Tanzania Human Development Report **2014**

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United Republic of Tanzania

Economic Transformation for Human Development

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Implementing Partner

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Preface

The release of the first Global Human Development Report (GHDR) in 1990 signalled a paradigm shift in the conceptualization of development. This report and those that followed, issued by the United Nations Development Programme (UNDP) over the past 20 years, have significantly altered the way most governments approach the challenge of development. Today, many countries have adopted the human development paradigm in addressing development challenges by putting people at the centre. Since then, several countries and territories have produced their own country- or region-specific human development reports at regular intervals: in total, more than 600 regional, national and subnational human development reports have been launched by more than 143 countries. These reports are strategic advocacy tools created through a process of active engagement within these countries and across regions in addressing cutting-edge issues and articulating people's priority needs. These reports provide an important source for innovation and advancement in development policies and practices.

The current release of the Tanzania Human Development Report (THDR) 2014 is the first THDR issue, with a theme of ***Economic Transformation for Human Development***. Over the last decade, there has been a change in the focus of development policy away from mere quantitative changes in the rate of output towards a concern for the changing qualitative nature of economic growth encapsulated in the concept of economic transformation. Economic transformation is particularly relevant for Tanzania since, while Tanzania witnessed impressive GDP growth rates of more than 6% since 2000, this growth has not led to a commensurate reduction in income poverty. At the same time, the Government of Tanzania has set an ambitious target of reducing poverty significantly and becoming a middle-income country by 2025. This requires not only sustained economic growth in quantitative terms, but also a significant economic transformation involving a fundamental change in the economy's structure. This report analyses the economic transformation necessary for Tanzania to achieve the stated objective of becoming a middle-income country by 2025, as aspired by the national development vision 2025.

The report contains four chapters and a statistical annex. The *first chapter* presents a snapshot of the status and progress of human development in Tanzania. The *second chapter* discusses what is meant by economic transformation and illuminates the nature of the on-going processes of transformative growth in Tanzania. The *third chapter* discusses the kind of economic transformation we want, whereas the *fourth chapter* concludes with a commentary on how to make economic transformation work for human development. The *statistical annex* provides a rich overview of key indicators/indices of socio-economic and human development.

THDR 2014 was produced under the aegis of the UNDP Human Development Initiative, which embraces a network of global, regional and country reports, and was explicitly designed to draw upon local expertise and to seek widespread nationally based consultation and feedback from a variety of actors within the field of development policy and action, including close collaboration with various government structures. The report's production involved a network of scholars drawn from the national research and university system with funding from the UNDP. The Economic and Social Research Foundation (ESRF) was the implementing partner for the THDR, working in close collaboration with key partner institutions, including the National Bureau of Statistics (NBS), the Office of Chief Government Statistician Zanzibar (OCGS), and the Department of Economics at the University of Dar es Salaam (UDSM). The project manager and secretariat of the THDR initiative carried out the day-to-day activities in the report's production in close collaboration with a core team composed of experts from the UNDP, ESRF, NBS and UDSM. In addition, a broader working group, composed of 35 experts drawn from a variety of national institutions and development agencies, provided further support, feedback and guidance throughout the report's production process. This process involved commissioning and writing ten background papers, which constituted the core materials for writing up the final report. In parallel, the report's production further involved collecting large and diversified amounts of data on socio-economic development, and compiling tables with key indicators/indices of human development, as presented in the statistical annex.

We would like to thank Dr. Hoseana Lunogelo, Executive Director of ESRF, for giving the opportunity for ESRF to be the implementing partner for the THDR initiative. Special thanks are due to Dr. Tausi Kida, the Director of Programmes at ESRF and Project Manager for the THDR initiative, for the technical and coordinating role she played in directing the whole process of preparing and producing the report. Special appreciation is due to Professor Marc Wuyts (ISS)

for the intellectual guidance he provided throughout this process. Special thanks are further due to the core THDR team for their commitment to the project. This team is composed of Dr. Rogers Dhliwayo (UNDP), Mr. Amon Manyama (UNDP), Dr. Tausi Kida (ESRF), Dr. Jehovaness Aikaeli (UDSM), Dr. Kenneth Mdadila (UDSM), Mr. Ahmed Markbel (NBS), Mr. Sango Simba (NBS), Mr. Deogratias Mutalemwa (ESRF), Ms. Monica Githaiga (UNESCO) and Prof. Marc Wuyts (ISS). We would also like to record our appreciation to Dr. Amarakoon Bandara – former economic advisor for UNDP Tanzania – who played an important role during initial stages of preparing the report prior to his reallocation to the UNDP office in Zimbabwe.

Our sincere gratitude goes to the report's drafting team, composed of the following experts: Dr. Tausi Kida and Prof. Haidari Amani (chapter 1); Dr. Hazel Gray (chapter 2); Prof. Gelase Mutahaba, Prof. Ernest Mallya and Dr. Jehovaness Aikaeli (chapter 3); Prof. Gelase Mutahaba, Prof. Ernest Mallya and Prof. Haidari Amani (chapter 4), and Dr. Kenneth Mdadila and Dr. John Mduma (statistical annex)[1]. The preparation of statistical annex benefited greatly from the active support given by the national statistical offices of both Tanzania Mainland and Zanzibar. In this regard, we are indebted to Dr. Albina Chuwa – Director General of the NBS – and Mr. Mohamed Hafidh – Chief Government Statistician of the Revolutionary Government of Zanzibar – for their support in preparing THDR 2014. We thank Dr. Richard Whitehead – Managing Director of Edit to Publish – for the splendid work in copy-editing the final manuscript. We would like to express our gratitude to Mr. Nicolai Schulz for his contribution to the summary report and Mr. Rashid Chuachua for translating the summary report from English to Kiswahili. Special thanks to the contemporary Tanzanian artist, Mr. Haji Chilonga, for the vivid painting he produced to serve as the report's cover page. We would also like to thank Ms. Margareth Nzuki and the entire Knowledge Management team at ESRF for their support on dissemination component for this report. Finally, we thank Mr. Danford Sango (ESRF) and Mr. Yasser Manu (ESRF) for the technical and administrative role they played in their capacity as members of THDR secretariat.

We would like to express our gratitude to the following authors of the THDR 2014 background papers:

i. Dr. Tausi Kida and Prof. Haidari Amani – authors of background paper # 1, "The status and progress of human development in Tanzania";

ii. Prof. Marc Wuyts and Dr. Blandina Kilama – authors of background paper # 2, "Economic transformation in Tanzania: vicious or virtuous circle?";

iii. Prof. Marc Wuyts and Dr. Blandina Kilama – authors of background paper # 3, "The changing economy of Tanzania: patterns of accumulation and structural change";

iv. Dr. Amarakoon Bandara, Prof. Rajeev Dehejia and Mr. Shaheen Lavie-Rouse – authors of background paper # 4, "The nexus between growth and human development";

v. Prof. Longinus Rutasitara and Dr. Jehovaness Aikaeli – authors of background paper # 5, "What growth pattern is needed to achieve the objective of Tanzania Development Vision 2025?";

vi. Dr. Razack Lokina and Prof. Anthony Leiman – authors of background paper # 6, "Managing natural resources for sustainable growth and human development in Tanzania – the case of extractive industry";

vii. Prof. Alfred Agwanda and Prof. Haidari Amani – authors of background paper # 7, "Population growth, structure and momentum in Tanzania";

viii. Prof. Phares Mujinja and Dr. Tausi Kida – authors of background paper # 8, "Implications of health sector reforms in Tanzania: policies, indicators and accessibility to health services";

ix. Prof. Suleman Sumra and Dr. Joviter Katabaro – authors of background paper # 9, "Declining quality of education in Tanzania: suggestions for arresting and reversing the trend";

x. Prof. Flora Kessy and Ms. Mashavu Omar – authors of background paper # 10, "Status and progress of human development and implications for achieving Zanzibar development vision 2025".

1. The views expressed in this report are those of the authors, and do not represent the views of UNDP, the United Nations or any of its' affiliates organizations.

THDR 2014's preparation benefited greatly from the feedback and guidance provided by members of the THDR Working Group, chaired by Dr. Servacius Likwelile – Permanent Secretary, Ministry of Finance of the United Republic of Tanzania. The THDR 2014 Working Group consisted of 35 members, who were mostly senior officials drawn from diverse professional and occupational backgrounds. More specifically, members came from the following offices: Ministry of Finance, ESRF, NBS, President's Office Planning Commission (POPC), Ministry of Health and Social Welfare (MoHSW), Ministry of Education and Vocational Training (MoEVT), Tanzania Commission of Science and Technology (COSTECH), OCGS, UDSM, Policy Research for Development (REPOA), Sokoine University of Agriculture (SUA), UONGOZI Institute, Hakielimu, UNDP, International Labour Organization (ILO), The World Bank, World Health Organization (WHO), UNICEF, Parliament of Tanzania (BUNGE), Children's Dignity Forum and HelpAge International. We would like to extend our gratitude to the members of the THDR Working Group for their unwavering support throughout the report's preparation.

The official launch of the THDR project took place in the Parliament of Tanzania on Saturday the 31St of August 2013 and was attended by more than 200 members of Parliament. The same forum was also used as a venue for consultation with parliamentarians on the theme for THDR 2014. We sincerely thank Hon. Shamsi Vuai Nahodha, the then Minister for Defence and National Service, who graced this ceremony with his presence on behalf of Hon. Mizengo Kayanza Peter Pinda, Prime Minister of the Government of Tanzania. We are grateful to the Office of the Parliament, led by Speaker Anne Makinda, for its kind support to the THDR project, and to Hon. Job Ndungai, the Deputy Speaker, for chairing the session for the launch of THDR project. Special thanks go to all members of the parliament who participated in the launch ceremony and for their contributions to strengthening the theme for THDR 2014.

Finally, we are grateful for the wisdom and guidance provided by H.E. Prof. Jakaya Mrisho Kikwete during the ESRF national conference on "Unleashing Growth Potentials: Economic Transformation for Human Development", held on the 11th of September 2014. The theme for this national conference drew its inspiration from THDR 2014, and the conference involved presentations and discussions on the ten THDR 2014 background papers. It is our sincere hope that this report will provide a broader understanding of the interplay between economic transformation and human development in Tanzania – its challenges, its opportunities and its constraints. In addition, we also hope that the report will be used as an advocacy tool to foster policy options, decisions and change in the country.

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Permanent Secretary
Ministry of Finance
Government of Tanzania

Mr. Alvaro Rodriguez
Resident Coordinator
of the UN System and UNDP Resident
Representative in Tanzania

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List of Abbreviations

ADPs	Annual Development Plans
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
BEST	Basic Education Statistics in Tanzania
BIS	Basic Industrial Strategy
BoT	Bank of Tanzania
BRN	Big Results Now
CCM	Chama Cha Mapinduzi
COSTECH	Commission of Science and Technology
CSOs	Civil Society Organizations
DALYs	Disability Adjusted Life Years
DfID	Department for International Development
DPG	Development Partners' Group
EFA	Education for All
ERB	Economic Research Bureau
ERP	Economic Recovery Programme
ESR	Education for Self-Reliance
ESRF	Economic and Social Research Foundation
EYS	Expected Years of Schooling
FDI	Foreign Direct Investment
FYDPs	Five-Year Development Plans
GAR	Gross Attendance Ratio
GDP	Gross Domestic Product
GHDR	Global Human Development Report
GNI	Gross National Income
HBS	Household Budget Survey
HDI	Human Development Index
HIPC	Highly Indebted Poor Countries
HIV	Human Immuno-deficiency Virus
ICPD	International Conference on Population and Development
ICT	Information and Communication Technology
IGC	International Growth Centre
ILFS	Integrated Labour Force Survey
ILO	International Labour Organisation
IMF	International Monetary Fund
ISS	Institute of Social Studies
LGA	Local Government Authority
LTPP	Long-Term Perspective Plan
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
MoEVT	Ministry of Education and Vocational Training
MoHSW	Ministry of Health and Social Welfare
MPI	Multidimensional Poverty Index
MYS	Mean Years of Schooling
NACP	National AIDS Control Programme
NAR	Net Attendance Ratio

NBS	National Bureau of Statistics
NER	Net Enrolment Ratio
NESP	National Economic Survival Programme
NFFA	National Food Fortification Alliance
NKRAs	National Key Results Areas
NPS	National Panel Survey
NSGRP	National Strategy for Growth and the Reduction of Poverty
OCGS	Office of Chief Government Statistician, Zanzibar
OPHI	Oxford Poverty and Human Development Initiative
PHC	Population and Housing Census
PHDR	Poverty and Human Development Report
POA	Programme of Action
POPC	President's Office – Planning Commission
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSLE	Primary School Leaving Examination
PTR	Pupil-Teacher Ratio
RGoZ	Revolutionary Government of Zanzibar
SADC	Southern African Development Community
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SEDP	Secondary Education Development Programme
SIDO	Small Industries Development Organization
SUA	Sokoine University of Agriculture
TCRA	Tanzania Communication Regulatory Authority
TDHS	Tanzania Demographic and Health Survey
TDV	Tanzania Development Vision
THDR	Tanzania Human Development Report
TIC	Tanzania Investment Centre
TRA	Tanzania Revenue Authority
UDSM	University of Dar es Salaam
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNRISD	United Nations Research Institute for Social Development
URT	United Republic of Tanzania
USD	United States Dollar
VETA	Vocational Education and Training Authority
WHO	World Health Organisation

Executive Summary

Introduction

Over the past decade, Tanzania has experienced an impressive average annual GDP growth rate of 7%. However, contrary to the widespread expectations of many, the high growth rate did not result in commensurate poverty reduction. With exception of some notable progress in a few areas such as child survival (reduction of child mortality rates) and school enrolment, improvements in the overall status of human development in Tanzania are only marginal. In fact, the country has fallen seven positions in the Global UNDP's 2014 Human Development Index ranking. Economic growth by itself has failed to expand the ability of the majority of Tanzanians to lead the kind of lives they value.

This report argues that economic growth, while welcomed and necessary, is not enough. Rather than focusing on the mere expansion of output, Tanzania needs to emphasize the importance of changing qualitative features of production that occur through the growth process. It needs an economic transformation for human development. Economic transformation refers to a structural change in the economy, characterized by lesser contribution to GDP from the agricultural sector and greater contribution from the industrial and service sectors, accompanied by a demographic transition from high birth and death rates to low birth and death rates. For economic transformation to work for human development, it is crucial that the transformation process goes hand in hand with the creation of employment opportunities, income growth, as well as social provisions. Put it differently, a meaningful economic transformation requires inclusive growth characterized by widespread poverty reduction and improvements in living standards. While ends in themselves, providing quality social services, such as healthcare, education, and water, ensures that Tanzanians are fit to participate in economic activities. With active guidance and leadership from the state and a vibrant private sector, economic transformation can increase productivity, create employment, and cater for social provisions, thus working for human development.

This summary follows the structure of the main report: Section (i) provides an analysis of the status of human development in Tanzania and introduces two demographic dynamics that are crucial for understanding economic transformation. Hereafter, section (ii) provides a detailed explanation of the concept of economic transformation and analyses the current economic transformation taking place in Tanzania. Stating the importance of economic policy for economic transformation and human development, section (iii) proceeds to summarize Tanzania's history of economic policy and transformation from independence to the present day. Section (iv) recommends steps and policies to make economic transformation work for human development in Tanzania. The conclusion summarizes the report's main findings and recommendations via seven key messages.

Status of Human Development in Tanzania

Human development is a well-known concept in Tanzania. Back in 1973, Tanzania's first president and founding father of the nation, Mwalimu Julius Kambarage Nyerere, had already endorsed an understanding surprisingly consistent with Amartya Sen's and UNDP's human development approach. Nyerere argued that economic growth is only a means to expanding the freedoms and thus the development of Tanzania's people. Or as Sen would later put it, (human) development is the process of expanding the capabilities for people to lead the kind of life they value. Nyerere agreed with Sen that at the core of this expansion of substantive freedoms lays the necessity to enhance the functioning of people in such areas as health, life expectancy, education, and income.

Unfortunately, in recent decades Tanzania did not develop in the way desired by the nation's father. Contrary to the strong desire set soon after independence to build a nation with high levels of human development, the state of human development in Tanzania to date is still low. A good indicator for this is provided by the UNDP's Human Development Index (HDI). As an aggregate of life expectancy, education, and income indices, HDI measures the level of human development in a country, ranging from 0 for low human development to 1 for high human development. With an HDI score of 0.488 Tanzania falls into the bottom quartile of countries with the lowest level of human development. Ranking at 159 out of 187 countries, the UNDP's Global Human Development Report for 2014 has therefore classified Tanzania as a low human development country. What is even more striking is that the country's position in the HDI ranking has decreased by seven positions in comparison to the previous year.

Disaggregating the HDI on a regional level reveals stark differences in levels of human development within

Tanzania. While most regions in Tanzania have HDI scores comparable to countries with low HDI scores, three regions – Arusha, Kilimanjaro, and Dar es Salaam – have HDI scores comparable to those countries with medium HDI levels.

Tanzania's low human development ranking is further confirmed by the Multidimensional Poverty Index (MPI). Similar to HDI, the MPI is a three dimensional measure of human development. MPI, however, differs from HDI in one important aspect: contrary to HDI, which measures average achievements in living standards, health, and education, MPI measures a wide range of deprivations faced by individuals and households. In recent years, MPI has emerged as a strong alternative for measuring poverty. In the Global Human Development Report (GHDR) for 2013, for example, the poverty standings of various countries are presented according to their MPI values. In GHDR 2013, in which MPI is prepared by the Oxford Poverty and Human Development Initiative, MPI features as an experimental index. In the Global Human Development Report for 2014, MPI no longer featured as an experimental index but rather as a core yardstick for measuring living standards. An important value of MPI is that it provides an alternative poverty incidence measurement – i.e. headcount.

The difference between these measures can be extreme. While MPI reports that 64% of mainland Tanzanians are poor and 31.3% live in extreme poverty, the income-based poverty headcount from the 2012 Household Budget Survey estimates poverty and extreme poverty levels at only 28.2% and 9.7%, respectively. Although far apart, both measures share two common implications: poverty levels are unacceptably high and the Millennium Development Goal of reaching a poverty level of 18% by 2015 is unattainable.

Key Components of Human Development

In order to attain a more in depth analysis of the status of human development in Tanzania, the report looks at the different components of HDI and MPI in detail. The worrisome assessment generated from the aggregate measurements presented above remains unchanged. Despite high GDP growth rates of over 6% during the last decade, the poverty rate has only marginally declined from 33.3% in 2007 to 28.2% in 2012.[2]

A clearer picture on poverty in Tanzania is manifested by the poverty profile which demonstrates low living standards amongst many households. In relation to this is a well-known fact that poverty in Tanzania is a rural phenomenon where living standards are worse off compared to those of urban households. For example, while the use of electricity for lighting has doubled from 10% in 2002 to 21% in 2012, usage in rural areas is still only at 8% (compared to 49% in urban areas). Moreover, 67% of households in Tanzania live in dwellings with floors made of earth, sand, or dung, while 63% of households have no access to piped water as the main source for drinking. Similarly, both the use of wood as cooking fuel and the lack of adequate sanitation for the vast majority of the population are concerning.

With regard to health, Tanzania has made significant progress in the last decade. Life expectancy rose from 51 years in 2002 to 61 years in 2012. Infant mortality declined from 68 deaths per 1000 live births in 2005, down to 45 in 2010. The MDG of reducing infant mortality down to 38 deaths per 1000 live births by 2015 thus seems achievable. Under-nutrition, however, remains one of the largest threats to human development in Tanzania. Caloric availability at the household level has hardly improved since 1997, and chronic malnutrition is estimated to be an underlying cause of over one third of under-five year old deaths.

The situation of education in Tanzania is mixed. On the positive side, since the early 2000s, Tanzania's education sector has witnessed impressive achievements in school enrolments at all levels. For example, 80% of primary school-age children (age 7–13) now attend school. On the negative side, however, the quality of education offered by Tanzania's education system is low. In addition, the country's education sector is characterized by increasing student dropout cases, along with a lack of competencies and reduced morale and motivation among teachers. Given the importance that a well-educated population has for economic transformation and human development, the state of education in Tanzania is indeed alarming.

Population Dynamics and Human Development in Tanzania

Finally, it is important to consider two specific demographic dynamics: population growth and urbanization. Although not aspects of human development per se, they can have tremendous implications for both human development and economic transformation. Depending on their speed, transitions in the "human lifecycle" – that is, in fertility, marriage, migration, and mortality – can create very different socio-economic and environmental opportunities and challenges.

2. According to the income-based poverty headcount of the 2012 Household Budget Survey.

At 2.7% per year, Tanzania's population growth is one of the fastest in the world. Adding 1.2 million people per annum, the country's population grows ever younger. The population's juvenescence can be both an obstacle and an opportunity for Tanzania. Provided that the quality of education and the amount of employment opportunities remain insufficient, Tanzania will witness an inflating bubble of unqualified, underemployed, and unsatisfied youth. If, however, Tanzania manages to improve its education and create employment, it can – as China has done in the last three decades – reap the so-called demographic dividend of having an eager and qualified young labour force coupled with low dependency rates.

The second defining demographic trend in Tanzania is urbanization, that is, the increase in the urban population in proportion to the region's rural population. Since independence, Tanzania experienced high urbanization rates. Currently, the proportion of the country's urban population grows at a rate of approximately 5% per year. As with population growth, urbanization can have both positive and negative implications for human development. On the one hand, uncontrolled urban growth can cause the rise of unplanned squatter settlements and overwhelm the cities' capability to provide social services. This is worsened by the common problem that urban areas fail to absorb the growing labour force. On the other hand, cities have always been engines of economic development. They are market places, trade and traffic junctions, cynosures for national and international investments, as well as centres of production and innovation. Due to higher population density in urban areas, governments can more easily deliver essential infrastructure and services at a relatively low cost per capita. Therefore, although associated with many obstacles, urbanization remains a cornerstone of economic transformation.

Economic Transformation in the Making: Going Beyond Growth

As shown in the previous section, Tanzania's impressive economic growth in the last decade has failed to translate into meaningful improvements in human development. The common assumption that economic growth would "trickle down" to all groups of society has failed to materialize. Economic growth, although necessary, does not suffice to improve living standards and reduce poverty. What is needed is a more encompassing change: an economic transformation which involves not only economic growth but also a fundamental change of the economy's structure, as well as the creation of employment opportunities and social services.

Economic transformation as a concept dates back to the era of development economics in the 1950s and 1960s. It usually refers to a structural change in the economy away from dependence on agriculture towards industry and services, accompanied by a demographic transformation from high birth and death rates to low birth and death rates. Economic transformation emphasizes the importance of the changing qualitative features of production that occur through the growth process, rather than the mere expansion of output.

Economic growth and structural change alone, however, are not enough to make the economy work for human development. As will be shown in more detail, Tanzania's economic structure has changed considerably since the beginning of liberalization in the mid-1980s – without any major impact on human development. To enhance human development an economic transformation has to comprehensively produce greater wealth that fulfils individual and collective needs by expanding human capabilities and extending human freedoms. While economic growth does increase wealth, it often fails to share wealth equally among society. The main reason for this is that the output growth experienced in industry and services in Tanzania was primarily driven by productivity growth rather than the expansion of employment opportunities. As a result, although the economy grows, too many people remain in un- and underemployment, failing to improve their lives. Increasing employment opportunities and higher wages for those in work is thus necessary for an inclusive and poverty reducing economic transformation.

As indicated above, Tanzania's economy has already gone through substantial changes: growth rates are now higher and more stable; there is less inflation and greater macroeconomic stability; expenditures on all levels have increased; due to increased domestic revenues the dependency on aid has decreased; and finally, the economy is generally more liberalized and globally integrated, with FDI and trade on the rise. Given that economic transformation is a path-dependent process, we have to analyse how it has evolved in recent years before being able to make any predictions or suggestions for the future. Therefore, the following paragraphs will describe the evolution of those characteristics identified as crucial for an inclusive economic transformation in Tanzania: structural change and employment.

The Beginnings of a Structural Transformation

Higher growth and greater global integration have been accompanied by changes in the structure of the Tanzanian economy. Although at a slow pace, changes are in line

with broad expectations of structural transformation: the share of agriculture in GDP has fallen from 29% in 2001 to 24% in 2010, and the share of industry has increased from 18% in 2001 to 22.1% in 2012. The service sector has remained the largest sector in terms of output but it shared declined marginally from 45.5% in 2001 to 43.9% in 2012.

The reasons for this shift in composition are twofold. On the one hand, the Tanzanian agricultural sector has grown at a low 4.3% in average over the last decade. This relates to the fact that agricultural productivity has been consistently low for many years. Correspondingly, the methods of agricultural production remain largely unaltered: agriculture still occurs mainly on smallholder farms that rely on family labour. Moreover, the use of technological inputs remains remarkably low compared to other countries: while Tanzania uses an average of 9kg of fertilizer per hectare, Malawi uses 27kg, and China even 279kg. Moreover, agricultural export crops were a central component of successful economic transformation in countries such as Brazil and Vietnam. In Tanzania, however, the share of gross output of cash crops in GDP fell from 6.7% in 1996 to 2.8% in 2010. Given that agriculture still provides direct livelihoods to approximately 80% of the total population, improving the productivity levels across agriculture will be critical to fostering human development.

On the other hand, the industrial sector has experienced impressive growth rates. Slowing down slightly in recent years, in 2003 and 2004 industrial growth peaked at 10.9%. While this appears to be a positive sign for economic transformation, it should be noted that industrial growth was driven primarily by the rapid expansion of mining. Starting from a very low base, the contribution of mining to GDP has risen from 1.8% in 2000 to 3.3% by 2010. While mining remains marginal in the overall structure of the economy, its importance is rising rapidly. Growing at an average of 13% across the 2000s, mining is now the biggest recipient of FDI and accounts for 40% of exports. Although mining could play a positive role in Tanzania's economic transformation, thus far it has failed to do so for four main reasons. First, formal (capital-intensive) mining only has very limited capacities to absorb labour: in 2006, only 0.5% of people listed formal employment in mining and quarrying as their primary economic activity. Moreover, mining tends to generate relatively few forward and backward linkages to other sectors. Third, it is often associated with negative forms of rent-seeking and corruption. Finally, due to tax breaks and possibly also due to under-invoicing, revenue collected from the mining sector is very low. On average from 1998 to 2011, revenues generated from mining accounted for only 2.3% of domestic revenue. Although informal mining would have a broader and more direct impact on the incomes of people, it is also associated with environmental degradation, precarious and dangerous working practices, as well as social dislocation that can negatively impact human development.

Apart from mining, the industrial sector is made up by two further sub-sectors: construction and manufacturing. Both a cause and a result of the type of growth experienced in Tanzania over the past decade, the construction sub-sector accounted for around 35% of industrial sector output across the 2000s and is one of the fastest growing sectors. Despite a substantial growth rate of around 9% in the 2000s, manufacturing recorded the weakest growth of the three industrial sub-sectors. In addition, its share within GDP remained almost constant across the 2000s at around 8%. Considering that the manufacturing sector has historically been the central sector for economic transformation, this stagnation is disappointing. While relative price changes went against the sector, the insufficient progress of manufacturing is due primarily to two reasons. First, manufacturing is too concentrated on limited types of products and their spatial distributions. Second, most of Tanzania's manufacturing involves the production of resource-based goods with relatively low value added content. Accounting for less than 5% of the total labour force, the impact of the manufacturing sector on job creation and thus human development is particularly sobering.

The service sector is both the largest and the most stably growing sector in Tanzania's economy. With an average growth of 8% between 2001 and 2012 it has increased its share of GDP stood at 43.9% in 2012. The communications and financial intermediation sectors have been especially impressive, with the former growing above 15% since 2003. These sectors, however, offer high wages and employment primarily to high-skilled labour. Thus, their direct impact on poverty reduction is limited. Nevertheless, other sub-sectors with a more direct impact on human development, such as the education or health sectors, have also been growing – although at slightly slower growth rates.

Employment and Economic Transformation

As indicated above, the direction and extent of shifts in labour across sectors during the process of structural change shapes the nature of economic transformation. If structural change pushes labour towards sectors with higher productivity and employment opportunities, then growth will be faster and more inclusive, and will play a

larger role in reducing poverty. Productivity growth in isolation will not improve living standards because labour productivity growth has a labour-saving effect leading to stagnant or falling labour demand. For productivity growth to be translated into improvements in living standards, it needs to go hand in hand with employment growth.

Given Tanzania's rapid population growth of about 1.2 million people annually, the importance of job creation rises. The size of the labour force has increased from 15.5 million people in 2001 to 24.1 million people in 2012, growing at an annual rate of 2.3%. Thus far, the demographic change forming part of economic transformation, that is, declining mortality and fertility rates, has not materialized.

More importantly, however, in spite of structural change in terms of GDP share, the sectoral distribution of employment has remained largely stationary. Still, around 80% of Tanzanians work in agriculture. Given the rapidly rising population over the period, this stagnant share of employment in agriculture reflects a large increase in real terms of those dependent on agriculture for their livelihood. In terms of non-agricultural sectors, industry has the lowest share in employment of less than 5%. Services account for around 15% of total employment. Seventy-nine per cent of employment in the service sector is informal – with an upward tendency.

Overall, in terms of employment, two negative trends can be observed in Tanzania. For one, there has been a shift in the growth rate of employment away from industry and services towards agriculture. Second, the size of both the rural and urban informal sectors has increased dramatically, growing at a rate of 105% between 2000 and 2006. Thus, counter to the expectations and necessities of successful economic transformation, labour moved from higher productivity activities towards lower productivity activities. Essentially, this explains why high growth could be paralleled by low poverty reduction: growth was concentrated in activities with high productivity but low employment generation. As a consequence, the growing population had to find refuge in poor quality agricultural and informal sector jobs.

This report argues that two main characteristics of Tanzania's economy can explain the detrimental prevalence of jobless growth. On the one hand, the expansion of formal manufacturing activities in Tanzania has not generated significant new employment. In fact, new firms established since 2005 only accounted for 11% of total industrial employment, suggesting that they were concentrated in activities that did not generate significant employment growth. As seen in many Asian countries, however, the high levels of job creation in manufacturing were the reason that rising incomes had such a powerful impact on poverty reduction. Second, the fact that food prices increased faster than non-food prices in the 2000s had a devastating impact on employment. Not only were the poor hit directly by higher living costs, but the viability of labour-intensive production outside agriculture decreased dramatically due to higher product wages.

Balancing Growth with Human Development: Changing Emphasis in Economic Policies

The analysis of Tanzania's current economic transformation has shown that without employment generation and livelihood security, economic transformation fails to improve human development. This report argues that linking the two requires more deliberate policy decisions and implementation strategies. A particularly strong potential link between economic transformation and human development could be found in better education and healthcare provisions. Not only does high quality growth require healthy and educated citizens, but universal access to education is the best way to ensure open access to jobs and through that, social mobility and economic empowerment of all people. In line with this, countries that have actively strengthened these links through social policy – such as Japan, South Korea, or Singapore – have often experienced the highest rate of economic growth joined with a dramatic improvement of human development. To link economic transformation with human development, it is thus crucial to increase public expenditures in these sectors.

Apart from investing in education and health, other government policies are central to creating conditions necessary for human development. As emphasized before, the government has to follow more deliberate policies in terms of job creation, but also in the distribution of Tanzania's resources. Moreover, it has to provide greater access to productive assets and resources such as land, credit, and appropriate infrastructure. While there have been efforts in this regard, they are insufficient. Finally, the quality of governance has to be improved, including a broader participation of citizens and civil society organizations.

Tanzania's Economic Policy in Historical Perspective since 1961

As stated above, government policy can have crucial implications for the form and success of economic

transformation within a country. To improve our understanding of the current economic transformation and how to shape it in the future, we thus have to analyse the history and evolution of economic policy and strategy in Tanzania. Three periods are central: from independence to economic crisis (1961 to 1985), economic restructuring (1986 to 2000), and the current prominence of poverty reduction (since 2000).

Tanzania's first president, Julius Kambarage Nyerere, was a central figure in defining Tanzania's post-independence economic policy. As a great proponent of "African Socialism", or "ujamaa", his government steered the country with three- and five-year plans that more or less embraced this ideology. The pillars of ujamaa included an emphasis on agriculture as the economy's backbone, the nationalization of the major means of production, education for self-reliance, basic import-substituting industrialization, and a concentration of power in a single political party. Moreover, consistent with Sen's and the UNDP's view on human development, ujamaa aimed at diversifying people's choices and freedoms to live a long and healthy life, have access to education and knowledge, and participate in their communities with dignity and self-respect.

Despite its good intentions and certain successes in human development, ujamaa experienced many obstacles and weaknesses. Given the high concentration of political power, projects often failed due to the limited participation opportunities afforded to the actual beneficiaries. Nyerere's top-down rural development strategy, especially the villagization programme, disrupted agricultural production patterns and bloated bureaucracies, which further drained resources from the sector. As a result, many people in rural areas reverted to subsistence living, abandoning productive sub-sectors such as cash crop cultivation. Concomitant with this economic devolution, both human development and trust in the state's capability decreased. The coercive deportation of excess labourers in the cities back to their rural origins in the early 80s further aggravated this situation. Education was focused primarily on preparing children for their lives in agriculture. This, however, left them unprepared for the industrial and urban life necessary for economic transformation. Moreover, nationalization scared off many potential investors, and industrialization was criticized for being too small-scaled, thus having too little of an impact on growth and employment creation. The well-intentioned but often detrimental economic policy paired with global crises and the war with Uganda left Tanzania in a poor state at the beginning of the 80s: the country faced low levels of GDP and lacked commodities, foreign exchange, as well as aid. In short, Tanzania's level of human development was in a bad condition.

Tanzania's second main period, from 1986 to 2000, was dominated by liberalization and macroeconomic stabilization. Facilitated by economic crisis and Nyerere's resignation, Tanzania's government gave in to pressure from the international financial institutions and implemented their structural adjustment programmes. Adjustments included currency devaluation, liberalization of crop marketing and trade, removal of subsidies to peasant farmers, ending fee-free service provisions, privatizing parastatals, and reducing public sector employment and wages. In short, the state was "rolled back" wherever possible. The consequences were detrimental to human development, especially for the most vulnerable groups. The minor gains in health, education, and income achieved during ujamaa were reversed. Agricultural output decreased because farmers were too poor to buy fertilizer. Due to the introduction of fees, the provision of social services central to human development, such as education and health, deteriorated. Moreover, jobs were lost with the divestiture of parastatals. Corruption increased as business people started seeking public office, and those in office started seeking business ventures. Although the economy eventually stabilized, the level of human development declined.

Like many other developing countries, economic policy of Tanzania at the turn of the century had a strong focus on poverty alleviation. In essence, this preoccupation was primarily driven by an overall focus from the entire development community through such commitments as the Millennium Development Goals (MDGs) and the debt relief initiative of Bretton Woods Institutions, under the auspices of Highly Indebted Poor Countries (HIPC). With this focus on poverty alleviation, Tanzania formulated and implemented a series of Poverty Reduction Strategy Papers, namely PRSP (2001–2003); the National Strategy for Growth and Reduction of Poverty (NSGRP), popularly known with the Kiswahili acronym of MKUKUTA (2005–2010); and the second generation of MKUKUTA, i.e. MKUKUTA II (2010–2015). While MKUKUTA had accomplished its mission of sustaining high growth in Tanzania, it had failed alleviate poverty.

In addition to the Poverty Reduction Framework articulated by the aforementioned Poverty Reduction Strategy Papers, Tanzania's Long Term Development Vision 2025 was formulated in 2000. Vision 2025 aspires that by 2025 Tanzania should become a middle-income country, characterized by peace, good governance, high quality livelihoods, a healthy, wealthy, and educated society, as well as a semi-industrialized and competitive

economy. To achieve Vision 2025, the government formulated a range of Long-Term Prospective Plans (LTTPs) and medium-term plans, in the form of Five-Year Development Plans (FYDPs). According to these plans, Tanzanian development should proceed in three stages. In the first stage (the first FYDP) from 2011 to 2016 Tanzania's major constraints were to be addressed. Concretely, these concerned the major infrastructure bottlenecks – particularly energy, ports, feeder roads, and railways – as well as constraints related to skilled labour, science, technology and innovation, information and communication technology (ICT), the general business environment, and agriculture productivity. The second FYDP, from 2016 to 2021, will focus primarily on developing the employment and revenue generating industrial sector, especially natural gas-based/fuelled industries, agro-processing industries, and medium-technology industries. Finally, the third FYDP, from 2021 to 2026, concentrates on improving competitiveness in all sectors, with an emphasis on manufacturing and services. Through export-oriented growth, the government hopes to transform Tanzania into the manufacturing hub of East Africa.

Potential Issues and Obstacles for Future Economic Policies

Planning economic policies and actually implementing them are two very different tasks. There are considerable constraints to achieving policy objectives as well as management challenges that need to be considered as Tanzania continues to implement the economic transformation process for human development.

One core challenge that many developing countries face in their development processes is to have the right balance between pursuing economic growth and pursuing quality human development. Three concrete obstacles stand in the way of balanced socio-economic transformation. First, as long as financial and other resources are both scarce and needed to facilitate progress in human development, the inclination towards growth over human development will always be tempting. It is thus important that the country's leadership is committed to putting the economy on a pro-poor growth path via deliberate and calibrated policy interventions that can be closely monitored via clear indicators and targets. Second, the improvement of human development runs the risk of being seen only as a mechanism for leveraging economic growth. As a consequence, policy interventions might focus more on tertiary education, rather than basic education or health provision, which might have a greater impact on poverty alleviation.

Apart from the general issues related to finding the right balance in economic transformation, five other constraints threaten to hinder the achievement of National Vision 2025. First, there are severe shortcomings in policy management, such as problems of policy coherence, a lack of monitoring and evaluation frameworks and systems to provide overall guidance, and poor government communication systems and strategies. Correspondingly, DFID identified a number of additional bottlenecks: a lack of operational details in plans and policies across all levels, in prioritization, in tools for monitoring delivery and performance, along with a lack of accountability. Second, these constraints are only deteriorated by the fact that Tanzania is missing a clear developmental ideology, such as ujamaa. As a consequence, policies and plans can be interpreted differently by those meant to implement or operationalize them. The third constraint is that those meant to help in implementation – the public administrators – face major constraints too. Despite numerous reforms in recent years, considerable doubts as to the professionalism and probity of the administration remain. The fourth issue is that Tanzania lacks regulatory state agencies that can handle the appendages of liberalization, such as fake or counterfeited commodities, below-standard imports, overpricing, or environmental degradation. All of these strongly affect the poor. Finally, Tanzania has failed to attain decentralization. This is an issue because decentralization is crucial to stimulating local development: it enhances flexibility in programme implementation, efficiency in government operations as it shortens decision-making cycles, and coordination at the levels to which powers have been decentralized.

To conclude this section, Tanzania has seen and implemented a large range of economic policies since its independence. On average, their impact on human development has been disappointing. Although on paper the government's plans for Tanzania's economic transformation look promising, whether it will be able to implement them despite major constraints is uncertain. The following section provides more guidance on how to make Tanzania's economy work for human development.

Making Economic Transformation Work for Human Development in Tanzania

The previous sections have focused on the status of human development in Tanzania, how economic transformation is occurring, and which economic policies have led to its occurrence. They illustrated that despite some progress, economic growth and

economic transformation have not translated into major improvements in human development. The following section focuses on how to make economic transformation work for human development in Tanzania. Based on the findings of the previous three sections, it proposes and identifies key sectors and drivers of growth needed for a successful economic transformation. In a second step it discusses how and which policies, strategies, plan and implementation frameworks can ensure that these key sectors and drivers are indeed implemented to make economic transformation work for human development.

Necessary Economic Transformation

Tanzania's economy needs more than growth in order to transform in the right direction. Rather than the mere expansion of output, importance also rests on a combination of the economy's changing qualitative features of production that occur through the growth process. Tanzania needs growth with diversity in production, one that makes its exports competitive, increases productivity in agriculture (where most people depend for their livelihoods), firms, and in government offices/operations, and uses upgraded technology throughout the economy. These factors will promote inclusive growth, which is needed to improve human development and human well-being.

Satisfying this need requires a combination of strategic interventions. As detailed in Chapter Two, creating productive employment opportunities is central to making growth more inclusive, thus reducing poverty and income inequality. Thus far, however, economic transformation has failed to create well-paid and productive employment for the majority of Tanzanians. As a result, surplus labour has taken refuge in the low productivity and low pay of the informal sector. To make economic transformation work for human development, government policies on employment must promote a productivity increase in all sectors. Policies and strategies must address supply, mainly by engineering productivity growth, particularly in key growth sectors with higher multiplier effects in creating employment. This report identifies three key sectors: manufacturing, agriculture, and tourism. Productivity growth in the manufacturing sector has not only historically been associated with creating opportunities for mass employment; it has also spilled over into other sectors via forward and backward linkages.

An intensification of agricultural productivity is crucial for two reasons. For one, agriculture provides direct livelihoods to approximately 80% of the total population; thus, intensifying agricultural production would create the most immediate impact on poverty reduction and livelihood improvement in Tanzania. Second, raising agricultural productivity would help stimulate growth, especially by supporting the industrial sector. Indeed, in most industrialization experiences the rise in agricultural productivity allowed agriculture to release labour to industry and other non-agricultural sectors, produce more food to moderate any hikes in urban industrial wages, supply raw materials for processing in industries, increase exports to pay for transformation inputs, and enhance the domestic market for industrial products. To raise productivity, however, the government has to remove barriers and actively unleash Tanzania's enormous potential. It has to facilitate access to agricultural inputs and productivity enhancing technologies, develop value chains and efficient market systems for better linkages with the manufacturing sector, and promote a more intensive use of irrigation. In Tanzania, out of 29.4 million hectares suitable for irrigation, only 0.39 million hectares are currently irrigated. Moreover, it is equally important for Tanzania to exploit its comparative advantage in agribusiness and industrial crop production. Both have huge potential for employment and income generation, and industrial crop production in particular has strong forward and backward linkages to other sectors in the economy.

Tourism is the third key sector identified by this report, for three main reasons. First, Tanzania has a comparative and competitive advantage in the sector due to the natural endowments in the form of unspoiled fauna and flora, beautiful natural sceneries, landscapes for travellers, and a supportive government that recognizes the need for private sector leadership. Second, the sector is labour intensive, which implies that its growth will benefit more people and will contribute to substantial poverty reduction in the long run. Finally, it spurts growth in other sectors due to its high demand for their outputs, such as food, industrial products, floriculture, handicrafts, and entertainment products.

Apart from raising employment creation through intensifying agriculture, developing industry, and expanding services, four further strategic interventions are central for linking economic growth with human development. One is promoting export growth. Among other things, exports provide the opportunity to expand production, exploit comparative advantages, and raise productivity and economic diversification through competition. As a result, it boosts employment, raises incomes and skills, and fuels industrialization.

As detailed in Chapter Two, the success of economic transformation depends on a process of job creation and

broad expansion of social services like education and health. These sectors are labour-intensive, thus having an enormous potential for employment creation. But they also provide the economy with the healthy and educated labour force it needs to prosper. Education and health, however, remain one of the central bottlenecks to inclusive growth. To reach satisfactory levels of service provision by 2025, more than 900,000 qualified teachers have to be employed, and employment in the health sector will have to be quadrupled. Moreover, investments in better health facilities and schools are dearly needed.

Closely related is the third intervention: promoting human capital and skills development. Given the current demographic development, Tanzania has the potential of reaping a "demographic dividend" in the next thirty to forty years. That is, its number of effective producers will surpass the amount of effective consumers. To reap this dividend, however, the government has to make sure that these effective producers can in fact produce, that is, find employment. This will only be possible if education provides the labour force with adequate skills geared towards integrating it into local and international competitive markets, and innovatively engages Tanzanians in entrepreneurship and self-employment activities.

Finally, unlocking the full potential of the identified growth sectors necessitates large investments in the transport and energy infrastructure. Expanding the transport sector has several direct impacts on inclusive economic growth: it creates employment, saves time and costs, creates accessibility to markets and competitive advantages in trade, and increases FDI. Nevertheless, there are also more indirect consequences. It allows product diversification, mass production, and economies of scale through larger market access; links sectors; increases productivity and quality due to better input availability and greater competition; generally drops the prices of commodities and services and increases their variety; and finally, facilitates the provision of social services. Similarly, energy is a critical prerequisite for successful economic transformation. It is both a critical input for all sectors of the economy, especially the most productive ones, and is crucial to improving living standards and thus human development.

Essentials for Ensuring Positive Linkage between Economic Transformations Human Development

Economic transformation for human development does not happen automatically. It needs government management and guidance in four areas. First, the government has to prudently manage the economy, that is pursue fiscal and monetary policies that are beneficial for promoting rapid growth in GDP, jobs, and exports; balance its spending on short-run consumption and long-run investment; make public procurement deliver value for money by reducing corruption; increase the efficiency of airports, seaports and border crossing through closer administration and corruption reduction; regulate only what can and should be regulated; and finally, produce timely and high-quality social and economic statistics to enable it to formulate better plans, monitor implementation, and change course where necessary.

Second, the state has to collaborate closely with the private sector. On the one hand, it should consult widely with the private sector during policy and strategy development, especially those geared towards creating a good business environment. On the other hand, the government should continue to nurture the private sector by providing supportive infrastructure and services, maintaining a regulatory environment conducive to entrepreneurial activities, and making it easier for private firms to acquire new technology and enter new economic activities and markets. Good examples for the success of strong public–private cooperation can be found in the history of the East Asian development states. In addition, it is important that the state incorporates and encourages civil society, so that it can ensure that close collaboration between officials and firms does indeed support economic transformation.

One of the biggest challenges Tanzania faces in promoting economic transformation for human development is coordination within the government to formulate and implement policies that are both coherent and realistic. This is due to two main causes. First, policies and plans are often produced by external agencies, which is why ownership and commitment of government staff is low. Second, since it is independent from the Finance Ministry, the Planning Commission seldom has much influence in ensuring that expenditures in their plans are actually reflected in the budget, making them paper exercises.

Finally, the functions critical to the state's support for economic transformation have to be performed well. Hence, the institutions in charge of these functions and the people that work in them have to be first class. The institutions include the Central Bank, the Ministry of Finance, the National Planning Commission, the Ministry of Trade and Industry, the Ministry of Land and Ministry of Agriculture, the Ministry of Education and Vocational Training/Skills Development, the National Bureau of Statistics, the Ministry of Investment Promotion, and the Tanzania Revenue Authority.

For a leader serious about promoting economic transformation, the appointments to head the core functions should be based on competence and the ability to deliver results. The same applies to directorships and deputy directorships in these ministries.

Key Messages

- *Economic growth is not enough to promote human development in Tanzania.*
  Despite high GDP growth rates in the last decade, gains in poverty alleviation have been marginal. Tanzania remains among the countries with the lowest level of human development in the world. The Tanzanian experience during the last decade has demonstrated a strong mismatch between growth and poverty reduction. In this regard, this report clearly suggests pragmatic actions to address quality of growth in a bid to reduce poverty.

- *To promote human development, Tanzania needs to transform its economy.*
  Nowadays, all countries considered to be industrialized or developed have followed very similar patterns of economic development: away from agricultural dependence towards industry and services, accompanied by a demographic transformation from high to low birth and death rates. Following this path of economic transformation is a prerequisite for Tanzania to improve its status of human development.

- *In order to work for human development, economic growth and transformation have to expand employment creation and social service provision.*
  Although at a very slow rate, Tanzania's economy has transformed during the last decade: while the GDP share of agriculture has decreased slightly, that of the industrial and services sectors has increased by some percentage points. This tentative economic transformation, however, has not translated into higher living standards for the majority of the population. The reason for this is that economic growth and transformation in Tanzania have failed to expand employment opportunities and social provisions. Only the creation of sufficient, well-paid employment opportunities can make growth more inclusive, thus reducing poverty and increasing living standards. Social provisions further ensure that the economy receives the healthy and well-educated labour force it needs.

- *Agriculture, manufacturing, and tourism are the three key growth sectors that Tanzania has to focus on.*
  For rapid and inclusive transformation, Tanzania needs to increase its economic productivity as well as its employment opportunities. Given their vast backward and forward linkages, their labour-intensity, and their immense potential to expand productivity, the agricultural, manufacturing, and tourism sectors are predestined to transform Tanzania's economy for the benefit of its people.

- *Constraints in social and transport infrastructure have to be eliminated to allow growth in the three key sectors.*
  Without a well-educated and healthy labour force, Tanzania's economy cannot grow and transform in the way necessary for human development. Similarly, a better transport infrastructure is a prerequisite for reaching the goal of intensifying productivity in agriculture, industry, and services. It provides access to new markets, allows labour-intensive mass production, links the different sectors, facilitates social services, and simply saves time and costs, among other things. It is therefore crucial for the government to increase public expenditures in these two areas.

- *To make economic transformation work for human development, Tanzania needs a committed and active leadership that pursues deliberate and calibrated economic policy.*
  Economic transformation does not translate into human development automatically. For human development to occur there is a need for deliberate policy decisions and implementation strategies that direct resources to the requisite sectors, and most importantly to the social sectors. In close consultation with the private sector and civil society, the state will have to take the lead role in this. It will have to pursue active economic and pro-poor policies that increase productivity and employment opportunities, especially in the three identified key growth sectors.

- *In order to successfully implement economic policies for human development, the state has to improve its management and coordination capacities.*
  Formulating and implementing economic policies are not simple tasks. Both require well-staffed, well-coordinated, and committed state institutions.

1.

Status and progress of human development in Tanzania

1.1 Introduction

The starting point for any meaningful development is to focus on human development. Broadly, the centre of human development is the recognition of freedom and human rights in their multidimensional nature. Human development focuses on important aspects of human wellbeing including rights to health and education, and free participation in economic, social, and political activities. Human rights, which are necessary for survival and dignified living, include the rights to life and liberty; a standard of living adequate for the health and wellbeing of the individual and his/her family, including food, water and housing; continuous improvements of living conditions; social protection in times of need; and work and favourable conditions of work. Human rights also cover those rights and freedoms necessary for human capability, dignity, creativity and intellectual and spiritual development. These include the right to education and access to information; freedom of religion, opinion, speech and expression; freedom of association; and the right to participate in the political process.

1.1.1 Human Development Approach

Human development as a concept is not new in the context of Tanzania's development policy since independence. The first President of Tanzania, Julius Kambarage Nyerere, wrote way back in 1973:

'Freedom and Development are completely linked as are chicken and eggs. Without chickens you get no eggs and without eggs you soon have no chickens. Similarly, without freedom you get no Development, and without Development you very soon lose your freedom. For the truth is that development means the development of people: roads, buildings, increase in crops output etc. are not development; they are only tools for development.'

Julius Kambarage Nyerere (1973) Freedom And Development

Nyerere's perception of human development echoes the spirit of most of the official policy stands of Tanzania in the first decade of independence, showing that Tanzania has a legacy of defining development in a manner consistent with the spirit of the human development approach currently championed by the United Nations Development Programme (UNDP). Tanzania's human development approach aims at diversifying people's choices and freedoms to live a long and healthy life, have access to education and knowledge, manage a decent life and participate in communities with dignity and self-respect. It is therefore a means for achieving various ends such as longevity of life, low morbidity, wide and effective knowledge and so on.

In 1967 Tanzania adopted the Arusha Declaration, which pronounced socialism and self-reliance to be the guiding principles of the country's social and economic development. The declaration acknowledged the primacy of people, people-centered development', and their capabilities in promoting social and economic development. The Arusha Declaration stated explicitly that development strategies, programmes and policies should focus on the improvement (through their capabilities) of the lives of the majority of people (Nyerere 1967).

To achieve the objective, the state played a major role in providing key social services such as health services, education and safe and clean water to the majority of people in both rural and urban areas. As a result of the implementation of development policies and strategies, Tanzania recorded significant achievements in social services provision.

Hence the first phase of President Julius Kambarage Nyerere's tenure (1961–1985) was mainly concerned with creating national unity, building self-esteem, self-reliance and an egalitarian society. The emphasis was on an investment drive for rapid modernization and equitable social development. While this approach was successful in achieving rapid improvements in social wellbeing, particularly education, health and water, it was not sustainable because of the lack of continued growth to support such public investments. The expansion of education, health and water services in the first few years of independence (1961–1975) saw the provision of quality services. However, since the first phase of President Nyerere presidency, there have been major changes in both policy and the performance of sectors that drive human development, including education, health and water. These changes are the focus of the discussions in this chapter.

In addition to Nyerere's approach to human

development, another internationally recognized approach was adopted by Amartya Sen, who views development as a process of expanding people's freedom, enhancing their capabilities to lead the kind of life they value. According to Sen:

'Development can be seen, it is argued here, as a process of expanding the real freedoms that people enjoy. Focusing on human freedoms contrasts with narrower views of development, such as identifying development with the growth of gross national product, or with the rise in personal income, or with social modernization. Growth of GNP or of individual income can, of course, be very important as a means to expanding the freedoms enjoyed by the members of the society… If freedom is what development advances, then there is a major argument for concentrating on that overarching objective, rather than on some particular means, or some specially chosen list of instruments.'

Amartya Sen (1999) Development as Freedom.

Evidently, through the capability approach, Sen was illustrating the need to move away from a narrow focus on the spheres of means to economic development towards spheres of ends of economic development. The capability approach, as popularized by Amartya Sen, involves valuing life, achievements, capabilities to have achievements and freedom in general. Capabilities to function include a longer life, a healthy life and education. These are the entitlements that need to be 'owned', and at critical thresholds, by a person if they are to have the abilities to function. In the totality of capabilities the measures used for assessing them include three key attributes: (1) political participation and decision-making power; (2) economic participation and decision-making power; and (3) power over economic resources. Capabilities should also be discussed along gender lines.

Hence, the human development approach defines and evaluates development mostly in terms of the expansion of substantive freedoms, expanding the capabilities for people to lead the kind of life they value, and enhancing the functioning of people in such areas as health and life expectancy as well as education/knowledge and so on. It is thus important to distinguish between the instruments for achieving development and the real/end objectives, namely the ends of development. This calls for the need to look beyond achievements in income, which is important for development, and pay more attention to the ends of development which are intrinsically valued by people. Human development, and the absence of abject poverty, manifests itself in a long and healthy life (high life expectancy), knowledge (education and skills) and a decent standard of living, including earning high incomes and purchasing power or command over economic resources. Thus, raising incomes is necessary for poverty reduction, but it is not always adequate to improve human development outcomes. These issues are further elaborated in the next chapter, which discusses, among other things, the implications of Tanzania's higher rate of economic growth for human development and the need for change in the structure of the economy.

In its broader meaning, the concept of human development recognizes poverty as a multidimensional phenomenon. It is correctly argued that individuals are usually poor not simply because they have low levels of income (below the poverty line), but also because they are deprived of other important aspects of life such as access to health services and knowledge. Mainly because of this limitation, in 1990 the UNDP launched the first Global Human Development Report (GHDR) which brought the concept of human development to the fore. This concept emphasizes the fact that people and their capabilities, and not growth alone, should be the ultimate criteria for assessing the development of a country (UNDP 1990).

The overall objective of this chapter is to critically present the status of human development in Tanzania from 2000 to 2013 using wellbeing indicators, particularly the Human Development Index (HDI) and the Multidimensional Poverty Index (MPI). In so doing, the chapter also analyses the trends of the main components of HDI and MPI, and where possible provides the status of regional variations as measured by these two composite indices. Along with the status of human development, an account of the driving forces behind HDI and MPI are discussed. The chapter intends to show that while HDI and MPI are useful measures of human development, they are by no means adequate for explaining the contradictions between economic growth and slow trends in poverty reduction and living standards improvements. Achieving quality aspects of growth and income would require policies and strategies that look into the qualitative ingredients needed to achieve qualitative growth. For example, it is not enough to look at school enrolment rates alone without ensuring the quality of education, which is necessary for raising labour productivity, and which in turn is one of the factors needed for increasing GDP growth. In this regard the chapter will argue for the need to focus on the provision of quality education, addressing vital components of the human lifecycle, namely fertility, marriage age, mortality and migration, and the implications of these for achieving human development. It will be shown that

the inter-linkages of the four components of the human lifecycle must be considered in the context of sustainable development and human wellbeing. In this way, the present chapter will provide some useful background for Chapter Two, which argues for the need for significant economic transformation involving a fundamental change in the structure of the Tanzanian economy, and its implications for human development.

1.2 Status of Human Development in Tanzania

The status of human development in Tanzania is presented below, using HDI first and then MPI. The presentation of human development status in Tanzania will be followed by a discussion on driving forces behind the current state of HDI and MPI.

1.2.1 Human Development Index [3]

HDI, which the UNDP adopted for measuring economic development, recognizes and emphasizes the multidimensional aspect of wellbeing. HDI is a summary measure of human development. It measures the average achievements in a country in accordance with three basic dimensions of human development: (1) a long and healthy life, as measured by life expectancy at birth; (2) knowledge, as measured by expected years of schooling for children and mean years of schooling among the adult population; and (3) a decent standard of living, as measured by GNI (Gross National Income) per capita in purchasing power parity terms in US dollars. The three dimensions of HDI as prescribed by UNDP are summarized in Box 1.1 below:

Since 2010 the UNDP has changed the methodology used for computing HDI; these changes have been twofold. First, component indicators for education and income dimensions have been changed. For education, Expected Years of Schooling (EYS) and Mean Years of Schooling (MYS) have replaced gross enrolment for children and adult literacy as dimensional indicators. For income, GNI has replaced Gross Domestic Product (GDP) as an indicator for the standard of living dimension. Second, HDI is now computed as a geometric rather than arithmetic mean of the three dimensional indices (health, education and income). While we recognize this change in methodology, we are constrained by the lack of time series information on MYS to assess within-country progress in human development as we focus on inter-regional variations. For this reason, the HDI computed and analysed in this report does not capture the progress in adult education as measured by MYS. This may have understated or overstated regional variations in human development. Nevertheless, the use of EYS alone has an advantage. As a flow variable, EYS captures the (age-specific) school enrolment trends consistent with national policy objectives to improve access to primary and secondary education with the aim of achieving Vision 2025 goals.

1.2.2 Multidimensional Poverty Index

As mentioned earlier, HDI only measures average achievement; it cannot specifically identify deprived individuals or households. All the dimensions in the definitions of and prospects towards understanding poverty point to it as some kind of deprivation (human-made or natural), and the starting point is the capacity of the individual or household to meet basic needs – with food at the core. Apart from food, basic needs cover clothing, shelter, basic physical and social 'security' and elementary forms of basic 'freedom' and decision-making power. What is implied from the coverage in relation to fighting poverty is via capabilities (entitlements) and the

Box 1.1:

Human Development Index (HDI)

HDI has three basic dimensions, namely:

- HEALTH: Life expectancy at birth
- KNOWLEDGE: Expected Years of Schooling (EYS) and Mean Years of Schooling (MYS)
- INCOME: Gross National Income per capita in purchasing power parity terms in US dollars

3. An extension to (in some cases seen as a variant of) the HDI is the Capability to Function (CtF) approach popularized by Amartya Sen, who was one of the key designers of the original versions of the HDI. The approach involves valuing life, achievements, capabilities to have achievements and freedom in general. Capabilities to function include a longer life, a healthy life and education. These are the entitlements that need to be 'owned', and at some critical thresholds, by a person if they are to have the abilities to function. In the totality of capabilities the measures used for assessing them include three key attributes: (1) political participation and decision-making power; (2) economic participation and decision-making power; and (3) power over economic resources. Capabilities have also been discussed along gender lines.

ability to harness them. Income forms a primary catch-all notion, and further generalization will reveal it as a reasonable 'proxy' and benchmark to endow the poor with the needed capabilities. Hence in this chapter, apart from HDI, MPI is used to measure a wide range of deprivations that individuals and households may face. It is important to use the concept of weighted deprivation particularly in trying to understand the status of people below the poverty line. It is very possible for the proportion of people below a poverty line to decline without improving their weighted deprivation (as measured by MPI). This is because the income poverty measurement does not capture dimensions of social deprivation, namely health, education and other living standard aspects beyond income, which are discussed below. MPI has three dimensions and uses ten components, as illustrated in Box 1.2 below.

development, the remaining sections of this chapter will focus on the Tanzanian experience of human development.

1.3 The State of Human Development in Tanzania Using HDI and MPI

The analysis in this section covers the status and levels of poverty in the country, not only from the income/consumption point of view but also from a human development perspective. The analysis uses HDI and MPI to present the status of wellbeing in Tanzania from a human development perspective. The poverty headcount as an income indicator for the analysis of income poverty has been used for comparative purposes.

The Human Development Index: As explained earlier, HDI is a composite statistic of indices of life expectancy, education and income. In the Global Human Development Report 2014 Tanzania was classified as a low human development country; Tanzania was ranked

Box 1.2:

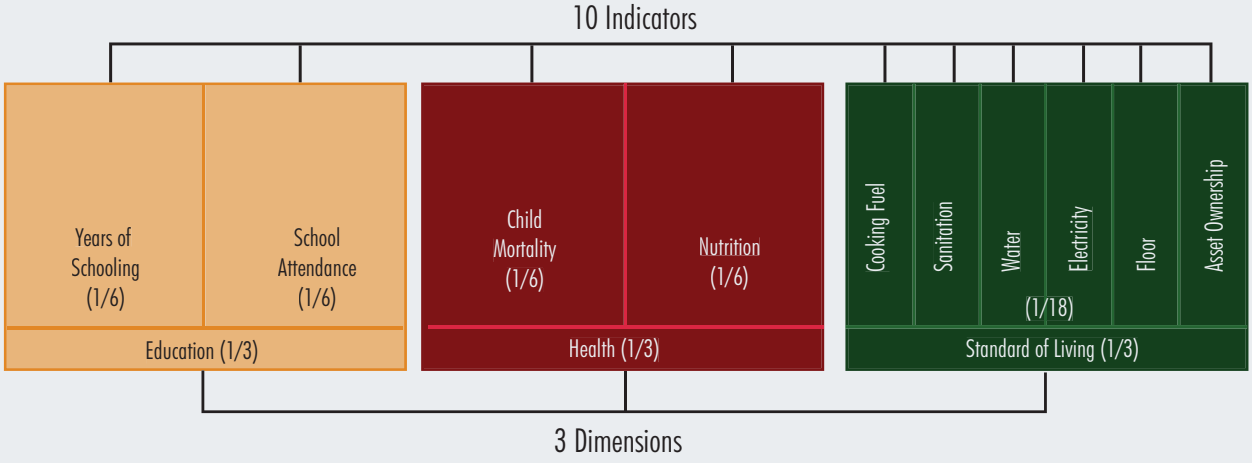
Multidimensional Poverty Index (MPI)

Multidimensional Poverty Index (MPI) is a three-dimensional assessment that represents 10 basic indicators in human development (education, health and standard of living). The 10 indicators in this measurement include:

Health: Nutrition and child mortality,

Education: Years of schooling and school attendance,

Living Standards: Type of cooking fuel, sanitation, availability of clean and safe water, access to electricity, type of floor and ownership of assets.



MPI measures the extent to which individuals are deprived in terms of these three components and subcomponents. The first exercise in computing MPI for Tanzania was done in 2011 using Demographic and Heath Survey data from 2010 via the Oxford Poverty and Human Development Initiative (OPHI). THDR 2014 has also computed MPI using the same data set (see the Statistical Annex).

Source: OPHI (2013)

The UNDP has been using both HDI and recently MPI to measure and compare progress in human development across countries and over time.

Following the discussion of the concept of human

159 out of 187 countries (UNDP 2014). It is important to note that Tanzania slid down the rankings compared to its position in the Global Human Development Report 2013, where Tanzania was ranked 152 out of the 187 (UNDP 2013).

In the annual global human development reports, the UNDP traditionally categorizes countries into four categories according to their achievements on the HDI. For example, GHDR 2014 categorized countries into the following quartiles:

i. Very high human development
   Q1: 0.955–0.805 (49 countries),
ii. High human development
   Q2: 0.796–0.712 (53 countries),
iii. Medium human development
   Q3: 0.710–0.536 (42 countries),
iv. Low human development
   Q4: 0.534–0.304 (43 countries).

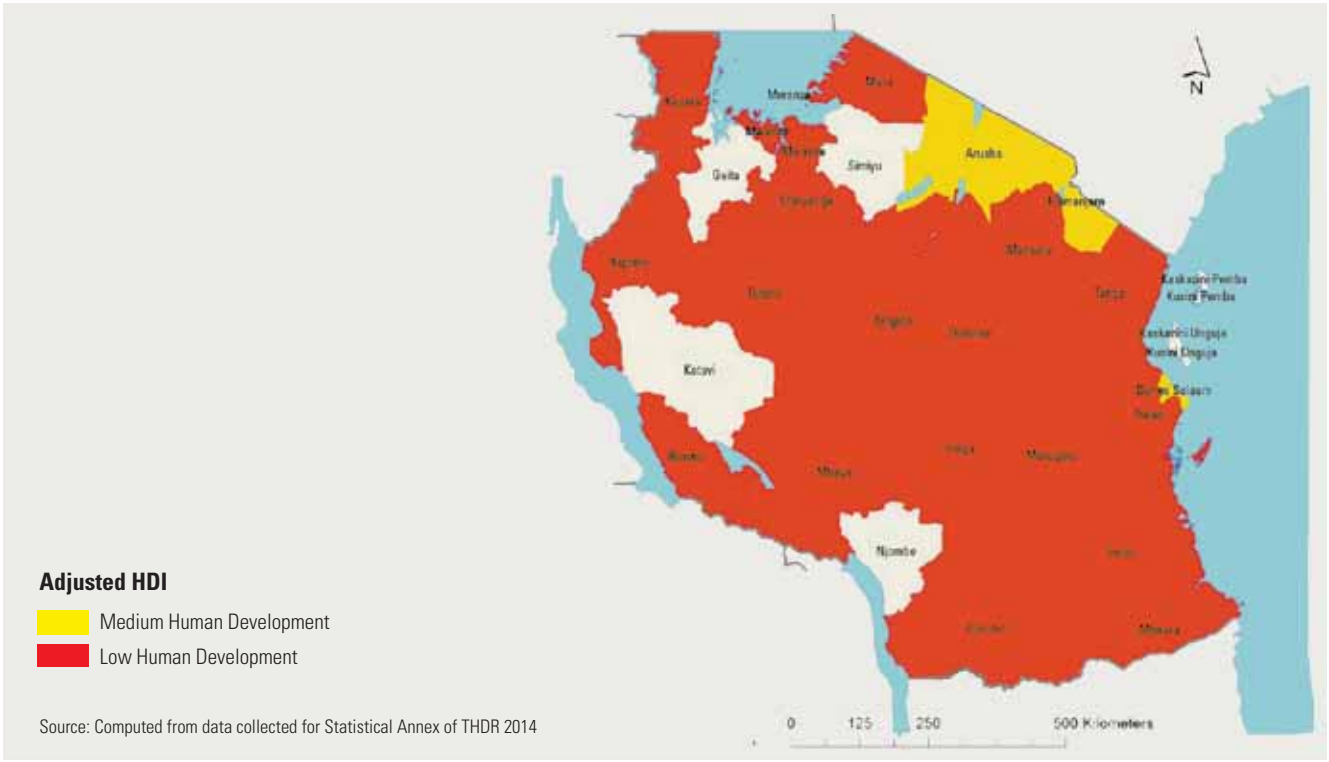
In the above categorization, in 2014 Tanzania achieved an HDI score of 0.488 and therefore fell into the group of countries with low human development. For the purposes of THDR 2014, we computed HDI for Tanzania by regions. We then adjusted the local HDI into a global context to allow comparison with the global HDI for 2014. The results of this analysis are presented in Map 1.1 below.

Map 1.1 shows that only three regions have HDI values that are comparable to countries with medium levels of human development. These regions are Arusha, Kilimanjaro and Dar es Salaam. Human development in all other regions of Tanzania correspond to standards in low HDI countries. Seen from HDI context, it is evident that the levels of human development in most parts of Tanzania are still very low.

Furthermore, for the purposes of THDR 2014, Map 1.2 presents the regional variation in human development based on the localized HDI. Map 1.2 reveals that even though Tanzania as a country is characterized by low levels of human development in general, there are some regions which are slightly better than the others; these are Arusha, Kilimanjaro, Dar es Salaam, Iringa, Ruvuma, Mbeya and Tanga. By contrast, the regions with least human development are Kigoma, Singida, Dodoma, Kagera, Tabora, Shinyanga and Pwani.

Map 1.1:

Regions of Tanzania Mainland by adjusted HDI categories

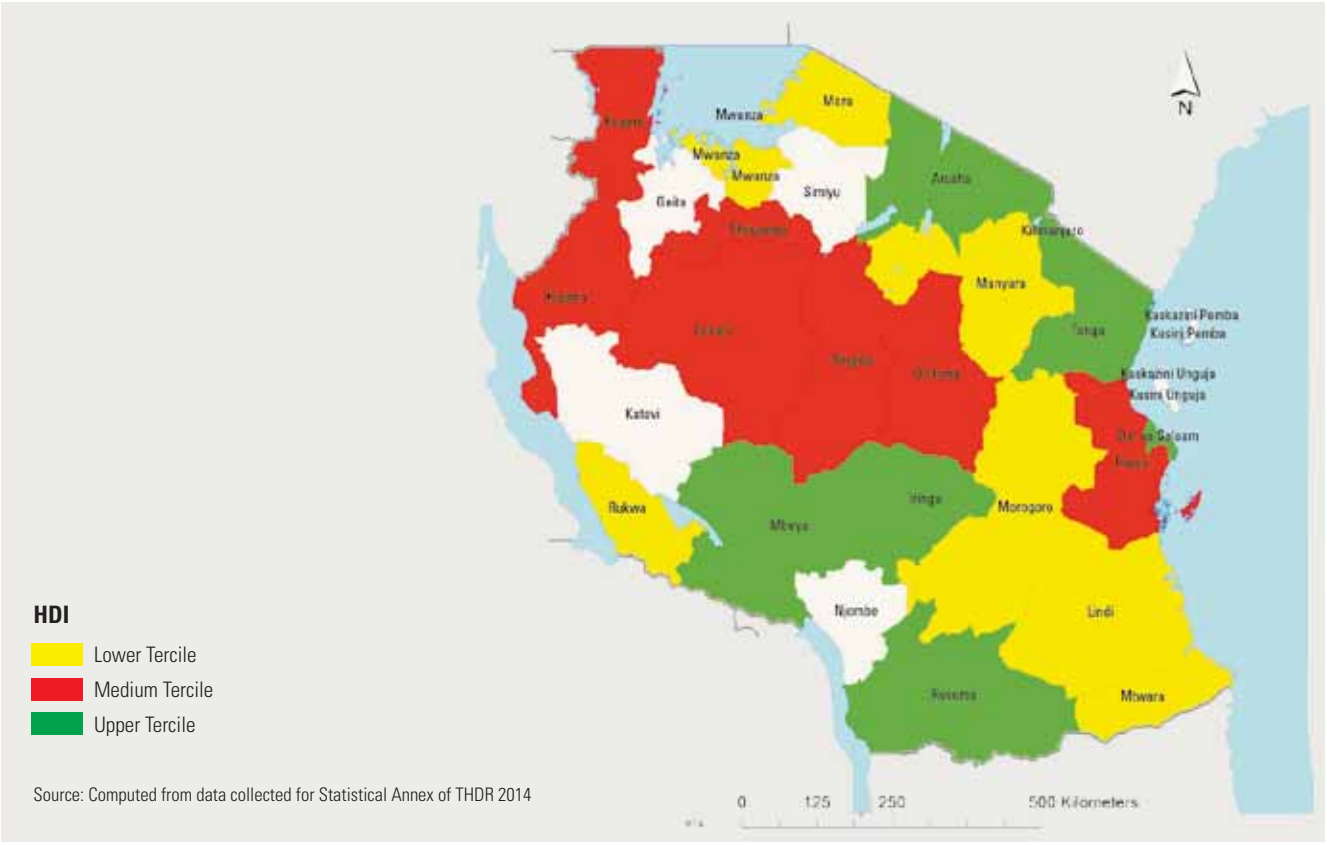


Source: Computed from data collected for Statistical Annex of THDR 2014

4 The newly established regions (Katavi, Njombe, Simiyu and Geita) are not included in the regional HDI ranking because of lack of some of the data necessary for computation of the indices. However, some estimates for these regions on the indices are provided in the Statistical Annex.

Map 1.2:

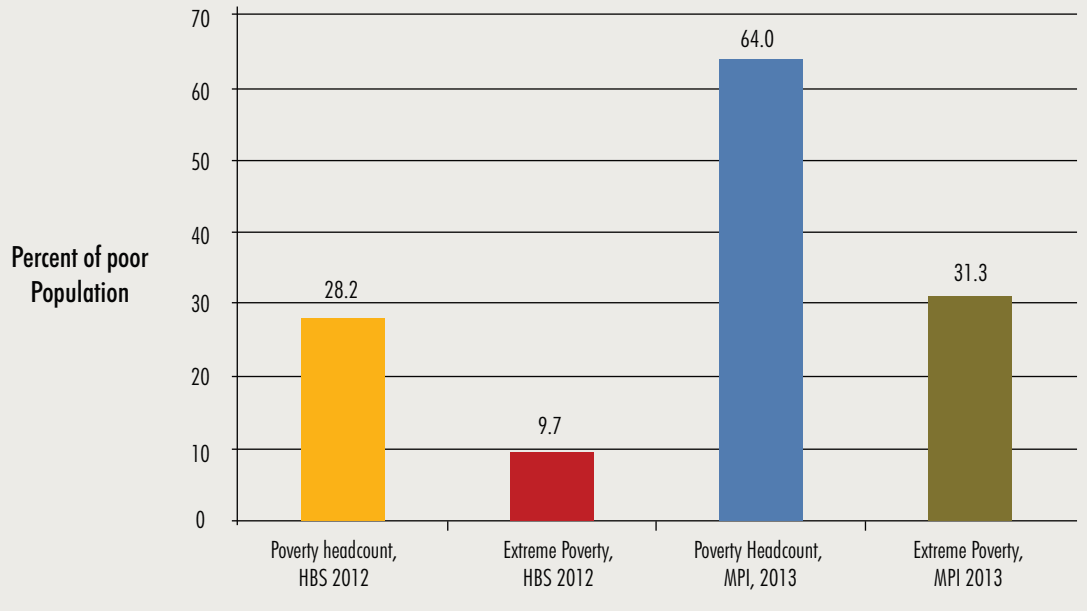
Regions of Tanzania mainland by categories of localized HDI



Source: Computed from data collected for Statistical Annex of THDR 2014

Figure 1.1:

Status of poverty by HBS and MPI, Tanzania Mainland



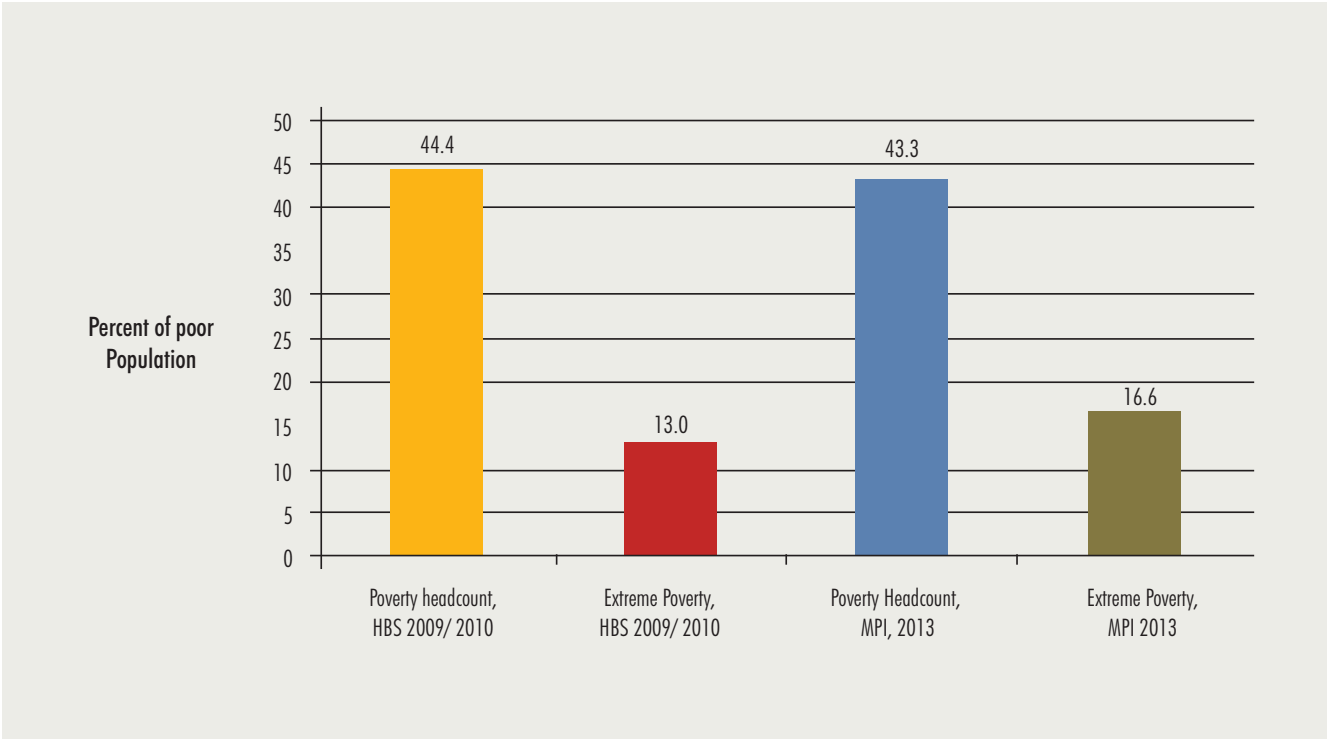
Source: THDR (2014); MPI values computed using 2010 Demographic and Health Survey Data (NBS 2011) and Household Budget Survey 2012 (NBS 2012)

The Multidimensional Poverty Index: The results of the analysis of MPI for Tanzania (Tanzania mainland and Zanzibar) are presented in Figures 1.1, 1.2 and 1.3 below. Figures 1.1 and 1.2 compare levels of poverty in Tanzania mainland and Zanzibar respectively by using two measures, namely MPI, calculated using Tanzania Demographic and Health Survey data (NBS 2011), and poverty headcount calculated from HBS 2012 data (NBS 2012). Results in Figure 1.1 reveal very different levels of poverty in Tanzania mainland using the poverty headcount and MPI indicators. Figure 1.1 shows that the incidence of poverty in Tanzania mainland according to MPI is 64%, compared to 28.2% reported by the HBS poverty headcount. The MPI indicator further reveals that the proportion of the population in extreme poverty in Tanzania is 31.3% compared to 9.7% reported by HBS data, which focuses on the income measure alone.

In the case of Zanzibar, the two measures indicate small variations. Figure 1.2 shows that the incidence of poverty according to MPI is 43.3% compared with 44.4% reported by the HBS poverty headcount. The MPI indicator further reveals that the proportion of the population in extreme poverty in Zanzibar is 16.6% compared to 13% reported by HBS data.

Figure 1.2:

Status of poverty by HBS and MPI, Zanzibar



Source: THDR (2014); MPI values computed using 2010 Demographic and Health Survey Data (NBS 2011) and Zanzibar Household Budget Survey, 2009/10 (RGoZ 2012)

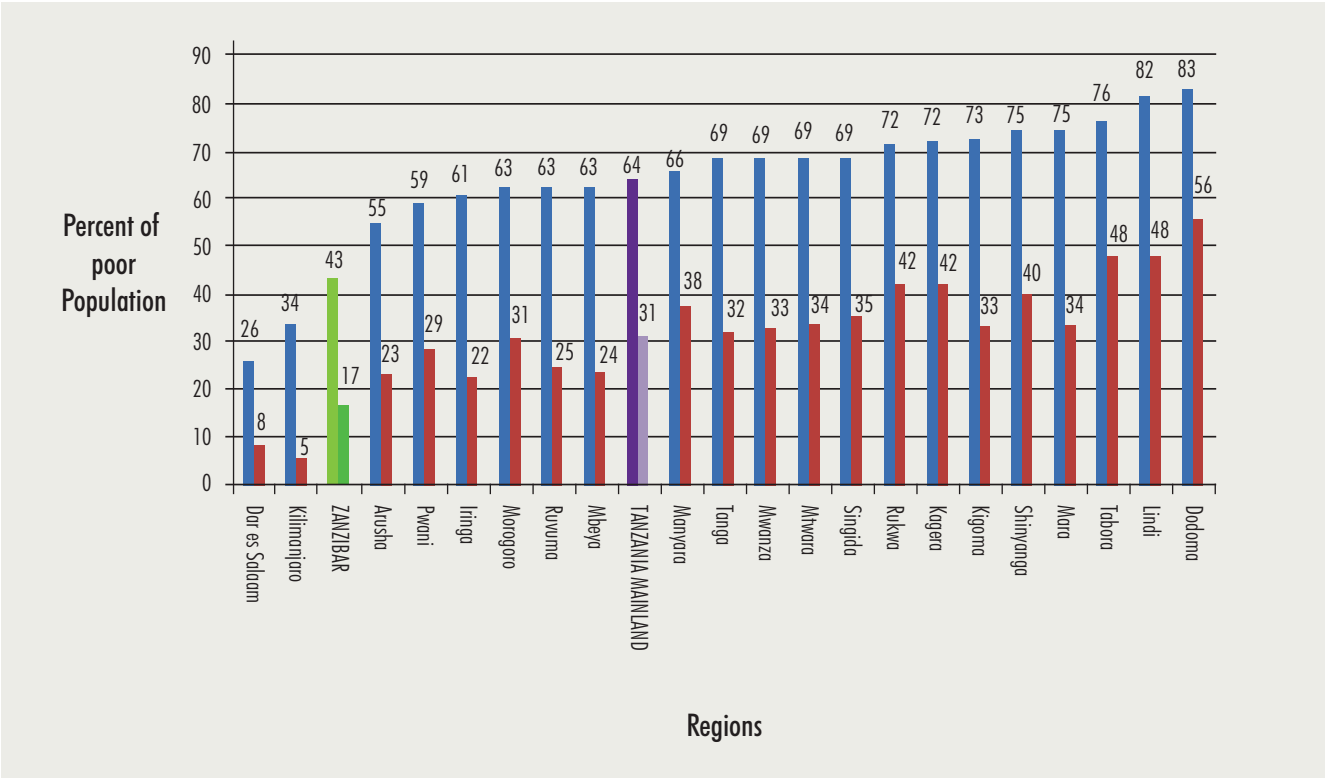
The distribution of Tanzania mainland's regions according to MPI is presented in Figure 1.3 below. The figure reveals Dar es Salaam, Kilimanjaro and Arusha as the most prosperous regions in Tanzania. The region with the highest poverty level is Dodoma. It is important to note that the results of the MPI computed for THDR 2014 (see Table 4 in the Statistical Annex) unearth a picture similar to the one portrayed by the MPI computed by the Oxford Poverty and Human Development Initiative (OPHI 2013).

It is evident from these analyses that MPI reveals more alarming poverty numbers in Tanzania than the levels reported by Household Budget Survey data. A clear message emanating from the above analysis is that the MPI shows a gloomy picture of the poverty situation in Tanzania compared to the greatest poverty headcount calculated through Household Budget Survey data. MPI calls for stronger concerted efforts at fighting poverty in the country.

The analysis in this section points to the following two messages. First, both income/consumption and development indicators clearly show that levels of poverty in Tanzania are unacceptably high. Levels of poverty over the past two decades have been declining so slowly that it will be virtually impossible for the country to achieve a poverty incidence of 18% by 2015, as envisaged by

Figure 1.3:

MPI in Tanzania by regions



Source: THDR (2014); MPI values computed using Demographic and Health Survey data 2010 (NBS 2011)

the Millennium Development Goals (MDGs). Second, measures of wellbeing which incorporate aspects of human capabilities and deprivation, namely HDI and MPI, reveal a much more gloomy picture of poverty in Tanzania compared to income measures. These findings reiterate the fact that Tanzania is still characterized by low levels of human development and rampant poverty. It can be concluded that Tanzania needs to strengthen efforts at fighting poverty.

1.4 The Driving Forces behind the Current State of HDI and MPI in Tanzania: Discussion of the Key Components

Here the key analysis focuses on the dimensions of HDI and MPI indices,[5] namely a long and healthy life (as represented by life expectancy at birth); education/ knowledge and skills as represented by expected years of schooling and combined primary, secondary and tertiary net enrolment ratio; income in terms of GDP per capita (at national and regional levels); and non-income living standard measures as represented by housing conditions, drinking water, sanitation facilities, cooking fuel and ownership of assets. Where data is available the analysis also covers regional performance.

1.4.1 Income and Human Development

According to the 2014 Global Human Development Report, Tanzania's GDP per capita income (constant 2011 PPP$) in 2012 was $1,654 compared to the global average of $13,599 (UNDP 2014). In this regard, Tanzania has a way to go to improve its human development status, particularly on the income dimension. National income is an important parameter for analysing poverty status, wellbeing and overall development. The parameter is usually estimated through GDP,[6] which is the summed value added by all domestic producers in the economy. It represents the monetary value of all goods and services produced within an economy by economic activity during a specified period, usually a year, before the provision for consumption of fixed capital. It is a common practice

5 Apart from overall measures of HDI and MPI performance, we will refer to the Statistical Annex for information on the individual driving forces behind regional variation.

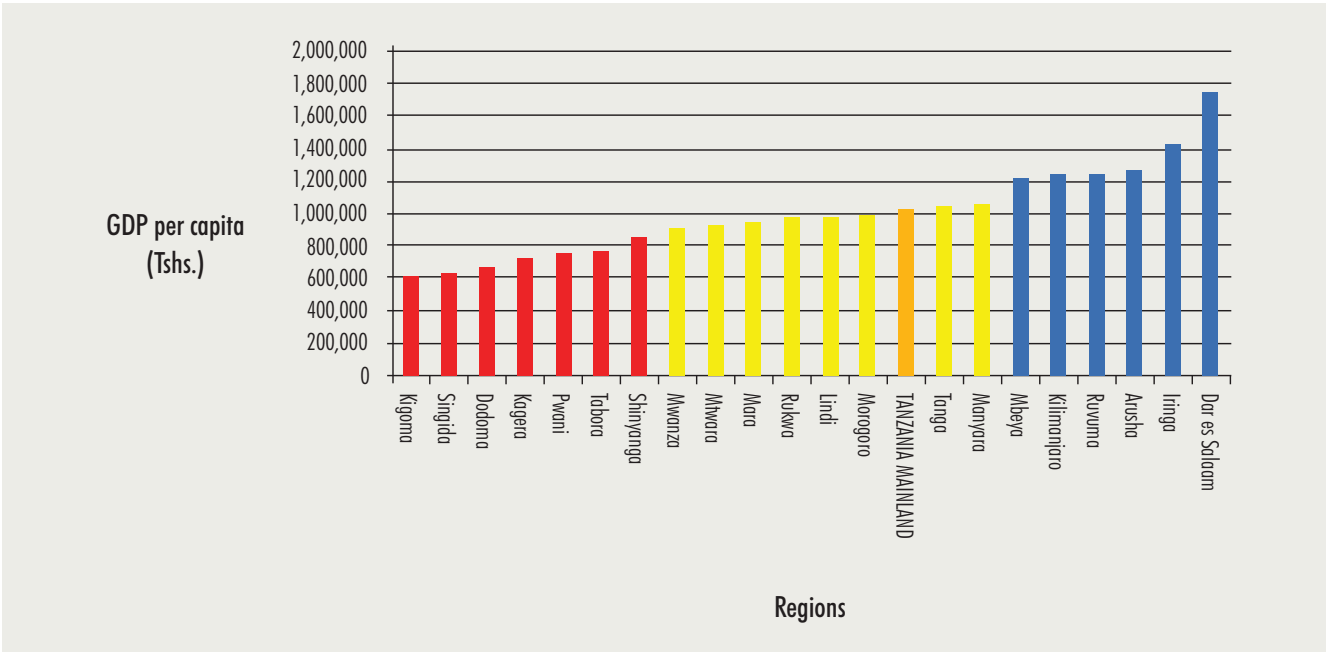
6 The GDP per capita measure has now been replaced by Gross National Income (GNI) per capita.

to express GDP on a per capita basis. GDP per capita is obtained by dividing GDP by the total population in a given year. It shows how much of the country's total income each person would get if it was divided equally. However, as mentioned earlier, an increase in per capita income does not always translate into social development or poverty reduction.

In the Tanzanian economy, GDP per capita at current market prices shows an increasing trend in the last decade, ranging from Tshs. 276,741 in 2001 to Tshs. 1,025,038 in 2012. However, there is a significant disparity in GDP per capita among the regions of Tanzania, as illustrated by Figure 1.4 below. The figure shows that Dar es Salaam is the richest region in Tanzania with GDP per capita of more than Tshs. 1,600,000, whereas Kigoma is the poorest region with GDP per capita of barely Tshs. 600,000 in 2012. Apart from Dar es Salaam, the other five wealthiest regions are also indicated – these are Iringa, Arusha, Ruvuma, Kilimanjaro and Mbeya. The regions with the lowest levels of GDP per capita include

Figure 1.4:

Regional GDP per capita, 2012



Source: National Accounts of Tanzania for 2001–2012, October 2013 (NBS 2013)

Key: Red represents regions with low GDP per capita, < Tshs. 900,000

Yellow represent regions with medium GDP per capita, Tshs. 900,001–1,200,000

Blue represent regions with high GDP per capita, > Tshs. 1,200,000

Singida, Dodoma, Kagera, Pwani, Tabora and Shinyanga (URT 2013).

Comparative analysis of regional per capita income and human development reveal a strong correlation between the two. For example, both Figure 1.4 and Map1.2 clearly show that the regions with the highest GDP per capita are also the ones with the highest HDI scores. This correlation demonstrates the importance of income growth in up-scaling levels of human development. This is particularly relevant for Tanzania, which is characterized by low levels of both HDI and national income. Tanzania's GNI per capita in 2013 was $1,702 (constant 2011 PPP$), compared to $2,126 which is the average for the least developed countries and $13,723 which is the average for the world (UNDP 2014).

Apart from income, poverty incidence is another yardstick for the analysis and descriptions of poverty and wellbeing among Tanzanians. Estimates of the incidence of poverty rely heavily on income and expenditure data collected through living standards measurement surveys. Official poverty estimates for Tanzania mainland comes from periodic Household Budget Surveys, the two latest of which, namely HBS 2007 (NBS 2009) and HBS 2012 (NBS 2012), provide information on poverty estimates. Table 1.1 below presents statistics for income poverty for Tanzania mainland. The results show that 28.2%

Table 1.1:

Incidence of poverty in Tanzania Mainland

Basic needs				
Year	Dar es Salaam	Other urban areas	Rural areas	Tanzania mainland
2007	16.2	24.1	37.4	33.3
2012*	4.1	21.7	33.3	28.2
Food				
2007	6.7	12.9	18.4	16.5
2012*	1	8.7	11.3	9.7

Source: Household Budget Surveys 2007 (NBS 2009) and 2012 (NBS 2012)
Note: A different approach was used to estimate the poverty rate in 2012, and therefore the results may not be comparable to those of previous Household Budget Surveys.

of Tanzanians are poor, and 9.7% are extremely poor. However, it is important to note that the country has been recording slow progress in poverty reduction since the beginning of the last decade. For example, results show that the poverty rate marginally declined from 33.3% to 28.2% over a period of five years from 2007 to 2012. This small decline has been taking place despite a sound macroeconomic outlook, characterized by high GDP growth rates averaging 7% over the past ten years. One of the reasons that may explain this dismal performance in terms of poverty reduction in the face of the impressive growth rates is that growth in the agricultural sector, which supports the majority of the poor, has been quite low, and other areas such as industry and the service sector have not been able to generate employment for the growing labour force. The growth rate in the agricultural sector has been about 4.2% instead of 6%, as envisioned in the country's policy frameworks. Based on this trend, it is unlikely that the country will achieve its target of halving poverty by 2015. This issue regarding the structure of the economy is discussed further in the next chapter.

The status of poverty in Zanzibar is depicted in Table 1.2 below. The results show that poverty is still pervasive in Zanzibar. The basic needs poverty rate declined from 49% in 2005 to 44.4% in 2010, while food poverty declined only marginally from 13.2% in 2005 to 13% in 2010.[7]

Table 1.2:

Incidence of poverty in Zanzibar

Year	**2005**	**2010**
Basic needs poverty	49.0	44.4
Food poverty	13.2	13.0

Source: RGoZ (2006), RGoZ (2012)

1.4.2 Life Expectancy

Health is one of the dimensions of HDI; in this context, measured by life expectancy, health focuses on how long a newborn infant would survive if the existing age-specific mortality pattern in society remains unchanged throughout the infant's life. Life expectancy summarizes the mortality situation that prevails across all age groups, from children to youth, adults and the elderly. Life expectancy has been increasing over time. According to Population and Housing Census (PHC) results for 2012, life expectancy increased from 42 years in 1967 to 51 years in 2002, and to 61 years in 2012. The statistics further show that female life expectancy at birth in 2012 is higher (63 years) than that of males (60 years). The sluggish increase in life expectancy during the late 1980s and early 1990s, when life expectancy remained almost constant at 51 years, was due to the HIV/AIDS epidemic. Life expectancy increased steadily between 2005 and

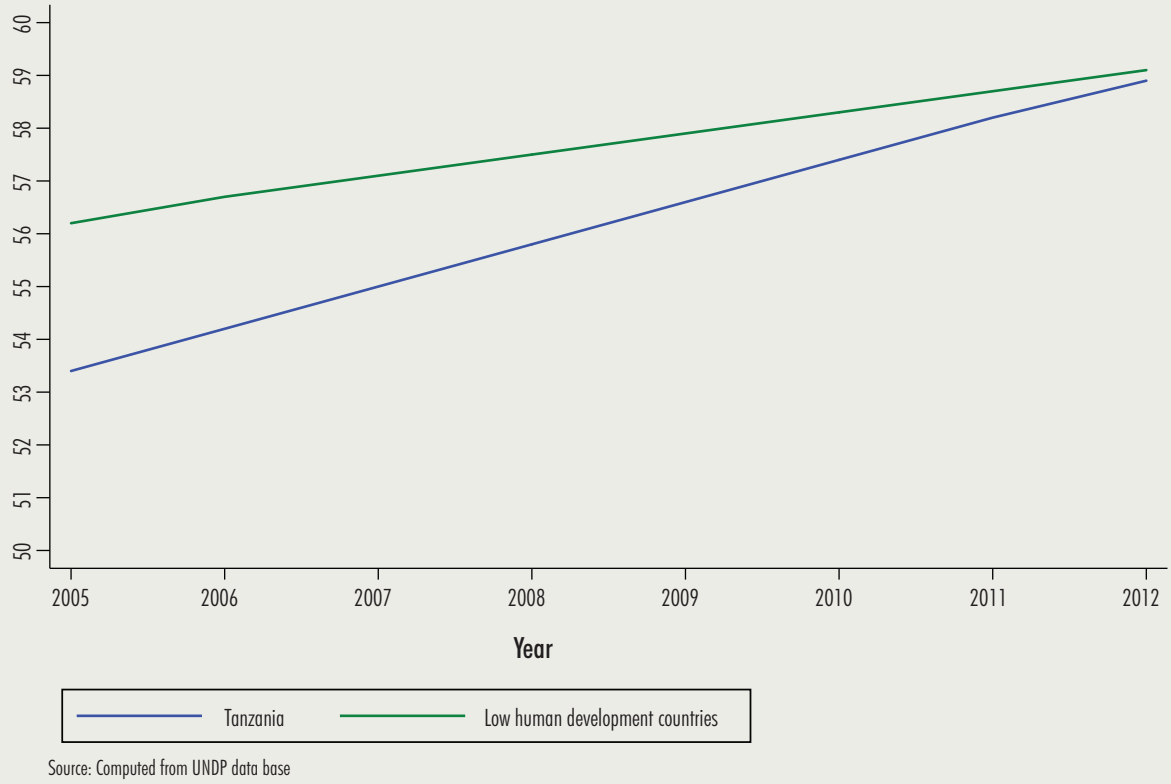
7 This represents the percentage of the population that has difficulties in attaining basic needs of food, shelter and clothing. The same measure of poverty is used in Tanzania mainland, but different poverty lines have been used. While the basic needs poverty line in Zanzibar was set at Tshs. 41,027 per capita using 2009/10 Household Budget Survey data, the basic needs poverty line for Tanzania mainland was set at Tshs. 13,998.

8 The GHDR for 2014 reported that the life expectancy at birth in Tanzania was 61.5 years in 2013, well below the global average of 70.2 years (UNDP 2014).

2012, from 53.4 years in 2005 to 61 year[8] in 2012 (NBS 2014). In Zanzibar, life expectancy has continuously increased, from 56.7 years in 2003 to 60.7 years in 2013.

Figure 1. 5:

Life expectancy



Source: Computed from UNDP data base

The increase in life expectancy during this period can be partly attributed to the control of the spread and the improved treatment of HIV/AIDS.

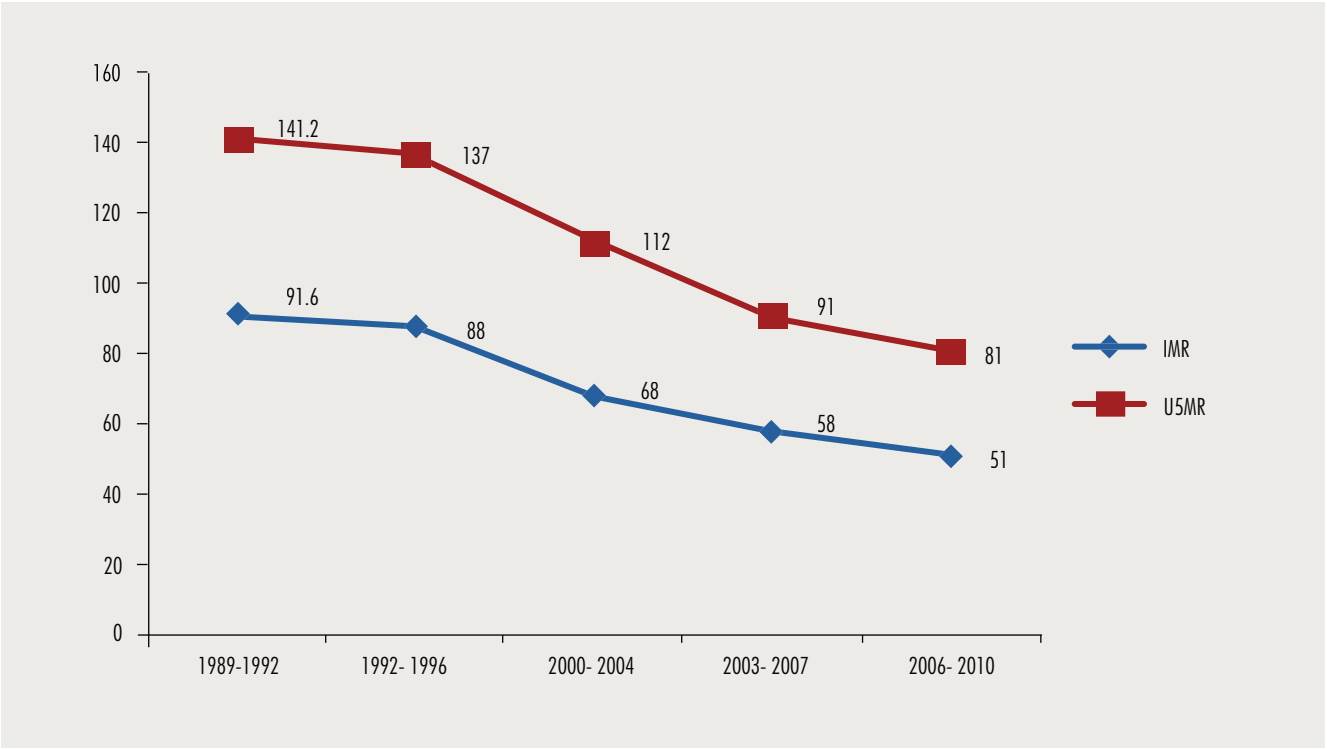
Mortality during childhood (ages 0 to 5) is one of the key indicator of a country's socio-economic well-being and is a useful indicator for assessing progress in overall human development. In recent years Tanzania has made progress in bridging the gap in childhood mortality between the poor and the wealthiest groups, and between urban and rural areas. However, differentials in infant mortality by level of education and region of residence still persist. Furthermore, although there has been significant progress towards improving child and infant mortality in the country, there are important secular trends that have occurred across different groups. Infant mortality continues to be lower in the northern regions of Arusha and Kilimanjaro but high in the southern and western parts of the country. It is important to note that regions with the lowest childhood mortality rates also have the lowest fertility levels, indicating that it is important to bring down the levels of childhood mortality before rapid fertility decline occurs (NBS 2011).

Trends in indicators of childhood and infant mortality are presented in Figure 1.6 below. According to PHC 2012 results, infant mortality was 45 per 1000 live births, down from 81 in 2010 (NBS 2014). The target of reducing this indicator from 68 deaths per 1000 live births in 2005 to 38 deaths per 1000 live births by 2015 is probably achievable. In the case of Zanzibar, child mortality declined from 42 deaths per 1000 children in 2004 to 29 in 2010. Infant mortality declined from 61 deaths per 1000 live births in 2004 to 54 in 2010.

In terms of child mortality, available information shows that impressive gains in child survival have been made. However, indications are that the MDG target of reducing child mortality from 112 to 54 deaths per 1000 children by 2015 will not be met, since by 2010 the under-five mortality rate was still 81 deaths per 1000 children (NBS 2011).

Figure 1.6:

Trends in childhood and infant mortality from surveys



Source: NBS (2011)

HIV and AIDS contributed to lowering life expectancy, especially in the early 1990s. Since the first case of HIV was diagnosed in 1983, HIV/AIDs has claimed a lot of lives, and HIV/AIDS has greatly contributed to the Disability Adjusted Life Years (DALYs) lost due to premature deaths. The situation would have been worse had Tanzania not taken measures to develop key strategies and multi-sectoral strategic plans through the National AIDS Control Programme (NACP, later TACAIDS) to control and later treat HIV/AIDS in the country. Furthermore, malaria, like HIV and AIDS, has also greatly contributed to both child and adult mortality (MoHSW 2013), thereby affecting life expectancy among Tanzanians. The most recent data for malaria indicators in Tanzania show marked improvements in nearly all malaria indicators when compared with the 1996 and 2004 figures (NBS 2011).

Nutrition is equally important to analyse, as it has a direct relationship with the outcome of MPI. It is acknowledged that under-nutrition is one of the most serious threats to economic growth in Tanzania. For adults, malnutrition reduces work/labour productivity and earnings potential[9] and results in huge economic losses to the Tanzanian economy. Most of these losses are within the agricultural sector (almost Tshs. 400 billion), where physical stature and body strength are critical for productivity. For example, a recently conducted cost benefit analysis indicated that vitamin and mineral deficiencies cost the Tanzanian government Tshs. 650 billion in lost revenue each year, which is equivalent to 2.65% of GDP (NFFA 2009). In children, malnutrition often leads to increased child mortality, and for those who survive, it diminishes their ability to grow, learn and earn a decent income as adults, and reduces their ability to contribute to the economy.

According to the TDHS 2010, approximately 35% of children under five are chronically malnourished.[10] There are many gaps in the provision of basic nutrition services across Tanzania. Malnutrition is estimated to be an underlying cause of over one third of deaths among those under five years of age. Almost four out of every ten children aged 0 to 59 months are chronically undernourished, and about one out of every five children is underweight. The high rates of chronic under-nutrition among children are driven by poverty and food insecurity, but also by poor infant and young child caring

9 DPG Nutrition (2010). Investing in Nutrition for National Growth and Prosperity in Tanzania. Development Partners Group on Nutrition, Dar es Salaam, Tanzania.

10 35% refers to the old WHO growth standards for child stunting. Using the new WHO growth standards, the rate of chronic under-nutrition in Tanzania is actually 42%.

and feeding practices at the household level. Recent trends suggest that while per capita agriculture GDP expanded rapidly during the period between 1998 and 2007, caloric availability at the household level hardly improved. The low food availability and utilization at household level can be explained in part by the limited access to basic nutrition information and services to help educate caregivers about the types of foods that are most nutritious to eat, and also about good infant and young child feeding practices. In the case of Zanzibar, information on the percentages of stunted children, wasting children and those with low weight for age show mixed trends. For stunted children the proportion increased from 23.1% in 2004 to 30.2% in 2010. For wasting children the proportion increased from 6.1% in 2004 to 12% in 2010.

1.4.3 Education/ Knowledge and Skills

Education[11] is one of the major inputs into human development in terms of building human capability. In Tanzania, national educational indicators such as school enrolment reveal largely positive trends, particularly at the primary and secondary levels, although the quality of education and gender gaps, especially at the higher levels, remain a major concern. In this respect two important ratios are important, namely expected years of schooling, and a combined primary, secondary and tertiary net enrolment ratio. However, the analysis here will go beyond these to also discuss the quality of education and its implications for human development.

Tanzania had a vision for education that guided education policies and practices in the years following independence. The vision and policies changed over time to meet the changing situation in the country. However, in this report we confine our analysis to the post-2000 period; below is an account of the status of knowledge/ education and capabilities.

Expected Years of Schooling: This is an indicator of the education component of HDI. Overall, the expected years of schooling statistic in Tanzania is 9.2 years, compared to the global average of 12.2 years (UNDP 2014). EYS performance for Tanzania is constrained by the fact that school enrolment beyond primary level remains a challenge. Regarding school attendance,[12] two rates are used to assess this statistic, namely Net Attendance Ratio (NAR) and Gross Attendance Ratio (GAR). NAR for primary schools is the percentage of the primary school-age (7-to-13-year-old) population that attends primary school, whereas NAR for secondary school is the percentage of the secondary school-age (14-to-19-year-old) population that attends secondary school. By definition NAR cannot exceed 100%. For primary schools GAR measures the total number of primary school students, of any age, expressed as a percentage of the official primary school-age population. If there are significant numbers of over-age and under-age students at a given level of schooling, GAR can exceed 100%.

About 80% of primary school-age children in Tanzania attend school. Females aged 7 to 13 (81%) are slightly more likely than males (78%) to attend primary school. There is a sizeable urban-rural difference in NAR: about 88% of children in urban areas attend primary school, compared with 78% in rural areas. School-age children from the wealthiest households are also more likely to attend primary school (90%) than children from the least wealthy households (68%).

A substantial proportion of primary school pupils fall outside the official age range for primary schooling. Whereas the primary school NAR is 80%, GAR is 99%, implying that for every 80 pupils aged 7 to 13, there are 19 primary school pupils who are either younger than age 7 or older than age 13. GAR for males (100%) slightly exceeds that for females (98%), producing a Gender Parity Index (GPI)[13] of 0.98.

Regional differences across Tanzania mainland in both NAR and GAR are substantial. The primary school NAR ranges from 91% in Kilimanjaro and Ruvuma to 66% in Tabora. For primary school, the highest GAR of 110% is found in Pwani and Iringa, and the lowest (85%) is in Tabora and Dodoma (for more details on regional variation, see Table 7 in the Statistical Annex). NAR and GAR scores are relatively low at the secondary school level. Only one in four secondary school-age adolescents actually attend secondary school, and one in three youths of any age attend secondary school. Whereas there is a small difference between NAR for secondary school-age females and males (25% and 26% respectively), the

11 Education here refers to all levels from primary to higher, including tertiary and vocational training, that contribute to the formation of human capital.

12 TDHS data are based on school attendance and not enrolment. Persons are considered to be currently attending school if they attend formal academic school at any point during the school year.

13 GPI measures the sex-related differences in school attendance rates and is calculated by dividing GAR for females by GAR for males. A GPI of 1 indicates parity, less than 1 indicates a gender disparity in favour of males and greater than 1 indicates a gender disparity in favour of females – i.e. a higher proportion of females than males attend that level of education.

secondary school GPI is 0.85, indicating that a higher proportion of males than females attend secondary school (GAR of 34% for males and 29% for females). Secondary school-age youth in urban areas, however, are much more likely (44%) than their counterparts in rural areas (19%) to attend secondary school. The most striking difference in the secondary school NAR is across wealth quintiles. The secondary school NAR in the wealthiest households is 49%, which is more than five times the rate of the poorest households (9%).

At primary school level, education performance during the period from 2000 to 2013 showed high dropout and failure rates in the primary school leavers' exam results; this happened in a high share of the population, who had not acquired the necessary skills and knowledge to be able to engage gainfully in a modern economy. According to the results of PHC 2012, the net enrolment ratio in primary schools (7 to 13 years) is 76.8% (78% for females and 75% for males), much less than the equivalent figures in 2005. Nevertheless, the country is on track to meet the target of 100% net enrolment by 2015. Retention of girls is slightly better than for boys (NBS 2014). In Zanzibar the net enrolment rate increased from 76.6% in 2004 to 81.4% in 2009. Gender-based performance increased from 75.6% in 2004 to 80.5% in 2009 for males, and from 77.6% in 2004 to 82.2% in 2009 for females (MoEVT 2008–2012/13).

Overall, about 90% of children aged 15 to 19 complete standard one in Tanzania mainland annually. The attainment ratio changes over time as a result of dropouts. The ratio for Standard four is 75%, while only about 50% complete standard seven. Only 40% of the children from the poor income group (and an almost equal proportion of the middle class) complete standard seven, compared to 75% of the rich. There are also interesting differences in educational attainment patterns based on the wealth status of various groups. For example, there are striking differences in the attainment of children from the richest 20% compared to the poorest 40% (URT 2011a; Sumra and Katabaro 2014).

There are gender differences in educational attainment. Whereas the attainment ratio for standard one is about 95% for males and 85% for females, by standard four the ratio is lower, measured at 80% for both genders. For subsequent grades the attainment ratio falls further, but it is higher for females (55%) compared to males (45%).

During the same period, transition from primary Standard VII to secondary school dropped from 56.7% in 2007 to about 50% in 2009. This may be associated with the declining trend in the percentage of pupils passing the Primary School Leaving Examination (PSLE), from 70.5% in 2006 to 49.4% in 2009 (URT/BEST 2001–2013). In Zanzibar the transition rates from Form II to Form III increased from 53.9% in 2008 to 58.2% in 2010, but declined to 56.9% in 2012 (MoEVT 2008–2012/13).[14] Transition rates indicate that secondary school enrolment is near gender parity at entry (URT/BEST 2001–2013).

There are also enormous educational attainment differences between various groups based on location. Educational attainment seems to be higher for urban children compared to rural children. The attainments for urban and rural areas are about 95% and 85% for standard one, 90% and 80% for standard four and 70% and 55% for standard seven respectively. Again, girls seem to be performing better than boys up to standard seven in both urban and rural groups, although their dropout ratio rises sharply after standard seven (URT/BEST 2001–2013). Below is a brief detailed account of primary and secondary education performance since 2000. The account covers failure rates, survival rates and passing levels.

Failure Rates*:* Since the middle of the previous decade, the failure rate among Standard VII primary and Form IV secondary graduates who sat for their respective leaving examinations has been growing, from an average of less than 50% to close to an average of 80% in the last couple of years. In the 2012 Form IV results, for example, 60% of those who sat for the exams obtained zero division; another 20% obtained division IV. This means that 80% of Form IV leavers failed (since division IV is also categorized as failure). What this implies is that with the high population growth rate continuing to increase, with the growing number of children requiring education, and with investment in education to accommodate the increasing number of children but without improving the quality of education, Tanzania will continue to produce many young people who will receive little or no education; this will affect the quality of the country's labour force (Sumra and Katabaro 2014; URT/BEST 2001–2013).

In Zanzibar, pass rates for both the Form IV and Form VI examinations show average performance. The majority of Form IV candidates between 2008 and 2012 obtained a division IV passing grade. This means that students proceeding to a higher level of education do not have the requisite capacity to withstand the rigour of advanced studies. The results for Form VI show a slightly better performance as the majority of candidates obtained a division III passing grade; nevertheless, even this performance is not good enough for tertiary training (MoEVT 2013).

Completion ratio and survival rate to Standard VII: Although much focus is put on assessing achievement in education based on gross enrolment, educational attainment is a bigger and more fundamental problem. This assessment is critical because the effect of education on growth is most commonly assessed in terms of attainment rather than enrolment. Here we assess completion ratios and survival rates to Standard VII. One of the Education for All (EFA) goals is for children to complete the full cycle of primary education; however, many children are unable to do so. This is reflected in school dropouts, net completion ratios and survival rates to Standard VII.

Analysis by Sumra and Katabaro (2014) shows that the net completion ratio in 2009/2010 was 53.0% (54.3% for girls and 51.7% for boys). The corresponding figures for 2010/2011 were 62.3%, with 65.2% for girls and 60.0% for boys. The difference between the completion rates for boys and girls increased in 2011. The highest victims of dropouts are girls. Early pregnancies and marriage at a young age continue to contribute significantly to school dropout among girls in both rural and urban areas. Even though the completion ratio seems to be increasing, albeit marginally, the ratio is still high, implying that even as enrolment increases, the completion ratio is not increasing in response; many young people will only receive incomplete primary education. Survival rates demonstrate the number of children out of 100 enrolled in Standard two complete Standard VII, although these children did not necessarily finish schooling in seven years. In 2009/2010 the survival rate was 69.3–72.1% for girls and 66.6% for boys. The corresponding figures for 2010/2011 were 66.4–68.8% for girls and 64.9% for boys. This implies that more girls than boys complete their primary education after seven years of schooling. The information above portrays a worrying trend. In 2009/10, only 69 children out of 100 who enrolled in Standard I in a particular year completed Standard VII, meaning that 31 dropped out along the way. In 2010/2011 the situation was even worse; of every 100 children who enrolled in Standard I, 34 did not complete Standard VII.

Quality of primary school education: Primary education dropouts, failure rates and completion rates are still high and affect the quality of education. The decline in the quality of education has negative implications for Tanzania's human development and reduces the contribution of human capital to growth. Despite the government's efforts to strengthen human resources and increase access to formal education, the contribution of human capital to growth declined from 0.3% during the 1960s to 0.1% during the 1980s, and there is no evidence that there have been significant changes since then. The current low levels of learning and falling standards of education in Tanzania are partly a result of poor teacher competencies and poor teaching motivation. These problems are compounded by poor teacher management, deployment, training and monitoring. In order to overcome these problems the government developed a comprehensive strategy, the Teacher Development and Management Strategy 2008–2013 (URT 2008), which recommended a holistic approach for addressing problems related to teachers.

The quality of education is directly related to the quality of teaching and learning. The role of teachers in improving the quality of education is crucial. Given this importance, it is vital to improve the professional competencies of teachers and to raise their morale by improving their living conditions, so that the quality of basic education does not decline. There are many factors that determine the quality of teaching, including teacher qualifications and experiences, their level of motivation and working conditions. There are several issues that need to be considered. First is the available number of teachers for both primary and secondary education:

- The Pupil-Teacher Ratio (PTR) in primary schools has improved from 1:52 in 2006 to 1:44 in 2013, slightly less than the recommended PTR of 1:45 (URT 2009).

- Also in secondary schools, the Student-Teacher Ratio (STR) is less than the recommended ratio of 1:30. However, these overall statistics mask variations by regions and by schools. Table 7, presented in the Statistical Annex, shows the PTR in primary schools by regions.

- In the case of Zanzibar there is no information on the pupil-teacher ratio in primary schools. However, information on class-pupil ratio shows that this figure has been declining, from 68.5% in 2008 to 58% in 2012. This declining trend in the class pupil ratio notwithstanding, the ratio is still high, and it therefore affects the quality of education since teachers are unable to provide adequate instruction and supervision to large numbers of pupils.

Secondary and higher education: Although progress has been made in expanding primary school enrolment, Tanzania mainland's secondary school enrolment ratios are the lowest in Africa, which explains the marginal

role that education appears to play in economic growth in Tanzania. Two decades of efforts have not made a significant difference in the education levels of the adult population. According to PHC 2012, the highest level of education attained after primary school is quite low: only 14%, 0.8% and 2.3% of all adults had attained secondary, training after secondary, and university/other levels of education respectively (NBS 2014). In Dar es Salaam, for example, the proportion of people with university education dropped from 2.9% in 2000/01 to 2.6% in 2007. The proportion of adults with no education has remained stagnant at around 28% during the same period. Post-primary education has clearly not been able to keep pace with the expansion of the population, and even less with the demands of a modern economy (Sumra and Katabaro 2014).

Generally, the educational attainments of children in Tanzania are poor and have been deteriorating during the last decade. The deterioration has occurred mainly because of two major problems with education in Tanzania. First is the rapid deterioration in enrolment rates in primary school; entry rates were relatively high (nearly 90%), but survival rates at the end of the cycle were low (54%). The problem was more acute for children from poorer and female-headed households. The second major concern was Tanzania's very low enrolment rate in secondary and tertiary education, compared with other countries with a similar level of income; a major reason was and still is the affordability of education, since the cost of secondary and tertiary education is high relative to income levels in Tanzania. The very low student-teacher ratio, high overheads (e.g. because of boarding and related subsidies, which are disproportionately enjoyed by the better-off) and low utilization of facilities combine to raise unit costs.

1.4.4 Living Standards

According to MPI, the components of living standards include clean and safe water, type of cooking fuel, sanitation, access to electricity, housing conditions as represented by type of house floor and ownership of assets. As the analysis below conveys, living standards in Tanzania are poor. The situation is worse in rural Tanzania, mainly because the agricultural sector, which is the main source of income, has been growing at around 4.2%. Overall there is a mismatch between Tanzania's economic growth of above 7% over the last decade and the living conditions of its people; this disconnect is explained by the fact that high economic growth did not lead to a significant reduction in poverty in either rural or urban areas.

Housing conditions: Housing conditions vary greatly based on residence. According to PHC 2012 results, about 65% of all mainland private households use iron sheets as their main roofing materials, compared with 46% in 2002. In terms of floor materials, the percentage of dwellings floored with non-earth materials such as cement, ceramic tiles, polished wood and terrazzo increased from 26% in 2002 to 39% in 2012 (NBS 2014). The use of electricity for lighting doubled between 2002 and 2012, according to the PHC 2012 results. The proportion of Tanzanians using electricity for lighting has increased from about 10% in 2002 to 21% in 2012. About 49% of urban households reported using electricity as the main source of energy for lighting, compared with 8% of rural households. According to TDHS 2010, about 45% of mainland urban households have electricity, compared to 12% of mainland rural households and 35% of households in Zanzibar (NBS 2011).

House floors: About 67% of households in Tanzania live in dwellings with floors made of earth, sand or dung. The next most common type of flooring material is cement, accounting for 30% of households. Most urban households (71%) in Tanzania mainland have floors made of cement, while in rural areas the main flooring materials are earth, sand and dung (84%) (NBS 2011). In the case of Zanzibar, 35.1% of households live in dwellings with floors made of earth, 64.6% of households live in dwellings with cement or tiled floors and 0.3% of households have floors made of other materials (RGoZ 2012).

Drinking water: Increasing access to improved drinking water is one of the MDGs that Tanzania, along with other nations worldwide, has adopted (United Nations General Assembly 2002). The source of drinking water is important because waterborne diseases, including diarrhoea and dysentery, are prevalent in Tanzania. Sources of water that are expected to be relatively free of these diseases are piped water, protected wells and protected springs. PHC 2012 shows that 37% of private households in Tanzania have access to piped water as their main source of drinking water. The percentage of urban households using piped water (59%) is significantly higher than in rural areas (26%). The percentage of private households using piped water in Zanzibar (73%) is more than twice that of Tanzania mainland. The HBS also shows that about 84% of the households are within a kilometre to the source of drinking water during the rainy season, and 71% in the dry season. HBS 2007 did not distinguish between the two seasons, and thus the

indicator cannot be compared directly (NBS 2009; NBS 2011).

Household sanitation facilities: Ensuring adequate sanitation facilities is another MDG that Tanzania shares with other countries. A household is classified as having an improved toilet if the toilet is used only by members of one household and not shared, and if the facility used by the household separates the waste from human contact. According to TDHS 2010, 13% of households in Tanzania mainland use improved toilet facilities that are not shared with other households. In mainland urban areas, 22% of households have improved toilet facilities compared to 9% in rural areas (NBS 2011). PHC 2012 results show that 76% of private households in Tanzania use the pit latrine type of toilet facilities. About 77% of households in Tanzania mainland and 43% of households in Zanzibar use pit latrine toilet facilities. However, 8% of households in Tanzania do not have toilet facilities, with 19% in Zanzibar and 8% in Tanzania mainland. The most common type of non-improved toilet facility is an open pit latrine or one with slabs, used by 71% of households in rural areas and 50% of households in urban areas (NBS 2014).

Cooking fuel: Cooking and heating with solid fuel can lead to high levels of indoor smoke, a complex mix of health-damaging pollutants that could increase the risk of contracting diseases. Solid fuels are defined as charcoal, firewood, straw, shrubs and grass. According to PHC 2012 results, 94% of the mainland households use solid fuel for cooking, with firewood being the major source of solid fuel, used by 69% of households. In Zanzibar, 92% of households use solid fuels for cooking with firewood being the major source of solid fuel, used by 64% of households. There are large differentials in cooking fuel between urban and rural areas on the mainland. While 92% of households in rural areas use firewood for cooking, the main source of cooking fuel in urban areas is charcoal, which is used by 62% of urban households.

Assets: The availability of durable consumer goods is a robust indicator of a household's socioeconomic status. Moreover, particular goods have specific benefits. Having access to a radio or television, for example, exposes household members to innovative ideas; a refrigerator prolongs the wholesomeness of foods; and a means of transportation allows greater access to many services away from the local area. According to PHC 2012, about 62% of mainland Tanzanian households own a radio, compared to 70% in Zanzibar. Regarding mobile phones, 63% of households on the mainland own them, compared to 80% in Zanzibar. According to the Tanzania Communications Regulatory Authority's (TCRA) website, mobile phone ownership makes a significant contribution to total telephone ownership in the country; about 99% of all phone subscription are mobile phones, while the remaining 1% are fixed landlines. Furthermore, according to the Bank of Tanzania, more than 60% of the adult population in Tanzania has access to mobile phones (BOT 2012). In the last four years the use of mobile phones has led to a rapid expansion in the uptake of mobile money, from 1.1% in 2009 to 49.9% of adult Tanzanians in 2013 (FinScope 2009 and 2013), thereby contributing to enhancing financial inclusion even among rural people. On the mainland, 15% of households have a television compared to 35% of households in Zanzibar. Forty per cent of mainland households own a bicycle, compared to 50% of households in Zanzibar. In terms of ownership of houses, 75% of households on the mainland and the same percentage in Zanzibar own their homes. About 71% of households on the mainland and 43% in Zanzibar own farmland.

1.5 Population Dynamics and Human Development in Tanzania

A key objective of the Tanzania Development Vision (TDV) is enhancement of the wellbeing of the population of Tanzania. This objective is achieved through sustainable development, which is a broader and more comprehensive concept of development. Economic development, social development and environmental protection[15] are the key components or pillars of sustainable development. Sustainability implies meeting the needs of the present population in a way that does not jeopardize the needs of the future population. While wellbeing has traditionally been reflected in the levels of income and access to basic needs, such as food, housing, healthcare, education and employment, its broader meaning implies meeting the population's basic human rights. This includes the right to participate in the development process itself. These concerns have been included in both the International Conference on Population and Development (ICPD) Programme of Action (PoA) (UNFPA 2004) and the MDGs (United Nations 2012). The HDI-MPI framework of analysing human development lacks these key areas of sustainable development that are important for structural change.

15 See elaboration in 'Sustainable Development Policy and Guide for the EEA Financial Mechanism and the Norwegian Financial Mechanism'. Adopted: 07 April 2006. Available at http://www.eeagrants.org/asset/341/1/341_1.pdf (accessed 21/12/2012).

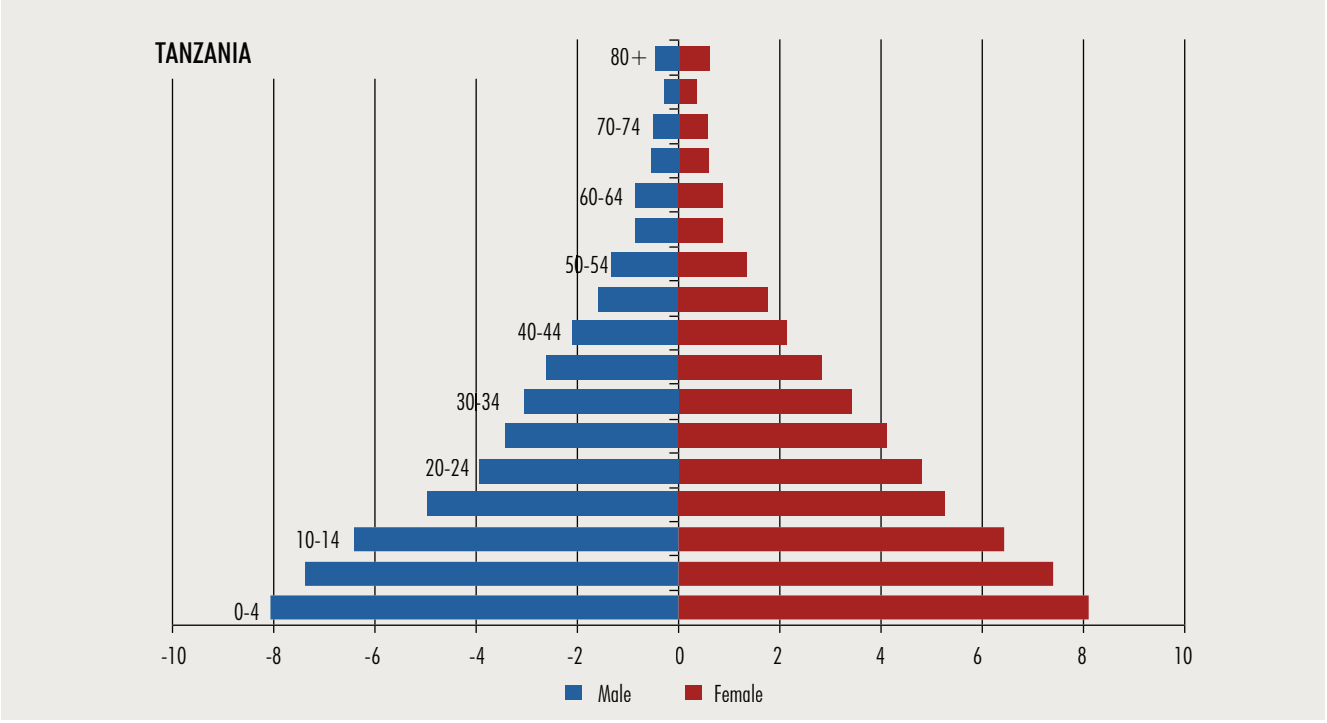
Thus, despite various debates[16] on the linkages between population and human development, the relationships between population dynamics and human development are recognized as vital for the analysis of human development. The Royal Society's (2012) review of these debates indicates that economic development and demographic change are interlinked. In the process of demographic transition, different challenges and opportunities do exist. Bloom and Canning (2001) noted the need to assess the economic consequences of a growing population. Furthermore, according to UNFPA (2012) the changing age distribution of the population is equally important because each age group in a population behaves differently, with distinct economic consequences. Therefore, population size, growth, age-sex structure and the location (rural-urban) of the population all have various effects that are relevant for public policies and decisions (UNFPA 2010). To analyse the impact of population dynamics on human development in the context of sustainable development and human wellbeing, we address four components of the human lifecycle, namely fertility, marriage (age at first marriage), migration and mortality.

These four sources of population change are the cornerstones to understanding the complex relationship between economic transformation and demographic transition. The speed at which the demographic transition takes place is important because different speeds create different socio-economic and environmental opportunities and challenges; similarly, the type of economic transformation and the speed of transformation have a bearing on population dynamics, particularly fertility, age structure and mortality. Hence the four components of human lifecycle have a critical impact on the country's development prospects, and specifically on prospects for raising the living standards of the poor. Investments in better health, including reproductive health, are central for individual security but also for reducing mortality and morbidity, which in turn improve a country's productivity and development prospects.

Population dynamics play an important role in the process of economic transformation, not only in terms of the rate of population growth, but also its age and sex distribution. The growth rate of the population of Tanzania mainland is at 2.7% per annum (NBS 2013); the higher the rate of growth of the population, the younger the population structure, as is shown in the

Figure 1.7:

Population pyramid for Tanzania Mainland



Source: NBS 2013 Population and Housing Census (authors' own graph) (NBS 2014)

16 See elaboration in 'Sustainable Development Policy and Guide for the EEA Financial Mechanism and the Norwegian Financial Mechanism'. Adopted: 07 April 2006. Available at http://www.eeagrants.org/asset/341/1/341_1.pdf (accessed 21/12/2012).

case of Tanzania in Figure1.7. This national average population growth rate ranks as one of the fastest in the world, and translates to a net total of about 1.2 million people added to the population annually (Wuyts and Kilama 2014).

The implication of this population structure is, of course, that it makes the challenge of absorbing the growth of the labour force particularly acute. Population growth fuels the growth of the labour force, which requires a rapid growth in productive employment. In Tanzania at present, approximately 700,000 potential workers join the labour force each year (URT/POPC (2012).

The population **growth momentum** implied by these dynamics will most certainly result in high dependency rates compounded by high youth unemployment. On the other hand, Tanzania's macroeconomic picture over the last decade portrays a fairly stable economic growth rate fluctuating between 6% and 8% (7.1% in 2013). These economic growth rates are modest when examined on per capita terms, owing to the rapid population growth. Fertility in Tanzania is still high; the average woman will give birth to 5.4 children in her lifetime. Trend data indicate a remarkable decline in fertility between 1991 and 2000, followed by a stall in the decline between 2000 and 2004 and then a marginal decline to about 5.2 between 2005 and 2012. The reasons for the marginal decline are the unchanging fertility rate among women in the 20-to-24 and 25-to-29 age groups; the slow uptake of contraception among lower socioeconomic strata; and persistent high fertility in the western parts of the country, coupled with the desire for large families in the same regions and an unchanging unmet need for contraception. The continued high fertility rate is a key source of population growth, and past and current high population growth rates have resulted in a youth bulge.[17]

Tanzania began to experience a bulge in its youth population in the 1980s. The youth bulge can produce a 'demographic dividend'[18] (Mason et al. 2003; Mason 2005; Gribble, 2012) which arises when a country is dominated by a working age population, resulting in a low dependency ratio (Mason et al. 2003; Mason 2005). The reduced population pressure enables a country to increase savings and investments towards improved economic growth; this will happen only if the country improves the quality of labour by investing in education and modernizing agriculture and other sectors of the economy (Gribble 2012). However, large youthful populations have been observed to have certain other consequences if not harnessed. First, youth populations are just at the beginning of childbearing and are mainly responsible for population momentum. The fertility decisions that young people make will determine future birth rates. Moreover, the young age structure of the population has severe ramifications for the delivery of (social) services, controlling environmental degradation, infrastructure development, and ultimately economic growth and poverty reduction efforts. With the present growth rate and age structure, working Tanzanians will have to support a growing population of youth and young people who currently make up more than one half of the entire population. It is estimated that the proportion of this demographic group will continue to rise, driven by persistently high levels of fertility and reduced mortality.

Another area of concern is youth unemployment. This is already a crisis in Tanzania mainland, that is unmatched by most other nations in the world. In 2012 Tanzania was home to more unemployed 15-to-24-year-olds per capita than in 109 other countries. A survey by the non-governmental organization Restless Development found that out of more than 1,000 young people across Tanzania, only 14% reported working in a formal, wage-earning job (Global Post 2013). The low level of youths who find jobs in the formal sector is mainly a result of the low employment content of the growth programme in all sectors of the economy, but also due to low levels of educational attainment. For Zanzibar it is estimated that 7% of the working age population are unemployed; this figure might not take into account those that are currently under-employed. In addition, this overall figure masks the large number of unemployed youth aged 15 to 24, currently forming 20% of the youth population. This is partly an issue of the employment content of the growth programme; it would be useful to look at the sectoral employment content of the growth strategy and youth employability. According to a study by Restless Development the stock of well qualified people in Tanzania is low, despite large investments made since independence. *Tanzanian education provides general knowledge but not skills that are necessary for employment* (Global Post 2013).

As shown in the above sections, education performance at all levels is generally poor, illiteracy rates are high, and the level of human skills is low. If the current poor performance at all levels of education persists and Tanzania fails to contain its high population growth rate,

17 The 'youth bulge' resulted from a transition from high to low fertility about 15 years earlier (Westley and Choe 2002). It consists of large numbers of adolescents and young adults who were born when fertility was high, followed by declining numbers of children born after fertility had declined.

18 This is sometimes referred to as demographic bonus or demographic window of opportunity (Mason et al. 2003; Mason 2005).

the country will be faced with a youthful labour force of poor quality. The quality of the labour force is one of the key factors of socio-economic development in any society, because it contributes to increasing labour productivity.

The desired goal is to address the imbalance of population size and growth over the growth of other development resources in order to reap a 'demographic dividend'. However, the right mix of policies must be in place to fully and positively exploit the demographic window of opportunity (as experienced in East Asia). Thus, adequate investments in education and health (maternal and child health, family planning) as well as an expansion of the modern employment sector can/will position Tanzania to reap huge dividends from changing demographic configurations. The changing demographic dynamics would require a change in the structure of the economy such that productivity increases create employment opportunities for the growing labour force.

Whereas international migration contributes little to population change in Tanzania (Agwanda and Amani 2014) internal migration significantly influences variations in population growth rates and urbanization because of rural-urban migration. The perceived or actual lack of employment opportunities in rural areas is the main cause for rural-urban migration. Low productivity and output and the shortage of basic needs and modern amenities in rural areas have forced young people to migrate to urban areas in the hope of meeting their expectations, but the majority of them end up frustrated when they fail to realize them.

Urbanization[19] is a key demographic process now, and it will remain so in the coming decades. There are five sources of urban population growth, namely rural-to-urban migration, an increase in the number of urban centres over space and time, natural urban increase, the expansion of urban boundaries or reclassification of urban centres, and daily commuters. Daily commuters are barely captured in population censuses, but they increase the daytime population of urban areas.

On the mainland, urbanization increased from 5.7% in 1967 to 29.1% in 2012. In the case of Zanzibar, the urban population increased from 28.6% in 1967 to 46.3% in 2012. A rapid growth rate occurred in the period between 1967 and 1978, with much of the growth being contributed by the urban growth rate in Tanzania mainland. This growth rate has subsided to about 5% in the recent decade, with Zanzibar having a slightly lower growth rate. One consequence of the high rate of urban population growth due to rural to urban migration is the rise of unplanned settlements (squatters/slums), characterized by pressure on available basic services including housing and secure tenure, safe and reliable water supply, sanitation, access roads, drainage and waste collection management.

It is important to note that migration is not just a question of total numbers and rates; what also matters is that the sex and age composition of migrants is generally not the same as that of the population out of which they migrate. The pattern of outmigration from rural areas, therefore, will alter the sex ratios and the age structures of both urban and rural areas. Figure 1.8 shows the impact

Figure 1.8:

Rural versus urban population pyramids (Tanzania Mainland)

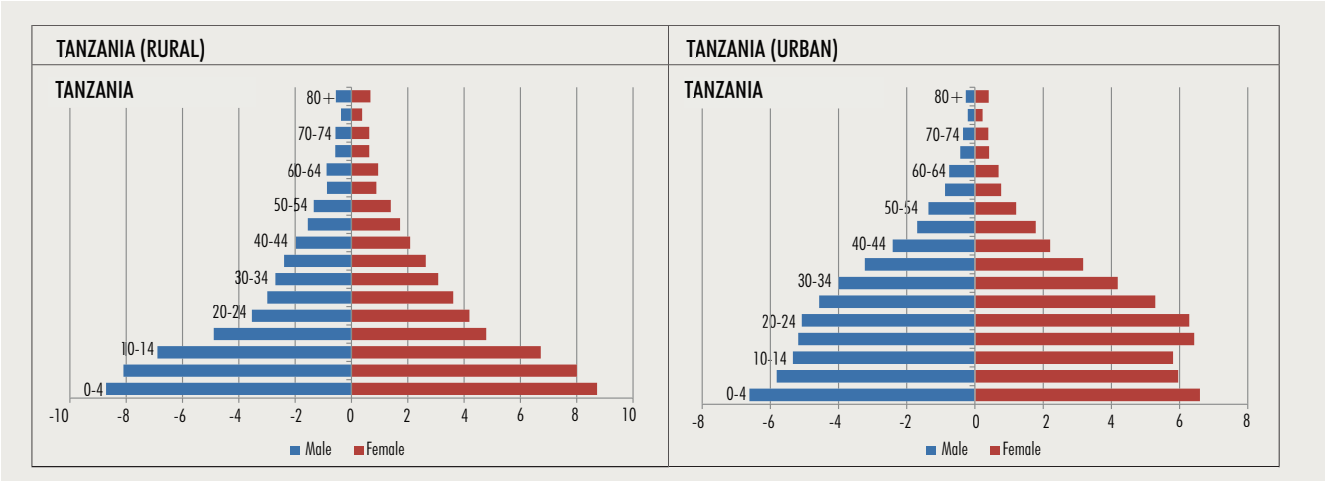


Figure 1.8: Source: 2013 Population and Housing Census (authors' own graph) (NBS 2013)

19 Urbanization is the increase in the population of urban localities in proportion to the region's rural population.

of migration on the age and sex distribution of rural and urban populations.

Figure 8 (in comparison with Figure 1.7) illustrates how the rural population pyramid narrows down significantly for the age cohorts that typically correspond to people of working age, while conversely, the urban pyramid shows significant bulging for these age cohorts. The bulge in the middle of the urban pyramid is much more visible than the corresponding squeeze in the rural pyramid. The reason is that, as explained above, given that the rural population is much larger than the urban population, the flow of migrants will constitute a much smaller percentage of the rural population than for the urban population. The sex ratios are not very different, but the sex ratio for the urban population is nevertheless more slanted towards women within the younger cohorts of people of working age. What this shows is that migratory flows can have important consequences for labour force dynamics – not just in terms of growth, but also the age and sex composition across rural and urban areas, and, by implication, for the challenges this poses for absorbing labour (particularly newcomers to the labour force) in the productive sectors of the economy (Wuyts and Kilama 2014).

Furthermore, while the urban population is growing very fast, the economic growth and development transformations necessary to support it and enhance the quality of urban life are not occurring at the same rate. Evidence available from past PHCs indicates greater rural to urban migration, with rural to rural migration more confined to within-region and neighbourhood movement. The country is experiencing a rapid urbanization process, particularly in Zanzibar where nearly half of the population is now living in urban areas. Urbanization is inevitable, and managing its trends and patterns would offer important opportunities for economic and social development because cities have always been centres for economic development innovation. Due to the higher population density in urban areas, governments can more easily deliver essential infrastructure and services at a relatively low cost per capita. Therefore, planning and managing urban growth as part of national development planning can enable the country to harness opportunities linked to efficiency in the provision of needs and the reduction of resource scarcity threats associated with high population growth.

1.6 Conclusion

HDI and MPI are useful indicators of human development, but they need to be interpreted carefully because they ignore certain important attributes of human development in some of their indicators. For example, the EYS statistic does not consider the quality of education, even though we know that the quality of education is important for improving not only productivity of labour but also other social capabilities. Tanzania's economy Tanzania has been growing steadily over the last decade, accompanied by increased school enrolment, but the quality of education has declined. Similarly, economic growth or increase in per capita income does not always translate into social development or poverty reduction.

The human development analysis presented above shows that Tanzania has some way to go in order to achieve higher scores on HDI and MPI. Experience from the Nyerere era demonstrated that while the focus on investments in human capital through education, health and water was successful in achieving rapid improvements in social welfare, it was not sustainable, as economic growth was insufficient to support such public investments. To avoid repeating this, there is a need to ensure that the country continues to focus on pro-poor growth, including an emphasis on reducing income poverty and deprivation in accessing quality social services, i.e. health and knowledge/education. In order to accelerate development and reap the benefits from opportunities provided by globalization and regional integration, Tanzania needs to develop its human resources to be competitive in the labour markets. This entails providing its youth with the knowledge, skills and capabilities that are appropriate for the twenty-first century global labour market. A lack of adequate human development among the population in general and the workforce in particular can be a hindrance to investment and to sustainable growth and livelihoods in the country.

Increasing investment in human capital through improved health and skills/education requires measures to increase the incentives and returns for undertaking such investment, and increased public support in areas where externalities are large, such as primary education and primary healthcare. Increased public resource allocations to these areas have to be accompanied by increases in the efficiency of service delivery, if the desired increase in the stock of human capital is to be achieved. Furthermore, there is a need to pay increased attention to better quality services, as this helps to raise completion rates for primary and other levels of education and increases the use of modern primary health services. Health and education would complement the focus on preventive healthcare in achieving good results.

Although the components of HDI and MPI do not directly mention population dynamics, we have provided strong arguments for including population issues in the

human development analysis. This is mainly because the specific drivers of HDI and MPI components, such as health, education, income and living standards, are heavily influenced by population dynamics such as population growth rates, fertility rates and age structure, particularly the youthfulness of the population. As the findings above show, addressing the population dynamics and achieving demographic transition in Tanzania would go a long way towards improving human development.

We have demonstrated that trends in the sources of population change in the country have a number of implications for economic growth and human development. Studies show that the demographic bonus brought about by a bulging youth population will not automatically occur without the active commitment of government to design and implement appropriate policies and programmes. The utilization of the demographic bonus is associated with (i) the existence of a large and high quality base of human resources, (ii) a stable population with strong growth in employment, and (iii) high saving and investment rates. These factors largely contributed to the rapid economic growth of South Korea and the other 'Asian Tigers'. The key factors considered crucial in gaining the demographic bonus include making investments in health, education and family planning. Thus, there is a need to address high fertility by providing family planning services; expand opportunities for higher education, particularly for women and in rural areas; and critically review the quality of education, including the vocational skills essential for technological change as well as ensuring that educational provisions are aligned with and tailored to the needs of both the local and global economy.

There are also economic and social implications of the youthful population structure. Changes in age structure potentially have very important implications for macroeconomic performance. The most direct and important link between population dynamics and economic and social development is the labour market. Apart from the potential gain in the size of labour markets, Tanzania's changing age structure has economic growth potential due to the continued decline in age dependency ratios, as well as a potential gain from the demographic dividend.

However, these potential gains are policy dependent. If Tanzania, which is experiencing a rapidly growing youthful population, is to seize the potential demographic bonus, the country must create sufficiently productive and remunerative employment opportunities for its labour force (UNFPA 2010). As will be argued in Chapter Two, this is possible if the country embarks on transforming its economy in a manner that promotes labour productivity and creates employment opportunities. However, there is a danger in that, given the relatively high population growth rate, the country is likely to impede economic transformation as resources are spent on the growing child population. On the other hand, economic gains from the changing age structure can be realized only if employment opportunities expand as rapidly as the numbers seeking new jobs.

In addition to these requirements, Bloom et al. (2007) argues that two major factors will determine Africa's future economic growth prospects, namely growth in the working-age share of the population, and institutional quality. The second factor relates to aspects of good governance such as a strong rule of law, efficient bureaucracies, lack of corruption, and a stable business environment that encourages domestic and foreign investors.

2.

Economic transformation in the making: Going beyond growth

During the first decade of the twenty-first century Tanzania experienced a turnaround in its pace of economic growth, sustaining a GDP growth rate of over 6% annually from 2001 to 2013. Compared to the previous twenty years of low growth and economic crisis, this was a remarkable achievement. Nevertheless, the implications of this higher rate of economic growth for human development have been mixed, and poverty rates in particular have remained very high. The Government of Tanzania has set an ambitious target to reduce poverty and become a middle income country by 2025. In order to sustain and enhance economic growth to attain this target, Tanzania will have to undergo a significant economic transformation involving a fundamental change in the structure of the economy.

Economic transformation will require a structural change in the economy away from dependence on agriculture towards industry and services, accompanied by a demographic transition from high birth and death rates to low birth and death rates. Successful economic transformation is not, however, an inevitable historical process; economic transformation can occur along a multitude of different trajectories, at varying speeds, and with different implications for human development outcomes. The way in which economic transformation shapes human development depends on the precise characteristics of that transformation process. These characteristics will be shaped by previous episodes of economic change that have occurred in Tanzania, particularly over the past fifteen years of global integration and higher growth. The nature of the transformation in Tanzania will also be shaped by developments within the region and the global economy.

Given the varying nature of economic transformation, the implications for human development cannot be taken for granted. The types of socio-economic changes that occur as economic transformation unfolds have reverberations that go far beyond the mere quantitative changes in the composition of output and employment. They also result in profound qualitative changes in the nature of production and employment, the patterns of ownership and identity, the structure of families and communities, and public services. These qualitative changes shape the way that capabilities and freedoms are achieved and maintained. The purpose of this chapter is to explore the meaning and implications of Tanzania's economic transformation in the making. The chapter is organized into four sections. The first section sets out the concept of economic transformation in a Tanzanian context. The second section explores the nature of economic transformation that has occurred in Tanzania in the past fifteen years and draws out some of the important changes that have occurred at the sector level. The third section examines the impact of Tanzania's economic transformation on employment patterns and the fourth section concludes by setting out a number of challenges that the ongoing transformation in Tanzania has for the ambitions for economic transformation going forward.

2.1 The Meaning of Economic Transformation

In the 1980s there were high hopes that economic liberalization in developing countries would spur economic growth and lead to the emergence of richer societies with lower levels of poverty. These aspirations were based on the assumption that economic growth, measured as the rate of expansion in GDP, would trickle down to the benefit of all groups in the society, including the poor (Dollar and Kraay 2002). GDP growth was assumed to reduce poverty as long as inequality did not increase over the same period. While growth rates have risen across Africa, driven by rising commodity prices and growing consumer demand, the impact on poverty reduction, even in some of the fastest-growing African countries, including Tanzania, has been disappointing. Similarly, high rates of growth did not automatically translate into progress in achieving improvements in the wider aspects of human development reflected in the Millennium Development Goals.

Over the last decade there has been a change in the focus of development policy away from mere quantitative changes in the rate of output growth towards a concern for the changing qualitative nature of economic growth, encapsulated in the concept of economic transformation. At the international level, this new consensus is reflected in the ongoing process to formulate the new development framework that will replace the Millennium Development Goals after 2015. The UN High Level Panel on the Post-2015 development agenda has placed the goal of an

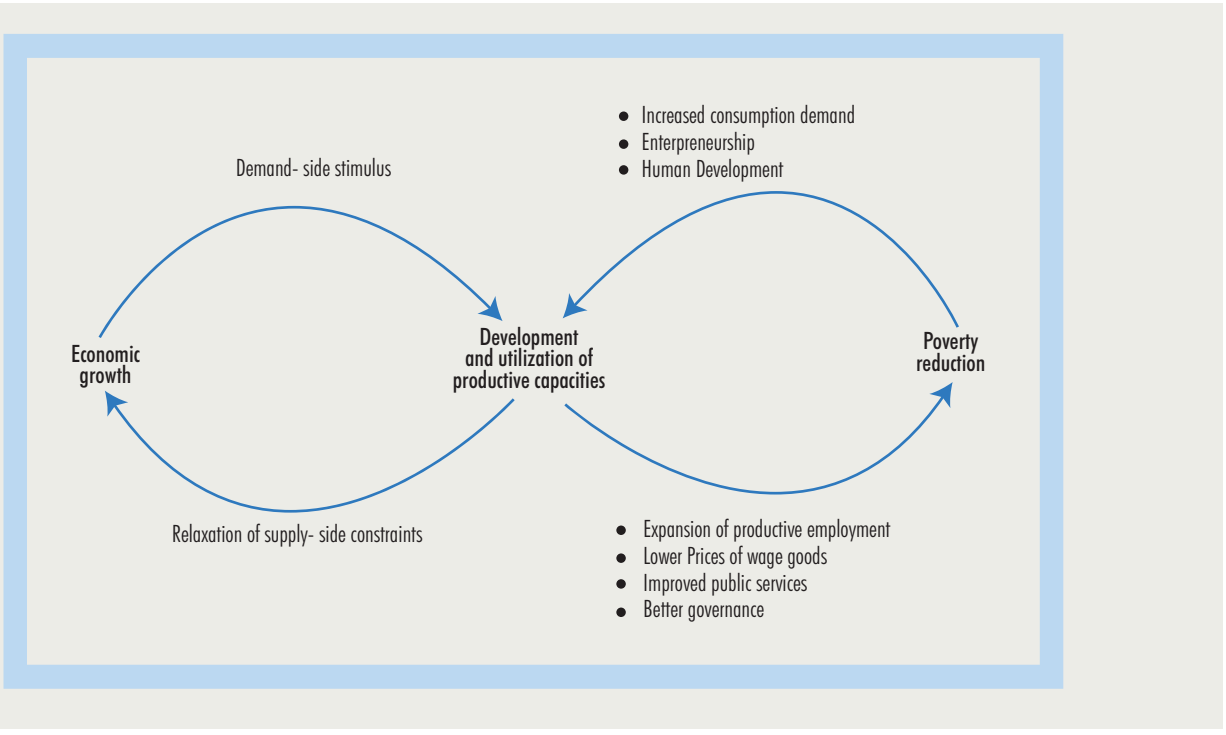
economic transformation at the heart of the new global development vision. Despite the widespread attention that the idea of economic transformation now receives, it is a concept that could be understood in a number of different ways. This section explains the concept of economic transformation in the Tanzanian context.

The potential for an economic transformation to enhance human development depends on the emergence of an economy that can produce greater wealth. This greater wealth will improve human development if it is used to fulfil individual and collective needs by expanding human capabilities and extending human freedoms. Desired and expected paths of economic transformation have been identified on the basis of the historical experiences of countries that have already made the transition to sustainable higher income levels with improved levels of human development. These ideas draw on the theoretical groundwork set out in the 1950s and 1960s by early development economists such as Arthur Lewis and Nicolas Kaldor. Their work focused on explaining how broader processes of structural change, employment growth and technological change create the conditions for raising living standards. The return of these themes after a fifty-year hiatus has been enriched and enhanced by new theoretical and empirical insights generated by the varied pool of recent country-level experiences of successful development. What is common to all successful development experiences over the last two hundred years, however, is the importance of the changing qualitative features of production that occur through the growth process, rather than the mere expansion of output. In fact, similar rates of economic growth can mask very different growth processes with varying implications for human wellbeing.

There are various drivers of GDP growth including increasing labour productivity, the amount that each worker can produce in a given time, as well as growth in the labour force, the number of people available to work. A successful economic transformation needs to generate both increases in employment opportunities and the potential for higher wages through increased labour productivity. Increased employment opportunities and higher wages for those in work are both necessary for an inclusive economic transformation a positive effect on reducing poverty. Increasing worker output depends on enhancing labour productivity by developing productive capabilities in the workforce. Productive capabilities include technical, organizational and workplace skills that enhance the quality of output and the competitiveness of production. The development of productive capabilities is influenced by levels of formal education but also, more importantly, by the actual experience of production

Figure 2.1:

The relation between economic growth, productive capacities and poverty reduction



Source: UNDP (2002), cited in Wuyts and Kilama (2014, p. 7)

through processes of learning-by-doing (Kaldor 1967). When an economy produces increasingly complex products, the learning that is generated in the process of production also increases and productivity expands. This means that the types of products that are being produced in an economy and the techniques through which they are produced matters for the pace and sustainability of economic development.

Economic growth generates greater output, and an expanding output also drives a process of learning how to produce more efficiently; in turn, this leads to productivity growth. Increasing productivity is desirable because it offers the possibility of raising wages for those in employment. Raising incomes is necessary, but not always sufficient, to improve human development outcomes. In order for the benefit of higher growth to be widely spread throughout the population, economic growth also needs to expand employment opportunities. Characteristics of the growth process, such as the balance between productivity growth and employment growth, the distribution of this growth across the sectors, and the extent to which productivity growth actually translates into a growth in earnings, will have large implications for standards of living. Figure 2.1 captures the dynamic processes that link growth to the expansion of productive capacities and in turn to poverty reduction.

'Economic growth, structural change, productivity upgrading are driven by a rapid pace of capital accumulation. This occurs when increased domestic savings, investment and exports are linked together in a virtuous circle of cumulative causation' (Gore, 2013 p 383).

In developing countries with high levels of poverty and large agricultural sectors, the expansion of productive capacities and employment opportunities depends on a number of interrelated structural changes. The assumptions about the type of structural change that will drive a positive process of economic transformation have been distilled from the historical experiences of countries that grew richer over time (Kuznets 1968; Chenery and Syrquin 1975; Timmer 2009). These structural transformations involved a declining share of agriculture in GDP and employment and the rise of a modern industrial and service economy. At the same time, the emergence of industrialized economies occurred alongside a spatial and demographic shift, with extensive urbanization and a demographic transition from high rates of births and deaths to low rates of births and deaths. Demographic change and urbanization occur partly as a result of economic change, but they also have their own dynamics that take place independently of economic performance.

The importance of structural change for positive economic transformation results from the fact that each sector exhibits very different characteristics in terms of its capacity to generate productivity and employment growth in the early stages of economic development. Early on, productivity levels tend to be low throughout the economy, but even with these low levels there are significant differences in labour productivity and labour productivity growth between sectors. Traditional agriculture, the largest sector in terms of output and employment at the early stage of development, exhibits much lower levels of productivity than the industrial and service sectors. Increasing aggregate productivity can be generated by shifting resources and labour into sectors that have higher productivity, but it can also occur as productivity increases within each sector.

Structural change that leads to productivity growth and employment creation has been called 'growth enhancing' structural change (McMillan et al. 2014), and historically it has been associated with the expansion of the manufacturing sector. This is because the growth of manufacturing activities leads to productivity growth within manufacturing that also spills over into other sectors, driving productivity and technological change across the economy as a consequence. Manufacturing expansion has also tended to result in labour-intensive growth, creating opportunities for mass employment (Kaldor 1967). In turn, the process of industrialization supports the transformation of agriculture as growing demands for food and labour necessitate productivity improvements in the sector. Historically, industrialization led by the rise of manufacturing was a defining characteristic of a successful economic transformation. Nevertheless, countries that have made the transformation from low to middle or high income over the past decades have followed trajectories of structural change that have been much more diverse than the historical template of structural change. While manufacturing expansion has characterized economic transformation in China and Vietnam, growth transformations can occur with varying combinations of sectoral growth; for example, India's economic transformation has been led by its service sector in recent years. The presence of natural resources also changes the path of structural transformation and tends to lead to a smaller role for manufacturing in the overall structural change (UNIDO 2013).

The success of economic transformation is also influenced by the prevailing type of growth at the sector level. The output of a sector can grow because of increased

labour productivity, increased employment within the sector, or a combination of the two factors. The size of each sector can be measured by how much output it produces but also by the size of its share in total employment. At an early stage of structural transformation the share of agriculture in the total labour force will be much higher than its share in GDP. This reflects the fact that many people work in agriculture, but labour productivity tends to be low. By contrast, the number of people working in industry or services tends to be lower, but labour productivity tends to be higher, and thus their shares in GDP are also higher than agriculture. For example, in Tanzania the service sector is the largest sector in terms of its contribution to GDP, but the agricultural sector is the largest in terms of its share of the labour force.

As growth occurs, changes in the share of GDP generated by a sector and the share of employment within that sector do not necessarily go hand in hand (Wuyts and Kilama 2014a). In the historical example of manufacturing-led structural change, the share of agriculture in employment and output fell and the shares of labour and output of industry and services grew in tandem. However, GDP growth can be driven by increasing levels of productivity without the commensurate increase in employment opportunities outside agriculture. In this case, agriculture's share of employment will tend to remain high even if its share in total output decreases. While productivity increases may lead to higher industrial and service output, productivity growth alone will mean that the share of these sectors in total employment will fail to rise. This form of 'jobless growth' will lead to divergence in average incomes between sectors and makes poverty reduction more difficult to achieve. Structural change also leads to changes in relative prices that have important implications for standards of living and poverty reduction as well as for the viability of economic development outside the agricultural sector.

Beyond the necessary processes of productivity growth, employment creation, and income growth, human development also depends on how higher incomes are translated into improved levels of social services and the provisioning of public goods. Higher economic growth improves some aspects of human development directly by generating productivity growth, employment creation and income growth. Yet enhancing human development also requires improvements in public services and in other forms of social provisioning. There is a two-way relationship between economic growth and human development, and improved human development can enhance economic performance. In particular, the role of improvements in education and health are widely recognized (Bandara et al. 2014). Likewise, better economic growth rates can lead to a virtuous cycle of advancing human welfare where economic growth results in higher tax revenues and where these are efficiently invested in improving social services.

The process of economic growth also causes changes within families and communities, in gender relations and in patterns of asset ownership that have wide implications for human welfare. Thus, while economic growth is a necessary condition for successful transformation, in itself it does not necessarily engender successful transformation (Wuyts and Kilama 2014a). This will depend on the unfolding characteristics of the growth process itself and on the systems of social provisioning that are developed. The success of an economic transformation depends on a double process of job creation and expansion of social services (Martinez Franzoni and Sanchez-Ancochea 2014). Social policies can play a key role in shaping and enhancing processes of economic transformation. Social policies provide a necessary redistributive mechanism so that the benefits of growth can be spread widely.

Social policies are also critical for human development, as they protect people in times of economic hardship and in particular protect vulnerable groups who are unable to work. The role of social policies in economic transformation can, however, go beyond this. Social policies can also strengthen various aspects of production and economic performance by supporting human capital formation, alleviating risk and uncertainty, encouraging innovation and providing financial resources for investment (Mkandawire 2007). Developing stronger universal social services and social protection systems is an integral part of successful economic transformation (UNRISD 2013). Countries that were most successful at promoting higher productivity jobs with regular earnings, coupled with social benefits such as pensions and healthcare, grew nearly one percentage point faster every year since 2007 than other developing economies (ILO 2014).

2.2 The Makings of an Economic Transformation

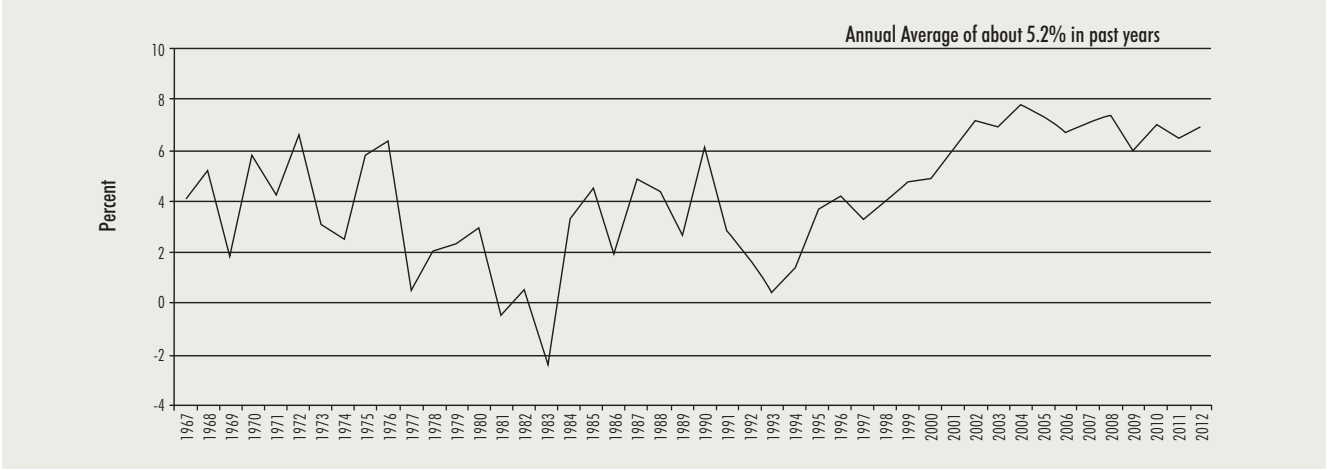
With the importance given to economic transformation in Tanzania's developmental vision and planning process, it is necessary to recognize as a starting point that economic transformation is not a new phenomenon in Tanzania. Tanzania's economy has already gone through phases of change and transformation over its history. Economic transformation is a path-dependent process, and expectations about Tanzania's future economic transformation need to be grounded within

an understanding of the trajectory that Tanzania has followed in its recent history. This section takes a closer look at the characteristics of the ongoing transformation in Tanzania.

economic crisis that persisted until the mid-1990s. Since then, however, Tanzania's economic performance has changed significantly, with growth rates above the rate of population growth that have been sustained

Figure 2.2:

Tanzania's annual percentage change in real GDP



Source: NBS (various years)

Over the last two decades this ongoing transformation has been shaped by Tanzania's gradual insertion into the global economy, following on from the policies of liberalization and deregulation that were introduced from the mid-1980s. These policies were initially associated with economic turbulence and a severe

for over fifteen years. While Tanzania has experienced other episodes of high growth, in particular in the years immediately after independence, this recent period has witnessed remarkably consistent high growth, which suggests that the nature of accumulation has changed as Tanzania has liberalized.

Figure 2.3:

Saving and investment as a percentage of GDP

Source: National Accounts (various years),in Rutasitara and Aikaeli (2014, p. 20)

Higher economic growth has been accompanied by important structural changes as represented by the share of value added from different sectors; this will be discussed in the next section. Tanzania's recent economic transformation is also reflected in a changing pattern of expenditures. There have been significant increases across all categories of expenditures, including consumption, investment and increased exports and imports. Over the 2000s domestic savings played a much more important role in financing investment, compared to earlier decades where investment was more volatile and was mainly funded by foreign savings. Since the late 1990s growth has also combined with a greater overall macroeconomic stability, and in particular with lower rates of inflation compared to earlier decades.

Patterns of consumption have also changed in interesting ways that reflect the nature of the growth process under liberalization. While both government and household consumption have increased in real terms, the share of household consumption in GDP has fallen dramatically. This is in sharp contrast to the stable levels of household consumption experienced in the 1990s (see Wuyts and Kilama 2014b).

Tanzania has become a much more open economy since liberalization, with remarkable increases in both exports and imports. Exports have grown by over 20% per annum over the 2000s, and its share in GDP rose by 20.8% while the share of imports in GDP rose by 17.6%. The structure of imports and exports also changed significantly over the period, reflecting the changing sectoral balance within the economy (discussed below). Tanzania's greater openness is also reflected in high levels of foreign direct investment, particularly into mining, manufacturing, tourism and financial services, rising to over USD 400 million per year by the first half of the 2000s. While these inflows were remarkable in contrast to the low rates of foreign investment in the 1980s and early 1990s, the increases were broadly in line with the rising levels of FDI witnessed across the world during the same period. The overall importance of foreign aid in the economy fell over the 2000s, but government expenditures continued to be dependent on aid flows. This dependency also declined over the period, and by 2010 rising domestic revenues reduced the share of aid to around 28% of the national budget.

Table 2.1:

Consumption as a percentage of GDP (2001, 2010)

	2001	2010	Change in %
Household consumption	75.0%	62.6%	- 12.4
Government consumption	11.9%	16.1%	+ 4.2
Gross investment	17.4%	32.0%	+ 14.6
Exports	17.0%	27.8%	+ 10.8
Imports	21.3%	38.9%	+ 17.6

Source: NBS (2013) National Accounts, various years

2.2.1 The Beginnings of a Structural Transformation

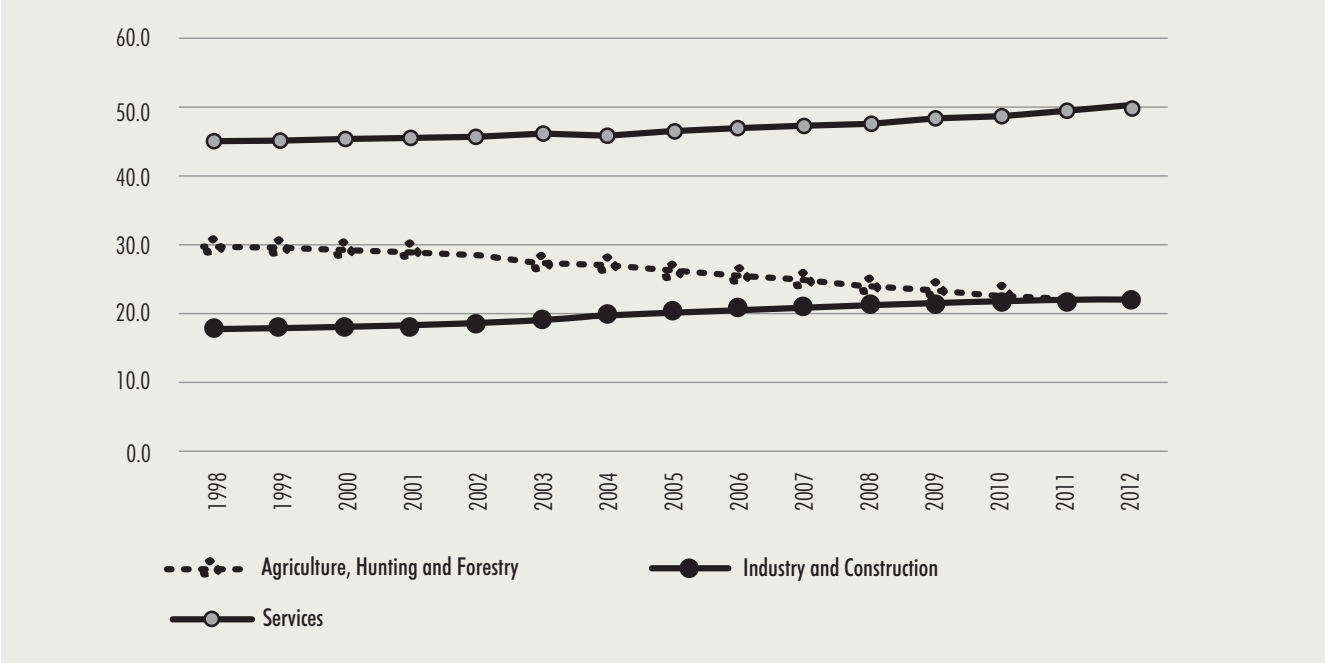
Higher growth and greater global integration have been accompanied by changes in the structure of the Tanzanian economy. This is reflected in a falling share of agriculture in GDP from 29% in 2001 to 24% in 2010 and a rise in the share of industry from 18% in 2001 to 22.1% in 2012. The service sector has remained the largest sector in terms of output, but its share declined marginally from 45.5% in 2001 to 43.9% in 2012.

The decline in the share of agriculture and the rise in the share of industry and services in GDP is in line with broad expectations of structural transformation in Tanzania. The changing composition of GDP has therefore moved in the right direction, but the pace of change has been relatively slow. The changing overall composition of the economy was driven by the rate of growth of each sector.

All sectors of the economy have grown over the period since 1999, but the agricultural sector registered the lowest rate of growth at an average of 4.3% for 2000 to 2012. This is important when considering poverty in the country. While agricultural growth has remained low for years, industry and trade are the driving forces of growth in Tanzania. In terms of a successful economic

Figure 2.4:

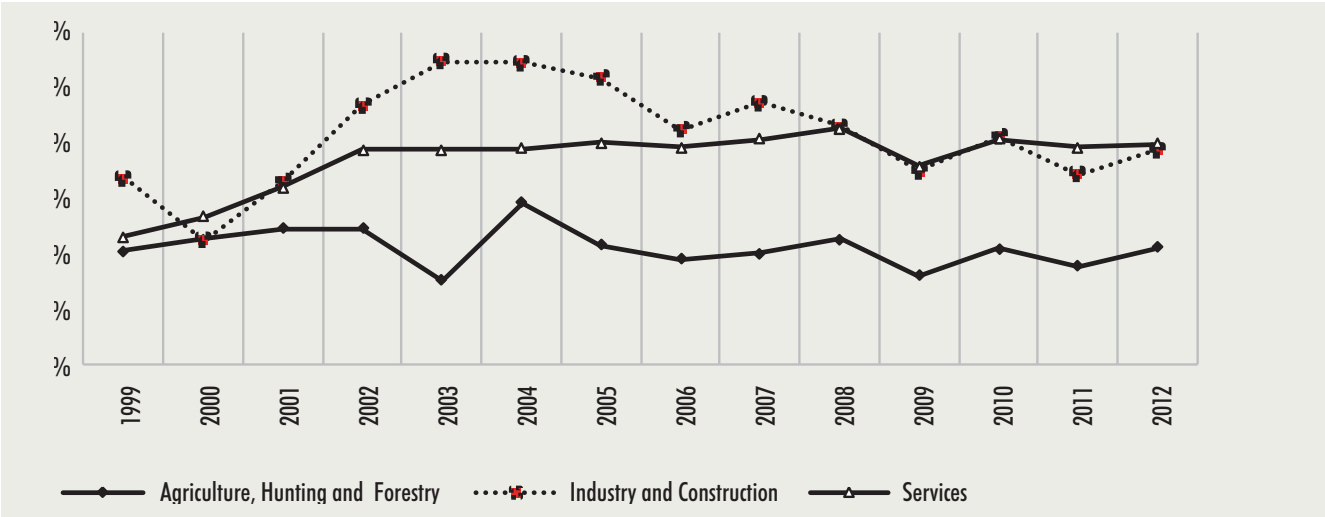
Sectoral share of GDP (%) 1998–2012



Source: URT (2007, 2013)

Figure 2.5:

Sectoral growth rates (%) 1999–2012



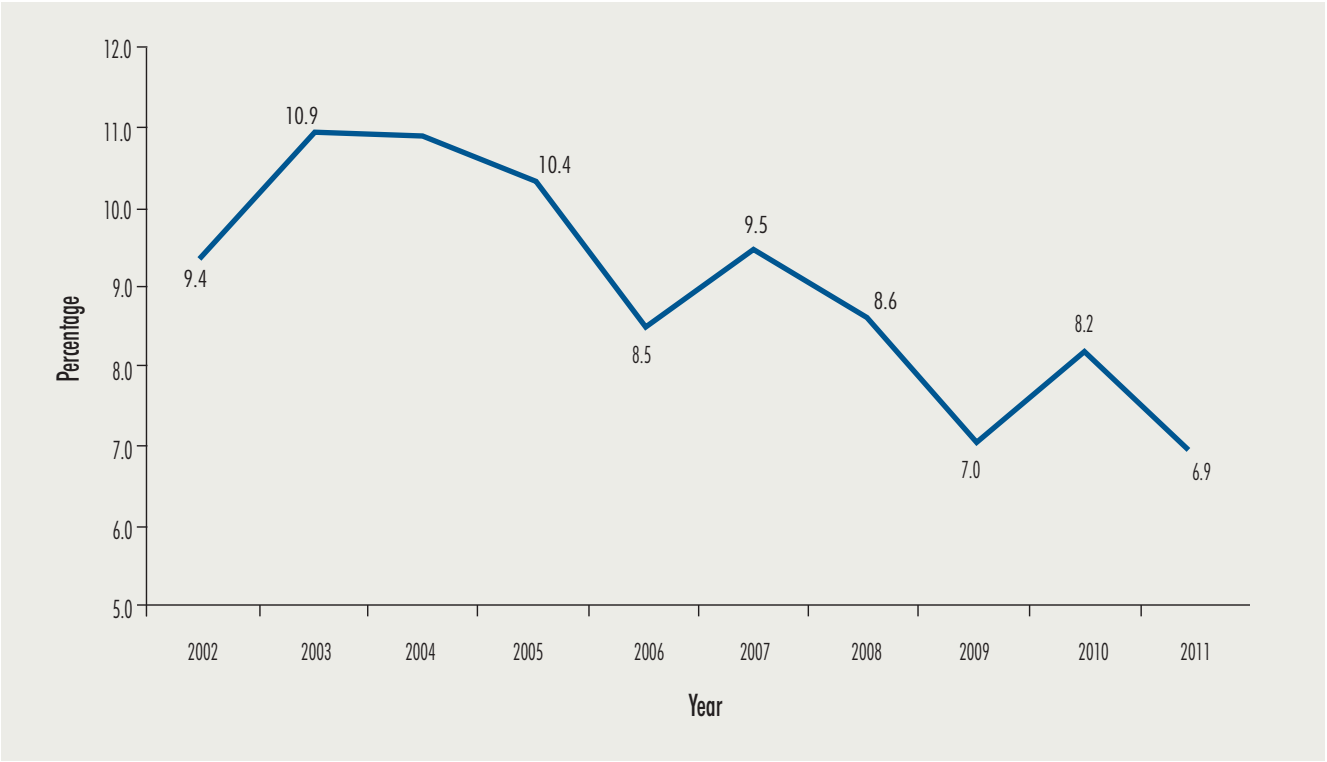
Source: URT (2007, 2013)

transformation, the accelerating pace of industrial growth, rising to a peak of 10.9% in 2003 and 2004, appears to be a positive sign, although it should be noted that this growth was driven by the rapid expansion of mining. Furthermore, the rate of growth in industry declined in the second half of the 2000s as illustrated in Figure 2.6.

Rutasitara and Aikaeli (2014) find that Tanzania's GDP growth rate in the past decade was highly correlated with growth in the services, and industry and construction sectors, but not with agriculture. While the sectoral changes in value added in GDP were relatively small, the changes in the structure of Tanzanian exports were much more stark, with traditional export crops declining dramatically as a share of GDP while the exports of industrial products, and minerals in particular, registered an impressive growth.

Figure 2.6:

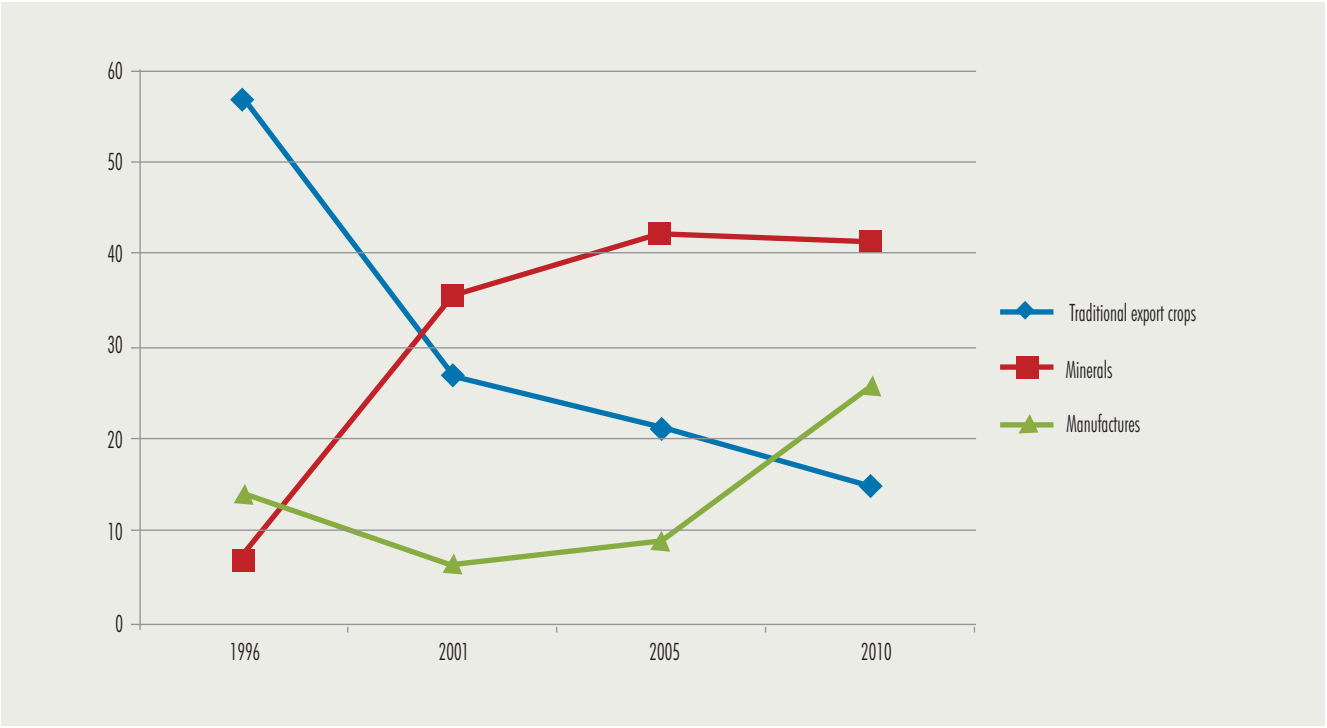
Average annual growth rates of industry and construction GDP at 2001 prices



Source: NBS (2012, p. 10)

Figure 2.7:

Structure of goods exports: 1996–2010 (selected years)



Source: BOT, Economic Bulletins (2001 -2010)

2.2.2 Continuity and Change in Tanzania's Economic Structure

While the broad changes in sectoral shares in GDP indicate that Tanzania's recent economic transformation moved in the desired direction during the period of higher growth rates from 1999, the implications of these structural shifts for human development and for the ongoing process of economic transformation require a further analysis of changes in growth patterns at the sector level. The next three sections explore the changing pattern of economic activities that has occurred within agriculture, industry and services over the past fifteen years.

2.2.3 Agriculture

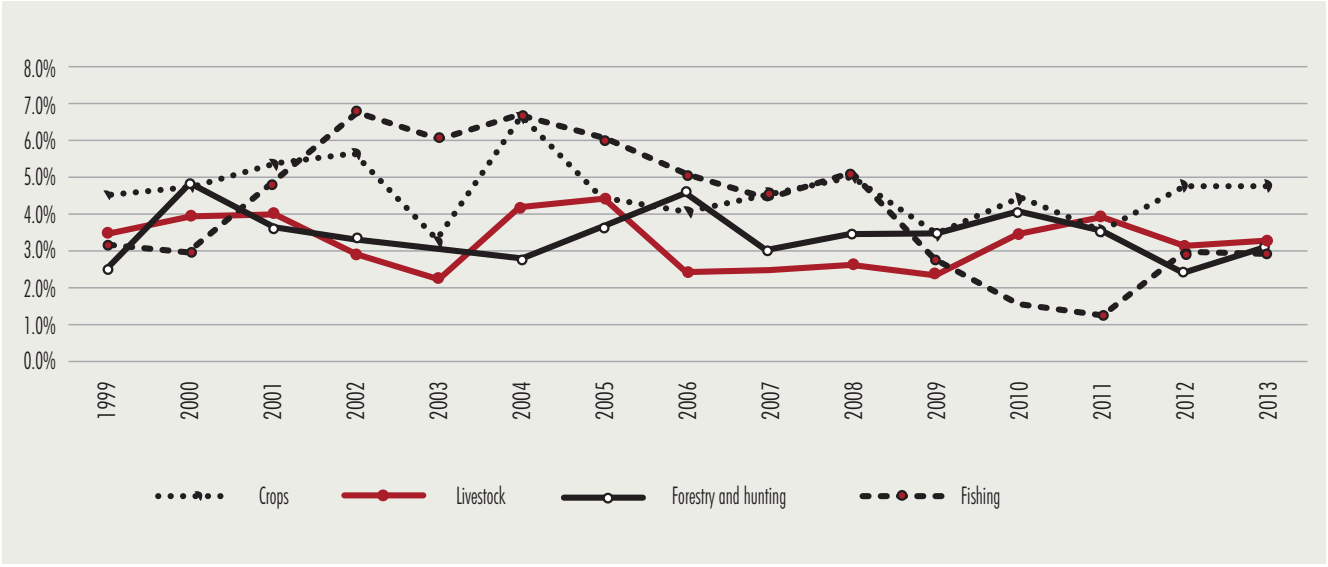
One of the striking features of Tanzania's economic transformation is the slow pace of change in the agricultural sector both over the past decade and over the longer term. Most agricultural production still occurs on smallholder farms that rely on family labour, and levels of agricultural productivity in Tanzania have hardly changed since independence (Binswanger-Mkhize and Gautam 2010). As noted in the previous section, the growth rate of agriculture has been at an average of 4.3% for the 2000–2012 period, much slower than the rates of growth for industry and services. Growth in agriculture actually slowed down over the 2000s, from 4.5% in the first half of the decade to 3.7% in later years.[20] Slow growth rates in agriculture resulted in the persistence of very high rates of rural poverty. Towards the end of the 2000s, as agricultural production declined, food prices increased at 12% per annum on average, and unmet demand for food led to rising imports of cereals and other foods.

The agricultural sector consists of four sub-sectors. These are crops, livestock, forestry, and hunting and fishing. There has been some fluctuation in these sectors, but the broad composition of these sub-sectors within agriculture and their growth rates have not changed significantly over the period from 1999.

Crop production, including both food and non-food production, remained the largest sub-sector, but there were some changes within the relative balance of different crops and within the spatial distribution of crops. Wheat and rice grew quite well over the period and became an important smallholder crop in the Western and Lake Zones in particular. This expansion, however, could not keep pace with the rapid rise of consumer demand in Tanzania, and imports of these crops also rose over the period. Maize production expanded in terms of area but declined in terms of value. Given the role of maize as the main smallholder and subsistence crop, this fall in value had negative implications in terms of farmer incomes. The best performing crops in area and value were

Figure 2.8:

Growth rates of agricultural sub-sectors 1999–2013



Source: URT (2007, 2013)

20 Binzwanger and Gautam (2010) argue that even this modest rate of agricultural growth may be an overestimation because 'since 1998 the relative price of food to non-foods has increased in Tanzania, which means that the real value of agricultural output would have grown at a faster rate than an index of agricultural production quantities. If that is correct, then the acceleration of agricultural growth would be partly a price phenomenon.'

fruits and vegetables, nuts and oilseeds, rice, pulses and potatoes. While the level of marketed crop production has increased over the decade, the proportion of non-marketed crops appears to have grown slightly. This trend is concerning given the aspirations for agricultural commercialization contained in the Agricultural Sector Development Programme (URT 2007).

The relatively slow pace of growth within Tanzanian agriculture relates to the fact that productivity has hardly grown at all over the past ten years. Indeed, levels of productivity have only increased slightly since 1961, and the growth in output has therefore been almost entirely achieved as a result of the expansion of area, labour and purchased inputs (Binzwanger and Gautam 2010). The pace of technological change in agriculture is slow, but there have been increases in irrigation, tractor use and fertilizer over the decade, although the use of these inputs remains remarkably low compared to other countries. For example, Tanzania uses an average of 9kg of fertilizer per hectare compared with 27kg in Malawi, 53kg in South Africa and 279kg in China (SAGCOT 2014). There has been a growth in the number of large farms since the mid-1990s, and average plot size has fallen from 1.3ha/household in the mid-1970s to 1ha/household in 2005 (Skarstein 2005).

successful economic transformations. However, there are pockets of agricultural success; for instance, in recent years the horticulture sub-sector has begun to grow at between 6% and 10% per annum and exports have risen from USD 45 million in 2004 to USD 146 million in 2008 (HODECT 2010). Improving productivity levels across agriculture will be critical for Tanzania's ongoing economic transformation. Given the relatively poor performance of agriculture, the Government of Tanzania has placed a renewed emphasis on agricultural development by launching Kilimo Kwanza in 2009.

'No country has been able to sustain a rapid transition out of poverty without raising productivity in its agricultural sector.' (Timmer and Akkus 2008, p. 3)

2.2.4 Industry

Agricultural transformation is vitally important for Tanzania's progress in human development. Successful transformation in agriculture cannot occur in isolation from the dynamics of growth in the rest of the economy. The rate of growth in agriculture and the nature of the transformation process are influenced by the types of transformation that are occurring in other sectors of the economy. In particular, the expansion of industry is critical for sustaining growth and improving incomes and employment opportunities. Industry is composed of three sub-components: mining and quarrying, manufacturing, and construction. These sub-sectors are very different in terms of their types of economic activities, technologies, and employment patterns.

Box 2.1:

Southern Agricultural Growth Corridor of Tanzania (SAGCOT)

The Government of Tanzania introduced the Kilimo Kwanza initiative in 2009 to modernize and transform Tanzanian agriculture. In this context the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) was launched in 2010. This is an innovative public-private partnership that aims to catalyse large volumes of private investment to improve food security, reduce poverty, and lessen vulnerability to climate change. The SAGCOT area covers a population of 9 million. Members of the partnership represent government, global business, the Tanzanian private sector, farmers, foundations and donor institutions. The plan is to raise USD 2.1 billion of private investment over the next 20-year period alongside public sector grants and loans of USD 1.3 billion. This will provide opportunities for the development of commercial agriculture and allow smallholders to become commercial farmers by working with larger investors. SAGCOT will also support smallholder producer associations, helping them enter into equitable commercial relationships with agri-processing and marketing businesses. Irrigation will be made available through professionally-managed farm blocks. The intention is to triple the region's agricultural output by 2030.

The Rise of Mining

In Tanzania industry began to expand across all its sub-sectors from 1997, but industrial development has been led primarily by the rapid expansion of mining. Tanzania has experienced a rapid growth in mining from a very low base over the past decade, and its contribution to GDP has risen from 1.8% in 2000 to 3.3% in 2010. Despite its relatively marginal contribution to GDP, the rise of this sector has important implications for the nature of structural change and transformation in the economy. Economic dependence on a narrow natural resource extraction base can hamper the wider process of structural change. This is because mining tends to generate fewer backward and forward linkages, has a lower employment intensity of growth and is associated with negative forms of rent-seeking and corruption. Because of these factors, Sachs and Warner (2001) argue that natural resources can be a 'curse' rather than a benefit for economic development. However, there are examples of countries with large mining and quarrying sectors that have had successful experiences of structural change and improved human development outcomes – for example, Botswana, Chile, Australia and Norway (Lokina and Leiman 2014).

Despite the fact that Tanzania is one of the most mineral-rich countries in Africa, very limited mineral extraction or mining activities occurred in Tanzania from independence until the early 1990s. Mining grew rapidly across the 1990s, initially driven by the expansion of local (small or artisanal) mining. The introduction of new mining policies at the end of the 1990s triggered a large inflow of foreign investment into the mining sector. Mining grew at around 13% across the 2000s, and it is now the largest recipient of foreign direct investment and one of the fastest rising sectors of the economy. The main minerals mined in Tanzania are gold, diamonds, iron, coal, nickel, Tanzanite, uranium and the recently discovered offshore and onshore deposits of natural gas. Gold accounts for the largest proportion of the mining sector, and Tanzania is now Africa's third largest gold-producing country after South Africa and Ghana. Tanzania will potentially enter a new episode in its economic transformation with the discovery of extensive gas fields and uranium deposits. Gas production is expected to take off from 2015. The potential impact of new gas production is discussed further in Chapter 4, but in assessing the likely impact of these new forms of gas production it is worth considering the lessons that can be drawn from the impact of the rise of the mining economy on economic transformation since 2000.

Despite its rapid growth, mining remains marginal in the overall structure of the economy, accounting for only 3.3% of GDP in 2010. The current contribution of mining in Tanzania is still far below the target of 10% in the 2025 vision. In a comparative context the current contribution of the mining sector to GDP also remains quite low; for example, in Botswana mining accounted for around 20% of GDP in 2013 (Government of Botswana 2014). Improving revenue collection from the mining sector has remained an important policy challenge in Tanzania. Revenues collected from the mining sector have increased since 1998, but on average from 1998 to 2011 revenues generated from mining accounted for only 2.3% of domestic revenue (Lundstol et al. 2013). While accounting for only a small proportion of government revenues, mining expansion had a very significant impact on the structure of Tanzania's exports. Mineral exports rose to 40% of goods exports in 2000 (see Figure 2.3 above). Gold accounts for 94% of total mineral exports. Recent years have seen increasing revenues from exports, partly because of increases in gold prices in world markets. Corporate taxation of mining companies has been very low due to tax breaks and possibly also due to under-invoicing. Hence, the main revenue sources from the minerals sector have been from royalties and taxes on wages. Revenues generated from the mining sector have been enhanced following the establishment of the Tanzanian Minerals Audit Agency.

While there are historical examples of countries that have had successful trajectories of economic transformation generated by an expanding mining sector, few linkages from the Tanzanian mining sector have been created. The African Development Bank found that 'limited legislation on local content, inconsistent policies and weak monitoring have led to poor development of backward linkages' (AfDB 2012, p. 70). Natural resource endowments have a significant impact on the types of transformation that take place in the productive structure as countries grow richer (UNIDO 2013). With natural resource-rich countries the importance of manufacturing at any level of income is lower than in the aggregate picture, and the decline in the share of manufacturing in total output, recognized as a process of de-industrialization that has occurred in rich economies, starts to have an effect at a lower level of income. Mining generally has high levels of productivity because of its high level of capital intensity, but its capacity to absorb labour is also limited. There is a very low level of employment in formal mining; in 2006 the IFLS recorded only 0.5% of people listing formal employment in mining and quarrying as their primary economic activity.

The role of mining in Tanzania's economic transformation is not restricted to formal mining, and since the 1990s there has also been a rapid expansion

of informal mining. This growth in informal mining predates the expansion of large capital-intensive and mainly foreign financed mining that took off at the end of the 1990s. Because of its informal nature data on the size and scope of informal mining is limited, but arguably the expansion of informal mining has had a significant effect on the way that Tanzanians make their livelihoods. Informal mining, when compared to formal mining, has the scope to generate much greater levels of employment and also has a more direct impact on enhancing the incomes and living standards of miners and communities around mines. However, informal mining is also associated with environmental degradation, precarious and dangerous working practices and social dislocation that can negatively impact human development. Bryceson and Jonsson (2013) found that approximately 685,000 people worked in artisanal mining in 2012. Almost two thirds of these people were artisanal miners of gold. In contrast, only 3,100 people are directly employed as operational labour in Tanzania's four major large-scale gold mines.

Tanzania is approaching a new episode in its economic transformation, because extensive onshore and offshore gas reserves have been discovered. Tanzania has the second largest volume of gas reserves in East Africa, following Mozambique. New gas sites continue to be discovered as exploration continues (Lokina and Leiman 2014). A take-off in the production of gas could contribute up to a third of the Government's current fiscal revenue and could potentially account for around 7% of GDP (Ledesma 2013). The potential role of gas in Tanzania's economic transformation depends on a number of factors. Employment generation is expected to be small but revenues could potentially be large, and there is scope for enhancing industrialization by developing backward and forward linkages to gas production. The new National Natural Gas Policy (2013) seeks to ensure that the revenues from these gas reserves are well managed in the interests of the nation, and that there is a balance between the expansion of gas exports and the use of gas to provide a needed energy source for the Tanzanian economy. Lessons need to be learned from fifteen years of mining expansion and the relatively limited impact that mining has had on poverty reduction and living standards, in order that the new gas economy can better lead to sustainable human development in Tanzania.

Manufacturing

The expansion of manufacturing was historically seen to be the key to a successful economic transformation. The manufacturing sub-sector in Tanzania has always been small in international comparison. Tanzania actually had higher rates of labour productivity in manufacturing than the low income countries of Asia at the end of the 1960s. Nevertheless, these countries made rapid progress in increasing manufacturing output and productivity growth in the 1980s, while Tanzania's manufacturing sector shrank and labour productivity rates fell across the same period (Szirmai and Lapperre 2001). Following a severe contraction in the 1980s and early 1990s, manufacturing began to expand at the end of the 1990s. Since then manufacturing has witnessed growth rates of an average of 8% to 9% per year, and this has accelerated in the latter half of the 2000s. This is an impressive growth rate by international standards, but the recent expansion of manufacturing was launched from a very small base, and per capita manufacturing value added remains one of the lowest in the world (URT 2013).

Compared to mining and construction, the other two component sub-sectors of the industrial sector, manufacturing recorded the weakest growth. The share of manufacturing within GDP remained almost constant across the 2000s, and in 2012 it accounted for 8.4% of GDP at current prices. One of the reasons for this disappointing growth in share of GDP at current prices may be that relative price changes went against this sector (Wuyts and Kilama 2014b). Tanzanian manufacturing has remained highly concentrated in terms of the type of products that are manufactured and its spatial distribution. Most of Tanzania's manufacturing involves resource-based processing, accounting for 78% of manufacturing value added. Food and beverages account for almost 50% of this resource-based processing (URT 2013). Productivity in Tanzanian manufacturing has risen since the mid-1990s. Improvements in overall productivity within the manufacturing sector resulted from the closure of a number of poorly performing manufacturing parastatals and the entry of new firms with higher levels of productivity. There are large productivity differentials between firms in the manufacturing sector; in particular, smaller informal manufacturing firms have much lower levels of productivity than larger manufacturing firms (Mbelle 2005).

Tanzania's manufacturing export performance has been much better than its overall rate of growth. Manufacturing exports experienced a remarkable increase across the decade, from 6.6% of goods exports in 2001 to 25.9% in 2010. Nevertheless, manufactured exports were concentrated in resource-based products with relatively low value added content. The technological content of different types of manufactured goods is important because it reflects the extent to which dynamic processes of learning can be generated as exports increase.

The composition of Tanzania's manufactured exports is mainly in resource-based manufactures (including basic processing of metal ores from the mining sector) and in manufactured fertilizers. This structure of exports contrasts with countries such as Vietnam and Bangladesh, which experienced rapid export growth in products such as textiles and garments that have a much higher labour intensity of production. Manufacturing employment accounts for less than 5% of total labour force (NBS 2006), but interestingly, women make up a considerable proportion of the manufacturing labour force at 37%. Employment trends in manufacturing are discussed further in Section 2.3 of this chapter.

2.2.5 Services

Services are the largest sector of the economy, and their share of GDP stood at 43.9% in 2012. While the average growth rate for the service sector was around 8% between 2001 to 2012, very rapid growth within a number of service sub-sectors was critical to explaining Tanzania's higher growth rates in recent years – including the communications sector, which has experienced growth of above 15% per annum since 2003. The service sector includes a number of very diverse activities associated with very different types of production, productivity and employment-generating potential. These include trade and repairs, hotels and restaurants, transport, communications, financial intermediation, real estate and business services, public administration, education, health, and other social and personal services. At initial stages of development services show extremely high relative productivity, driven by the expansion of non-market services such as public administration, health or education. As the service sector expands, average productivity tends to fall because of the growth in trade and repairs and hotels and restaurants, which have much lower levels of productivity, but the expansion of these sub-sectors also tends to expand low-wage employment opportunities.

The two leading service sub-sectors in terms of their rates of growth were communications and financial intermediation. These sub-sectors offer high wages and generate employment opportunities, but mainly for those with a high level of skills. Other service sub-sectors which have a more direct impact on human development, such as health and education, also grew over the period.

Box 2.2:

Catching up or falling behind?

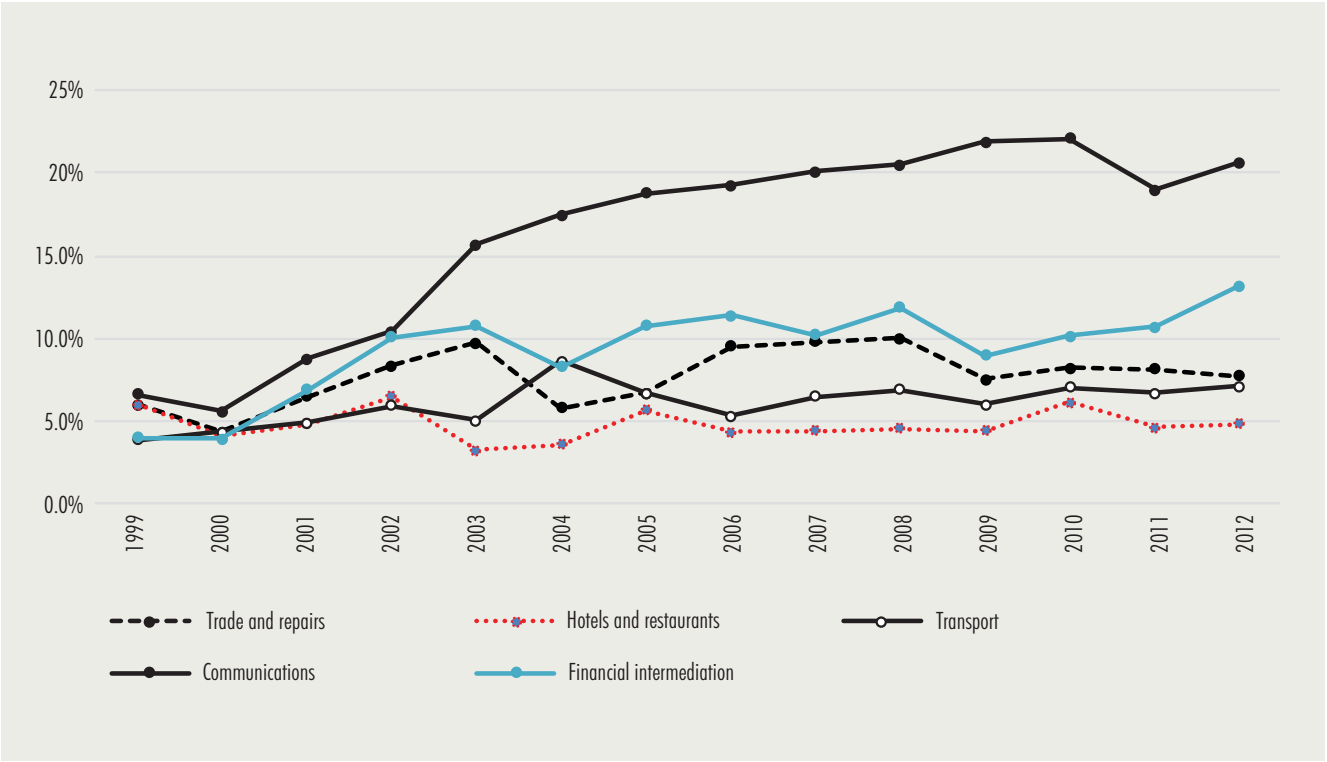
Expanding manufacturing was the historical route out of poverty, but this trajectory of structural change appears to be more difficult to follow for today's poorest countries, including Tanzania. At a global level, manufacturing production has continued to grow, but the distribution of this growth across countries has been highly uneven. While manufacturing value added is growing much faster in developing countries, this is concentrated in just a handful of countries and has become more concentrated in these particular economies. UNIDO (2013) estimates that while industrializing countries doubled their share of world MVA, this was accounted for by just five emerging industrial economies, while the least developed countries saw a decline in their share of MVA in total GVC from 2% to 1%. Most of this decline occurred in African countries, excluding South Africa. Manufacturing growth has been elusive even in some of the fastest-growing African countries. Indeed, many of the best-performing economies in terms of their rate of expansion, including Tanzania, Ethiopia, Ghana and Kenya, have a much lower share of manufacturing value added in their GDP than would be predicted by their level of income (Page and Shimeles 2014). While manufacturing exports from the continent have grown, they have not grown fast enough to keep up with other regions, leading to a process of cumulative divergence. Catching up is not occurring, and countries such as Tanzania remain on the sidelines of global manufacturing production.

Construction

The construction sub-sector accounted for around 35% of the industrial sector output across the 2000s, forming one of the fastest growing sectors. According to the national accounts, construction consists of 'site preparation, complete construction of parts of civil engineering, installation or demolition of buildings or other structures. Construction of buildings consists of residential and non-residential as well as rural own-account construction, whereas construction of other works consists of land improvement, roads and bridges, power stations, dams, wells and other structures' (NBS 2013 f, p. 4). The capital and labour intensity of construction activities can vary considerably between the informal and formal sectors, but also within the formal sector. The growth in construction is both a cause and a result of the type of growth experienced in Tanzania over the past decade (see Box 2.3).

Figure 2.9:

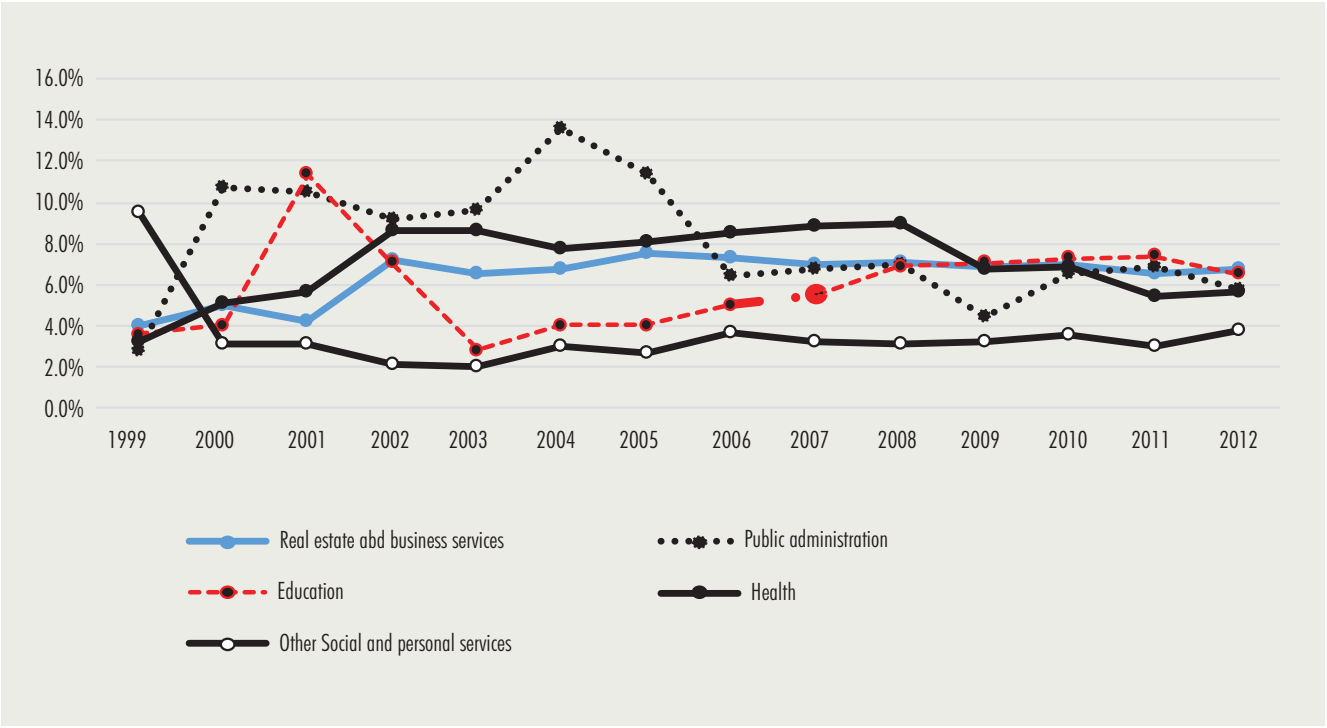
Growth rates of major services sub-sectors



Source: URT (2007, 2013)

Figure 2.10:

Growth rates of other service sub-sectors



Source: URT (2007, 2013)

Box 2.3:

The role of urban growth in Tanzania's economic transformation

The growth of Tanzania's cities, in particular the capital Dar es Salaam, has been both a cause and a consequence of the wider unfolding economic transformation. The expansion of cities in Tanzania is largely caused by rural to urban migration, but natural growth rates of the city population as well as the reclassification of new urban areas have also played a role in driving an urbanization rate of 5.2% (Agwanda and Amani 2014). While this rate is higher than the overall rate of population growth, this figure is only half of the urbanization rate of 10.2% that occurred in the first decade after independence. Dar es Salaam has recorded the highest rate of growth of all urban centres, increasing from 2.1 million in 2000 to 3.4 million in 2010 (Agwanda and Amani 2014). At 8% its rate of growth is faster than the overall rate of urbanization, and at its current rate of expansion it is set to become one of the largest cities in East Africa. Such a rapid growth in urban population has put pressure on the supply of adequate housing and social services, but rates of urban poverty are considerably lower than rural poverty rates.

While urbanization can impose strain on public services and urban infrastructure, cities have also been important in terms of generating improvements in the provision of social services. Apart from mining, the fastest growing sectors of the Tanzanian economy, including construction, manufacturing, retail trade, communications and banking and finance, are predominantly located in urban areas. As will be discussed in the next section, these sub-sectors have witnessed growth in terms of output but not in terms of employment. They have also witnessed high rates of labour market informality that have had negative consequences for wages and living standards. Globalization has changed the historical link between the urban and rural economy, where the demands for food and labour from growing urban centres pulled up rural growth rates as industrialization occurred. Jobless industrial growth and the availability of cheaper imported food, while helping poor urban households, have also broken the dynamic links between industrialization and rural development that characterized earlier economic transformations. Moreover, despite the high rates of urbanization, population growth in Tanzania has actually led to an increase in the number of people living in rural areas, which is three times as great as the increase in the urban population since independence. The concentration of Tanzania's growth in urban areas and, more importantly, the lack of dynamic links between the urban and rural economy are a central part of the explanation for the persistently high rates of poverty in rural areas.

2.3 Employment and Economic Transformation

This section examines the implications of Tanzania's economic transformation from the perspective of employment. The implications of Tanzania's unfolding economic transformation depend not only on the pace of economic growth or a fall in agriculture and a rise in industry and services as a share of GDP; the direction and extent of shifts in labour across sectors during this process of structural change also shape the nature of the economic transformation. If structural change pushes labour towards sectors with higher productivity and employment opportunities, then growth will be faster, more inclusive and will play a larger role in reducing poverty. Productivity growth in isolation will not improve living standards because labour productivity growth has a labour-saving effect, leading to stagnant or falling labour demand. For productivity growth to be translated into improvements in living standards, it needs to go hand-in-hand with employment growth. Where growth is characterized by the expansion of employment in less productive activities or where productivity growth is mainly occurring in sectors that are producing few new employment opportunities, leading to jobless growth, then even rapid growth will not be inclusive (Mcmillan et al. 2014; Wuyts and Kilama 2014a). The implications of economic transformation on employment are particularly important for Tanzania, where the rate of population growth is one of the fastest in the world, adding 1.2 million people to the population annually.

As argued in Section 2.1, income from employment is the biggest determinant of living standards, but the impact that employment has on poverty and wellbeing depends on three further factors: first, the structure of the labour market and the extent to which access to employment opportunities is open to all; second, the structure of the household, in terms of the number of dependents and earners within the household; and third, the distribution of unpaid work within the household between men and women and different age groups, and between forms of public, community and household provisioning of care. These factors will affect the extent to which growth in employment opportunities is translated into individual wellbeing.

'What matters for successful economic transformation is

not just rapid economic growth, nor the rapid decline of the share of agriculture in GDP, but also in which direction labour moves in this process of structural change.' (Wuyts and Kilama 2014a, p. 6)

2.3.1 Overall Trends in Labour Force and Employment

Over the past fifteen years, population growth has driven a rapid expansion in the number of people entering the labour force. With Tanzania's 2.7% annual population growth, resulting from high birth rates during the last two decades and declining mortality from the early 1980s, the working-age population has increased while the proportion of the elderly has remained at just below 4% since 1978. Tanzania's labour force is defined as economically active persons aged between 15 and 64 years. The size of the labour force has risen from 15.5 million people in 2001 to 24.1 million people in 2012, with between 650,000 and 750,000 new labour force entrants annually. The total labour force is growing at around 2.3% per annum. It is estimated that the agricultural labour force is growing at a maximum of 2.1% per annum due to rural-urban migration and the growth of non-agricultural informal rural activities. The effective labour force is probably growing more slowly than this due to the effect of the HIV/AIDS and malaria pandemics (Agwanda and Amani 2014, p. 58).

2.3.2 Employment Changes by Type of Employment

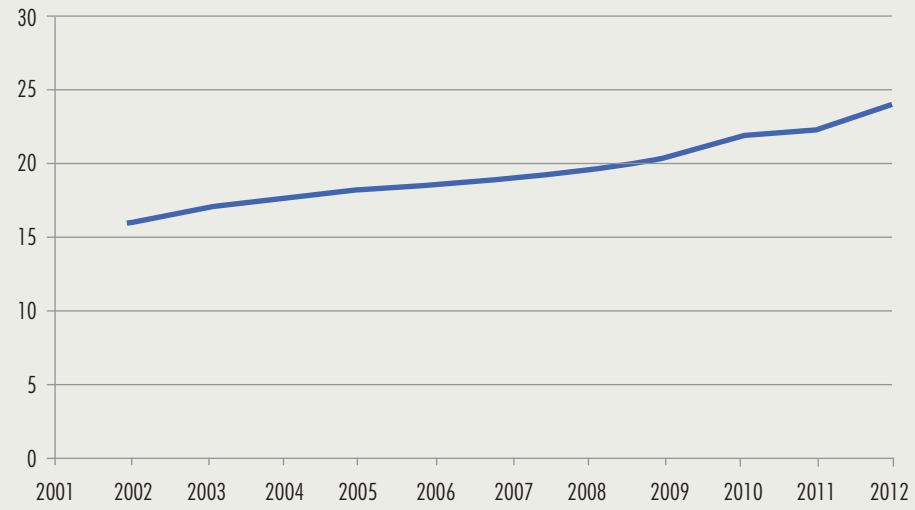
Since 2001, formal and informal employment in the private sector, along with government and parastatal employment, have all increased. Government and parastatal employment grew at a faster rate than in the 1990s, but most new jobs were created in the informal sector. Private formal employment accounts for the largest share of total employment. The number of people employed in the private formal sector increased by 138% from 2000/01 to 2005/06, but this was only a slight increase from the rate of growth in private employment in the 1990s. The large share of private formal employment in total employment reflects the fact that this category also includes work on individuals' own farms, which accounts for 67.5% of total employment.

2.3.3 Sectoral Distribution of Employment Growth

Despite the fall in agriculture as a share of GDP, the sectoral employment shares have remained broadly stable, with agriculture still accounting for the vast majority of employment. Given the rapidly rising population over the period, this stagnant share of employment in agriculture reflects a large increase in real terms of those dependent on agriculture for their livelihood.

Figure 2.11:

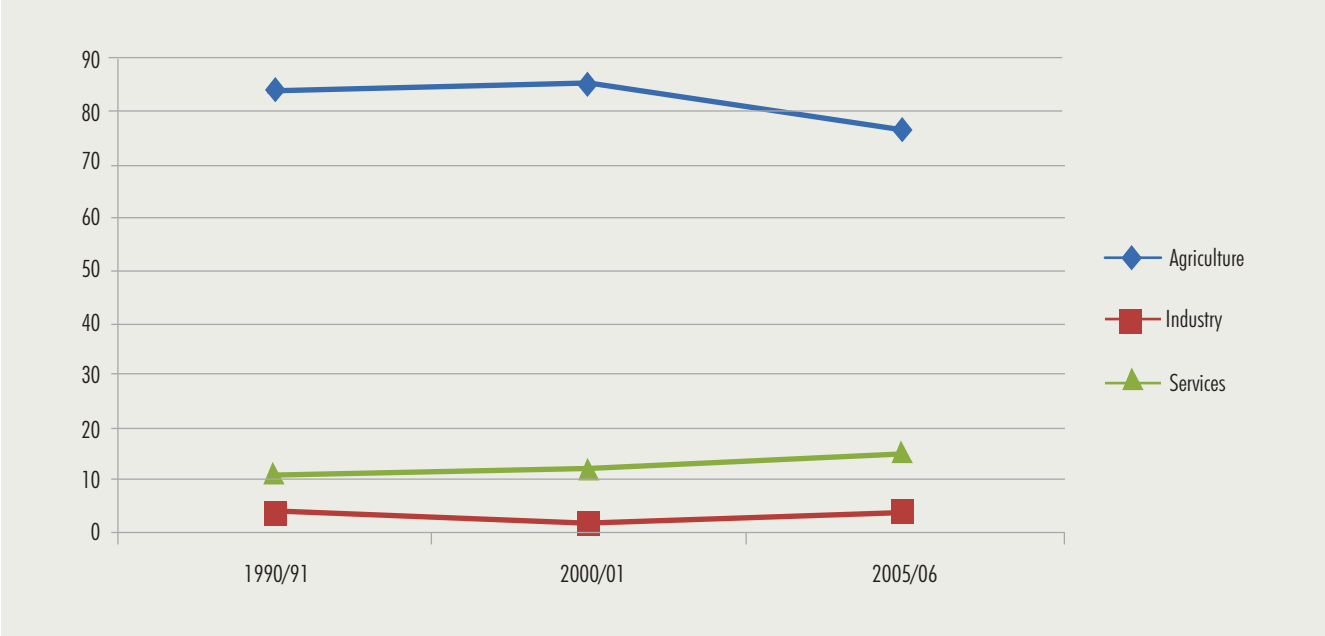
Size of the labour force (millions) (2001–2012)



Source: Author's graph based on United Nations Statistics Division (various reports), reported in Agwenda and Amani (2014)

Figure 2.12:

Share of employment in major sectors (%)



Source: NBS (1991, 2001, 2006)

Agriculture as a share of total employment stood at 84.2% in 1990/91 and rose slightly to 85.4% in 2000/01, before recording a fall to 76.5% in 2006. This fall of around 9% would seem to be a sign of Tanzania's economic transformation moving in a positive direction in terms of labour entering higher productivity sectors. These figures may, however, overestimate the decline in the share of labour in agriculture, since the 1990/91 and 2000/01 figures measure the agricultural labour force as including all those above 10 years of age, while the 2005/06 criteria raise the age to 15. The exclusion of children between the ages of 10 and 14 in the latest survey may account for a significant part of the apparent fall in agriculture's share in total employment. Wuyts and Kilama (2014b) point out that at just over 6%, this age group represents a larger proportion of the rural population than the urban population. More significantly, in the 1990/91 and 2000/01 surveys the majority of this age group was employed in agriculture. The decline in the share of agricultural labour in total labour could therefore be entirely explained by the exclusion of this age cohort from the figures in 2005/06. The overall employment data for this age group represents a worrying trend given that in 1990/91 10-to-14-year-olds represented 5.6% of the entire employed population, but this rose to 13% in 2005/06, suggesting an increase in child labour over the period of rapid economic expansion. A picture of changing levels of employment in agriculture is also given by the household budget survey. This records a rise in the percentage of people working on their own farms out of total employment, from 57% in 2007 to 63% in the 2014 HBS.

In terms of non-agricultural sectors, industry has the lowest share in employment of about 4.1% in 1990/1, falling to 2.1% in 2000/1 and then rising again to 4.3% in 2006. Services account for 11.7% in 1990/1 and 15.4% in 2006. The growth in employment in services was overwhelmingly within informal activities. Indeed, employment in services is dominated by informal employment, accounting for 78.9% of total employment compared to 13.9% of formal employment. The service sector is diverse in terms of levels of productivity and wages, as discussed in Section 2.2. It includes both highly-paid employment in financial services and also low-paid and informal employment in restaurants and wholesale and retail trade, the largest sub-sectors in terms of employment.

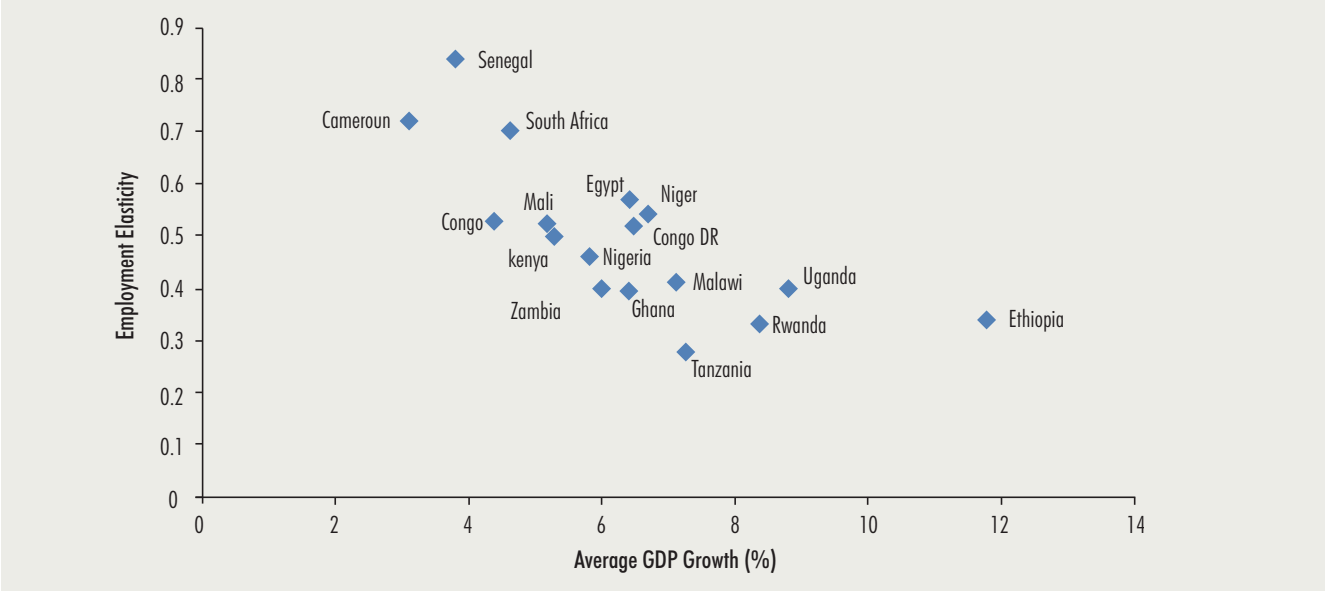
Despite the slight growth in the share of services and industry over the 2000s, there was a shift in the rate of growth of employment away from industry and services towards agriculture. This indicates that the overall pattern of labour movement during this period of structural change was from higher to lower productivity activities. This reflects the fact that growth was concentrated in activities with high productivity but low employment generation. The African Development Bank (2012) shows that this type of growth has been common in many of Africa's fastest growing economies, including

Rwanda, Ghana, Uganda and Ethiopia. Out of the countries covered, Tanzania's growth path had the lowest employment intensity (see Figure 2.13 below).

Tanzania's gap between the fall in the share of the labour force and the share of GDP generated from the sector is to be expected given its relatively early stage of structural

Figure 2.13:

Employment Intensity and Growth in Selected African Countries



Source: AfDB (2012)

This had very negative implications for the nature of the economic transformation in Tanzania, since it meant that the overall pattern of structural change was growth reducing (Page and Shimeles 2013). In essence this is why, even with rapid rates of growth, poverty reduction has been minimal over this recent stage in Tanzania's evolving economic transformation. Page and Shimeles (2013) draw the stark conclusion that poverty would have declined further had Tanzania maintained the same structure that it had in 2000. A decade of structural transformation in Tanzania has so far hampered efforts to reduce poverty.

2.3.4 The Causes and Consequences of Jobless Growth

This section explores the nature of employment at the sectoral level in more detail in order to examine some of the underlying factors that have shaped the pattern of employment shifts over the period of structural change. transformation. Indeed, this structural gap often widens during periods of rapid growth (Timmer and Akkus 2008), as appears to be the case in Tanzania. Over time, the answer to this dilemma is a faster pace of employment transfer into non-agricultural sectors. Reducing rural poverty and raising incomes in the rural sector depends critically on the expansion of employment opportunities outside agriculture. Therefore, an important challenge is to examine why so few good jobs have been created outside the agricultural sector. Given that jobless growth has characterized the economic transformation process in many of the fastest growing economies in Africa (see Figure 2.13 above), explanations for this phenomenon need to be located within changes that have occurred in the global economy and in the nature of globalization, as well as within features that are specific to Tanzania.

As described in Section 2.1, high levels of job creation in industry, and in manufacturing in particular, were the reason that rising incomes in many Asian countries, including most recently in Vietnam and China, had such a powerful impact on poverty reduction.[21] At an early stage

21 One explanation for the slow pace of labour-intensive manufacturing growth in many African countries compared to Asia is provided by Karshenas (2001). He argues that African agriculture today is labour-constrained compared to the early phases of industrialization in Asia, where higher population densities and scarce land meant that agriculture was primarily land-constrained. The consequences of this for Asian economic development were large differentials in labour productivity between agriculture and non-agriculture, leading to a high relative wage gap between the two sectors. In contrast, average wages in African agriculture are relatively closer to non-agricultural wages. In Asia, labour could be attracted out of agriculture at a lower reservation wage than in Africa. Relative labour costs are not static over time, however, and this situation is changing in Tanzania due to high population growth in rural areas, land fragmentation and changing land ownership patterns.

of industrialization, low capital-intensive technologies in manufacturing should permit a growth in productivity and employment (UNIDO 2013). In Tanzania, however, the expansion of formal manufacturing activities has not generated significant new employment. A recent study by UNIDO and the Government of Tanzania (2012) found that new firms established since 2005 only accounted for 11% of total industrial employment, suggesting that they were concentrated in activities that did not generate significant employment growth. Employment creation therefore cannot be assumed to be the inevitable by-product of expanding the output and exports of the non-agricultural sector.

Relative price changes between agriculture and non-agriculture in Tanzania had a major impact on the viability of labour-intensive production outside agriculture during the 2000s. Food prices in this period rose more quickly than non-food prices, as is evident in Figure 2.14 below. Relative price changes that occur during the process of structural change have a number of important implications for development.

Increases in relative prices of food disproportionately hit the poor and depress the demand for manufactured goods. Due to the importance of the product wage and the relationship between the real wage and the product wage (as explained in Box 2.4), relative prices between non-agricultural and agricultural goods also have implications for the viability of labour-intensive production outside agriculture. In Tanzania a rise in the product wage caused by the rise in agricultural goods compared to non-agricultural goods constrained the expansion of labour-intensive employment opportunities outside agriculture.

2.3.5 The Informal Economy

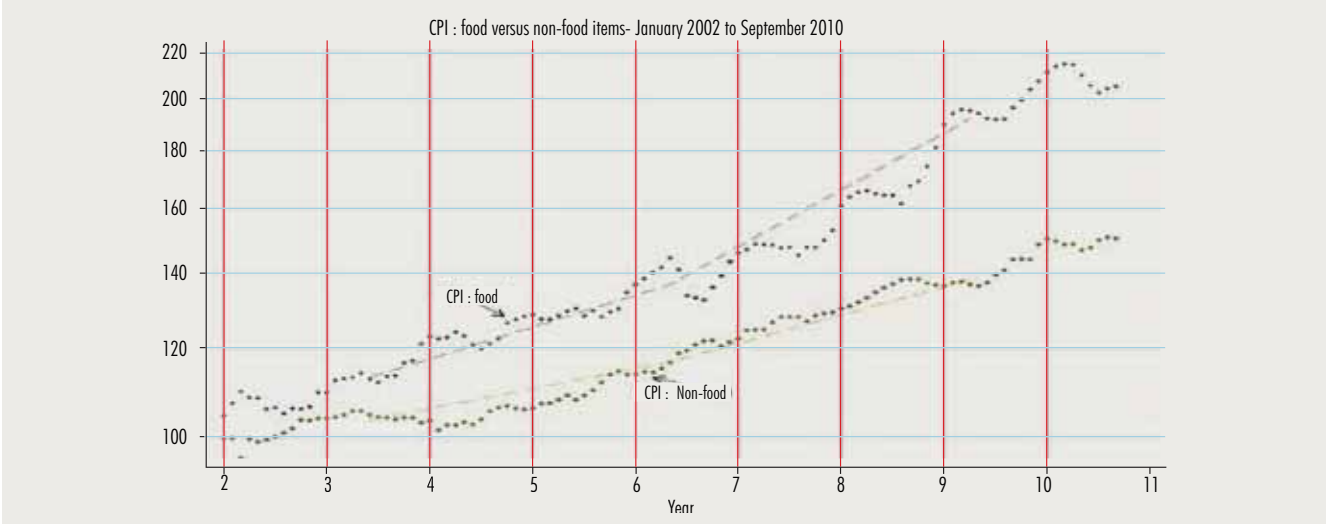
The phenomenon of jobless growth cannot simply be measured by the extent of unemployment in Tanzania. It is also reflected in the quality of employment opportunities that have been created over the last fifteen years. Of course, the impact of jobless growth outside agriculture is evident in the slow decline in the share of employment within agriculture, but the lack of formal 'good' jobs has also pushed people to diversify their economic activities. This is demonstrated by the rise of the informal sector in Tanzania in both rural and urban areas. A defining feature of the recent economic transformation has been the remarkable increase in the size of the informal sector, with its rapid growth starting in the 1980s with liberalization (Tripp 1997; Gibbon 1995). In the 1990s it grew by around 50%, but from 2000 the pace of expansion of the informal sector doubled.

Informal sector employment accounted for 8.8% as a share of total employment in 1990/1, 9.3% in 2000/1, and 10.1% in 2006. This may be an under-representation of the true level of informality in the economy due to the way that informal employment is measured. This is particularly apparent in the agricultural sector. Informal employment within the agricultural sector is recorded as being very low at 1.4% in the 1990/91 ILFS, falling to 1.2% in the 2006 ILFS. This means that informal labour is overwhelmingly assumed to be a phenomenon that occurs outside agriculture. Different forms of informal employment in the agricultural sector, including informal wage labour, are therefore not reflected in this data.

Similarly, informality is poorly captured in the

Figure 2.14:

Consumer Price Index (CPI) for food and non-food items: January 2002 to September 2010 (logarithmic scale)



Source: National Bureau of Statistics, http://www.nbs.go.tz/index.php?option=com_phocaddownload&view=category&id=138:summary-cpi&Itemid=106

employment data in the non-agricultural sectors. In the 2006 ILFS, employment outside agriculture was split between paid employment representing 10.5% and self-employment representing 10.9% of total labour force.

Box 2.4:

The role of relative prices in jobless growth

Changes in prices for different types of commodities have important implications for economic transformation and human development through their impact on wages. For a number of reasons improving wages is critical for enhancing human development. While wages can be measured in both nominal and real terms, what matters for the wellbeing of most people in an economy is the real wage, as this determines the standard of living. A rise in the real wage means that standards of living are rising. Given the nominal wage, the real wage depends on the price of necessities, and in an economy such as Tanzania the most important determinant of the real wage is the price of food. Wages also play a critical role in economic transformation. For an employer, wages also represent a cost of production. Employers pay wages out of the value added in the production process. This means that when an employer makes a decision about how many people to hire, they will consider the wage from the perspective of the product wage – the nominal wage divided by the price of output. An increase in the product wage will reduce profits for the employer, assuming that labour productivity is not changing, while a fall in the product wage will lead to an increase in profits.

The distinction between the role of wages as a source of income and the role of wages as a cost of production is an important factor in explaining the nature of Tanzania's economic transformation over the 2000s. During this time period there was a significant divergence between the real wage and the product wage that occurred as a result of the rapid rise in the price of necessities, food in particular, which outstripped the rise in the price of output (see Figure 2.14). When there are differential rates of inflation between food prices and other prices, real wages and product wages will move in different directions (Wuyts 2001 Bhaduri 2006, pp. 90–91). If nominal wages rise in order to keep the real wage constant in the face of rising food prices, the product wage will also rise. In Tanzania, higher nominal wages in the formal sector, despite constant or falling real wage levels, may have constrained the expansion of labour-intensive production. At the same time, where the nominal wage did not change to reflect the rising cost of food, primarily in the informal sector, workers experienced a fall in their real wages and hence in their standard of living. Under these circumstances, changes in prices impact negatively on efforts to reduce poverty. Wuyts and Kilama point out that 'the cost of living in general, and the price of food in particular, matters a great deal, not only in terms of its effects on poverty, but also in terms of its effect of the viability of labour intensive production' (Wuyts and Kilama 2014a, p. 18).

Figure 2.15:

Employment growth: percentage change

Source: National Employment Creation Program (2007)

The informal sector has become synonymous with self-employment, but in reality wage employment is also prevalent in the informal economy (Rizzo and Wuyts 2014). Overall, while employment has expanded during the period, the rapid rise of the informal sector is a worrying trend in terms of the implications of structural change for human wellbeing. The informal sector is a significant factor in poor job quality in terms of working poverty and the level of vulnerability of employment (ILO 2014). This is because the informal sector typically offers lower wages, is more precarious and provides much lower access to social protection and healthcare. Jobless growth has led to the expansion of low quality jobs and has made employment a much more uncertain route out of poverty. This is reflected in the fact that in Tanzania there are high levels of 'working poor', particularly in the rural sector and in informal employment (NBS 2012).

Table 2.2:

Currently employed persons by employment status

Employment status	Share of total labour force (%)
Work on own farm or shamba	67.5
Unpaid family helper (agriculture)	7.9
Unpaid family helper (non-agriculture)	3.5
Self-employed (non-agriculture) with employees	1.8
Self-employed (non-agriculture) without employees	9.1
Paid employee	10.5

Source: NBS (2006, Table 5.7 p. 38)

The problem of jobless growth is not reflected in the comparatively low rate of official unemployment in Tanzania, which stands at just over 11% (NBS 2006).[22] This is because the lack of a social protection system for the unemployed leaves few options but to find some kind of income-generating work. Hence, the main impulse of the rise in jobless growth has been the creation of poor quality jobs and self-employment in the informal sector. Nevertheless, recent data on unemployment produced by the Tanzania National Panel Survey (see Table 2.3 below) indicates that unemployment is significantly higher in urban than in rural areas. Unemployment is also disproportionally high among young people, and among young women in particular. While Tanzania's level of official unemployment is similar to the unemployment figures of many other African countries, this figure may not be an accurate reflection of the extent to which people are actually productively engaged in employment. Where labour is under-utilized in the informal sector or is dependent on seasonal work in rain-fed agriculture, it is likely that the levels of under-employment and actual unemployment are much higher than the official figures suggest (Agwanda and Amani 2014).

2.3.6 Agriculture – A Refuge for Labour?

Despite the low official level of unemployment in rural areas, informal employment, under-employment and informal off-farm activities have proliferated. This is the result of the low level of productivity growth in agriculture, the expansion of the rural population and the prevalence of jobless productivity growth outside agriculture (Otieno and Amani 2014;Skarstein 2005). In this sense, agriculture may be acting as a 'refuge' for labour, while employment opportunities outside agriculture remain limited (Skarstein 2005). Rural livelihoods have become increasingly diversified over a number of decades (Bryceson 1999), but an important and relatively unnoticed feature of Tanzania's recent phase of economic transformation is the growth in informal mining and construction activities in rural areas. Wuyts and Kilama (2014b) argue that this employment trend is clear from the records of secondary employment activities in the 2006 ILFS survey, where over half a million people recorded mining and quarrying as their secondary employment activity. This figure exceeds the figure for total employment in mining and quarrying listed as a primary employment activity. Interestingly, women account for 56.7% of employment as a secondary activity in informal mining and quarrying.

The impact of informal mining can also be seen in the prevailing patterns of migration across the country. For example, while Dar es Salaam had the largest turnover in terms of the inflow and outflow of people, Mwanza and Shinyanga also had very high levels of net migration according to the 2002 population census. Agwanda and Amani (2014) suggest that the reason for this is the presence of gold mines in both Mwanza and Shinyanga, which have encouraged the internal migration of labour to new mining sites. The expansion of non-agricultural

22 Unemployment in the Tanzanian definition also includes persons having marginal attachment to employment. This means that a person does not have secure employment, even for the next day. According to the standard definition, unemployment rates were at 4.3% in 2006.

Table 2.3:

Labour force participation and unemployment rate

	Labour force participation rate	Labour force participation rate	Unemployment rate	Unemployment rate
Region	NPS 1	NPS 2	NPS 1	NPS 2
Tanzania Mainland	78.0	83.6	2.3	3.0
Dar es Salaam	68.0	72.6	16.0	13.0
Other urban	68.3	74.7	4.1	4.9
Rural	81.4	87.1	0.6	1.5

Source: Tanzania National Panel Survey (NPS) Report, Round 2 (2010–2011)

rural activities may be a sign of the lack of agricultural dynamism, given that poverty has remained persistently high in rural areas. The changes in employment patterns in rural areas also suggest that efforts to raise agricultural productivity may not address the underlying dilemma, if they are pursued in isolation from wider efforts to create jobs. This is because productivity growth can lead to labour-shedding rather than job creation.

2.4 Conclusion

This chapter has shown that growth alone does not determine the success of an economic transformation. Beyond growth, structural change is imperative, but structural change in terms of a rise in the contribution of industry and services to GDP is also not sufficient to ensure that human development improves over time. Tanzania's economy has changed considerably since the beginning of liberalization in the mid-1980s. As Tanzania has integrated into the global economy, the rate of economic growth has risen, agriculture as a share of GDP has fallen, and industry and services have expanded. However, the positive effects of this structural change on living standards have been dampened by the lack of employment creation and the phenomenon of jobless growth in the non-agricultural sectors. The output growth experienced in industry and services was primarily driven by productivity growth rather than by the expansion of employment opportunities. At the same time, agricultural productivity has remained stubbornly low. Yet the problems of raising productivity in agriculture cannot be addressed in isolation from the wider task of enhancing job creation across the economy. This is a particularly pressing issue given the rapid expansion in the number of young people entering the labour market. A further challenge is to ensure that employment and rising productivity are translated into improving wages and enhancing social provisions; this cannot be taken for granted. Economic transformation is a path dependent process. As Tanzania's economy enters a new phase of development with the discovery of extensive gas fields and renewed efforts to modernize agricultural production, the challenge is not to start an economic transformation but to improve upon the transformation that is already under way.

“Every proposal must be judged by the criterion of whether it serves the purpose of development – and the purpose of development is the people.”

Nyerere J.K (1973) Freedom and Development.

3.

Balancing growth with human development: Changing emphasis in economic policies

After independence in 1961 the Tanzanian leadership identified the 'three enemies' of development as ignorance, diseases and poverty. The development process focused on creating a society that would be free from abject poverty, which would be manifested by a population living long and healthy lives (*long life expectancy*), with knowledge (*education and skills*) and a decent standard of living (*high income or command over economic resources*). The three areas in which the enemies were premised happened to be the key indices for the Human Development Index (HDI) that was developed by UNDP in 1990 – as already discussed in Chapter One of this report. In the same chapter it was remarked that Tanzania has made some inroads in health and education as far as HDI is concerned. This success includes a rise in life expectancy and decreases in infant mortality rate and the incidence of HIV/AIDS. In education, enrolment has risen in nearly all levels, but there have been concerns about quality and a lack of gender parity at some levels since they have caused a significant concern at present (Sumra and Katabaro 2014).

The economic transformation taking place in Tanzania, and the fact that the economy has been growing at a relatively high rate in the past fifteen years, is thoroughly explained in Chapter Two. Nevertheless, this growth has not translated into significant poverty reduction. As such, the achieved growth thus far has not led to correspondingly high human development. Likewise, economic growth has not created appreciable or decent employment opportunities. It has also been observed that while the structure of the economy has changed, there are four features that do not augur well for thriving growth from the perspective of 'successful transformation'. These are (i) the lack of employment creation and the phenomenon of jobless growth in the non-agricultural sectors, whereby the output growth witnessed in industry and services was primarily driven by productivity growth rather than the expansion of employment opportunities; (ii) agricultural productivity, which has remained very low; (iii) the unfolding economic transformation has not diversified the economy, failing to move labour from low to higher productivity activities (for example, from agriculture to manufacturing) and within the sectors (for example, from subsistence farming to high-value crops); and (iv) the challenge of ensuring that employment and rising productivity are translated into improved wages and enhanced social provisioning.

In this chapter we look into the policies, plans and development frameworks that have led Tanzania to the economic transformation taking place across time. The aim is to map out the main policies and strategies that have been implemented for realizing the human development agenda, i.e. to underscore their context, their content and the challenges encountered, and thereafter to propose a way forward. For the purpose of this discussion we look at three distinct periods: 1961 to 1985 (from independence to economic crisis); 1986 to 2000 (the economic restructuring period); and 2000 to date (the poverty reduction period). The point we intend to advance is that despite multiple policy initiatives and strategies over time, and impressive economic growth over the past fifteen years, Tanzania has not been able to significantly change the poverty status of the majority of her people, mainly due to policy slippages and adverse implementation conditions. The danger of this trend is that Tanzania will not realize some of the MDG goals for 2015, nor those of the Tanzania Development Vision (TDV) 2025 (Mkenda 2014). As noted earlier, when it comes to human development, the values held high immediately after independence and those in the current HDI are similar, and this fact justifies the claim that the search for human development in Tanzania started with the attainment of political independence. This was a good beginning, although the question still remains as to why the country has not made a leap in terms of human development over the past fifty years.

3.1 Economic Transformation for Human Development

A country can undergo economic transformation, but its link to results in terms of human development is not automatic (Bandara et al. 2014; Kilama and Wuyts 2014). For human development to occur there is a need for deliberate policy decisions and implementation strategies that direct resources to the requisite sectors, and most importantly to the social sectors. Bandara et al. (op. cit.) single out quality education and a healthy population as key inputs to the conditions necessary for establishing the

nexus between economic transformation (growth) and human development. As explained in previous chapters, the economic growth Tanzania has witnessed in the past one and a half decades has not translated into significant poverty reduction for the majority of Tanzanians. This means that the economic growth Tanzania has achieved is not 'quality growth'. GHDR 1996 identifies the dimensions through which quality economic growth can be gauged (UNDP 1996). 'Good' or quality economic growth is growth that promotes human development in all its dimensions, i.e. growth that:

(a) generates full employment and security of livelihoods,
(b) fosters people's freedom and empowerment,
(c) distributes benefits equitably,
(d) promotes social cohesion and cooperation,
(e) safeguards future human development.

For the purposes of this report, the generation of employment and the security of livelihoods are the most critical issues. The others complement these in that they are related to governance and the sustainability of communities and economic systems now and in the future. If an economy can provide these two outcomes – employment and security of livelihoods – it most likely has the other qualities in place. The literature points to links that are necessary for high quality economic growth. Those links have to do with health and education, in that a healthy and well-educated population is likely to steer a country to economic growth. According to GHDR 1996, in order to build these links in the economy, there is a need for two processes to occur. First, the government should accumulate human capital through investment in health, education and nutrition as well as research and development. Second, the people should be given the chance to contribute to economic development by participating in the political and economic processes in their country (UNDP 1996). This latter point is also emphasized in Chapter One, where it is stated that this participation has to be political, economic and in terms of control over resources.

Where these links are strong, the prospects for an economy to grow while human development is also pursued are high. Given what is happening with the economic transformation in Tanzania, the country does not have strong links, and thus there are observed mismatches between economic growth and the generally poor human development status. The wellbeing of the poor majority in Tanzania is not improving adequately over time as the economy transforms. On the one hand, the challenge seems to be a normative question of how to ensure a fair distribution of the national cake. It is in this perspective that tax system reforms and public expenditure rationalization have been seen as critically important in the pursuit of human development. On the other hand, the challenge remains for the issue of decent job creation through economic transformation in those sectors that employ the majority of the country's workforce. New paradigms and approaches to the modernization of the rural economy are thus a critical issue in Tanzania's transformation process.

Building strong links depends on several factors (UNDP 1996; Bandara et al. 2014). The most critical is the pattern of public expenditure – what is termed 'human development spending efficiency'. This is determined by looking at how well countries translate income into human development. At the centre of this are public expenditure policies. First, there is the public expenditure ratio, which is the proportion of the national income that goes into public expenditure. Second, there is the social allocation ratio, which is the proportion of public expenditure for social sectors (health, education, water, etc.). Third, there is the social priority ratio, which is the proportion of social expenditure devoted to basic social services such as primary healthcare and basic education. Where the government focuses on supporting the most basic social services first, the more likely it is that poor and vulnerable groups will be covered, as opposed to funding tertiary level services such as higher education or referral

Box 3.1:

Strong links between growth and human development

Strong links — in countries with strong links, both economic growth and human development have advanced rapidly, reinforcing each other through policy links. Resources generated by economic growth have financed human development and created employment, while human development has contributed to economic growth. Among the most prominent examples in this category are the high performing Asian economies: Hong Kong, Japan, Malaysia, the Republic of Korea and Singapore. Some industrial countries are also in this group, such as Spain and Portugal. Botswana is also an example.

Source: UNDP 1996.

hospitals. For instance, equal access to education for all is the best way to ensure open access to jobs, and through that, social mobility and the economic empowerment of all. If the social priority ratio is low, economic growth – even if high – may not generate significant improvements in human development, so development may be uneven. Similarly, if income distribution is skewed, many households will not have the ability to properly feed, educate and attend to the health needs of their members, thus slowing down human development. For indebted countries like Tanzania, the public expenditure ratio could be low because of debt servicing, among other factors.

Conditions for Strengthening Strong Links between Growth and Human Development

There has been a prescription for strengthening the links between growth and human development, especially where they are weak (UNDP 1996). First, the country in question must ensure equity in the distribution of resources. As a nation strives to attain higher rates of economic growth, it is important that the benefits of such growth are shared equitably and broadly across different sections of the population and different geographical locations. Tanzania is not doing well on this at the moment; in the past an attempt was made through the Arusha Declaration, but this was not a success. What is largely happening now in the country is a widening gap between the haves and the have-nots.

According to the plans and strategies put in place towards 2025, this income gap needs to be narrowed if not closed altogether. At the very least, there is a need to make sure that every individual is given an equal chance to reap the benefits of the economic growth that may be realized over time. This is even more critical when one considers the newly discovered resources in Tanzania, including natural gas. As emphasized in the development discourse, it is the quality of growth that matters. There is therefore a need for deliberate government policies to oversee a fairer distribution of resources in Tanzania.

Second, the government has to prioritize social spending. This will allow the public provision of key services like basic education and primary healthcare, thereby covering the majority of the people. Tanzania did this in the 1970s and 1980s, and the country was listed as one that had high indices in the provision of health and education, although the quality of these services was still questionable. The current liberalization of the education sector may widen the income inequality, economic displacement and hence social polarization, since the children of the rich attend private schools, which are better supplied with materials and staff, while those of the poor attend public schools which are inadequate due to low budgetary allocations, largely as a result of a rapid expansion in public schools in response to the growing school age cohort. Thus, the sharing of the dividends of economic growth needs to be rationalized through the provision of key social services in the country.

Third, income-earning opportunities should be created. Basically, this point is about employment creation, where possible ensuring a near full-employment equilibrium in the labour market. To be sustainable, growth must expand opportunities for work – and when people are employed (or self-employed) there is a direct contribution to human development. This depends on the rate of growth, and also on its pattern. It is contingent on (i) what is produced – primary or processed goods; (ii) by who – how educated and how technologically knowledgeable they are; and (iii) how – the composition of output and the technology used. Tanzania's reform policies have not sufficiently emphasized equitable opportunities and job creation. This is manifested by the kind of growth achieved so far, which has not impacted significantly on poverty reduction across all sectors and locations.

Fourth, the government has to make it possible for the people to access productive assets and resources in terms of land, credit and appropriate infrastructure. Efforts such as the Property and Business Formalization Programme aimed at, among other things, enabling owners to access credit in financial institutions, but financial institutions have not been receptive enough, especially for the majority who live in rural areas. The government has also created opportunities to access development finance through microfinance arrangements e.g. through Tanzania Social Action Fund (TASAF), Presidential Funds and Constituency Development Funds. There have also been efforts to strengthen the ministry responsible for land, as well as decentralizing land administration to hasten the process of land surveying, thereby making it possible for land owners to use it as collateral for accessing financial resources. However, these efforts have proved inadequate in coverage, consistency and pace.

Fifth, there has to be good governance. Governance problems faced by Tanzania include persistent corruption, inefficiencies in government institutions and a lack of accountability, to mention a few. These are a bottleneck to strengthening the link between growth and human development. Good governance in this context would include opportunities for people to participate pragmatically in planning and implementing programmes and projects.

Finally, the need for active community action should be underlined – civil society organizations must be allowed to actively operate without undue obstructions. Civil society organizations do provide some checks and balances on government power, and also on the functioning of the private sector, and they also contribute to strengthening each. Examples include the emphasis they place on monitoring the environment, checking social and political abuses and running economic activities, inter alia. Civil society organizations often speak for society's vulnerable and poor. In some cases they manage to help their members and the wider community to overcome market failures and administrative weaknesses, as would be the case with cooperatives. There is thus a need for the government, including political leaders, to scale up this support and improve the working environment for CSOs in Tanzania.

3.2 From Independence to Economic Crisis, 1961 to 1985

No single person has had as much influence over the destiny of Tanzania as Julius Kambarage Nyerere, the country's first president. He is widely referred to as the 'father of the nation', and from the very early stages of his regime he placed his imprint on policy and development. As the first nationalist leader there were a lot of expectations of him and of the national leadership following the promises that were made during the pre-independence campaigns. The first years of independence witnessed a push for people to work hard for their development. Agriculture was stated as the backbone of the economy. In 1961 a three-year development plan was put in place to address the three previously mentioned 'enemies' of development. In 1964 a five-year plan was prepared whose content included the goals of raising life expectancy, raising literacy rates and raising per capita income. A subsequent five-year plan (1969 to 1974) focused on the mechanization of agriculture and industrialization, among other things. A third plan (1975 to 1980) was built on the second one, but it was disrupted by the economic crises experienced by the country, and hence it was hardly implemented. All these plans were in place side by side with the 1967 Arusha Declaration, which introduced socialism, in Kiswahili 'ujamaa', as the encompassing ideology and development policy framework for Tanzania. The hallmarks of the ujamaa ideology include the concentration of power at the centre and in the hands of a few, and in a single political party; an emphasis on agriculture as the mainstay of the economy and therefore on rural development; and the nationalization of what was considered as the major means of production. Others include efforts towards Education for Self-Reliance (ESR) and some basic industrialization. The context of ujamaa was founded on two main issues: the elimination of the exploitation embedded in what was thought of as the 'colonial legacy', and the endeavour of the government to bring balanced economic and human development. In essence there was nothing wrong with the context itself, but the translation of that mission into reality on the ground did not meet expectations.

The above hallmarks had varied implications for human development. The concentration of power at the centre denied people a chance to effectively participate in development planning. This denial of people's participation saw projects that were not owned by the beneficiaries, and the projects failed as a consequence. This lack of participation was exacerbated by the decentralization policy of 1972, which abolished the Local Government Authorities in favour of a deconcentration of the government whereby central government officers were brought closer to the people. When issues of expertise were factored into development planning, planners had the upper hand over the people. Having noted this mistake, Local Government Authorities were reinstalled in 1982 and their reforms are being implemented to date so that people's participation in the planning and development process can generally be enhanced.

The rural development strategy of the Arusha Declaration led to policies with immense distortions that compromised the human development purpose. Orders came from above, as was the case with the villagization programme, intended as a way to revamp rural development, which in the end disrupted production and the way people organized production in their localities (Hyden 1980, p. 119; Coulson 1982, p. 246; Chazan et al. 1988, p. 251). The government's emphasis on agriculture as the economy's mainstay was good, but its implementation strategies, notably the villagization programme, were not so successful. Every village was designated as a cooperative society, regardless of its economic viability. As a result, regional cooperative unions were created, and these ended up draining resources away from peasants to bureaucracy administration. Most unions became so indebted that the government abolished them in favour of nationwide crop authorities. The latter were no better when it came to diverting resources away from peasants to cover operating costs (Maliyamkono and Bagachwa 1990, pp. 5–6). This state of affairs led many people in the rural areas to revert to subsistence living, abandoning cash crop cultivation

to the detriment of the economy – and their human development (Hyden 1980; Hyden and Mmuya 2005).

In an experiment which came as advice from the World Bank, the transformation approach was used in rural development. It envisaged fast results if peasants were collectivized into schemes in selected fertile areas to be cultivated with machinery and other inputs. This approach was against the improvement approach, which aimed to provide extension services to peasants so that they advanced gradually. Some 74 schemes had been planned, but by the end of 1975 there were only 20 in operation. Hopes for the transformation of the rural sector through these schemes faded. As well as heavy overcapitalization, the schemes were haunted by insufficient planning and problems with infrastructure, especially water (Lundqvist 1981). The settled peasants felt that they were deprived of the freedom they had enjoyed outside the schemes. Coulson (1982) and Chambers (1969) concluded that the schemes had to come to an end because, among other mistakes, they were overly ambitious, and they ignored gradualism.

Because life in the rural areas was becoming harder and harder over time, rural-urban migration was inevitable. However, jobs in urban areas were also not easily available, and many people were left idling there as a result. In 1983, in a desperate measure, the government decided to go for extra-economic coercion, decreeing that such idlers should be deported to their places of origin so that they could be gainfully deployed (Shaidi 1984). The Human Resources Deployment Act of 1983 was enacted to that effect. Among other things, the Act defined work as any lawful income-generating occupation through which a person obtains his or her livelihood, and recognized that agriculture was the major source of income for the majority of Tanzanians. Section 17 of the Act empowered the Minister to make a smooth and coordinated transfer of unemployed people to their home districts or home residences. Other coercive measures included minimum acreage cultivation, unpaid participation in 'development work' and linking basic commodity allocations to doing particular things like participation in collective public services (Gibbon 1992). The Act was declared unconstitutional by the 1991 Nyalali Commission in that it violated the rights and freedom of movement of residents in a number of ways, at the same time curtailing the right of choice of work by encouraging forced labour and allowing arrests and detention without trial. Whereas urbanization is part of the recipe for economic transformation, the government policy was reversing this by sending people back to the villages.

ESR in the context of the Arusha Declaration emphasized that primary schooling was a cycle of learning, rather than a selection mechanism for advancement to secondary education. Primary education was expected to be a preparation for the life that the majority of children would later lead. Similarly, the function of secondary schools was to prepare people for life and service in the villages and rural areas of Tanzania. The government changed the school curriculum to make the content of individual subjects more relevant to Tanzanian children. This involved the inclusion of productive work on farms and in workshops as an amalgam of theory and practice. These beliefs formed the basis of educational policies for nearly two decades and emphasized rural development at a time when ever-increasing numbers of young people were migrating to the towns in search of jobs in the relatively better-paid formal sector. Fortunately in the early 1970s there were factories that hired primary school leavers, as was the case in the textile industry. The driving force for political action was a growing crisis in the education system, caused by the success of the government's policies in increasing primary enrolment and the subsequent raising of people's aspirations. Primary school entry had risen significantly since independence, but there had been only a small increase in secondary school capacity.

While attempting those strategies, like most other countries Tanzania was hit by the oil and debt crises of the 1970s and the early 1980s. The first oil crisis in 1973 and the second in 1979 exacerbated the external debt crisis, which was later compounded by the Tanzania-Uganda war in 1978/9. Owing to the difficulties that besieged the economy, living standards were declining and poverty increased tremendously. In view of this outcome, Tanzania realized a need to adopt a quick measure to improve the situation and pave the way to a new approach to development strategies and policies. There was a breakthrough in the formulation of the National Economic Survival Programme (NESP) in 1981/2. This was a short-term policy measure to rescue the economy from insurmountable hardships while attempting to underscore a lasting solution. With immediate effect, the Tanzanian policy paradigm shifted to what was seen as the core problem – the systems and settings of the economy. The Structural Adjustment Programme (SAP, 1982 to 1985) was thus adopted to replace NESP, with a view to restructuring the country's economic system in a manner that would better suit the production process and the distribution of both resources and income.

With regard to industrialization, the second Five-Year Development Plan (FYDP) in the 1970s championed the implementation of two strategies: the Basic Industrial Strategy (BIS), a plan designed to develop domestic resource-based industry to cater for the country's

needs more immediately, and the Small Industries Development Organization (SIDO) to stimulate small-scale industries. Central to both BIS and SIDO were the tenets of national self-reliance and rural development. In particular, SIDO's role was to assist and promote the establishment of units that employed simple, labour-intensive technologies as a way to utilize locally available human and material resources (Skarstein and Wangwe 1986). SIDO represented a concerted effort by the government to promote informal sector-type enterprises in rural areas.

this was futile in the wake of nationalization. Tanzania ended up in Import Substitution Industrialization, a strategy criticized for not having the potential to link agriculture – which was designated as the mainstay of the economy – and industry. The Arusha Declaration itself was not very enthusiastic about industrialization, since President Nyerere believed that Tanzania had neither the finances nor the know-how (Nyerere 1967). All this reduced employment opportunities in the urban sector.

With all these conditions, this period culminated in shortages of basic commodities as factories could not buy

Box 3.2:

Nyerere on industrialization

Our emphasis on money and industries has made us concentrate on urban development. We recognize that we do not have enough money to bring the kind of development to each village which would benefit everybody. We also know that we cannot establish an industry in each village and through this means effect a rise in the real incomes of the people. For these reasons we spend most of our money in the urban areas and our industries are established in the towns.

Yet the greater part of this money that we spend in the towns comes from loans. Whether it is used to build schools, hospitals, houses, or factories, etc., it still has to be repaid. But it is obvious that it cannot be repaid just out of money obtained from urban and industrial development. To repay the loans we have to use foreign currency which is obtained from the sale of our exports. But we do not now sell our industrial products in foreign markets, and indeed it is likely to be a long time before our industries produce for export. The main aim of our new industries is 'import substitution' – that is, to produce things which up to now we have had to import from foreign countries.

It is therefore obvious that the foreign currency we shall use to pay back the loans used in the development or the urban areas will not come from the towns or the industries. Where, then, shall we get it from? We shall get it from the villages and from agriculture. What does this mean? It means that the people who benefit directly from development which is brought about by borrowed money are not the ones who will repay the loans. The largest proportion of the loans will be spent in, or for, the urban areas, but the largest proportion of the repayment will be made through the efforts of the farmers.

Source: J. K. Nyerere (1967), The Arusha Declaration.

SIDO's brief was to promote and develop small-scale industries employing between 10 and 70 employees. Politically, SIDO represented an ideological solution, but it was not popular with either senior administrators seeking quick-fix, fast-track development, or with international donors who preferred to fund large turn-key projects. By its very nature, the concept of import substitution aligns itself towards capital-intensive technologies, ending up creating few jobs while demanding large capital.

The nationalization of some sectors, including the few existing industries, real estates and financial institutions, was a big scare to investors. The corollary of this policy was that private capital was not protected, and as a result several disruptive outcomes were witnessed in terms of private capital. The industrialization strategy as outlined in the second five-year plan would have attracted investors and definitely increased employment opportunities, but their inputs because of a shortage of foreign exchange; a lack of reliable markets resulted in nearly all aspects from the scarcity of foreign exchange and the unavailability of common goods for daily use. Export crop production declined, and service provision was still poor. This made life harder for the common person. Corruption set in, and that made access to basic services more difficult for the majority who could not dance to the tune of the day. The government was losing legitimacy, and self-help civil society organizations mushroomed to assuage the difficult conditions people were experiencing. Human development slowed, and in some aspects it was on the retreat in areas such as literacy. At the higher level, the three five-year development plans relied heavily on external financing, which was not forthcoming as expected, resulting in poor implementation and non-fulfilment of the goals set (Amani 1987; Mjema 1989).

3.3 Policy and Human Development during the Restructuring Period, 1986 to 2000

By 1985 it was clear that the economy had already been paralyzed by the crises, thus prompting the need for an overhaul. The Economic Recovery Programme (ERP, 1986 to 1989) was designed for stabilization and liberalization as the political regime changed from President Julius Kambarage Nyerere's administration to that of President Ali Hassan Mwinyi as the government's second phase. It was time for change, with retrenchments and without taking into account the social dimensions of adjustment. This was recognized from complaints that arose, and some remedies were considered during the period named the Adjustment with a Human Face era (1989 to 1992). As noted earlier, from 1981 to 1990 there had been frequent shifts in policy framework in attempts to curb the bad state of the economy, which did not seem to be responsive to quick measures. However, the problem was that paradigm changes were happening in an uncoordinated manner, and for that matter it was difficult to make clear distinctions between the focuses of the policy regimes.

During the last five years of his presidency, Julius Kambarage Nyerere was embroiled in a tussle with those international financial institutions advising that Tanzania should change its socialist policies, although Nyerere was not ready to lead such a turnaround. However, he yielded at a later stage as he willingly retired from active politics in 1985. The liberalization policies that followed and whose implementation was overseen by President Ali Hassan Mwinyi are well documented in terms of how they reversed human development gains in education, health, incomes, and so on (Commander 1989; Wagao 1992). The government policy process was in a great deal dictated by donors, both multilateral and bilateral (Green 1986). The Structural Adjustment and Stabilization instruments for fiscal, monetary and exchange rate policies negatively affected economic activities and hence human development. There were several conditions resisted by the government but to which it then had to yield, including devaluation, the liberalization of crop marketing, the liberalization of export and import trade and the removal of subsidies for peasant farmers. More reforms were to follow in the late 1980s and the early 1990s, including

(a) 'rolling back' the state in line with the World Bank's paradigm shift in the mid-1980s (see World Bank's Berg Report 1981, for example),
(b) ending 'free services' and introducing user fees in some social services,
(c) freezing wages and employment in the public sector,
(d) retrenching public sector workers in an attempt to control the wage bill,
(e) restructuring the poorly performing parastatal sector, with a view of trimming it down (Nellis 1986).

Nonetheless, the above measures did not seem to favour human development, especially for poor and vulnerable groups. Freezing employment and restructuring the parastatal sector dealt a heavy blow to those who were expecting to be employed and earn income. The introduction of user fees and the removal of agricultural subsidies put the peasants and other poor groups in a difficult position; the latter led to a drop in agricultural production because the peasants could not afford fertilizers and other agricultural inputs. Retrenchment was effected even in sectors that needed more employees, such as education and health. Overall the policies acted largely contrary to requirements for the enhancement of human development. Even so, it was not without reason that the economic reform process encompassed short-run policy distortions, and Tanzania was not an exception since this is usually to be expected during reforms. Policy distortions were explained as a price that had to be paid for long-term stability and growth. This situation then called for establishing safety nets for weak, poor and vulnerable groups in form of the new goods and services provisions. In order to undertake economic transformation that not only accommodated the achievement of quantitative macroeconomic outcomes but also addressed policy distortions for balanced human development, there was a need for an institutional framework to support a smooth transformation process.

Within the same timeframe, an alliance between politicians and business people saw an emerging group of the rich with conspicuous spending, while at the same time the peasants were languishing in poverty. With emerging patterns of accumulation, businesspersons started to seek political office, vying for legislative seats in particular, while at the same time politicians launched a silent campaign to accumulate wealth either by cooperating with businesses or through graft. This possibility was opened up by the Zanzibar Resolution of 1991, in which Chama cha Mapinduzi (CCM) opened the doors for politicians to do business and accumulate wealth contrary to the provisions of the Arusha Declaration's leadership code. The levels of graft, and corruption in general, were

increasing by 1995 when the third-phase government came to power, with the presidency of Benjamin William Mkapa. These were due to the fact that the government was not collecting taxes effectively, the work ethic had declined, and government-provided public services were under-funded. These flaws led to the erosion of the government's legitimacy, a problem in which the 1996 Warioba Commission on corruption tried to address.

From 1995, the government's attention lay on controlling the allocation of public goods and services. The government accepted an almost-total retreat from a direct involvement in the economy, although for revenue purposes it retained a few economic ventures, some of which the Nyalali Commission had proposed should be reverted to the government. By and large, however, the economy was liberalized, and by 1995 it had begun to function much like markets elsewhere in the world. The regime trumpeted what it called its 'economic diplomacy', which simply meant wooing foreign investors to come and invest in Tanzania; the Tanzania Investment Centre was established in 1997 in order to facilitate the processes involved. To date, Tanzanian society as a whole has not significantly benefitted from foreign investments, especially those in the extraction industry. The government has realized the flaws and is currently taking measures to address them.

There were, nonetheless, some positive results during the restructuring era, particularly in terms of increased growth. There were hopes of poverty reduction since policymakers had taken for granted that once income growth was realized, there would be an automatic gain in poverty reduction. Unfortunately, it was not until the early 2000s that it was discovered that growth was not paying a requisite dividend to poverty alleviation, and that there was a need for a shift in policy paradigm to a special poverty alleviation menu.

3.4 Policy and Human Development in the Poverty Reduction Period, 2000 to date

As the end of the 1990s approached, it became obvious that the country lacked a clear vision capable of forging people's minds, efforts and resources towards the attainment of specific economic and social development goals. In 2000, TDV 2025 was formulated as the main policy framework to underlie all strategies and development policies for modernization – i.e. to guide Tanzania's transformation from a third-world country to a middle-income economy by 2025.

Tanzania is now striving to attain higher rates of economic growth, the benefits of which will be shared broadly across different sections of the population and across different geographical locations. To many Tanzanians, the economic growth experienced in the past two decades has not translated into significant poverty reduction. Cognizant of poverty as the major problem to solve, government policy attention shifted from structural adjustments to poverty alleviation, as guided by the World Bank and IMF-pioneered Poverty Reduction Strategy Papers (PRSPs) from 1999. Poverty reduction efforts were heavily included in TDV 2025, and therefore since 2000 poverty reduction has been the main agenda and slogan of Tanzania's economic and social policy objectives.

From the outset, the development vision was meant to be operationalized through short- and medium-term policies, notably the five-year plans, inter alia. In 2005 Tanzania formed the National Strategy for Growth and the Reduction of Poverty (NSGRP I; the Kiswahili acronym is MKUKUTA I). Among the major objectives of MKUKUTA was to transform the economy in pursuit TDV 2025 within the medium term of five years. It was envisaged that the emphasis would continue to be on the growth of the economy, and that there would be an automatic impact in terms of a decline in poverty if high growth rates were sustained. There was no thought about the transmission mechanism between growth and poverty alleviation through enhancing development and the utilization of productive capabilities. It was assumed that economic transformation would emanate automatically from economic growth, but in fact growth is a necessary but insufficient condition for economic transformation (Wuyts and Kilama 2014). As a result, although growth remained resiliently high even during the global economic crisis, poverty did not decline substantially.

MKUKUTA's first phase ended in 2010, but with an economic growth that did not seem to be shared. MKUKUTA II came as a second phase with emphasis on shared growth, which intrinsically entails the normative issue of income distribution. Even so, the missing link between growth and poverty reduction (see Figure 2.1 in Chapter Two) was not addressed.

Development goals have evolved from income growth to the human development, but poverty reduction usually concerns entitlements and capabilities as well as wider social and political freedoms, at least from the sustainable development point of view. MKUKUTA aimed at transformation, but without having corrected the mechanisms to ensure that end; this was a major problem in the operationalization of Tanzania's development framework.

In the course of MKUKUTA's implementation, FYDP 2011/12 to 2015/16 was formulated as another medium-term policy framework to operationalize TDV 2025. This did not mean the demise of MKUKUTA as a five-year policy framework; rather, it involved a kind of concurrent effort. The plan's formulation was a confounding factor for the existence of MKUKUTA, since it seemed that attention was diverted to the plan rather than to MKUKUTA, which continued to remain in the nomenclature of existing policy frameworks but received less attention, and by implication seemed to have been abandoned. Duplication of effort and contradicting stances on economic and social policies have been illustrated by the formulation of policies that implicitly meant the abolition of others without clear notice of the motives behind them. Some policies were replaced before even being appropriately implemented and assessed in terms of their impact on human development. A good example of this was when medium-term policy frameworks (MKUKUTA and FYDP) overlapped, thus making it difficult to attribute outcomes to either MKUKUTA or FYDP.

clear vehicle for implementing Tanzania's Development Vision 2025.

The Long-Term Perspective Plan (LTPP, 2011/12 to 2025/26) was formulated to set a fresh strategic direction and delineate the long-term objectives, targets and pillars for more focused guidance, coordination and harmonization of the growth process. Also, LTPP was earmarked as a crucial link between the long-term vision and the medium- and short-term perspectives, namely the FYDPs and the Annual Development Plans (ADPs). A renewed implementation framework for the remaining 15 years of TDV 2025 was thus put in place through the LTPP. The LTPP provides a challenge to MKUKUTA in that it was designed as an implementation strategy with broader outcomes; it did not manage to prioritize specific development issues or lay out specific strategic interventions to realize the objectives of TDV 2025. However, the government did not announce the abandonment of such a strategy by replacement with the LTPP. These are issues of great concern to policy analysts, since there is weak coherence in framing development policies.

Box 3.3:

Long-Term Perceptive Plan (LTPP) goals

The main thrust of LTPP is to achieve the objectives of TDV 2025, the main ones being:

Attaining a High Quality Livelihood: the aim is to ensure that the creation of wealth (and its distribution) is inclusive in order to achieve equity and to reform all discriminative forms of wealth creation and sharing. The investments that have been made and continue to be made in education and learning should have created a critical mass of highly qualified and educated people; Attaining Good Governance and the Rule of Law: the ultimate goal is to embrace a culture of accountability, rewarding performance and doing away with all vices in the course of creating and sharing wealth. The high level of human capital will have become an important source of growth and will be able to: (i) propel Tanzania to self-reliance; and (ii) generate a positive mind-set and culture of hard work, entrepreneurship, creativity, innovativeness, and ingenuity. Finally, peace, stability, and unity are the important ingredients in this endeavour.

Source: URT/POPC (2012): Long-Term Perspective Plan 2011/12 to 2025/26.

It was envisaged that Tanzania's development aspirations as outlined in TDV 2025 should lead to transformation into a middle-income country, characterized by high quality livelihoods; peace, stability and unity; good governance; a well-educated and learning society; a competitive economy capable of producing sustainable growth and shared benefits; and a diversified semi-industrialized economy with a substantial industrial sector. However, between 2009 and 2011 it was noted that TDV 2025 was encountering implementation challenges in the areas of prioritization as well as monitoring and evaluation. It was also acknowledged by the government that there was no

As noted earlier, LTPP is intended to provide a platform for a development dialogue beyond short- and medium-term perspectives, by being a link between TDV 2025 and the FYDPs and ADPs. The planned path to achieving TDV 2025 objectives requires a strategic socio-economic transformation. The government has indicated that this will be facilitated by a series of three five-year development plans. The plans will build upon each other and chart out a development path, making use of Tanzania's opportunities and addressing the challenges. The envisaged socio-economic transformation is expected to be addressed in depth by the implementation of the

LTPP, which is intended to complete the circle of the three phases of the strategic FYDPs, as briefly discussed below.

First FYDP (2011/12 to 2015/16): Unleashing the Growth Potential

The first FYDP has been addressing the main constraints to Tanzania's growth. These are largely infrastructure bottlenecks, particularly in energy, ports, feeder roads, railways and other constraints related to skilled labour, science, technology and innovation, information and communication technology (ICT), the general business environment and productivity in agriculture. There had been sector reforms as well as cross-cutting reforms before the plan, many of which addressed some of these constraints. It is also expected that investments in these areas will prepare the economy to efficiently tap its rich natural resources (natural gas, iron, coal and minerals) by starting the development of the country's primary industry. In order to establish a strong and effective system to oversee, monitor and evaluate the implementation of its development plans, particularly the FYDP I, the government introduced the Big Results Now (BRN) Initiative based on Malaysia's Big Fast Results approach. The initiative hinges on prioritization, detailed implementation and monitoring tools and accountability for performance. In this regard, therefore, six sectors were identified and prioritized as the National Key Results Areas (NKRAs). These include agriculture, transport, energy, water, education and resource mobilization. Employment opportunities are also expected to be generated through the first-round effects of the decrease in the country's bottlenecks.

Second FYDP (2016/17 to 2020/21): Nurturing an Industrial Economy

After tackling the growth constraints, the country is expected to able to further develop its industrial sector, mainly based on the value-addition of the increased primary products following the implementation of the first FYDP. Therefore, the second FYDP will focus on transforming the country's resources through the development of the industrial sector. The focus will be on natural gas-based/fuelled industries, agro-processing industries, and medium-technology industries. With these developments employment opportunities are expected to be created, bringing positive effects for human development. Public expenditure is also expected to grow, thereby allowing the government to have a higher social expenditure ratio.

Third FYDP (2021/22 to 2025/26): Attaining Export Growth and Competitiveness

The rapid development of the country's industrial sector is expected to lead to a significant increase in production, which will have to translate into a larger focus on new markets in order to further ensure the country's socio-economic development. Therefore, the third FYDP is intended to focus on improving competitiveness in all sectors, especially the manufacturing and services sectors. The improvement in competitiveness will facilitate export-oriented growth and significantly increase Tanzania's share of international trade. The target will be to transform Tanzania into the manufacturing hub of East Africa, while making sure that all the gains made from the previous plans in terms of social services, business environment, infrastructure and productivity are promoted further.

The linkages between these three plans are crucial, as the success of each of these plans depends upon the level of successful implementation of the previous plan. For example, the removal of bottlenecks such as power shortages, lack of high-quality rural roads and limited skill-training institutions planned during the first FYDP is necessary for the manufacturing-oriented growth during the second FYDP. The broad-based growth that will follow from the manufacturing-oriented growth during the second FYDP will have positive effects across the economy and will in turn help in considerably reducing poverty and inequality. This broad-based growth will pave the way for the economy to focus on enhancing the competitiveness of all sectors and fuel export growth during the third FYDP.

In terms of successful economic transformation and good growth, the three plans are expected to transfer labour from agriculture into urban-based industries, as well as into SMEs in both rural and urban settings. This is therefore expected to change the structure of the economy, shifting it from its current overwhelmingly agrarian nature to a more mixed economy – a favourable feature for human development.

3.5 The Economic Transformation in the Making: Some Issues for Consideration

The achievement of economic transformation is not without a price. While pursuing economic growth, it

is pertinent to understand its possible trade-off with human development, especially if some fundamentals are missing. There are constraints to the achievement of policy objectives, as well as management challenges that need to be considered as Tanzania continues to implement the economic transformation process for human development.

The Search for Balance

The achievement of human development requires resources – financial, infrastructural and well-developed human capital. This implies that the economy should be strong enough to facilitate the acquisition of adequate quantities of high-quality inputs. This is where economic growth and the needed transformation come in. Planning documents in Tanzania have touched on both the economic and social aspects of development. MKUKUTA, for example, comprises both 'economic growth' and 'reduction of poverty'. Similarly, other policy documents advance intentions with regard to the two aspects of economic growth and human prosperity. Chapter Two addressed the issues of the ongoing economic transformation in Tanzania, and so we are not going to reiterate these arguments here.

The challenge many developing countries face in their development processes is to achieve an even balance between achieving economic growth and achieving quality human development. As far as human development is concerned, the critical issues for Tanzania are whether the ongoing economic transformation is aligned with the TDV 2025 goals, and whether the country is on course to attain those goals with the policies, plans, programmes and projects that are being pursued and implemented.

Three issues arise here when it comes to the implementation infrastructure under LTPP and the first FYDP. First, given that resources are scarce and priorities are many, maintaining the balance between growth and human development will always be tricky. The issue of leadership is therefore critical here. As long as financial and other resources are needed to facilitate progress towards human development, the inclination towards growth over human development will always be tempting and will presumably seem rational. This is where leadership will have to play a competent role so that an appropriate balance is achieved. This is clearly acknowledged elsewhere, as it is stated that 'putting the economy on a pro-poor growth path will require deliberate and calibrated policy interventions. In this regard, it is important that clear indicators and targets are established so that the nature of future growth can be closely monitored' (URT 2011). Second, if the private sector is to be the lead actor, values related to human development are not likely to be high on the agenda because that is not the private sector's main concern. The priorities set for the first FYDP (infrastructure, agriculture, industrial development, human capital development, tourism, trade and financial services) are obviously more inclined to growth than human development, but that may not be the greatest concern. Rather, the most significant concern is that the plan has so many strategic interventions, to the extent that even if financing was not a problem, the institutions identified as the implementers (MDAs, RSs, LGAs, etc.) do not have the requisite capacity to see them through.

The third issue is that the human development aspect as included in the five priorities – human capital and skills development – is only being sought so a person can become a more effective object in the process of pursuing growth. This is different from, for example, prioritizing the reduction of maternal and infant mortality, the provision of education or strategies for increasing life expectancy. On the same footing, if one looks at the strategic interventions under this priority, many of these have to do with improving tertiary education institutions, especially those dealing with the advancement of science and technology.

Underlying Constraints on the Achievement of the TDV 2025 Goals

There are drawbacks that have been identified as hindrances to attaining the stated objectives of the interventions as designed by the government. More often than not, well-articulated plans and programmes have failed to deliver in Tanzania. Reasons for this underperformance have been given by different stakeholders. For one, DfID (2013) identified bottlenecks derived from a lack of operational details in plans and policies across all levels, a lack of prioritization, a lack of tools for monitoring delivery and performance and a lack of accountability. These problems, however, have been under government scrutiny, also under interventions such as the use of strategic planning, the introduction of an Open Performance Review and Appraisal System (OPRAS), public service reforms, and the resolve to practice good governance in the workplace.

But there are other bottlenecks as well. The first has to do with the lack of a clear guiding ideological framework, which is necessary for creating and implementing policies in any polity. For Tanzania, such a framework was explicit during the Arusha Declaration era since it was embedded in the ujamaa philosophy. The declaration

was quite comprehensive in addressing matters related to how the development process should be pursued. For instance, the declaration contained provisions like the Leadership Code, which is necessary in dealing with conflicting interests and corruption. Now, in the absence of these provisions, policies and plans are made but can be interpreted differently by those who are supposed to implement or operationalize them. Tanzania does not currently have a clearly and openly stated philosophy underlying and guiding economic policy decisions. There is an assumed one – the free market economy – but this has never been explicitly declared as the one in operation. The retention of the word ujamaa, and the fact that the economy is following socialist principles in the current constitution (URT 1977, Article 9) is testimony to this indecision. Nevertheless, the economic system in operation is mainly for growth and wealth creation. As a result, while elaborate social protection regimes are found in the more developed capitalist states, similar regimes have yet to be put in place in Tanzania, and few safety nets are available to cover even a small proportion of those in need.

A second area concerns inadequacies in the public administration system, an issue which was also raised by the first FYDP of the LTPP. There are limitations regarding professionalism and probity which are crucial in realizing TDV 2025. The public service is a conveyor belt for the goods and services expected of the vision. Its diligence, commitment and efficiency are necessary for that realization. Since the early 1990s, the government has been implementing reforms in an attempt to increase the capacity and efficiency of the services. Some of these reforms were ushered in by the international financial institutions at the peak of the economic crisis in the mid-1980s.

In the light of the lessons learned from the implementation of these reforms,[23] which have made only modest improvements in service delivery and poverty reduction, Tanzania decided to adopt reform strategies focusing on measures geared at (i) strengthening systems and processes with a view to enhancing efficiency, effectiveness, accountability and transparency in government;[24] (ii) developing and strengthening infrastructure to improve access to service delivery in

Box 3.4:

The ideal state model of public service for achieving goals

It is averred that the state recognizes "individuals and the private sector as the central driving forces for building a strong, productive and renewing economy". The state should only "facilitate", "regulate" and "influence" the economy. However, history shows that the laid-back Anglo-American State Model, and its attendant public service characteristics, is not suitable to releasing countries like Tanzania out of poverty at a desired pace.

Most countries that have made phenomenal developmental breakthroughs did not have the Anglo-American State Model. They rather had what Johnson (1982) and Pempel (1982) have called a Developmental State. These countries had certain political and economic goals, conditions, instruments and policies which made development possible. These were economically interventionist states. All these countries had a politically defined and enforced conception of economic development to which everybody had to be committed. The State pursued state-directed and state-centric development strategies. These strategies were neo-mercantilist. The State did not displace market mechanisms, but realized that markets are not natural. The State consciously created markets. There was close cooperation between [sic] the public and private sectors, an interchange of personnel and information. The State was there to instil a developmentalist mentality in the private sector. The State intervened in the financial markets: controlled banking (or a large sector of banking industry) was able to direct funds, administer interest rates, and use incentives and tax policy to affect the action of firms and sectors. The private sector was in a position of "response dependence"; one did not have to respond, but if one did, the results were tremendous.

The public service in such a Developmental State had several characteristics: it was strong and powerful, led by the economic bureaucracy concentrated in a planning agency like MITI in Japan, EPB in South Korea and CIECD in Taiwan. Such bureaucracies were insulated, not open to demands and influence from critical powerful groups in the polity.

Source: Mukandala (2013).

23 These are popularly known as cost containment reforms.

24 These started in the early 1990s with CSRP which later turned into PSRP, sector-specific reforms and the liberalization of politics.

specific sectors; and (iii) promoting democracy and good governance.

Apart from the reforms focusing on the public service (CSRP and later PSRP), the government has taken other measures in an attempt to make delivered services better and more accessible with the formulation of a number of policies, including the Public Service Management and Employment Policy, the Public Service Act No. 8 of 2002, the Medium-Term Pay Policy, the Public Procurement Act No. 21 of 2004, and the establishment of executive agencies. These policies aimed at restoring meritocratic principles in the public services, increasing effectiveness in service delivery and reducing waste and pilferage in public procurement.

Overall, there has been improvement in some systems, and the government has been in a better position to deliver services, but there is still a wide space for improvement in the current public services. Successful public service reform is, therefore, necessary for the attainment of TDV 2025.

The third issue has to do with the capacities of the regulatory agencies. Liberalization comes with many challenges, some of which need special institutions to handle them. With the free market economy Tanzania has seen challenges related to illegal workers and immigrants, fake or counterfeited commodities, below-standard imports, overpricing, environmental degradation, and so on. All these negatively affect the poor and vulnerable more than the better-off in society. This state of affairs leads to the need for strong regulatory regimes. The problem with these regimes in Tanzania is that they may not have the competences needed to beat the perpetrators of these unwelcome appendages of liberalization (Hoffman 2013: 22). In some cases high-tech equipment is needed, in other cases high levels of professionalism are required, and still other cases call for patriotism.

Decentralization is the last but not the least issue we would mention here. This is a deliberate change in the organization of government involving the transfer of powers, resources and/or functions from the centre to units of government administration at lower levels. It is 'a political strategy which aims at, inter alia, the promotion of people's participation in the initiation, planning, and implementation of development programmes, greater equality in resource allocation, and more accountability of public administrators to the local representative organs' (Maeda 1987). Decentralization stimulates local development, and hence national development. It also enhances flexibility in the implementation of programmes, efficiency in government operations since it shortens decision-making cycles, and coordination at the levels to which powers have been decentralized. Also, centrally-imposed plans and projects have proved to be doomed to failure (Tordoff 1984: 150). Tanzania has formulated a policy of decentralization by devolution and enacted the Local Governments Authorities Acts (both rural and urban types) as a means to garner the advantages that come with decentralization.

The aspect of people's participation is central in this arrangement. To ensure that plans emanate from the grassroots level, the government has decided to introduce the Opportunities and Obstacles to Development (O&OD) method to be used by LGAs. O&OD's introduction is founded upon the political commitment to use participatory planning in the LGAs as a means to engender more rapid economic and social development. The Local Government Reform Programme (LGRP) mentioned earlier in this chapter was initiated so as to address bottlenecks hampering effective decentralization and LGA operations.

Decentralization by devolution has not, unfortunately, been attained in the real context. At the core of the problems the LGAs are facing is the issue of lack of autonomy. This lack of autonomy is mostly linked to their financial dependence on central government. This makes LGAs unable to plan and implement their own development programmes without seeking assent from the centre, or deliver services to the people with a free hand. It is imperative that the long-term vision does away with this problem, with concerted support for local economic development and growth as a means to enhance the autonomy and sustainability of the LGAs.

Shortcomings in Policy Management

The management of the policy process in Tanzania has been found to be faulty in some ways, and action needs to be taken to address this. A government report on the assessment of the reform programmes that have been going on in Tanzania for the past 20 years identified three areas of concern (URT 2013). The first is that there are problems of policy coherence, and there is no capable institution to handle this problem at the moment. The report called for ensuring that coherence was sought and maintained between policies, especially during implementation and where there are conflicting goals or objectives, so that resolution may be sought in a timely fashion. This is the same view we addressed in the examination of the policy frameworks' changes over time since independence.

The second area of concern is the lack of comprehensive monitoring and evaluation frameworks and systems to provide overall guidance for government business, as well

as national development strategies and policies. Third, the government's communication system is not working to enhance the development effort. Many stakeholders indicate that the government communication strategy is weak, thus undermining its ability to publicize its successes as well as defuse unjustified criticisms. The good news is that the government has seen this shortcoming in the management of policy, and a initiatives aimed at alleviating the problem has been started.

3.6 Conclusion

This chapter has discussed the policy environment from independence to date in which Tanzania's human development process has been championed. The argument is made that quality economic growth is one that promotes human development in all its dimensions. The central point was to articulate policies and development programmes that have been undertaken hitherto, with a particular focus on their content and implementation issues, including challenges, overlaps and some factors that limit their desired outcomes. The major implication from this chapter is that there is a need for sequencing development policies in an exclusively meaningful way. There has to be an evaluation of achievements, gaps and the design of successive policies and programmes, without duplications and with specific objectives that do not obscure the rationale for concurrence with any other policies/programmes at that time.

4.

Making economic transformation work for human development

4.1 Introduction

This chapter not only builds upon the first three chapters of this report, but also concludes the whole report. In Chapter One a broad meaning of human development was discussed, together with key indices used for measuring human development; these indices are the Human Development Index (HDI) and the Multidimensional Poverty Index (MPI). On the basis of HDI and MPI analysis, Chapter One demonstrated that Tanzania has made some advances in several of the human development indicators, such as a rise in life expectancy, reduced maternal mortality, reduced infant mortality, a reduced incidence of HIV/AIDS and increased enrolment in all levels of education, although the quality of education and healthcare is still poor if not deteriorated. It also conveyed that while HDI and MPI are useful measures of human development, they are by no means adequate for explaining the contradictions between economic growth and slow trends in poverty reduction or raised living standards. The chapter extended the discussion of human development beyond the attributes of HDI and MPI to include population dynamics, particularly the vital components of the human lifecycle, namely fertility, age at marriage, mortality and migration, and the implications of these for achieving human development. The chapter argued that achieving quality aspects of growth and income would require policies and strategies that address the qualitative ingredients needed to achieve qualitative growth. As further developed in Chapter Two of the report, this requirement boils down to the need for Tanzania to pursue economic transformation.

Chapter Two's discussion on transformation observed that while Tanzania has achieved high economic growth and some structural change in terms of changes in shares of GDP in the last decade or so, little economic transformation has happened. This means that growth alone does not determine the success of an economic transformation. According to the analysis in Chapter Two, the positive effects of this structural change on living standards have been dampened by the lack of meaningful employment and the phenomenon of jobless growth in non-agricultural sectors. Furthermore, the output growth experienced in industry[25] and services was primarily driven by productivity growth rather than by the expansion of employment opportunities. In this regard, one of the main conclusions of Chapter Two was that Tanzania has been undergoing economic transformation, but without a positive impact on the living standards of its people. Economic transformation requires much more than growth and structural change in terms of sector shares of GDP. Tanzania now needs to vigorously promote economic transformation.

Chapter Three looked into the policies, plans and development frameworks that contributed to the economic transformation achieved so far. The chapter emphasizes the point that the link between economic transformation and human development is not automatic, and for human development to occur there is a need for deliberate policy decisions and implementation strategies that direct resources to the requisite sectors, most importantly to the social sectors. Referring to Bandara et al. (2014), the chapter singled out quality education and a healthy population as key inputs to the conditions necessary for establishing the nexus between economic transformation (growth) and human development. The chapter managed to show strong links between growth and human development, which reinforce each other through policy links. Chapter Three also reiterated the point that, while there are prescriptions for strengthening the links between growth and human development, we should not focus only on growth-inducing human development policies; rather, we should also view human development both as a means for economic development and as an end in itself. This message is taken on board in this chapter, which emphasizes the need for coordination in policy formulation, planning and implementation.

This chapter focuses on how to make economic transformation work for human development in Tanzania. It discusses the nature of the economic transformation that Tanzania should pursue so that it can lead to human development and take the country out of abject poverty and deprivation, in addition to meeting her Development Vision 2025 objective of attaining middle-income status. In doing so, the chapter begins by proposing the kind of economic transformation needed

25 Industry is composed of three sub-components: mining and quarrying, manufacturing and construction.

by Tanzania, given the current status of her transformation and human development as discussed in Chapters One and Two. It then addresses issues of employment creation and the potential sectors for this, followed by examining the essentials for achieving the positive linkage between economic transformation and human development.

4.2 Necessary Economic Transformation

As argued in Chapter Two of this report, Tanzania's recent economic growth, while welcomed, will not improve or sustain human development in the country. The economic transformation necessary for improving human development entails much more. To ensure that growth is sustainable and continues to improve peoples' lives, Tanzania now needs to vigorously promote the kind of economic transformation that will enable the country to move away from jobless growth in the sectors of the economy, particularly in agriculture, and promote meaningful employment in non-agricultural sectors. To increase meaningful employment, the country has to increase the productivity of all resource inputs, especially labour, diversify its production, upgrade technologies used in production and make more improvements in human development and human wellbeing. Improving human development involves many factors, including raising incomes, addressing deprivation among the poorest of the poor, reducing poverty and inequality, promoting better health and education, ensuring peace, justice and security, and protecting the environment. The two factors most directly related to economic transformation are GDP per capita and employment. If GDP per capita is rising, and remunerative employment opportunities are expanding, economic transformation will result in shared prosperity, and income inequality will be reduced or at least contained.

Promoting economic transformation is crucial for dealing with deprivation among the poorest of the poor because the income poverty measurement does not capture dimensions of deprivation, namely health, education and living standards, which were discussed in Chapter One of this report. In that chapter all the dimensions in the definitions of and prospects towards understanding poverty pointed to it as some kind of deprivation (man-made or natural), and the starting point for addressing deprivation was seen as the capacity of the individual and/or household to meet basic needs – with food at the core. Apart from food, basic needs cover clothing, shelter, some basic physical and social 'security', and elementary forms of basic 'freedom' and decision-making power.

Apart from increasing the pace of economic growth or a decline in agriculture and a rise in industry and services as a share of GDP, the direction and extent of shifts in labour across sectors during the process of structural change is crucial for shaping the nature of the economic transformation. This calls for strategies that will result in structural change, pushing labour away from low productivity sectors like agriculture towards sectors with higher productivity and employment opportunities like industry and services; in this scenario growth will be faster and more inclusive, and will play a larger role in reducing poverty.

Apart from addressing deprivation, a transforming economy should lead to an increasing share of the labour force in formal employment as the share of modern agriculture, manufacturing and high-value services in GDP expand and as entrants to the labour force become more educated. The share of formal employment in the labour force is therefore a good indicator for tracking the human impact of economic transformation (in addition to GDP per capita). Only by doing this will the country ensure inclusive growth that improves human development by providing more productive jobs and higher incomes, thereby increasing everyone's share in the new prosperity.

Economic growth so far has come from macroeconomic reforms, better business environments, higher commodity prices, the discovery and export of minerals, particularly gold, and the beneficial impacts of new information and communication technologies. Yet production and exports are still based on a narrow range of commodities; the share of manufacturing in production and exports is relatively low, as are the levels of technology and productivity across sectors of the economy. According to the analysis in the first three chapters of the report, there appears to be a disconnect between economic growth on the one hand and human development on the other. Growth does not appear to go together with the development of human capabilities. Achieving human development necessitates altering the economy's qualitative features of production that occur through the growth process, rather than merely expanding output. This requires a combination of strategic interventions, as summarized in box 4.1 below.

To undertake the above from a human development perspective, Tanzania will have to develop human capital through the provision of quality health, education and training, especially in science, technology and innovation.

In terms of stable macroeconomic conditions for sustainable economic growth, Tanzania offers a supportive environment for achieving goal one

Box 4.1:

Requirements for achieving economic transformation for human development

Tanzania's economy needs more than growth in order to transform in the right direction; it needs growth with diversity in production, which makes its exports competitive, increases productivity in agriculture (which most people depend on for their livelihoods), firms and government offices/operations, and uses upgraded technology throughout the economy. This is all necessary to promote inclusive growth, thereby improving human development and human wellbeing.

Making transformation work for human development requires the following related interventions:

- Creating opportunities for productive jobs and securing livelihoods that make growth inclusive and reduce poverty and inequality; this calls for raising productivity to accelerate and sustain growth everywhere by intensifying agriculture, developing industry and expanding services;
- Creating meaningful employment outside agriculture as a condition for successful economic transformation;
- Improving the quality of social provisioning;
- Human capital and skills development;
- The production of wage goods for domestic markets;
- The promotion of exports for economic transformation and human development;
- Creating a link between export promotion, economic transformation and human development.

(eradicating extreme poverty and hunger) of the Millennium Development Goals (MDGs). To ensure that growth is broad-based/inclusive and has poverty-reducing effects, the government should continue its efforts to build an environment for creating new jobs and reducing unemployment. The efforts include the implementation of the revised employment policy of 2008 and of the National Employment Creation Programme (NECP). The Youth National Employment Action Plan in the national Youth Development Policy (URT 2007) articulates the general and specific objectives and strategies of the youth employment policy. The National Employment Programme aims, among other things, at supporting demand-driven skills in order to stimulate self-employment and improve the labour market.

The government should also continue to implement the Business Environment Strengthening for Tanzania (BEST) programme and enforce labour law reforms in order to ensure efficient, effective, flexible and socially responsible labour markets which generate decent jobs. The public will also need to foster meaningful partnerships with the private sector and other non-state actors. These aspects are expanded on in the sub-sections below.

4.2.1 Employment Creation is Necessary for Raising Standards of Living

As Tanzania has integrated into the global economy, the rate of economic growth has risen, agriculture as a share of GDP has fallen and industry and services have expanded. However, the positive effects of this structural change on living standards have been dampened by the lack of employment creation and the phenomenon of jobless growth in non-agricultural sectors. In terms of employment creation we focus on Tanzania's identified growth sectors. The situation analysis of economic growth sectors and economic drivers, as conducted by POPC (2009) for all sectors in the economy, has led to the identification of agriculture, industry and tourism as the country's growth sectors. The analysis also identified transport and transport services, soft and hard infrastructure like roads and railways, ICT, and financial services as growth drivers. Below is a summary of priority growth sectors, but by no means is the summary exhaustive in its coverage of issues. For details, please refer to the relevant government sector policies, strategies and programmes.

Industry

Sectors that normally do well and provide meaningful (formal) employment coupled with skill development and a decent standard of living, such as industry, tend to be characterized by jobless growth. As shown in Chapter Two of this report, the expansion of formal manufacturing activities in Tanzania has not generated significant new employment. A recent study by UNIDO and the Government of Tanzania (2013) found that new firms established since 2005 only accounted for 11% of total industrial employment, suggesting that they were concentrated in activities that did not generate significant employment growth. Employment creation cannot therefore be assumed to be the inevitable by-

product of expanding non-agricultural sector output and exports. The output growth experienced in industry was primarily driven by productivity growth rather than the expansion of employment opportunities.

The implication of this type of jobless growth in Tanzania is not primarily unemployment, since few can 'afford' to be in open unemployment; the evidence in Tanzania shows that surplus labour is absorbed in a multitude of activities – mostly in the informal economy. Whereas the informal economy retains its linkages with agriculture and is characterized by low but highly varied levels of productivity that do not generate much meaningful demand for an educated labour force. This further amplifies the problem of raising education standards and rendering them effective in terms of economic development. To make economic transformation work for human development, government policies on employment must promote productivity increases in all sectors, but particularly in key growth sectors and growth drivers like manufacturing/industries, and change direction away from promoting various forms of self-employment characterized by low productivity and low pay. Policies and strategies must promote inclusive growth by addressing supply constraints in key sectors with higher multiplier effects in creating employment, mainly by engineering productivity growth.

Structural change that leads to productivity growth and employment creation has historically been associated with the expansion of the manufacturing sector. This is because the growth of manufacturing activities leads to productivity growth within manufacturing that also spills over into other sectors, including agriculture, thus driving productivity and technical change across the economy as a whole. Manufacturing expansion has also tended to result in labour-intensive growth, creating opportunities for mass employment. In turn, the process of industrialization supports the transformation of agriculture as growing demands for food and labour necessitate productivity improvements in the sector.

Tanzania's medium- and long-term plans place industrialization[26] as a priority in the second Five-Year Development Plan (FYDP), from 2016/17 to 2020/21, after the completion of the first FYDP, which addresses the main constraints on Tanzania's growth, namely infrastructure bottlenecks particularly in energy, ports, feeder roads and railways. Other addressed constraints are related to skilled labour, science, technology and innovation, information and communication technology (ICT), the general business environment and agricultural productivity. In the business environment, policy efforts are also needed in facilitating and assisting business support organizations, providing market information both locally and internationally, rationalizing licensing processes and procedures, making the tax regime business-friendly and increasing government leadership in research and development activities in entrepreneurship. The third FYDP will focus on attaining export growth and competitiveness. Box 4.2 summarizes the broad strategic content of the three FYDPs.

Agriculture

The importance of agriculture is found in its significant contribution in terms of aggregate growth (over 25% of GDP), exports (over 30%), markets, employment (over 70%) and most importantly because of its strong backward and forward linkages with other sectors. The sector provides direct livelihoods to approximately 80% of the total population and facilitates an important domestic market for manufactured goods. In addition, it generates 65% of the total raw materials demanded by the country's manufacturing sector. Therefore agriculture not only encompasses the ability to stimulate economic growth; it is also strategically positioned to create the most immediate impact on poverty reduction and livelihood improvement in Tanzania. Unfortunately, agricultural productivity has remained stubbornly low; this sector has not been transformed enough to create meaningful employment as most people attached to this sector are underemployed and hence receive low incomes, which in turn confines them to low living standards. Apart from this, the usage of agricultural inputs in Tanzania is quite low. [27] It is estimated that only 10% of farmers use improved seeds; this is due to poor distribution network channels, the high costs of certified seeds.

Recognizing the importance of agricultural inputs, the government has embarked on providing smart targeted agricultural input support. The World Bank has also joined the government by providing a loan through the Accelerated Food Security Project (AFSP). The loan complements the government's initiatives. However, more investment in developing productivity-enhancing technologies is required to support the production and distribution of improved inputs and the quality control of such inputs. To bring about a green agricultural revolution and transformation, access to and timely use of farm inputs by farmers is an important aspect. Other

26 A discussion of the role of the FYDPs is included in Chapter Three, where issues of policies and strategies are examined from a historical perspective.

27 While Tanzania uses only 9 kg/ha of fertilizer, the average for SADC countries is 16 kg/ha; Malawi it is 27 kg/ha, in China 279 kg/ha, and in Vietnam the figure is 365 kg/ha.

Box 4.2:

Summary of the broad strategic contents of the three FYDPs

First FYDP (2011/2012–2015/16): Unleashing the Growth Potential

The first FYDP addresses the main constraints to Tanzania's growth. These are largely infrastructure bottlenecks, particularly in energy, ports, feeder roads and railways. Other constraints related to skilled labour, science, technology and innovation, information and communication technology (ICT), the general business environment and productivity in agriculture are likewise addressed.

Second FYDP (2016/17–2020/21): Nurturing an Industrial Economy

After tackling the growth constraints, the country is expected to be able to further develop its industrial sector, mainly based on the value-addition of the increased primary products following the implementation of FYDP 1. Therefore, the second FYDP will focus on transforming the country's resources by developing the industrial sector. The emphasis will be on natural gas-based/fuelled industries, agro-processing industries and medium-technology industries. With these developments employment opportunities are expected to be created with a positive effect on human development. Public expenditures are also expected to grow, thereby allowing the government to have a higher social expenditure ratio.

Third FYDP (2021/22–2022/26): Attaining Export Growth and Competitiveness

The rapid development of the country's industrial sector is expected to lead to a significant increase in production, which will translate into a greater focus on new markets in order to further ensure the country's socio-economic development. Therefore, the third FYDP is intended to focus on improving competitiveness in all sectors, especially the manufacturing and services sectors. The improvement in competitiveness will facilitate export-oriented growth and significantly increase Tanzania's share of international trade. The target will be to transform Tanzania into the manufacturing hub of East Africa, while making sure all the gains made from the previous plans in terms of social services, business environment, infrastructure and productivity are promoted further.

Overall

The linkages between these three plans are crucial, as the success of each plan depends upon the level of successful implementation of previous plans. For example, the removal of bottlenecks such as power shortages, the lack of high-quality rural roads and limited skill-training institutions envisaged during the first FYDP is necessary for the manufacturing-oriented growth during the second FYDP. The broad-based growth that will follow from a manufacturing-oriented growth during the second FYDP will have positive effects across the economy and will in turn help considerably in reducing poverty and inequality. This broad-based growth will pave the way for the economy to focus on enhancing the competitiveness of all sectors, fuelling export growth during the third FYDP.

In terms of a successful economic transformation and effective growth, the three plans are expected to transfer labour from agriculture into urban-based industries as well as into SMEs in both rural and urban settings. This is therefore expected to change the structure of the economy, shifting it from an overwhelmingly agrarian nature to a more mixed economy – a favourable feature for human development.

necessary factors are the promotion of value additions in the sector by emphasizing strong backward and forward linkages between agriculture and manufacturing, the reduction of post-harvest losses by promoting appropriate technology and the development of value chains and efficient market systems, which would require improvement in some of the growth drivers discussed below. The weak linkages between agriculture and manufacturing, along with the lack of clear policy and strategic frameworks for developing value chains, point to the need for government efforts to promote value chains in agriculture.

As mentioned in Chapter 2, Timmer and Akkus (2008) indicate that *'No country has been able to sustain a rapid transition out of poverty without raising productivity in its agricultural sector'.* Hence, agricultural transformation is vitally important for Tanzania's progress in human development. However, successful transformation in agriculture cannot occur in isolation from the dynamics of growth in the rest of the economy. The rate of growth in agriculture and the nature of the transformation process are influenced by the types of transformation occurring in other sectors of the economy. In particular, the expansion of industry is critical for sustaining growth and improving incomes and employment opportunities. On the other hand, relative prices between non-agricultural and agricultural goods also have implications for the viability of labour-intensive production outside agriculture. This

is because of the importance of the product wage and the relationship between the real wage and the product wage. Furthermore, increasing the relative price of food hits the poor disproportionately and also depresses the demand for manufactured goods. As shown in Chapter Two, in Tanzania the rise in the product wage, brought on by the rise in agricultural goods compared to non-agricultural goods, constrained the expansion of labour-intensive employment opportunities outside agriculture.

The problems of raising productivity in agriculture cannot, however, be addressed in isolation from the wider issues of enhancing job creation across the economy. This is a particularly pressing issue given the rapid growth of young people entering the labour market.

There is substantial potential for transforming agriculture in Tanzania. Tanzania's agriculture is based on the availability of land suitable for irrigation. Out of 44 million hectares suitable for agriculture, the area suitable for irrigation is estimated to be about 29.4 million hectares, of which only 0.39 million hectares are currently under irrigation. Out of the 29.4 million hectares suitable for irrigation, 2.3 million hectares are classified as high potential, 4.8 million hectares as medium potential, and 22.3 million hectares as low potential. Out of the 2.3 million hectares of high potential land, only 345,690 hectares are under improved irrigation infrastructure.

Indeed, the utilization of the country's numerous and diverse water resources (rivers, lakes, wetlands and aquifers) for sustainable agriculture has been slow over the years. Although Tanzania's agricultural sector has this prerequisite comparative advantage, it is less competitive internationally because of low levels of applied technology and innovations, which affect productivity and the quality of products. For more than four decades the agriculture sector in Tanzania has been dominated by small-scale farmers who use rudimentary technology. As a result the sector has exhibited very low productivity, with the majority of rural households grappling with food insecurity. This has manifested itself in widespread rural poverty and increased inequality.

Productivity on farms and in agro-processing is paramount for economic transformation in Tanzania's agriculture because about 70% of Tanzania's population live in rural areas where agriculture and agro-processing are the main sources of livelihood. From the perspective of promoting human development in this sector, there is a need to increase agricultural productivity, which is a powerful way to raise incomes. To be sure, in most industrialization experiences, a rise in agricultural productivity allows agriculture to release labour to industry and other non-agricultural sectors, produce more food to moderate any hikes in urban industrial wages, supply raw materials for processing in industries, increase exports to pay for transformation inputs, and enhance the domestic market for industrial products. In addition, to industrialize successfully, productivity in manufacturing has to rise.

There is high potential for creating meaningful employment within agriculture, as Tanzania enjoys a comparative advantage in the production of more than 15 agricultural products thanks to the relatively large area of arable and potentially irrigable agricultural land. The country is endowed with about 44 million hectares of land suitable for agriculture, out of which only 23% (10.2 million hectares) is utilized; 77% of the arable land is unutilized. Therefore, a higher growth rate and hence human development can be achieved if the necessary policy measures are taken to transform the sector through the value chain in crops, livestock and fisheries, in line with worldwide demand that has tended to increase over time.

Agribusiness is another area in the agricultural sector where Tanzania has a comparative advantage and sizable potential for employment generation. Agribusinesses can enhance poverty reduction efforts and small-scale farmers' productivity. Through value chain analysis, various empirical studies have shown the potential of agribusiness in stimulating economic growth, thereby impacting positively on poverty reduction. Agribusiness could easily be promoted and expanded in Tanzania by trading in high-value crops, livestock and forestry and fishery products, namely horticulture and floriculture products such as cut flowers, onions and tomatoes. Other crops which could also be substantially increased include a range of fruits such as pineapples, mangoes, bananas, oranges and apples, along with spices such as paprika, vanilla, cardamom, pepper and ginger. The lost opportunity and potential in Tanzania can clearly be gauged by the massive post-harvest loss of fruits and other horticulture products.

Agribusiness is also known to be an economic stimulant in terms of job creation, improved competition, income generation and attractive producer prices domestically as well as in the world market. The government should provide special incentives to support industries that add value to agricultural products.

One of the goals of having an efficiently working agricultural sector is to produce adequate food for the population, which will have the effect of pulling down food inflation and cost of living, thus making industrial products less costly (food prices account for 44% of the cost of living for the majority of Tanzanians) as demand for increased wages is checked. However, perhaps more important is the fact that an ample supply of food will

lead to a more healthy population. For these reasons, investment in food production will have to be prioritized.

Equally important is the need to increase production of industrial crops such as cotton, coffee, cashews and sisal, which have the widest backward and forward linkages in the economy and hence the greatest potential for employment generation and incomes. On the supply side, these crops have the potential to stimulate the establishment of local manufacture of fertilizer, pesticides and gunny bags (from the sisal industry), as well as the banking (credit) industry. For instance, cotton has forward linkages with ginneries and other cottage industries (yarn and seed oil production), as well as the textile industry for local and international markets, thereby generating employment. This means that to make the agricultural sector perform well and realize the country's dream of transforming the sector, the government will need substantial amounts of both financial and human resources to invest in the selected growth sectors and their identified growth drivers so as to stimulate employment-generating growth in all other sectors of the economy.

Tourism

This is another sector that meets the requirements for being a growth sector in Tanzania, with the potential for generating meaningful employment. Tanzania has a comparative and competitive advantage in the sector due to the country's unspoiled natural endowments in the form of fauna and flora, beautiful natural scenery and landscape for travellers and a supportive government that recognizes the need for private sector leadership. These three factors enable the country to provide value for money and encourage tourists to pay for services in Tanzania rather than in other regional competitors. The country also has a comparative advantage in tourism in terms of biodiversity and landscape. The tourism sector is specifically identified as a revenue generator for subsequent investment in both agriculture and infrastructural services.

The sector has a significant potential for various cross-sectoral linkages because it has wide and varied resource bases, as well as ample domestic, regional and international markets for its outputs, and markets for other sectors' outputs such as food, industrial products, floriculture, handicrafts and entertainment products (music, dances, films and so on). Tourism has high spillover effects such that its growth automatically stimulates growth in other sectors of the economy as operators are motivated by the competitive prices offered by tourist operators (transporters and hotels) and therefore invest in better quality crop and livestock commodities. The sector is labour intensive, which implies that its growth will benefit more people and will contribute to substantial poverty reduction in the long run.

In addition, a major lesson to be learned from Tanzania's continuing economic transformation is the need to promote a diversified economy in this and other sectors with a variety of products and niches. Diversification is the process of acquiring the capability to produce a widening array of goods and services in an economy. Diversifying production in agriculture and other sectors is an essential part of economic transformation, and it can contribute to meaningful employment generation, among other things.[28]

Diversification could be done by boosting non-traditional sectors, expanding the range of products and exports and engaging with new economic and development partners. However, diversification does not occur in a vacuum; it needs an enabling environment. Important factors for diversification are investments in growth sectors, trade and industrial policies; a dynamic growth performance; macroeconomic stability, a competitive exchange rate and expansionary but responsible fiscal policy; and institutional variables such as good governance. Others factors include regional dimensions of economic diversification, as well as human and natural resources.

4.2.2 Production of Wage Goods for the Domestic Markets

The human development perspective also raises the question of production for the domestic market. Although Tanzania is able to produce adequate amounts of staple food crops for its population in most years, the cost of living, particularly of food, has been rising quite rapidly in the recent decade; this has implications for the viability not only of the expansion of labour-intensive production in manufacturing, but also of the growth in numbers of professional staff in education, health and the other social services required for the development of affordable social provisioning. Broad-based increases in the production of wage goods, food in particular, is essential to keeping labour costs low while securing decent real wages.

Likewise, the human development perspective also

28 There are many benefits that could arise from more diversified economies: less exposure to external shocks, an increase in trade, higher productivity of capital and labour, and better regional economic integration. These benefits, in addition to effective public management, can help to reduce poverty and promote human and social development.

raises the issue of nutrition insecurity. The main forms of food and nutrition insecurity in Tanzania are chronic, transitory and emergency food insecurity caused by inadequate food availability, due to poor agricultural productivity, food inaccessibility and natural and manmade disasters, respectively. The implications of food and nutrition insecurity are high mortality among children under five, general poor health in the labour force and hence low labour productivity.

4.2.3 Exporting, Economic Transformation and Human Development

Exports can play an important role in human development by raising incomes, providing skills and innovation and promoting industrialization. While the production of wage goods for the domestic markets is important for the expansion of labour-intensive production in manufacturing and in reducing the cost of living in the country, exporting provides an opportunity to expand production, boost employment, reduce unit costs and increase incomes. It also enables a country to better exploit its comparative advantage to generate higher incomes, which help pay for investments in the skills, capital and technology needed to upgrade a country's comparative advantage over time. Moreover, knowledge and exposure to competition gained from exporting assist in diversifying to new economic activities and raising productivity. All of these are necessary for the economic transformation that is needed for human development.

4.2.4 Social Provisioning

Beyond the necessary processes of productivity growth, employment creation and income growth, human development also depends on how higher incomes are translated into improved systems of social provisioning. According to Chapter Two, the instrumental role of improvements in education and health for enhancing economic performance has been widely recognized.

According to Wuyts and Kilama (2014), the process of economic growth also causes changes within families and communities, in gender relations and in patterns of asset ownership that have wide implications for human welfare. Thus, while economic growth is a necessary condition for successful transformation, in itself it does not necessarily engender successful transformation. This will depend on the unfolding characteristics of the growth process itself, and on the systems of social provisioning that are developed. The success of an economic transformation depends on a double process of job creation and the wide expansion of social services like education and health.

Developing stronger universal social services and social protection systems is an integral part of successful economic transformation (United Nations Research Institute for Social Development – UNRISD 2013). Countries that were most successful at promoting higher productivity jobs with regular earnings, coupled with social benefits such as pensions and healthcare, grew nearly one percentage point faster than other developing economies every year since 2007 (ILO 2014).

In Tanzania the two leading service sub-sectors in terms of growth rates are communications and financial intermediation. These sub-sectors offer high wages and generate employment opportunities mainly for those people with a high level of skills. However, the expansion of other sub-sectors within services have a more direct impact on human development, for example health, education and other social and personal services. The estimated gap in highly-skilled workers required for Tanzania to realize Middle-Income Country (MIC) status is enormous. Calculations done by a President's Office Planning Commission (POPC) International Growth Centre (IGC) team, using Tanzania's 2007 Integrated Labour Force Survey, show that in the education sector alone more than 900,000 qualified teachers have to be employed, from an initial level of 238,000. In the health sector, the cohort of 110,000 professionals will have to be quadrupled to 476,000 by 2025. In many of the sectors availability of skilled personnel is one of the main constraints to robust sector performance.

Tanzania's achievements in the education and health sectors leave much to be desired. For example, Sumra and Katabaro (2014) show that learning outcomes at primary and secondary levels are poor, resulting from the lack of classrooms, toilets, water, electricity and adequate supplies of (motivated) teachers. Notwithstanding the recognition in the National Development Vision of the importance of education in economic transformation, as summarized below, there is no clear vision that currently drives education in the country.

Education should be treated as a strategic agent for mind-set transformation and for the creation of a well-educated nation, sufficiently equipped with the knowledge needed to competently and competitively solve the development challenges which face the nation. In this light, the education system should be restructured and transformed qualitatively with a focus on promoting creativity and problem solving. (URT 2000, p. 19)

Because of the lack of clear vision in the education sector, the government has not allocated adequate resources to the sector, and donor dependency on the sector has continued, even though overall donor dependency has declined at the national level.

In the health sector the same experience has been observed, since poor availability of medicines, medical supplies and equipment continues to plague the country's public health facilities. This is mainly due to poor financing. It has also been indicated that government contributions to the national medicines and health commodity requirements have not increased significantly in the face of population growth and other factors in the last decade. Furthermore, there has been high dependency on donor support in the sector through the Health Basket and the Global Fund. These financial constraints have had a direct impact on the availability of medicines and essential medical supplies. Hence, while the government's commitment to health services is well stated in its policies and programmes, the quantity and quality of the health services provided leave much to be desired. The improvement of the most vital health indicators observed in recent years seem to be driven by the financing of development partners and not by the country's health sector reforms per se. Furthermore, there is a mismatch between health indicators and the quality and accessibility of health services (Mujinja and Kida 2014).

4.2.5 Human Capital and Skills Development

The quality of human capital remains the most important asset for human development and economic transformation, and hence for propelling sustainable development in today's world. Human capital is the stock of skills, competences, knowledge and personality attributes that enhances the efficiency of productive labour. Human capital development has proved to be a key ingredient in the overall socio-economic development of nations and is one of the key considerations for investors when selecting potential investment locations.

Through its Tanzania Development Vision 2025 (TDV 2025) Tanzania aims at achieving a strong competitive economy through creativity, innovation and a high level of quality skills in order to respond to development challenges and adapt to the changing markets and technological conditions in the region and the global economy.

However, Tanzania's human capital development has not been adequate enough to meet the growing development challenges and to enable the search for solutions to the development problems the country faces. In particular, education has not been geared towards integrating the individuals into the competitive markets, both at local and international levels, nor has it been geared at innovatively engaging Tanzanians in entrepreneurship and self-employment activities. The current population growth rate, structure and momentum, where 50.1% of Tanzanians are below 18 years of age (URT/NBS 2014), will have implications for human development. The age cohort below 18 will constitute the bulk of the labour force by 2025, when Tanzania is expected to attain middle-income status. That is also the time when Tanzania is expected to achieve a demographic dividend in terms of having more producers than consumers, as the figure below illustrates.

Figure 4.1 shows estimated and projected growth rates of effective producers and effective consumers, with the latter dominating the former until the 1980s. The growth rate of effective producers peaked at 3.5% between 1985 and 1990. These two periods represent those with highest growth. Between 2000 and 2005, fertility decline stalled while both childhood and adult mortality surged, creating a 'plateau' in the growth rate of consumers as well as a decline in the growth rate of effective producers. This may have been partly due to the impact of HIV/AIDS which often affects society's most productive members. The growth in effective producers will peak again at about 3.1% between 2025 and 2030. The difference between the growth rates of effective producers and consumers determines the population window of opportunity, which is likely to be experienced between 2020 and 2050. And this opportunity must be harnessed.

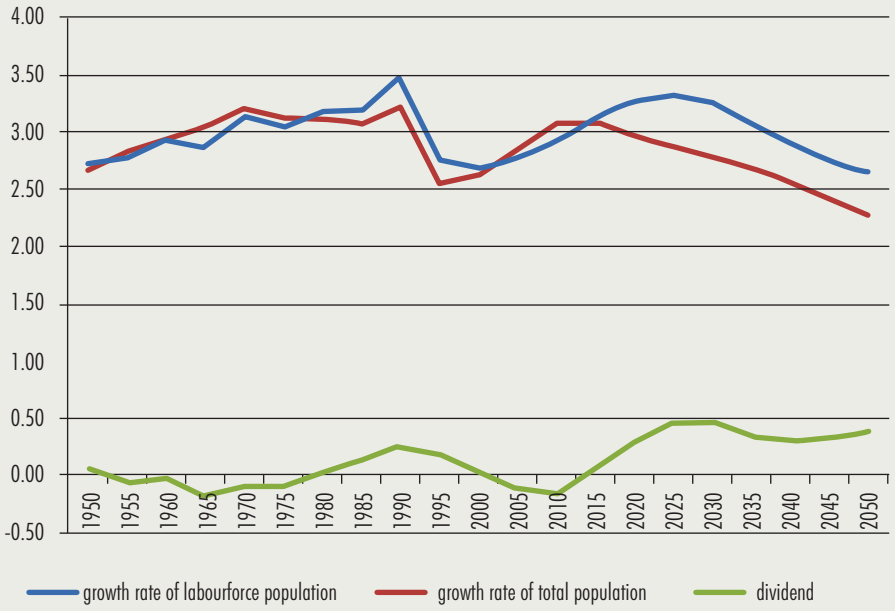
However, in spite of this window of opportunity, Chapter One raised concerns about the quality of education and the low level of skills being provided in Tanzania; the quality and quantity of the labour force of 2025 is in the making today. Efforts are needed to address this problem at least for those aged 0 to 4 years, who constitute 15.6% of the total population (NBS 2014)

4.2.6 Priority Growth Drivers

For the identified growth sectors to thrive, and more specifically for the agricultural sector to be transformed, a 2009 study by POPC identified the following as critically important to driving the growth of the whole economy: transport (road, railway, air, water), information communication technology and energy infrastructure. These growth drivers are in many ways the key to unlocking the full potential of the identified growth

Figure 4.1:

Growth rates of working and non-working population



Source: Agwanda and Amani (2014), computed from Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2012 Revision, http://esa.un.org/unpd/wpp/index.htm

sectors. Although the first FYDP addresses bottlenecks in infrastructure, there will be more that needs to be done during the second and even the third FYDP. The two main areas of focus continue to be transport infrastructure and energy.

Transport provides employment and attracts FDIs, among other contributions. The Integrated Labour Force Survey (2000/01) estimated that out of total waged employment of 1,159,498, transport and communication contributed about 8%. Despite these attributes, Tanzania's transport infrastructure is insufficient to meet the needs of the country's widely dispersed population. To substantially and aggressively transform the economy and achieve the TDV 2025 goals, it is necessary for the government to continue investing in this sector. With an efficient transport system the country will see both **direct impacts** by increasing accessibility levels to larger markets and also saving time and costs, and **indirect impacts** through the economic multiplier effect in terms of drops in the price of commodities or services and/or an increase in their variety.

Efficient transport networks can enable new or existing interactions between agriculture and other economic entities such as manufacturing industries, create markets in urban areas and abroad, reduce the costs of production and facilitate the delivery of services such as education, health and water. Transportation is vital for creating a competitive advantage in trade and driving Tanzania's economic growth; improved reliability of services will lead to improvements in time performance, notably in terms of punctuality, as well as reduced loss or damage. An efficient transport system offering cost, time and reliability advantages permits the transportation of goods over longer distances, as well as access to larger markets, thus facilitating mass production through economies of scale. Moreover, an efficient infrastructure network contributes to accessing a wider market base where economies of scale in production, distribution and consumption can be further improved. Agro-industries whose production capacities are currently under-utilized will improve their production levels, and new ones will be established as more agricultural raw materials can be supplied. Expansion in agricultural production will increase income for the majority of people in rural areas, and hence create an expansion of the market for products from other sectors. Consequently, production in all sectors and trade among sectors will increase.

Likewise, with an efficient transport system the potential market and competition for a given product or service increases. Consequently, a wider array of goods and services becomes available to consumers through competition, which tends to reduce costs and promote quality and innovation. This increases productivity because there is access to a larger and more diverse

base of inputs (raw materials, parts, energy or labour) and broader markets for diverse outputs (intermediate and finished goods). Improvements in transportation and communication may also lead to geographical specialization that increases productivity and spatial interactions. An economic entity tends to produce goods and services with the most appropriate combination of capital, labour and raw materials. A given area will thus tend to specialize in the production of goods and services for which it has the greatest advantages (or the least disadvantages) compared to other areas as long as appropriate transport is available for trade. This can also attract investors to establish agro-industries in the respective geographical areas.

Transport also contributes to economic development through job creation and its derived economic activities. Accordingly, a large variety of direct (drivers, conductors, potters, managers) and indirect (insurance, packaging, handling, travel agencies, transit operators, processors) employment is associated with transport. It will also be easier to provide other social services (education, health) which are normally labour intensive.

Energy is a critical prerequisite for all sectors of the economy. It is an essential service whose availability and quality can determine the success or failure of development endeavours. Therefore the importance of energy as a sector in the national economy cannot be overemphasized.

Shortages in power supply, unreliability and the high costs of energy can reduce the prospects of rapid progress in economic transformation, accelerated growth and competitiveness of the economy, and consequently delay efforts to reduce deprivation among the poorest of the poor and increase the overall standard of living for Tanzanians.

4.3 Essentials for Ensuring a Positive Linkage between Economic Transformation and Human Development

As pointed out earlier, economic transformation for human development does not happen automatically or in a vacuum. It must be well managed and guided. This could be done in a number of ways, namely properly managing the economy; guiding the linkage between economic transformation and human development; coordination in policy formulation, planning and implementation; institutional building; and building stakeholder relationships and roles.

4.3.1 Properly Managing the Economy

Chapter Three has correctly identified the necessary conditions for linking economic transformation and human development, and it is not the intention of this chapter to repeat them. Here we stress the broader requirements for the linkage.

Economic transformation can take place only in a prudent macroeconomic policy environment that is also conducive to economic activities and entrepreneurship, particularly by private business. This requires policy action on many fronts:

- Macroeconomic and exchange rate management. Fiscal and monetary policies should be pursued in ways that ensure that their impacts on inflation, wages, interest rates and exchange rates are positive for promoting rapid growth in GDP, jobs and exports. This calls for constant monitoring of policy impacts and a willingness to make timely policy corrections where necessary.

- Comprehensive planning and managing public spending. The government has to balance its spending on short-run consumption and long-run investment, with expenditures in line with the overall transformation programme.

- Making public procurement deliver value for money by reducing corruption. The gap between available resources and those needed for transformation is normally huge. Therefore the country cannot afford to waste its resources through corrupt and inefficient procurement processes that enrich a few politicians and officials and retard progress in transformation that would benefit all.

- Administering ports and customs and controlling corruption. Moving goods in and out of the country in a timely and efficient manner is critical to transformation in a globalized world, particularly for a country like Tanzania, which needs external trade. The government therefore has to increase the efficiency of airports, seaports and border crossings.

- Streamlining regulations. To encourage entrepreneurship and innovation, the government should regulate only what it should and can regulate. This will save money for both firms and the government; the only losers will be corrupt officials.

- Beefing up statistics. The government has to produce timely and high-quality social and economic statistics to enable it to formulate better plans, monitor implementation and change course where necessary. Such statistics should also help the private sector in planning and deciding investments, and the citizenry in holding the government to account.

4.3.2 Guiding the Linkage between Economic Transformation and Human Development

In recent years Tanzania has begun to take the lead in producing medium- and long-term plans focused on the growth and transformation of her economy; these include the first FYDP, and medium-term sectoral strategies such as the Agricultural Sector Development Strategies and Industrial Development Strategies. These were discussed in Chapter Three.

However, more often the expenditure in annual budgets bears little relation to the priorities in the medium- or long-term plans – and even less when separate government ministries or agencies carry out the two functions. Hence, in addition to the tasks above related to good economic management, policy makers can take more proactive steps to spark appropriate economic transformation.

Central to the country's economic transformation is learning about introducing new technologies, processes, products and services, and breaking into foreign markets. A favourable business environment can help, but it is seldom sufficient. History shows that among successful transformers, the state has helped business meet its many challenges. But it also shows that state involvement in the economy can block private sector initiatives, introduce inefficiencies and retard economic progress. Economic transformation thus requires getting the correct balance between the state and private enterprise, and having effective mechanisms for the two to collaborate and support each other.

The foregoing considerations should all inform the formulation of a clear national vision and strategy. The state should guide the formulation of the vision and strategy or plan, but in that process it should consult closely with private firms, which in the end will be the main implementers.

4.3.3 Coordination in Policy Formulation, Planning and Implementation

Tanzania has well-developed sector strategies, programmes and plans. Yet one of the biggest challenges Tanzania faces in promoting economic transformation for human development is coordination within government to formulate policies and plans, and implement them in ways that are both coherent and realistic.

Many policies, strategies and plans are produced by planning agencies using experts from outside government, with little input or commitment from senior staff in other government ministries and agencies. The Planning Commission is separate from the Finance Ministry; in this context, the Planning Commission seldom has much influence in ensuring that expenditures in the plan are actually reflected in the budget, making planning a paper exercise.

Having planning and finance under one ministry could solve this, but it could also create a problem if the short-term exigencies of finance swamp the long-term studies and reflection needed for planning. In addition, many government initiatives to support economic transformation will necessarily have to involve several government ministries and agencies. This requires effective coordination within government. Only an office whose authority is accepted by staff in other ministries and agencies can ensure that this takes place. In many cases that would be a minister of planning and finance. Sometimes this would be an office directly under the president, vice president or prime minister; it must be an office that can convene various arms of government, assign tasks, and monitor implementation and discharge rewards and sanctions as occasions warrant. The office also needs top-class professional staff to earn and maintain the respect of other units of government. Examples of early archetypes would be South Korea's Economic Planning Board, Taiwan's (China's) Council for Economic Planning and Development, and Singapore's Economic Development Board. Later examples include Malaysia's Economic Planning unit in the prime minister's office, the National Economic and Social Development Board of Thailand under the office of the prime minister, and India's Planning Commission, chaired by the prime minister and run by a vice-chair with a cabinet rank.

In addition to the above recommended actions, what is needed now is to promote inter-sectoral linkages, which will make it possible to realize backward and forward linkages in the economy and improve sustainable human development,29 including increased employment. Another important reason for inter-sectoral linkages is to promote equity. As pointed out in Chapter One of this report, growth is necessary but not sufficient for human development; equity issues need to be taken on board as well. Tanzania wants fast but equitable growth, focusing on reducing inequalities, increasing employment and enhancing livelihoods for the poor. Equitable growth

will entail improving the ability of the poor to access productive assets, addressing geographic disparities and ensuring equal and universal access to public services, all of which are necessary for promoting human development.

4.3.4 Institutional Building

The functions critical to the state's support of economic transformation have to be performed well, so the institutions in charge of these functions and the people that work in them have to be first class. Among others the institutions include the Central Bank, the Ministry of Finance, the President's Office - Planning Commission, the Ministry of Trade and Industry, the Ministry of Land and Ministry of Agriculture, the Ministry of Education and Vocational Training, the National Bureau of Statistics, the Tanzania Investment Centre and the Tanzania Revenue Authority.

For a leader serious about promoting economic transformation, the appointments to head the core functions should be based on competence and the ability to deliver results. The same applies to directorships and deputy directorships in Ministries, Departments and Agencies (MDAs).

4.3.5 Building Stakeholder Relationships and Roles

Transformation does not occur quickly; rather, it is a long-term process requiring constructive relationships among stakeholders. All the key stakeholders, namely the state, private firms, workers, the media and civil society, have mutually reinforcing roles in promoting economic transformation.

- Private firms (local and foreign, formal and informal) should lead in producing and distributing goods and services, upgrading technologies and production processes and expanding the opportunities for productive employment.
- The state must have the capabilities to set an overall economic vision and strategy for transformation, as well as efficiently providing supportive infrastructure and services, maintaining a regulatory environment conducive to entrepreneurial activities, and making it easier to acquire new technology and enter new economic activities and markets. This will require committed leadership to reach a consensus on the country's long-term vision and strategy and coordinate the activities of all actors in pursuing economic transformation. Furthermore, the state can gain much from having firms, entrepreneurs and civil society weigh in on setting a national economic vision and strategy – and on designing policies, investments, and incentives to support that strategy.
- Strong third-party mechanisms of accountability can draw in parliament, independent media, academics, think tanks and other parts of civil society to ensure that close collaboration between officials and firms does indeed support economic transformation.

4.4 Conclusion

In conclusion, we reiterate the point made in Chapter Two that the implications that economic transformation has for human development cannot be taken for granted. Policy makers must develop linkage-reinforcing policies, strategies and plans along with effective implementation frameworks to ensure that economic transformation works for human development. This is because the types of socio-economic changes that occur as economic transformation unfolds have impacts that go far beyond mere quantitative changes in the composition of output and employment. They also result in profound qualitative changes in the nature of production and employment, in the patterns of ownership and identity, in the structure of families and communities and in the forms of social provisioning, and each helps to shape the way that capabilities and freedoms are achieved and maintained.

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Statistical Annex

Reader's Guide

The 11 statistical tables provide an overview of key aspects of human development in Tanzania. The tables comprise composite indices and other development indicators prepared using data collected for THDR 2014. The annex presents technical notes on how indices and other development indicators for this report were computed.

The tables mainly compare human development achievements across regions in Tanzania mainland. Regions are ranked by their 2012 HDI value, the most current index in the tables. There are 25 regions in Tanzania mainland (listed in the next section). Only 21 regions are ranked in the tables by their HDI values. The remaining four regions (Katavi, Njombe, Simiyu and Geita) are not included in the ranking because of a lack of information on a number of indicators, including those used for computing the HDI. This lack of information is mainly due to the fact that these four regions are relatively new compared to other regions. Wherever information from these new regions was available, the relevant indicators were computed. In some cases where information was not available (particularly for development indices), estimates were made based on the achievements of the neighbouring regions. Details of how the estimates were carried out are provided in the Technical notes section. In each table and where information was available, a row was added to capture the status in Zanzibar with respect to the indicators it presents.

Sources and Definitions

ESRF, in collaboration with the Department of Economics (DOE) at the University of Dar es Salaam and the National Bureau of Statistics (NBS), collected data for the THDR 2014. The data came from local institutions and agencies with the mandate and expertise to collect national/regional/district-level data on specific indicators. Definitions of indicators and the data sources are given at the bottom of each table, and full source details are provided in the Statistical References.

Discrepancies between Regional and National Estimates

Regional-level estimates, which can be summarized as a national figure, may differ from what is reported for Tanzania in the Global Human Development Report (GHDR). This possibility can be explained by two main factors. First, the data used in the GHDR is harmonized to allow for comparability across countries. Second, most of the indicators in THDR, the country-level report, are computed in a local context, which involves localizing formulas used in the computation of the indicators.

Human Development Classification

HDI classifications are relative, based on the distribution of HDIs across the 21 regions included in the ranking. The main classifications for this report are denoted as high (7 regions), medium (7 regions) and low (7 regions).

Regional Notes

Geita, Simiyu, Katavi and Njombe regions are not included in the ranking. Their reported scores for indices where information was unavailable are estimates based on the average weighted scores of the regions they were once a part of. For instance, Geita was formulated by taking parts of Mwanza, Shinyanga and Kagera regions. The estimates for Geita are average weighted scores from Mwanza, Shinyanga and Kagera. The weights are based on the contribution of the old regions (Mwanza, Shinyanga and Kagera) to the total land area of the new region (Geita). Further details are presented in Technical Note 5.

Symbols

A dash between two years, e.g. 2008–2012, indicates that the data are from the most recent year available in the period specified. A slash between years, e.g. 2008/2012, indicates an average for the period specified. Growth rates are average annual rates of growth between the first and last years of the period indicated. The following symbols are applied in the tables:

- Not applicable
.. Not available
0.0 Nil or negligible

Statistical Acknowledgements

Constructing the development indicators for this Statistical Annex has been possible due to the availability of data and other information drawn from respected

multiple sources. We are particularly grateful to the Ministry of Education and Vocational Training, the Ministry of Health and Social Welfare, the Ministry of Finance, the Prime Minister's Office, Regional and Local Government Authorities, Regional Secretariats, Local Government Authorities, National Bureau of Statistics (NBS), Office of Chief Government Statistician (OCGS) - Zanzibar, the UNDP, the World Bank, the Bank of Tanzania, the Tanzania Revenue Authority, and the Department of Economics, UDSM, for taking the lead in the data collection process and in the preparation of the Statistical Annex for this report.

Statistical Tables

The first four tables report the composite human development indices and their components; the remaining seven tables contain a wide set of indicators measuring human development. Three composite human development indices – the Human Development Index (HDI), the Gender Development Index (GDI), and the Multidimensional Poverty Index (MPI) – are also presented in this report. The Inequality-adjusted Human Development Index (IHDI) is normally included in global human development reports prepared by the UNDP's Human Development Report Office (HDRO). Difficulties in capturing within-region inequalities in HDI component indicators, due to the nature of the data used, made it impossible to construct regional IHDIs. For this reason, the IHDI is not included in this report. Similarly, the Gender Inequality Index (GII) was not computed for this report because of lack of some data.

Table 1 presents the HDI and its component indicators, which are life expectancy (health), expected years of schooling (educational attainment) and income. There are two modifications to the HDI presented in this report as compared to the standard HDI reported in the GHDR. First, income performance is captured by Gross Domestic Product (GDP) because it is not possible to capture Gross National Income (GNI) at the regional level, at least in the Tanzanian context. Second, educational attainment in a standard HDI formula comprises Expected Years of Schooling (EYS), which is schooling life expectancy, and Mean Years of Schooling (MYS), which represents the average educational attainment of the adult population. Regional-level information for the MYS was not available, forcing the exclusion of this indicator in the computations of the final HDI. The education index therefore is computed based on EYS alone. This might have affected the regional ranking in education attainment and thus the final HDI. However, the EYS as a flow variable provides a good measure of trends in progress, unlike the MYS which is a stock variable, changing slowly over time. Nevertheless, on policy cycles, Tanzania puts attainment in primary and secondary education among its key priorities. The HDI computed in this report takes this fact into account.

The regions in **Table 1** and the rest of the tables are ranked according to their HDI scores. The difference between rank by GDP and HDI indicates whether a region is efficient in converting its income into education and health attainments, the social outcomes. Non-income HDI provides a means of comparing regions entirely on social indicators of HDI.

Table 2 captures a time series (2008–2012) for HDI. However, a direct comparison of the 2012 HDI scores and the scores on the same index for previous years (2008–2011) is not possible due to differences in the source of life expectancy information used in computing the indices. The 2012 HDI used actual life expectancy data obtained from the 2012 national census, while the previous years' HDI used life expectancy data projected from the 2002 census. The average annual growth rates capture the direction and speed of HDI changes.

Table 3, showing the Gender Development Index (GDI), measures discrepancies in HDI by gender. The table presents HDI data estimated separately for women and men, and their ratio is the GDI. A GDI value approaching 1 implies a smaller gap between women and men in terms of HDI, and not necessary that the region is performing well in terms of human development. The table also presents the HDI indicators (health, education and income) disaggregated by gender.

The Multidimensional Poverty Index (MPI) is presented in **Table 4.** MPI is a measure designed to capture the overlapping deprivations that individuals face in standard of living, education and health. It captures both the incidence of non-income multidimensional poverty (the headcount of those in multidimensional poverty) and the associated intensity (the relative number of deprivations that people experience at the same time). The table presents the proportions of those in various degrees of deprivation. In particular, the table presents the percentage of those vulnerable to poverty, as well as the percentage of those in severe poverty.

Table 5 captures command over resources at the regional level. It comprises information on GDP standardized by population (GDP per capita), regional shares of national GDP, tax revenues disaggregated by their types (i.e. customs, VAT and income taxes) and regional shares of total tax collected. Indicators in this table can be used to analyse how the variation in economic activities across regions is associated with

overall human development.

A number of indicators on child health, maternal health and adult health are presented in **Table 6**. On the other hand, **Table 7** presents standard education performance indicators, including net enrolment ratio, gross enrolment ratio and pass rate, along with their associated gender parities. The table also includes education attainment of the adult population. **Table 8** comprises information on women's participation in decision-making, particularly in regional and district administration and in politics. **Table 9** shows environmental data.

Table 10 pertains to population indicators. It shows the distribution of the country's population across regions, population structure, urbanization, and average annual growth rate, which captures the direction of the change in population, population density, age dependency ratio, fertility rate and sex ratio. Generally, the table describes characteristics of Tanzania's population at the regional level. The economic activities of the country are presented in **Table 11**. The table captures the contribution of various economic sectors in national GDP, their annual growth rate and their contribution to employment. The information in **Table 11** is useful in the analysis of whether economic transformation is happening in the country.

Key to HDI Regions and Ranks, 2012

Region	HDI Rank
Arusha	1
Kilimanjaro	2
Dar es Salaam	3
Iringa	4
Ruvuma	5
Mbeya	6
Tanga	7
Manyara	8
Lindi	9
Mara	10
Morogoro	11
Mtwara	12
Mwanza	13

Region	HDI Rank
Rukwa	14
Pwani	15
Shinyanga	16
Tabora	17
Kagera	18
Dodoma	19
Singida	20
Kigoma	21
Geita	
Simiyu	
Njombe	
Katavi	
Zanzibar	

Note: Geita, Simiyu, Njombe and Katavi regions are not included in the ranking due to the unavailability of data necessary for computing their respective HDIs. Nonetheless, the report presents some estimates of the composite indices (HDI, GII, GDI and MPI) for these regions. Similarly, Zanzibar is not included in the ranking since the focus of the THDR is on performance in Tanzania mainland.

TABLE 1

Human Development Index and its Components

Rank	Region	HDI[a]	Life Expectancy	EYS	GDP per Capita	Non-Income HDI	GDP per Capita Rank minus HDI Rank
		Value	(Years)	(Years)	(Tshs)[b]	Value	
		2012	2012	2012	2012	2012	2012
1	Arusha	0.721	67.6	8.52	1,258,334	0.701	2
2	Kilimanjaro	0.719	67.4	8.62	1,237,761	0.703	3
3	Dar es Salaam	0.714	59.5	7.65	1,734,842	0.605	-2
4	Iringa	0.693	55.6	9.03	1,428,243	0.623	-2
5	Ruvuma	0.674	60.3	8.36	1,237,972	0.639	-1
6	Mbeya	0.668	58.3	8.79	1,210,065	0.638	0
7	Tanga	0.661	64.4	8.74	1,026,432	0.685	1
8	Manyara	0.633	68.2	6.92	1,048,437	0.635	-1
9	Lindi	0.628	63.8	8.08	976,192	0.655	1
10	Mara	0.620	60.9	8.69	946,107	0.656	2
11	Morogoro	0.620	62.4	7.96	984,686	0.639	-2
12	Mtwara	0.618	63.5	8.25	930,862	0.659	1
13	Mwanza	0.616	62.5	8.62	910,824	0.666	1
14	Rukwa	0.570	58.4	6.92	974,601	0.567	-3
15	Pwani	0.549	60.3	8.76	752,192	0.653	2
16	Shinyanga	0.545	59.8	6.99	856,333	0.580	-1
17	Tabora	0.519	60.8	6.98	770,866	0.587	-1
18	Kagera	0.494	57.6	7.54	716,209	0.586	0
19	Dodoma	0.487	64.4	7.21	665,180	0.622	0
20	Singida	0.475	67.1	7.41	625,974	0.649	0
21	Kigoma	0.426	62.2	6.49	608,652	0.575	0
	Geita[c]	0.555	63.3	..	..	0.603	-
	Simiyu[d]	0.550	64.7	..	..	0.586	-
	Njombe[e]	0.693	53.0	..	..	0.623	-
	Katavi[f]	0.570	57.4	..	..	0.567	-
	TANZANIA MAINLAND	0.627	61.7	7.96	1,025,038	0.634	-
	ZANZIBAR		65.7		1,030,000		-

NOTES

1. HDI computed in this report is in a local context, and therefore is not comparable with HDI reported in GHDRs.
2. Figures are based on current market prices
3. HDI is a weighted estimate of Mwanza, Shinyanga and Kagera regions' HDIs.
4. HDI is a weighted estimate of Shinyanga and Mwanza regions' HDIs.
5. HDI is a weighted estimate of Iringa region's HDI.
6. HDI is a weighted estimate of Rukwa region's HDI.

DEFINITIONS

Human Development Index (HDI): A composite index measuring average achievements in three basic dimensions of human development – a decent standard of living, a long and healthy life and knowledge. HDI ranges human development scores from zero (low) to one (high).

Expected Years of Schooling (EYS): Number of years of schooling that a school-age child is expected to receive if the prevailing patterns of age-specific enrolment rates persist throughout the child's life. EYS is also known as schooling life expectancy.

Gross Domestic Product (GDP) per Capita: Sum of gross value added by all producers in the economy (the region in this context) plus any product tax minus any subsidies not included in the value of the product, expressed in current market prices, divided by total population.

Non-income HDI: HDI value computed based on its social dimensions – education and health.

GDP per Capita Rank minus HDI Rank: Difference in rankings between GDP per capita and HDI. A positive value means that a region is ranked higher according to HDI than according to GDP.

Life Expectancy (LE) at Birth: Number of years a newborn infant is expected to live if prevailing patterns of age-specific mortality rates at the time of birth remain constant throughout the infant's life.

MAIN DATA SOURCES

Column 1: THDR team computations based on 2012 data from NBS (2013a), MoEVT (2013) and NBS (2013d).

Column 2: NBS (2013a).

Column 3: THDR Team computations based on MoEVT (2013).

Column 4: NBS (2013d).

Column 5: Calculated based on data in columns 2 and 3.

Column 6: Calculated based on data in columns 1 and 4.

TABLE 2

Human Development Index Trends, 2008–2012

Rank	Region	Human Development Index (HDI)					Average Annual HDI Growth			
		Value					(%)			
		2008	2009	2010	2011	2012[a]	2008–09	2009–10	2010–11	2008–11
1	Arusha	0.633	0.640	0.681	0.686	0.721	1.11	6.40	0.72	2.71
2	Kilimanjaro	0.682	0.684	0.688	0.701	0.719	0.27	0.70	1.81	0.93
3	Dar es Salaam	0.705	0.720	0.728	0.734	0.714	2.09	1.16	0.86	1.37
4	Iringa	0.558	0.566	0.579	0.580	0.693	1.44	2.33	0.11	1.29
5	Ruvuma	0.579	0.589	0.585	0.598	0.674	1.61	-0.53	2.18	1.08
6	Mbeya	0.533	0.542	0.554	0.557	0.668	1.60	2.16	0.63	1.46
7	Tanga	0.567	0.581	0.585	0.610	0.661	2.51	0.63	4.27	2.46
8	Manyara	0.595	0.599	0.602	0.614	0.633	0.73	0.49	1.91	1.04
9	Lindi	0.511	0.510	0.553	0.562	0.628	-0.25	8.47	1.64	3.22
10	Mara	0.515	0.523	0.532	0.554	0.620	1.65	1.59	4.12	2.45
11	Morogoro	0.534	0.532	0.552	0.567	0.620	-0.34	3.66	2.79	2.02
12	Mtwara	0.444	0.453	0.508	0.506	0.618	2.16	12.22	-0.48	4.49
13	Mwanza	0.546	0.572	0.584	0.596	0.616	4.75	2.12	2.09	2.98
14	Rukwa	0.509	0.503	0.516	0.526	0.570	-1.12	2.54	2.07	1.15
15	Pwani	0.461	0.477	0.512	0.526	0.549	3.38	7.34	2.71	4.46
16	Shinyanga	0.435	0.451	0.471	0.483	0.545	3.75	4.36	2.65	3.58
17	Tabora	0.466	0.472	0.476	0.506	0.519	1.35	0.70	6.30	2.75
18	Kagera	0.419	0.436	0.453	0.476	0.494	4.04	3.81	5.16	4.34
19	Dodoma	0.372	0.399	0.435	0.440	0.487	7.08	9.12	1.23	5.76
20	Singida	0.388	0.408	0.485	0.491	0.475	5.25	18.85	1.30	8.21
21	Kigoma	0.461	0.474	0.467	0.493	0.426	2.92	-1.51	5.58	2.29
	Geita[b]	0.472	0.492	0.509	0.522	0.555	-	-	-	-
	Simiyu[c]	0.488	0.465	0.484	0.496	0.550	-	-	-	-
	Njombe[d]	0.558	0.566	0.579	0.580	0.693	-	-	-	-
	Katavi[e]	0.509	0.503	0.516	0.526	0.570	-	-	-	-
	TANZANIA MAINLAND	0.544	0.561	0.572	0.584	0.627	3.22	1.89	2.15	2.39
	ZANZIBAR									

NOTES

1. The life expectancy used in computing HDI for 2012 is based on actual figures from the 2012 census, while the life expectancy information for the rest of the periods (2008–2011) is based on projections from the 2002 census.
2. HDI is a weighted estimate of Mwanza, Shinyanga and Kagera regions' HDIs.
3. HDI is a weighted estimate of Mwanza and Shinyanga regions' HDIs.
4. HDI is a weighted estimate of Iringa region's HDI.
5. HDI is a weighted estimate of Rukwa region's HDI.

DEFINITIONS

Human Development Index (HDI): A composite index measuring average achievements in three basic dimensions of human development – a decent standard of living, a long and healthy life and knowledge. HDI ranges human development scores from zero (low) to one (high).

Average Annual HDI Growth: Annualized growth of HDI in a given period, calculated as the annual compound growth rate. s context) plus any product tax minus any subsidies not included in the value of the product, expressed in current market prices, divided by total population.

MAIN DATA SOURCES

Columns 1 to 5: THDR team computations based on data from NBS (2013a), NBS (2006b), MoEVT (2013) and NBS (2013d).

Columns 6 to 9: Computed based on HDI values for relevant years.

TABLE 3

Gender Development Index

HDI Rank	Region	Gender Development Index (GDI)		Human Development Index (HDI)a		Life Expectancy		Expected Years of Schooling (EYS)		Estimate Gross Domestic Product per Capitab	
		Ratio of Female and Male HDI	Rank	Value		(Years)		(Years)		(2012 Tshs.)	
				Female	Male	Female	Male	Female	Male	Female	Male
		2012	2012	2012	2012	2012	2012	2012	2012	2012	2012
1	Arusha	0.889	5	0.677	0.761	69.4	65.9	8.45	8.59	1,093,219	1,433,852
2	Kilimanjaro	0.898	2	0.678	0.755	68.6	66.3	8.84	8.39	1,071,373	1,415,436
3	Dar es Salaam	0.851	11	0.653	0.767	61.8	57.3	7.35	8.02	1,344,305	2,146,134
4	Iringa	0.956	1	0.676	0.707	57.9	53.3	9.31	8.76	1,297,602	1,569,615
5	Ruvuma	0.875	8	0.626	0.716	61.7	59.0	8.43	8.30	1,039,563	1,448,107
6	Mbeya	0.885	6	0.626	0.707	60.2	56.4	8.76	8.83	1,037,299	1,397,732
7	Tanga	0.855	10	0.605	0.708	65.4	63.4	8.84	8.64	867,063	1,195,520
8	Manyara	0.795	17	0.546	0.688	69.6	66.8	7.18	6.68	773,451	1,319,958
9	Lindi	0.895	3	0.591	0.661	66.6	61.2	8.08	8.08	864,140	1,097,879
10	Mara	0.860	9	0.571	0.664	63.0	59.0	8.43	8.94	830,808	1,067,277
11	Morogoro	0.881	7	0.577	0.655	64.4	60.4	8.10	7.82	849,179	1,124,145
12	Mtwara	0.893	4	0.582	0.652	65.2	61.9	8.18	8.32	849,763	1,021,640
13	Mwanza	0.812	15	0.545	0.671	64.7	60.4	8.48	8.77	745,209	1,082,738
14	Rukwa	0.826	12	0.510	0.617	61.0	56.0	6.78	7.06	793,644	1,166,668
15	Pwani	0.795	16	0.482	0.606	60.8	59.7	8.66	8.87	651,632	857,055
16	Shinyanga	0.823	13	0.485	0.589	62.5	57.1	7.04	6.95	705,161	1,014,174
17	Tabora	0.713	19	0.416	0.583	63.5	58.2	6.90	7.06	592,874	953,925
18	Kagera	0.821	14	0.440	0.536	59.8	55.5	7.61	7.48	624,660	811,300
19	Dodoma	0.778	18	0.413	0.531	68.0	60.8	7.57	6.86	560,707	775,175
20	Singida	0.691	20	0.373	0.539	68.4	65.8	7.64	7.21	524,781	729,354
21	Kigoma	0.601	21	0.301	0.501	64.0	60.5	6.40	6.58	498,138	726,678
	Geita[c]	0.820		0.493	0.601	64.9	61.7	..	..	..	..
	Simiyu[d]	0.822		0.489	0.595	66.1	63.3	..	..	..	..
	Njombe[e]	0.956		0.676	0.707	56.7	49.4	..	..	..	..
	Katavi[f]	0.826		0.510	0.617	61.0	53.9	..	..	..	..
	TANZANIA MAINLAND	0.880		0.584	0.663	63.7	59.7	7.98	7.92	888,118	1,169,350
	ZANZIBAR										

NOTES

1. HDI computed in this report is in local context and therefore not comparable with HDIs reported in GHDRs.
2. Since gender disaggregated GDP per capita information is unavailable, the reported figures are estimates. See the technical notes for more details.
3. HDI is a weighted estimate of Mwanza, Shinyanga and Kagera regions' HDIs.
4. HDI is a weighted estimate of Mwanza and Shinyanga regions' HDIs.
5. HDI is a weighted estimate of Iringa region's HDI.
6. HDI is a weighted estimate of Rukwa region's HDI.

DEFINITIONS

Gender Development Index (GDI): A composite measure capturing discrepancies in human development achievements between women and men in health, education and living standards. The technical notes provide details on how the GDI is computed.

Ratio of Female to Male HDI: Ratio of female to male HDI scores.

Human Development Index (HDI): A composite index measuring average achievements in three basic dimensions of human development – a decent standard of living, a long and healthy life and knowledge. HDI ranges human development scores from zero (low) to one (high).

Life Expectancy (LE) at birth: Number of years a newborn infant is expected to live if prevailing patterns of age-specific mortality rates at the time of birth remain constant throughout the infant's life.

Expected Years of Schooling (EYS): Number of years of schooling that a school-age child is expected to receive if the prevailing patterns of age-specific enrolment rates persist throughout the child's life. EYS is also known as schooling life expectancy.

Estimated Gross Domestic Product (GDP) per Capita: Derived from the ratio of female to male earnings, female and male shares of economically active population and GDP (in 2012 prices). See technical notes for details.

MAIN DATA SOURCES

Columns 1 and 2: Calculated based on data in columns 3 and 4.

Columns 3 and 4: THDR team computations based on 2012 data from NBS (2013a), NBS (2013b), MoEVT (2013) and NBS (2013d).

Columns 5 and 6: NBS (2013a).

Columns 7 and 8: Computations based on MoEVT (2013).

Columns 9 and 10: Estimates based on NBS (2014d), NBS (2013b) and NBS (2013d).

TABLE 4

Multidimensional Poverty Index

HDI Rank	REGION	MPI Rank	Multidimensional Poverty Index (MPI=H x A)	Incidence of Poverty (H)	Average Intensity Across Poor (A)	Population Vulnerable to Poverty	Population in Severe Poverty	Contributions of Deprivation to overall Poverty		
								Standard of Living	Health	Education
			Value	(%)	(%)	(%)	(%)	(%)	(%)	(%)
			2010	2010	2010	2010	2010	2010	2010	2010
1	Arusha	3	0.256	55.0	46.5	22.5	23.4	54.3	28.9	16.8
2	Kilimanjaro	2	0.138	33.5	41.3	26.7	5.4	63.0	28.6	8.4
3	Dar es Salaam	1	0.111	25.8	43.1	18.3	8.2	29.1	57.1	13.9
4	Iringa	4	0.277	60.5	45.8	15.4	22.4	59.2	29.1	11.8
5	Ruvuma	5	0.287	63.1	45.5	20.0	24.5	63.1	28.6	8.3
6	Mbeya	6	0.291	63.3	46.0	23.2	23.6	57.5	24.4	18.1
7	Tanga	9	0.333	68.8	48.5	13.6	31.7	57.6	27.4	15.1
8	Manyara	11	0.341	65.8	51.8	21.1	37.7	57.3	23.1	19.6
9	Lindi	20	0.432	81.9	52.8	11.0	47.7	54.2	27.5	18.3
10	Mara	16	0.358	74.8	47.9	16.5	33.6	58.3	33.1	8.6
11	Morogoro	7	0.311	62.5	49.7	18.2	30.8	54.3	27.1	18.6
12	Mtwara	13	0.339	69.2	48.9	19.2	33.5	58.6	25.7	15.7
13	Mwanza	10	0.355	68.9	51.4	19.7	32.8	53.8	26.6	19.6
14	Rukwa	17	0.371	71.6	51.7	16.8	42.2	56.0	24.9	19.2
15	Pwani	8	0.304	59.2	51.3	20.8	28.7	52.9	26.7	20.4
16	Shinyanga	15	0.389	74.5	52.3	17.3	39.9	53.8	26.8	19.4
17	Tabora	19	0.429	76.4	56.2	14.5	48.2	49.6	24.0	26.3
18	Kagera	18	0.379	72.2	52.6	16.5	41.9	53.6	28.2	18.2
19	Dodoma	21	0.450	83.0	54.3	11.1	55.8	55.8	26.3	17.8
20	Singida	12	0.348	69.3	50.2	23.4	35.1	58.8	28.0	13.1
21	Kigoma	14	0.361	72.8	49.7	18.4	33.0	57.0	27.8	15.2
	Geita[a]	-	0.375	-	-	-	-	-	-	-
	Simiyu[b]	-	0.385	-	-	-	-	-	-	-
	Njombe[c]	-	0.277	-	-	-	-	-	-	-
	Katavi[d]	-	0.371	-	-	-	-	-	-	-
	TANZANIA MAINLAND	-	0.319	0.640	0.491	18.2	31.3	54.2	29.5	16.3
	ZANZIBAR	-	0.202	0.433	0.450	20.9	16.6	31.4	51.3	17.3

NOTES

1. MPI is the weighted average of Mwanza, Shinyanga and Kagera regions.
2. MPI is the weighted average of Mwanza and Shinyanga regions.
3. MPI equals that of Iringa region.
4. MPI equals that of Rukwa region.

DEFINITIONS

Multidimensional Poverty Index (MPI): Percentage of the population that is multidimensionally poor, adjusted by the intensity of deprivation.

Incidence of Poverty (H): Percentage of the population with a weighted deprivation score of at least 33.3%. The measure is known as multidimensional poverty headcount.

Average Intensity Across Poor (A): Average intensity of poverty experienced by people in multidimensional poverty. The measure is also known as intensity of deprivation of multidimensional poverty.

Population Vulnerable to Poverty: Percentage of the population at risk of suffering multiple deprivations. This includes those with a deprivation score of 20–33%.

Population in Severe Poverty: Percentage of the population with deprivation score of 50% or greater.

Contribution of Deprivation to overall Poverty: Percentage of the Multidimensional Poverty Index attributed to deprivations in each dimension.

MAIN DATA SOURCES

Columns 1 and 2: NBS (2011).

Column 3 to 9: Computations based on data on household deprivation in health, education and standard of living from the 2010 Tanzania Demographic and Health Survey (NBS 2011).

TABLE 5

Command over Resources

HDI Rank	Rank GDP cap	Region	Gross Domestic Product (GDP)		Tax Collections				Share of Regional Total Tax			Regional Share	
			Total (Million Tshs.)	Per Capita	Income Tax (Million Tshs.)	VAT (Million Tshs.)	Customs (Million Tshs.)	Total (Million Tshs.)	Income Tax (%)	VAT (%)	Customs (%)	GDP (%)	Total Tax (%)
			2012	2012	2012	2012	2012	2012					
1	3	Arusha	2,132,007	1,258,334	67,419	56,857	42,285	166,561	40.5	34.1	25.4	4.77	4.33
2	5	Kilimanjaro	2,030,035	1,237,761	24,305	12,602	39,558	76,465	31.8	16.5	51.7	4.54	1.99
3	1	Dar es Salaam	7,571,790	1,734,842	494,038	288,073	2,345,648	3,127,759	15.8	9.2	75.0	16.93	81.4
4	2	Iringa	2,347,081	1,428,243	14,674	10,039	248	24,962	58.8	40.2	1.0	5.25	0.65
5	4	Ruvuma	1,704,552	1,237,972	3,516	1,963	212	5,691	61.8	34.5	3.7	3.81	0.15
6	6	Mbeya	3,276,141	1,210,065	11,981	9,629	23,475	45,085	26.6	21.4	52.0	7.33	1.17
7	8	Tanga	2,099,264	1,026,432	14,497	11,550	53,682	79,729	18.2	14.5	67.3	4.69	2.08
8	7	Manyara	1,494,161	1,048,437	2,613	2,000	0.0	4,613	56.6	43.4	0.0	3.34	0.12
9	10	Lindi	844,067	976,192	1,881	1,241	327	3,448	54.5	36	9.5	1.89	0.09
10	12	Mara	1,649,850	946,107	5,041	3,627	45,858	54,527	9.2	6.7	84.1	3.69	1.42
11	9	Morogoro	2,184,518	984,686	24,062	10,017	146	34,225	70.3	29.3	0.4	4.89	0.89
12	13	Mtwara	1,182,990	930,862	16,670	2,918	34,346	53,935	30.9	5.4	63.7	2.65	1.40
13	14	Mwanza	4,090,594	910,824	45,142	18,261	14,924	78,326	57.6	23.3	19.1	9.15	2.04
14	11	Rukwa	1,529,289	974,601	2,575	1,245	655	4,475	57.5	27.8	14.7	3.42	0.12
15	17	Pwani	826,409	752,192	6,406	2,408	699	9,514	67.3	25.3	7.4	1.85	0.25
16	15	Shinyanga	2,688,809	856,333	8,932	4,555	4,165	17,651	50.6	25.8	23.6	6.01	0.46
17	16	Tabora	1,766,533	770,866	4,501	4,179	38	8,718	51.6	47.9	0.5	3.95	0.23
18	18	Kagera	1,760,458	716,209	4,249	4,837	8,562	17,648	24.1	27.4	48.5	3.94	0.46
19	19	Dodoma	1,385,962	665,180	14,783	4,772	96	19,651	75.2	24.3	0.5	3.1	0.51
20	20	Singida	857,983	625,974	1,321	1,343	66	2,731	48.4	49.2	2.4	1.92	0.07
21	21	Kigoma	1,295,169	608,652	3,043	1,768	1,758	6,568	46.3	26.9	26.8	2.9	0.17
-	-	Geita[a]	..	..	..	..	..	..	-	-	-	-	-
-	-	Simiyu[a]	..	..	..	..	..	..	-	-	-	-	-
-	-	Njombe[a]	..	..	..	..	..	..	-	-	-	-	-
-	-	Katavi[a]	..	..	..	..	..	..	-	-	-	-	-
-	-	TANZANIA MAINLAND	44,717,663	1,025,038	771,649	453,884	2,616,748	3,842,281	20.1	11.8	68.1	100.0	100.00
-	-	ZANZIBAR	1,343,000	1,030,000	39,700	56,452	63,753	159,905	24.8	35.3	39.9	-	-

NOTES

1. GDP and tax information for the region was not available.

DEFINITIONS

Gross Domestic Product (GDP): Sum of gross value added by all producers in the economy (region in this context) plus any product tax minus any subsidies not included in the value of the product, expressed in current market prices.

GDP per Capita: GDP divided by population. It represents the average resources available to each individual in the population.

Regional Share of GDP: Percentage contribution of a region to the total GDP (national GDP).

Income Tax: Tax on gains and profits from business, employment and investments of individuals, corporations and other entities operating in the economy.

Customs Tax: Indirect tax levied on imports or exports in international trade.
Value Added Tax (VAT): Consumption tax charged on taxable goods and services whenever value is added at each stage of production and at the final stage of sale.

Total Tax: Sum of income, VAT and customs taxes.

Regional Share of Total Tax: Percentage contribution of a region to the total tax collected in the country.

MAIN DATA SOURCES

Columns 1 and 2: NBS (2013d).

Columns 3 to 6: TRA (2013).

Columns 7 to 9: Computations based on data from TRA (2013).

Column 10: Computations based on data from NBS (2013d).

Column 11: Computations based on data from TRA (2013).

TABLE 6

Health

Region	Immunization Coverage		Child Nutrition Status		Maternal Health					HIV Prevalence Rate	
	DPT	Measles	Stunted	Wasted	Under Weight at Birth	Death at delivery in Health Facility	Delivered by Skilled Provider	Delivered in Health Facility	Ante-natal Visits	Women	Men
	12–23 months				(%)	(%)	(% ages 15–49)		(%)	(% ages 15–49)	
	2010	2010	2010	2010	2010		2010		2010	2011-12	
Arusha	100.0	91.4	43.9	9.5	5.9	0.081	47.2	46.2	52.21	3.9	2.3
Dar es Salaam	100.0	98.4	18.8	6.8	11.4	0.094	91.0	90.2	74.25	8.2	5.3
Kilimanjaro	96.9	96.9	27.6	5.3	1.2	0.109	86.1	86.7	61.11	4.9	2.2
Iringa	93.3	93.3	51.9	3.5	10.9	0.133	80.8	80.4	38.82	10.9	6.9
Ruvuma	96.0	91.3	46.2	4.8	9.9	0.122	83.0	85.9	46.53	9.1	4.1
Mbeya	78.3	83.3	49.8	1.2	10.2	0.158	42.9	43.3	22.44	11	6.7
Tanga	85.7	84.8	49.4	5.5	9.5	0.172	44.5	41.3	40.63	3.5	0.7
Manyara	88.6	81.0	45.8	7.4	3.0	0.159	38.5	38.0	63.16	2.7	0.3
Lindi	83.3	83.4	53.5	4.1	12.3	0.171	52.1	51.7	39.72	4.3	1.1
Mara	90.0	85.6	31.0	5.0	12.4	0.081	30.4	33.3	40.74	5.2	3.5
Morogoro	95.4	92.4	44.4	5.3	6.6	0.094	60.6	58.0	50.9	5.3	2.1
Mtwara	100.0	94.0	43.5	2.6	9.4	0.284	59.5	58.6	45.52	6.0	1.5
Mwanza	87.8	86.7	38.7	3.9	2.6	0.115	44.1	45.9	39.82	4.7	3.7
Rukwa	78.5	77.0	50.4	3.8	11.9	0.117	29.5	29.5	21.21	6.8	5.5
Pwani	98.2	92.2	31.7	4.2	5.3	0.202	74.0	73.1	63.64	9.2	2.1
Shinyanga	79.4	70.0	43.3	2.5	0.9	0.073	34.7	33.1	33.42	8.1	6.6
Tabora	61.4	51.0	33.0	3.9	5.9	0.175	46.4	45.7	32.28	5.8	4.5
Kagera	100.0	97.1	43.6	5.0	3.8	0.086	54.3	53.8	46.49	5.5	4.1
Dodoma	95.3	84.8	56.0	5.2	5.2	0.101	45.9	45.1	41.46	2.1	3.7
Singida	94.8	93.2	39.0	9.2	6.5	0.120	48.5	47.7	39.66	4.5	1.8
Kigoma	79.0	82.3	48.2	3.2	6.6	0.093	33.5	33.3	38.58	4.5	2
Geita[a]	..	..	..	..	..	..	..	..	..	5.7	3.5
Katavi[a]	..	..	..	..	..	..	..	..	..	5.3	6.7
Simiyu[a]	..	..	..	..	..	..	..	..	..	4.3	2.7
Njombe	..	..	..	..	..	..	..	..	..	15.4	14.2
Mainland Tanzania	87.8	84.5	42.3	4.6	6.9	0.117	50.5	50.2	42.96	6.3	3.9
Zanzibar	94.6	85.0	30.2	12.0	6.9	0.03	53.7	49.2	49.14	1.1	0.9
Tanzania	88.0	84.5	42.0	4.8	6.9		50.6	50.2		6.2	3.8

NOTES

1. New regions are yet to be included in health surveys.

DEFINITIONS

Immunization Coverage for DTP: Percentage of one-year-olds who have received three doses of the combined Diphtheria, Tetanus toxoid and Pertussis (DTP) vaccine.

Immunization Coverage for Measles: Percentage of one-year-olds who have received at least one dose of a measles vaccine.

Stunted: Proportion of children under five whose height-for-age Z-score is below minus two standard deviations from the WHO reference point.

Wasted: Proportion of children under five whose weight-for-height Z-score is below minus two standard deviations from the WHO reference point.

Under Weight at Birth: Percentage with reported birth weight below 2.5 kilograms. Deaths at Delivery: Percentage of those who die in health facilities during delivery.

Delivered by Skilled Provider: Proportion of births delivered by either a doctor/AMO, clinical officer, assistant clinical officer, nurse/midwife, or MCH aide.

Delivered in Health Facility: Proportion of births delivered at referral hospital, hospital, health centre or dispensary.

Anti-natal Visits: Percentage of women aged 15–49 with live births who made at least four visits for antenatal care.

HIV Prevalence Rate: Percentage of the population aged 15–19 who are infected with HIV.

MAIN DATA SOURCES

Columns 1 to 5: NBS (2011).

Column 6: MoHSW (2013).

Columns 7 and 8: NBS (2011).

Column 9: Computations based on NBS (2011).

Columns 10 and 11: TACAIDS (2013).

TABLE 7

Education

Region	Enrolment and Performance					Gender Parity Index (GPI)								Educational Attainment	
	Gross Enrolment Rate (GER)		Net Enrolment Rate (NER)		Pass Rate (PR)	GER[c]		PR[c]	PLR[c]	Pupil-Teacher Ratio (PTR)	Pupil-Qualified Teacher Ratio (PQTR)	Pit Latrine Ratio (PLR)	Pupil Classroom Ratio (PCR)	Adult Literacy	Population with at least Secondary Education
	Prim[a] 2012	Sec[b] 2012	Prim[a] 2012	Sec[b] 2012	Prim[a] 2012	Prim[a]	Sec[b]	Prim[a]	Prim[a]	Prim[a] 2012	Prim[a] 2012	Prim[a] 2012	Prim[a] 2012	% ages 15+ 2012	% ages 25+ 2012
Arusha	96.6	69.4	92.1	52.3	78.5	0.929	1.064	0.966	0.865	37	38	45	59	89.3	15.7
Kilimanjaro	88.3	81.2	85.2	62.2	75.6	0.953	0.875	1.027	0.875	32	33	28	42	92.2	12.3
Dar es Salaam	93.0	48.8	87.1	37.7	79.8	0.927	1.554	0.903	0.958	35	36	70	65	96.1	28.6
Iringa	100.4	74.8	95.6	55.8	69.9	0.944	0.86	0.931	0.891	42	43	42	53	81.9	8.7
Ruvuma	107.7	47.8	99.7	33.2	46.2	0.943	0.908	0.910	0.871	48	49	50	56	84.4	6.3
Mbeya	106.1	62.3	99.8	43.6	55.0	0.923	0.812	0.876	0.862	45	48	52	76	80.8	8.3
Tanga	119.6	62.0	99.5	43.2	64.2	0.981	0.973	0.937	0.885	46	53	49	75	79.8	7.4
Manyara	85.5	46.8	80.9	31.2	68.6	1.043	1.481	1.023	1.012	44	44	34	60	72.6	5.6
Lindi	101.8	46.6	97.5	30.9	48.4	0.945	0.956	0.652	0.946	49	52	45	51	68.0	4.1
Mara	106.4	57.5	99.6	42.1	50.4	0.923	0.815	0.653	0.875	50	52	62	79	80.7	7.6
Morogoro	100.0	49.1	93.4	34.7	61.4	1.009	1.213	0.928	0.990	41	42	53	71	76.9	7.9
Mtwara	103.9	45.3	98.9	31.5	50.2	0.888	0.987	0.759	1.178	46	49	57	59	70.8	4.4
Mwanza	109.1	56.1	99.7	39.9	61.1	0.964	1.045	0.704	0.940	52	53	77	93	79.9	10
Rukwa	88.1	36.2	84.9	23.8	51.5	0.931	1.338	0.679	0.892	49	51	51	80	69.9	5.8
Pwani	111.8	68.6	94.8	49.7	61.8	1.042	0.874	0.872	0.870	40	49	44	53	73.6	7.9
Shinyanga	88.7	34.0	85.9	24.3	42.3	1.011	1.193	0.645	0.857	49	40	77	77	68.4	6.4
Tabora	92.7	29.7	87.8	20.3	47.4	0.947	1.532	0.760	0.907	56	59	69	88	59.0	4.6
Kagera	100.2	38.8	92.7	25.7	71.6	0.983	1.808	0.918	0.914	48	50	60	75	76.8	6.7
Dodoma	93.1	37.5	88.1	25.5	45.4	1.027	1.138	0.805	0.963	47	49	62	72	67.5	5.8
Singida	90.4	39.7	89.6	27.7	46.8	0.985	1.121	0.878	0.912	70	71	85	112	73.6	4.4
Kigoma	85.8	30.2	81.4	19.4	44.5	0.993	1.442	0.579	0.978	50	53	70	77	76.0	5.0
Geita	..	..	..	..	..	-	-	-	-	..	..	..	..	67.9	4.7
Katavi	..	..	..	..	..	-	-	-	-	..	..	..	..	65.7	4.7
Simiyu	..	..	..	..	..	-	-	-	-	..	..	..	..	66.7	3.7
Njombe	..	..	..	..	..	-	-	-	-	..	..	..	..	81.9	6.4
TANZANIA MAINLAND	98.4	51.4	92.0		58.3		0.848	0.820	0.909	46	47	56	70	77.9	9.8
ZANZIBAR	121.5	67.0			78.1	0.972		0.940	0.946	25	27	166	75	84.2	41.3

NOTES

1. Prim refers to primary education.
2. Sec refers to secondary education.
3. Figures are standardized by sex ratio obtained from 2012 National Census Report.

DEFINITIONS

Gross Enrolment Ratio (GER): Specific level of education, regardless of age, expressed as a percentage of the eligible official school-age population corresponding to the same level of education in a given school year.

Net Enrolment Ratio (NER): Enrolment of the official age group for a given level of education expressed as a percentage of the corresponding population.

Pass Rate: Proportion of those who passed the examination out of total sitting.

Gender Parity Index: Ratios of female to male values of a given indicator. Example: GERfemale/GERmale. A value greater than 1 indicates better performance for females than males.

Pit Latrine Ratio: Average number of students per latrine at primary level in a given year.

Pupil-Teacher Ratio: Average number of students per teacher at a specific level of education in a given year.

Pupil-Qualified Teacher Ratio: Average number of students per qualified teacher at a specific level of education in a given year.

Pupil-Classroom Ratio (PCR): Average number of students per classroom.
Adult Literacy: Percentage of population aged 15 years and above who can both read and write.

Population with at least Secondary Education: Percentage of population aged 25 and above with minimum of secondary education.

MAIN DATA SOURCES

Columns 1 to 5: MoEVT (2013).

Columns 6 to 9: Computations based on Data from MoEVT (2013).

Columns 10 to 13: MoEVT (2013).

Column 14: NBS and OCGS-Zanzibar (2014).

Column 15: NBS (2014c).

TABLE 8

Women in Decision-Making

Region	Members of Parliament[a]		Regional Commissioners		Regional Administrative Secretaries		District Commissioners		District Administrative Secretaries		Councillors	
	Female 2013	Male 2013	Female 2013	Male 2013	Female 2013	Male 2013	Female 2013	Male 2013	Female 2013	Male 2013	Female 2013	Male 2013
Arusha	3	8	0	1	1	0	0	6	1	5	45	119
Kilimanjaro	7	8	0	1	0	1	0	6	2	4	50	145
Dar es Salaam	15	6	0	1	1	0	1	2	1	2	51	90
Iringa	2	6	0	1	0	1	2	1	1	2	45	81
Ruvuma	3	4	0	1	0	1	1	5	1	5	59	135
Mbeya	3	12	0	1	1	0	2	6	0	8	79	218
Tanga	3	10	1	0	0	1	4	4	0	8	97	200
Manyara	4	4	0	1	0	1	1	4	0	5	44	123
Lindi	3	5	0	1	0	1	2	4	2	4	59	134
Mara	4	8	0	1	0	1	1	6	2	4	59	157
Morogoro	6	9	0	1	1	0	1	4	0	4	36	86
Mtwara	6	5	0	1	0	1	1	4	0	5	63	123
Mwanza	3	8	0	1	1	0	5	2	3	4	62	156
Rukwa	0	5	1	0	0	1	0	3	1	2	23	64
Pwani	8	10	1	0	1	0	4	2	3	3	52	99
Shinyanga	2	6	0	1	0	1	1	2	0	3	49	111
Tabora	2	9	1	0	1	0	5	2	0	7	65	154
Kagera	6	8	0	1	0	1	3	5	0	8	78	179
Dodoma	4	8	1	0	1	0	2	5	3	4	66	189
Singida	4	8	0	1	0	1	5	1	1	5	52	118
Kigoma	3	6			0	1	1	3	0	4	29	76
Geita	2	3	0	1	0	1	1	4	0	5	42	100
Simiyu	2	4	0	1	1	0	2	3	0	5	41	107
Njombe	3	4	0	1	1	0	3	1	0	4	60	95
Katavi	2	3	0	1	0	1	0	3	0	3	15	42
TANZANIA MAINLAND	100	167	5	20	10	15	48	88	21	113	1,321	3,101
ZANZIBAR	27	55	0	5	1	4	2	8	2	8	63	129

NOTES

1. Includes both special seat members as well as those elected in constituencies.

DEFINITIONS

Members of Parliament: Representatives of the citizens from various political parties in the National Parliament either through special seat selection or through election in constituencies.

Regional Commissioner: Principal representative of the government in the region appointed by the President of the United Republic. Those for Zanzibar are appointed by the President of Zanzibar.

Regional Administrative Secretary (RAS): Person in charge of day-to-day administrative activities in the Office of Regional Commissioner.

District Commissioner: Principal representative of the government in the district appointed by the President. He or she is subject to the directions, guidance or instructions of the Regional Commissioner of his/her region.

District Administrative Secretary: Person in charge of day-to-day administrative activities in the Office of District Commissioner.

Councillors: Representatives of the citizens from various political parties at ward level.

MAIN DATA SOURCES

Columns 1 to 12: NBS (2014a).

TABLE
9

Environment

Indicator	Dar es Salaam			Other Urban Areas			Rural Areas			Mainland Tanzania		
	1991/92	2000/01	2006/07	1991/92	2000/01	2006/07	1991/92	2000/01	2006/07	1991/92	2000/01	2006/07
Piped plus protected (%)	97.0	93.7	85.2	83.6	88.0	76.6	34.9	45.9	40.4	46.0	55.3	51.8
House floor –earth (%)	14.5	6.7	8.7	44.6	38.3	37.1	90.8	86.6	83.1	79.2	74.0	67.0
House Walls												
Poles, branches, grass (%)	3.4	0.9	1.5	5.7	5.3	4.6	23.7	19.3	16.9	19.8	16.0	13.0
Mud and poles/stones (%)	15.1	5.2	4.7	16.3	13.1	10.9	27.7	21.8	22.0	25.3	19.4	18.2
Mud only (%)	2.0	2.2	1.9	11.1	12.1	10.3	14.6	18.1	12.0	13.3	16.1	10.7
House Roof												
Grass, leaves, bamboo (%)	1.1	1.1	2.1	21.7	14.3	12.3	63.1	55.7	48.2	53.1	45.8	36.8
Mud and grass (%)	0.2	0.7	0.4	1.7	1.5	2.6	12.8	12.5	9.2	10.4	10.1	7.1
Cooking Fuel												
Electricity (%)	9.7	4.8	2.2	4.8	3.2	1.5	0.2	1.3	0.2	1.5	1.8	0.5
Charcoal (%)	52.1	46.2	74.9	36.6	53.3	53.9	2.5	3.9	7.0	10.6	14.2	22.7
Firewood (%)	1.2	4.6	8.0	43.4	33.8	37.7	94.9	93.4	91.8	81.5	78.5	73.1
No Toilet (%)	1.3	5.7	1.1	1.8	2.3	2.7	8.7	8.1	9.5	7.2	7.1	7.4
Planted Forest ('000 ha)	..	..	..	..	..	..	..	..	..	150.0	200.0	230.0
Terrestrial protected areas (as % of land area)	..	..	..	..	..	..	..	..	..	26.9	27.0	27.2
Charcoal Production ('000 MT)	..	..	..	..	..	..	..	..	..	101.0	1,165.0	1,416.0
CO_2 Emissions – Total ('000 MT)	..	..	..	..	..	..	..	..	..	2,530.0	2,725.0	5,443.0

MAIN DATA SOURCES

Rows 1 to 11: NBS (2009).

Row 15 to 18: AfDB (2013).

TABLE
10

Population

Region	Population (millions)	Age Groups				% Urban Population	Average Annual Rate		Density	Median Age	Age Dependency Ratio	Total Fertility Rate	Sex Ratio (M/F)
		0–4 Years (%)	5–14 Years (%)	15–64 Years (%)	65+ Years (%)								
	2012	2012	2012	2012	2012	2012	1988-2002	2002-2012	2012	2012	2012	2012	2012
Arusha	1.69	14.8	26.9	55.1	3.2	33.0	3.9	2.7	45	18.5	81.5	3.9	94
Kilimanjaro	1.64	11.7	26.2	55.1	7.0	24.2	1.6	1.8	124	20.6	81.4	3.6	94
Dar es Salaam	4.36	12.1	19.5	66.3	2.1	100.0	4.3	5.6	3,133	22.7	50.8	2.9	95
Iringa	0.94	13.7	28.3	53.6	4.4	27.2	1.6	1.1	27	18.5	86.5	4.2	92
Ruvuma	1.38	14.9	28.1	53.0	4.0	24.6	2.5	2.1	22	18.4	88.7	4.7	94
Mbeya	2.71	15.6	27.4	53.0	4.0	33.2	2.4	2.7	45	18.1	88.8	4.2	92
Tanga	2.05	14.9	28.5	51.8	4.8	21.6	1.8	2.2	77	18.2	93.0	4.7	94
Manyara	1.43	17.6	29.5	49.1	3.8	13.6	3.9	3.2	32	16.2	103.6	5.5	101
Lindi	0.86	13.0	26.3	54.4	6.3	18.7	1.4	0.9	13	21.1	84.0	4.0	92
Mara	1.74	19.0	30.6	46.9	3.5	17.4	2.6	2.5	80	15.0	113.2	6.3	93
Morogoro	2.22	14.6	26.7	54.4	4.3	28.7	2.6	2.4	31	19.1	83.8	4.2	97
Mtwara	1.27	13.3	25.2	54.8	6.7	22.9	1.7	1.2	76	21.8	82.4	4.0	89
Mwanza	2.77	18.0	28.7	50.3	3.0	33.3	3.2	3.0	293	16.3	98.9	5.8	96
Rukwa	1.00	19.7	30.7	47.0	2.6	23.5	3.5	3.2	44	14.7	112.9	7.1	94
Pwani	1.10	14.0	25.9	53.9	6.2	32.8	2.4	2.2	34	20.2	85.6	4.3	96
Shinyanga	1.53	18.4	29.2	49.1	3.3	16.6	3.3	2.1	81	16.0	103.8	5.5	96
Tabora	2.29	18.6	29.8	48.1	3.5	12.5	3.6	2.9	30	15.6	107.9	6.2	97
Kagera	2.46	18.3	29.4	48.8	3.5	9.2	3.1	3.2	97	15.9	105.0	6.0	96
Dodoma	2.08	16.0	29.5	49.6	4.9	15.4	2.2	2.1	50	17.0	101.5	5.3	95
Singida	1.37	17.4	29.6	48.3	4.7	12.5	2.3	2.3	28	16.3	107.0	6.2	98
Kigoma	2.13	19.3	29.5	47.5	3.7	17.2	4.8	2.4	57	15.6	110.4	6.4	94
Geita	1.74	19.6	30.9	47.0	2.5	16.0	-	2.6	28	14.7	112.9	6.9	98
Simiyu	1.58	19.9	31.4	45.5	3.2	7.0	-	1.8	63	14.4	119.7	6.3	92
Njombe	0.70	13.3	28.6	53.5	4.6	23.6	-	0.8	81	18.6	87.0	3.7	88
Katavi	0.56	19.8	29.7	47.9	2.6	27.8	-	3.2	15	15.2	108.7	7.3	98
TANZANIA MAINLAND	43.63	16.2	27.6	52.3	3.9	29.1	2.8	2.7	49		91.7	4.9	95
ZANZIBAR	1.30	15.6	26.9	54.7	2.8	46.3	3.1	2.8	530		83.0	4.7	94
TANZANIA	44.93	16.2	27.6	52.3	3.9	29.6	2.9	2.7	51	17.8	91.5	4.9	95

DEFINITIONS

Age Group 65+ years: Percentage of the population aged 65 years and above in the total population.

Age Dependency Ratio: Ratio of the sum of the population aged 0–14 and aged 65 and older to the population ages 15–64.

Population: De facto population in a region as per 2012 census.

Age Group 0–4 years: Percentage of the population aged 0 to 4 years in the total population.

Age Group 5–14 years: Percentage of the population aged 5 to 14 years in the total population.

Urban Population: De facto population living in areas classified as urban according to the criteria used in 2012 Census.

Fertility Rate: Number of children that would be born to each woman if she were to live to the end of her child-bearing years and bear children at each age in accordance with prevailing age-specific fertility rates.

Average Annual Rate: Average annual exponential growth rate for the period specified.

Sex Ratio: Number of males in the population per number of females.

Density: Number of people per square kilometre.

Age Group 15–64 years: Percentage of the population aged 15 to 64 years in the total population.

Median Age: Age that divides the population distribution into two equal parts—that is, 50% of the population is above that age and 50% is below it.

MAIN DATA SOURCES

Columns 1 to 11: NBS (2013c); NBS and OCGS-Zanzibar (2014).

Column 12: NBS (2014b).

TABLE
11

National Economic Activities

Economic Activity		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture, Hunting, and Forestry[b]	%GDP	**29.0**	**28.6**	**28.7**	**29.5**	**27.6**	**26.2**	**25.8**	**25.7**	**24.6**	**24.1**	**23.7**	**24.7**
	Growth Rate	(4.9)[a]	(4.9)	(3.1)	(5.9)	(4.3)	(3.8)	(4.0)	(4.6)	(3.2)	(4.2)	(3.6)	(4.3)
Crops[b]	%GDP	21.4	21.4	21.8	22.4	20.5	19.2	19.0	19.0	18.4	17.8	17.4	17.6
Fishing[b]	%GDP	**1.7**	**1.7**	**1.6**	**1.5**	**1.4**	**1.3**	**1.3**	**1.2**	**1.4**	**1.4**	**1.4**	**1.4**
Industry and Construction[b]	%GDP	18.0	19.6	21.0	20.8	20.8	20.8	21.2	21.0	22.0	22.4	22.7	22.1
	Growth Rate	(6.6)	(9.4)	(10.9)	(10.9)	(10.4)	(8.5)	(9.5)	(8.6)	(7.0)	(8.2)	(6.9)	(7.8)
Mining and Quarrying[b]	%GDP	**1.8**	**2.1**	**2.4**	**2.6**	**2.9**	**3.2**	**3.5**	**3.4**	**3.3**	**3.3**	**3.3**	**3.5**
Manufacturing[b]	%GDP	8.4	8.3	8.3	8.1	7.9	7.8	7.8	7.8	8.6	9.0	9.3	8.4
	Growth Rate	(5.0)	(7.5)	(9.0)	(9.4)	(9.6)	(8.5)	(8.7)	(9.9)	(8.0)	(7.9)	(7.8)	(8.2)
Electricity and Gas[b]	%GDP	2.2	2.0	1.9	1.8	1.7	1.5	1.6	1.7	1.7	1.8	1.8	1.9
Construction[b]	%GDP	5.2	6.8	8.0	7.9	7.8	7.8	7.8	7.7	7.9	8.0	8.0	8.1
Services[b]	%GDP	**45.5**	**44.2**	**42.7**	**42.0**	**42.5**	**43.3**	**43.3**	**43.8**	**43.6**	**43.9**	**44.0**	**43.9**
	Growth Rate	(6.4)	(7.7)	(7.8)	(7.8)	(8.0)	(7.8)	(8.1)	(8.5)	(7.2)	(8.2)	(7.9)	(8.0)
Communication[b]	% GDP	1.2	1.2	1.3	1.5	1.7	2.1	2.3	2.5	2.1	2.1	2.2	2.3
Real Estate and Business Services[b]	% GDP	10.3	9.7	9.4	9.1	9.5	9.6	9.5	9.6	9.0	8.8	8.6	8.5
Gross Domestic Product at current market prices [d]	Trillion (Tshs.)	9.1	10.44	12.1	13.97	15.97	17.94	20.95	24.78	28.21	32.29	37.53	44.72
	Growth Rate	(6.0)	(7.2)	(6.9)	(7.8)	(7.4)	(6.7)	(7.1)	(7.4)	(6.0)	(7.0)	(6.4)	(6.9)
						Employment							
Agriculture[c]	**%**	**84.2**					**76.5**						**63.0**
Informal and Other Private Sector[c]	**%**	**10.1**					**18.7**						**23.1**
Government and Parastatals[c]	**%**	**2.7**					**3.0**						**2.4**

NOTES

1. All figures in brackets represent the growth rate of the relevant sector.
2. Relevant figures (not in brackets) show the share of the sector in total GDP.
3. Relevant figures in the row show the proportion of the population employed in the sector.
4. GDP figures are in trillion shillings.

DEFINITIONS

Economic Activity: Activities of the economy by sectors – agriculture, hunting and forestry; fishing; industry and construction; and services

Agriculture, Hunting and Forestry: Crop cultivation, livestock keeping, forestry and hunting

Fishing: Fishing on all bodies of water, e.g. the sea, lakes, rivers and dams, among others.

Industry and Construction: Mining and quarrying, manufacturing, electricity and gas, water supply and construction.

Services: Trade and repairs, hotels and restaurants, transport, communication, financial intermediation, real estate and business services, public administration, education, health and other social and personal services.

MAIN DATA SOURCES

Rows 1 to 17: NBS (2013d).

Rows 18 to 20: NBS (2006b).

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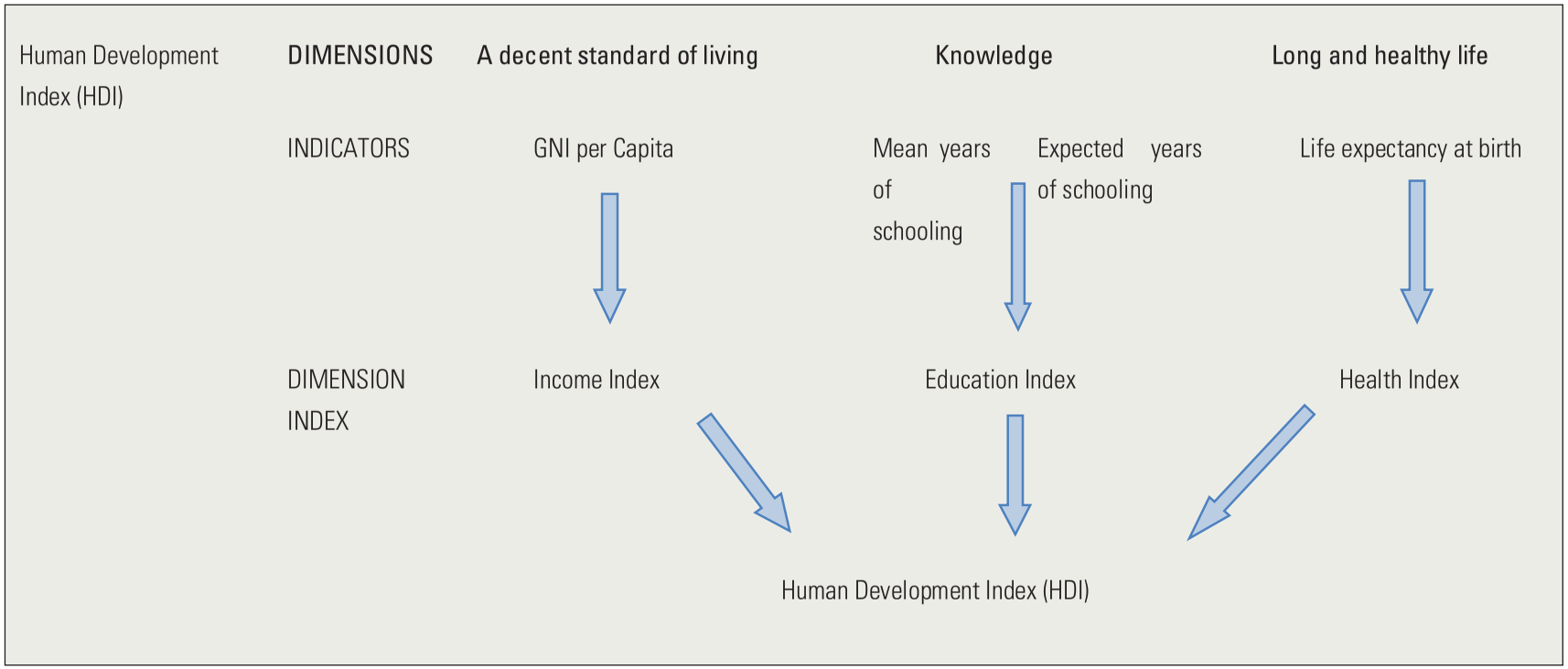
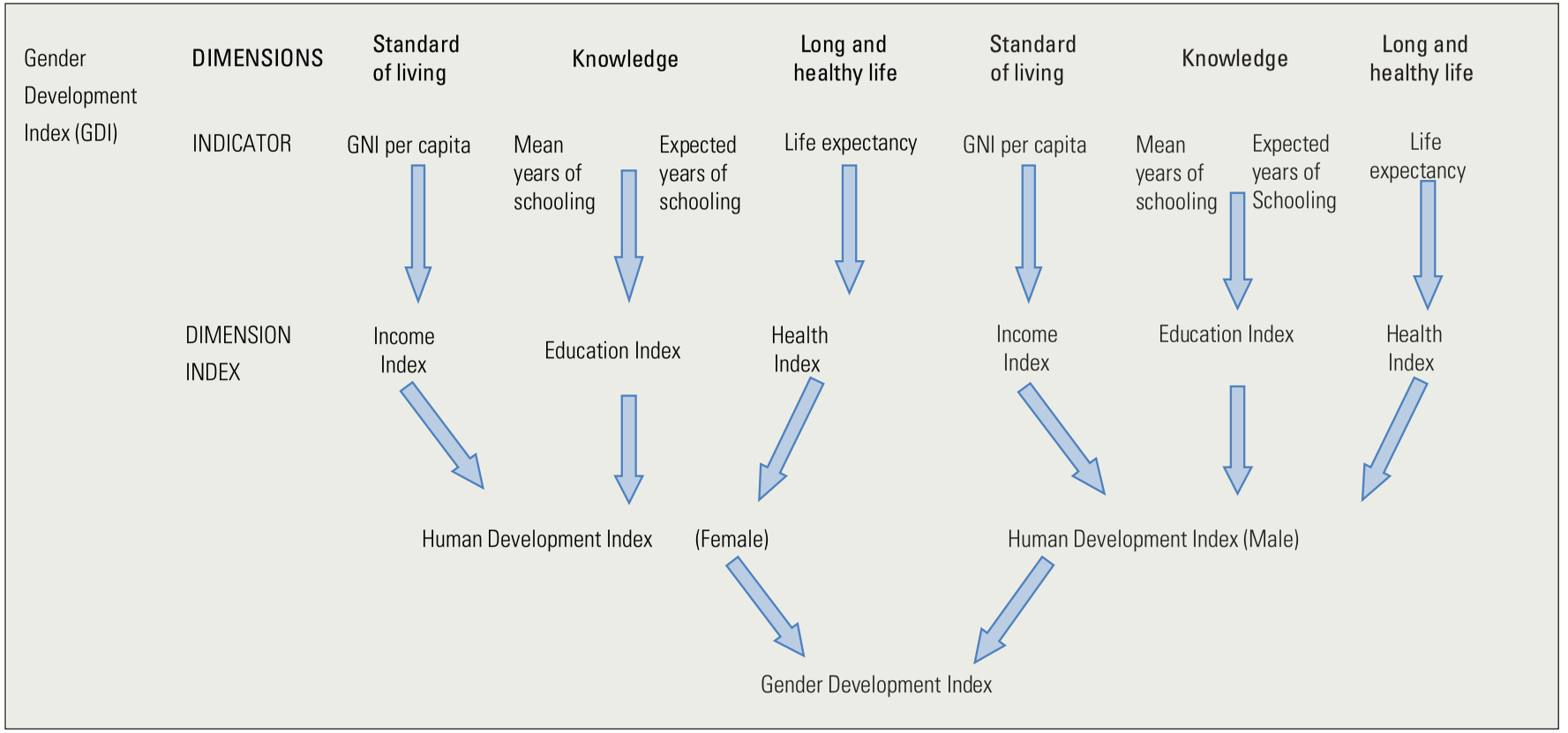
A: Computation of the Indices – Graphical Presentation

Human Development Index (HDI)



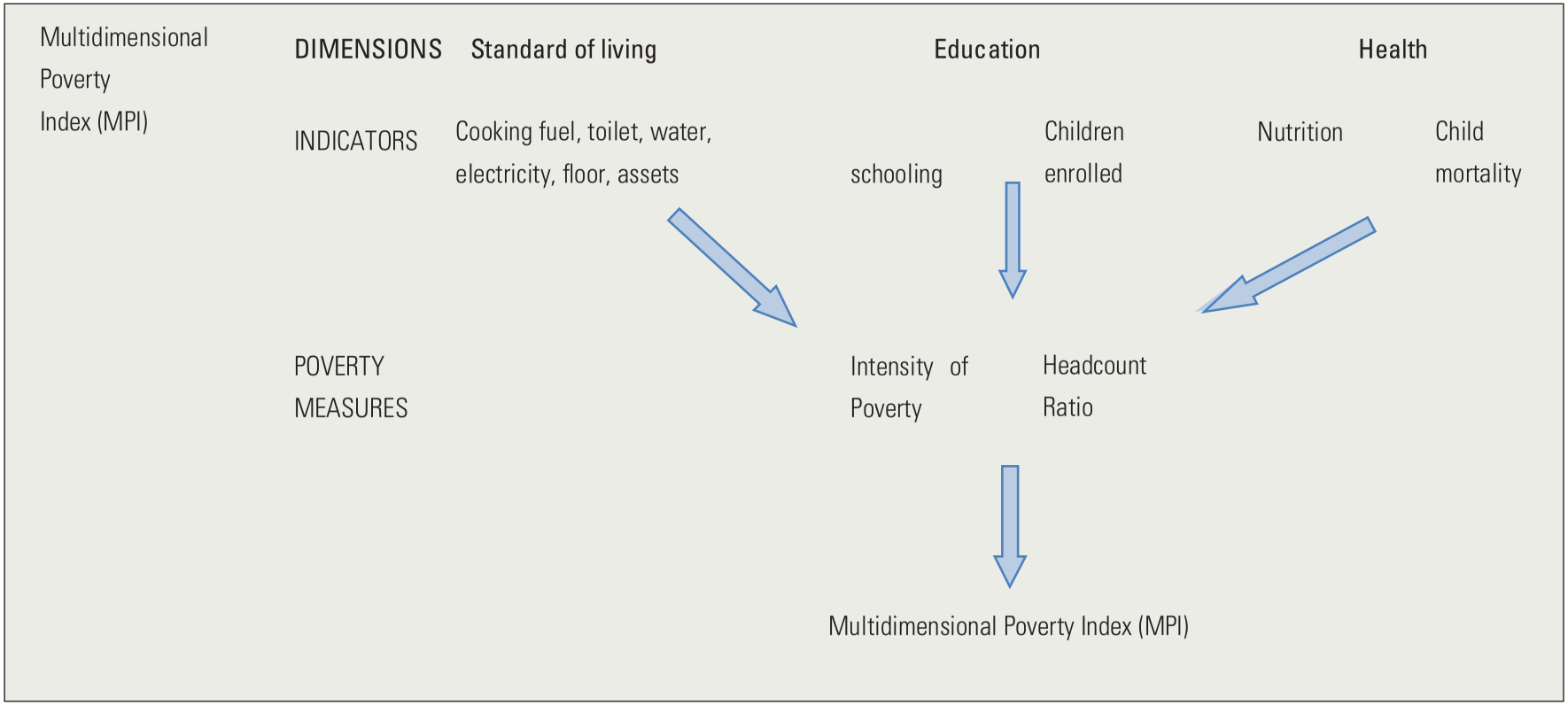
Source: UNDP, 2013b

Gender Development Index (GDI)



Source: UNDP 2014b

Multidimensional Poverty Index (MPI)



Source: UNDP 2013b

B: Computing the Indices – Methodology and Modifications

Technical Note 1: Human Development Index

The Human Development Index (HDI) is a summary measure of key dimensions of human development (UNDP 2013a). It measures a country's achievements in three dimensions of human development: a decent standard of living, access to knowledge and a long and healthy life. HDI is a generalized mean of the normalized indices from each of these three dimensions. In this report the focus is on regional variations, and hence we compute regional-level HDIs. This technical note describes the steps and assumptions used to compute regional HDIs, and the data sources.

Steps to compute the Human Development Index

Two steps are involved in computing HDI.

Step 1: Creating the dimension indices

The process starts with setting goalposts (maximum and minimum values) so that the indicators are transformed to indices with a 0 to 1 threshold. The maximum is normally supposed to be the highest observed in a time series (in the THDR 2014 context, 2008–2012). The minimum is supposed to be what is considered a subsistence level. In this report, the computation of income and education indices follows this standard practice, where goalposts are set locally based on 2008–2012 time series information for the respective indicators (i.e. GDP per capita and schooling information). For the health index (constructed from life expectancy information), the report follows the 2013 GHDR goalposts, with a maximum of 83.6 years and a minimum of 20 years. Based on local goalposts for life expectancy, some regions such as Iringa were unrealistically penalized in their final HDI score and hence their rank because of being highly affected by HIV/AIDS-related mortality. Using GHDR goalposts provided scores that we consider to be more realistic.

Once the goalposts are defined, sub-indices are computed via the following formula:

$$Dimension\ Index = \frac{actual\ value\ -\ minimum}{maximum\ -\ minimum} \quad (1)$$

Note that when computing education indicators, it is first necessary to compute MYS and EYS indices, and then aggregate the two to reach the final education index. Details follow hereafter.

Computing the sub-indices

Education Index

The education index comprises Mean Years of Schooling (MYS) and Expected Years of Schooling (EYS), which collectively measure people's access to knowledge.

i) Mean Years of Schooling (MYS)

Using Barro and Lee's (2010) formula, MYS is computed as:

Goalposts for the Human Development Index in this Report (THDR 2014)

Indicator	Maximum	Minimum
Life Expectancy (Years)	83.6	20.0
Mean Years of Schooling*	..	..
Expected Years of Schooling**	13	0
GDP per Capita (mil. Tshs.)***	1.734	0.450

Notes: *Information was unavailable, and this statistic was thus excluded in HDI computations. **The maximum value is capped at 13 since EYS was computed based on primary, o-level and a-level net enrolment rates; GDP per capita is used instead of GNI per capita due to the unavailability of regional data for the latter. ***GDP serves as a proxy for GNI in this report's context; adopted from the 2013 global Human Development Report.

$$s_t = \sum_{a=1}^{A} l_t^a s_t^a$$

(2)

Formula (2) says that mean years of schooling at regional level (s_t) is the sum of the number of years for adults aged 25 years and above in a region, weighted by the population share of adults in the total adult population. After obtaining the MYS, formula (1) is applied for computing the MYS index.

ii) Expected Years of Schooling (EYS)

EYS is simply the sum of age-specific net enrolment rates. The standard formula for EYS computation is given as:

$$eys_a^t = \sum_{i=1}^{n} \frac{E_i^t}{P_i^t} + \sum_{l=level\_education} \frac{E_{unknown}^t}{P_{age\_of\_level\_l}^t / D_l}$$

(3)

In (3), EYS is the sum of age-specific enrolments plus the non-age-distributed enrolment rate, which is multiplied by the duration of that level of education. Age-specific enrolment information was unavailable in our context, but information on NER for primary, o-level and a-level education was available. Formula (3) collapses to:

$$\sum_{l=level\_education} \frac{E_{unknown}^t}{P_{age\_of\_level\_l}^t / D_l}$$

(4)

Computing EYS involved multiplying the NER of the three levels of education with their respective durations – i.e. 7 years for primary school, 4 for o-level and 2 for a-level. Then the products were summed to obtain EYS, which was plugged into formula (1) to obtain the EYS index. Enrolment in tertiary education was excluded due to the lack of regional-level information. However, NER at this level of education is very minimal and thus does not greatly affect the EYS estimates in this report.

iii) Final Education Index (EI)

Since the MYS index is not computed in this report, the education index constructed is entirely based on the EYS index:

$$Education\ Index = \frac{Regional\ EYS\ -\ minimum\ EYS}{maximumEYS\ -\ minimumEYS}$$

(5)

Health Index

The Health Index (HI) is constructed using information on life expectancy at birth. The minimum and maximum values are defined above in the goalposts table. As in the case of education index, formula (1) is applied in the computation of the final health index.

Income Index

Based on a new approach by the UNDP for computing HDI, the Income Index (II) is constructed using information on GNI. However, that information is not available at the regional level in Tanzania. A close proxy to this indicator is GDP, and regional information for this variable is available. The natural logarithm of GDP per capita by regions is thus used in computing the final income index. The logarithm accounts for income's limited ability to create human capabilities – i.e. beyond a certain level, income becomes redundant in enhancing further human development. Formula (1) is applied using local goalposts.

Step 2: Aggregating the sub-indices to produce the Human Development Index

HDI is the geometric mean of the income, education and health indices:

$$HDI = \sqrt[3]{I * E * H}$$

(6)

Technical Note 2: Gender Development Index

The Gender Development Index (GDI) measures inter-gender differences in achievements in three basic dimensions of human development: education, measured by female and male mean years of schooling for adults aged 25 years and above and female and male expected years of schooling for school-age children; health, measured by female and male life expectancy at birth; and living standard (command over resources), measured by female and male estimated earned income.

Steps to compute the Gender Development Index

There are four steps involved in computing GDI.

Step 1: Estimating female and male earned incomes

As has been suggested by UNDP (2014b), the share of the wage bill is calculated for each gender. The female share of the wage bill (S_f) is given as:

$$S_f = \frac{W_f / W_m * EA_f}{W_f / W_m * EA_f + EA_m} \quad (7)$$

where W_f / W_m is the ratio of female to male wage, EA_f is the female share of the economically active population and EA_m is the male share of the economically active population.

The male share of the wage bill is given as:

$$S_m = 1 - S_f \quad (8)$$

Estimated female earned income per capita is derived from GDP per capita using formula (9):

$$GDPpc_f = GDPpc * S_f / P_f \quad (9)$$

Formula (9) says that the estimated female GDP per capita is a product of GDP per capita and the ratio between the female share of the wage bill (S_f) and the female share of the population ($P_f = N_f / N$).

Estimated male earned income per capita is obtained analogously:

$$GDPpc_m = GDPpc * S_m / P_m \quad (10)$$

To construct the female and male HDIs, we follow procedures similar to those involved in computing the gender combined HDI (as in Technical Note 1), and we proceed as follows:

Step 2: Normalizing the indicators

With the exception of life expectancy, the rest of the indicators (income and education) are on a scale of 0 to 1 using the same goalposts as used for HDI. Adjustments are made to reflect the biological advantage women have over men in survival health. Particularly, the life expectancy goalpost (83.6 years) which was used in constructing the HDI is multiplied by a female factor and a male factor respectively to arrive at a gender-specific life expectancy at birth. The gender factor for females is simply the ratio between females and males in the total population ($GF_f = N_f / N_m$), while the gender factor for males is taken as the ratio between males and females in the total population (). ($GF_m = N_m / N_f$)

Goalposts for the Gender Development Index in this Report (THDR 2014)

Indicator	Maximum	Minimum
Life Expectancy (Years)		
Female	88.06	21.07
Male	79.36	18.99
Mean Years of Schooling	..	..
Expected Years of Schooling	13	0
GDP per Capita (mil. Tshs.)	1.734	0.450

Notes: Information on MYS was unavailable, and this statistic was thus excluded in HDI computations. The maximum value for EYS is capped at 13 since EYS was computed based on primary, o-level and a-level net enrolment rates. GDP per capita is used instead of GNI per capita since there are no GNI data at regional level, at least in Tanzania. Goalposts for life expectancy are derived based on life expectancy goalposts in the 2013 Human Development Report.

After defining the minimum and maximum values, the sub-indices (income, health and education) are computed via formula (1).

$$Dimension\ Index = \frac{actual\ value - minimum}{maximum - minimum}$$

Step 3: Compute the female and male Human Development Index values

The female and male HDI values are the geometric means of the income *(II)*, health *(HI)* and education *(EI)* sub-indices:

$$HDI_f = \sqrt[3]{I_f * E_f * H_f} \quad \text{and}$$
$$HDI_m = \sqrt[3]{I_m * E_m * H_m}$$

(11)

Step 4: Compute the Gender Development Index

GDI is the ratio between female and male HDI values (UNDP 2014a):

$$GDI = \frac{HDI_f}{HDI_m}$$

(12)

Technical Note 3: Multidimensional Poverty Index

The Multidimensional Poverty Index (MPI) measures multiple deprivations at the individual level in standard of living, education and health. It uses micro data from household surveys (or census)in such a way that all the indicators needed to construct the MPI must come from the same survey/census. Alkire et al. (2011) provide more details on MPI.

MPI Methodology

The index comprises 10 indicators of deprivation which are assigned weights. Each individual is assigned a score based on his or her household's deprivation in the MPI indicators. MPI dimensions (standard of living, education and health) are equally weighted, each assigned with a maximum score of 33.3%. The maximum MPI score is thus 100%, indicating an optimal level of deprivation. Health and education dimensions each comprise two indicators. Each of the indicators in these dimensions is given a maximum score of 16.7% (or 33.3/2). The standard of living comprises six indicators. Dividing the total dimensional score by six means that each indicator is worth 5.6% (i.e. 33.3/6).

The 10 deprivation indicators and their scores for the MPI dimensions are as follows:

Step 1: Identifying the Multidimensionally Poor

The deprivation scores for each household are summed to obtain the household deprivation, c. To distinguish between poor and non-poor a cut-off point of 33.3% is used. This is equivalent to one third of the weighted indicators. A household is considered to be multidimensionally poor if its deprivation score is 33.3% and above, vulnerable to poverty if its score is

EDUCATION	Years of Schooling: Having no household member who has completed five years of schooling.	16.7%
	Child School Attendance: Having at least one school-age child who is not attending school.	16.7%
HEALTH	Nutrition: Having at least one household member who is malnourished	16.7%
	Child Mortality: Having had one or more children die.	16.7%
STANDARD OF LIVING	Electricity: Household has no electricity.	5.6%
	Drinking Water: No access to clean water (according to MDG definition) or water is more than 30 minutes' walk.	5.6%
	Sanitation: Lack of access to adequate sanitation (according to MDG definition), or the toilet is shared among households.	5.6%
	Flooring: If the floor is dirt, sand, or dung.	5.6%
	Cooking Fuel: Household uses dirty cooking fuel (dung, charcoal, or wood)	5.6%
	Assets: If a household does not own more than one of the following: radio, bicycle, motorcycle, refrigerator, television or telephone; AND does not own a car, truck or similar motorized vehicle.	5.6%

greater or equal to 20% but less than 33.3%, and severely multidimensionally poor if the score is 50% or higher.

For instance, take a hypothetical household with the following deprivation characteristics: has a school-age child who is not attending school, has a member who is malnourished, and in the list of standard of living indicators the household lacks electricity and has a dirt floor. For such a household, the deprivation scores will be 44.4%, obtained by (16.7%+16.7%+5.6%+5.6%). Members of this household are considered to be multidimensionally poor.

Step 2: Computing the MPI

The MPI value is the average of the deprivation scores c (above the cut-off point, i.e. 33.3%) for the population (for the regions, in the context of this report). It is computed as a product of two measures: multidimensional headcount ratio and the intensity of poverty. Before arriving at the final MPI, the headcount ratio (H) and the intensity of poverty (A) are computed.

The headcount ratio (H)

The headcount ratio (H) is the share of people who are multidimensionally poor (q) in the total population (n). Headcount ratio is computed as follows:

$$H = \frac{q}{n} \quad (13)$$

Intensity of Poverty (A)

The intensity of poverty (A) captures the proportion of the weighted component indicators in which, on average, poor people are deprived. It takes the sum of deprivation scores (c) for poor households and divides the figure by the number of people who are multidimensionally poor (q):

$$A = \frac{\sum_1^q c}{q} \quad (14)$$

Multidimensional Poverty Index

A product of headcount ratio (H) and intensity of poverty (A):

$$MPI = H.A \quad (15)$$

Contribution of Dimensions

The percentage contribution of dimension j (where j is education, health or standard of living) to the multidimensional poverty index is given as:

$$\%Contr_j = \left[\frac{(\sum_1^q c_j)/n}{MPI}\right].100 \quad (16)$$

Technical Note 4: Estimates of Regional Development Indicators

Development indicator (e.g. HDI and MPI) estimates for the new regions (Geita, Simiyu, Njombe and Katavi) are computed via the following formula:

$$EDI^{new} = \sum_{i=1}^{N} w_i D_i^{old} \quad (17)$$

The estimate of a development indicator for a new region is equal to the weighted sum of that development indicator for the previous regions. For example, Geita (a new region) resulted from Mwanza and Kagera (previous regions). The estimate of Geita's HDI is equal to the sum of the weighted HDIs for Mwanza and Kagera. The weights are the proportions of land size contributed by the previous regions in forming the new region. A better weighting would have been based on population share, since the context here is human development. However, population tends to be dynamic, and hence it is difficult to capture its share of contributions over time.

Regional Weights

New Region	Old Region	Weight (Wi)
Geita	Mwanza	0.25
	Shinyanga	0.58
	Kagera	0.17
Simiyu	Mwanza	0.07
	Shinyanga	0.93
Njombe	Iringa	1.00
Katavi	Rukwa	1.00

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At present Tanzania's development is influenced by four major frameworks: namely, Tanzania's Development Vision 2025, the Long Term Perspective Plan 2011/12–2024/25, the Five Year Development Plan 2010/11–2015/16, and the National Strategy for Growth and Reduction of Poverty 2010/11–2014/15 (NSGRP/MKUKUTA II). The underlying aspiration of these frameworks is to ensure that Tanzania becomes a middle income country (MIC), with a high level of human development and an annual per capita income of more than USD 3,000 by year 2025. A major defining feature of Tanzania's development during this period will be the economy's transformation from low agricultural productivity to a semi-industrialized economy, coupled with a significant and dynamic service sector.

The 2014 Tanzania Human Development Report is the first issue of THDR initiative, with a theme of Economic Transformation for Human Development. Over the last decade, there has been a change in the focus of development policy away from mere quantitative changes in the rate of output, towards a concern for the changing qualitative nature of economic growth encapsulated in the concept of economic transformation. This report analyses the kinds of economic transformation needed for Tanzania to become a middle income country by 2025. In addition, the report provides a broader understanding of the interplay between economic transformation and human development in Tanzania – its challenges, its' opportunities, and its constraints.

'Freedom and development are completely linked as are chicken and eggs. Without chicken you get no eggs and without eggs you soon have no chicken. Similarly, without freedom you get no development, and without development you very soon lose your freedom. For the truth is that development means the development of people: roads, buildings, increase in crop outputs etc. are not development; they are only tools for development.'

- Julius Nyerere, from Chapter 1

'Development can be seen as a process of expanding the real freedoms that people enjoy.'

- Amartya Sen, from Chapter 1

'Every proposal must be judged by the criterion of whether it serves the purpose of development and the purpose of development is the people.'

- Julius Nyerere, from Chapter 3

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