics has increased by 27% from around 44 million per year to over 55 million per year between 2000/01 and 2007.

Table 15: Percentage of Population Reporting Illness or Injury and Healthcare Consultation, 2000/01 and 2007

Illness or Injury and Healthcare Consultation	2000/01	2007
Ill or injured in previous 4 weeks	27%	26%
Consulted any healthcare provider	69%	69%
Ill/injured and consulted a healthcare provider	19%	18%
Percentage of respondents who consulted with any healthcare provider who did so at Government health facilities	54%	63%
Implied consultations per capita per year with any provider	2.42	2.31
Implied consultation per capita per year with Government provider	1.31	1.45
Gross consultations per year with Government provider, millions	43.98	55.70

Source: Calculations by P. Smithson based on HBS 2007 data

The overall use of health services remained more or less unchanged between 2000/01 and 2007, though consultations among residents of Dar es Salaam dropped (Table 16). The shift away from private health providers to public providers between 2000/01 and 2007 is remarkable. In 2007, the use of private health services dropped by 30% relative to 2000/01, while the use of public providers increased by 19%. This shift occurred across all wealth quintiles and all areas of residence.

Table 16: Average Number of Household Members consulting Health Services, by Type of Service, Wealth Quintile and Area of Residence, 2000/01 and 2007

Wealth Quintile	Whether consulted any provider ⁴⁷		Government Health Providers*		Private Health Providers**	
	2000/1	2007	2000/01	2007	2000/01	2007
Poorest	1.51	1.26	0.73	0.85	0.54	0.27
2 nd	1.29	1.40	0.72	0.85	0.46	0.35
3 rd	1.23	1.27	0.66	0.82	0.43	0.36
4 th	1.12	1.42	0.66	0.96	0.43	0.34
Least Poor	1.08	1.01	0.61	0.62	0.47	0.34
Dar es Salaam	0.98	0.87	0.52	0.48	0.45	0.38
Other Urban	1.16	1.18	0.69	0.75	0.45	0.37
Rural	1.32	1.34	0.70	0.87	0.47	0.32
Tanzania	1.28	1.27	0.69	0.82	0.47	0.33

Source: Hoogeveen et al., 2009, calculations based on HBS 2007 data.

Notes: *Government health providers include public dispensary/hospital, regional hospitals and community health centres in 2000/01, but only public health centres/hospitals and public dispensaries in 2007.

**Private health providers include private dispensary/hospitals, private doctors/dentists and missionary hospital/dispensary in 2001, and private health centre/hospital, private dispensary, private doctor/dentist and mission facility in 2007.

In both 2000/01 and 2007, other health providers are excluded – traditional healers, pharmacy/chemist and other sources.

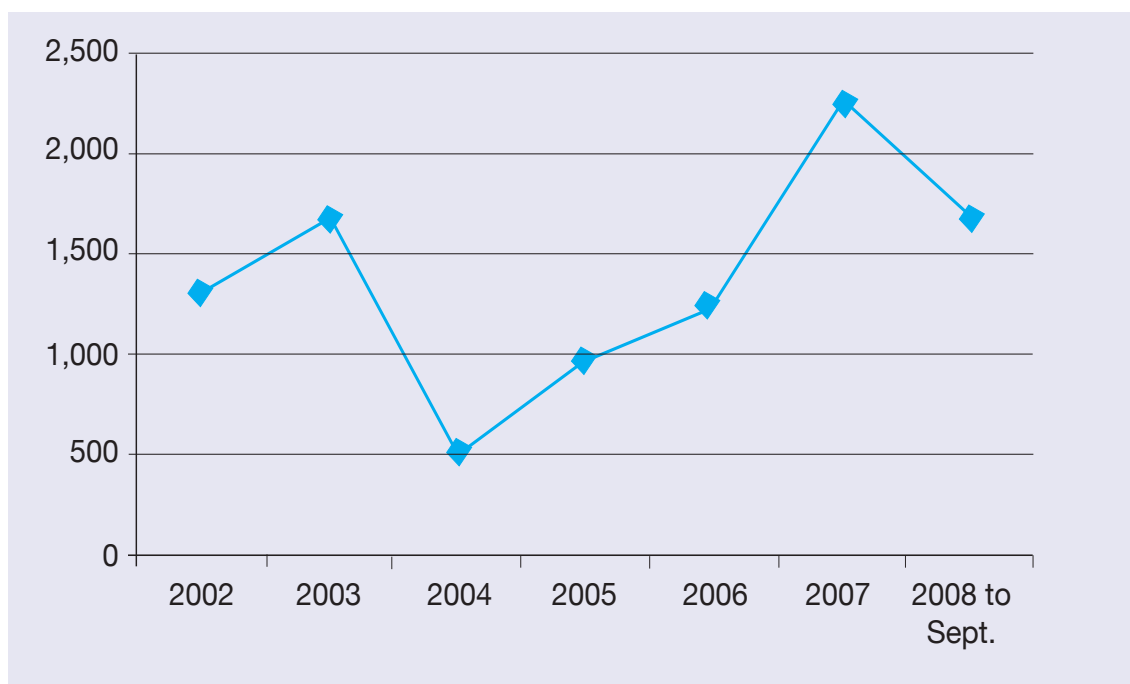
The distance to primary care health facilities has diminished a little, and a correspondingly larger proportion of people live within 6kms of a dispensary or health centre. Travel distance to clinics, particularly in rural areas, is expected to decrease further with the implementation of the Primary

⁴⁷ Some household members consulted more than one health provider. This accounts for the slight differences between numbers for 'whether consulted any provider' and horizontal sum of those who consulted different health providers in each year.

Health Services Development Strategy 2007-2017,⁴⁸ although the main challenge will be to ensure that new facilities are adequately staffed.

The MoHSW has adopted a new Strategy for Human Resources for Health. This has already had an impact on the capacity of health training institutions. However, it is too early yet for this training investment to show up in the number of new health workers employed. As Figure 33 shows, there has been very little increase in health staff recruited by Councils, and the number of “new hires” is only a fraction of the 34,080 health workforce at local government level. Moreover, staff attrition (mainly retirements) can be expected to total between 1,000 and 1,500 per year,⁴⁹ suggesting little net change in the local government health workforce since 2002. Moreover, staff attrition is expected to accelerate due to the unbalanced (older) age structure of the health worker population. This situation augurs poorly in addressing the current human resource crisis in the health sector let alone the greater staffing needs associated with the MMAM. To make real progress, local councils would need to more than double the number of staff that they recruit (and retain) each year.

Figure 33: New Health Staff Hired by Local Government Authorities, 2002 - 2008



Source: President's Office – Public Service Management (PO-PSM), GoT payroll database, LGA health staff, (Sept. 2008), analysed by year of hire.

⁴⁸ Commonly known by Swahili acronym MMAM (*Mpango wa Maendeleo wa Afya ya Msingi*).

⁴⁹ Calculations by P. Smithson.

Goal 3 **Increased Access to Clean Affordable and Safe Water, Sanitation, Decent Shelter, and a Safe and Sustainable Environment**

For the purposes of monitoring progress against this goal, the following five indicators have been defined.

- Proportion of population with access to piped or protected water as their main drinking water source (with a 30 minute timeframe spent on going, collecting and returning to be taken into consideration)
- Number of reported cholera cases
- Percentage of households with basic sanitation facilities
- Percentage of schools having adequate sanitation facilities (as per MoEVT policy)
- Total area under community-based natural resources management

Access to Clean and Safe Water

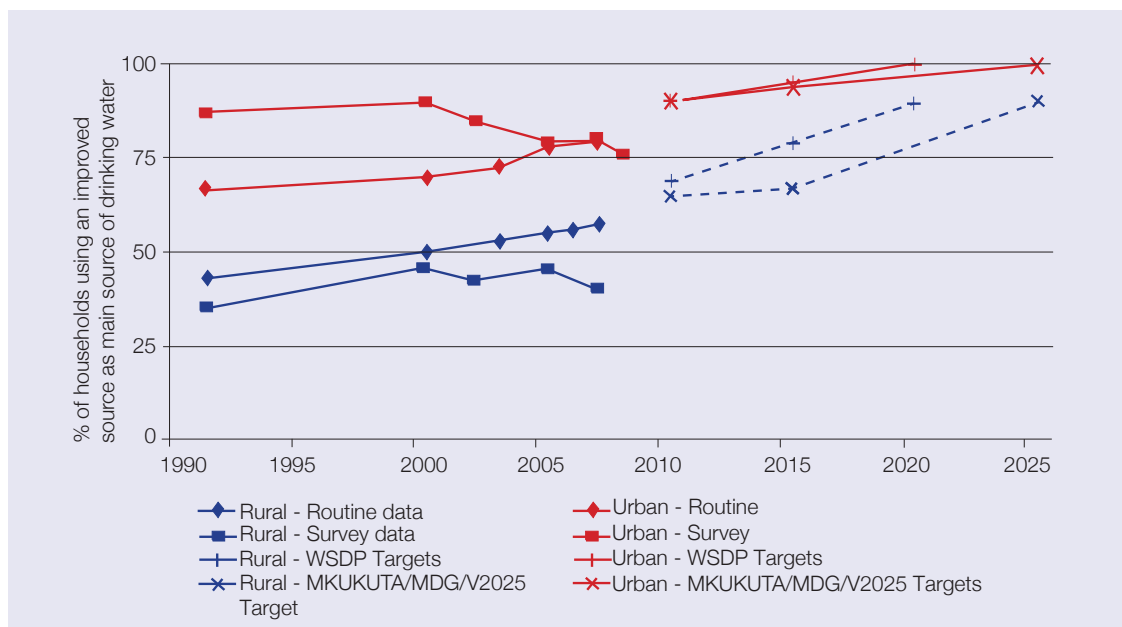
Proportion of Population with Access to Piped or Protected Water

There are two main sources of data on access to clean and safe water: (i) routine data collected by utilities and local government authorities, and collated by the Ministry of Water and Irrigation (MoWI); and (ii) data from periodic household surveys conducted by the National Bureau of Statistics. More fundamentally, the two data sources measure different things; routine data monitors the presence and functionality of infrastructure (for example, number of functioning public water points) while household surveys measure actual access to water by households.

The routine data system measures sector outputs and estimates access based on assumptions of the number of households expected to utilise a service point. Household surveys measure outcomes, i.e. provide actual estimates of utilisation of services. The use of these different measurement approaches accounts for the apparent inconsistency in access data.

The issue of data inconsistencies has been discussed at length in PHDR 2005 and 2007, and at sector level, under the Joint Water Sector Review processes, a working group for performance monitoring has been seeking to address the problem since October 2006. As a way forward, a coherent framework for performance monitoring under the Water Sector Development Programme (WSDP) has been proposed. The framework clearly separates measurements of outputs from outcomes for each of the various sub-sectors. Since MKUKUTA indicators measure outcomes at household level, survey data provide the most reliable source for monitoring progress towards water and sanitation targets.

Figure 34 below presents both routine and survey data for access to clean and safe water in both urban and rural areas, spanning the last 18 years, along with key future targets – MKUKUTA in 2010, MDG in 2015 and the Tanzania Development Vision 2025.

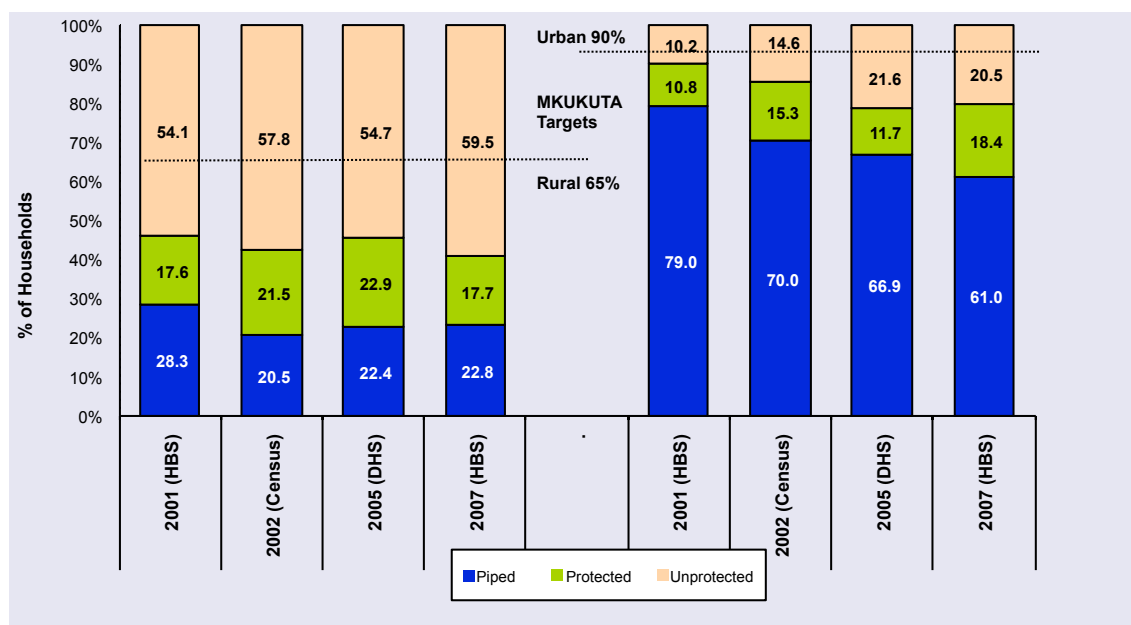
Figure 34: Access to Clean and Safe Water Supply⁵⁰

Sources of data: Ministry of Water, routine data; HBS 1991-92, 2000/01 and 2007; Population and Housing Census 2002 (NBS, 2003); TDHS 2004/05.

In rural areas, survey data suggest little or no increase in coverage over the past seven years. In urban areas, survey data show a declining trend, particularly in piped water supply (Figure 35). This likely reflects the failure of network expansion and service delivery to keep pace with urban population growth. Based on these estimates, neither rural nor urban coverage targets under MKUKUTA will be met. However, the gaps between current coverage and the MKUKUTA targets, especially for rural areas, are exaggerated as targets were set based on routine data estimates which give consistently higher estimates of access than do survey data.

⁵⁰ Prior to 2008, even MoWI data excluded Dar es Salaam. MoWI coverage estimates in Dar es Salaam are significantly lower than in other urban areas (68% compared to 83%), which explains the dip at the end of the routine monitoring data line in Figure 1, when Dar es Salaam data is included for the first time.

Figure 35: Survey Data on Water Supply

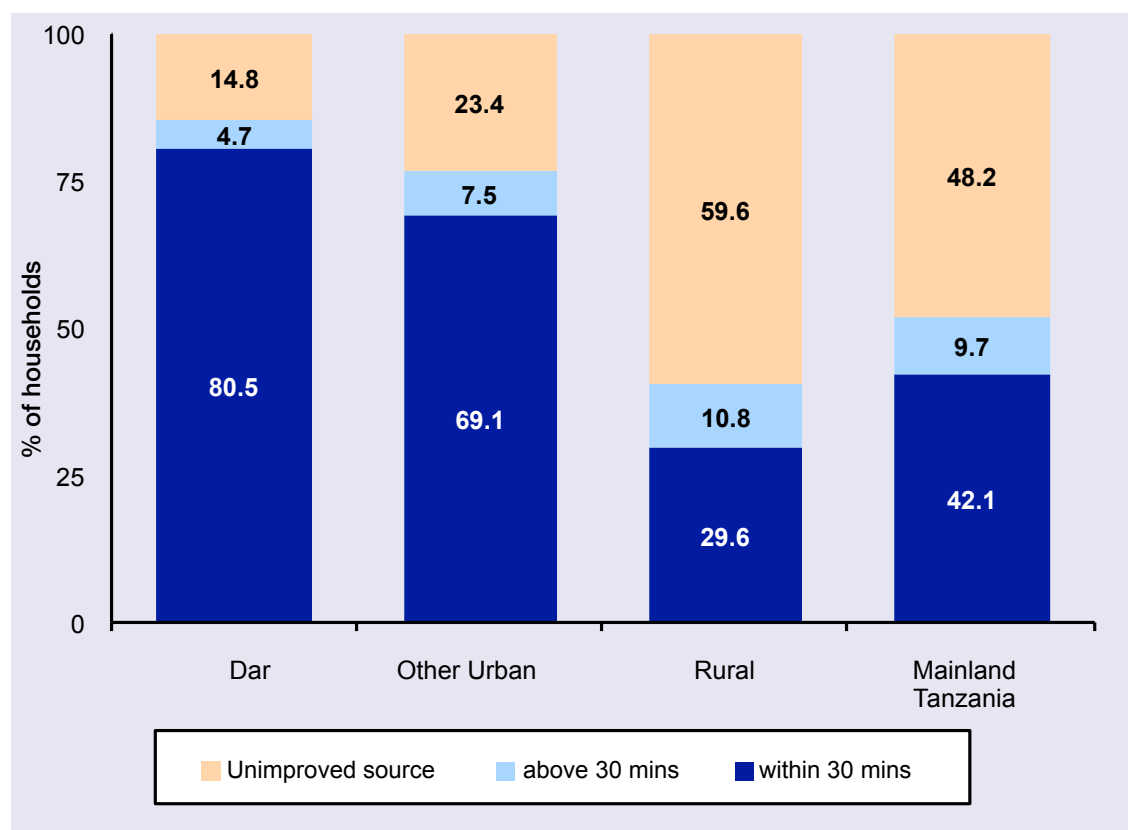


Sources: HBS 2000/01 and 2007, Census 2002; TDHS 2004/05

Time Taken to Collect Water

The MKUKUTA indicator for water supply specifically refers to a 30-minute limit on collecting time, reflecting the priority given to time spent by citizens in accessing water. Under this indicator, if it takes a household more than 30 minutes to go to their water source, collect water and return, then that household does not have “adequate access”.

The most recent data source – the 2007 Household Budget Survey – examined how many of the households that reported access to water from a piped or protected source also fit within the 30- minute criteria (Figure 36). A large majority of households that access water from an improved source are able to do so within the time limit prescribed by MKUKUTA. Only 27% of rural households who use improved sources take more than 30 minutes to collect water. Corresponding figures for urban areas are even lower (5.5% in Dar es Salaam, 9.8% in other urban areas).

Figure 36: Water Collection Time

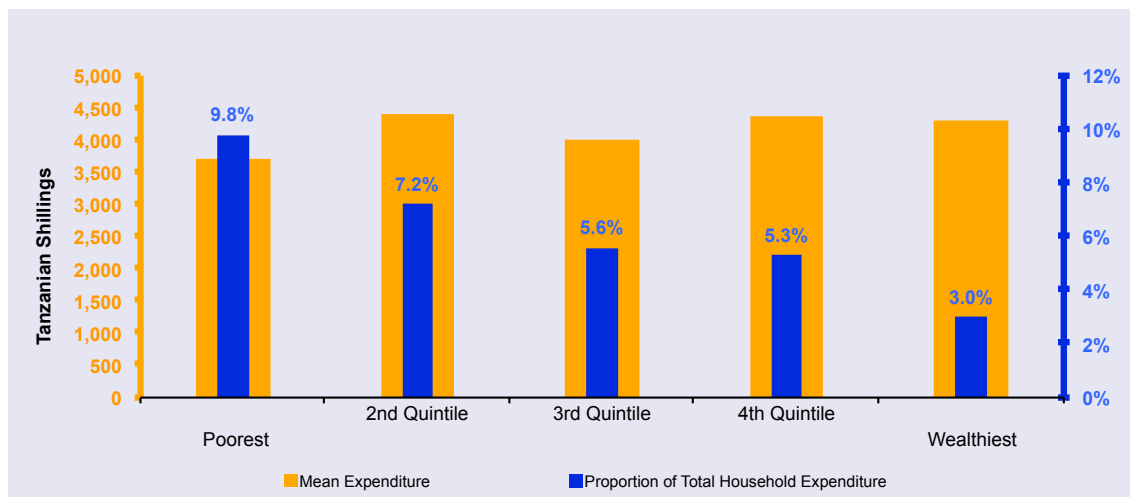
Source: HBS 2007

Household Expenditure on Water

The HBS also provides new data on household expenditure on water.⁵¹ Figure 37 shows data on mean monthly expenditure on water and its share of total household expenditure by wealth quintile, and Figure 38 combines data on share of total expenditure with access to water supply, again by wealth quintile.

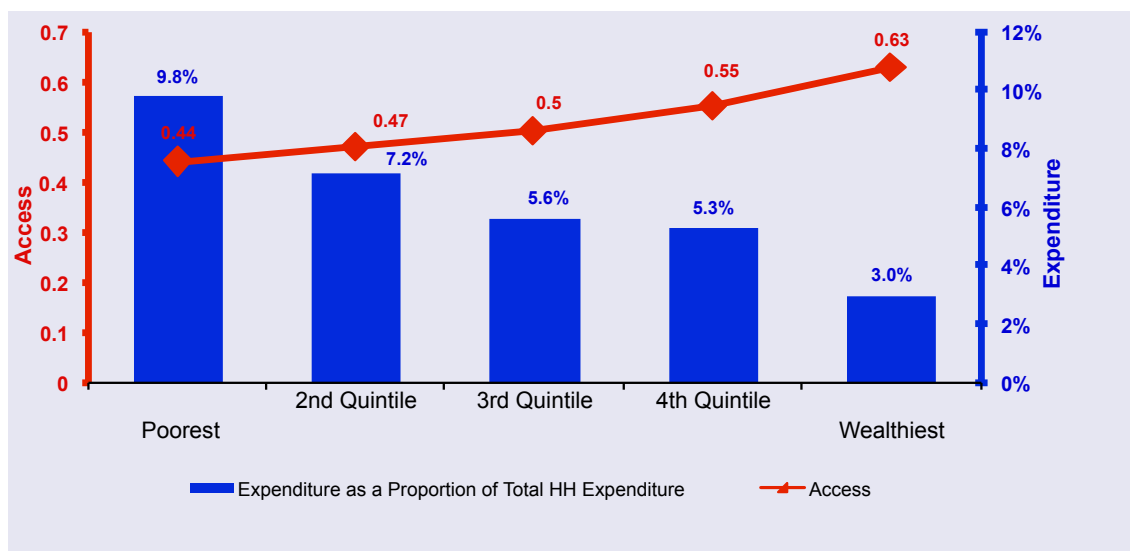
⁵¹ Note that different charts have been presented in recent public discussions on household water expenditure. Variations in data result from differences in assumptions about the value of water for 'missing' households that did not report costs in accessing water. Around, 46% of 'missing' households collected their water from unprotected sources but did not report costs in accessing water, while 54% got water from an improved source but did not report if or how much they paid for it. Figures 4 and 5, therefore, include imputations of expenditures for 'missing' households, based on mean expenditures of other households in the same area of residence and using the same type of water source.

Figure 37: Mean Monthly Household Expenditure on Water, by Wealth Quintile



Source: Based on analysis of HBS 2007 data (Hoogeveen et al., 2009; Lindeboom, W., personal communication, September 2009)

Figure 38: Household Water Expenditure and Access, by Wealth Quintile



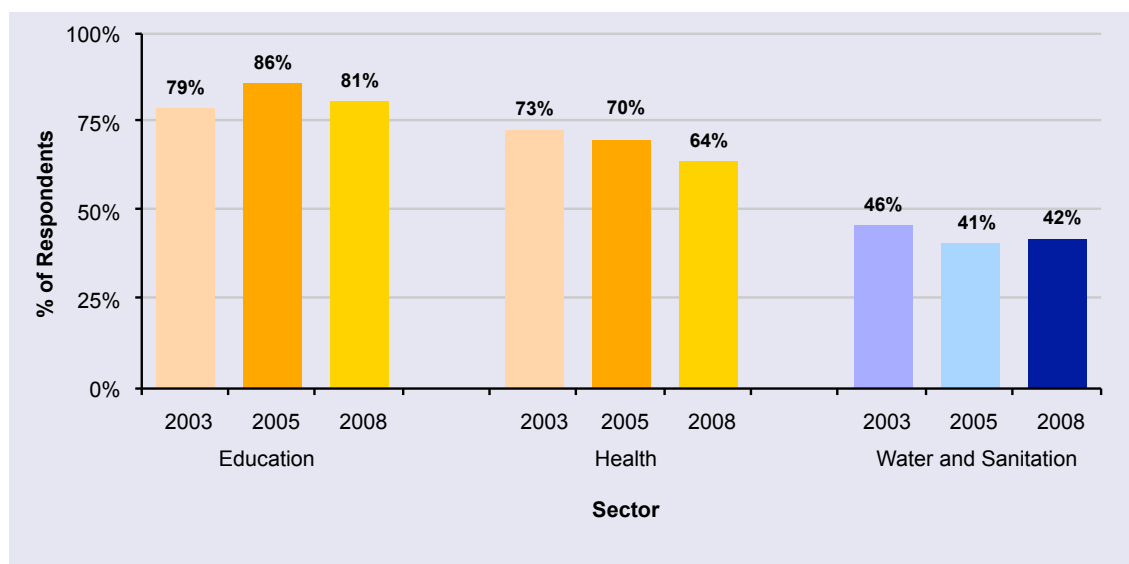
Source: Based on analysis of HBS 2007 data (Hoogeveen et al., 2009; Lindeboom, W., personal communication, September 2009)

Two main conclusions can be drawn. Access is substantially higher for wealthier households than for the poor (Figure 38), yet poorer households are paying more for water than wealthier households as a proportion of their total household expenditure (Figures 37 and 38). The increased difficulty for the poor in accessing water is likely to contribute to this increased cost.

Citizens' Satisfaction with Water Services

Insights into levels of citizens' satisfaction with public services are provided by Afrobarometer 2008. Only 42% of respondents rated the Government's efforts in delivering water and sanitation as satisfactory, with almost no change since Afrobarometer 2003 (Figure 39). Particularly revealing is that citizens' satisfaction with government efforts in the water sector are considerably lower than in education and health.

Figure 39: Citizens Satisfaction with Governments Efforts in Water and Sanitation

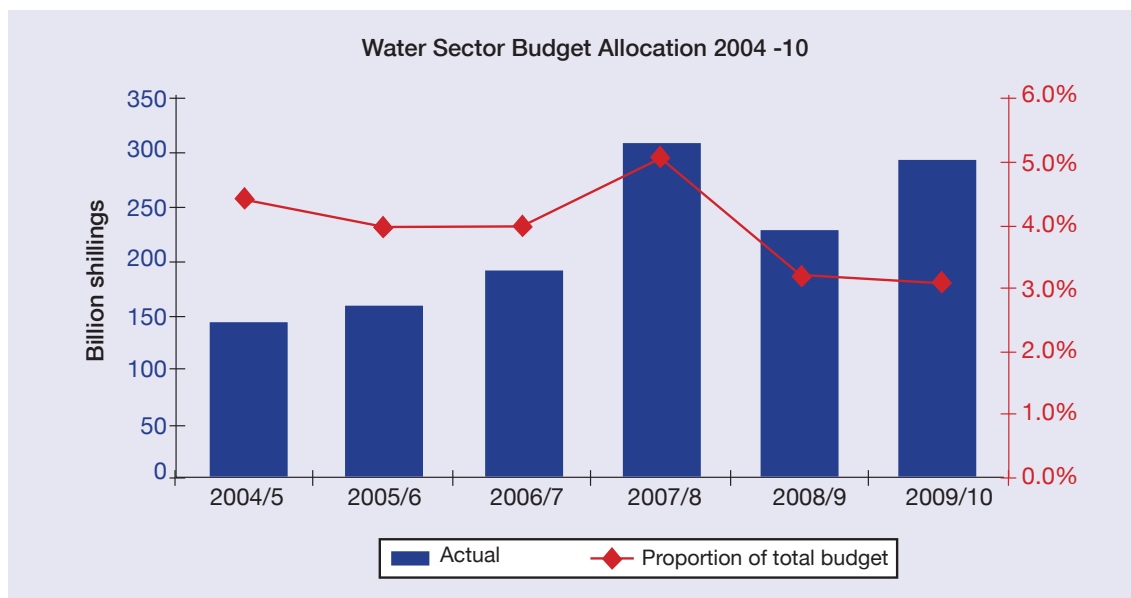


Source: Afrobarometer 2003, 2005 and 2008

Water Sector Policy, Strategy and Financing

Since 2004/05, budget allocations to the water sector have started to increase substantially after a long period of low funding (Figure 40). The recent gains are in line with the priority status accorded to the sector in poverty reduction strategies, the launch of the Water Sector Development Programme and the subsequent increase in commitments from development partners. However, the reversal in the funding trend in 2008/09 (water sector share in total budget) is of much concern.⁵² The budget speech attributed this decline to the completion of the Kahama-Shinyanga pipeline, despite earlier commitment to maintain government investment in the sector beyond the end of that project. Nominal allocations for 2009/10 have increased from 2008/09, but represent the same proportion of the total government budget. Although the sector budget has increased in absolute terms since 2004/05, the sector has attracted a declining proportion of the national budget – from 4.4% in 2004/05 to 3.2% in 2008/09 and 2009/10.

⁵² A decline of almost TShs 77 bn in FY2008/09 compared with FY2007/08. The sharp decline in the budget is almost entirely due to a sharp decline in the development budget, which dropped by TShs 68 bn.

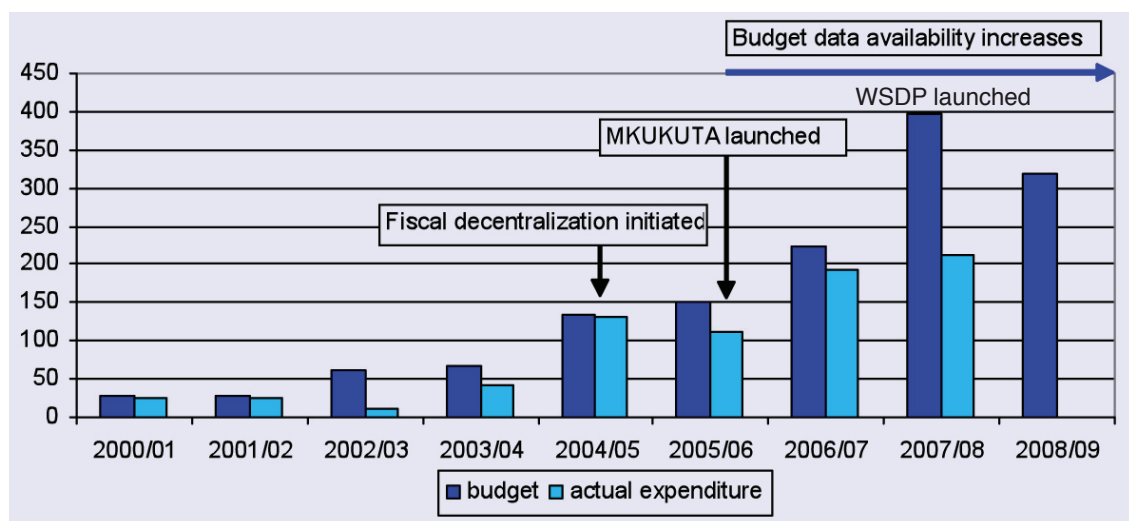
Figure 40: Budget Allocations in the Water Sector, 2004 to 2010

Source: MoWI Budget Speeches, 2007, 2008, 2009

The sector's increased allocations have not yet been able to translate into noticeable improvement in coverage figures. It may be too early to see improvements in access resulting from increased development spending under the WSDP, but the following observations may be made:

- Independent monitoring suggests functionality rates in rural areas of only 54% (WaterAid, forthcoming) which effectively halves the impact of new investments. To secure past gains, the sector is, therefore, forced to spend a substantial amount of resources to rehabilitate existing, though non-functioning, schemes.
- Limited funding has resulted in a lack of 'pipeline' projects ready to be implemented (i.e., those with project designs in place and feasibility studies completed) as soon as additional funding is made available. The current development budget includes large allocations for feasibility studies and project preparation. These activities will not result in improved access to services until the projects are completed.
- Actual expenditure has generally lagged behind budget allocations (Figure 41). This can be partly explained by the interplay of issues in the budgeting, planning, procurement and disbursement processes. Capacity constraints and the unpredictable and slow release of funds are major factors. The timely release of funds is particularly important for the water sector because of the inherent constraint that implementation of a large part of the actual works can take place only outside the rainy seasons.

Figure 41: Water Sector Budget and Expenditure (in Tshs billion), 2000/01 to 2007/08



Source: Tanzania Public Expenditure Review of the Water Sector (World Bank, 2009b)⁵³

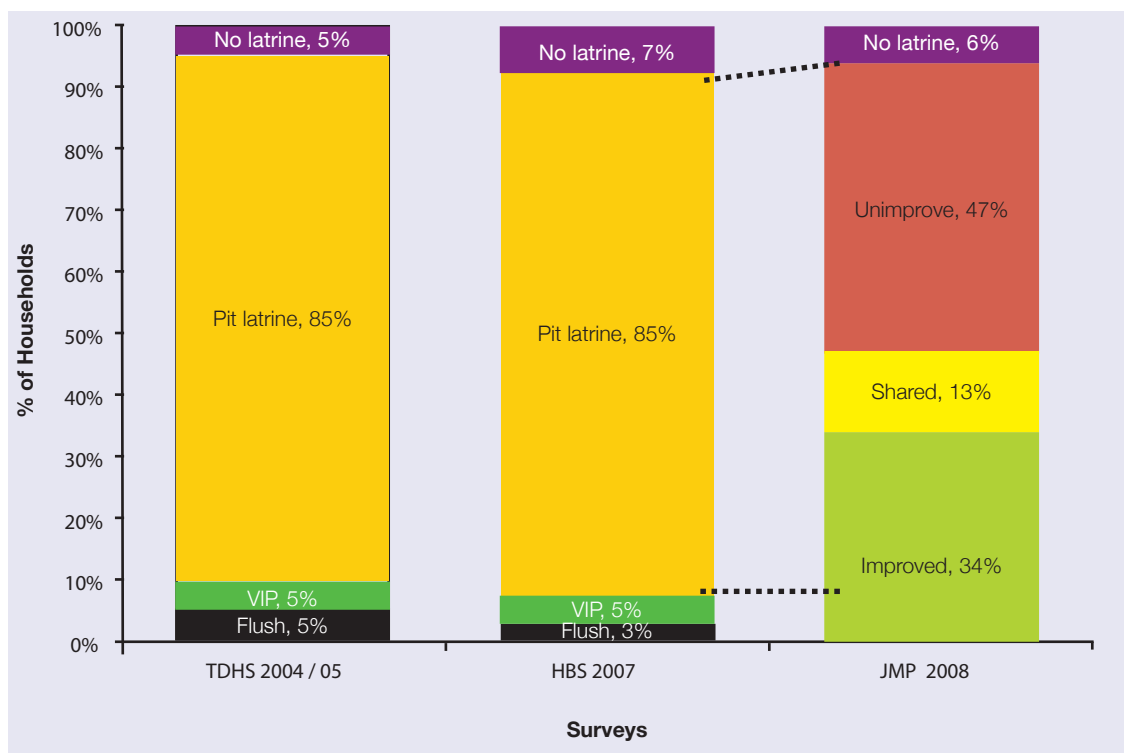
Given these factors, it is not surprising that improvements in water coverage are not yet evident. The upcoming TDHS 2009/10 will provide further indication on the extent to which allocations to the sector have resulted into changes in access.

Sanitation

Household sanitation

The main source of data on household sanitation is household surveys, which report what types of latrine are used by households. However, the survey category ‘traditional pit latrine’ does not distinguish between basic pit latrines and latrines with washable slabs. Latrines with washable slabs are classified as ‘improved’, and those without washable slabs as ‘unimproved’ as they do not provide effective prevention against disease (as per UNICEF and World Health Organisation (WHO) guidelines).

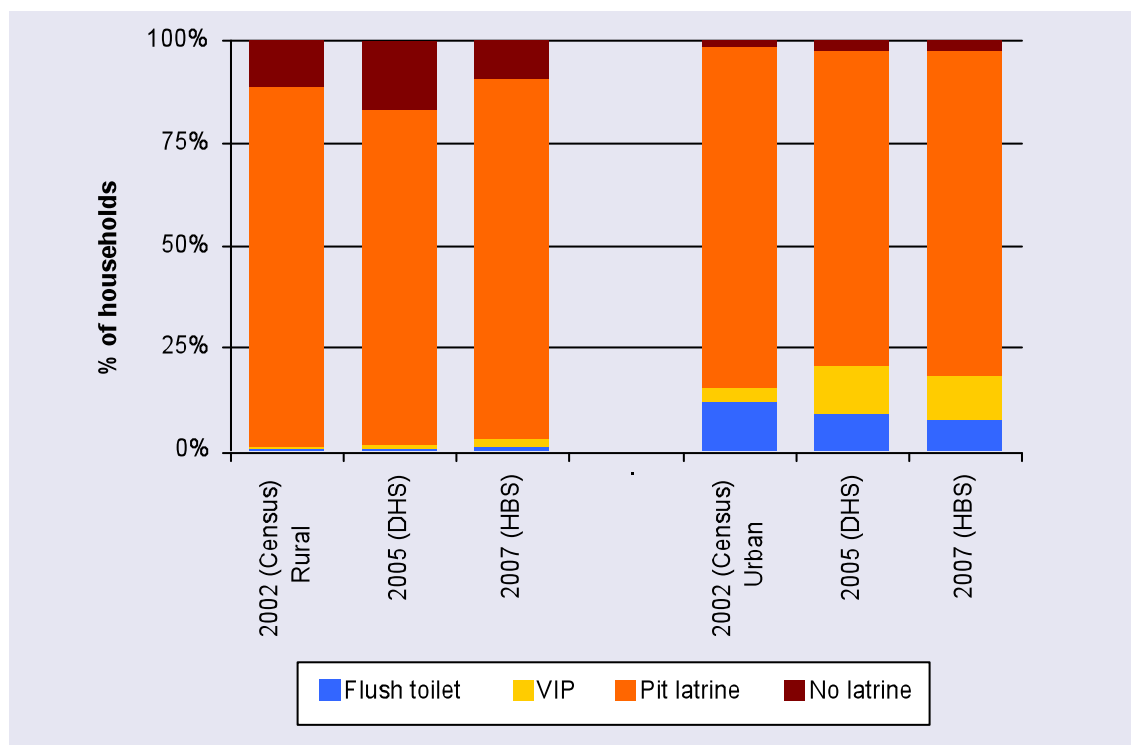
⁵³ Note that some of the data in this chart are not exactly the same as those in Figure 7 above. It is not uncommon for a public expenditure review to report budget data which have been the subject of revisions, supplemental budgets and include off-budget expenditures.

Figure 42: Type of Latrine Used by Households


Sources: TAWASANET, 2008 based on data from TDHS 2004/05; HBS 2007; and Joint Monitoring Programme (JMP) for Water and Sanitation (WHO and UNICEF, 2008).

Figure 42 shows how survey data provides an incomplete picture. Data from TDHS 2004/05 and HBS 2007 indicate that 85% of households have a pit latrine, but do not provide any information on how many of these latrines are improved and unimproved, or shared by more than one household. The Joint Monitoring Programme, which uses the WHO-UNICEF categories, gives rough estimates of what proportions of latrines are improved, unimproved and shared. Based on HBS data, 93% of households have access to at least a basic latrine, while the JMP suggests that only 34% of households have access to improved latrines. Positively, the TDHS 2009/10 (and future HBS) will distinguish between improved and unimproved pit latrines, which will provide more accurate data to inform sanitation policy and interventions.

Figure 43 shows access to household sanitation by residence. Data indicate limited improvements in overall sanitation access, with a slight decrease in the percentage of rural households with no latrine compared with 2004/05.

Figure 43: Trends in Household Sanitation, by Residence

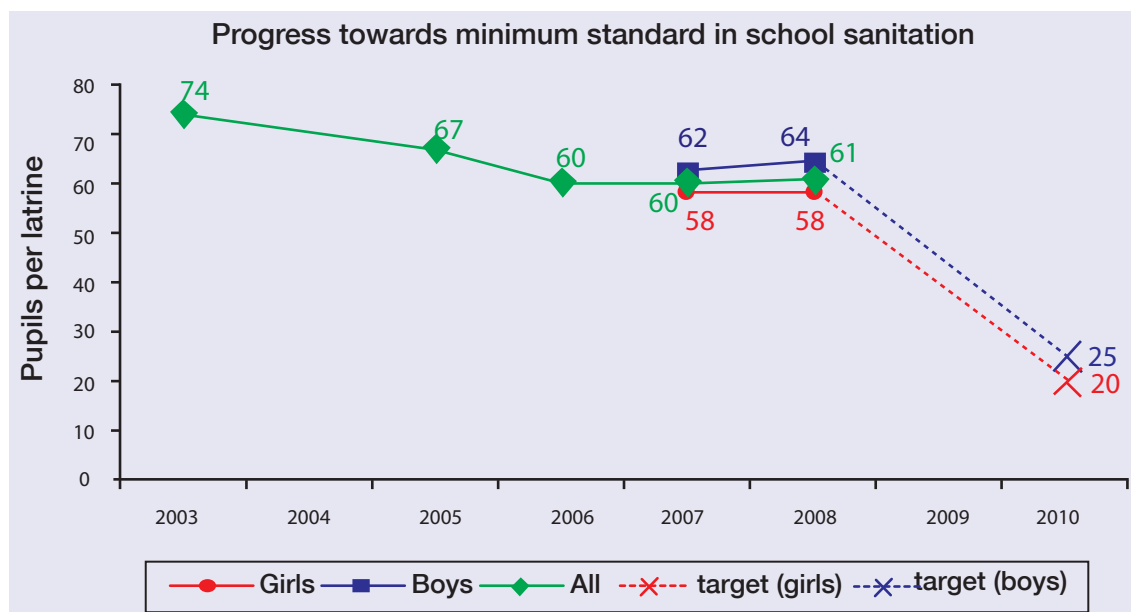
Sources: Census 2002, TDHS 2004/05, HBS 2007

Notes: VIP is a Ventilated Improved Pit – a specific high standard pit latrine design

School sanitation

The policy and financing for school sanitation is much more straightforward than for household sanitation. The MKUKUTA target for school sanitation is that all schools must meet the minimum standard of one latrine for every 20 girls and one latrine for every 25 boys. However, the manner in which data is collated at district level prevents analysis of the number of schools meeting these standards. Arguably, though, the overall pupil-latrine ratio for schools provides a more sensitive indicator than the proportion of schools meeting a given standard. Therefore, Figure 44 presents aggregated data on the number of pupils per latrine nationwide, rather than the number of schools that meet the minimum standard. The data have been disaggregated by sex only since 2007. Data by gender is critical as lack of access to suitable sanitation facilities is a particular problem for girls, especially during menstruation. A lack of privacy or adequate hygiene facilities for girls can reduce school attendance and some girls drop out of school altogether (Sommer, 2009).

Figure 44: School Sanitation (Number of Pupils per Latrine)

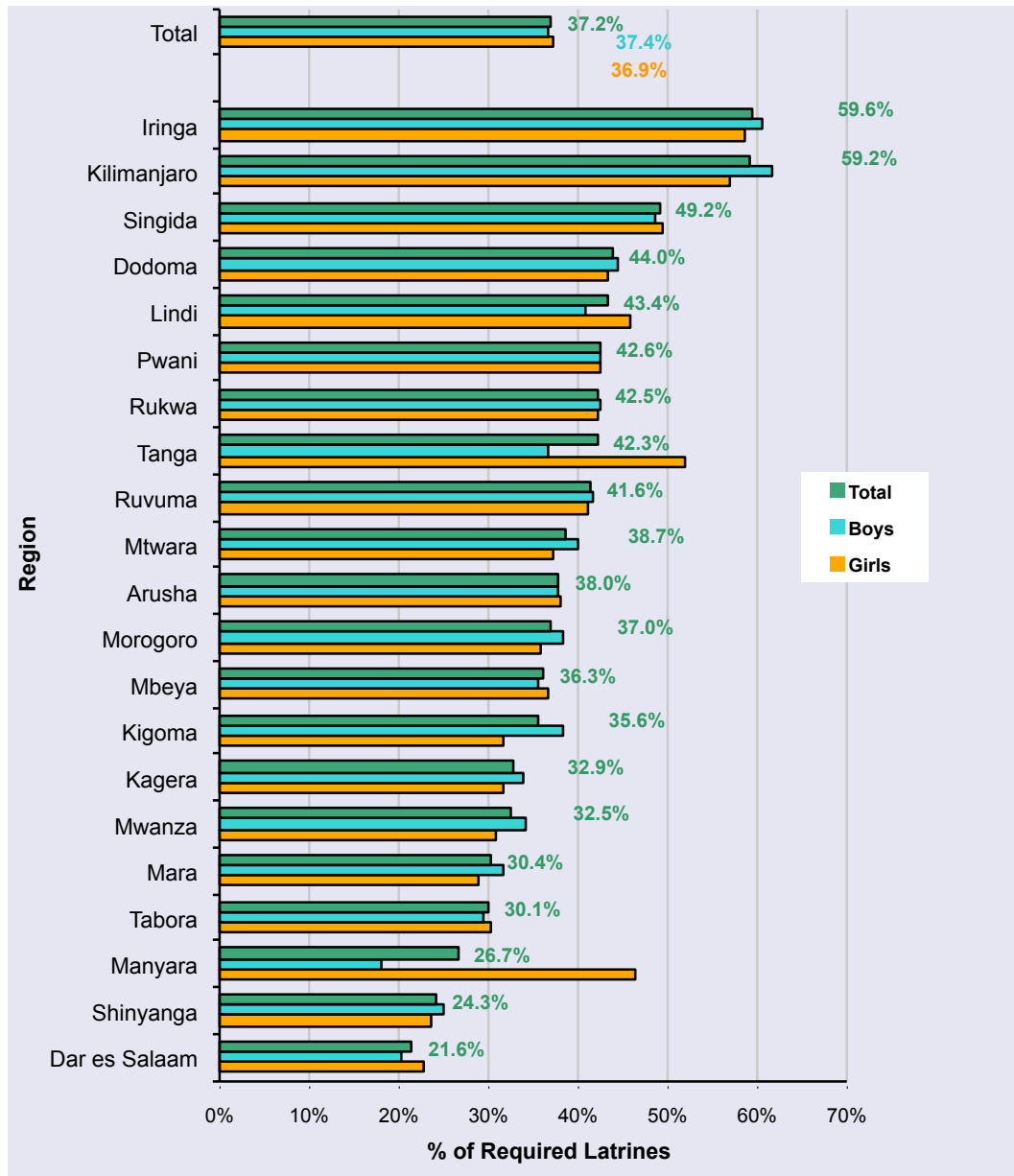


Source: MoEVT, Basic Education Statistics Tanzania (BEST) 2003, 2005, 2007 and 2008

The data show a generally positive trend until 2006 with the number of pupils per latrine, declining from 74 in 2003 to 60 in 2006. However, data indicate no change between 2006 and 2007, and a slight deterioration in the number of pupils per latrine in 2008. Without a significant increase in investment, the MKUKUTA target will not be met by 2010.

Data on sanitation in government primary schools for 2007 also reveal significant regional disparities (Figure 45). At national level, the number of latrines is only 37% of the total required. At regional level, data range from Dar es Salaam (22%), Shinyanga (24%) and Manyara (27%), well below the national average, to almost 60% in Iringa and Kilimanjaro.

Figure 45: Number of School Latrines as a Percent of Requirement, by Region, 2007



Source: MoEVT, BEST – Regional Data, 2007

Incidence of cholera

Using cholera outbreaks to monitor progress in sanitation is difficult. The number of cases per year is subject to wide annual variation, making it impossible to track progress except in a multi-year timeframe. The number of outbreaks is no more useful, as outbreaks can vary from small and quickly contained to prolonged and widespread.

Goal 4

Adequate Social Protection and Provision of Basic Needs and Services for the Vulnerable and Needy

Goal 5

Effective Systems to Ensure Universal Access to Quality and Affordable Public Services

Goals 4 and 5 of MKUKUTA's Cluster II encompass social protection. A national system of social protection, including comprehensive provision of social security, is not yet in place. Until universal social protection measures are available, effective mechanisms to safeguard the well-being are required for vulnerable groups in society. Thus, the current MKUKUTA indicators for these goals focus on those who are most at risk and may lack access essential social services, especially among children and the elderly. The indicators are:

- Proportion of children in child labour
- Proportion of children with disabilities attending primary school
- Proportion of orphaned children attending primary school
- Proportion of eligible elderly people accessing medical exemptions at public health facilities
- Proportion of population reporting satisfaction with health services

Child Labour

A group of children considered most vulnerable are those engaged in hazardous and exploitative work. Estimates from the Integrated Labour Force Survey (ILFS) 2006 show that 21.1% of children aged 5-17 years in Mainland Tanzania work in conditions which qualify as child labour (NBS, 2008). This relates to both excessive (time-related) and hazardous (occupation-related) work:

- Time-related, excessive work, which is defined according to the age of the child:
 - any child 5-17 years of age who worked more than 43 hours per week on economic and housekeeping work combined
 - children 15-17 years old, attending school, who worked 14-43 hours per week on economic and housekeeping work combined
 - children under 15 years who worked 14-43 hours per week on economic and housekeeping work combined (whether or not attending school)
- Occupation-related work that is considered hazardous:
 - house girls/boys
 - miners, blasters, stone cutters, mineral processors and mining plant operators and the like
 - metal moulders, welders and the like

- metal processors and metal plant operators
- chemical processors and chemical plant operators
- construction labourers and the like.

As may be expected, older children are more likely to be involved in child labour. By far the most common form of child labour is time-related; 18.8% of children work for more hours per week than is considered appropriate for their age in discharging normal domestic and social responsibilities. The proportion of children in hazardous work was estimated at 2.3% of all children aged 5-17 years (Table 17).

Table 17: Percentage of Children in Child Labour, by Type of Child Labour, and by Sex and Age Group, Mainland Tanzania, 2006

Type of child labour	Sex								
	Boys				Girls				All
	5-6 years	7-13 Years	14-17 years	Total	5-6 Years	7-13 Years	14-17 years	Total	
Time-related	6.5	20.2	29.8	20.6	5.1	16.9	25.1	17.0	18.8
Occupation-related	1.7	3.3	1.8	2.7	0.6	2.2	2.0	1.9	2.3
Total	8.2	23.5	31.6	23.2	5.7	19.1	27.0	18.9	21.1

Source: ILFS 2006

Rural children are much more likely to be involved in child labour; 25.2% compared with 7.7% of urban children (Table 18).

Table 18: Percentage of Children in Child Labour, by Sex and Location

Location	Sex		All
	Boys	Girls	
Rural	27.7	22.5	25.2
Urban	7.9	7.5	7.7
Total	23.2	18.9	21.1

Source: ILFS 2006

Some activities, such as housework, fetching water and fuel, and caring for others, are not considered as employment under the standard definition of the term. However, such activities constitute work and contribute to household welfare and economy. In many cases, the total hours worked by a child in agriculture or trade (or 'economic' hours) may not amount, in isolation, to child labour. However, when hours engaged in housework are added to economic hours, then the total number of hours worked by a child qualifies as child labour. The common pattern of child

labour in Tanzania, especially for rural children, is work on the farm and in domestic chores, both of which are considered by many adults as part of normal socialisation, as well as contributing to the household economy. Adults surveyed by ILFS reported that among children who are unpaid family helpers in agricultural enterprise, 41.1% are working to assist the household enterprise and 36.5% for good upbringing and imparting skills. The comparable percentages among children who are unpaid family helpers in non-agricultural endeavours are 35.6% and 41.1% respectively.

Nonetheless, farming and domestic work can be hazardous: 38.3% of working girls and 36.4% of working boys 'frequently' or 'sometimes' carry heavy loads. Girls (37.8%) are a little more likely than boys (33.5%) to be exposed to dusts, fumes and gases in their work environment. Boys and girls are more or less equally likely (19.0% and 18.7%) to work in an environment with extreme temperature, while injuries in their working environment are slightly more common among boys (17.8%) than girls (16.1%). Overall, more than 60% of all working children are exposed to at least one of these specified hazardous situations.

People with Disabilities

New information about people with disabilities is available from the Tanzania Disability Survey (TDS) conducted by the National Bureau of Statistics in 2008 – the first nationally representative survey to assess the true extent of disability. The overall prevalence of disability was found to be 7.8%, and roughly the same among males as among females. There are strong geographic differences, ranging from 2.7% in Manyara to 13.2% in Mara (MoHSW, 2009).

Children with Disabilities Attending Primary School

The specific indicator under the MKUKUTA monitoring system is 'proportion of children with disability attending primary school'. The TDS 2008 found that 40% of children aged 7 to 13 years with disabilities were attending school, and less than 2% of these children were attending special schools. Attendance rates were higher among boys than among girls. Moreover, 16% of children with disabilities reported being refused entry into educational systems.

A primary attendance rate of 40% among children with disabilities is less than half the overall attendance rate for primary school of 83.8% reported by the HBS 2007, and clearly indicates the continued difficulties that children with disabilities face to access schooling.

In 2006, the MoEVT also started to report the number of children with disabilities enrolled in primary school. Data show that total enrolments of children with disabilities increased from 18,982 pupils in that year to 34,661 in 2008, but dropped to 27,422 in 2009. However, the TDS 2008 data show that the MoEVT routine data is clearly not capturing all children with disabilities in school.

Orphaned Children Attending Primary School

The most recent information about orphaned children comes from the Tanzania HIV/AIDS and Malaria Indicator Survey 2007/08. Overall, 10% of children under 18 years of age have lost one or both of their parents, and 1.3% have lost both parents (double orphans). Taken together, 18% of children under 18 years of age in Tanzania are orphans and/or vulnerable⁵⁴ (OVC). The percentage of OVC increases rapidly with age, from 10% of children under 5 years to 29% of children aged 15-17 years. Girls and boys are equally likely to be orphaned and/or vulnerable. Further, rural children are less likely to be orphaned and/or vulnerable than urban children (17% and 21% respectively). Across regions, Iringa has the highest proportion of OVC (29%), while Lindi has the lowest (8%).

OVC may be at a greater risk of dropping out of school because of lack of money to pay school expenses or the need to stay at home to care for a sick parent or sibling. Table 19 presents school attendance rates among children aged 10-14 years, by background characteristics. Given this age range, the predominant level of education is primary, where costs are not likely to be factor in attendance. Overall, the difference in school attendance for this age group is small; 87% of OVC attend school, compared with 89% on children who are not OVC.

Among boys, there is little difference in school attendance across the four identified groups. For girls, however, differences are more pronounced; 83% of girls who had lost both parents attend school, while 90% who live with at least one parent do so. Similarly, attendance rates vary between girls who are OVC (87%) and non-OVC (90%). There are only slight differences in attendance among rural children who are OVC or non-OVC, but more marked differences among urban children.

Table 19: School Attendance by Children aged 10 to 14 years, by Background Characteristics, 2007/08

	Both parents dead	Both parents alive, living with at least one parent	OVC	Non-OVC
Sex				
Male	89.9	87.6	87.8	87.4
Female	82.8	90.4	86.7	90.4
Residence				
Urban	86.2	96.4	90.0	94.8
Rural	86.5	87.3	86.4	87.5
Total	86.4	89.0	87.2	88.9

Source: THMIS 2007/08

⁵⁴ The THMIS 2007/08 defined a 'vulnerable' child as one who 'has a very sick parent, or lives in a household where an adult has been very sick or died in the past 12 months.

Eligible Elderly People Accessing Medical Exemptions

Under health service regulations, people aged 60 years and over are entitled to free medical treatment in government health facilities if they are unable to share the cost.⁵⁵ In the HBS 2007, therefore, elderly people aged 60 years and older were asked about their experiences in accessing medical services. Of those who consulted government health services, only 18% reported that they did not pay for services. One-third reported having paid for medicines, one-fifth for laboratory tests and one-quarter reported paying a consultation fee.⁵⁶ The results are consistent with findings in Views of the People (VOP) 2007 that only 10% of elderly respondents had received free treatment (RAWG, 2008). VOP 2007 also reported that 48% of elderly people were unaware of their rights to exemptions from medical fees.

Public Satisfaction with Health Services

The Afrobarometer surveys provide data on people's levels of satisfaction with various government services, including health. Results from these surveys are reported under Goal 3 of Cluster III. For health services, levels of satisfaction increased from 50% in 2001 to 73% in 2003, and then declined to 70% in 2005 and 64% by 2008.

The household budget surveys also provide information about satisfaction with health services, and reasons for dissatisfaction. Among respondents who consulted a healthcare provider, two-thirds reported satisfaction with the medical treatment they received. No marked change in people's satisfaction with government facilities was recorded between 2000/01 and 2007; it was up marginally from 66% to 69%. The chief reasons for dissatisfaction with government facilities were the same in both surveys: long waiting times and drug availability. Of further note, satisfaction with mission facilities fell by 13 percentage points between 2000/01 and 2007, while satisfaction with private doctors was down by 8 percentage points. High cost was the most frequent complaint about missionary hospitals and other private facilities, and the frequency of this perception has increased over the period.

Income Poverty and Social Protection

Programmes of social protection frequently use targeted approaches to provide support to the poorest and most vulnerable, and MKUKUTA pays special attention to social protection needs for groups who may be particularly vulnerable, including children and the elderly. New data from HBS 2007 show the poverty rate among households with children and elderly persons only – that is, where there are no adults of working age (20-59 years) present – and households with only elderly people (Table 20).⁵⁷ The data show that households with only elderly members are much less likely to be poor than households on average nationally, 17.2% and 33.6% respectively. However, households with only children and the elderly are more likely than the average household to be poor, with a poverty rate of 45.4%. Clearly,

⁵⁵ Ministry of Labour, Youth Development and Sports, National Aging Policy, September 2003, p. 10.

⁵⁶ Data provided by NBS, September 2009.

⁵⁷ Child-headed households are also likely to be more vulnerable, but the HBS 2007 found only one household which was child-headed.

“categorical targeting” of potentially vulnerable groups is not sufficient to ensure a well-targeted programme of social protection.

Table 20: Poverty Rates in Households with Only Children and Elderly Persons

	% of Population	Poverty Head Count
Children and elderly persons only	1.5	45.4
Elderly persons only	1.1	17.2
All Households	100%	33.6%

Source: HBS 2007

Cluster II Conclusions and Policy Implications

Education

Overall results for the sector show sustained progress in access to pre-primary, secondary and tertiary education. However, key indicators – including PLSE pass rates and primary to secondary transition rates – have deteriorated recently, highlighting the ongoing challenges of achieving the goals of quality and equity at all levels and ensuring that young people develop the skills to secure decent livelihoods.

Poor rural children have benefited from the expansion of education, but analysis of the HBS data show that the least poor continue to benefit disproportionately from government spending in education. Disparities in budget allocations to LGAs for education also persist, which is reflected in wide variations in educational outcomes. Gender parity has been achieved in primary schools but only limited improvements are recorded at higher levels.

Consistent with the national vision for broad-based economic growth and poverty reduction, an increased focus is required on the role of education – from basic literacy to technical expertise – in creating a highly skilled workforce in both public and private sectors.

A Stronger Focus on Quality

The need for investment to strengthen the quality of educational outcomes has been highlighted in previous PHDRs and annual education sector reviews. To date, funding has largely focused on expanding access and has not been sufficient to ensure quality. More attention needs to be given to the set of skills acquired by students, rather than years of schooling, and increasing numbers of skilled teachers are required to bring down class sizes and ensure that students receive higher standards of tuition.

Optimal Allocation of Scarce Resources

Regular re-assessment of budget allocations to education sub-sectors vis-à-vis labour force needs is required. More children than ever before are completing their primary education at, or close to, the designated age of 14. At this age, many children have neither the mental maturity nor physical strength to take on employment, even if it were available, or legal under the age of 15. Despite the increasing proportion of children going on to secondary education, large numbers of children are left behind without post-primary opportunities. Yet, the increases in education funding in recent years have not flowed through to technical and vocational training. Expansion of apprenticeship schemes and mentoring systems are urgently needed, including innovative partnerships with the private sector. The Vocational Education and Training Authority (VETA) needs much more support to expand the number of skilled young people entering the workforce.

Efficiency in Sector Spending

Given the high proportion of budget share already allocated to education, ongoing measures to improve efficiency in sector planning and expenditure are needed, such as the recent change in government secondary schools from boarding to day institutions. The public expenditure tracking exercise planned for 2008/09 should help identify additional opportunities for savings. Three potential areas for review are:

- i) The Higher Education Loans Board – interest is not charged on loans and collection rates are currently under 60%.⁵⁸
- ii) The VETA levy – the levy system is not functioning, and a review and restructuring of procedures is warranted.
- iii) Duty and tax on paper for educational purposes. A no-duty, no-tax policy applies to imported books, but books printed in Tanzania pay duty and tax on paper. This makes it cheaper to have books printed in India and Mauritius despite shipping costs. To expand the local production and distribution of educational materials these imposts should be removed.

The Role of the Private Sector

The role of the private sector in providing education and training will become increasingly significant, particularly in vocational and technical education. Resource constraints will likely limit the expansion of public provision, and a potential pool of trainees is willing to invest because they see immediate linkages with the labour market and hence financial returns. Anecdotal evidence, however, suggests wide variations in the quality of training in this rapidly expanding sector. The training standards of all institutions entering the market will need to be accredited through VETA and National Council for Technical Education (NACTE) to ensure the quality of courses and their relevance to labour market requirements.

⁵⁸ Education Sector Performance Report 2007/2008, p. 50 (Education Sector Development Programme (ESDP), 2008).

Health

The continued decline in under-five mortality means that Tanzania is on track to meet the MKUKUTA goal in 2010 and even the MDG for under-five mortality in 2015 (MDG 4). This extraordinary improvement in child survival since 1999 is most likely explained by gains in malaria control, particularly coverage of mosquito nets (especially ITNs) and more effective treatment. Recent gains in under-five nutrition, anaemia and fever incidence are probably also attributable to the decline in malaria. The rate of measles vaccination also remains high, but coverage of DPT-HB3 vaccination declined significantly between 2004 and 2007 and recovered slightly in 2008. However, there have been negligible improvements in rates of skilled birth attendance or facility-based deliveries – indicators of lower risks in maternal mortality – and little change in neonatal mortality.

Encouragingly, HIV prevalence rates have declined for both men and women, and across all age groups, including among youth (15-24 years) which is a key indicator of new infections. However, the decline in the prevalence rate among young women is not significant, and has not declined as rapidly as young men. Care and treatment services for HIV and tuberculosis have also shown performance improvements, following major increases in external support. Indicators of general health service delivery from the HBS 2007, however, do not exhibit any marked improvement. Distance to the nearest health facility has marginally decreased, but people are no more likely to consult a health provider when ill than they were in 2000/01. But, there has been a shift in utilisation to government providers from mission/private health facilities. Investments in pre-service training have yet to result in an increase in the availability of skilled health workers.

In sum, major progress has been made on some key health indicators – largely as a result of successful implementation of new technologies – but provision of maternal healthcare services (particularly skilled attendance and availability of emergency obstetric care) lags far behind. Investment in quality antenatal, delivery and post-natal services is urgently required to bring down the high rates of maternal and newborn deaths in Tanzania.

Water and Sanitation

The latest survey data show a downward trend in access to clean and safe water in both urban and rural areas. These data were collected before any increases in access due to the Water Sector Development Programme, but the trend is nevertheless very worrying. At the current rate of progress MKUKUTA and MDG targets for water supply are out of reach.

Data also indicate almost no improvement in household sanitation. The HBS 2007 show that access to basic sanitation facilities is close to the MKUKUTA target but as discussed the vast majority of traditional pit latrines are ‘unimproved’ and of poor hygiene. Positively, routine data from MoEVT show some progress towards targets for school sanitation between 2003 and 2006, but levels have plateaued since then. At the current rate of progress, the MKUKUTA target for school sanitation will not be met.

Social Protection

MKUKUTA pays particular attention to groups of people who might be considered most vulnerable and who may not be accessing essential services: children engaged in child labour; children with disabilities, orphaned children, and the elderly.

One-quarter of rural children and 8% of urban children work in conditions deemed to be child labour. Most child labour is time-excessive; children perform domestic chores and help out on the farm for such long hours that it may jeopardise school attendance or performance.

Only 40% of children with disabilities attend primary school, an attendance rate which is less than half the rate for Tanzanian children overall. This information comes from TDS 2008, the first rigorous national survey of disability in Tanzania. Results clearly show that monitoring by MoEVT and school authorities needs to be strengthened; as numbers of children with disabilities in school reported in routine data are much lower than indicated by TDS 2008.

Schemes of social protection frequently target groups of people who might be considered most at risk of being poor. However, if 'categorical' targeting approaches are to be used, they must be designed and applied carefully to avoid both exclusion and inclusion errors in social protection interventions, which can lead to community discord. For example, as reported by THMIS 2007/08, school attendance among OVC and non-OVC are very similar. In addition, HBS 2007 paints a mixed picture of the vulnerability of the elderly, with the poverty rate among households with elderly persons only well below the national average. However, at the same time, the HBS revealed that less than one-fifth of elderly people who consulted government health services did not pay for health services under the exemption policy for people aged 60 years and over.

Cluster II Implications for Monitoring

Education

A comprehensive review of educational indicators is warranted so that all sub-sectors are adequately covered. Uniting the two former education ministries into the single Ministry of Education and Vocational Training has streamlined the administrative and management machinery of the sector but further work is required to ensure harmonisation and publication of information about results.

The following recommendations are made to further strengthen the national indicator set:

- i) Indicators for primary education are strongly represented in the current indicator set, but indicators for the other sub-sectors are limited. The absence of data for TVET is a glaring omission. The task of identifying and collecting a small number of relevant indicators for monitoring purposes for TVET would be significantly eased if all such training took place under a single national qualifications authority, bringing together the Vocational Education Training Authority and the National Council for Technical Education, as has been recommended in recent annual sector reviews. The contribution of Folk Development

Colleges in providing locally relevant skills, despite being under the auspices of a different ministry, also needs to be captured. With respect to the tertiary sector, the indicator in the MKUKUTA Monitoring Master Plan is the gross enrolment rate, but data are not yet available to calculate the rate. Neither is it possible to disaggregate by full-time, part-time and distance learning students, as required by the Master Plan.

- ii) A wider range of indicators to assess the quality of education is required – current indicators for completion rates, examination pass rates and teacher qualifications can all increase without necessarily improving the uptake of skills and competencies of school leavers.
- iii) Questions asked in routine administrative data about reasons why children drop-out of school do not provide sufficient information, including gender-sensitive information, to inform initiatives to keep children in school. The option of ‘truancy’ as reason for drop-out needs to be replaced with a menu of different reasons for truancy.
- iv) Greater congruence between routine and survey data on issues of enrolment / attendance / drop-out would generate better trend evidence.
- v) Indicators to link planning, budgeting and performance would be extremely valuable to decide future resource allocations. Results from public expenditure reviews and public expenditure tracking processes could form the evidence base for these indicators.

Health

The following recommendations are made to strengthen the Monitoring System for health:

- i) Health-related indicators need to be harmonised between the new Health Sector Strategic Plan (III) and the national indicator set for the next phase of MKUKUTA.
- ii) The capacity of the Health Management Information System (HMIS) needs to be improved to ensure reliable, timely, annual, service-based statistics are produced. An operational plan and budget has been developed and approved. Implementation is expected to start in late 2009 and will take three years.
- iii) A sentinel panel of districts should be established to supplement and verify HMIS data.
- iv) The (multiple) commissioned health surveys need to be rationalised and coordinated to avoid duplication of data collection. All surveys require quality-assured sampling designs to ensure that reliable data are produced to enable comparison with major population-based surveys, such as the TDHS.
- v) HIV care and treatment targets need to be revised, and an effective means of tracking the number of persons currently on treatment should be put in place following recommendations from a recent review of the HIV information system
- vi) The tracking and analysis of indicators at sub-national level needs to be upgraded to enable planning and performance monitoring at local and health facility level.

Water and Sanitation

Data for Monitoring

Assessing progress in the water and sanitation sector is made difficult by a number of data challenges, some of which could be easily addressed. In particular, the following measures would ensure that future sector reporting and planning are informed by more reliable and sensitive data:

i) Utilisation of more reliable survey data rather than routine data to monitor access.

Currently, the Ministry of Water and Irrigation regularly cites data from routine monitoring systems as official statistics on access to clean and safe water and uses these figures to set national targets. Given current data constraints and weaknesses, it is recommended that routine data only be used to monitor and report on progress in sector infrastructure, not on access to water supply.

ii) Sector-wide consensus on the methodology for monitoring urban water supply infrastructure.

The Ministry and the regulator, EWURA, are currently employing different approaches to estimate access based on routine monitoring data. These approaches need to be harmonised.

iii) A new approach to monitoring rural water supply infrastructure.

Efforts are underway to reform routine monitoring systems for rural water supply, and to address the over-reporting of water points – where an old water point is rehabilitated and counted as a new point – and the under-reporting of non-functionality. In rural areas, introducing water-point mapping as a tool to collect and present data on rural water supply infrastructure would greatly help to overcome sources of bias in the current system. Ideally, mapping results would then be published as data on infrastructure (actual numbers of water points, functional and non-functional) rather than as estimates of how many households are served by infrastructure.

iv) More sensitive survey data on household sanitation - 'improved' and 'unimproved' latrines.

In line with international best practice, household surveys should divide the previous broad category of “pit latrine” into “pit latrine with slab” and “pit latrine without slab”. Positively, the forthcoming TDHS 2009/10 is expected to collect these data.

v) School sanitation

The data reported in this report comes from the education sector's management information system. Since data from all schools in a district are aggregated at district level, it is not possible for the national monitoring unit to disaggregate figures to school level and report on the specific MKUKUTA indicator of percentage of schools which meet the sanitation standards. Revision of district reporting requirements would solve this problem.

Indicators and Targets

Monitoring progress against MKUKUTA targets for water and sanitation has faced several challenges. These are in part due to data collection and collation problems as discussed above, but also in part due to the definition of indicators. The following recommendations are made to strengthen the national indicator set and accompanying targets.

- i) Access to clean and safe water should be monitored by two separate indicators: infrastructure (number of active household connections, kiosks and public improved water points) to be measured from routine data; and water access (number of households accessing drinking water from an improved source) to be monitored through household surveys. The indicator for access to clean and safe water should retain the 30-minute collection time limit, and HBS 2007 data should be used as the relevant baseline for setting targets (refer Figure 4).
- ii) The indicator for household sanitation should explicitly incorporate the distinction between improved and unimproved pit latrines. The definition of access to sanitation should only include households which have access to a pit latrine with a washable slab, and targets should be set accordingly.
- iii) The indicator for school sanitation should be revised to capture overall pupil-latrine ratios rather than the number (or proportion) of schools meeting a given standard. This would bring the target in line with currently available data, and would provide a more sensitive indicator on progress.
- iv) Targets for cholera epidemics should be dropped, since year-on-year variations are too high to provide useful evidence of trends.

Social Protection

To improve the identification of particularly vulnerable individuals and groups and enhance the targeting and scope of social protection mechanisms, the following recommendations are made for the national monitoring system:

i) People with disabilities

Disabled children are especially disadvantaged in access to schooling. To enable appropriate design of interventions, further analysis of the TDS would be valuable to identify specific types of disability which are particularly problematic and areas of the country where children are disproportionately affected. A programme of follow-up surveys of disability needs to be scheduled within the MKUKUTA monitoring system.

ii) Support for the Poorest

Panel surveys of households conducted by the NBS will provide more regular and up-to-date information about household incomes and other factors that may lead to vulnerability. The experience of initiatives to provide in kind and/or in cash support for the most vulnerable children and the poorest households must be widely shared and carefully assessed so that lessons may be learned for the development of social protection programmes. TASAF's scheme to provide incentives for healthcare and school attendance of poor children similarly needs to be monitored.

iii) Exemptions for the elderly

Routine HMIS systems need to be expanded to capture data on elderly Tanzanians accessing health services so as to assess the application of exemptions policy by health facilities.

MKUKUTA INDICATORS – SUMMARY OF DATA AND TARGETS

MKUKUTA Cluster II: Improvement of Quality of Life and Social Well-being

Notes to readers:

- **Meta-data** on each indicators (including definitions, sources and frequency) are available in the MKUKUTA Monitoring Master Plan available at www.povertymonitoring.go.tz
- **The symbol X** indicates no data for that year (in most cases because data is dependent on a particular type of survey)
- **Blanks** indicate data not yet forthcoming from MDA or LGA

Indicator	Baseline		Trend									Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010	
Goal 1: Ensure equitable access to quality primary and secondary education for boys and girls, universal literacy and expansion of higher, technical and vocational education														
Literacy rate of population aged 15+ years (%) ^a														
- All adults	71		HBS 71	Census 69	X	TDHS 73.6	X	X	HBS 72.5	X	X	DHS 2009/10	80%	
- Women	64	2000/1	64	62	X	67.3	X	X	66.1	X	X			
- Men	80		80	78	X	80	X	X	79.5	X	X			
Net enrolment at pre-primary level ^b	24.6	2004	X	X	X	24.6	25.7	28.5	33.1	36.2	37.0	End of FY 2009/10	Not yet determined	
Net primary school enrolment rate ^b	59	2000	66.5	80.7	88.5	90.5	94.8	96.1	97.3	97.2	95.9	End of FY 2009/10	99%	
% of cohort completing Standard VII ^c	70	2000	62.5	68.1	67.4	72.2	68.7	78.0	67.9	62.5		End of FY 2008/9	90%	

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
% of students passing the Primary School Leavers' Exam ^b	22	2000	28.6	27.1	40.1	48.7	61.8	70.5	54.2	52.7		End of FY 2008/9	60%
Primary pupil/teacher ratio ^b	46:1	2000/1	46:1	53:1	57:1	58:1	56:1	52:1	53:1	54:1	54:1	End of FY 2009/10	45:1
% of teachers with relevant qualifications ^b	50	2001	50	X	X	58 ⁵⁹	X	69.2	73.1	85.6	90.2	End of FY 2009/10	90%
Pupil/text book ratio ^b	4:1	2000	4:1	X	X	X	X	X	3:1	X	X		1:1
% Transition rate from Standard VII to Form 1 ^b	21	2002	22.4	21.7	30.0	36.1	48.7	67.5	56.7	51.6		End of FY 2008/9	50%
% Net secondary enrolment ^b	6.0	2002	X	6.0	6.3	8.4	10.1	13.1	20.6	23.5	27.8	End of FY 2009/10	50%
% of students passing the Form 4 examination (Division 1-3) ^b	25.8	2000	28.3	36.2	38.1	37.8	33.6	35.7	35.6	26.7		End of FY 2008/9	70%
Gross enrolment in higher education institutions ^b	22,065	2000/1	2000/1 22,065	2001/2 24,302	2002/3 30,700	2003/4 40,184	2004/5 48,236	2005/6 55,296	2006/7 75,346	2007/8 82,428	2008/9 95,525	End of FY 2009/10	90,000 by 2008

⁵⁹ From PHDR 2005, which covers diploma and graduate teachers.

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Goal 2: Improved survival, health and well-being of all children and women and especially vulnerable groups													
Life expectancy at birth ^{60 c}	42	1967	44 (1978)	50 (1988)	51 (2002)							Census 2012	Not yet determined
Infant mortality rate (per 1,000 live births) ⁶¹													
- TDHS and THMIS	99	1999	X	X	X	68	X	X	58	X	X	TDHS 2009/10	50
- Census			X	95	X	X	X	X	X	X	X	Census 2012	
Under-five mortality rate (per 1,000 live births)													
- TDHS and THMIS	147	1999	X	X	X	112	X	X	91	X	X	TDHS 2009/10	79
- Census			X	162	X	X	X	X	X	X	X	Census 2012	
DPTb3 coverage (%)													
- TDHS	81	1999	X	X	X	86	X	X	X	X	X	TDHS 2009/10	85%
- Expanded Programme of Immunisation (EPI) ¹	X	X	X	89	89	94	90	87	83	86		End 2009	

⁶⁰ Note timeframe difference; data sourced from national census each decade

⁶¹ Estimates of infant and under-five mortality refer to deaths during the five-year period prior to the surveys and three-year period prior to the census.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Proportion of under-fives moderately or severely stunted (Low height for age) ^d	44	1999	X	X	X	38	X	X	X	X	X	TDHS 2009/10	20%
Maternal mortality ratio (per 100,000 births) ^{62 d}	529	1996	X	X	X	578	X	X	X	X	X	TDHS 2009/10	265
Proportion of births attended by a skilled health worker ^d	36	1999	X	X	X	46	X	X	X	X	X	TDHS 2009/10	80%
Number of persons with advanced HIV infection receiving anti-retroviral (ARV) combination therapy ^g	0	2004	X	X	X	Start of ARV Availability	20,670 by Dec 2005	60,341 by end 2006	135,696 By Dec 2007	205,879 By Dec 2008		End 2009	423,000 by end 2008
Proxy indicator: Total number of people who have enrolled on ARV	X	2001	X	X	3.5	X	X	X	2.5	X	X	2010/11	5%

⁶² Estimates of maternal mortality refer to the ten-year period prior to the survey.

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
TB treatment completion rate ⁶³			X	X	81.3	81.8	83.4	85.3	87.1			2008	Not yet determined
Goal 3: Increased access to clean, affordable and safe water, sanitation, decent shelter and a safe and sustainable environment													
Percentage of rural population with access to piped or protected water as their main source (within 30 minutes to go, collect and return)													
- Census, TDHS and HBS			X	42 Census	X	45 TDHS	X	X	40 HBS	X	X	TDHS 2009/10	65%
- Ministry of Water and Irrigation (MoWI)			X	X	53	X	55	56	57	X	X	End of FY 2008/9	

⁶³ The indicator refers to all (new) TB cases treated with success.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Percentage of urban population with access to piped or protected water as their main source (within 30 minutes to go, collect and return) - Census, TDHS and HBS			X	85 Census	X	79 TDHS	X	X	X	80 HBS	X	X	90%
			X	X	73	X	78	X	X	80		End of FY 2008/9	
Percentage of households with basic sanitation facilities - HBS - Census - TDHS	93.0	1991/2	92.8	X	X	X	X	X	92.7	X	X	HBS 2011	95%
			X	91	X	X	X	X	X	X	X	Census 2012	
			X	X	X	X	87	X	X	X	X	TDHS 2009/10	

⁶⁴ The figures for 2008 included Dar es Salaam for the first time. Previously issued routine data for urban water supply did not include Dar es Salaam. Data given in this table for earlier years excluded Dar es Salaam.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
% of schools having adequate sanitation facilities (as per policy ratio of toilets to students) ^m													
- Boys			X	X	X	X	X	X	X	1:62	1:64	End of FY 2009/10	1:20
- Girls			X	X	X	X	X	X	X	1:58	1:58	End of FY 2009/10	1:25
- All pupils			X	X	1:74	X	1:67	1:60	1:60	1:60	1:61	End of FY 2009/10	100%
Goal 4: Adequate social protection and rights of the vulnerable and needy groups with basic needs													
Goal 5: Effective systems to ensure universal access to quality and affordable public services													
Proportion of children aged 5 to 17 years in child labour ⁿ	25% Child labour	2000/1	25% Child labour	X	X	X	X	X	X	21.1% Child labour	X	ILFS 2011	Below 10%
Proportion of children with disability attending primary school ^o													20%

⁶⁵ Figures reported for this indicator are number of pupils with disability in primary schools.

⁶⁶ The first population-based survey of people with disabilities was conducted in 2008.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Proportion of orphaned children attending primary school ^r									87	X		TDHS 2009/10	
Proportion of eligible elderly people accessing medical exemptions at public health facilities Proxy: % of elderly people who reported receiving free treatment at government health facilities ^{p,j}									VOP 2007 10% HBS 2007 18%				
Proportion of population satisfied with health services Satisfied with public hospital/dispensary ^j	68	2000/1	68	X	X	X	X	X	68.9	X	X	HBS 2011	

Sources:

- a = various sources as indicated in the matrix
- b = Basic Education Statistics in Tanzania, National Data.
- c = Census
- d = Tanzania Demographic and Health Survey
- e = Tanzania Health Management Information System
- f = Expanded Programme on Immunisation, routine data
- g = National AIDS Control Programme
- h = National HIV/AIDS Indicator Survey
- i = National Tuberculosis & Leprosy Control Programme
- j = Household Budget Survey
- k = Ministry of water and irrigation
- l = Energy and Water Utilities Regulatory Authority (EWURA)
- m = Basic Education Statistics in Tanzania, Regional Data
- n = Integrated Labour Force Survey
- o = Tanzania Disability Survey 2008
- p = Views of the People 2007
- q = Calculated from BEST data
- r = Tanzania Malaria and HIV/AIDS Indicator Survey 2007/08

MKUKUTA Cluster III: Governance and Accountability

Economic growth, reduction of poverty and improved quality of life all rely upon the fair, effective and transparent use of Tanzania's resources. Therefore, the success of MKUKUTA's Clusters I and II relies on accomplishing the goals of MKUKUTA's Cluster III – good governance and increased accountability.

MKUKUTA's third cluster has the following four broad outcomes:

- Good governance and the rule of law
- Accountability of leaders and public servants
- Democracy, and political and social tolerance
- Peace, political stability, national unity and social cohesion deepened.

Supporting these broad outcomes are seven individual cluster goals. As for Clusters I and II, progress towards each goal is assessed against nationally agreed indicators. The supporting goals for MKUKUTA's Cluster III are:

Goal 1:	Structures and systems of governance as well as the rule of law to be democratic, participatory, representative, accountable and inclusive
Goal 2:	Equitable allocation of public resources with corruption effectively addressed
Goal 3:	Effective public service framework in place to provide foundation for service delivery improvements and poverty reduction
Goal 4:	Rights of the poor and vulnerable groups are protected and promoted in the justice system
Goal 5:	Reduction of political and social exclusion and intolerance
Goal 6:	Improve personal and material security, reduce crime, and eliminate sexual abuse and domestic violence
Goal 7:	National cultural identities to be enhanced and promoted

Many of the public services which help to achieve the outcomes of Cluster II – education, healthcare, water and sanitation, and social protection – as well as the administrative and regulatory systems which directly influence progress towards the outcomes of Cluster I are the responsibility of local government authorities. However, the current MKUKUTA indicator set only

includes a small number of indicators to assess progress in local government reform. Therefore, to supplement analysis of the specific indicators, this PHDR includes analysis of recent survey evidence of citizens' participation in local governance and their access to local government information, as well as an examination of progress in local government fiscal reforms. Tanzania's policy of decentralisation by devolution is intended to encourage citizens' active participation in democratic processes and to strengthen the responsiveness, capacity, transparency and accountability of local government authorities (LGAs).

Goal 1

Structures and Systems of Governance as well as the Rule of Law Are Democratic, Participatory, Representative, Accountable and Inclusive

The indicators for this goal are:

- Percentage of population with birth certificates (urban, rural, Dar es Salaam)
- Percentage of women among senior civil servants
- Percentage of women representatives elected to district council
- Proportion of women among Members of Parliament
- Percentage of females from smallholder households with land ownership or customary land rights
- Proportion of villages assemblies holding quarterly meeting with public minutes
- Proportion of LGAs posting public budgets, revenue and actual expenditures on easily accessible public notice boards

Birth Registration

Birth registration is a fundamental right of citizenship, and birth certificates are increasingly required for national identification and for registration of children in school. The THMIS 2007/08 estimated that only one-fifth of births (20.1%) in Mainland Tanzania are registered, a marginal increase from 17.6% in 2004/05. Marked disparities in birth registration rates were recorded by residence (urban areas 46%, rural areas 15%); by region (from under 5% in Tabora and Manyara to 75% in Dar es Salaam; and by household wealth status (60% for children in the highest wealth quintile compared with 10% in the lowest quintile). The significant variations in birth registrations reflect in part the disparities in facility-based deliveries.

The MKUKUTA indicator specifically monitors the percentage of children under-five years with birth certificates. The THMIS 2007/08 reports that only 6.3% of children under five years of age in Mainland Tanzania had a birth certificate (rural 3.3%; urban 20.9 %), marginally higher than rates recorded in the TDHS 2004/05 (Mainland Tanzania 5.7%, rural 2.7%, urban 17.8%).

Progress in the Vital Registration Programme (VRP) being implemented by the Registration, Insolvency and Trustee Agency (RITA) will be further examined following release of TDHS 2009/10. The VRP seeks to transform the birth registration system in Tanzania into a one-stop process where all registration services are provided under one roof. Achieving this goal will depend on strengthening linkages and communication between families and service delivery points, especially local government authorities and health services.

Gender Equity

Inclusive governance implies gender equity in decision making. The proportion of women representatives in the Parliament has reached the MKUKUTA target of 30% following national elections in 2005, largely as a result of special seats which are reserved for women. Of the 323 members of the National Assembly, 75 are held by women in special seats. In contrast, the representation of women in local government remains low. Only 5% of elected district councillors are female.

Furthermore, the percentage of women in leadership positions in the public service has increased from 20% in 2004/05 to 22% in 2008/09.⁶⁷ Specific areas show positive trends. For example, during the period 2006 to 2009, the numbers of women increased in the following roles: Judges increased from 8 to 24; Permanent Secretaries from 7 to 9; Deputy Permanent Secretaries from 1 to 3 and Regional Administrative Secretaries from 5 to 7. Of note, the government has implemented measures to increase female representation in leadership positions, including increasing the number of postgraduate scholarships. The Minister of State, President's Office-Public Service Management (PO-PSM) recently reported that, for the period up to May 2009, a total of 221 women had been sponsored for postgraduate studies and 35 others attended capacity-building short courses.

The latest information on smallholder land ownership or customary rights comes from the Agricultural Survey 2002/03 (NBS, 2005). In that survey, only 7.1% of rural households reported having certificates attesting to their rights of ownership and use of land. No disaggregated survey data by gender are available. New data will be available after the analysis of the 2008/9 Agriculture Sample Survey.

Citizens' Participation in Local Governance

Democratic local governance depends on regular, well-conducted and transparent meetings of assemblies in villages and urban wards, citizens' access to information on the conduct of local authorities and, most importantly, broad public participation in the processes of government.

⁶⁷ Speech of the Minister of State – Public Service Management presenting budget estimates for the financial year 2009/10. For the purposes of this indicator, leadership positions include Permanent Secretaries, Deputy Permanent Secretaries, Assistant Directors, Ambassadors, District Commissioners, Regional Administrative Secretaries, District Administrative Secretaries, District/Municipal Executive Directors and Judges in the Court of Appeal and the High Court.

Two citizen surveys conducted in six local government authorities in 2003 and 2006 indicate increased citizen participation in local government institutions as well as other community groups (Table 21). Citizens' involvement particularly increased in various sector-specific local committees, such as school committees, water committees, public works committees and farmers' groups.

Table 21: Indicators of Community Participation, 2003 and 2006

Respondents who report that they are or a household member is involved in...	2003 (% of respondents)	2006 (% of respondents)	Change between the two surveys
Member of village/ward leadership	17.3	22.9	32%
Participation in full council meetings	24.2	28.1	16%
School committee member	28.2	35.8	27%
Water management committee	13.3	23.2	74%
Preparation of village/ward plans	19.7	35.0	78%
Tanzania Social Action Fund (TASAF) project committee	1.9	13.7	621%
Public works committee	8.8	19.1	117%
Primary cooperatives/society/farmers association	8.7	12.1	39%
Agricultural/livestock extension contact group	2.9	6.4	121%

Source: Formative Process Research Programme on local government reform, 2003 and 2006 (See Tidemand and Msami, forthcoming).

The surveys also indicate higher levels of community participation in rural compared to urban areas, which was also documented in the Views of the People (VOP) survey in 2007.⁶⁸

Another important indicator of greater participation in local government affairs is the increase in the percentage of respondents who reported involvement in 'preparation of village/ward plans' from 19.7% of respondents in 2003 to 35% in 2006, representing a 78% increase in overall participation between the two surveys. This likely reflects Government efforts to enhance community participation in development planning and budgeting through the Opportunities and Obstacles for Development [O & OD] planning process facilitated by the Prime Minister's Office – Regional Administration and Local Government (PMO-RALG) as well as externally-supported sector initiatives and TASAF projects. The relative high level of citizen participation in 'planning' was also confirmed by Views of the People 2007.⁶⁹

⁶⁸ RAWG, 2008, Chapter 13.

⁶⁹ Note that participants in the VOP survey were asked about their individual behaviour whereas the local government surveys asked about "whether you or household member participated in..."

Data also show a significant increase in the percentage of women and youth in local leadership positions (Table 22). Overall citizen involvement in local leadership rose from 17.3% in 2003 to 22.9% in 2006, mainly due to expanded participation by women and youth. Female participation increased almost two-fold (94%) over this period, compared with a 10% increase in male participation. Participation by young people in leadership rose almost seven-fold, albeit from a very low base.

Table 22: Participation in Local Government Leadership, by Gender and Youth/Elders, 2003 and 2006

Respondents who reported that he/she or another household member is involved in village/ward/council leadership	2003 (% of respondents)	2006 (% of respondents)	Change between the two surveys
Male	24.2	26.6	10%
Female	9.6	18.6	94%
Youth	1.2	9.1	658%
Elders	32.9	32.6	-1%
Total	17.3	22.9	32%

Source: Formative Process Research Programme on local government reform, 2003 and 2006 (See Tidemand et al., forthcoming).

In the 2006 survey, data were also collected on citizens' participation in village/*mtaa* assemblies. Just over half of respondents (53%) reported that their village/*mtaa* assembly had met within the last three months (Table 23). This is low since local assemblies are required to meet at least once every quarter. Under half (44%) of respondents reported participating in an assembly meeting within the last quarter. Women (42%) were slightly under-represented in meetings. One-third of youth respondents reported attending. Among respondents who reported attending the last meeting, only 20% were able to indicate what topics were discussed at the meeting. The most common topics discussed were financial issues, followed by village/*mtaa* plans, such as O & OD.

Table 23: Participation in Village/*Mtaa* Assembly, 2006

Survey question	% of Respondents
The village/ <i>mtaa</i> assembly met less than 3 months ago	53%
I attended a meeting within the last 3 months	
- Total respondents	44%
- Women respondents	42%
- Youth respondents	33%
Percentage of respondents attending last assembly meeting who could indicate what topics were discussed at the meeting	20%
Percentage of respondents who said anything at the last meeting	18%
Percentage of respondents who agreed that “people have a say in the meetings” and consider the village/ <i>mtaa</i> assembly “a democratic forum”	77%

Source: Formative Process Research Programme on local government reform, 2003 and 2006 (See Tidemand et al., forthcoming).

Even though direct participation in the village/*mtaa* assemblies is fairly low, a large majority (77%) of respondents expressed trust in these institutions as democratic forums where people have a say.

However, data from the latest round of the Afrobarometer survey⁷⁰ in Tanzania found that only a small majority (51%) of respondents felt that ordinary people were able to solve local problems (Table 24).

Table 24: Citizens' Perceptions of Their Capacity to Solve Local Problems

How much can ordinary people do to solve local problems?	% of respondents
Nothing	43
A small amount	29
Some	17
A great deal	5
Don't know	6
Total	100

Source: Afrobarometer Tanzania 2008

⁷⁰ Round 4 of the Afrobarometer survey was conducted in Tanzania in 2008, involving 1,208 adult men and women.

Information Dissemination and Accountability of Local Government Authorities

The current MKUKUTA indicator used to measure information dissemination by LGAs is the 'proportion of LGAs posting public budgets, revenue and actual expenditures on easily accessible public notice boards'. The latest data available is from the Community Characteristics Report of HBS 2007 which reported that 40% of LGAs had posted fiscal information on public notice boards.⁷¹

Data from the 2003 and 2006 citizen surveys indicate a significant increase in public access to information on local government operations, albeit from very low levels. This is most likely a result of PMO-RALG's efforts to enhance citizens' access to local government information, in particular financial data, through the O & OD planning process. Announcement of local government budget information in all wards is now required.

The results in Table 25 indicate that respondents most often reported seeing information on local government budgets as well as taxes and fees collected in their area. Audit information and sector allocations were less frequently available to citizens. Interestingly, a larger increase in access to budget information was recorded among women than men. This may be explained by the general trend towards greater women's involvement in public affairs, as local government reform initiatives have not explicitly targeted women. Despite the gains recorded over the period, only a small minority of respondents overall reported access to local government information. Moreover, qualitative interviews also indicated that citizens have difficulties in making sense of the financial data that was made available to them (PMO-RALG, 2007b).

Table 25: Percent of Adults Reporting Access to Local Government Fiscal Information, 2003 and 2006

Percentage of respondents who:	2003		2006	
	Male	Female	Male	Female
Have seen the local government budget posted in a public place in the last two years	6.9%	4.0%	14.4%	12.6%
Have seen reports on tax and fees collected in this area posted in a public place in the last two years	3.5%	1.5%	13.2%	11.1%
Have seen audited statements of council expenditure posted in a public place in the last two years	3.5%	1.5%	6.2%	4.9%
Have seen financial allocations to key sectors posted in a public place in the last two years	5.1%	3.7%	8.6%	6.6%

Source: Formative Process Research Programme on local government reform, 2003 and 2006 (See Tidemand et al., forthcoming).

⁷¹ Based on responses provided by community leaders, usually village chairs or village executive officers.

Goal 2**Equitable Allocation of Public Resources with Corruption Effectively Addressed**

The delivery of essential social services to all Tanzanians depends upon the transparent, fair and equitable collection and allocation of public funds. Indicators for this goal include:

- Total revenue collected as percentage of revenue due at national level. [Proxy indicator used: Total tax revenue collected by TRA as percentage of estimated collection in a particular period]
- Percentage of procuring entities complying with the Public Procurement Act and procedures
- Percentage of government entities awarded clean audit certificate from National Audit Office (NAO)
- Percentage of local government authorities that receive the full calculated amount of their annual formula-based budget allocation
- Number of convictions in corruption cases as percentage of number of investigated cases sanctioned for prosecution by the Director of Public Prosecutions (DPP)
- Total value of revenue received from concessions and licences for mining, forestry, fishing and wildlife as a percentage of their estimated economic value.

Revenue Collection

The ‘total revenue collected as a percentage of revenue due at national level’ is the specific MKUKUTA indicator, however, data are not available on total revenue due at national level. Therefore, the ‘total amount of tax revenue collected by the Tanzania Revenue Authority (TRA) as a percentage of estimated collection’ is used as a proxy indicator. In 2006/07, data indicate that the government surpassed its target, with revenue collections of 111.4% of the total estimated collection. However, data for July 2008 to March 2009 is slightly below target at 91% of total estimated collection. This decrease may in part be explained by the effects of the global financial crisis. As reported in Cluster I, domestic revenue collections (as a % of GDP) have increased steadily over recent years, but estimates of tax receipts for 2008/09 have been revised downwards due to the global slowdown.

Of further note, exchange rate movement in recent years have worked in favour of revenue collection performance. Typically, targets for revenue collections are made at the beginning of a financial year and they are in Tanzanian Shillings. However, the prices of goods and services crossing the borders are quoted in foreign currencies, particularly US dollars. Taxes are computed in foreign currency and paid in local currency at the exchange rate on the day of payment. Given the decline in the value of Tshs against the US dollar in the last few years, the value of taxes in Tshs has been increasing, even without expanded tax collection efforts. It would be useful in the future, for actual revenue collections be adjusted to take into account the effects of exchange rate movements, so as to better gauge progress in government revenue collection.

Public Procurement

The government passed the Public Procurement Act 2004 as a measure to improve transparency and combat corruption in public procurement, and the Public Procurement Regulatory Authority (PPRA) was established to monitor the compliance of government entities under the Act. Data reported in PHDR 2007 showed a strong increase in the percentage of procuring entities complying with the Act from 10% in 2005 to nearly 60% in 2006. This rapid improvement in part reflects that compliance systems were still being tested, and assessments were conducted in a relatively limited number of procuring entities. Compliance systems have now been expanded to include a greater number of government entities. As a result, the overall percentage of procuring entities complying with the Act declined to 39% in 2006/07. However, data for 2007/08 show a resumption of the positive trend (now from a larger base) to 43%.

Audits of Central and Local Government Offices

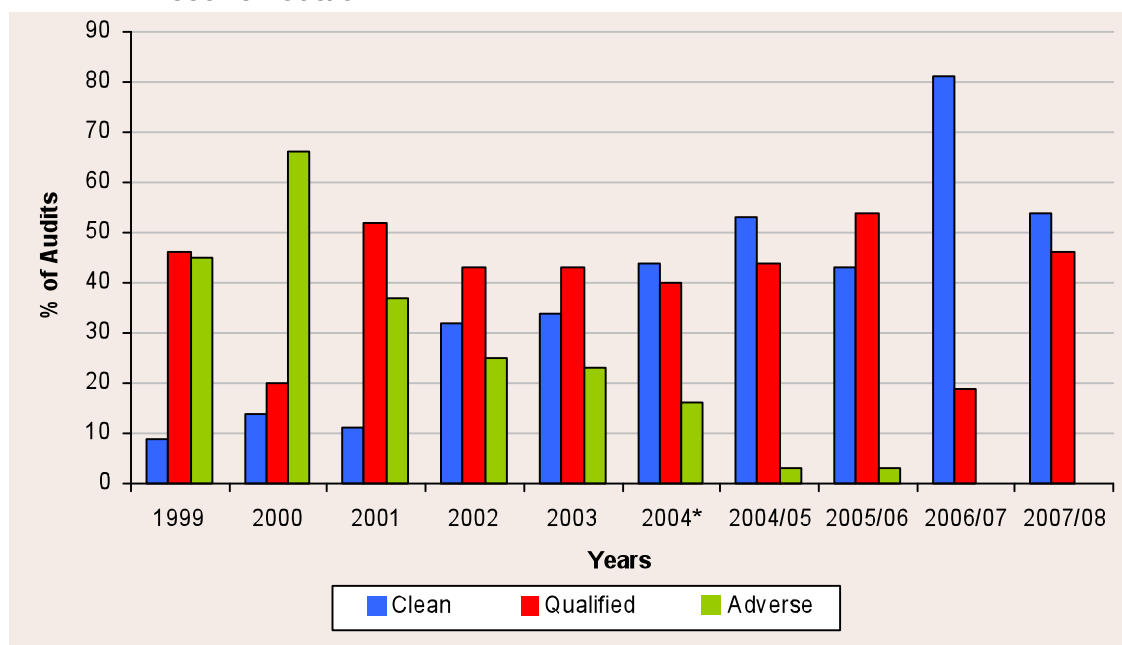
Audit opinions issued by the National Audit Office are an important indicator of whether government offices are complying with financial management regulations. The percentage of ministries, departments and agencies (MDAs) of the central government which received a clean (unqualified) audit certificate⁷² rose from 34% in 2004/05 to 76% in 2006/07 but fell back to 71% in 2007/08.

Results for LGAs from 1999 to 2007/08 are summarised in Figure 46. The percentage of LGAs with adverse audit opinions⁷³ fell sharply from 45% in 1999 to zero in 2006/07 and 2007/09, while the proportion of LGAs with clean audit reports increased from 9% in 1999 to 81% by 2006/07. However, this percentage dropped to 54% in 2007/08, reportedly as a result of parallel instructions for the financial statements.

⁷² A 'clean' or 'unqualified' audit certificate indicates compliance with regulations.

⁷³ 'Adverse' opinions are the result of significant deficiencies in reporting, such that auditors are not able to verify transactions.

Figure 46: Summary of Controller and Auditor General (CAG) Reports for LGAs, 1999 to 2006/07



Source: National Audit Office - Reports of the Controller and Auditor General (various years).

Notes: In 2004, the fiscal year for LGAs was changed to coincide with the Central Government FY from July – July. Previously LGA FY was on a calendar year basis. Thus the year marked 2004* included only six months: January-June 2004.

Improvements in transparency and accountability at the local level will require expanded citizen involvement in the scrutiny of LGA budgets and expenditures against development plans. Results from the citizen surveys have shown that public participation in local affairs and information dissemination are slowly improving.

An audit opinion is followed by a response by management in a management letter. Councillors' discussion of management letters and the systematic follow-up of actions included in those letters would help ensure more effective and efficient financial performance at the local level. In addition, there could be consideration of conducting 'value-for-money' audits in councils to assess whether expenditures are commensurate with the outputs or outcomes achieved.

Budget Allocations to Local Government Authorities

Initiated in 1997, the Local Government Reform Programme (LGRP) aims to transfer the duties and financial resources for delivering public services from the central government to local government authorities (LGAs). The LGRP's long-term goal is to reduce the proportion of Tanzanians living in poverty, by improving citizens' access to quality public services provided through autonomous local authorities. Underpinning this process of decentralisation, local government authorities are considered to be better placed to identify and respond to local priorities, and to supply the appropriate form and level of public services to meet citizens' needs. Various sector reform programmes have also been introduced which complement the LGRP.

To achieve its long-term goal, the LGRP aims to strengthen local financing and planning by:

- (i) enhancing the procedures whereby the central government provides budget allocations to LGAs;
- (ii) increasing revenue collections by LGAs through reforms to local tax systems; and
- (iii) improving financial management *in* LGAs.

The overall objectives of the fiscal reforms are to ensure that local authorities have adequate funding to deliver social services, have greater responsibility and autonomy in allocating their budgets, and use financial resources prudently. In line with local government reforms, key sectors, such as education and health, have also reformed and increased their financing to LGAs.

The specific MKUKUTA indicator related to financial allocations to local government authorities is the 'Percentage of LGAs that receive the full calculated amount of their annual formula-based budget allocation'. However, as discussed in detail below, the roll-out of formula-based allocations is still in progress. Therefore, the proxy indicator 'Percentage of LGAs qualifying for Local Government Capital Development Grants' is monitored. Data show that the proportion of LGAs that qualified for the LGCDG has increased from 51% in 2006/07 to 98% in 2009/10. To more comprehensively assess progress towards meeting Goal 2, the achievements and ongoing challenges of the LGA fiscal reform process are examined in the following sections.

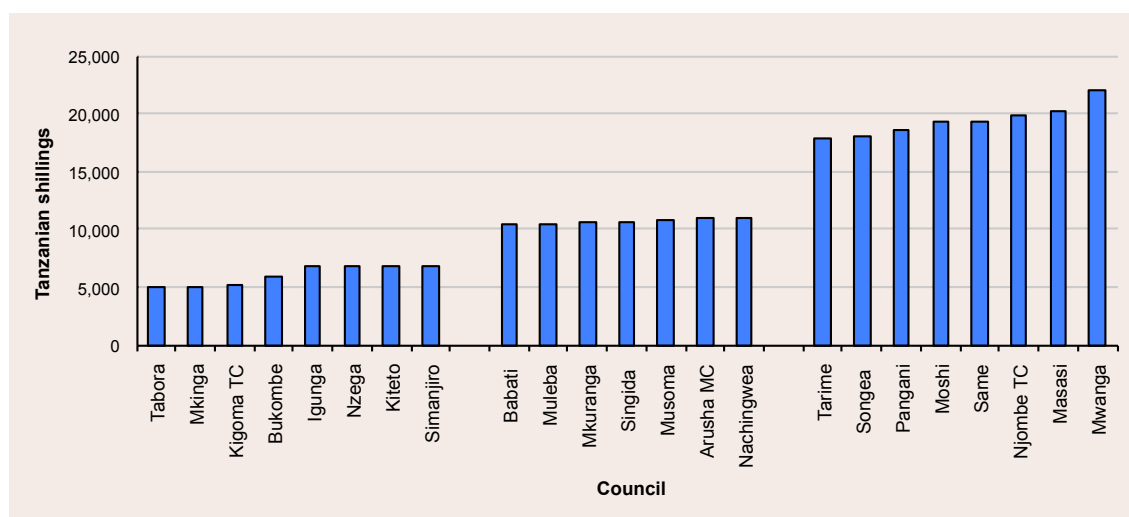
Formula-based Budget Allocations

In 2004, an important agreement between the Government of Tanzania and Development Partners was reached in principle towards reforming central government fiscal transfers to LGAs, whereby formulas would be applied to calculate allocations to LGAs for recurrent expenditures in six key sectors – education, health, local roads, agriculture, water and administration – and a new joint donor-Government funded block grant for development, the Local Government Capital Development Grant (LGCDG) was introduced. The primary objectives of these reforms were to:

- (i) share resources more transparently and fairly by application of needs-based formulas; and
- (ii) to enhance LGAs' autonomy in budget allocations and implementation of local development plans.

Progress in the reform of recurrent fiscal transfers has been modest. Although formula-based allocations were agreed and endorsed by the Cabinet, they have not yet been fully implemented (PMO-RALG, 2007b and 2007c). Recurrent transfers are predominantly composed of personal emoluments (PE). However, staff recruitment and deployment remains largely centralised, so it has not been possible to apply formula-based allocations in practice. As a consequence, fiscal allocations to LGAs are unequal. Figure 47 presents data on allocations for education staff in selected councils in 2007/08. The figure shows that allocations for council education staff ranged from TShs 5,000 to over Tshs 20,000 per capita.

Figure 47: Budget Allocations to LGAs for Education Personal Emoluments, 2007/08 – Councils with the Lowest, Median and Highest Allocations Per Capita



Source: Analysis by Dr Jamie Boex based on Local Government Information (LOGIN) data. Available at www.logintanzania.net

Allocation of Human Resources

Equitable allocation of resources clearly implies that staffing for core public services must also be equitably allocated, and the intention of formula-based allocations was to include all payments to LGAs, including personal emoluments.

The Local Government Reform Policy of October 1998 envisaged a radical change towards decentralised personnel management by local government: “The councils (city, municipal, town and district) will be fully responsible for planning, recruiting, rewarding, promoting, disciplining, development and firing of their personnel”. The policy anticipated that each LGA would become the employer of its entire staff, except for the Council Director who “in the interim may be posted by [Central] Government”.⁷⁴

However, in 2003, the President’s Office – Public Service Management (PO-PSM) issued the Public Service Regulations that currently guide personnel management in LGAs. These regulations were based on the Public Service Act, and maintained the powers of central government to transfer staff across ministries, regions and LGAs, when in the “public interest”. Therefore, a dual system of human resource management for LGAs remains in place, whereby central government can overrule local planning. Furthermore, personnel for the health and education sectors were explicitly exempted by PO-PSM from the decentralised and merit-based procedures for recruitment. In recent years, large numbers of health staff and teachers have been centrally deployed to LGAs.

⁷⁴ Ministry of Regional Administration and Local Government, 1998, p. viii.

Budget and establishment control⁷⁵ has likewise remained entirely centralised; local governments are consulted during restructuring exercises, but all decisions on staff budgets and numbers of approved staff are ultimately made by PO-PSM. LGAs have limited autonomy in this area. Pay policy also remains centralised, except that LGAs are allowed to establish local incentive schemes. However, such initiatives are unaffordable to most LGAs, except for select staff categories in more wealthy LGAs. Career management has been partially devolved, but career progress for senior staff continues to depend on central ministries.

This system of allocating staff has significant flow-on effects. It has perpetuated historical disparities in human resources and, in turn, service provision and educational and health outcomes, as indicated by the analysis of progress in Cluster II. Central deployment generally has failed to address geographical inequalities of staffing in local governments. Attracting and retaining staff in districts considered “remote” or marginalised is a persistent problem (PMO-RALG, 2005). Urban LGAs tend to be better staffed, even for agricultural extension staff.⁷⁶ That urban LGAs have relatively more agricultural extension staff than rural authorities clearly demonstrates inefficiencies in the current staff allocation system.

Budget transparency is also undermined. Staff salaries are almost entirely paid from central government transfers. Funds are allocated according to filled posts and approved establishments, which are based on existing infrastructure, rather than the formula-based grants for recurrent expenditure according to need. The reform policy does not explicitly address this issue and the apparent progress on introduction of formula-based grants within the LGRP was evidently made without policy agreement with the Ministry of Finance and PO-PSM on the extent to which formulas should apply to personal emoluments.

In practice, human resource management in LGAs is a mix of decentralised staff management and centralised transfers and postings. LGA staff consequently have dual allegiances; they have to satisfy both local authorities and central ministries. Furthermore senior staff are aware that their career prospects depend largely on satisfaction of the latter. Several LGAs have invested in capacity building and subsequently seen staff transferred to other LGAs or central government. This frustrates local capacity-building efforts, which are otherwise encouraged by the new system of providing LGAs with capacity building grants. Transfers are also undertaken without adequate consultation with LGAs and very late replacements of staff are made. Field visits during the LGRP evaluation in 2007 indicate that this is perceived by LGAs as the most frustrating aspect of current practices.

Available data do not allow for strict comparison of the effectiveness of centrally deployed versus locally recruited staff. However, during field visits for the evaluation of the LGRP in 2007, both regional and district officials argued that, for instance, teachers who were locally recruited by LGAs were far more likely to continue working within their post than teachers who were centrally deployed.

⁷⁵ MDAs and LGAs must apply to PO-PSM for approval of their organisational charts. The approved staffing structure is referred to as the establishment. Subsequently, the MDAs and LGAs must request authorisation to recruit against their establishment.

⁷⁶ See, for example, statistics in Tidemand, Olsen & Sola, 2007.

As formula-based allocations have been put in place, the challenges have become clearer. The current incentive system is reinforcing rather than alleviating disparities – areas with existing schools, health facilities and other infrastructure receive greater allocations, while underserved areas receive lower allocations. Going forward, allocations need to be grounded upon assessments of LGAs’ capacity to deliver essential public services. Strong coordination in policy and implementation by key stakeholders in the central government, notably PO-PSM, PMO-RALG and MoFEA, will be essential.

Development Funds

The second phase of local government reform has been more successful in transforming development funds transfers. Up to 2004 development grants to LGAs were small, consisting mainly of non-formula-based development grants, such as the PMO-RALG Development Grant.⁷⁷ Most development funds to local authorities were provided through discrete donor-funded projects, predominantly “area-based programmes” but also some sector support programmes. In 2004, the Government and Development Partners established the Local Government Capital Development Grant (LGCDG) system. Under this arrangement, all LGAs receive a discretionary development grant of approximately US\$ 1.5 per capita if they fulfil minimum conditions regarding the quality and transparency of their development plans, financial management and procurement systems.⁷⁸ In 2009/10, 98% of LGAs qualified for the capital development grant. The LGCDG system has been declared by Government as the preferred modality for transfer of development funds to LGAs. In addition to core LGCDG funding (approximately TShs 50 billion in total), individual sectors, notably agriculture and water, have started to transfer funds along these basic principles.

LGAs also receive substantial development funds in the form of project financing from donors as well as budget funds from sector ministries which are shown under respective sector votes.

Overall, the LGCDG has been successful in providing LGAs with more autonomy in budget planning. However, two challenges remain:

- i) Given limited financial resources of LGAs, a balance must be struck between national development objectives, such as expansion of secondary education, and priorities at the local level.
- ii) The LGCDG is still largely financed through project-based donor funds, rather than fully integrated into, and funded by, the Government budget. Because of different streams of financing, it is difficult to establish exactly how much is allocated and spent at LGA level.

⁷⁷ See, for example, analysis in PricewaterhouseCoopers, 2004

⁷⁸ For details see the LGCDG Assessment Manual – available at www.logintanzania.net

Local Governments' Share of Public Expenditures

LGA budgets have increased in absolute terms, but their relative share of total recurrent expenditure remained between 17 to 19% until 2005/06. In 2006/07 and 2007/08, the LGA share increased to 24% and 23% respectively, in part due to an increase in teachers' numbers and salaries which constitute a large share of LGAs' recurrent budgets (Table 26).

Table 26: Local Governments' Share of Government Recurrent Budget, 2001/02 to 2007/08

Fiscal Year	Total Recurrent Expenditure (TShs billion)	Local Government Share
2001/02	1,253.1	18.7%
2002/03	1,527.8	19.0%
2003/04	1,834.1	17.7%
2004/05	2,252.3	17.0%
2005/06	2,875.6	18.6%
2006/07	3,142.3	24.3%
2007/08	3,398.0	22.9%

Source: PMO-RALG, 2007c; Budget Execution Report Fiscal Year 2007/08

The LGAs' share of development funding is even lower; only 17% of the total development budget based on 2007 estimates (PMO-RALG, 2007c).

Revenue Collection

LGAs collected approximately TShs 63 billion in local taxes in 2007 (principally service levies and produce cesses in rural councils, and fees and property taxes in urban councils) (Table 27). This represents only 7% of total LGA expenditures, which indicates that local government budgets overwhelmingly rely on fiscal transfers from the central government. Urban LGAs collect almost five times as much revenue per capita as rural LGAs. The most significant growth potential in revenue collection is also found in urban councils. In the budget announced in June 2004, a range of "nuisance" taxes were abolished which particularly affected rural councils. Since then, local revenue collections in both rural and urban LGAs have risen.

Table 27: LGA Revenue Collections, 2001 to 2006/07 (TShs. Million)

	2001	2002	2003	2004/05	2005/06	2006/07	Overall Growth 2004/05 to 2006/07	Tshs per capita in 2006/07
Urban	23,113	25,569	28,656	23,728	28,139	36,271	53%	4.83
Rural	28,086	22,774	29,083	19,142	21,151	27,113	42%	1.05

Note: In 2004, the financial year for LGAs shifted from a calendar year to the same fiscal year as that of Central Government. The data from 2005 onwards represent fiscal years.

Source: PMO-RALG finance data for most recent years available at www.logintanzania.net

LGA Expenditure Patterns

Recent data reveal several trends in local government spending:⁷⁹

- i) A very large share (78.5%) of local expenditure is recurrent expenditure.
- ii) Most recurrent spending – 56.6% of all local spending, or almost three-quarters of local recurrent spending – is spent on personal emoluments.
- iii) Recurrent expenditure is heavily concentrated in just two sectors – primary education and basic health services account for three-quarters of recurrent spending and two-thirds of all local spending.

These local expenditure patterns are driven mainly by the fiscal transfer system, which limits the discretion of local authorities to revise allocations by sector or by type of expenditure (i.e. between personal emoluments, other charges and development). With little locally-generated revenue, and very tight budgets compared with responsibilities, LGAs have limited discretion in spending. In discussion of the LGCDG earlier, the level of discretionary development expenditure has also been heavily influenced by national development goals, particularly the prioritisation of secondary education.

Corruption

The specific MKUKUTA indicator for corruption is ‘number of corruption cases convicted as a percentage of the number of investigated cases sanctioned by the Director of Public Prosecutions’. However, corruption cases frequently take more than a year to prosecute and thus the number of cases in any year may not reflect the number of new cases referred to the courts. Therefore, in this PHDR, the proxy indicator – ‘number of corruption cases convicted’ – is reported. Data has been sourced from the Prevention and Combating of Corruption Bureau (PCCB) and the Tanzania Corruption Tracker System. Data from these two sources indicate that the number of corruption cases convicted remained low for the period between 2000 and 2005, but has increased to 37 cases in 2008. However, these data in isolation cannot confirm whether recent increases in cases convicted represent greater diligence in prosecuting corruption, an increase in corruption itself, or an increase in the reporting of corruption.

⁷⁹ As summarised in PMO-RALG, 2007c.

In recent years, the domestic media has reported serious allegations of corruption, and a number of high-profile cases are being prosecuted. International sources report an improvement in Tanzania's control of corruption from the late 1990s to the mid-2000s, but also a slight deterioration since 2007.⁸⁰

Data from two citizen surveys in 2003 and 2006 found that a majority of respondents (about 60% in both surveys) perceived that corruption was a serious problem in their councils. However, as shown in Table 28, respondents also perceived that the level of corruption had declined between 2003 and 2006. The percentage of respondents who reported that they or another household member had ever observed, or been informed about, corrupt acts also declined over this period from 50% to 30%. However, a significant discrepancy was still found in 2006 between the percentage of respondents who were directly aware of corruption (30%) and the percentage of respondents who reported a corrupt act (only 3.5%). This difference can be partly explained by respondents' lack of knowledge of the right procedures to follow to report a corrupt act, but it is also likely due to fear of negative repercussions.

Table 28: Citizens' Views on Corruption, 2003 and 2006

Percentage of respondents who agree to the statement	2003	2006
Have you or any household member ever observed/been informed about an act of corruption by a public official?	50.3	30.3
Have you or any household member reported any corrupt act by a public official in the last two years?	7.2	3.5
Do you know the processes to follow in reporting an act of corruption by a public official?	21.7	29.5
I think corruption is a serious problem in this council	59.3	58.0
Corruption is less than 2 years ago	27.3	50.6

Source: Formative Process Research Programme on local government reform, 2003 and 2006 (See Fjeldstad, Katera & Ngalewa, 2008a)

Data from the latest round of the Afrobarometer survey (2008) indicates an increase in people's perception of corruption among local councillors. As shown in Table 29, 83% of respondents in 2008 felt that 'some', 'most' or 'all' of their councillors were involved in corruption, compared with 70% in 2005.

⁸⁰ See Transparency International, 2009; Kaufman, Kraay & Mastruzzi, 2009.

Table 29: Citizen's Views about the Involvement of Local Councillors in Corruption, 2005 and 2008

Response	2005		2008	
	% of Total Sample	% of those with an opinion	% of Total Sample	% of those with an opinion
None of them	19	30	15	18
Some	34	54	57	67
Most of them	7	11	10	12
All of them	3	5	3	4
Don't know/haven't heard enough	37		15	
Total	100%	100%	100%	100%

Source: Afrobarometer 2005 and 2008

Regulation of the Natural Resources Sector

The natural resources sector is a potential driver of economic growth and poverty reduction in Tanzania. However, the sector must be carefully managed and regulated to ensure that Tanzania as a whole and the local communities directly involved derive maximum benefits from exploitation. Environmental standards must also be rigorously monitored and enforced.

The MKUKUTA indicator – the total value of revenue received from concessions and licences for mining, forestry, fishing and wildlife as a percentage of their estimated economic value – seeks to assess the effectiveness and efficiency of revenue collection in the natural resources sector. Limited data is available for this indicator, but recent sector research indicates mismanagement and loss of revenues from natural resources, forestry and logging.⁸¹

More data is expected in future years as a result of Tanzania joining the Extractive Industries Transparency Initiative (EITI). The EITI is a coalition of governments, companies and civil society representatives to ensure that natural resources benefit all Tanzanians. It sets a global standard in transparency in the oil, gas and mining sectors, under which companies are required to publish what they pay and governments are required to disclose what they receive. Tanzania has met the four requirements for participation: i) committing to implement the EITI; ii) committing to work with civil society and the private sector; iii) appointing an individual to lead implementation (the Government has appointed the Minister of Energy and Minerals); and iv) producing a work plan that has been agreed with stakeholders (EITI).

⁸¹ See Jansen, 2009; Milledge, et al., 2007.

Goal 3**Effective Public Service Framework in Place to Provide Foundation for Service Delivery Improvements and Poverty Reduction**

Indicators of progress towards this goal are:

- Percentage of population reporting satisfaction with government services
- Percentage of population who found key service providers absent when they needed a service

Percentage of Population Reporting Satisfaction with Government Services

For this indicator, PHDR 2007 reported data from Views of the People 2007 and the Policy and Service Satisfaction Survey (PSSS) conducted in 2004. This year's PHDR presents findings from the fourth round of the Afrobarometer survey conducted in 2008.⁸² As part of the survey, participants were asked their perceptions on how well or badly the current government is handling essential social services – education, healthcare and water supply. Generally, Tanzanians reported that they are pleased with education, less happy with health services and unhappy with water services. Detailed findings are discussed in the following sections, and illustrated in Figure 48.

Education

The percentage of respondents who reported satisfaction with the government's education services increased from 59% in 2001 to 86% in 2005, but declined slightly to 81% in 2008. By place of residence, rural residents were a little more satisfied with education than urban respondents, and men slightly more satisfied than women.

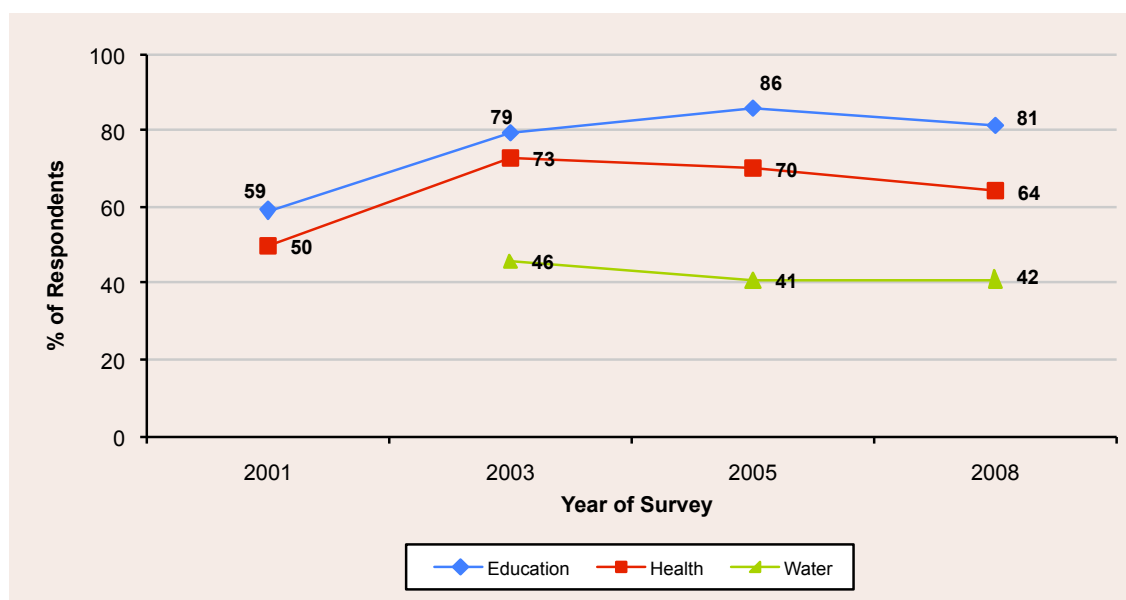
Health

As in education, the budget allocation to the health sector has continuously increased in recent years.⁸³ Since 2001, over 50% of respondents have reported a positive view about the government's performance in the health sector. The highest level of satisfaction was reported in 2003 (73%) but has declined over the past two rounds of the Afrobarometer to 64% in 2008. Again, a greater percentage of rural respondents were satisfied with health services than urban residents, and more men than women.

⁸² The first three rounds were conducted in 2001, 2003 and 2005 respectively.

⁸³ See Katera and Semboja, 2008.

Figure 48: Percentage of Respondents Reporting Satisfaction with Government Services, by Sector, 2001, 2003, 2005 and 2008



Source: Afrobarometer 2001, 2003, 2005, 2008

Water

Water services continue to be problematic. Less than half of respondents held positive opinions about the government's performance in the delivery of household water supply. Rural residents are more dissatisfied with water services than urban respondents.

Conclusion

Increased funding and improved performance in education and healthcare are associated with sector development programmes which attracted additional financing. A new water sector development programme offers promise that positive change will be forthcoming in water supply. The challenge for Government is to deliver improved and innovative services through mainstream management processes at the local level without the need for development programmes requiring external assistance.

No data is available for the second indicator under this goal. However, it is reasonable to assume that the availability of service providers would be a key component of people's overall level of satisfaction with government service delivery assessed by the Afrobarometer surveys. Indeed, Goal 3 aims to implement an effective framework for effective public services, and the Afrobarometer survey data more broadly reflects progress towards this goal.

Goal 4**Rights of the Poor and Vulnerable Groups are Protected and Promoted in the Justice System**

The current indicators for this goal are:

- Percentage of court cases outstanding for two or more years
- Percentage of prisoners in remand for two or more years compared to all prisoners in a given year
- Percentage of detained juveniles accommodated in juvenile remand homes
- Percentage of districts with a team of trained paralegals.

Court Cases Outstanding for Two Years

The Ministry of Constitutional Affairs and Justice (MoCAJ) and the National Bureau of Statistics recently conducted a study on the reporting of the status of court cases. Data from this research indicate that, over the period 2004 and 2008, the percentage of cases pending for two years or more has fluctuated between 24% and 29%. The study further reports that, in 2008, 74% of all cases had been pending for one year (MoCAJ & NBS, 2009).

Prisoners in Remand for Two or More Years

The percentage of prisoners in remand for two or more years has fallen consistently from 15.7% in 2005 to 5.4% in 2008.

Juveniles in detention

This indicator tracks whether suitable detention facilities are provided for young offenders. It is not yet possible to report on the specific MKUKUTA indicator – ‘the percentage of detained juveniles accommodated in juvenile remand homes’ – as no data are available from the Ministry of Home Affairs on the total number of juveniles detained. The number of juveniles detained in remand homes is reported by the Ministry of Health and Social Welfare. However, these data may be subject to errors, as the pattern of data in recent years is erratic. The number of juveniles in homes consistently decreased from 913 in 2004 to 728 in 2006, increased to 1101 in 2007 and decreased again to 880 in 2008. In the absence of further information on the total number of juveniles in detention it is difficult to say whether the trend for juvenile detention is improving. However, the Commission on Human Rights and Good Governance (CHRGG) has expressed particular concern about the numbers of juveniles who are being detained in facilities with adults (CHRGG, 2008).

Goal 5**Reduction of Political and Social Exclusion and Intolerance**

There is one indicator of progress towards this goal:

- Number of cases filed for infringement of human rights

The Commission for Human Rights and Good Governance (CHRGG) reports on the number of cases filed with the Commission for infringement of human rights. The rise in cases filed from 2,789 in 2004/05 to 4,948 in 2006/07 has been attributed to an outreach programme by the Commission. The number of cases has subsequently declined to 2,459 in 2008/09, but it is not clear to what extent this reduction is due to less active outreach work on the part of the Commission, or to a real decline in cases of human rights violations.

Goal 6**Improve Personal and Material Security, Reduce Crime, and Eliminate Sexual Abuse and Domestic Violence**

Most of the MKUKUTA indicators for this goal focus on the operation of the justice system. They are:

- Average number of inmates per facility as a percentage of authorised capacity
- Number of cases of crimes reported (Court of Appeal, High Court, District Courts)
- Percentage of cases of sexual abuse reported that resulted in a conviction
- Percentage of surveyed respondents (male and female) who agree that a husband is justified in hitting or beating his wife for a specific reason.

Number of Inmates in Detention Facilities

The average number of inmates per facility as a percentage of authorised capacity is intended to capture the problem of overcrowding in prisons. The trend shows that overcrowding has decreased from the baseline of 196.3% set in 2004/05 to 151% in 2007/08.

Crimes Reported

The number of cases in the Court of Appeal and High Court has increased steadily since 2001. For the Court of Appeal, the total number of cases was just over 200 in 2004/05 and 2005/06, and rose to 306 in 2006/07. Cases in the High Court numbered around 2,000 up to 2003/04, but have risen steadily to 5,396 in 2006/07. District Court caseload data have fluctuated significantly since 2000, suggesting the figures are questionable.

Sexual Abuse

Sexual abuse and harassment remain common violations of human rights in Tanzania, especially of women and children. Hard data about the extent of sexual abuse and prosecution of these offences are not yet available. Many cases of abuse are neither reported to the police, nor referred by them to the courts.

Domestic Violence

The MKUKUTA indicator – ‘percentage of men and women who agree that a husband is justified in hitting or beating his wife for a specific reason’ – was first reported by the THDS 2004/05. These findings on public tolerance towards domestic violence were alarming; 60% of women and 42% of men agreed that men are justified in beating their wives. New data are expected from the next TDHS in 2009/10.

People’s Perceptions of Public Safety

In addition to the specific indicators under this goal, the Afrobarometer surveys provide valuable data on people’s perceptions of personal and material security over time as well as trust in the police and courts, which are key institutions in maintaining public safety and order.

Findings show a decline from 2003 to 2008 in the percentage of respondents who feared becoming a victim of crime in their own home from 48% in 2003 to 37% in 2008 (Table 30).

Table 30: Citizens’ Level of Fear of Crime in Their Own Home (% of respondents)

Over the past year, how often, if ever, have you or anyone in your family, feared crime in your own home?	2003	2005	2008
Never	51	67	63
Just once or twice	14	12	17
Several times/many times/always	34	21	20

Source: Afrobarometer 2003, 2005 and 2008

This trend suggests some success on the part of law enforcement agencies, relevant ministries and communities in preventing and combating crime since 2003. Citizens’ perceptions of fear of crime correlate with findings about their actual experience of theft from their homes (Table 31).

Table 31: Citizens' Experience of Theft From Their Homes (% of respondents)

Over the past year, how often, if ever, have you or anyone in your family had something stolen from your home?	2003	2005	2008
Never	66	79	74
Just once or twice	23	13	19
Several times/many times/always	11	8	7

Source: Afrobarometer 2003, 2005 and 2008

Experience of theft was at its lowest in 2005. In that year, 79% of respondents reported that they had not experienced any theft in the previous year. In 2008, this percentage had fallen to 74%. In addition, over two-thirds of respondents in the 2005 and 2008 surveys reported that they thought the current Government was doing well in its efforts to reduce crime. Public trust in the in two key institutions of law and order, the police and courts, is also fairly high (Table 32).

Table 32: Citizens' Level of Trust in the Police and Courts of Law (% of respondents)

How much do you trust the police/courts of law, or haven't you heard enough about them to say?	Police			Courts of Law		
	2003	2005	2008	2003	2005	2008
Not at all	13	6	14	10	3	6
A little	35	8	25	33	7	19
Somewhat	39	23	34	41	28	40
A lot	11	62	26	12	57	33
Don't know	2	2	1	4	4	1

Source: Afrobarometer 2003, 2005 and 2008

Significant increases were recorded in the percentages of respondents who reported trust in the police and courts of law between 2003 and 2005, but levels of trust declined in 2008. The proportion of respondents who trusted the police 'somewhat' or 'a lot' fell from 85% in 2005 to 60% in 2008. Similarly, citizens' level of trust in the courts of law ('somewhat' or 'a lot') diminished from 85% in 2005 to 73% in 2008.

The media has also reported incidences of people taking justice into their own hands, including personally attacking people suspected of theft, which indicate that the public lacks confidence in the police and the legal system. Community militia groups – *Mgambo* and *Sungusungu* – are also common, with concern at the level of violence with which they deal with alleged wrong-doers.

Goal 7 National Cultural Identities Enhanced and Promoted

Indicators for this goal are yet to be defined and there are no data this year.

Cluster III Conclusions and Policy Implications

Monitoring progress towards MKUKUTA's seven goals of good governance and increased accountability remains challenging, with ongoing data limitations for several indicators. Public opinion surveys to measure citizens' perceptions of government performance are increasingly important, but may not reliably capture general changes in public confidence or pessimism over time, as specific, high profile issues occurring at or around the time of data collection may significantly impact people's perceptions.

Critically, systems of governance in Tanzania are still hindered by lack of accessible, legally recognised vital registrations (births and deaths) and certificates of ownership and rights to use of land. In addition, as noted in Cluster I, the lack of information on borrowers which is readily obtainable by financial institutions is a significant barrier to individuals and SMEs seeking to access credit for investment and, in turn, acts as a curb on economic opportunities and growth.

Democratic governance relies on broad-based citizen participation in public affairs. In Parliament, representation by women has met the MKUKUTA target, but this is largely due to the allocation of special seats but, at the local level, only 5% of district councillors elected in 2005 were women. Since the introduction of local government reforms, participation in local government meetings and committees has increased, particularly among women and youth. More local government authorities are posting public notices of their budgets, though in formats that many citizens still find hard to understand.

The management of public finances, as reflected in audits of central government institutions and local government authorities, shows improvement over time. Nonetheless, the media has reported a number of high profile corruption cases which have been brought to court in the past year. Other indicators of Tanzania's efforts to address corruption from Transparency International and the World Bank, which are used by international organisations, have shown progress since the late 1990s and early 2000s, but indicate slight slippage recently.

Formula-based allocations to local government authorities – which were designed to ensure equitable, needs-based resource allocation as well as greater capacity and autonomy in planning, budgeting and service delivery at the local level – are not yet fully implemented. The central government still controls the recruitment and allocation of staff. As a result, rural and remote areas of the country still face severe shortages of skilled staff – including teachers, health workers and agricultural extension staff – to deliver essential services and improve the educational and health outcomes that underpin and facilitate economic growth.

Encouragingly, a majority of respondents in the latest round of the Afrobarometer survey in Tanzania reported satisfaction with government efforts in providing education and health

services. However, people's satisfaction with water services is low, and this has not changed over the past five years. An effective public service framework – with a highly skilled staff at both local and national levels – is a necessary foundation for service delivery improvements and poverty reduction. In turn, this will depend on consistent and coherent policy and action across all institutions of government, particularly PO-PSM, MoFEA and PMO-RALG, in the implementation of local government reforms.

Within the justice system, progress has been made in reducing the percentage of prisoners in remand for more than two years from 15.7% in 2005 to 5.4% in 2008. However, the percentage of court cases pending for two or more years has remained around 25% for the past few years. The Commission for Human Rights and Good Governance (CHRGG) has also highlighted that the detention of juveniles in adult prison facilities continues to be a serious problem, but hard data on the number of juveniles being detained is not yet available from the Ministry of Home Affairs. Overall, the number of cases filed for infringement of human rights has declined since 2006/07, but this may reflect less active outreach work by CHRGG after 2006 rather than a decrease in human rights violations.

The Afrobarometer 2008 revealed mixed perceptions on public safety. Positively, a majority of respondents did not fear crime in their homes, had not experienced theft from their home over the past year, and expressed trust in the police and courts of law. However, trust in the police and courts had declined since 2005. At the same time, media reports of incidences of mob justice and the existence of community militias – *Mgambo* and *Sungusungu* – is a worrying indicator of a lack of confidence in the police and courts to maintain and enforce public order.

Cluster III Implications for Monitoring

The indicator framework for Cluster III needs further strengthening. For the next phase of MKUKUTA, a review of the current indicator set is recommended to ensure that all indicators are more strongly defined and backed by monitoring systems in government institutions. One critical aspect of democratic and accountable governance relates to local government. However, the current MKUKUTA Monitoring Master Plan includes only a small number of indicators to assess progress in local government reform. A more comprehensive set of indicators is needed related to all pillars of local governance and accountability – legal, human resources and financial – based upon agreed indicators as included in the Local Government Reform Programme. This will allow a more rigorous assessment of challenges and opportunities towards achieving truly democratic, participatory, representative, accountable and inclusive systems of governance.

In addition, a programme of systematic, regular, nationally representative perception surveys would also provide valuable information on government performance. The data collected in the Afrobarometer surveys used for this report are limited due to the need for internationally comparable data in that survey. The implementation of broad-based national perception surveys would facilitate expanded data collection – for example, of local business perceptions and constraints – to better inform strategies to boost domestic investment and growth opportunities.

MKUKUTA INDICATORS – SUMMARY OF DATA AND TARGETS

MKUKUTA Cluster III: Governance and Accountability

Notes to readers:

- **Meta-data** on each indicator (including definitions, sources and frequency) are available in the MKUKUTA Monitoring Master Plan available at www.povertymonitoring.go.tz
- The **symbol X** indicates no data for that year (in most cases because data is dependent on a particular type of survey)
- **Blanks** indicate data not yet forthcoming from MDA or LGA

Indicator	Baseline		Trend								Target				
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010		
Goal 1: Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive															
% of population (children under five years) with birth certificates ^a	6.4	1999	X	X	X	5.7	X	X	X	X	X	6.3	TDHS 2009/10	Not yet determined	
- Total Mainland			X	X	X	17.8	X	X	X	X	X	20.9			
- Urban			X	X	X	2.7	X	X	X	X	X	3.3			
- Rural			X	X	X	24.8	X	X	X	X	X	31.1			
- Dar es Salaam City			X	X	X										
Proportion of women among senior civil servants (%) ^{b4 c}			X	X	X	X	2004/5 20	X	X	X	X	X	2008/9 22	End FY 2009/10	30%

⁸⁴ For the purposes of this indicator, leadership positions include Permanent Secretaries, Deputy Permanent Secretaries, Assistant Directors, Ambassadors, District Commissioners, Regional Administrative Secretaries, District Administrative Secretaries, District/Municipal Executive Directors and Judges in the Court of Appeal and the High Court.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Percentage of women representatives elected to district council ^{85 d} Proxy: Percent of women councillors			X	X	X	X	4.88	X	X	X		2010 National elections	Not yet determined
Proportion of women among Members of Parliament ^{86 d}	21	2000	X	X	X	X	30.4	X	X	X		2010 National elections	30%
Percent of rural households who owns their land through official land owner certificates ^e	X	X	X	X	7.1	X	X	X	X	X		Agric Survey 2008/9	Not yet determined

⁸⁵ Reported every five years following district council elections.

⁸⁶ Reported every five years following national elections.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Proportion of communities (ward/village/mtaa), which held quarterly meetings with public minutes last year ^{87 f}	Dar: 90.3 Other Urban: 75.8 Rural: 87.6	2006							Dar: 90.3 Other Urban: 75.8 Rural: 87.6	X		HBS 2011	Not yet determined
Proportion of LGAs posting public budgets, revenue and actual expenditures on easily accessible public notice boards ^{88 f}									39.7	X		HBS 2011	Not yet determined

⁸⁷ Data for this indicator first collected from Community Characteristics report of HBS 2007 from which the data is drawn from interviews with community leaders. Some criticism has been raised that the figures are too high due to the used methodology. Citizen surveys of the Formative Process Research Project covering 6 councils report 53%.

⁸⁸ Data for this indicator first collected from Community Characteristics Report of HBS 2007 from which the data is drawn from interviews with community leaders. Some criticism has been raised that the figures are too high due to the used methodology. Citizen surveys of the Formative Process Research Project covering 6 councils report less than 15%.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Goal 2: Equitable allocation of public resources with corruption effectively addressed													
Total revenue collected as a percentage of revenue due at national level Proxy: Total tax revenue collected by TRA as percentage of estimated collection in a particular period ^g								100.5% for period of July 2005 – March 2006	111.4% for period of July 2006 – June 2007	X	91% for period of July 2008 – March 2009	End FY 2009/10	Not yet determined
% of procuring entities complying with the Public Procurement Act and procedures Proxy: Average level of compliance for a sample of audited procurement entities in a particular year ^h								2004/5 10%	2005/6 58.3%	2006/7 39%	2007/8 43.1%	End FY 2008/9	80%

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
% of government entities awarded clean audit certificate from National Audit Office ⁱ	41	2000/1	2000/1	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8			
			41	31	49	45	34 ⁸⁹	49	76	71		End FY 2009/10	Not yet determined
- LGAs	11	2001	2001	2002	2003	2004	2004/5	2005/6	2006/7	2007/8		End FY 2009/10	
% of LGAs that receive the full calculated amount of their annual formula based budget allocation													
Proxy: Percentage of LGAs qualifying for Local Government Capital Development Grants ^{i,90}									2006/7	2007/8	2008/9	End FY 2009/10	Maintain 100%
									51	52	84		
											2009/10		
											98		

⁸⁹ Starting from FY 2004/05 reporting of Auditor-General's opinion changed from clean, qualified or adverse to unqualified, qualified or adverse. For FY 2004/05 and 2005/06 MDAs and LGAs that received clean audit reports are those which were rated unqualified and those rated unqualified with emphasis of matter.

⁹⁰ In 2006/07 and 2007/08, a total of 121 councils were assessed for the LGCDG. In 2008/09 and 2009/10, this number increased to 132 councils.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Number of corruption cases convicted as a percent of corruption cases investigated sanctioned for prosecution by the Director of Public Prosecution. Proxy: Number of corruption cases convicted ^k	6	2000	0	12	9	6	6	18	35	37		2010	Not yet determined
Goal 3: Effective Public Service Framework in Place To provide Foundation For Service Delivery Improvement and Poverty Reduction													
% of population reporting satisfaction with government services ^l												2010	
- Education			59	X	79	X	86	X	X	81			
- Health			50	X	73	X	70	X	X	64			
- Water			X	X	46	X	41	X	X	42			
% of population who found key service providers to be absent when they needed a service ^m	53	2004	X	X	X	53	X	X	X	X		Public Service Satisfaction Survey	Not yet determined

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Goal 4: Rights of the poor and vulnerable groups are protected and promoted in the justice system													
% of court cases outstanding for two or more years ⁿ						27.9	23.6	28.7	29.0	25.9		End 2009	40% ⁹¹
% of prisoners in remand for two or more years compared to all prisoners in a given year ^o	15.7	2005	X	X	X	6.8	15.7	7.1	6.1 April 07	5.4		End 2009	7.5%
% of detained juveniles accommodated in juvenile remand homes													Not yet determined
Goal 5: Reduction of political and social exclusion and intolerance													
Number of cases filed on infringement of human rights ^p	3,311	2001/2	X	2001/2 3,311	2002/3 2,458	2003/4 2,691	2004/5 2,789	2005/6 3,812	2006/7 4,948	2007/8 2,660	2008/9 2,459	End FY 2009/10	Not yet determined
Goal 6: Improved personal and material security, reduced crime, eliminate sexual abuse and domestic violence													
Average number of inmates per facility as % of authorised capacity ^o	196.3	2005	X	X	X	X	196..3	185	153 April 07	151		End 2009	Not yet determined

⁹¹ The data suggests that the 2010 MKUKUTA target (cited in the MKUKUTA Monitoring Master Plan) is met. It is not clear on what basis this target was derived.

Indicator	Baseline		Trend									Target	
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Number of cases of crimes reported ^a			2000/1	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9		
- Court of Appeal	82	2000/1	82	91	160	127	221	222	306			End FY 2007/08	Not yet determined
- High Court	2,288	2000/1	2,288	2,047	1,863	2,212	3,291	4,344	5,396			End FY 2007/08	Not yet determined
- District Courts	39,010	2000/1	39,010	39,167	39,800	8,494	1,998	22,099	14,400			End FY 2007/08	Not yet determined
Percentage of cases of sexual abuse that resulted in conviction													
% who agree that a husband is justified in hitting or beating his wife for a specific reason ^a													
- Women	60	2004/5			60		X	X	X	X	X	TDHS 2009/10	Not yet determined
- Men	42	2004/5			42		X	X	X	X	X		

^a Data for this indicator collected for the first time in TDHS 2004/05.

Indicator	Baseline		Trend								Target		
	Estimate	Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	Next data point	MKUKUTA 2010
Goal 7: National cultural identities enhanced and promoted													
Currently no outcome indicators identified by stakeholders													

Sources:

- a = Tanzania Demographic and Health Surveys (1999, 2004), and Tanzania Malaria and HIV/AIDS Indicator Survey 2007/08.
- b = President's Office - Public Service Management (PO-PSM), Quarterly Progress Reports (various years).
- c = Speech of the Minister, PO-PSM, presenting budget of PO-PSM for FY 2009/10, June 2009.
- d = National Elections
- e = National Sample Census of Agriculture, 2002/03: Vol. IV, Smallholder Characteristics Report.
- f = Household Budget Survey 2007, Community Characteristics Report.
- g = Speeches by Minister of Finance to the National Assembly of the estimates of government revenue and expenditures for FY 2006/7, 2008/9, 2009/10.
- h = Official correspondence with Public Procurement Regulatory Authority, 7 September 2009
- i = National Audit Office - Reports of the Controller and Auditor General (various years)
- j = URT, Annual Assessment of LGAs for minimum conditions and performance measures under Local Government Development Grants System for FY 2009/10
- k = Prevention and Combating of Corruption Bureau, data accessed through <http://www.corruptiontracker.or.tz/>
- l = Afrobarometer Surveys 2001, 2003, 2005, 2008.
- m = State of Public Service Report, 2004.
- n = Ministry of Constitutional Affairs and Justice - 'A study on the status of judicial case backlogs in Tanzania Mainland 2004 - 2008'.
- o = Official correspondence with Ministry of Home Affairs, 20 April 2009.
- p = Official correspondence with Commission for Human Rights and Good Governance, 25 July and 10 November 2009.
- q = Speech of the Minister of Constitutional Affairs and Justice when presenting estimates of the budget for MoCAJ for FY 2008/09.

CHAPTER

2

AN ANALYSIS OF HOUSEHOLD INCOME AND EXPENDITURE IN TANZANIA

In Chapter 1 of this report, summary data from the Household Budget Survey 2007 were reported on the incidence of household poverty in Tanzania. This chapter provides detailed analysis of the HBS 2007 findings and examines national progress in poverty reduction since 2000/01.

Poverty rates are conventionally calculated against a basket of commodities and services consumed. However, as shown in this chapter, studies that focus on consumption alone and do not include asset ownership only partially examine household well-being. This is particularly pertinent to the current national context as Tanzanian households have not significantly changed their consumption of commodities and services since 2000, but their assets have increased.

This chapter, therefore, looks at household well-being from four different perspectives:⁹³

- Household consumption, including levels of consumption inequality
- Household expenditure patterns, including food share of total consumption and purchases of goods with high income elasticities
- Asset ownership, particularly consumer durables, productive assets and savings
- Household occupation and place of residence.

Evidence from the analysis consistently shows that household income has not changed significantly between 2000/01 and 2007:

- i) Income levels are very low and have not changed significantly. The level of income inequality has also not changed. Therefore, poverty incidence has basically remained the same.
- ii) Poverty remains a rural phenomenon but it is largely concentrated in households heavily reliant on agriculture, particularly crop-dependent households.

Household Consumption

The HBS data reflect the monetary value of consumption on a monthly basis (expressed per 28 days). Consumption includes purchased items and those produced and consumed by households. To enable comparisons to be made between the surveys conducted in 2000/01 and 2007, items are valued at constant 2001 market prices. The consumption aggregate includes food and other items and services routinely consumed by households: linen, household

⁹³ This analysis looks solely at the income-related aspects of household well-being, and does not consider important non-income aspects, such as health, education and water services.

equipment, clothes, personal effects, personal care, recreation, cleaning, domestic services, contributions, fuel, petrol, soap and cigarettes, and other non-durable items (see Table 35), as well as telecommunications, medical and education expenses. Assets (such as houses and consumer durables) are not included in consumption because these items provide 'use value' for an extended period of time.⁹⁴

The data show that between 2000/01 and 2007 consumption per capita increased by 5%, implying an average annual growth rate of 0.8% (Table 33).

Table 33: Per Capita Consumption, by Wealth Quintile and Area of Residence, 2000/01 and 2007 (at 2001 TSHs prices)

Wealth Quintile	2000/01	2007	% change
Poorest Quintile	3,978	3,895	-2%
2nd	6,551	6,660	2%
3rd	9,163	9,490	4%
4th	12,972	13,635	5%
Least Poor Quintile	26,056	27,836	7%
Dar es Salaam	21,415	21,655	1%
Other urban	14,185	14,004	-1%
Rural	8,456	8,507	1%
Tanzania Mainland	9,997	10,470	5%

Note: Consumption is expressed per 28 days

Source: Hoogeveen et al., 2009

In Dar es Salaam and rural areas, consumption increased by 1% on average; in other urban areas it dropped by 1%. The reason why consumption for Tanzania Mainland as a whole increased by more than consumption in each residence strata may in part be explained by the shift in population from (poorer) rural areas towards (less poor) urban areas; the proportion of the population living in urban areas increased from 20% in 2000/01 to 25% in 2007.

The increase in consumption was not equally distributed. Consumption per capita of the least poor 20% of households increased by 7% between 2000/1 and 2007, while consumption of the poorest households dropped by 2%.

⁹⁴ Imputing user values for assets is possible but would be imprecise given the absence of rental markets for housing in rural areas and because the age of durable assets was not recorded in the surveys, which meant that that depreciation could not be taken into account.

Composition of Consumption

Consumption is analysed based at constant 2001 prices which allows for an assessment of real changes in the composition of consumption. Overall prices in 2007 were 1.93 times higher than in 2000/01. Table 34 shows the value of consumption of major groups of items in 2000/01 and 2007.

The composition of consumption remained more or less unchanged from 2000/01 to 2007. Households spend a smaller fraction of their total consumption on food (from 62% down to 59%), even though, expressed in Tanzanian Shillings (Tshs), the amount spent on food remained almost the same (from TShs 6,136 in 2000/01 to TShs 6,158 in 2007). In Dar es Salaam and other urban areas, households rely almost exclusively on purchased food, whereas in rural areas about 44% of all food consumed is from own production.

Table 34: Composition of Consumption Per Capita, by Residence, 2000/01 and 2007 (at 2001 Tshs Prices)

Mean per capita consumption by item	Dar es Salaam		Other Urban		Rural Areas		Tanzania Mainland		Tanzania Mainland	
	2000/01	2007	2000/01	2007	2000/01	2007	2000/01	2007	2000/01	2007
Food purchased	10,301	9,720	7,114	6,561	3,118	3,079	4,085	4,195	41%	40%
Food not purchased	368	217	876	887	2,375	2,393	2,051	1,963	21%	19%
Durables	1,892	1,400	1,099	1,077	484	397	650	593	7%	6%
Medical	569	417	338	253	190	148	232	187	2%	2%
Education	974	1,220	431	545	138	128	227	284	2%	3%
Other non-Durables*	7,006	7,158	4,253	4,234	2,146	2,262	2,718	2,979	27%	28%
Telecom	304	1,523	74	451	6	100	33	270	0%	3%
Total per capita consumption	21,415	21,655	14,185	14,004	8,456	8,507	9,997	10,470	100%	100%

* See Table 35 for a breakdown of other non-durables.

Source: Hoogeveen et al., 2009

The main changes observed in the pattern of consumption are with respect to telecommunications (Table 34) and the amounts spent on fuel and transport (Table 35). Expenditure on fuel and transport went up by about 30%, while spending on telecommunication increased from close to zero in 2000/1 to 3% of overall consumption in 2007. In Dar es Salaam, spending on telecommunications now comprises 7% of total consumption. Spending on recreation and cigarettes, on the other hand, fell substantially, while the value of contributions increased. There

was little change in spending on medical items and services, and on educational expenses, which may in part reflect the increased Government spending on education and health services. In particular, obligatory contributions for primary schooling have reduced, and HBS data indicate that there has been a shift towards use of government health facilities and away from private facilities – changes which have been noted in cluster II of chapter 1.

Table 35: Per Capita Expenditure on Other Non-Durables (at 2001 Tshs Prices)

Items	2000/01	2007	Change	
			TShs	%
Personal effects and personal care	254	259	5	2
Recreation	53	28	- 25	-47
Fuel	660	850	190	29
Petrol	110	104	- 6	-5
Transport	241	349	108	45
Clothes	694	672	- 22	-3
Linen	101	84	- 17	-17
(Domestic) services	44	51	7	16
Soap	167	168	1	1
Cleaning products	19	14	- 5	-26
Contributions	84	106	22	26
Alcohol	217	241	24	11
Cigarettes	73	52	- 21	-29
Total	2,718	2,979	261	10

Source: Hoogeveen et al., 2009

Basic Needs Poverty

Individuals are considered poor when their consumption is less than the ‘basic needs poverty line’.⁹⁵ This indicator is based on the cost of a basket of food plus non-food items. The food basket is defined such that it provides sufficient calories to meet minimum adult requirements with a pattern of food consumption typical of the poorest 50% of the population. Expenditures on non-food items are taken as the share of expenditures on such items typical of the poorest 25% of the population. Housing, consumer durables and telecommunications are not included, nor are health and education expenses.

⁹⁵ Poverty lines are calculated on consumption per adult equivalent per 28 days.

The poverty line basket was valued using prices collected in the 2000/01 survey. At that time the poverty line was TShs 7,253. Between 2000/01 and 2007, prices of goods and services in the basket increased by 93%, so the poverty line in 2007 is TShs 13,998.

Table 36 presents results for three standard measures for poverty:

- i) poverty headcount, i.e., the percentage of the population below the poverty line;
- ii) poverty gap, which takes into account how far below the poverty line a person is located; and
- iii) poverty gap squared or poverty severity which gives additional weight to people further below the poverty line.

Between 2000/01 and 2007, all three indicators declined, but only marginally. The poverty headcount in Tanzania Mainland fell by just over 2 percentage points from 35.7% in 2000/01 to 33.6% in 2007. The reduction in headcount poverty by area of residence is even smaller: 1.2 percentage points in Dar es Salaam, 1.7 percentage points in other urban areas and 1.1 percentage points in rural areas.⁹⁶ Given that the poverty headcount fell only slightly while the population continued to grow, the absolute number of poor Tanzanians increased by 1.3 million between 2000/01 and 2007.⁹⁷ With a population projected to be 38.3 million in Mainland Tanzania in 2007, the total number of poor people is estimated to be 12.9 million.

Table 36: Poverty Indicators for Tanzania Mainland

Area of Residence	Population share		Poverty headcount		Poverty gap		Poverty gap squared	
	2000/01	2007	2000/01	2007	2000/01	2007	2000/01	2007
Dar es Salaam	5.8	7.5	17.6	16.4	4.1	4.1	1.6	1.7
Other urban	13.8	17.7	25.8	24.1	7.7	7.5	3.4	3.4
Rural	80.4	74.5	38.7	37.6	11.5	11.0	4.9	4.7
Tanzania Mainland	100.0	100.0	35.7	33.6	10.6	9.9	4.5	4.3

Sources: HBS 2007; Hoogeveen et al., 2009

The decline in the poverty headcount is too small to be significantly different from zero at the 95% level of confidence. This holds for each of the strata and the Tanzania Mainland overall, indicating that poverty did not decline over the period. Of note, the uniformly small change in poverty rates across geographic areas from 2000/01 to 2007 contrasts with the pattern from

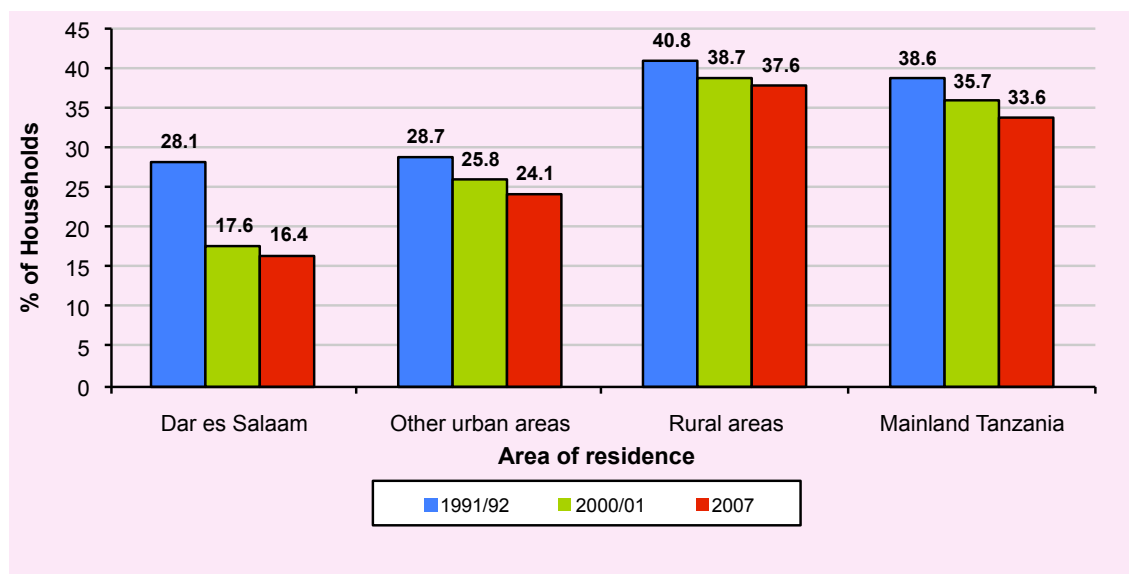
⁹⁶ The reason why the overall poverty headcount falls by more than the fall in each of the residence strata is due to the increase in the share of the population that resides in urban areas. Some of this increase is due to population increases and migration from rural to urban areas, but some of it is due to the use of different sampling frames by the two household budget surveys. Had the population weights in 2000/01 been more in line with the 2002 census then the decline in poverty would have been approximately half a percentage point less.

⁹⁷ Based on population projections in Economic Survey 2007 (Table 33) (MoFEA, 2008a). For 2000/01 the average was taken of the population in 2000 and 2001.

1991/92 to 2000/01, when the rate of poverty in Dar es Salaam fell considerably, from 28.1 to 17.6%. In that same period, the rate of poverty fell also, but by less; in other urban areas, the poverty rate declined from 28.7 to 25.8%, while in rural areas, the poverty rate fell marginally from 40.8% in 1991/92 and 39.7% in 2000/01 (Figure 49).

Poverty rates for rural households are more than twice the rates of Dar es Salaam, and since almost three-quarters of the population resides in rural areas, poverty remains a predominantly rural phenomenon. Of the estimated 12.9 million poor people in Mainland Tanzania, 10.7 million or 83% of the total reside in rural areas.

Figure 49: Percentage of Households Living Below Basic Needs Poverty Line, Mainland Tanzania, 1991/92 to 2007, by Area of Residence

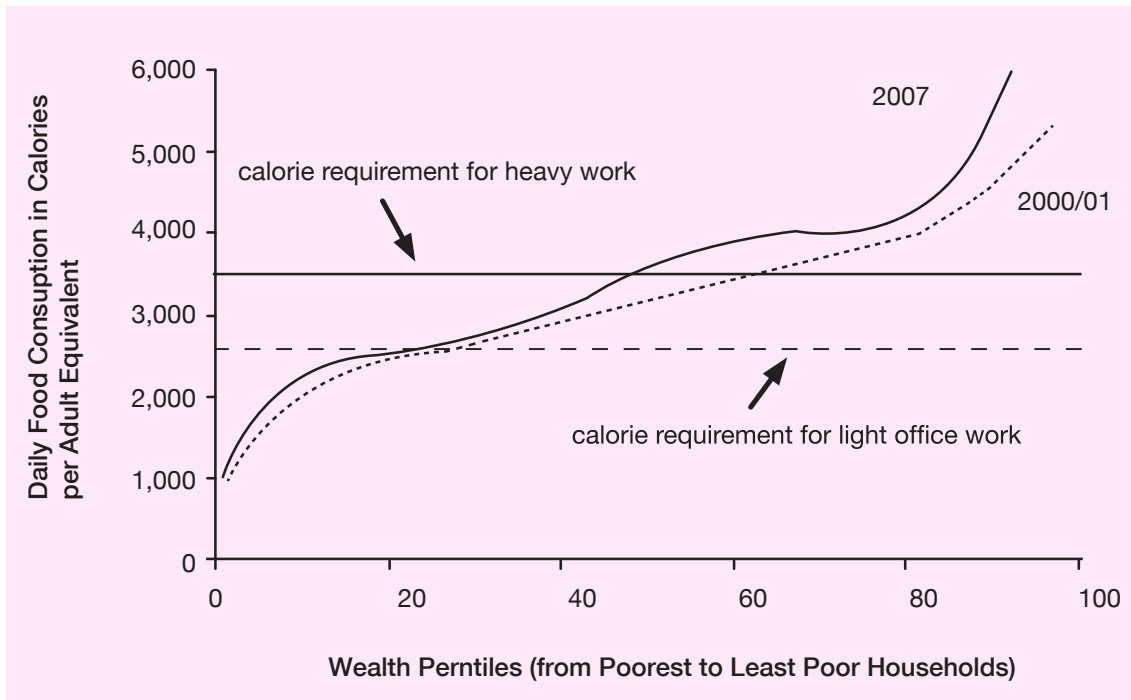


Source: HBS 2007

Food Poverty

A clear indicator of extreme poverty is when a household has insufficient food to meet the minimum caloric requirements of all household members. Figure 50 shows information about calories consumed by households, by wealth status, derived from HBS data on food consumed by households and expressed in terms of adult equivalents. The figure illustrates that between 2000/01 and 2007 calorie intake increased, albeit very marginally for the poorest 40% of households. Results further indicate that about 25% of the population do not consume enough calories to carry out light work, while 50% of the population do not consume sufficient calories required for heavy work, such as farming and labouring. Yet, it is the poorest households who are most likely to be involved in physically strenuous activity and need greater calorie intake. Therefore, large numbers of people are unable to live up to their productive potential because of inadequate caloric intake.

Figure 50: Daily Caloric Intake per Adult Equivalent, by Household Wealth Percentile, 2000/01 and 2007



Source: Hoogeveen et al., 2009

In addition, many Tanzanians have undiversified diets that are low in animal products and high in plant sources. Undiversified diets put individuals' health at risk of vitamin and mineral deficiencies. Poor households are at particular risk: the poorest obtain 60-65% of their total caloric intake from food grains (Figure 51).

Figure 51: Percent of Total Calorie Intake from Grains (excluding rice), by Household Wealth Percentile, 2007

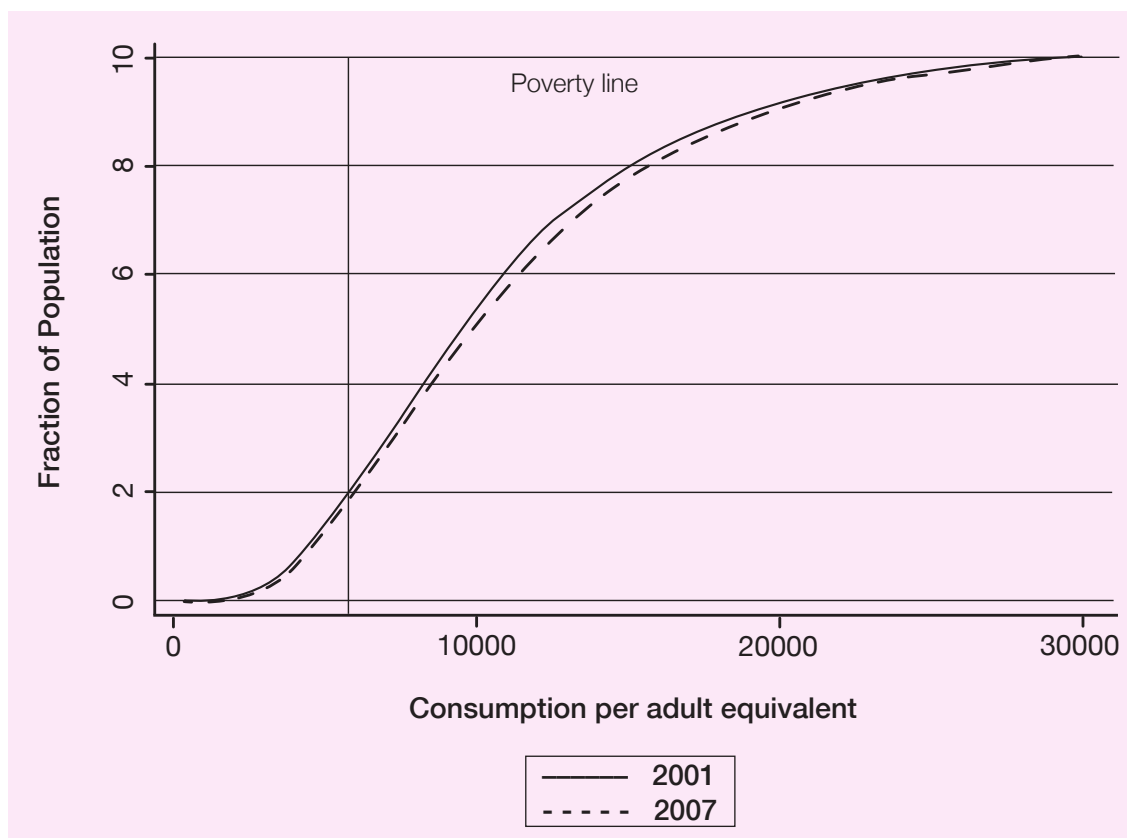


Source: Hoogeveen et al., 2009

Distribution of Consumption

The distribution of consumption in 2000/01 and 2007 is depicted in Figure 52. The vertical line in the figure represents the poverty line, and the intersection between the poverty line and the curves reflects poverty incidence – 35.7% in 2000/01; 33.6% in 2007. The data show that almost 98% of Tanzanians have extremely low consumption levels, less than TShs 30,000 per month, the equivalent of TShs 58,000 in 2007 prices. Moreover, approximately 80% consume less than TShs 20,000 per month or TShs 38,600 in 2007 prices, which is equivalent to TShs 1,380 per day.⁹⁸ The two distribution curves are very close together, illustrating that consumption levels have changed very little from 2000/01 to 2007.

⁹⁸ To convert to 2007 TShs multiply by 1.93. Month refers to a 28-day period.

Figure 52: Poverty Incidence Curves for 2000/01 and 2007 (at 2001 Tshs prices)

Source: Hoogeveen et al., 2009

The figure also illustrates the narrow range of consumption of the large majority of Tanzanian households indicating low levels of consumption inequality. This is reflected by results for the Gini coefficient, which shows that inequality in Tanzania is low from an international perspective and has hardly changed between 2000/01 and 2007 (Table 37).

Table 37: Consumption Inequality

Area of Residence	Gini Coefficients	
	2001	2007
Dar es Salaam	0.36	0.34
Other urban	0.36	0.35
Rural areas	0.35	0.33
Tanzania Mainland	0.35	0.35

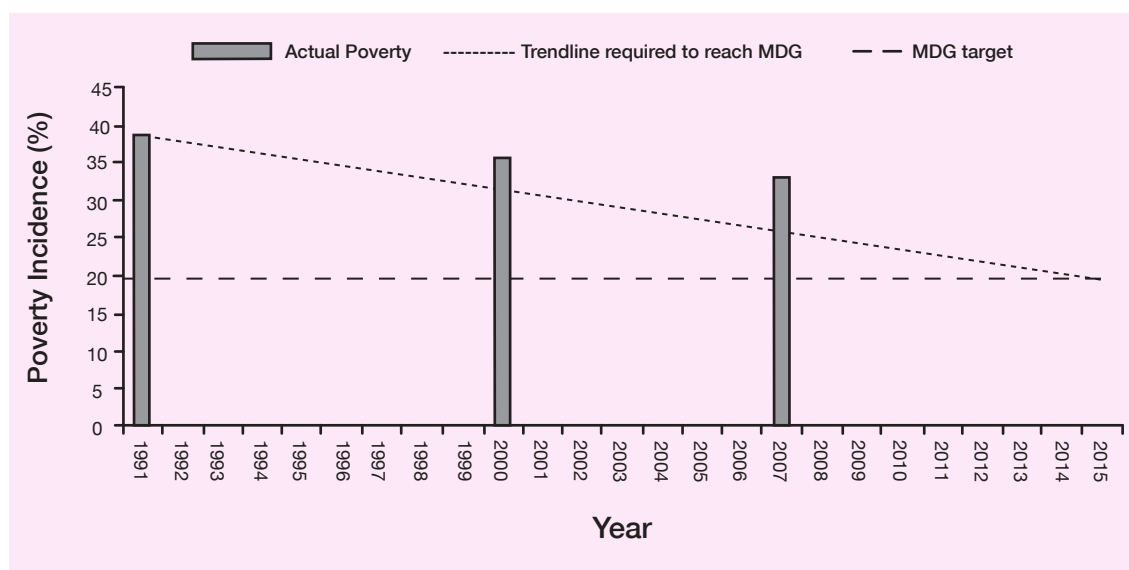
Source: HBS 2007

With little overall growth in consumption and little change in the distribution, there has been little change in poverty rates.

Progress against MKUKUTA and MDG Poverty Reduction Targets

MKUKUTA's target is to reduce the number of Tanzanians living in poverty by 50% from 1990 to 2010, and MDG1 aims to achieve this reduction by 2015. In 1991/92 the poverty head count was 38.6%, so the objective is to reduce poverty to 19.3%. Figure 53 illustrates that Tanzania is off-track to reaching these poverty targets; the bars which show the poverty headcount in 2000/01 and 2007 are above the trend line required to achieve MDG1. Already in 2000/01 Tanzania was not on target.

Figure 53: Poverty Incidence Relative to the MDG1 Trend Line



Sources: HBS 2007; Hoogeveen et al., 2009

The MKUKUTA target which aims to halve poverty by 2010 is out of reach. An analysis of the distribution of consumption also suggests that achieving MDG1 is extremely ambitious even though a relatively large proportion of households have consumption levels not far below the poverty line. If it were possible to move these households across the poverty line, the MDG objective might be achieved. However, to do this an annual real consumption growth of 3.2% per capita would be needed, compared with the 0.8% which has been achieved from 2000/01 to 2007. This is not impossible, but will require unprecedented real consumption growth in Tanzania between now and 2015.

Household Expenditure Patterns

Another way to assess household well-being is by assessing changes in household expenditure patterns, including changes in food share in total expenditure and purchases of goods with high income elasticities.

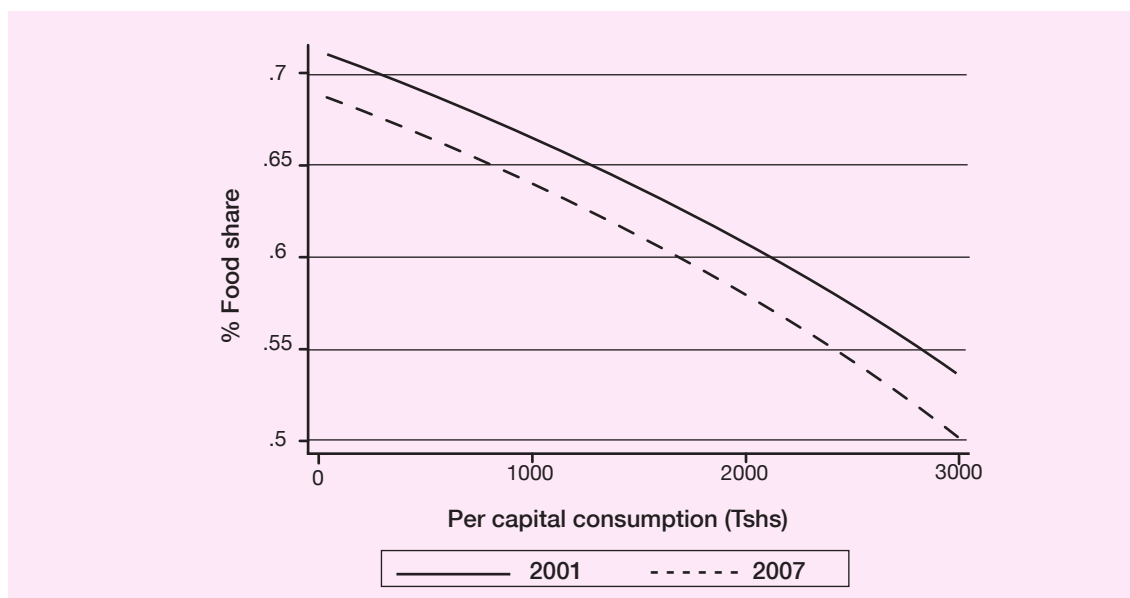
Food share

Typically, a drop in the food share of total consumption is associated with an improvement in the level of well-being (Engel curve analysis). As reported earlier, the share of food in total consumption declined from 62% to 59% from 2000/01 to 2007. Further analysis presented in Figure 54 shows that:

- i) wealthier Tanzanian households spent a smaller fraction of their consumption on food; and
- ii) between 2000/01 and 2007 there was a decline in the share of food in total consumption at all levels of income/consumption. This downward shift occurred in each of the three residence strata, though much more strongly among urban households, especially those in Dar es Salaam.

These results suggest that the well-being of Tanzanian households may have marginally improved.

Figure 54: Food Share of Total Consumption (Engel curves), 2000/01 and 2007 (at 2001 Tshs Prices)



Source: Hoogeveen et al., 2009

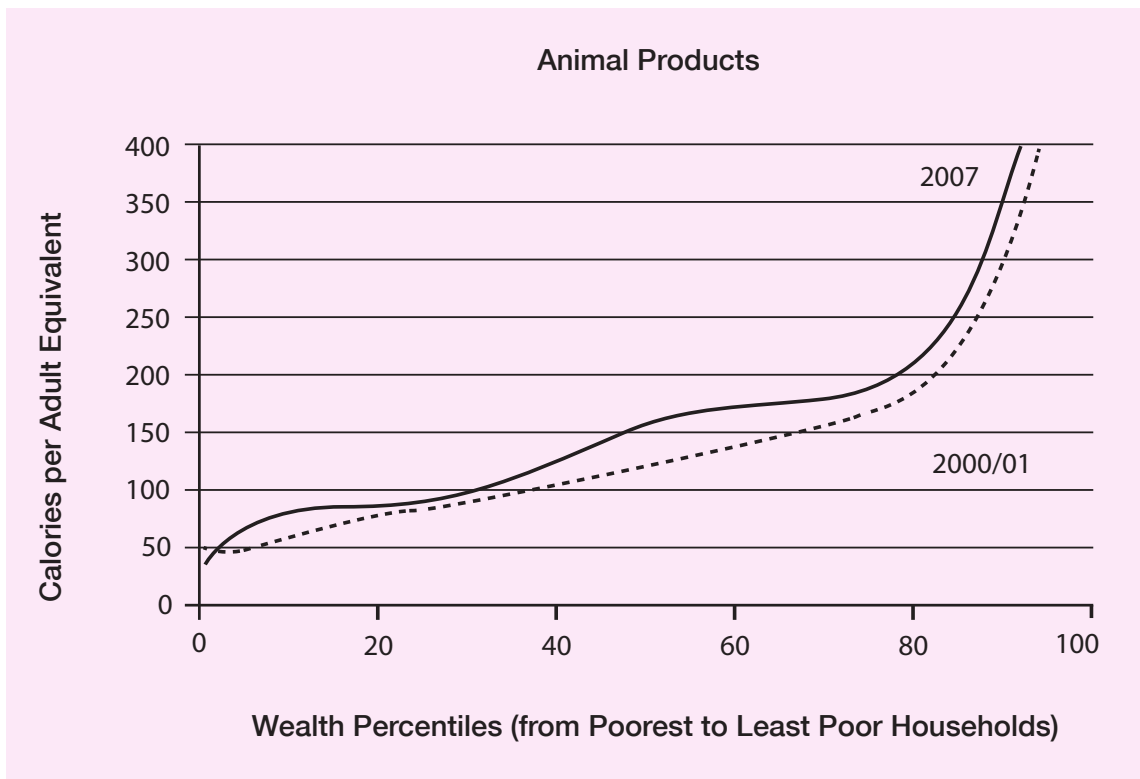
Goods with High Income Elasticities

When household incomes increase it is expected that consumption patterns will switch towards goods of higher quality. Figure 55 presents consumption of animal products, soft drinks, sugar, rice, beef and cassava flour in 2000/01 and 2007. For all these commodities, except for cassava

flour, consumption increases as income increases – the curves trend upward, illustrating high income elasticities.⁹⁹ In contrast, the consumption of cassava is highest in poorer households.

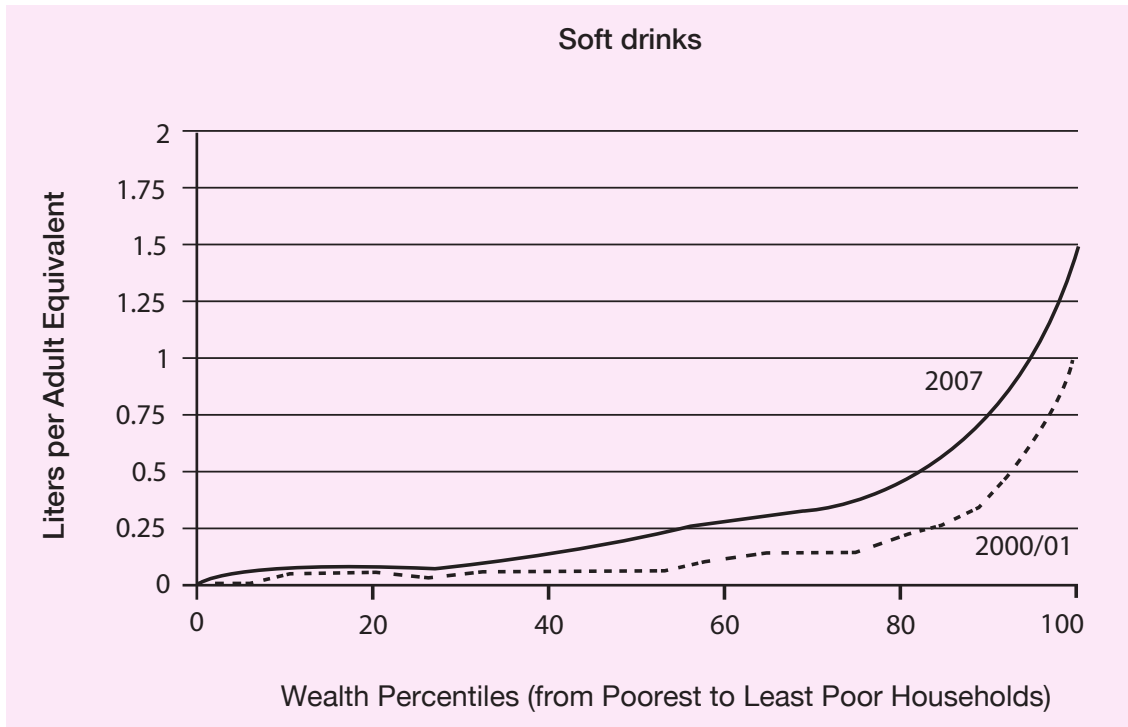
If incomes were rising over time, an increase in the consumption of the goods with high income elasticities would be expected, the consumption lines in 2007 would shift upward from 2000/01. Figure 55 illustrates that consumption of soft drinks and rice rose, as did animal products slightly. Consumption of sugar remained stable between 2000/01 and 2007, while the consumption of beef declined.

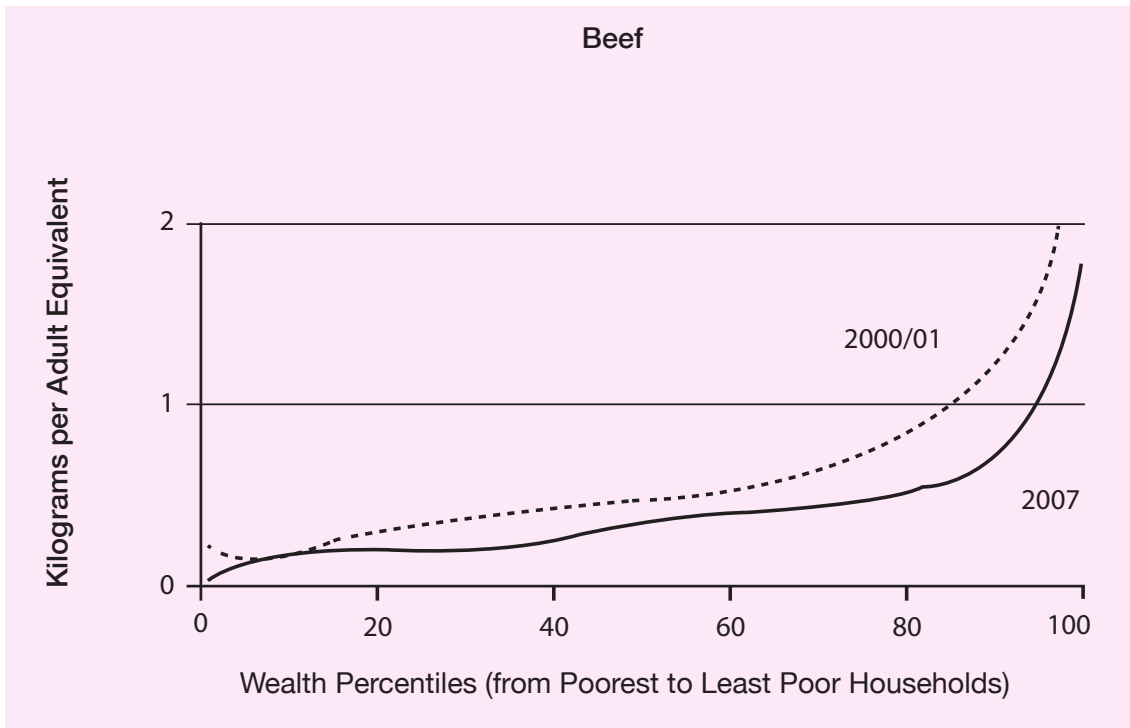
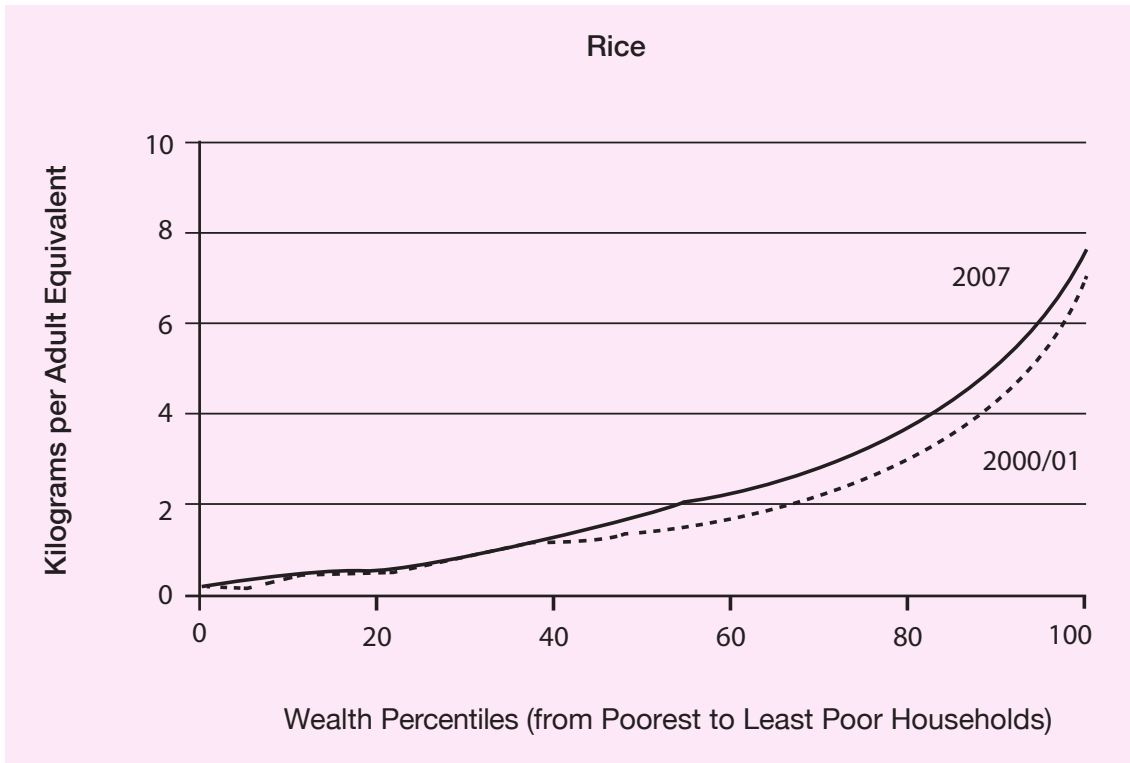
Figure 55: Consumption of Various Products, by Household Wealth Percentile, 2000/01 and 2007

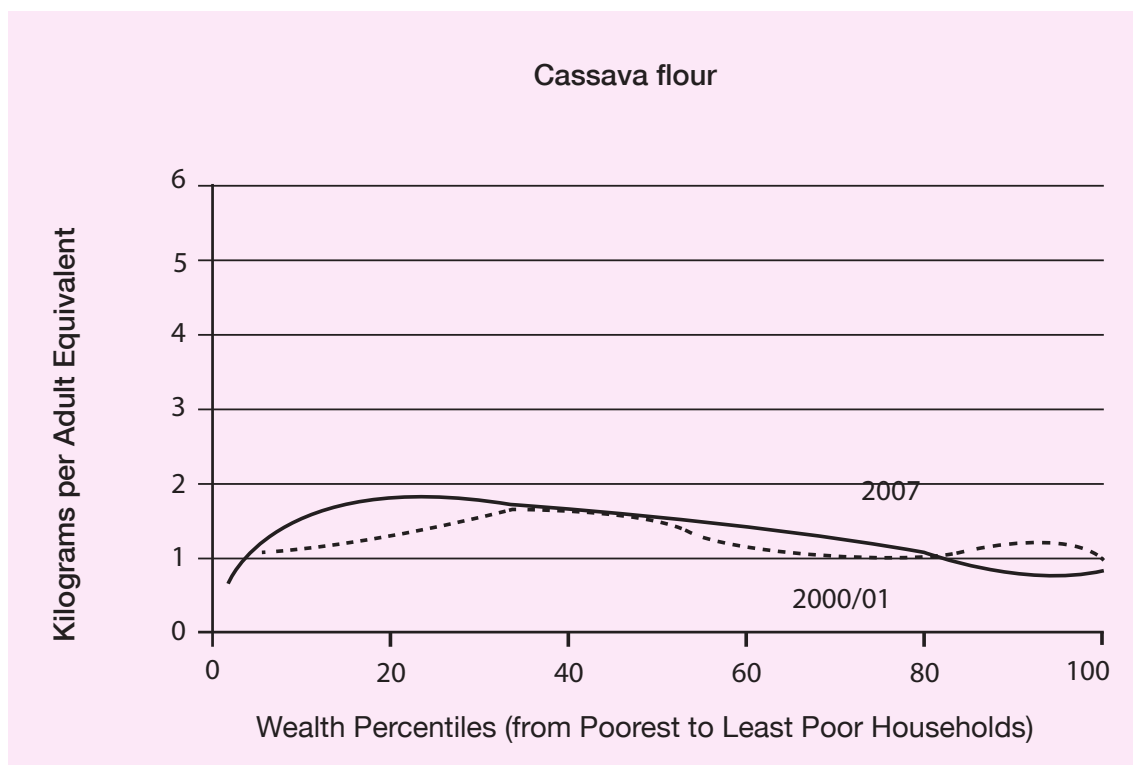


Source: Hoogeveen et al., 2009

⁹⁹ For a paper estimating income elasticities see: Leyaro 2009.





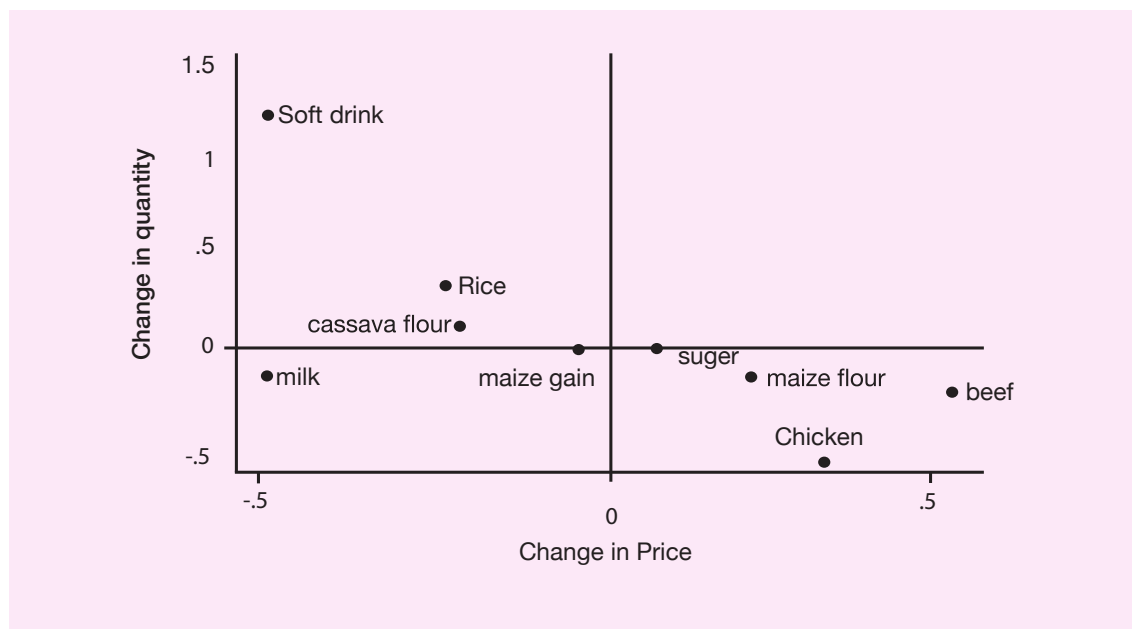


Source: Hoogeveen et al., 2009

Changes in consumption are not driven exclusively by changes in income, but are the combined effect of changes in income levels (income effect) and changes in relative prices (substitution effect). Even if incomes remain unchanged, households will adjust their mix of consumer goods in response to changes in relative prices. Between 2000/01 and 2007 food prices increased by 93% on average, but price changes for individual products differed considerably. The price of beef, for instance, increased by 149%, while that of rice increased by 78%. So, in relative terms, beef became more expensive, while rice became cheaper.

The household response to these price changes is illustrated in Figure 56, which shows the change in the real price and the change in quantity consumed for nine frequently consumed products. The figure shows that, with the exception of milk, more was consumed of products that became relatively cheaper (soft drinks, rice) and less of products that became relatively more expensive (beef and chicken). For products for which relative prices remained unchanged (cassava flour, maize grain, sugar and maize flour) the quantity consumed did not change very much. Consumption patterns of these products, therefore, generally reflect changes in relative prices rather than a change in the level of income.

Figure 56: Changes in Mean Quantity Consumed and Real Prices from 2000/01 to 2007



Note: The values on the axes of the chart depict fractional changes, so that -.5 to .5 on the horizontal axis indicates changes from -50% (a reduction of 50%) to an increase of 50%. A similar scale is used on the vertical axis.

Source: Hoogeveen et al., 2009

Asset Ownership

Beyond household consumption and expenditure patterns, asset ownership and quality of housing are important measures of household well-being. This section, therefore, looks at changes in households' asset ownership for three types of assets – consumer durables, productive assets and household savings – to further assess progress in household well-being between 2000/01 and 2007.

Consumer Durables

Data from the HBS 2007 show increases in ownership of consumer durables and improvements in housing conditions across all wealth quintiles, and in both rural and urban areas.

Table 38 presents ownership levels for six selected items, mostly those for which a substantial change in ownership was reported.¹⁰⁰ Ownership of (mobile) telephones boomed. By 2007, a quarter of all households owned at least one telephone, and in Dar es Salaam, two-thirds of households owned a telephone. This is consistent with the increasing expenditure on telecommunications reported earlier. Ownership of mosquito nets doubled,¹⁰¹ and ownership of items such as radios and bicycles increased considerably. Ownership of television sets increased over three-fold, though ownership is largely confined to the least poor households and urban areas, notably Dar es Salaam. Table 39 shows that housing conditions also improved across all wealth quintiles and all residence strata, reflected in increased percentages of households with non-earth flooring and durable walls and roofs.

Table 38: Percent of Households Owning Consumer Durables, by Wealth Quintile and Residence, 2000/01 and 2007

Wealth Quintile / Area of Residence	Radio		Telephone (any)		Television	
	2000/01	2007	2000/01	2007	2000/01	2007
Poorest	35.7	47.9	0.1	6.5	0.2	0.7
2 nd	43.2	60.8	0.1	11.3	0.3	1.5
3 rd	53.4	68.9	0.4	21.8	1.4	4.9
4 th	57.3	72.4	0.8	34.5	2.0	9.7
Least Poor	70.7	79.8	4.7	50.5	8.9	24.4
Dar es Salaam	79.6	79.1	9.8	66.6	20.1	40.3
Other urban	71.5	73.3	2.9	43.3	7.0	15.8
Rural areas	45.7	62.2	0.2	14.3	0.2	1.8
Tanzania Mainland	51.9	66.2	1.2	25.0	2.6	8.2

¹⁰⁰ Note that ownership does not necessarily imply that the household reporting had bought the item in question, which might have been received as a gift.

¹⁰¹ See also the discussion on malaria control in Chapter 1 Cluster II which reports significant improvements in coverage of ITNs.

Wealth Quintile / Area of Residence	Mosquito Nets		Motor vehicle		Bicycle	
	2000/01	2007	2000/01	2007	2000/01	2007
Poorest	23.0	58.0	0.2	0.0	29.8	34.6
2nd	29.4	61.7	0.2	0.3	37.0	43.2
3rd	35.9	68.7	0.5	0.2	41.0	42.5
4th	41.4	74.6	1.6	0.8	34.1	44.7
Least Poor	56.7	80.5	3.8	4.2	39.0	37.0
Dar es Salaam	79.6	92.6	5.9	4.8	11.6	12.9
Other urban	66.3	84.1	2.2	2.2	34.3	35.9
Rural areas	27.9	61.3	0.7	0.3	38.4	45.4
Tanzania Mainland	37.1	68.9	1.3	1.1	36.0	40.5

Sources: HBS 2007; Hoogeveen et al., 2009

Table 39: Percent of Households with Improved Housing Construction, by Wealth Quintile and Residence, 2000/01 and 2007

Wealth Quintile / Area of Residence	Non-earth floor		Durable walls*		Durable roof**	
	2000/01	2007	2000/01	2007	2000/01	2007
Poorest	10.4	11.3	13.0	19.0	24.7	35.2
2nd	12.6	16.4	15.4	23.2	29.0	45.7
3rd	20.9	29.6	23.3	31.9	41.7	54.8
4th	31.5	40.9	29.1	41.3	52.8	65.8
Least Poor	50.0	60.8	42.6	54.9	69.8	76.6
Dar es Salaam	92.4	90.3	88.5	89.9	98.2	97.1
Other urban	61.0	61.9	38.3	50.6	83.7	84.6
Rural areas	12.5	15.6	16.7	21.9	31.2	42.0
Tanzania Mainland	25.2	31.8	24.7	34.1	43.6	55.6

* Concrete, cement, stone; ** Concrete, cement, metal sheets, asbestos sheets, tiles

Sources: HBS 2007; Hoogeveen et al., 2009

Additional data from the Tanzania HIV/AIDS Indicator Survey (THIS) and TDHS 2005/05 indicates that ownership of consumer durables has increased steadily between 2000/01 and 2007 (Table 40).

Table 40: Percentage of Households Owning Various Assets, 2000/01 to 2007

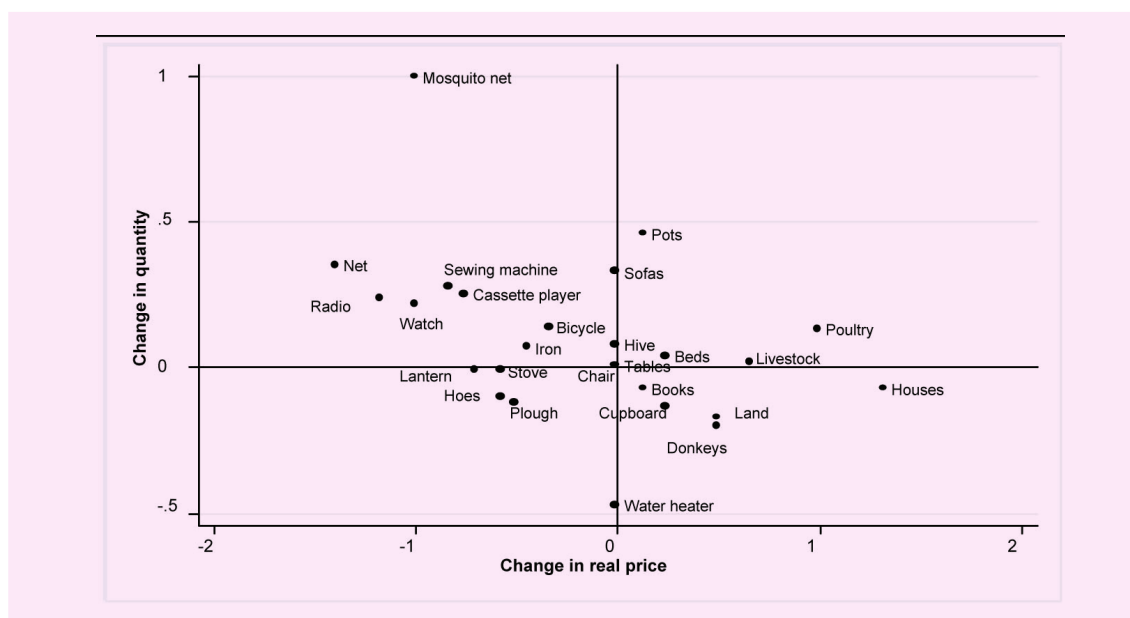
Asset	HBS 2000/01	THIS 2003/04	TDHS 2004/05	HBS 2007
Radio	51.9	55.5	57.8	66.2
Telephone	1.2	7.6	8.9	25.0
Television	2.6	5.3	5.7	8.2
Iron	25.3	25.3	22.8	26.4
Refrigerator	2.5	3.7	3.5	4.9
Watch	36.9	n.a.	n.a.	44.3
Bicycle	36.0	37.9	37.9	40.5
Mosquito nets	37.1	n.a.	46.3	68.9

Sources: HBS 2000/01 and 2007, TDHS 2004/05, THIS 2003/04

One explanation for the increase in asset ownership while overall consumption was unchanged is that households purchased consumer durables which had become less expensive. Evidence in support of this explanation is provided by Figure 57 which shows the changes in quantities and prices of assets reported between HBS 2000/01 and 2007. Asset prices fell in real terms for those assets which show large increases in ownership occurred, including radios, mosquito nets and watches. Whereas, for consumer durables that became relatively more expensive, such as books, cupboards, donkeys, land, houses and livestock, ownership levels declined.

The consequence of these shifts between asset categories is that the overall value of assets owned by households did not change much between 2000/01 and 2007. Indeed, the total value of all assets owned declined slightly, whether expressed in 2000/01 prices or 2007 prices.

Figure 57: Changes in Quantity Purchased and Real Prices of Consumer Durables, 2000/01 and 2007



Note: The values on the axes of the chart depict fractional changes, so that -2 to 2 on the horizontal axis indicates changes from -200% (a reduction of 200%) to an increase of 200%. A similar scale is used on the vertical axis.

Source: Hoogeveen et al., 2009 using data from HBS 2007

Productive assets

The HBS collects information on productive assets owned by households. Many of these assets are of an agricultural nature, but the low level of asset ownership among rural households is striking (Table 41). Within rural areas, only 10% of households own a plough, and 41% of rural households own livestock other than poultry. Moreover, and contrary to the observed increase in ownership of consumer durables, data show a slightly smaller percentage of households owned productive assets in 2007 than in 2000/01. This also holds if the sample is restricted to households primarily engaged in farming, whose ownership of ploughs, hoes and livestock fell over the period.

Table 41: Percent of All Households and Farm Households with Productive Assets, 2000/01 and 2007

	Plough		Hoe		Livestock (not poultry)		Sewing machine	
	2000/1	2007	2000/01	2007	2000/01	2007	2000/01	2007
All households								
Dar es Salaam	1	0	18	16	3	2	15	14
Other urban	2	2	56	57	14	15	14	12
Rural	11	10	92	88	45	41	3	4
Tanzania Mainland	9	8	82	75	37	32	6	7
Farm households only								
Dar es Salaam	1	0	72	75	7	9	9	16
Other urban	4	4	87	85	25	23	9	7
Rural	12	11	93	91	48	44	3	3
Tanzania Mainland	11	10	93	90	45	42	4	3

Source: HBS 2007; Hoogeveen et al., 2009

Savings

Savings are held as cash, at home or in a bank account. Table 42 shows that the percentage of households who operated a bank account and participated in a savings group increased between 2000/01 and 2007.

Table 42: Percent of Households with One or More Members participating in Banking/Savings Activities, 2000/01 and 2007

	2000/01	2007
Operates a saving/current account	6.4	10.0
Participates in an informal saving group	3.8	7.8
Participates in any non-bank formal savings group	1.9	4.8

Source: HBS 2007

This may suggest that more money was saved in 2007 than 2000/1. However, given that prices increased by 93% over the period, real interest rates on savings deposits were negative. For example, TShs 1,000 deposited in a 3-6 month fixed savings account in 2000/01 would have

increased in nominal terms to TShs 1,400 by 2007, but declined in real terms to TShs 740. Such negative returns make saving unattractive. In addition, the fraction of income generated from interest, dividend and rent received did not increase between 2000/1 and 2007 (Table 43). Evidence therefore, indicates no little change in households' formal systems of savings.

Table 43: Percent of Household Income by Source

	2000/01	2007
Employment income (cash, in kind, self-employment, agriculture)	85%	83%
Interest, dividends and rent received	1%	1%
Transfers and other receipts	15%	16%

Source: HBS 2007

Previous sections demonstrated a small negative change in the ownership of productive assets and no change in the value of consumer durables owned by households. Taken in conjunction with the data for savings, it may be concluded that the total value of assets owned by households has not increased since 2000/01, and is more likely to have declined slightly.

Household Occupation and Place of Residence

Data have been presented to show that household consumption increased very little between 2000/01 and 2007 and that changes in asset ownership were largely the result of declines in asset prices, which would imply limited growth in household incomes. This section now examines the incidence of poverty by occupation and place of residence.

Main Sources of Employment

Agriculture and self-employment remain the main sources of employment for adult Tanzanians. Almost 58% of all those aged 15 years and older work primarily in agriculture, while approximately 14% are self-employed (Table 44). In broad terms there has been little change between 2000/01 and 2007, but closer inspection of the data reveal a shift out of agriculture as the main activity for men (in rural areas men whose main activity was in agriculture dropped from 77% to 70%) and into formal employment with the government and private sector or enrolment as a student. For women, the biggest shift is the decreased proportion who report their main activity to be self-employment or unpaid helpers, while there were also increases in the percentages of women who reported their main activity to be as a student and as home-makers or otherwise not engaged in the labour force. The large increase in the percentage of males and females indicating that they are students is remarkable. It is especially strong in urban areas other than Dar es Salaam, and in rural areas, and reflects the large increases in school attendance.

Table 44: Percent of Males and Females Aged 15 Years and Older by Main Activity, 2000/01 and 2007

Main Activity	Dar es Salaam		Other Urban		Rural		Tanzania Mainland	
	2000/01	2007	2000/01	2007	2000/01	2007	2000/01	2007
Male								
Farming/livestock/forest	2.8	3.4	25.4	24.6	77.0	69.8	63.7	55.0
Government Employee	4.4	6.4	6.9	6.9	1.8	2.4	2.8	3.6
Employee-other	27.1	31.4	16.7	15.9	3.4	4.4	7.2	9.1
Self employed/unpaid helper	40.8	35.2	37.5	30.0	11.2	10.9	17.4	16.8
Student	10.0	8.9	4.7	12.2	2.6	5.0	3.4	6.7
Not active/homemaker	14.9	14.6	8.9	10.4	4.1	7.4	5.5	8.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Female								
Farming/livestock/forest	3.3	2.9	28.3	30.1	74.8	74.9	62.8	59.4
Government Employee	3.1	4.1	3.6	4.0	0.6	0.9	1.2	1.8
Employee-other	11.2	12.8	6.5	7.9	1.1	2.0	2.6	4.2
Self employed/unpaid helper	28.5	27.3	31.3	23.1	11.6	6.7	15.7	11.8
Student	7.3	7.2	3.9	9.5	1.5	3.5	2.2	5.0
Not active/homemaker	46.6	45.7	26.3	25.3	10.5	12.0	15.4	17.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: HBS 2007

Poverty Incidence by Occupation and Place of Residence

Even though the majority of Tanzanians continue to be engaged in agriculture, it remains the least remunerative sector in the economy. Among households whose heads identified agriculture as their main activity, the rate of poverty is highest: 38.7%. The combination of a large portion of the population engaged in agriculture and high poverty rates explains why 74% of all poor people are primarily dependent on agriculture (Table 45). These data indicate that income poverty is an overwhelmingly agricultural phenomenon.

Within agriculture there is little variation in poverty by type of crop grown. For instance, amongst those whose main source of cash income is the sale of food crops, 40% are poor, whereas 39% of those dependent on the sale of cash crops are poor. Those dependent on the sale of livestock and livestock products have a lower rate of poverty (around 30%).

Table 45: Households in Poverty by Main Activity of Head of Household, 2000/01 and 2007

Activity of Head of Household	2000/01		2007	
	Headcount ratio	% of the poor	Headcount ratio	% of the poor
Farming / livestock / fishing / forest	39.9	80.8	38.7	74.2
Government employee	15.3	1.8	10.8	1.6
Parastatal employee / other	8.1	0.3	10.9	0.7
Employee – other	20.2	3.0	20.6	3.3
Self employed / family helper	28.5	7.9	21.4	10.6
Student	-	-	17.9	0.0
Not active / home maker	43.1	6.2	46.2	9.6
Total	35.7	100.0	33.4	100.0

Sources: HBS 2007; Hoogeveen et al., 2009

Closer inspection of the distribution of income sheds light on the reason for such high poverty among people whose main source of income is agriculture. Table 46 presents the distribution of income across wealth quintiles, and illustrates that total agricultural income is remarkably equally distributed across the five wealth quintiles. In 2007, the poorest households earned 15.9% of all agricultural income, whereas the least poor earned 20.3%. The difference in total income comes from the fact that better-off households earn a substantial fraction of their income outside agriculture, either as wages/salaries or through non-agricultural self-employment. The least poor 20% of households earn 48% of all wage income and 46% of all income from self-employment. The poorest 20% of households on the other hand earn only 5% of all wage income and 4% of all income from self-employment.

Table 46: Distribution of Household Monthly Income by Source of Income, by Poverty/Wealth Quintile and Area of Residence, 2000/01 and 2007

Wealth Quintile / Area of Residence	Salaries, wages, etc		Agricultural production		Self-employment	
	2000/01	2007	2000/01	2007	2000/01	2007
Poorest	3.9	4.7	12.7	15.9	5.6	3.9
2 nd	5.8	9.7	27.9	20.2	9.2	8.9
3 rd	12.5	13.3	20.0	21.9	13.8	18.4
4 th	18.3	24.3	16.8	21.7	24.9	22.5
Least Poor	59.5	48.0	22.7	20.3	46.4	46.3
Dar es Salaam	31.9	28.8	1.1	0.8	18.0	16.1
Other urban	30.4	35.6	8.9	10.8	36.4	37.8
Rural areas	37.7	35.6	89.9	88.4	45.6	46.1
Tanzania Mainland	100.0	100.0	100.0	100.0	100.0	100.0

Source: Hoogeveen et al., 2009

Households are diversifying out of agriculture in order to improve their well-being. Indeed, as is shown in Table 47, poor households diversify as much out of agriculture as do the least poor households: 46% of the poorest households have earnings from self-employment, compared with 48% of the least poor households. There are large differences, however, in the amount earned. The least poor households earn approximately eleven times more in self-employment than do the poorest households, and their average income has increased the most, compared with poorer households.

Table 47: Percent of Households with Income from Non-farm Self-employment and Mean Monthly Income, by Wealth Quintile and Residence 2000/01 and 2007 (Tshs at 2000/01 prices)

Quintile	Income from non-farm self-employment			
	2000/01		2007	
	% hh	mean	% hh	mean
Poorest	36.2	10,853	46.0	10,891
2 nd	43.5	14,662	51.7	22,253

Quintile	Income from non-farm self-employment			
	2000/01		2007	
3 rd	43.9	21,912	54.3	43,894
4 th	49.7	34,896	53.9	54,221
Least Poor	49.5	65,292	48.2	125,135
Dar es Salaam	46.9	81,850	51.0	108,053
Other urban	55.4	59,891	46.6	98,063
Rural	42.3	19,178	52.1	32,305
Tanzania Mainland	44.6	31,209	50.8	50,999

Source: Hoogeveen et al., 2009

There is also evidence which suggests that smallholder farming has become comparatively less remunerative – certainly not more remunerative – as the price of the main crops produced on farms (maize and rice) has declined slightly relative to the prices of processed products brought in from elsewhere (sugar and cooking oil) (Table 48). The change in relative prices for maize is marginal, for rice it is more marked. In 2000/01, 5.8 kg of maize or 3.5 kg of rice had to be sold to obtain 1 kg of sugar; in 2007 this had increased to 6.0 kg of maize and 4.0 kg of rice. The price of a litre of cooking oil increased marginally from 8.7 kg of maize in 2000/01 to 8.8 kg in 2007, and from 5.2 kg of rice to 5.8 kg. The ratio of maize flour relative to maize grain or rice remained more or less unchanged, possibly because much maize flour is locally milled.

Table 48: Prices of Processed Products relative to Prices of Locally Produced Products

	Maize grain		Rice (paddy)	
	2001	2007	2001	2007
Sugar	5.8	6.0	3.5	4.0
Cooking oil	8.7	8.8	5.2	5.8
Maize flour	2.0	2.0	1.2	1.3

Source: Hoogeveen et al., 2009

Conclusion

Income poverty rates overall changed little between 2000/01 and 2007, as reflected in the nearly constant levels of household consumption and income inequality over this period. At national level, household consumption per capita increased by only 5%, implying an average change of 0.8% annually. At the same time, income inequality remained at close to the same level – the poorest group of households experienced a small fall in consumption, while the least poor group experienced a slightly larger increase. Results from expenditure patterns and asset ownership, are consistent with the finding that income poverty levels have barely changed. As a consequence, the MKUKUTA target for income poverty reduction is now out of reach, and Tanzania faces a huge challenge to achieve MDG1 by 2015. To do so will require annual real consumption growth of 3.2% per capita, four times higher than the existing level. Encouragingly, from a policy perspective, a significant proportion of households have consumption levels not far below the poverty line.

Data show that household consumption is extremely low. Almost 98% of households spend less than TShs 58,000 per month per adult equivalent on food and basic necessities (2007 prices), and approximately 80% spend less than TShs 38,600 per month or TShs 1,380 per day. To achieve meaningful change in household well-being, consumption levels must increase significantly. Continued high rates of economic growth over the long term will be required. Since Tanzania's level of income inequality is currently low, even by international standards, redistribution of income is not likely to be effective.

Ownership of consumer durables, productive assets and the quality of housing did improve for all wealth quintiles in both rural and urban areas. This was largely the result of falling prices for these assets, which enabled Tanzanians to buy more for less money. In part, this reflects the positive change to a more liberalised market environment in Tanzania.

Poverty remains an overwhelmingly agricultural phenomenon, particularly among crop-dependent households. The majority of Tanzanians remain engaged in agriculture, but it is the least remunerative sector in the economy, with a household poverty rate of 38.7%. The combination of the large portion of the population engaged in agriculture and high poverty rates explains why three-quarters of the poor are dependent on agriculture. Households are diversifying out of agriculture seeking to improve their well-being. Indeed, diversification of income-generating activities is occurring across all wealth quintiles. However, the success of households in diversification, as reflected in the amount earned from non-farm activities, varies markedly across quintiles. The least poor households earn approximately eleven times more in self-employment than do the poorest households. It would appear that the least poor households diversify to exploit opportunities, while the poorest households diversify out of desperation and for survival. These findings have strong implications for the development of MKUKUTA II. Given that the majority of Tanzanians will continue to reside in rural areas and derive livelihood from agriculture, it is imperative to prioritise interventions that raise agricultural productivity. Furthermore, since capabilities to identify and implement non-farm income-generating activities take time to develop, programmes have to be developed to nurture and sustain household capabilities for successful diversification.

CHAPTER

3

THE ROLE OF THE STATE IN A DEVELOPING MARKET ECONOMY

Introduction

The next phase of the National Strategy for Growth and Reduction of Poverty (MKUKUTA II), commencing in 2010, will continue to focus on socio-economic growth and transformation towards Tanzania's Development Vision 2025. Crucially, implementation will require a shared understanding and appreciation of the nation's long-term direction, as well as a clear recognition of the division of responsibilities among key development actors.

Since the mid-1980s, the Government of Tanzania has re-oriented its central developmental responsibilities as: (i) providing policy and strategic direction for the country; (ii) creating an enabling environment for the private sector to operate; and (iii) establishing and strengthening the institutional framework for growth and accompanying regulatory and enforcement systems. As the country moves into the next phase of MKUKUTA it is important to reflect on national achievements and challenges over the last three decades and the path forward in light of current local realities, international experiences and perspectives, and new thinking in response to the global economic crisis. A deeper understanding of the role of the Tanzanian State within market-dominated economic management is essential to inform and guide the development of the country's strategic direction and implementation of programmes to realise the goals of Vision 2025.

Discussions on the role of developmental states are ongoing worldwide, reflecting the evolutionary nature of this role, as well as ideological perspectives. In Tanzania, discussions are taking place in Parliament, the media and the intellectual community in general. The global economic crisis has introduced new challenges and opportunities which have influenced national debate.

This chapter examines the role and principal functions of the State in economic management and broader socio-economic transformation.

State Involvement in Economic Management

All states have a role to play in managing their economies, but the nature and extent of this involvement is context-specific; there is no fixed role for the state that fits every economy. The responsibilities of a state in a country's economic management stem from ideological principles arising from political inclinations. Each nation's distinct ideology determines the mix of market

and non-market mechanisms used in the management of the economy which, in turn, locates the country's position along the continuum between a wholly-planned economy at one end and a market-rational economy at the other. Using the two instruments of planning and market to allocate resources, the state steers the process towards achieving the desired outcomes of the medium-term development strategy. This process of economic transformation is by nature continuously evolving, implying that the mix should be regularly reviewed to reflect experiences and improve outcomes.

Developmental states employ non-market instruments to influence resource allocations to improve sub-optimal outcomes that may result from incomplete and imperfect information, high transaction costs and/or asymmetric power relations among agents. At the same time, they utilise the market to enhance performance by encouraging competition and ensuring consumer protection. In this chapter, it is argued that the role of the State in Tanzania must be developmental, using a mix of non-market instruments and selective proactive engagement to facilitate markets and the development of the private sector to ensure that resources are used effectively and efficiently towards realising the Vision 2025.

Given the history of Tanzania, it is important to clarify that a developmental state role is not the same as a command state which adopts central planning, state ownership, and direct production of goods and services. Tanzania's Vision is to achieve a vibrant, developed market economy, which implies that the role of the state is facilitative rather than directive.

Functions of a State

Every state, whether developmental or market-rational, has to perform the following core functions:

- Define the national vision and strategic direction
- Establish medium-term strategies to translate the national vision into concrete action
- Strengthen and align the institutional framework for implementation of the medium-term strategies
- Maintain macro-economic stability
- Ensure good governance
- Address blockages to economic growth, for example, facilitate infrastructure development

Each of these fundamental responsibilities is briefly described below, and the choices are highlighted which are inherent in decision-making for a developmental state with a market-dominated economy.

Defining the Vision

Defining the long-term vision for the country is the first role of any state. Such a vision must specify the desired socio-economic outcomes and the timeframe over which national goals are to be attained. For Tanzania this is provided in Tanzania Development Vision 2025, which envisages a middle-income country with a high level of human development, free of abject poverty and characterised by: a good quality of life; peace, stability and unity; good governance; a well-educated and learning society; and a competitive economy capable of producing sustainable growth and shared benefits.

By 2025, it is envisaged that the economy will have been transformed from a low productivity agricultural economy to a semi-industrialised one. A solid foundation for a competitive, innovative and dynamic economy will have been laid, including a modernised and highly productive agricultural sector which will be integrated into, and supported by, the industrial and service sectors in rural and urban areas.

As a matter of principle, defining a country's vision is the responsibility of the political leadership, and clear ownership and implementation of that vision must be continually reinforced by that leadership. The vision is not an abstract definition of progress, but a strong magnet capable of influencing individual and social behaviour, whereby actions for collective benefits are preferred over short-term individual or special interests. Unless citizens can see the future benefits for themselves and society overall, the vision is unlikely to be attained. Therefore, consistent and clear communication with citizens is essential to ensure that the vision is understood and embedded into practice.

Establishing Medium-term Development Strategies

Translating the national vision into a development strategy entails setting out the means of reaching the outcomes specified in the vision. These outcomes invariably take time to be realised; recent experience from emerging economies in Asia show that a period of at least thirty years is required. Therefore, a medium to long-term development strategy must be sustained beyond a single phase of government.

Experience has shown that political commitment, patience, continuity, and unwavering focus are prerequisites for achieving desired socio-economic transformation. Strong political leadership ensures the life of the vision, but implementation of that vision must transcend political boundaries. Implementation must also be supported by a strong, committed and competent civil service, led by a cadre of talented and well-trained senior government staff who are drawn from an increasingly competent pool of citizens.

Adjustments may be needed to the strategic path due to economic and political constraints, some of which may lead to unexpected or unplanned outcomes.¹⁰¹ Financial, social and capacity constraints involve inescapable trade-offs and political consensus, inherent to any national development strategy and especially difficult to manage in a low-income country. The growth path of the Asian tigers is characterised by adjustments, abandoning what did not work and nurturing what did. Adjustments though should not be at the expense of the overall direction, rather refinements within the medium-term development strategy. It is vital that a clear view of the long-term horizon is maintained, all the while recognising that the nation is continuously shaped by local and global contexts which inevitably mean that significant social and economic changes will need to be accommodated.

Changes can also bring about opportunities that, if properly exploited can lead to the next level of socio-economic transformation. For example, an expanding middle class, if exposed to a competitive environment, can become a catalyst for growth and innovation, but if allowed to create monopolies can become an obstacle to transformation.

Strengthening and Aligning the Institutional Framework for Implementation

Once the strategic direction has been determined it is crucial that implementing institutions and incentive systems are properly aligned in order to effectively support implementation. These include:

- (i) the institutions of government;
- (ii) the private sector and civil society; and
- (iii) market and regulatory systems.

Incentive systems within the institutional framework must provide very clear expectations and benefits which are derived from the vision and the strategic choices of the country.

The Institutions of Government

In many African countries, including Tanzania, it has been the practice for central government ministries to coordinate and distribute resources. This however can result in the preferential allocation of human and financial resources to central ministries which, in turn, determine power relations. Lessons from Asia on this matter are useful, where the choice of strategic sectors/activities determines the centrality of ministries and the allocation of human resources. Thus ministries are aligned to the thrust of the strategic direction, and become responsible facilitators with oversight for the strategy's implementation.

¹⁰¹ The expansion of primary and secondary schools is a case in point for Tanzania, where rapid expansion in school infrastructure and student enrolments has put increasing pressure upon teacher numbers and the delivery of quality education. Another example is the global financial and economic crisis that necessitated adjustments in many countries including Tanzania.

A strong state is required to establish the development direction of the country and to oversee implementation. However, being a strong state does not necessarily mean direct ownership and implementation of development activities by the state. Developmental states recognise the strengths and capabilities of all development actors, taking advantage of them to achieve national economic development goals. In other words, the state leads, providing guidance to all actors, including the private sector and local communities, towards the desired outcomes. Any direct state ownership and implementation of development activities is dependent upon its comparative advantage in relation to other actors. Activities characterised by large and lumpy investment or that are public consumption in nature often require direct, though not necessarily exclusive, state involvement. Public-private partnerships with non-state actors in the private sector as well as civil society organisations can facilitate the provision of public services, such as education or health, as has been successfully demonstrated in Tanzania.

States must have the capacity and willingness to provide incentives for results-oriented performance. Incentives are not only important to induce new investments and innovation, but also to avoid losses or misuse of resources. Experience shows that in low-income countries selective incentives that provide realistic rents over specified timeframes can promote performance. Such incentives may be necessary for strengthening the local business sector, and are justifiable so long as they are provided for activities that have social as well as private benefits and the rents contribute towards national development. Consistent with these ends, it is the responsibility of the state to stop activities that are losing public resources, or not contributing to the desired goals of transformation.

To effectively and efficiently undertake the responsibilities outlined above, it is vital to create and maintain a highly-skilled and committed bureaucracy. To achieve this, government staffing must be characterised by recruitment and promotion based on demonstrated ability, salaries must be competitive with the private sector, and high performance standards must be upheld. Efficient government systems are also essential. Experiences from other developing countries show that it takes time to build and transform a bureaucracy to achieve high performance. Given limited resources, it may be appropriate to adopt a deliberate approach which focuses efforts on progressively strengthening the bureaucracy, with priority on staff and systems in those institutions which are most strategic to realising the national vision of socio-economic transformation. Without a competent bureaucracy the danger exists that government itself can become an impediment to transformation, a source of government and system failure.

The Private Sector

Aligning the private business sector as a key partner in implementation of the national vision is equally important. Despite worldwide recognition of the critical role of private enterprise in any nation's development, in many sub-Saharan African countries the organised formal domestic business sector remains nascent and under-developed. Governments must proactively support and promote the private sector as a partner in socio-economic transformation. The most important prerequisites for attracting private businesses are, first and foremost, political stability

followed closely by an enabling business environment characterised by ease of entry, expansion and closure. An environment of reduced uncertainties and costs of doing business, as well as clear management of government and market failures provides incentives for the private sector to assume risk.

Tanzania has the advantage of political stability over many other sub-Saharan African countries, but it has done poorly in creating an enabling business environment.¹⁰² It is important that the business environment is conducive to efficient use of resources, as well as allowing ease of entry for new businesses. At a general level, the state needs to ensure a level playing field for all private business. Competition by firms in the market has proven to be far more effective against unnecessary monopolistic rent-seeking than any price-setting mechanisms the state could prescribe and enforce.

However, when promoting the private sector, the state may need to take proactive measures to develop and nurture the formation of strong national players in the private sector, so that they may compete effectively with international players. The challenge is to support the emergence of such national champions without succumbing to political patronage and capture, all the while maintaining a competitive environment. A good example would be for the state to support the merger of small national banks to form a larger bank that has broad national reach and can withstand regional and global competition. Such an intervention may be necessary while the local business sector is still nascent, particularly where this is aimed at supporting the development agenda. In the context of ongoing banking and financial reforms in Tanzania this kind of intervention would not necessarily reduce competition since the number of banks operating in the country is increasing and competition in the banking sector is rising.

The Market

Developing economies face the challenge of establishing and strengthening incentive structures and systems to support implementation of the agreed development agenda. These are necessary to guide development actors (both public and private), and to ensure effective and efficient utilisation of resources and shared benefits of growth. Governments often use the market as an instrument for allocating resources because of the market's capacity to allocate resources efficiently.

Efficient functioning of the market requires strong institutional oversight, the establishment and enforcement of property rights and contracts, competition and consumer protection, and information systems to close the gap between buyers and sellers. In developing economies, oversight institutions are often missing, inadequately equipped to perform their function effectively, or may sometimes be unrealistic in their demands of the market. This may lead to the

¹⁰² To date, the private business sector has generally been viewed as selfishly interested in profit-making at the expense of the welfare of society, but the contribution of this sector in producing goods and services, generating employment and public revenue, and providing training and skills development is undervalued. These widespread negative perceptions among Tanzanians about the contribution of the private business sector must be reversed.

market falling short of expectations. Experience from successful developmental states shows that where the market does not perform according to expectations, the best course of action is to support the institutions of the market, rather than succumb to the temptation to substitute the market with non-market instruments.

As markets are still evolving, market failures can be expected. However, it is crucial that markets continue to develop and that they interact with non-market institutions to deliver developmental goals. In this sense government should focus on the overall performance of the economic system – rather than individual institutions – in the delivery of desired outcomes within the framework of the medium-term development strategy. Successful developmental states have succeeded in creating and developing markets through an interactive process between market and non-market institutions. Experience shows that growth can occur even before institutions are fully developed, as long as these institutions are supported and allowed to co-evolve with socio-economic transformation. The state should proactively develop the capabilities of non-market institutions and ensure that they positively interact with market institutions to support the implementation of the development agenda.

Maintaining Macro-economic Stability

Creating and sustaining macro-economic stability is another fundamental role of the state. The private sector expects a reasonable degree of predictability in the economy in order to make informed decisions on investments. It is the responsibility of a government to ensure that national fiscal and monetary policies provide macro-economic stability and give the appropriate signals to influence the actions of various economic agents.

Within the context of developmental states, macro-economic policy must be firmly aligned with the developmental agenda. This is not simply an issue of determining macro-economic policy to get the overall investment climate right, rather it is achieving a mutually supportive combination of macro, meso and micro outcomes. That is, macro-economic policy is used as a means to the end of achieving developmental goals.

Although resource-poor countries try to balance their budgets, demands invariably exceed the level of resource mobilisation, thus the issue of financing a deficit takes precedence over the issue of balancing the budget. Printing money has been discouraged because of the potential threats of rising inflation and the implicit discouragement for people to save. Yet evidence shows that under certain conditions supplying more money into the economy provides a positive stimulus to growth. Examples can be found in countries with limited infrastructure where supply constraints prevent the opening up of opportunities for remote areas. Similarly, the current global financial and economic crisis has led to demand constraints that require the supply of more money to stimulate economic activities in developed and some developing countries. However, for many low-income countries the amount of liquidity injection that may be appropriate before inflationary pressures build up may be quite limited. Countries which receive substantial donor funding need to be particularly careful, especially since there are minimal options for mopping up liquidity. For many of these countries, although macro-economic management largely rests

with the executive, its centrality in the overall management of the economy justifies intervention by the legislature through the passage of fiscal responsibility bills.

Ensuring Good Governance

Good governance assures a level and fertile ground for investment and transformation – which in turn leads to more opportunities for increased business and employment. In this sense, good governance is integral to achieving the goals of the medium-term development strategy. Therefore, the contribution of governance is seen in relation to the achievements of the final outcomes of the development strategy, rather than in the specific components of governance in isolation.

Given limited institutional capacity, it is impossible to simultaneously solve all the governance problems in any low-income country. Therefore, it is vital to prioritise areas critical to development where basic good governance is crucial to successful outcomes. Activities that are critical in the implementation of a development programme or whose resource requirements are significant must be prioritised. For example, it is important to insulate key infrastructure investments from the tendency towards poor governance. By their nature, infrastructure investments are big money items, and therefore they tend to attract special interests and engender corrupt practices. Similarly, there should be a strategy to strengthen the capacity of the judiciary in prioritising reforms and improving performance in areas which are key to economic growth. The current gradual reform of the judiciary in Tanzania, especially with respect to commercial courts, non-judicial remedies (such as voluntary arbitration) and economic crimes, is a move in the right direction.

It should be recognised that all developing countries have limited institutional capacity, and global expectations can sometimes differ from local norms. Integrating the components of good governance is an evolutionary process of enhancing accountability by developing the ingredients and systems to fit the domestic context and establishing appropriate institutions and competent human resources to regulate and monitor progress. Public opinion, civil society and the media are key components in achieving good governance and should be valued as such by the state.

Addressing Blockages to Facilitate Implementation

In the course of implementation, development actors may face constraints which cannot be addressed by individuals, because they are either too expensive or they are public in nature and the benefits cannot accrue to individual investors. The facilitative role of the developmental state is especially important in overcoming such constraints.

Infrastructure Development

Many sub-Saharan African countries are landlocked, possess challenging terrain and are sparsely populated. These geographical characteristics and accompanying lack of infrastructure can

limit the effectiveness of policies aimed at stimulating production, such as market liberalisation. Infrastructure investments have higher social than individual returns, particularly in the context of poor remote areas. Infrastructure development inherently requires long-term commitment and major capital investments, therefore, these ‘public good’ investments are most commonly made by the state, although innovative public-private partnerships can also be organised.

Infrastructure investments reduce risks and raise returns within the economy, especially within the private sector, including for household producers. However, the challenge for large and sparsely populated sub-Saharan economies is to focus these investments in areas that can produce the greatest linkages within the economy and underpin the highest development returns. The temptation to spread investments thinly across the country in response to political demands should be resisted.

Human Resource Development

Successful implementation of a focused development agenda requires a supply of skilled human resources that meet the demands of the market. Without a well-functioning skilled labour force, productivity will remain low. The building of human resource capacity underpins the transformational process in any society.

During the last three to four decades, public investment has been focused on basic education and healthcare in many developing economies, partly as a consequence of resource constraints. This is consistent with securing fundamental human rights to education, nutrition and health, embodied in the Millennium Development Goals.

However, it is important that there is a strong linkage between the provision of basic education and the development of capabilities for growth and transformation. This linkage can only be achieved where states set high standards for quality in education. It is clear that the push for broad-based primary education has to be accompanied by an equally strong push for quality in order to link basic education with the strategic development of a skilled labour force. Access and quality must go hand-in-hand to achieve desired development outcomes. Tanzania has achieved good results in promoting enrolment, but the challenge of raising the standard of quality in education remains.

Given limited national resources, strategic decisions have to be made to phase and sequence the development of the human resource in line with the requirements of the medium-term strategy. As countries strive to provide universal primary education, it is crucial to raise the quality of primary, secondary and technical education, to appropriately equip students for subsequent employment and, for those who continue academically, for tertiary education. In Tanzania, the ongoing discussion about focusing government-sponsored student loans towards strategic training at the tertiary level is a move in the right direction. This move is important because it will provide the right signals to service providers of technical and higher education, both public and private, on where to focus their training. It may also raise competition among training institutions

to attract students and state loans, thus raising the standard of the education provided. In this way, the state encourages private-public partnerships to produce the skilled labour force required to realise the national vision.

Social Protection

Experience shows that even in countries that have built-in mechanisms for shared growth, some citizens remain vulnerable. The context for countries such as Tanzania with a high incidence of poverty and a large concentration of people around the poverty line has often been referred to as generalised insecurity. The challenge is how to address this level of insecurity in a forward-looking and productive manner.

A review of existing public schemes for the provision of social security and social assistance shows low coverage with high fragmentation and dispersal of efforts involving many actors. Therefore, future mechanisms and interventions for social protection must be designed and implemented systemically and in a transformative manner. Social protection should not be conceived simply as income support for the poorest, but should serve as an instrument for the development of human capabilities and systems. In this way, social protection can enable all citizens to contribute to and benefit from the realisation of the national vision.

Knowledge Creation, and Research and Development for Innovation

The world is characterised by fast changing political, economic, and technological developments. States have to create capabilities to adjust, and where possible take the lead to create or seize opportunities. Growth and transformation is driven by knowledge, therefore the role of the state is to promote knowledge creation, sharing and use at all levels in society. States must encourage ideas and discussions at all levels, because this nurtures an environment for transformation. This generation and transfer of ideas must be a two-way process.

Research and development (R&D) for innovation is critical to success in globally competitive markets. The potential contribution of research and development has been undervalued in the recent past, largely because of R&D's typically long-term nature and uncertain outcomes. Yet no country can make significant headway without innovation and the adoption of new technologies, and these are dependent on research and development, which cannot be left entirely to private enterprise in any country. In Tanzania there is a revived recognition of the importance of research. However, the key is to link R&D to the medium-term strategy.

Managing the Environment

Traditionally, environmental management has focused on minimising environmental costs resulting from the implementation of development programmes. This approach entailed balancing the demands of growth, the need for development, and protection of the natural environment. It made sense in the past when poverty limited the options for mobilising resources and livelihoods, and when priorities were largely driven by immediate needs without recognition of long-term

implications. Such framework still makes sense today if considered within the context of an isolated resource-poor country.

However, a new era of global environmental governance has introduced an additional variable into the equation. The environment is now a global rather than a national issue; an issue of global concerns and global solutions. Environmental management can, therefore, be a resource for growth and development. Resource-poor countries should recognise this trend and proactively incorporate this opportunity into their development agenda. In this proactive approach, sound environment management practices yield high returns and valuable resources; rather than cost burdens where the solutions are to strengthen oversight and regulations to encourage sound farming, livestock and fishing practices, thereby reducing resource degradation. Proactively conceived environmental initiatives can easily be sold to actors to strengthen environmental protection but also reduce the cost of enforcement and regulation.

Conclusion

This chapter has outlined the role of a state, after consideration of the historical perspective of Tanzania as a developing country, experiences from other developing countries, and recent thinking on the role of developmental states. The overall conclusion is that a developmental role is appropriate for the Tanzanian government during this stage of the country's socio-economic growth and transformation. The Government should navigate the country's course towards realising the goals of Vision 2025 within the context of a defined medium-term development strategy, surviving the necessary adjustments along the course.

The steering role of the state does not mean direct ownership or implementation of all development activities by the state. Rather state ownership and implementation of specific activities will depend upon the comparative advantage of the state in relation to the other development actors. Direct state participation can be expected for those activities requiring large and lumpy investments or which are public consumption in nature, while public-private partnerships with non-state actors in the private business sector and civil society can facilitate the provision of public services.

It is crucial that markets continue to develop and that they interact with non-market institutions to deliver developmental goals. To this end, market institutions should be supported and allowed to co-evolve with socio-economic transformation. The state should not attempt to replace the market, even in the event of market failure.

Furthermore, the state must acknowledge and promote the private sector as a key partner in national development. In Tanzania, the private sector is still widely perceived as solely and selfishly interested in profit-making at the expense of the welfare of society. This must be remedied. Private investors in Tanzania, as is the case everywhere, are driven by financial incentives – profits in reward for investment and risk-taking. If the state maintains macro-economic stability and creates an enabling business environment, the private sector can significantly contribute to the well-being of all Tanzanians, through expanded production of quality goods and services,

greater employment and skills development, and increased public revenue. In the early stage of development the private sector is not likely to perform according to expectations. Here, the best course of action is to proactively support rather than to substitute it with the institutions of the state.

Most importantly, strong political leadership and a highly skilled bureaucracy backed by effective systems will be required to provide steady direction towards realising Vision 2025. Without these, any government may become an impediment to socio-economic transformation. Investment in higher education and an effective incentive system will, therefore, be vital for building a competent and committed bureaucracy. In addition, clear, focused communication and signals for all citizens and development actors will be required in implementation of the medium-term development strategy. Adjustments may be needed to the strategic path due to economic and political constraints. But an uninterrupted view should be maintained of Tanzania's long-term horizon as a vibrant, developed market economy capable of sustained growth and shared benefits.

CONCLUSION TO PHDR 2009

PHDR 2009 has been written during a time of global economic turbulence, which has reinvigorated international dialogue on the appropriate role of the State in maintaining the stability and growth of market economies. At the same time, the world is hotly debating mechanisms to stem environmental impact associated with climate change. For developing economies such as Tanzania, these twin crises have introduced new challenges and opportunities, and strong leadership will be required to direct the country on its path of strategic development towards Vision 2025.

Recent experience from emerging economies in Asia also shows that socio-economic transformation takes time – a period of at least thirty years is required. Therefore, long-term development strategies must be sustained beyond a single phase of government and implementation must transcend political boundaries. Adjustments will be needed to the strategic path due to constraints and trade-offs will have to be made, but they should not deviate from the long-term horizon. In this way, too, incremental and sustainable progress can be achieved that links generations in common actions for collective benefits, and underpins national peace and unity.

The significant progress in economic and human development in Tanzania achieved by MKUKUTA, the first phase of the National Strategy for Growth and Reduction of Poverty, provides a solid foundation for the next phase of the country's development. While recent growth has not translated into immediate reductions in poverty, the increased capital investments and the expansion in public spending, in areas such as roads, education and healthcare may underpin longer-term benefits for households and provide the basis for future reductions in poverty.

In hindsight, given the present context of national development in Tanzania, population growth, and the extremely low levels of consumption prevailing in the vast majority of households, MKUKUTA's poverty reduction targets may have been overly ambitious. The challenge, therefore, remains to link poor households, particularly smallholder farming households, to the national growth process. To make strong inroads into poverty rates, a focused approach to sustain and accelerate economic growth will be required that fully exploits Tanzania's comparative advantages, enhances human capabilities and propels domestic employment and productivity. Given tight constraints, it will be imperative to allocate resources and improve performance in areas identified as the drivers of growth, and protect key investments from poor governance. Most importantly, the strengths of all development actors working together towards the common vision – government, development partners, civil society, the private sector and communities – will be essential to achieve a competitive, innovative and dynamic market economy with a good quality of life for all of its citizens.

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