UNITED REPUBLIC OF TANZANIA

MKUKUTA

National Strategy for Growth and Reduction of Poverty

POVERTY AND HUMAN DEVELOPMENT REPORT 2011

Research and Analysis Working Group
MKUKUTA Monitoring System
Ministry of Finance

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LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
ACS	Agricultural Census Survey
ANC	Antenatal Care
ART	Anti-retroviral Therapy
ARV	Anti-retroviral
BEST	Basic Education Statistics Tanzania
BoT	Bank of Tanzania
CAG	Controller and Auditor General
CGD	Center for Global Development
CHRAGG	Commission for Human Rights and Good Governance
CSEE	Certificate of Secondary School Examinations
DPG	Development Partners' Group
DPs	Development Partners
DPP	Director of Public Prosecutions
DPT-HB3	Diptheria, Pertussis (Whooping Cough) and Tetanus + Hepatitis B (3 doses)
EAC	East African Community
EIA	Environmental Impact Assessment
EPI	Expanded Programme of Immunisation
ESDP	Education Sector Development Programme
ESPR	Education Sector Performance Report
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFC	Global Financial Crisis
HBS	Household Budget Survey
HE	Household Enterprises
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome
HMIS	Health Management Information System
ILFS	Integrated Labour Force Survey
ILO	International Labour Organisation
ITN	Insecticide-Treated Nets
LGA	Local Government Authority
LDCs	Least-Developed Countries
LGCDG	Local Government Capital Development Grant
LGRP	Local Government Reform Programme

LLIN	Long-lasting, Insecticide-Treated Nets
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goal
MKUKUTA	*Mkakati wa Kukuza Uchumi na Kupunguza Umaskini* (Kiswahili for 'National Strategy for Growth and Reduction of Poverty' (NSGRP))
MKURABITA	*Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania* (Kiswahili for Property and Business Formalisation Programme in Tanzania)
MoCAJ	Ministry of Constitutional Affairs and Justice
MoEVT	Ministry of Education and Vocational Training
MoF	Ministry of Finance
MoHSW	Ministry of Health and Social Welfare
MoWI	Ministry of Water and Irrigation
MMR	Maternal Mortality Ratio
MSMEs	Micro, Small and Medium-Sized Enterprises
MVC	Most Vulnerable Children
NACP	National AIDS Control Programme (within the Ministry of Health and Social Welfare)
NAO	National Audit Office
NGO	Non-governmental Organisation
NBS	National Bureau of Statistics
NER	Net Enrolment Ratio
NSGRP	National Strategy for Growth and Poverty Reduction
PCCB	Prevention and Control of Corruption Bureau
PEDP	Primary Education Development Programme
PHDR	Poverty and Human Development Report
PMO	Prime Minister's Office
PMO-RALG	Prime Minister's Office – Regional Administration and Local Government
PMTCT	Prevention of Mother-to-Child Transmission of HIV
PO	President's Office
PO-PSM	President's Office – Public Service Management
PPP	Public-Private Partnerships
PPRA	Public Procurement Regulatory Authority
PSLE	Primary School Leaving Examination
PTR	Pupil-Teacher Ratio
RAWG	Research and Analysis Working Group (within the Ministry of Finance)
REPOA	Research on Poverty Alleviation
SADC	Southern African Development Community

SEDP	Secondary Education Development Programme
TACAIDS	Tanzania Commission on HIV/AIDS
TANESCO	Tanzania Electric Supply Company
TASAF	Tanzania Social Action Fund
TB	Tuberculosis
TDHS	Tanzania Demographic and Health Survey
TDS	Tanzania Disability Survey
THMIS	Tanzania HIV/AIDS and Malaria Indicator Survey
TNVS	Tanzania National Voucher Scheme
TRA	Tanzania Revenue Authority
TRCHS	Tanzania Reproductive and Child Health Survey
TZS	Tanzanian Shillings
UNICEF	United Nations Children's Fund
URT	United Republic of Tanzania
USD	United States Dollar
VAT	Value Added Tax
VCT	Voluntary Counseling and Testing
VETA	Vocational Education and Training Authority
VOP	Views of the People
VPO	Vice President's Office
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme
WHO	World Health Organisation
WSDP	Water Sector Development Programme

ACKNOWLEDGEMENTS

EXECUTIVE SUMMARY

The 2011 Poverty and Human Development Report (PHDR) presents a consolidated review of progress towards the goals and targets under the National Strategy for Growth and Reduction of Poverty (MKUKUTA). Using the nationally agreed indicatorsfor MKUKUTA I as the framework for the analysis and covering the period from 2001 to 2011, the report aims to critically assess the achievements to date, discuss the merits of policies and programmes implemented, and identify policy actions needed to better align national efforts towards the realisation of MKUKUTA's goals. The report builds on the findings from PHDR 2009 and, whenever possible, uses new data to update progress and trends.

In addition to the status chapter, this year's report explores the interplay between economic growth, productive employment and poverty reduction to identify policy options that can make future growth in Tanzania more inclusive and pro-poor. The report argues that managing structural changes, realising productivity gains by investing more in human capital, and creating an enabling business environment are key actions for the Government of Tanzania to create decent, productive jobs and achieve inclusive growth. In turn, the reconfiguration of the economy towards inclusive growth with expanded private sector employment and productivity can bring about sustainable cuts in income poverty and promote broad-based human development in the country.

Key Findings on the Performance of MKUKUTA I

Cluster I: Growth and the Reduction of Poverty

The Growth Target was Achieved

Overall, the macroeconomic outlook is relatively positive with the economy showing resilience amidst the slowdown in global output owing to the global financial crisis (GFC) of 2008. On average, the Tanzanian economy has grown by 7% per annum over the last ten years, thereby achieving the MKUKUTA I target of an average annual GDP growth of 6% to 8% by 2010. The prompt response to the GFC through provision of a moderate fiscal stimulus package during the 2008/09 and 2009/10 financial years helped to ease the adverse effects of the crisis and enabled the Government to continue the provision of essential services and meet its expenditure targets.

Sound Economic Management

Macroeconomic stability has generally been maintained; however, inflationary pressures have intensified over the last three years with the inflation rate exceeding 10% in 2008 and 2009. The high inflation rate is largely explained by food inflation, rising oil prices and the impact of power shortages. Domestic revenue collection as a percentage of GDPincreased steadily from 10.9% in 2000/01 to 16.0% in 2008/09, but declined slightly to 15.3% in 2009/10, falling below the MKUKUTA I target of 16.4%. This shortfall in domestic revenue collection has necessitated a short-term increase in the fiscal deficit, but the Government is acting to improve the taxpayer environment and identify additional tax and non-tax revenue sources to further strengthen national finances. The external debt-to-GDP ratio has fallen considerably since 2000. Exports have increased but with limited diversification. Credit to the private sector has increased from an average of less than 6% of GDP in 2002 to 17% of GDP in 2009, and the interest rate spread between the lending and deposit rate has declined from 15.3% in 2001 to 12.3% in 2009.

Continuing Structural Changes in the Economy but Limited Dividends

The structure of Tanzania's economy has changed gradually over the last decade with the growth rate in agriculture being outpaced by services, manufacturing and construction. The contribution of the agricultural sector to GDP has declined from 29% in 2001 to 24% in 2010. The growth rate in agriculture averaged 4.3% over the period 2000-2010, well below the MKUKUTA target of 10% by 2010. However, the sector continues to employ around three-quarters of the labour force.

The manufacturing sector grew from 4.8% in 2000 to a peak of 9.9% in 2008 before dropping to 7.9% in 2010, a growth rate still well below the MKUKUTA target of 15% by 2010. The sector is yet to effectively exploit linkages with agriculture and the country's natural resource base. The share of mining in GDP is still small even though the sector accounts for a significant share of total export earnings. The linkages of the mining sector with the rest of the economy remain weak and need to be strengthened.

The services sector remains the largest sector of the economy, though its share in total GDP has declined slightly from 45.5% in 2001 to 43.9% in 2010. Tourism constitutes a substantial part of the services sector (contributing over 17% to GDP and nearly 40% of total export earnings). Future earnings from the sector can be improved by expanding infrastructure, encouraging domestic demand and improving the skills of workers and businesses in the industry. Closer links between tourist operations and the local economy will be an important tool in poverty reduction.

Poverty and Inequality

The most recent national data available on household income poverty rates are from the 2007 Household Budget Survey (HBS), which were reported in the 2009 PHDR (URT, 2009b). The 2007 poverty estimates indicated that the economy's significant growth since 2000/01 had not translated into significant reductions in income poverty. The Gini Coefficient, a measure of income inequality, remained unchanged at 0.35 between 2001 and 2007. With no new data, it is not possible to report on the current distribution of income.

Since 2007, growth has more or less continued at the same pace except with a slight dip as a result of the global financial crisis. Based on past trends and with a slight slowdown in the growth rate, it is likely that the poverty reduction target under MKUKUTA I was not met and the country is off-track in meeting the Millennium Development Goals target of poverty reduction by 2015.

With respect to national food security, Tanzania has been self-sufficient in food production since 2005 with a peak in 2007 of 112%. However, food shortages continue to be experienced in some regions. The most recent data indicate around 23% of all households in rural mainland Tanzania were food-insecure. Around three-quarters of the population depend on under-developed smallholder primary agricultural production for their livelihoods. Modest improvements have been noted with respect to smallholder participation in out-grower schemes, access to irrigation, access to credit and diversification into non-farm activities. The Southern Agricultural Growth Corridor of Tanzania (SAGCOT), a large-scale, public-private partnership to develop that region's agricultural potential, and the Tanzania Agriculture and Food Security Investment Plan are promising developments in the sector but there is need to consolidate these initiatives and ensure that more benefits accrue to smallholder farmers and food-insecure households.

There has been limited improvement in the primary road network (trunk and regional roads) with lack of funding cited as the most binding constraint. An expanded road infrastructure has the potential to directly contribute to poverty reduction if two main issues are addressed. Firstly, building and maintaining rural roads should be a priority as these are essential for market development.

Secondly, more needs to be done to exploit labour-based technology, in particular, the employment of local communities in road construction and other public works. At the same time, reliable power supplies are critical for rural economic transformation, including diversification into agro-processing and productive non-farm activities. Sustained investment in developing and maintaining transport infrastructure and expanding power-generating capacity and electrification are medium and long-term imperatives for national development and poverty reduction.

Cluster II: Quality of Life and Social Well-Being

Education

Access to quality education is a pre-requisite for socio-economic and political development in any society. Conversely, low educational attainment and poverty are closely associated. Literacy rates have improved marginally for women since 2004/05 (from 67% to 72%) but less for men (from 80% to 82%). However, levels of literacy among women still lag those of men by ten percentage points.

Substantial progress has been made to increase access to education. The net enrolment rate (NER) in primary schools increased from 66% in 2001 to a peak of 97% in 2007 and 2008. Overall, gender parity in access to primary education has been achieved. However, since 2008, the NER has steadily declined to 94% in 2011, a trend that must be turned around. In 2011, it is estimated that nearly half a million 7 to 13 year-olds did not enrol in school.

The transition rate from primary to secondary schools also rose dramatically from 12% in 2002 to 60% in 2006, but has since fallen to 45% in 2010. The NER in secondary schools has steadily increased from 6% in 2002 to 35% in 2011 – an impressive achievement – but the rate falls short of the MKUKUTA target of 50%. Higher education has expanded even faster. The number of students in higher education institutions has jumped over the last ten years, from less than 31,000 in 2002/03 to almost 140,000 students in the 2010/11 academic year.

Analysis of learning outcomes, however, paints a worrying picture of the quality of education received by Tanzanian children. A large-scale national survey conducted in 2011 revealed alarmingly poor numeracy and literacy skills among primary-aged children. The findings indicate an urgent need to improve the quality of tuition, which in turn, will depend on the increased and equitable deployment of qualified teachers and resources to all areas of the country. The significant decline in students passing Form 4 examinations further points to the need to address educational quality.

Health

Life expectancy has increased from 51 years in 2002 to 58 years in 2010 (57 years for men and 59 years for women), a trend that is closely associated with falling child mortality. Under-five mortality has substantially declined over the last decade from 147 deaths per 1,000 births in 1999 to 81 deaths per 1,000 births in 2010, only marginally missing the MKUKUTA target of 79 for 2010. These gains in child survival are largely due to improvements in Tanzania's health system. There have been notable advances in malaria prevention, diagnosis and treatment. Use of insecticide-treatment mosquito nets has dramatically increased. The MKUKUTA target of 85% DPT-Hb3 vaccination coverage has also been achieved, putting Tanzania ahead of its neighbours in the region in respect of childhood immunisation rates. The age-disaggregated data on child mortality, however, reveal that neonatal mortality has declined far less and constitutes an increasing share of under-five mortality. Increased efforts to address newborn deaths, which are inextricably linked to maternal healthcare, will be needed to ensure the continued rapid reduction in child mortality required to meet the Millennium Development Goal for child survival.

In stark contrast to the gains in child survival, nutritional data show negligible improvement in childhood stunting over the past five years. The rate of stunting far exceeds the MKUKUTA target of 20% by 2010. The greatest damage to children from poor nutrition occurs during pregnancy and up to two years of age. Therefore, interventions to protect the health and improve the nutrition of women during pregnancy need to be prioritized, as well as services that have the greatest impact on the nutrition and survival of young children, especially promotion of exclusive breastfeeding and complementary feeding practices. It is imperative that nutrition be placed high on the development agenda.

The National Road Map (Strategic Plan) to Accelerate Reduction of Maternal, Newborn and Child Deaths in Tanzania ("One Plan") launched in 2008 aims to reduce maternal mortality by three-quarters from 578 to 193 deaths/100,000 live births and neonatal mortality to 19 deaths/1,000 live births by 2015. However, to date, the maternal mortality ratio (MMR) has declined moderately from 578 maternal deaths per 100,000 births in 2004 to 454 deaths per 100,000 live births in 2010. One of the key operational targets of "One Plan" is increasing coverage of births by skilled birth attendants from 46% to 80%, but so far only a marginal increase to 51% was achieved by 2010. Effective implementation of the plan through increased investment in identified priority actions is required if the 2015 targets are to be achieved. The biggest challenge is in strengthening the capacity of the health system to provide quality delivery and post-natal care, which are prerequisites for reducing and ultimately preventing maternal and newborn deaths.

The 2007/08 THMIS indicates that HIV prevalence in adults (15-49 years) has declined since 2003/04 across most age groups and among both males (from 6.3% to 4.7%) and females (from 7.7% to 6.8%). Notable achievements have been recorded in increasing access to antiretroviral therapy. Major epidemiological disparities, however, raise serious concerns with a greater disease burden among women and in urban areas. The tuberculosis (TB) treatment success rate has improved consistently from 81.3% in 2003 to 88% in 2008, surpassing the global target of 85%. But the TB notification rate, which is estimated at 59%, must be increased to facilitate treatment of infected people and arrest the spread of the disease.

Water and Sanitation

Water supply services in rural areas increased by 7.5 percentage points from 40.4% in 2007 to 47.9% in 2010, indicating that the Water Sector Development Program, which commenced in 2007, is starting to yield results. In the 19 regional urban centres other than Dar es Salaam and Kibaha (which are collectively referred to as "other urban areas"), the coverage of water supply services increased from 80% in 2007 to 86% in 2010. However, the survey data for all urban areas indicated a negligible increase in water access from 80% in 2007 to 81.2%. Although the increase in access to water supply may be attributed to implementation of quick-win projects, progress was not fast enough to achieve the 2010 MKUKUTA targets of 65% for rural areas and 90% for urban areas. Survey data for sanitation indicate a downward trend in household access to basic sanitation, slipping from 93% in 2007 to 86% in 2010. School sanitation and hygiene are also extremely poor, far below MoEVT guidelines. High-level political champions are needed to ensure that all schools are equipped with adequate sanitation facilities. The impact on the health and productivity of Tanzania's children and adolescents would be profound.

Social Protection

To assess progress towards social protection, MKUKUTA Cluster II also tracks a limited number of indicators related to highly vulnerable populations. A national system of social protection is not yet in place; to date, interventions to address vulnerability are mostly programme-based, limited in scope and duration, and externally funded. The overarching issue in advancing the social protection

agenda in Tanzania is the finalisation and approval of the National Social Protection Framework, which will provide guidance to all actors, state and non-state, to strengthen and expand social protection mechanisms in Tanzania.

With respect to programmes, the current development of the next phase of the National Costed Action Plan (NCPA) for Most Vulnerable Children (MVC), and the scale-up of Tanzania Social Action Fund (TASAF) III to the whole country are two major social protection measures. They represent opportunities to put in place key building blocks of an integrated social protection system, one that must be government-led with gradually increasing financial commitments. Safety nets need to be developed in such a way that they promote economic transformation and support groups that most Tanzanians agree are in need.

Cluster III: Governance and Accountability

A high standard of governance at all levels – within both public and private sectors – is essential for promoting economic growth, reducing poverty and improving the lives of all Tanzanians. Indicators for Cluster III show some improvements in national governance, including the ongoing devolution of responsibility and resources for service delivery from the central government to local government authorities (LGAs), and the increased participation of citizens in local government processes. Progress in reforms to the taxation system and regulation of public procurement are also encouraging.

However, other fundamental pieces of good governance are not in place. Although registration of births is mandatory in Tanzania, only a small proportion of children are registered at birth. In 2010, only 15 out of every 100 children were registered at birth, and only 6 out of every 100 children were issued with a birth certificate. While the Constitution of Tanzania recognises the right to ownership of property, the percentage of households with official title deeds to land has remained low. Only 5% of land in Tanzania is currently registered. The proportion of rural households who owned their land through official certificates was 5.8% in 2007/8, down from 7.1% of households reported in 2002/03.

The fight against corruption is also far from won. Recent high-profile scandals have seriously impacted Tanzania's international standing with development partners, and the flagged cuts to budget support will put at risk national development and poverty reduction goals. There is widespread public dissatisfaction with government efforts to combat corruption overall and the performance of the PCCB in particular. The main reason for dissatisfaction relates to low conviction rates in cases of grand corruption.

The Legal Sector Reform Programme is ongoing with the aim of improving standards of justice and protecting human rights. However, the demand on the judicial system at all levels – police, the courts and detention facilities – exceeds the current capacity to deliver services and ensure fair and equal access to justice. The poor are disproportionately disadvantaged in access to legal representation and redress, while court case delays and conditions within jails frequently violate the rights of alleged and convicted offenders, including juveniles. The national survey of Violence Against Children and the expanded examination of gender-based violence in the Tanzania and Demographic Health Survey (TDHS) 2010 further reveal extremely high rates of violence against women and children. National and local champions are urgently needed to stop institutionalised violence in schools and to transform harmful gender attitudes that perpetuate domestic and sexual violence against women.

Productivity Gains and a Business-Friendly Environment for Inclusive and Job-Rich Growth

As noted above, Tanzania's economy has grown significantly over the last decade, and GDP growth has exhibited strong resilience to external shocks as evidenced by the country's performance during the global financial crisis. The government took prompt action by providing a fiscal stimulus package that mitigated the adverse effects on the economy. Being less integrated with the global financial architecture also provided a degree of protection from the cascading financial turmoil which was triggered by the collapse in the US housing market and quickly engulfed Europe and several emerging economies.

However, the national poverty rate remains high. One-third (33.6%) of Tanzanian households were below the basic needs poverty line in 2007, only marginally less than the poverty rate in 2001 of 35.7%, despite GDP growth averaging 7% per annum over the intervening period. There is now growing consensus that more needs to be done to address the mismatch between growth and poverty reduction.

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. Poverty rates can capture households' increased income through consumption, but may not be able to explain how growth itself is contributing to increased consumption and welfare. The monitoring system should, therefore, be designed to track the opportunities created by a growing economy in terms of better jobs and income. An employment-centric monitoring system will capture key measures of inclusive growth to inform the better alignment of future policies and programmes.

Productivity serves as a barometer to gauge the health of an economy. To better understand the state of the Tanzanian economy and how resources are being utilised to maximise production and job creation, changes in sector and firm outputs and labour productivity should be carefully monitored to elucidate the impact of structural changes. Many of the economic sectors in Tanzania have recorded relatively higher growth rates, but concurrent labour movements between sectors have complicated the measurement of the changes in labour productivity in each sector.

Like many countries in Africa, Tanzania has not fully benefited from the productivity gains one associates with the structural change from a predominantly agricultural-based economy to a more diversified economy in which services and industry play a larger role. Labour productivity in Tanzania has increased gradually but remains low overall. Much of the improvement has been undermined by what has been described as "perverse" structural changes in Africa. These undesirable effects occur when labour moves from subsistence agriculture characterised by low productivity to equally low-productivity work in the informal economy.

Between 2001 and 2010, the agriculture sector grew at an average rate of 4.3% per annum, but the share of the agricultural sector in GDP declined from 29% to 24%. Labour productivity in agriculture seems to have increased, but that it is more likely the result of labour moving to other economic sectors such as manufacturing and services. However, the sector still employs almost three-quarters of the workforce.

The data available indicate a declining trend in labour productivity in manufacturing, but this can be largely explained by the increased number of workers getting absorbed by the sector. Growth in the manufacturing sector has continued its momentum, recording an almost 8% increase in 2010,

but this rate may not be adequate as many more Tanzanians seek work in this sector, which has generally been associated with better paying jobs.

A closer look at the services sector also underlines the challenges of labour movements. With a share in GDP of 44%, the sector remains the largest sector in the economy. The sector has been growing very rapidly, but it is likely that most of the new jobs in services are in the informal economy. Furthermore, key sub-sectors within services have limited linkages with the domestic economy. For example, tourism constitutes a significant part of the services sector, contributing over 17% to GDP and making up approximately 40% of the total export earnings, but this important sub-sector still has weak backward linkages. In other words, tourism may be categorised as a pro-poor sector owing to its contribution to government revenue, which can then be used for social spending, but the potential of tourism as an inclusive growth sector has not been fully exploited.

Tanzania has a high employment-to-population ratio (EPR), which indicates the country's potential for even higher growth rates. But it may also indicate that many individuals are entering the workforce because they don't have any other choice. Circumstances may be forcing people to find work for reasons of survival when, for example, some may have preferred to study and acquire higher competencies before joining the labour market. Thus, investing in skills development in collaboration with the private sector will better enable Tanzanians to participate in the national economy as well as benefit from the expansion in the labour market in the East Africa Community.

Several countries that have grown rapidly and cut poverty rates at the same time have also experienced higher labour and firm productivity. Moreover, the relationship between labour and firm productivity is closely interlinked; improvements in labour productivity directly contribute to increased firm output. Labour productivity is also closely related to income, which in turn determines the consumption pattern of households – a key indicator for measuring poverty rates.

The importance of this relationship between productivity and growth thus calls for designing public policies that are better aligned to human development and poverty reduction. Such a strategy requires enabling more people and firms to participate and contribute productively in the economy. Unfortunately, many low-income countries place barriers in the way of the private sector that negatively affect productivity instead of creating incentives for an inclusive economy. A vast number of firms in Tanzania are very small, with very few able to expand and grow. These enterprises face numerous legal and regulatory challenges and often lack support services, such as access to financing and business development.

Lack of physical infrastructure, including unreliable and costly sources of energy also compound the problems experienced by these enterprises. Recurrent energy shortages and poor transport infrastructure, especially roads, are the most visible constraints faced by businesses in Tanzania. Facing these obstacles in a high-cost economy like Tanzania discourages firms from investing in future expansion and often pushes them to stay outside the formal economy. This not only diminishes the potential for creating good jobs, but also results in lost revenue for the government, as it is not able to effectively track and tax these informal businesses.

The economic potential of the numerous micro and small enterprises in the economy has not been effectively harnessed. Small enterprises, even those that are registered, have limited access to services. Although the financial sector has been liberalised and expanded quite significantly since the second generation of financial sector reform, access to finance, especially for the agricultural sector and small enterprises remains very low.

Hurdles in registration of land are not friendly to property rights. Currently, only 5% of land in Tanzania is registered, compared with 30% in Kenya and 18% in Uganda. Without registered titles to land and business premises, agricultural producers and small enterprises will continue to face barriers accessing credit and long-term investments will continue to be undermined.

To reverse the effects of "perverse" structural changes and make the Tanzanian economy more inclusive, there are no better substitutes than investing in human capital and implementing pro-poor industrial and agriculture policies. These policies should be driven not only by a desire to increase growth, but also a people-centered approach that prioritises the creation of productive employment. A paradigm shift will require the state to play a proactive role to create enabling conditions for domestic enterprises to unleash their productivity and ensure that people have the skills and entrepreneurial attributes to engage in gainful employment. A competitive and business-friendly environment and investing in human skills and economic infrastructure should therefore be at the heart of future policies and programmes.

INTRODUCTION

The Poverty and Human Development Report (PHDR) produced by the Government of Tanzania is a key output of the monitoring system for the National Strategy for Growth and Reduction of Poverty (Mkakatiwa Kukuza Uchumina Kupunguza Umaskini, commonly known by its Kiswahili acronym, MKUKUTA). The second five-year phase of MKUKUTA commenced in July 2010. Through MKUKUTA II, the Government renews its commitment to human development as the highest national priority.

PHDR 2011 is the sixth report in the series published since 2002. Building upon the foundation of the series to date and a growing store of domestic research, this year's report provides an expanded analysis of the trends and outcomes in national development as well as discussion of important socio-economic issues facing the country.

As in previous editions, Chapter 1 – the status chapter – reviews progress towards key development targets based on the national indicators set for MKUKUTA's three major clusters of desired outcomes: growth and reduction of income poverty (Cluster I); improvement of quality of life and social well-being (Cluster II); and governance and accountability (Cluster III). In particular, this year's report benefits from the new and expanded data set collected by the 2010 Tanzania Demographic and Health Survey, ground-breaking national studies, such as the 2009 Violence against Children report, and strengthened by government systems of routine data management and reporting.

Recognising the critical importance of productive jobs in reducing income poverty, Chapters 2 and 3 of the report focus on the gains that Tanzania could realise by investing more in human capabilities and creating a more inclusive economic environment that facilitates the growth of the private sector. In the last decade, the government has implemented several noteworthy initiatives and reforms to enhance productivity and improve the business environment, but more efforts are needed to make the economy more responsive to the needs of lower-income households so that they can participate in the mainstream economy and benefit from its growth. This is essential for the country to achieve the targets set in the MKUKUTA II and the Millennium Development Goals by 2015.

CHAPTER 1

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

This chapter provides a consolidated view of the progress of Tanzania's National Strategy for Growth and Reduction of Poverty (MKUKUTA). The second five-year phase of MKUKUTA was launched in July 2010. However, the indicator sets for MKUKUTA II had not been finalised when work on PHDR 2011 commenced. For this reason, the current report uses the nationally agreed indicators from MKUKUTA I as the framework for analysis. The report presents the most recent data for each of the goals and targets under the three major clusters of MKUKUTA: growth and reduction of income poverty (Cluster I); improvement of quality of life and social well-being (Cluster II); and governance and accountability (Cluster III). Summary tables of statistics are provided at the end of this report.

MKUKUTA Cluster I: Growth and Reduction of Income Poverty

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

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

Cluster-Wide Indicators

The following four cluster-wide indicators are used to measure overall progress for Cluster I:

- Gross Domestic Product (GDP) growth per annum
- GDP growth per annum for key sectors
- Headcount ratio, basic needs poverty line
- Gini coefficient

GDP Growth

On average, the Tanzanian economy has grown by 7% per annum over the last ten years. The MKUKUTA I target of average annual GDP growth of between 6% and 8% by 2010 has been achieved (Figure 1). Notably, this rate exceeds the average growth rate of member countries in the East African Community (EAC) and the Southern African Development Community (SADC) (Bank of Tanzania (BoT), 2011).

Figure 1: GDP Growth Rate, 2000-2010
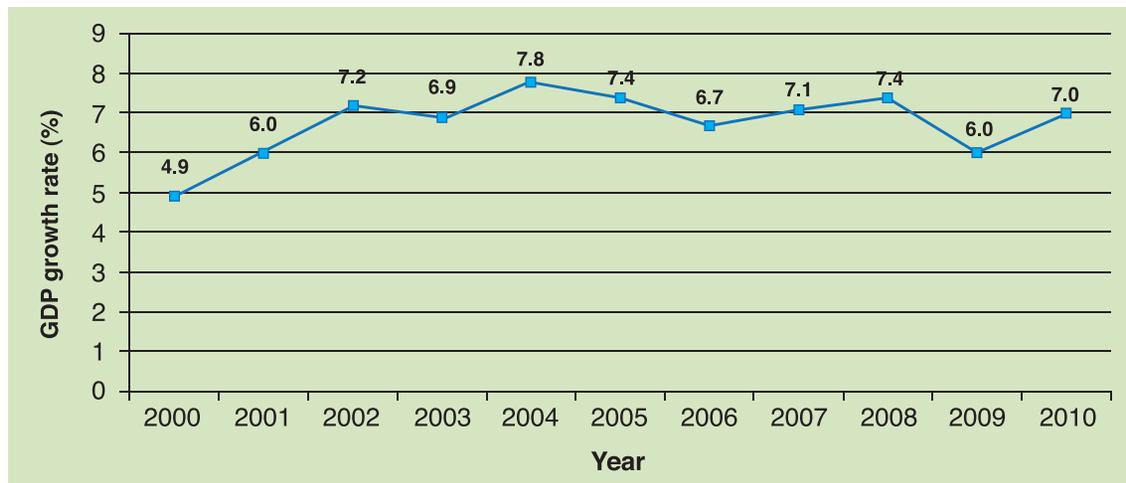
This high level of economic growth suggests that Tanzania offers attractive investment opportunities based upon increasing consumer demand. However, the main concern has been the overall distribution of income, which determines sustainability of high growth rates over the long term.

The relatively small year-on-year fluctuations in GDP growth since 2001further indicate that the economy is more resilient to shocks. The fluctuations that Tanzania has experienced in the past ten years were largely related to weather extremes, especially droughts, which affected agriculture and hydropower generation. The annual growth rate dropped from 7.4% in 2008 to 6% in 2009, but recovered to 7% in 2010. The fall was mainly due to the 2008/09 shock from the global financial and economic crisis (GFC) and the ongoing power crisis in the country. These factors combined to weaken investment. Foreign direct investment, capital inflows, domestic investment, particularly in manufacturing, and tourist arrivals all declined.

In response to the GFC, the government provided a moderate fiscal stimulus package during FY2008/09, easing the limit on net domestic financing from zero to about 1% of GDP. In FY2009/10, it provided additional on-budget fiscal stimulus to maintain essential public expenditures. The package included an expanded fertiliser subsidy scheme, a cut in the VAT rate from 20% to 18%, and time-bound interventions (such as debt rescheduling and government guarantees) to support agriculture and ensure the continued flow of credit to the economy.

Looking ahead, the challenges to ongoing GDP growth are structural in nature, starting with acute infrastructural constraints (transport and energy), an under-performing agricultural sector, and a weak human resources base (African Development Bank, 2011).

GDP Growth by Sector

The structure of Tanzania's economy has changed gradually over the last decade, with the growth in agriculture being outpaced by services, manufacturing and construction (Figure 2).

Figure 2: Shares of Major Sectors in GDP, Various Years 2001 to 2010 (% of GDP)
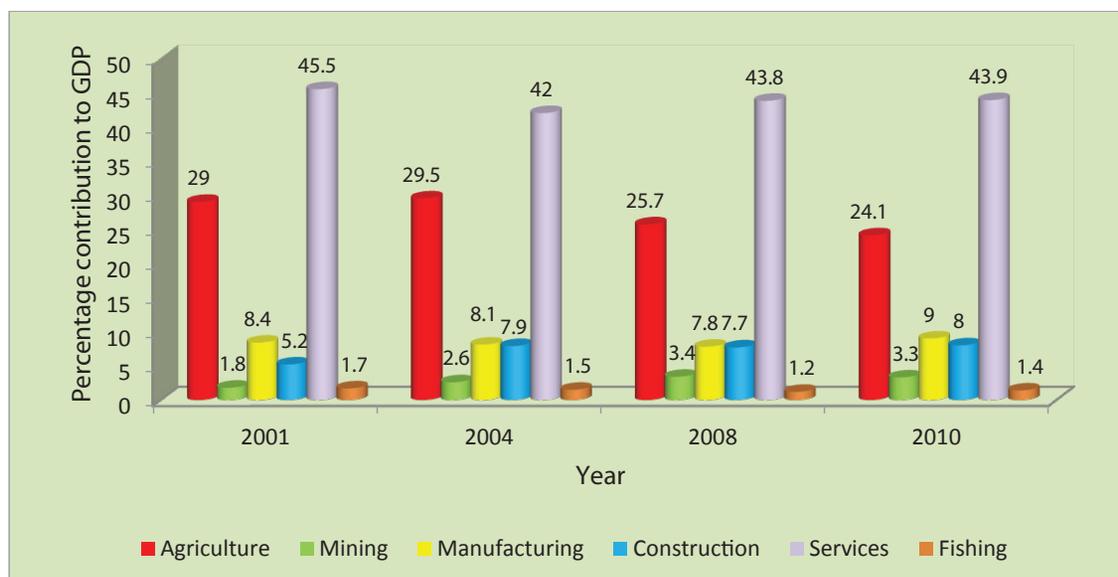
Source: Economic Survey 2010 (URT, 2011a)

The contribution of the agricultural sector to GDP has declined from 29% in 2001 to 24% in 2010. While there has been a decline in agriculture's contribution to GDP, the sector continues to employ about three-quarters of the labour force. The services sector remains the largest sector of the economy, though its share in total GDP has declined slightly from 45.5% in 2001 to 43.9% in 2010. The shares of construction and manufacturing increased marginally over the same period. The share of mining in GDP is still small even though the sector accounts for a significant share of total export earnings. Relative to the country's stock of mineral resources, the mining industry is under-developed, characterised by low domestic technological capacity. The sector is heavily dependent on imported inputs and has weak linkages with other domestic sectors. Activities and income from small-scale mining are also not adequately captured in GDP data.

Growth Rates of Individual Sectors

Figure 3 presents the GDP growth rates by sector over the last ten years. Factors affecting each sector are discussed in the following sections.

Agriculture

The growth rate in agriculture averaged 4.3% over the period 2001-2010. The rate of growth in 2010 was 4.2%, far below the MKUKUTA I target of 10% by 2010. These results corroborate the findings that poverty, which is concentrated in rural areas, has declined only marginally. Income poverty levels remain unacceptably high. This trend indicates that much more needs to be done to address the challenge of agricultural and rural transformation as a precondition for effectively addressing poverty in the rural areas. Greater effort is needed to address long-standing constraints to rural development, including increasing the productivity of land and labour in farm and non-farm rural activities through utilisation of modern inputs, good quality extension services for smallholder farmers, expanded irrigation, and measures to support the diversification of the rural economy.

Figure 3: GDP Growth Rates by Sector, 2001-2010
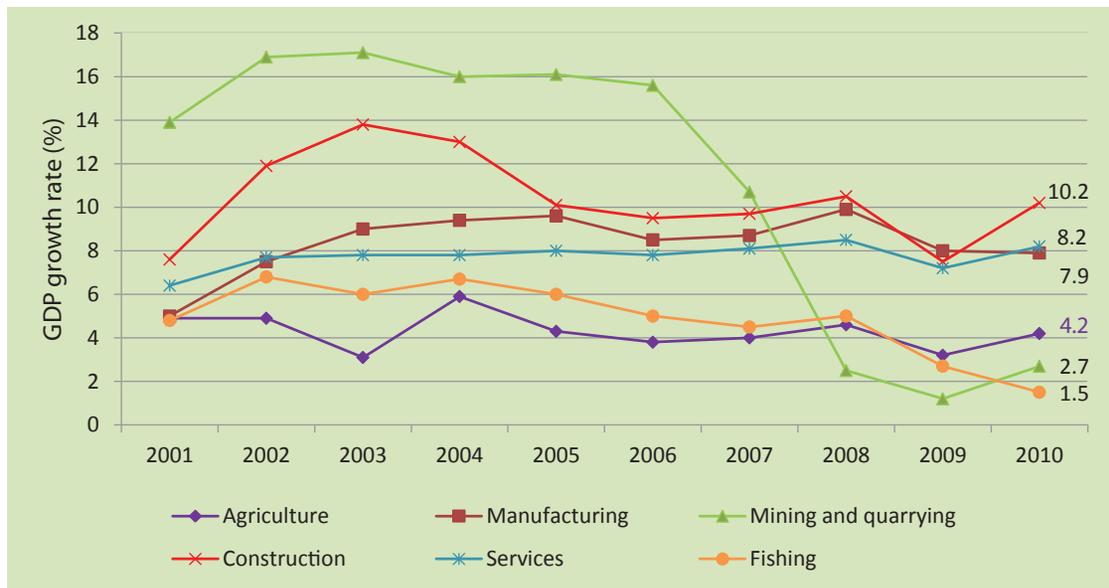
Source: Economic Survey 2010 (URT, 2011a)

Over the past nine years, production indices (relative to 1980/81) show variability in production trends across major food and cash crops (Figures 4 and 5). Major food crops, except for wheat, show a steady rise in production with the potential for gains far from exhausted.

Figure 4: Production Indices of Food Crops, 1999/2000 – 2008/09 (1980/81=100)
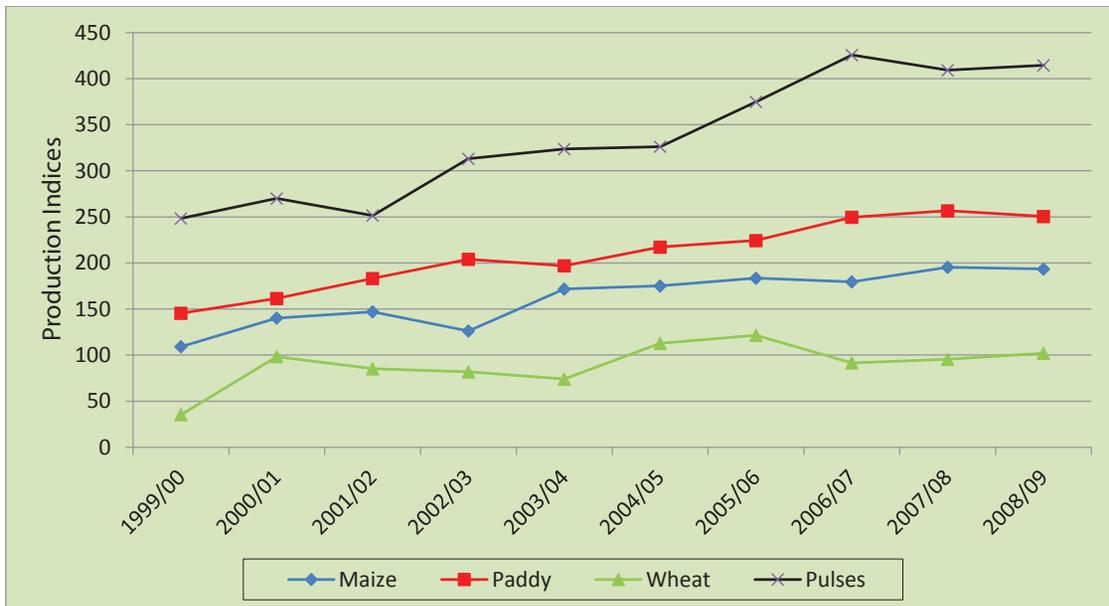
Source: BoT, 2011, p.226.

Figure 5: Production Indices of Major Cash Crops, 1999/2000 – 2008/09 (1980/81=100)
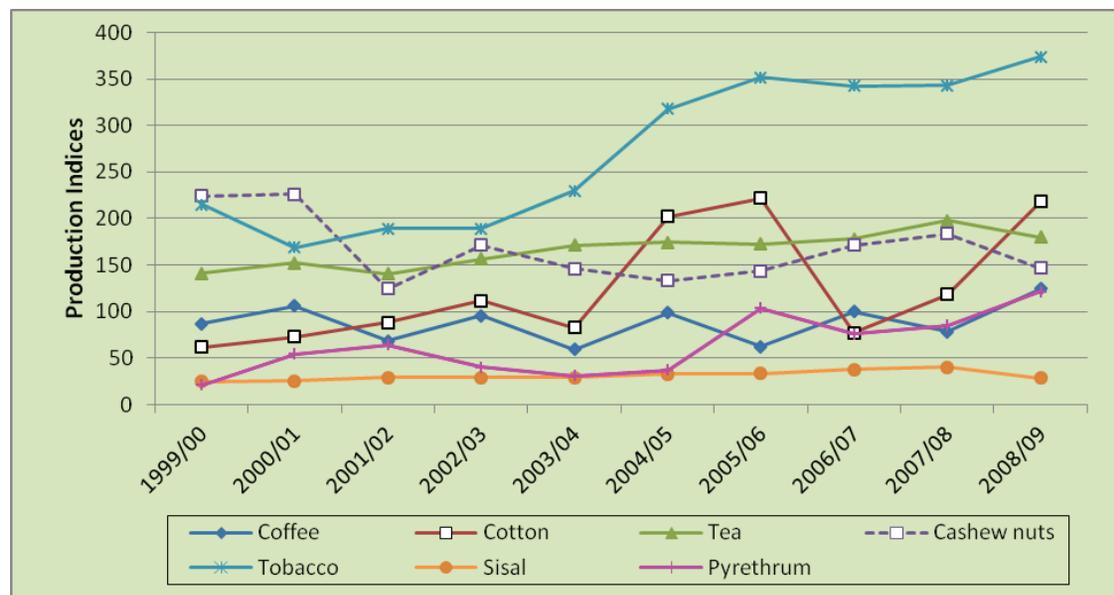
Source: BoT, 2011, p.226

The potential export market for food crops should be integrated in the planning of future production, with farmers assured of the "bulk" not residual of the export market price. By doing so, a proportion of the harvests of food crops can become a reliable foreign exchange earner for farmers. Farmer associations and cooperatives may be in better position to assert the rights of farmers and help them to improve their bargaining position and achieve economies of scale. Moreover, essential facilities can be more easily accessed through associations, including the bulk acquisition of inputs, technical support and credit.

Non-traditional crop exports, such as fresh fruits, vegetables and floriculture, should also be pursued more seriously as way of diversifying exports.[1] To compete in global markets, Tanzania has to meet export market standards, including quality grading and packaging, and applicable health and environmental requirements. Export contracts must be honoured with timely delivery and steady supply in order to build "goodwill". Farmer associations will be important in this regard. For example, associations such as the Tanzania Horticultural Association help in providing market information and technical assistance to raise productivity and enhance the capacity of farmers to meet international standards and quality requirements. Exploiting new opportunities in the agricultural sector can generate much needed employment for rural women and youth, most of whom will not have attained high levels of education.

The large-scale commercial farming sub-sector has only 1,206 holdings. Agriculture is still dominated by small-scale farmers who operate between 0.2 to 2 hectares (URT, 2010a).[2] About 70% of farming is done using hand hoes, 20% by ox-ploughs, and 10% by tractors. Factors that have so far constrained adoption of more advanced tools and machinery need to be tackled.

Besides crops, there is also huge potential to expand production in the livestock sub-sector. Tanzania has 60 million hectares of rangelands suitable for grazing. The carrying capacity of this rangeland

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1 Nissanke (2010) cites the 2006 Common Fund for Commodities (CFC) report, which points out the large, middle- income, resource-rich countries of Brazil, Argentina, Malaysia and Thailand, and fast-growing Vietnam, as "commodity developers" that have exploited increased world demand for high-value-added agricultural products.

2 Despite potential land, about 46% of rural households in Tanzania have insufficient land. This constraint varies significantly across regions. In Kilimanjaro and Arusha regions, 70% of farming households have insufficient land against only 35% in Lindi and Mtwara.

is 20 million head of livestock. However, during periods of drought the carrying capacity declines considerably. Constraints to the development of the livestock sector include livestock diseases and parasites, such as the tsetse fly, environmental hazards such as droughts and floods, and land use conflicts, for example, between the use of water resources for agriculture and hydro power generation.

Fishing

Growth in the fisheries sector has substantially declined from 6.7% in 2004 to 1.5% in 2010 (the lowest in ten years). Illegal fishing practices and trafficking of fish and fisheries products across borders undermine sustainable development of the sector and its contribution to growth. Strengthened aquaculture production and environmental conservation will be required to improve the growth of the sector over the medium term. Constraints to small and medium-scale fishing activities, including access to credit and knowledge of appropriate fishing practices, should be addressed.

Manufacturing

This sector grew from 4.8% in 2000 to a peak of 9.9% in 2008, before dropping to 7.9% in 2010; a growth rate still well below MKUKUTA's target of 15% by 2010. The sector has not yet exploited linkages with agriculture and the country's natural resource base. The decline in growth rate over the past two years is attributed to the global financial and power crises, which reduced private sector participation and inflows of FDIs. The sector is constrained by high costs of doing business, which emanate from the unreliable supply of utilities (water and power), lack of trained local manpower, ineffective transport networks, and small domestic markets which face stiff import competition. The business environment needs to be strengthened further to reduce the costs of doing business and to enforce fair competition.

Mining and Quarrying

This sector grew at an average of 15% per year between 2000 and 2007, but growth dropped steeply to 2.7% in 2010. Production, and therefore, sector contribution to GDP remain low. The steep decline in growth reflects the slowing pace of mineral exploration caused by the global economic recession, which reduced aggregate demand beginning in 2008, as well as the drop in production for diamonds at the Williamson Diamond mines. Despite the low growth rate, the value of mineral exports increased mainly due to the rise in gold prices as consumers bought gold as a hedge against the devaluation of currencies and losses in value of other financial assets.

The government, in collaboration with development partners, is implementing the Sustainable Management of Mineral Resource Project (SMMRP) (2009/10 to 2013/14), aimed at strengthening the mineral sector by:

- Promoting adherence to the principles of good governance and transparency;
- Strengthening linkages with other sectors;
- Improving management of social, human settlement and environmental issues; and
- Developing human resources including specialised training dedicated to mineral exploration, processing, marketing, value addition, occupational health and safety, and environmental management and protection.

Tourism

The sector contributes over 17% to GDP and nearly 40% of total export earnings, while supporting over 700,000 direct and indirect jobs in the economy (URT, 2009a). Future earnings can be expanded by improving the regulatory and policy environment, expanding infrastructure and encouraging domestic demand. Tanzania needs to reduce the concentration of tourism activities in the northern safari circuit by utilising more effectively its coastline for beach holidays and the southern circuits for wildlife safaris. The government needs to implement reforms in a number of areas, including

taxation, visa procedures, investment incentives, provision of essential tourism-related infrastructure, and improving the skill levels of workers in the tourism industry and the efficiency with which they conduct their businesses.

Closer backward and forward linkages of the tourism sector with the local economy can create livelihood opportunities to reduce poverty. Better linkages will allow formal and informal businesses to provide goods and services to the industry, for example, transport services, tours, souvenirs, and local meat, dairy and produce to restaurants and hotels.

Household Income (Consumption) Poverty and Inequality

The most recent national data available on household income poverty rates are from the 2007 Household Budget Survey (HBS), which were reported in the 2009 PHDR (URT, 2009b). That report also included an in-depth poverty analysis focusing on household consumption, income and asset ownership based on the findings of HBS 2007 (see Chapter 2 of PHDR 2009).

The 2007 poverty estimates indicated significant economic growth since 2000/01 had not translated into income poverty reduction. The proportion of the population below the basic needs poverty line declined only slightly from 35.7% in 2000/1 to 33.6% in 2007, and the incidence of food poverty fell from 18.7% to 16.6% over the same period. Poverty rates were highest in rural areas; the overwhelming majority (74%) of poor Tanzanians remained primarily dependent on agriculture. Since 2007, growth has more or less continued at the same pace except with a slight dip as a result of the global financial crisis. Based on past trends and with a slight slowdown in the growth rate, it is likely that the poverty reduction target under MKUKUTA I was not met and the country is off track in meeting the Millennium Development Goals target of poverty reduction by 2015.

In response, the second phase of MKUKUTA (2010-2015) seeks to accelerate the reduction of income poverty by adopting an inclusive growth strategy focused on productivity gains and decent employment. A more detailed analysis of this shift towards inclusive growth is provided in Chapters 2 and 3 of this report, which explore productivity gains and the business environment as two key areas through which growth can be made more broad-based.

Goal 1: Ensuring Sound Economic Management

Sound economic management promotes investor confidence, provides the foundation for sustained growth, and fortifies the economy to withstand shocks. Efficiently managed budgets, tied to explicitly agreed priorities for growth are essential elements of sound economic management. This goal of MKUKUTA has the following indicators:

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

Inflation

Figure 6 shows the trend of inflation over the past ten years. Since 2006, inflation has been on a steady upward trend. In the last three years, inflationary pressures have been intensifying with the annual rate of inflation exceeding 10% in 2008 and rising further to 12.1% in 2009. The high inflation rate in 2009 is largely explained by food inflation associated with low food production due to erratic rains. The situation was made worse by food shortages in neighbouring countries. To a certain degree, restrictive monetary policy has eased pressure on general prices to a degree. Overall, fiscal policies have been directed at containing the growth of recurrent spending so as to limit deficit financing, and at increasing public investment to ease supply constraints. Nominal money supply and credit to the economy were held respectively around 20% and 15% of GDP. However, rising transportation and fuel/electricity costs raise production and distribution costs of both agricultural and industrial products.

Figure 6: Annual Rate of Inflation, 2001-2009
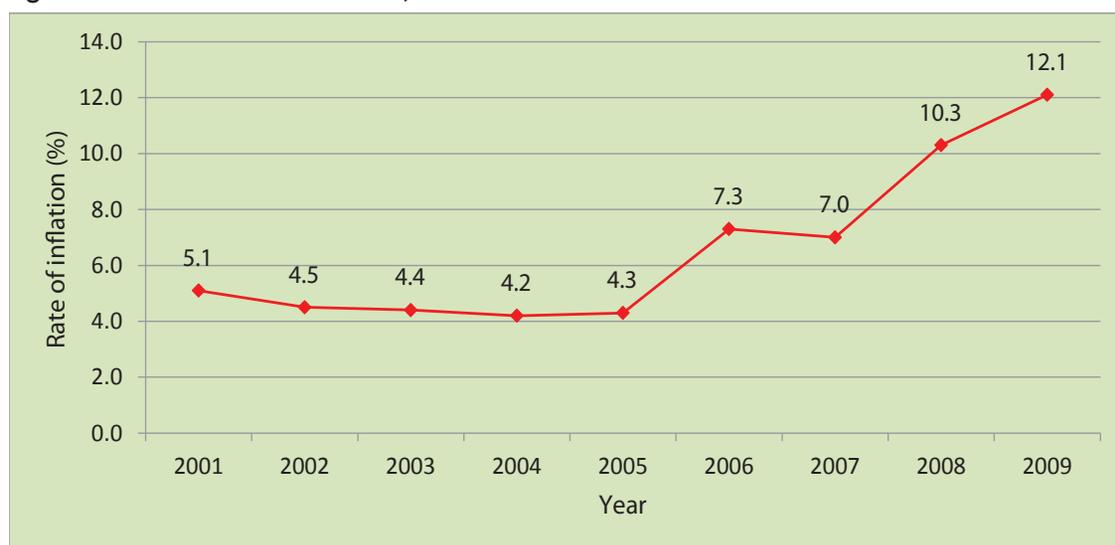
Source: Economic Survey 2010 (URT, 2011a)

As food items constitute 47.8% of the basket of goods for calculation of the Consumer Price Index (CPI), an increase in food prices can significantly influence inflation.[3] Food inflation rate reached 14.5% in December 2009, down from 18.1% in October 2009. The average food inflation for 2009 was 17.9%, compared to an average of 12.7% in 2008. With a 2001 baseline inflation rate of 5.1%, the MKUKUTA target was set at 4% by 2010. Clearly, this target has not been met.

Inflation signals whether or not the macro-economic environment is stable. High inflation reflects a policy failure to manage excess demand relative to supply following a shortfall in aggregate output due to various supply-constraints and a sustained rise in production costs. Failure to use national food reserves to offset food shortfalls in the domestic food market has also contributed to high food inflation. The limited integration of the food market in the country, largely due to deficits in infrastructure and market development coupled with low productivity in agriculture, have combined to put upward pressure on food prices. A sustained increase in money supply is also associated with a rise in the general price level, and this may be a result of deficit financing when government spending exceeds government revenue, particularly when that financing is achieved through printing money.

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3   In the revised 2002-2010 series, food is allocated 55.9% (URT, 2011a, p.7)

As a composite indicator, inflation impacts different economic agents differently (producers, consumers, government, traders, investors, etc.). It hurts people on fixed incomes, such as wage earners and retirees, since wages are not adjusted as fast to meet costs. Rising consumer goods and input prices mean households and firms save less. In turn, reduced savings imply less investment for future growth. Inflation risk discourages foreign investment; investor confidence is undermined when an upward trend in prices limits the ability of investors to accurately predict future demand for their products and profits. Financial institutions are also badly affected, as inflation eats into the value of deposits and real returns (interest), and decreases the value of the country's currency (via exchange rates) relative to that of other countries, thereby disrupting the trade and competitiveness of the country's exports.

Domestic Revenue

Domestic revenue collection as a percentage of GDP increased steadily from 10.9% in 2000/01 to 16.0% in 2008/09, but declined slightly to 15.3% in 2009/10 (URT, 2010b, 2011a). Thus, the MKUKUTA I target of 16.4% was not reached.

The dominant feature over the 2008/09 period was the shortfall in collections, in large part due to the impact of the GFC, which led to a decline in demand and prices in the world market. Consequently, there was a slowdown in economic activities and revenue collection, in particular, custom duties, domestic excise duties, income taxes and non-tax revenue. The shortfall in domestic revenue necessitated the government to borrow TZS 323 billion, equivalent to 1.2% of GDP from domestic sources, through issue of a special bond.

A number of tax revenue sources other than income tax, VAT and import duties have been identified but efforts to harness these options have been slow. A general improvement in the tax-payer environment is vital since firms and individuals often complain of the manner in which taxes are assessed and collected. Tax policy and practices related to formal and informal businesses can be significantly improved by:

- Setting affordable tax rates and providing incentives to pay – i.e., aim at expanding the tax base as a first option rather than hiking tax rates – so as to minimise risk of default and bring down the high costs of collection and detection
- Enforcing fair-to-all punishment for non-compliance. Tax administrators must cease to harass taxpayers, an issue commonly raised in "doing business" surveys.
- Minimising generous exemptions. Non-tax incentives for investors should be preferred over tax incentives.
- Disseminating accurate and comprehensive tax information and education about the tax base, rates, exemptions, and tax assessment computational methods to encourage compliance.

Further opportunities to mobilise domestic resources include the following:

Property Taxes

Most properties in towns and cities – commercial and residential – are not adequately taxed despite the existence of property tax laws. The Ministry of Lands and Human Settlements and local government authorities will be key players in enforcing property tax regulations in collaboration with the tax authorities.

Taxation of Informal Sector Enterprises

The precise size of the informal sector (estimated at between 50 and 60% of GDP) has been difficult to establish.[4] But fairness and equal treatment of enterprises in tax matters and access to public "indivisible

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4   Schneider (2002), for instance, estimates it to be 58.3% of GDP in Tanzania.

goods", such as roads, schools and health facilities, are compelling arguments for actors in the informal sector to contribute their share of taxes.

Non-tax Revenue

So far, the government earns less than 2% of GDP from non-tax revenue, such as fees, royalties and fines. Non-tax revenue accounts for less than 10% of the total revenue collection per annum. On average, over the period 1998 to 2008 the ratio of non-tax revenue to total government revenue was 9.1%, while non-tax revenue to GDP ratio was 1.3%.[5] Targets for improved collection of user charges include public utilities and services, notably energy and water supply providers.

Non-traditional, Non-tax Sources of Funding

Avenues for non-tax sources of financing that have not been adequately utilised include:

- Initial public offerings (IPOs) through the stock market to fund business operations, in particular, public utilities
- Local loan syndication for government development projects, such as infrastructure, which need to raise large sums of money. The necessary funds may be able to be raised more efficiently through a consortium of banks rather than a single institution.
- Public-private partnerships (PPP) and build-operate-transfer projects, whereby a private entity receives a concession from the government to design, construct, finance, and operate a facility stated in the concession contract.

Fiscal Deficit

The level of fiscal deficit has continued to rise despite a relatively tight fiscal policy. Public expenditure has increased from 15.1% of GDP in 2000/01 to 26.3% in 2009/10 (BoT, 2011). The gap between domestic revenue and expenditure has also grown over time. The fiscal deficit before grants was estimated at 10.9% of GDP for 2009/10, in contrast with 4.3% in 2001/02. Over the same period, the fiscal deficit after grants increased from 0.4% of GDP to 4.7% (2009/10), with a peak at 6.5% in 2008/09 (Figure 7).

Figure 7: Fiscal Deficit Before and After Grants as a Percentage of GDP, 2001/02-2009/10
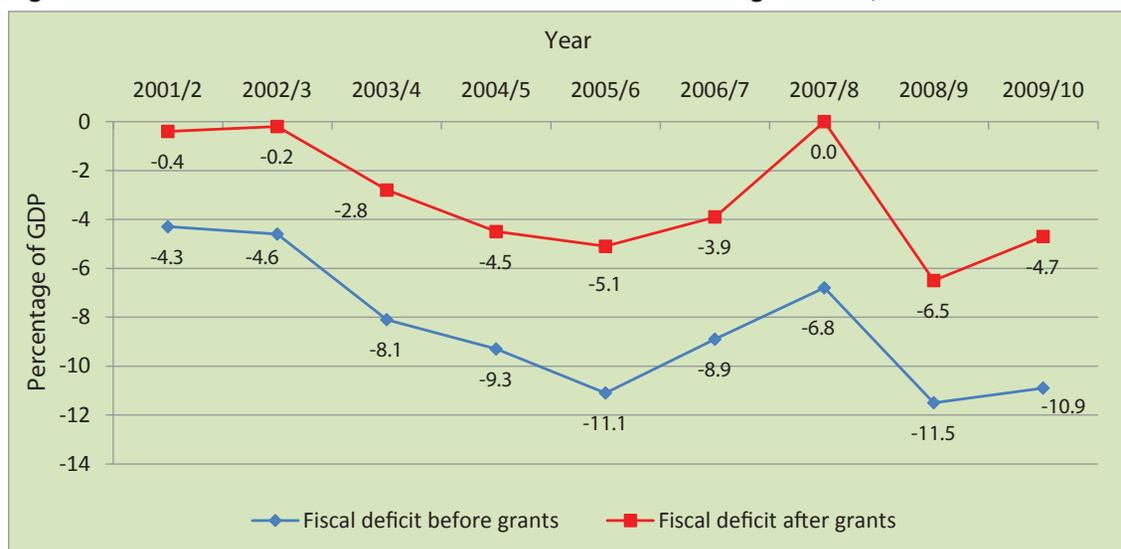
Sources: BoT (2011) and URT (2011a)

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5 Osoro, Rutasitara, Aikaeli & Kibira (2010).

Realising MKUKUTA goals of growth and social well-being has necessitated higher spending on productive sectors, especially infrastructure, without compromising gains made in the provision of social services, such as education and health. These social investments have also required both capital development expenditures, for example, construction of classrooms and health facilities, and recurrent spending on new staff.

The Government relaxed the zero limit on domestic borrowing as part of the fiscal stimulus package in 2008/09 but has continued to restrain domestic borrowing for financing the budget deficit so as to give room for the banking sector to expand credit to the private sector. The government has to maintain fiscal discipline in order to enhance fiscal sustainability and progressively expand fiscal space for priority investments.

While continuing its effort to mobilise additional revenue, the government has committed to enhance expenditure efficiency. Such measures include:

- Improving resource allocations through the medium-term expenditure framework (MTEF);
- Better coordination in implementation of fiscal policies; and
- Promoting transparency and accountability in the management of public resources, such as the establishment of audit committees in all ministries and value-for-money audits.

The impact of these measures, which aim to enforce fiscal discipline cannot yet be confirmed, especially in light of the continuing high fiscal deficits. Ongoing expenditure efficiency measures must be pursued keenly, by both government and independent fiscal policy analysts.

External Debt

Figure 8 illustrates a decreasing trend of external debt service as a percentage of exports from 9.4% in 2000/01 to 1.4% in 2009/10.

Figure 8: External Debt Service to Export Ratio (%), 2000/01-2009/10
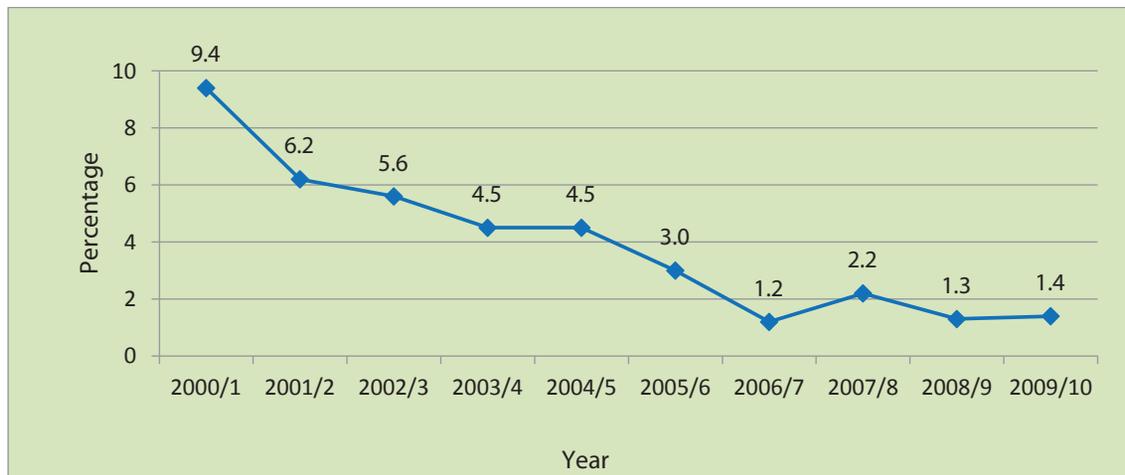
Source: BoT (2011)

Figure 9 presents data on the total external debt stock and annual percentage change in debt stock, while Figure 10 shows the external debt stock as a percentage of GDP. In 2006/07, debt relief under the Highly Indebted Poor Countries (HIPCs) and Multilateral Debt Relief Initiative Fund (MDRI) considerably reduced external debt as a percentage of GDP (reflected also in the decline in the debt to export ratio).

The government continues to raise part of its funds through borrowing from concessional sources after careful analysis of the risk associated with new borrowing. However, at the same time, total domestic debt stock (borrowing from internal sources) has almost doubled from an average of USD 893 million per year between 2000/01 and 2004/05 to an average of USD 1,678 million between 2005/06 and 2009/10. Caution is warranted to ensure that rising domestic borrowing does not squeeze the space for private sector borrowing.

Figure 9: Total External Debt Stock (USD Millions) and % Annual Change, 2000/1-2009/10
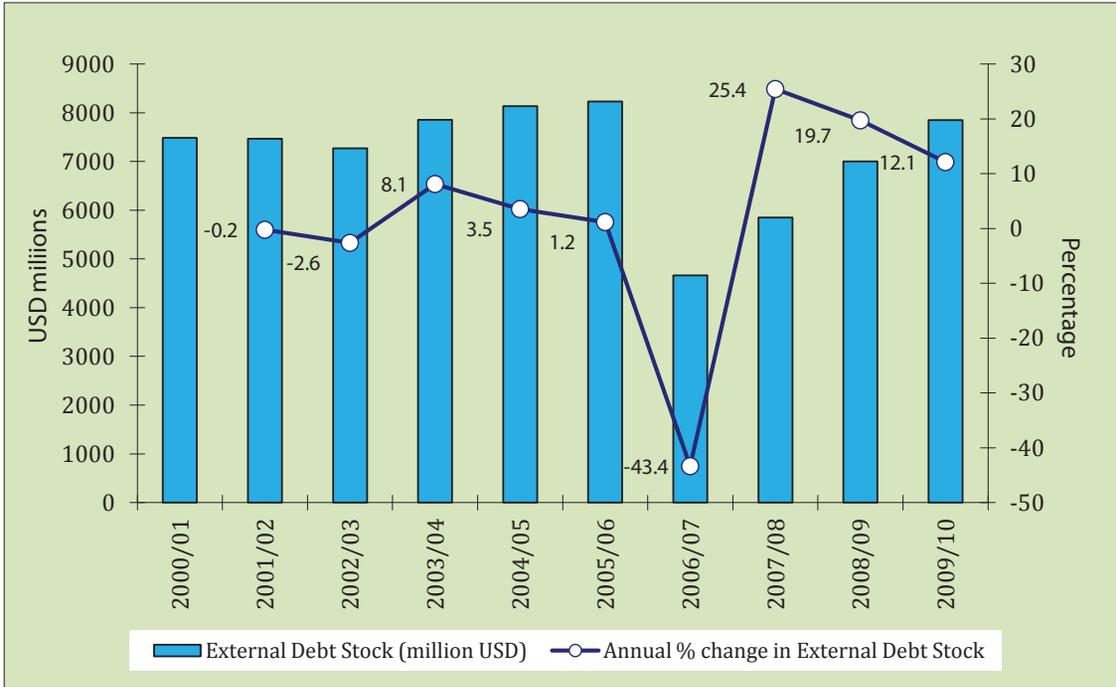
Source: BoT, 2011, p. 266.

Figure 10: External Debt to GDP Ratio
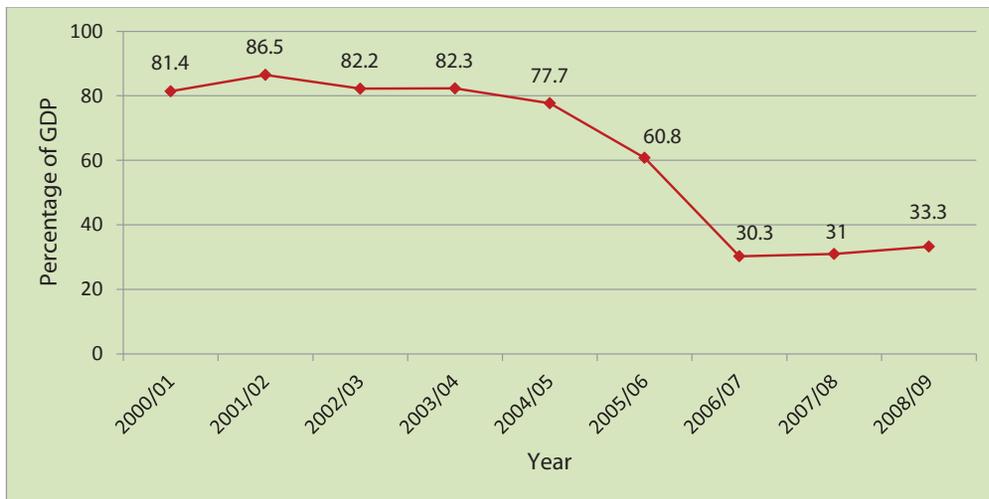
Source: BoT, 2011, p. 266

Exports and Imports

Exports as a percentage of GDP have increased from 14.6% in 2000/01 to 22% in 2009/10 (BoT, 2011). There is no specific MKUKUTA I target for this indicator, but the baseline for 2004 was 23.1%. As noted in PHDR 2009, the overall increase in goods exported has been largely due to increased exploitation of natural resources, especially minerals. More recently, exports of manufactured goods and agricultural products have also increased. From 2008 to 2010, agricultural exports have accounted for 15-21% of the value of total exports.

To increase the volume and competitiveness of exports, efforts are needed to diversify exports beyond commodities (gold and agricultural products) and to expand trade destinations. Most of Tanzania's trade is with Europe, although the country has been importing proportionally more from Asia in recent years.

Imports have also continued to increase, and at a faster rate than exports due to increasing demand for capital and intermediate goods. Even though a higher level of imports for investment is essential to support higher rates of growth, continued deterioration of the country's balance of payments is not sustainable if foreign financing is not forthcoming.

Goal 2: Promoting Sustainable and Broad-based Growth

In MKUKUTA I, there are six indicators to assess progress towards the goal of sustainable and broad-based growth. These include:

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

Domestic Credit to the Private Sector

In recent years, the Government has restrained borrowing from domestic banks in order to make more financial resources available to the private sector. Credit to the private sector has increased from an average of less than 6% of GDP in 2002 to 17% of GDP in 2009 (Figure 11).

Figure 11: Domestic Credit to the Private Sector as a Percentage of GDP, 2001-2009
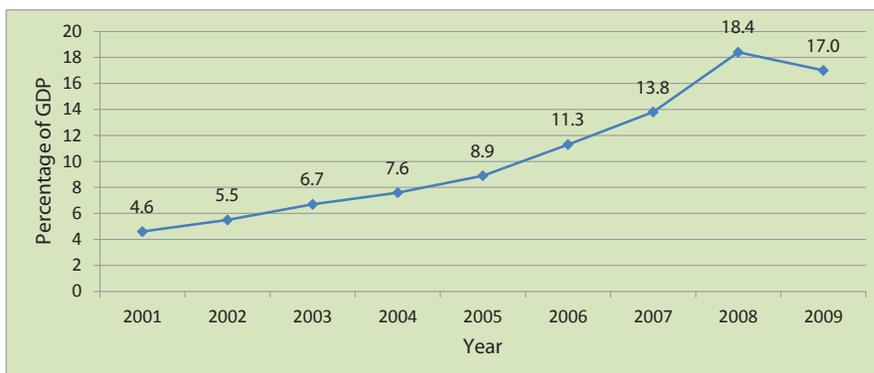
Source: URT (2010b)

In 2008, this rate went up to 18.4% following the intervention by the Government to rescue the private sector from the effects of the GFC. Despite the upward trend of domestic credit to the private sector, it remains low compared to that of other developing countries.

The decline to 17% at the end of 2009 is mainly attributed to the cautious attitude of banks in extending credit to the private sector. This cautious stance towards lending to the private sector was mirrored in an increase in holdings of foreign assets. The slowdown in bank credit was observed mostly in agriculture, mining and quarrying, manufacturing and construction. Strong credit growth was sustained in operations related to transport, communications, hotels and restaurants.

A regulatory framework to enable more potential borrowers to access credit has been put in place. The National Microfinance Policy has supported the establishment of various types of microfinance institutions (MFIs), including credit and savings institutions, credit only (not-for-profit) organisations, microfinance banks and private banks. Other avenues include faith-based organisations and the Presidential Trust Fund. Studies confirm that these credit facilities have had a positive impact on the lives of the poor, who have been able to raise capital and expand their businesses. However, there are limitations, which include the short grace period for loan repayment, collateral requirements (even where group collateral is used), high interest rates and poor infrastructure, particularly the rural road network, which has meant that most MFIs are located in urban and peri-urban areas, not in rural areas[6].

In addition, the Property and Business Formalisation Programme (PBFP) in Tanzania (commonly known as MKURABITA in Kiswahili) reveals that about 98% of properties are owned outside the legal system. The programme seeks to assist property and business owners in the informal sector to use their assets to access capital so as to expand their productive activities. The programme specifically aims "to bring together, standardise and modernise the prevailing local customary arrangements dispersed throughout the country". In other words, to ensure that assets – which are held and exchanged outside the existing formal, legal system – are adequately documented and standardised into universally accepted property records amenable for monetary exchange or for use as collateral to access credit. This undertaking is seen as critical in clearing the way for an improved business environment, particularly for poor property owners and informal sector operators in rural and peri-urban areas.

Foreign Direct Investment

For the period 2000 to 2010, foreign direct investment (FDI) in Tanzania averaged USD 509 million annually. As Figure 12 shows, FDI inflows increased between 2003 and 2008 (to a peak of USD 744 million). However, a steep decline in receipts of 25% was recorded in 2009 due to the adverse impact of the GFC, which led to a postponement of foreign investments in Tanzania. Inflows recovered slightly to USD 573.3 million in 2010, an increase of 2.7%.

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6   See, for instance, Kessy & Urio (2006).

Figure 12: Total FDI Inflows (in USD Millions) and Annual Percentage Change, 2001-2010
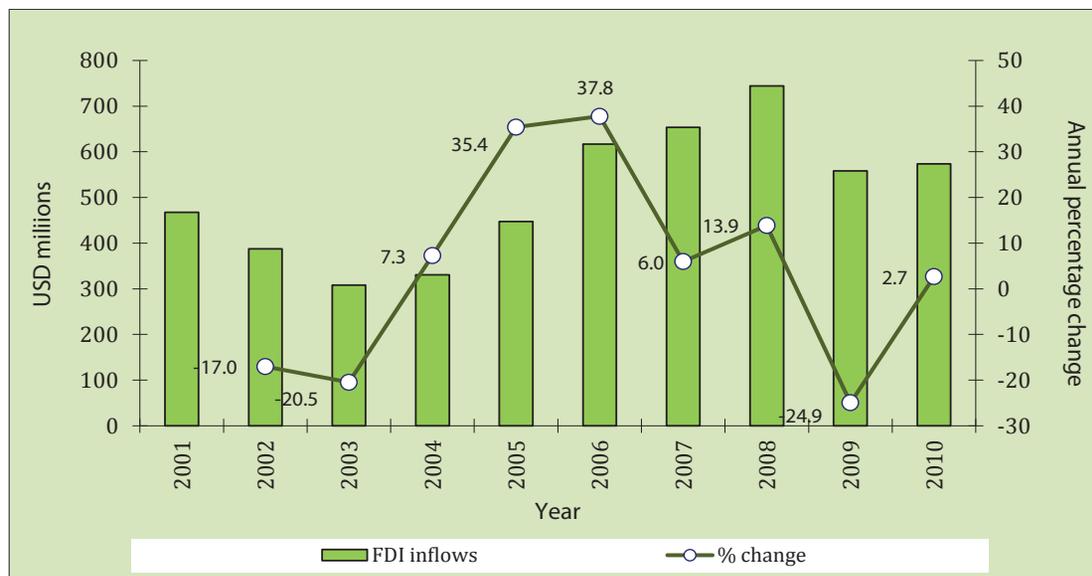
Source: URT (2011a)

To date, foreign inflows have been concentrated in mining and tourism, but Tanzania has great potential to attract increased FDI in other sectors, including agriculture, infrastructure, communication and natural resources. FDI also facilitates the transfer of new technology and business practices, which, in turn, can help to improve local skills, generate employment, and expand markets for local produce. It is important though that there be "selectivity" of FDI to ensure that the full benefits of FDI are realised by developing linkages with the domestic economy and promoting joint ventures with domestic investors. The ease of doing business is a further important factor for FDI inflows. Despite improvements in the business environment, Tanzania does not perform well in the global investment climate and doing business surveys. These issues are discussed in greater detail in Chapter 3 of this report.

Interest Rate Spread

As a result of financial sector liberalisation, the spread (gap) between average lending and savings deposit rates declined over the first half of the 2000s. The lending rate dropped from 19.4% in 2001 to 14.5% in 2004, but has since stayed around 15% up to 2009. Over the same period, the savings deposit rate dropped from 4.1% in 2001 to 2.5% in 2004 (the lowest in the past nine years). For most of the time, the savings rate has remained just under 3% (Figure13).

The drop in the lending rate is a reflection of increasing competition due to entry of more commercial banks. However, at about 15% over the past 5 years, the lending rate is still on the high side for borrowers. The savings rate has hardly hit the 3% mark since 2002 and records for 2008 and 2009 do not suggest the savings rates are about to steadily rise. A rise in the savings rate is desirable to encourage savings, while a lower lending rate would encourage private investment activities. The spread indicates the extent of the challenge for financial development policy.

Apart from competition amongst financial institutions, the interest rate trends are attributed to the decline in interest rates in the treasury bills market (which act as a benchmark to determine market interest rates) and a decline in the rates at which the Bank of Tanzania lends funds to commercial banks. The overall treasury bills rate declined from an average of 15.0% in 2007 to an average

of 7.9% 2009 (BoT, 2011, p.249). The decline in the treasury bills rates was due to efforts by the Government to reduce borrowing from the banking system and measures adopted by the Bank to increase efficiency in the treasury bills market.

Figure 13: Interest Rate Spread Between Average lending and Savings Deposit Rates 2001-2009
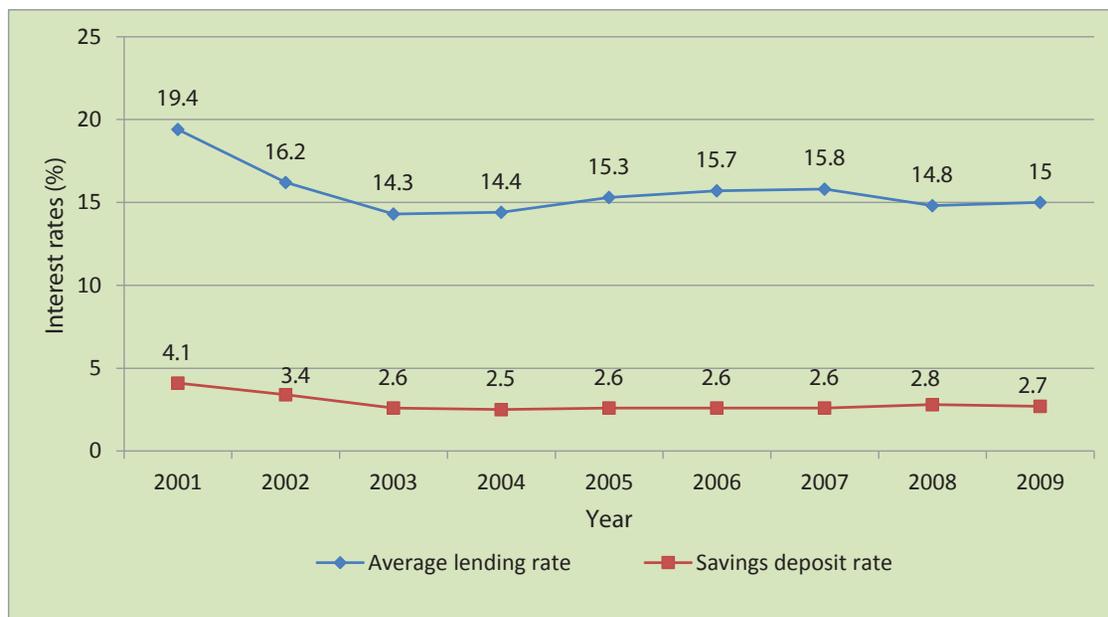
Source: Bank of Tanzania (2011, p. 266, Table A5.1)

To steadily narrow the interest spread there has to be reduction in the risks associated with lending to the private sector. In support of this goal, the Bank is implementing measures directed at: i) establishing credit reference bureaus, which will provide references on the creditworthiness of borrowers; ii) addressing weaknesses in the legal framework that obstruct realisation of land-based collateral, including title deeds issuance and collateral registration; and iii) putting in place stronger contract enforcement mechanisms.

Unemployment Rate

Tanzania's labour force has been growing rapidly, outstripping employment opportunities. According to the most recent Integrated Labour Force Survey (ILFS), which was conducted in 2006, the national labour force expanded by 2.8 million people between 2001 and 2006, an increase of 16% over that period. The ILFS 2006 estimated that 18.3 million Tanzanians were employed, of whom 9.0 million were male and 9.3 million were female. Employment in agriculture declined from 84.2% in 2001 to 76.5% in 2006. The decline of employment in agriculture was due to the transfer of labour from that sector to other economic activities (Table 1). In particular, employment in the informal sector increased from 5.7% of total national employment in 2001 to 9.3% in 2006, and employment in other private sector activities increased from 2.4% in 2001 to 8.0% in 2006.

Table 1: Employment Rates (%) by sector, 2000/01 and 2006 (as Per National Definition)

Sector	2000/01			2006		
	Male	Female	Total	Male	Female	Total
Central and local government	3.0	1.5	2.2	3.3	1.6	2.4
Parastatals	0.8	0.2	0.5	0.5	0.2	0.4
Informal sector	6.7	4.6	5.7	10.4	8.2	9.3
Other sectors	6.7	2.1	4.4	11.5	4.2	8.0
Agriculture	80.7	87.6	84.2	72.9	79.9	76.5
Domestic work	2.1	4.1	3.1	1.4	5.5	3.5
Total	**100**	**100**	**100**	**100**	**100**	**100**

Sources: Integrated Labour Force Surveys 2000/01 and 2006

Overall, the unemployment rate decreased from 12.9% in 2001 to 11.7% in 2006, using the national definition (Table 2).[7] Under-employment increased from 5.3% in 2001 to 7.8% in 2006. Both unemployment and under-employment vary by place of residence, age and gender. Unemployment was much higher in urban areas than in rural areas. Unemployment in other urban areas is estimated at 16.5%, against 7.5% in rural areas. However, rural areas suffer more from under-employment. The unemployment situation is most critical in Dar es Salaam, which has an unemployment rate of 31.5%. The serious problem of high youth unemployment persists. The unemployment rate among youth aged 15-34 years is 13.4%. Unemployment among young women (14.3%) is higher than among young men (12.3%).

Table 2: Unemployment Rate (%) for Population Aged 15+ Years, by Gender and Residence, 2006

	Dar es Salaam	Other urban areas	Rural	Total
Male	23.0	13.6	8.1	10.7
Female	40.3	19.2	7.0	12.6
Total (National definition)	31.5	16.5	7.5	11.7
Total (International definition)	21.2	6.5	1.7	4.7

Source: URT 2007a, p. 6

Under the first phase of MKUKUTA, the government aimed to create one million jobs by 2010. By April 2010, a total of 1,313,561 new jobs had been created outside the agricultural sector, with the majority being created in the private sector (URT, 2010m, p. 8). However, it is not clear how many of these new jobs were in the formal sector and what percentage can be characterised as decent jobs. According to the ILFS 2006 many of those who are working (87.7%) are engaged in vulnerable employment.

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7   The strict international definition for the unemployed is 'persons without work, available for work AND actively seeking work'. The ILFS uses a national definition for unemployment, which includes people who are not actively looking for work but are available for work and persons with marginal attachment to employment (not sure of availability and income of employment the next day).

The government has developed a number of policies and institutional arrangements to foster productive employment and income generation.[8] Specific national programmes to support employment creation and private entrepreneurship – including the National Employment Creation Programme (NECP), the Small and Medium Enterprise Development Policy, the Business Environment Strengthening for Tanzania (BEST) programme, and labour law reforms – are ongoing. To improve access to capital for small entrepreneurs, the Government, through the National Empowerment Policy of 2004 also continues to extend credit guarantees to private sector and parastatal bodies. Other empowerment initiatives include the Small Enterprise Loan Facility (SELF), Presidential Trust Fund (PTF), and guarantee schemes for microfinance institutions managed by the Bank of Tanzania. Additionally, the Tanzania Employment Services Agency (TaESA) commenced operations in 2007 to provide employment services by linking job seekers to employers both locally and internationally. In 2010, the Agency assisted 6,645 people to get a job (4,398 males and 2,247 females) (URT, 2011a, pp.114-115).

The mismatch between growth and poverty reduction, however underlines that greater efforts are needed to ensure that future growth delivers better jobs for the people. During the period 2000-2006, the employment elasticity with respect to GDP growth was about 0.6, suggesting that the growth was not sufficiently employment-intensive. These trends have to be reversed by supporting active labour market initiatives to promote decent jobs.

Trunk and Regional Roads in Good and Fair Condition

Table 3 presents comparative data on the road networks in Tanzania, Kenya and Uganda. Tanzania is the largest country by area, but it has the least developed road network per square kilometre. The network is sparse and, therefore, many areas remain inaccessible.

Table 3: Comparative Distribution of Road Network in Kenya, Uganda and Tanzania, 2007

Country	Total area (sq. km)	Entire network (metres per sq. km)	Paved network (metres per sq. km)
Kenya	582,648	264.9	15.2
Uganda	236,036	330.8	n.a.
Tanzania (Mainland)	881,000	96.5	5

Source: URT (2007b)

The lack of roads represents a major barrier to marketing products domestically and regionally, especially in remote areas, where roads become impassable during the wet season. National food self-sufficiency is also impaired, as surplus production in one part of the country cannot be quickly and efficiently transferred by land to areas suffering shortages.

Improvement in the primary road network (trunk and regional roads) has been gradual. The percentage of trunk and regional roads in good and fair condition has increased from 51% (good 14%; fair 37%) in 2002 to 90% in 2010 (good 58%; fair 32%) (Table 4). The MKUKUTA I target of maintaining at least 15,000 km by 2010 was surpassed (URT, 2011a).

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8   These include the National Employment Creation Programme launched in 2006, the Youth Development Policy in 2007, the new Employment Policy in 2008, and the Decent Work Country Programme with ILO. The employment creation objective is mainstreamed in both Small and Medium Enterprise Development policy and Private Sector Development).

Table 4: Road Conditions in Tanzania, 2010

Type of Road	Good		Fair		Bad		Total
	km	%	km	%	km	%	km
Trunk road Asphalt	3,847.88	75%	1,128.71	22%	153.92	3%	5,130.50
Non-asphalt	4,516.85	59%	2,449.82	32%	689.01	9%	7,655.68
Sub-total	8,364.73	65%	3,578.53	28%	842.93	7%	12,786.19
Regional road Asphalt	597.00	85%	98.28	14%	7.02	1%	702.00
Non-asphalt	10,152.38	52%	6,833.34	35%	2,538.10	13%	19,523.82
Sub-total	10,749.38	53%	6,931.62	34%	2,545.12	13%	20,225.82
Grand total	19,114.11	58%	10,510.15	32%	3,388.05	10%	33,012.00

Source: URT (2011a), Table 15.1, p. 216

Roads are the "arteries" for the economy, and significant investment is required to maintain and expand the country's transport infrastructure – roads, railways and ports – as these modes are interdependent. Funding, however, is a major obstacle for central and local governments. Maintenance is severely constrained by lack of funds. Consequently, local roads are frequently in a very poor state.

Overall, there has been limited improvement in increasing the primary road network (trunk and regional roads), with lack of funding being cited as the most binding constraint. While resources are key, more attention should be given to construction of roads geared towards poverty reduction. Firstly, building and maintaining rural roads should be a priority as these are critical for market development. Secondly, more needs to be done to exploit the potential of labour- based technology and in particular employment of local communities in road construction and other public works.

Environmental Impact Assessments

The available data from the National Environment Management Council (NEMC) show that the number of projects undertaking Environmental Impact Assessments (EIAs) complying with regulations (issued with EIA certificates) has increased from 8 projects in 2005/06 to 166 in 2010/11 (Figure 14). Over the same period, only 11 projects were not approved (NEMC, 2011).

Figure 14: Number of Projects Which were Issued with EIA Certificates, 2005/06-2010/11
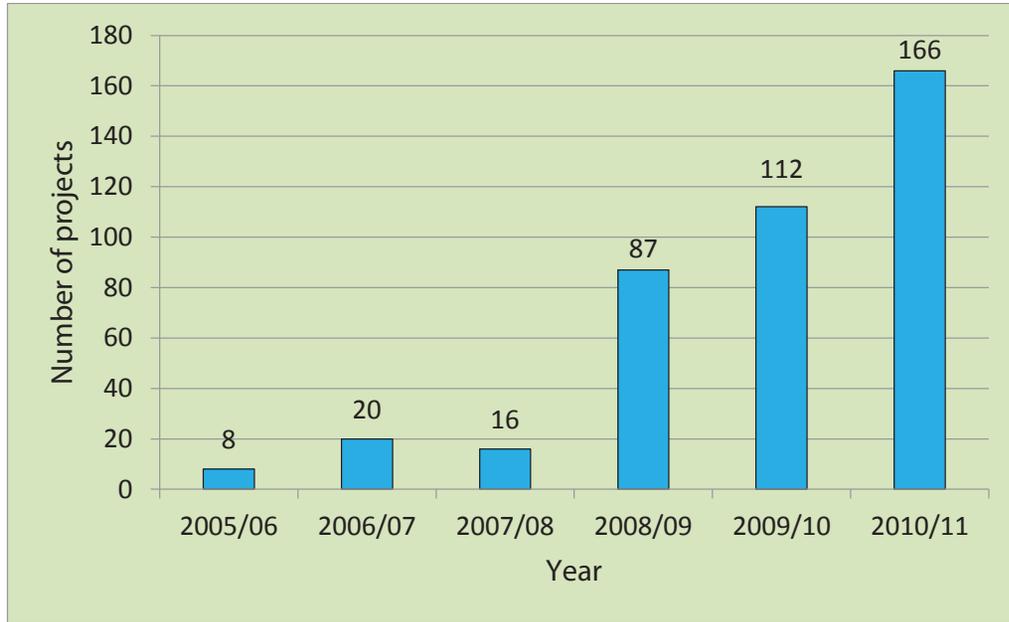
Source: NEMC (2011)

Like many other developing countries, Tanzania is expected to be increasingly affected by global climate change. Warmer temperatures and changed precipitation patterns are likely to impact agricultural production, and higher sea levels may impact coastal communities, including the cities of Dar es Salaam and Tanga (See also Box 1). However, there are no indicators in MKUKUTA's current monitoring system to capture information on the impact of climate change and interventions to mitigate the impact.

Box 1: Climate Change and its Potential Impact on Tanzania's Economy

In the last decade, adverse climatic events, such as the drought of 2005/06, have cost the Tanzanian economy in excess of 1% of GDP per annum and affected millions of people and livelihoods. But this may only represent a small proportion of the future economic costs stemming from global climate change. While uncertain, aggregate models of climate change indicate that net economic costs could be equivalent to a further 1 to 2 % of GDP per annum by 2030.

Agriculture

The brunt of climate change is expected to be borne by countries with large agricultural sectors in the tropics and subtropics, like Tanzania, where agricultural production is weather sensitive and adaptive capacities are low. For example, under some high-emission projections, where rainfall decreases by up to 15% and there is no adaptation, average maize yields could decrease by up to 16% by 2030 (a loss of around 1 million tonnes/year) and 25-35% by 2050 (2 to 2.7 million/tonnes per year). Loss of agricultural production will exacerbate the incidence of income poverty, food insecurity and malnutrition.

Human Health

Climate change is likely to affect human health in Tanzania either directly, as with the effects of heat extremes, or indirectly, for example, through changes in the vectors of transmission for diseases. Observational data show that malaria is moving to higher elevations (where the disease is currently limited by temperature). It has been estimated that treatment costs to address the increased disease burden in Tanzania could be $20-100 million per annum by 2030, rising to $25-160 million per annum by 2050. These ranges reflect different climate and development assumptions. Any increase in malaria and other diseases as result of climate change will, in turn, reduce labour productivity.

Energy

Climate change will affect energy supply and demand. On the supply side, hydropower currently provides 55% of the country's power generation. This has already been affected heavily by droughts in recent years. Reports by the World Bank estimate high costs (US$70 million) in using thermal generation plants (coal and gas) in drought years as well as reduced economic growth of more than 1% of GDP due to electricity shortages. In addition, there are projected impacts on thermal generation as increased temperatures reduce generation efficiency. Initial analysis based on the 2030 grid mix estimates that this will lead to costs (at current prices) of US$10 million by 2030. At the same time, business and household energy demand for refrigeration and air conditioning are expected to increase significantly.

Water, Forests and Biodiversity

Water resources (availability and quality), forests and biodiversity are all expected to be severely impacted by increasing temperatures, undermining health and livelihoods.

What can be Done to Mitigate the Impacts of Climate Change?

Significant funding is required to prepare for future climate change. Initial estimates to build adaptive capacity and enhance resilience to respond to climate change range between US$100-150 million per year. However, additional funding is needed to address existing vulnerability to droughts and floods with a conservative estimate of an additional US$500 million per year. Addressing these current risks and adaptation deficits is essential in reducing future impacts. The cost of adaptation increases rapidly in future years. By 2030, financing needs of up to US$1 billion per year are reasonable, and potentially more if further accelerated development is to be included.

Tanzania should further develop its national climate change strategy, towards climate-resilient, low-carbon growth. An integrated strategy will encourage synergies and reduce conflicts, and ensure that Tanzania can take advantage of opportunities from international negotiations. The strategy must be linked to sectoral objectives with effective mainstreaming mechanisms for implementation, monitoring, reporting and verification. As well as the current and intermediate plans, climate change forecasts need to be incorporated in long-term strategies up to and beyond 2030, including Vision 2025.

Sources: Adapted from Development Partners Group on Environment and Climate Change (2011); Bezabihet al., (2010); and Antle (2010).

Goal 3: Improving Food Availability and Accessibility at Household Level in Urban and Rural Areas

Lack or shortage of food to sustain good health is a clear manifestation of extreme poverty. Thus, food security at household level is a fundamental goal for any country in achieving sustainable poverty eradication and development. There are four MKUKUTA indicators to track progress against this goal:

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

Food Self-Sufficiency Ratio

The food self-sufficiency ratio (SSR) reflects the ability of national food production to meet demand. It is defined as the percentage ratio of gross domestic production to gross domestic food requirement. Based on aggregate national food production data from the Food Security Department of the Ministry of Agriculture, Food Security and Cooperatives, the food self-sufficiency ratio (SSR) was 103% in 2009/10. The MKUKUTA target by 2010 was 119%. Nonetheless, the SSR trend indicates that the country has been self-sufficient in food since 2005 with a peak in 2007 of 112%.

Districts with Food Shortages

Seasonal variation in food security among regions and districts is a common phenomenon in Tanzania and elsewhere in developing countries. Normally, the districts that are prone to food shortages are targeted for food aid from the National Strategic Grain Reserve (SGR) or external support.

Current data for the MKUKUTA indicator – the number of districts that suffer food shortages – are not available. However, according to the Comprehensive Food Security and Vulnerability Analysis conducted by the World Food Programme (WFP) between November 2009 and January 2010, about 23% of all households in rural mainland Tanzania were food-insecure, i.e., they had poor or borderline food consumption.[9] Households with poor food consumption were most prevalent in Mtwara (20%), Manyara (17.6%) and Arusha (6.8%) (Figure 15). The highest prevalence rates of households with borderline food consumption were Dodoma (37.8%), Morogoro (33.8%) and Manyara (42.9%) (Figure 16). As both maps show, a geographical band of food insecurity runs from the south-east of the country (Mtwara and Lindi) through the central regions (Morogoro, Dodoma and Singida) to the northern regions of Arusha and Manyara. Acceptable food consumption, on the other hand, was highest in the coastal regions of Dar es Salaam and Tanga, and in Mbeya and Rukwa in the southern highlands.

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9   Poor food consumption households had a mainly cereal-based diet with almost no animal protein and very little of any other food item consumed (vegetables just 3 days per week and pulses 2 days). Borderline consumption households had only a marginally better diet, eating pulses, vegetables and fruits approximately one day more per week than poor consumption households.

Figure 15: Map of Tanzania Showing Areas of Poor Food Consumption (% of Households)
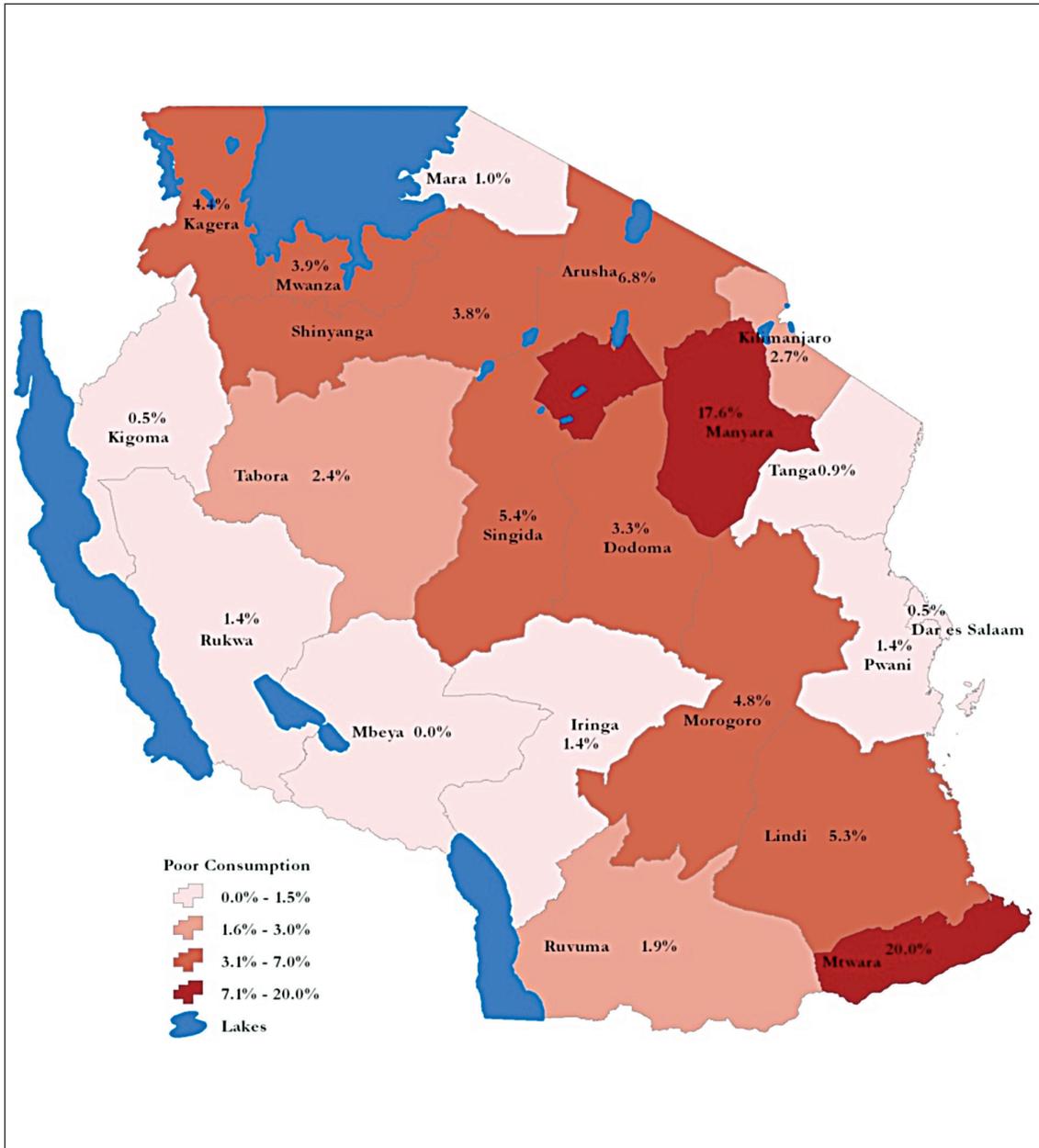
Source: WFP (2010)

Figure 16: Map of Tanzania Showing Areas of Borderline Food Consumption (% of Households)
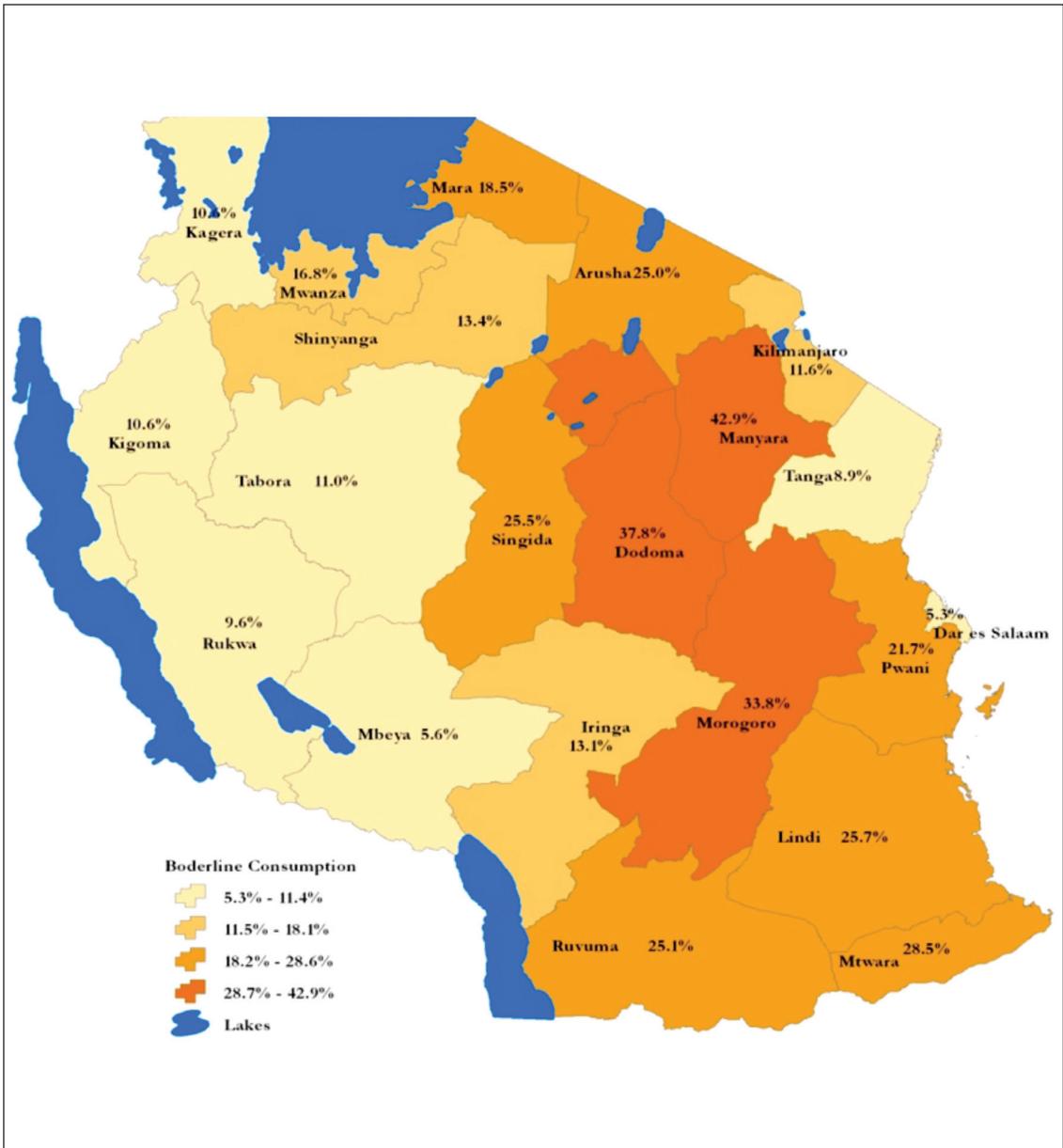
Source: WFP (2010)

Production by Smallholder Households of Key Staple Crops

According to the 2007/08 Agricultural Census Survey (ACS), the production by smallholder households of key staple crops (maize, rice and sorghum) more than doubled to 7.4 million tonnes from 3.5 million tonnes, reported in ACS 2002/03. This production level in 2007/08 represented 62% of the target set in MKUKUTA I for 2010 of 12 million tonnes. Of note, the quantity of staple crops produced per capita increased from 0.14 tonnes in 2002/03 to 0.25 tonnes in 2007/08, an increase in production per capita of almost 80% (URT, 2010a).

Households who Consume no More than One Meal a Day

Three periodic national surveys measure this indicator of food security: the Household Budget Survey, Agricultural Census Survey (in rural areas only) and the Demographic and Health Survey. The HBS 2007 estimated that 1% of households in mainland Tanzanian overall and 1.2% of rural households consumed only one meal a day, with no change recorded since the HBS 2000/01 (URT, 2009c). New data from the ACS 2007/08 indicates that 2.3% of rural households consumed only one meal a day as compared to 3.4% in ACS 2002/03, implying an improvement in food security in rural areas between the two surveys (URT, 2010a).

However, results from the Tanzania and Demographic Health Survey (TDHS) 2010 indicate a reversal in this positive trend. Overall, the percentage of households in Tanzania mainland, which usually consumed one meal a day, increased to 2.8%. Rural households are far more likely to be food insecure than urban households; 3.1% of rural households consumed only one meal a day compared with 2% of urban households. Also, almost half (48%) of rural households reported consuming only 2 meals per day compared with 20% of urban households (NBS & ICF Macro, 2011).

Goals 4 & 5: Reducing Income Poverty of Both Men and Women in Rural and Urban Areas

In Tanzania, about three-quarters of the population depend on under-developed smallholder agricultural production for their livelihood. Smallholder production is characterised by the use of hand tools and traditional rain-fed cropping methods and animal husbandry. The widespread reliance on small-scale agriculture is closely linked to household income poverty in Tanzania. The majority of indicators for MKUKUTA's goals for reducing income poverty, therefore, relate to assessing progress in improving the status of smallholder agriculture. The indicators are:

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

Smallholders Participating in Contracting Production and Out-grower Schemes

The MKUKUTA indicator – smallholders participating in contracting production and out-grower schemes – is a useful measure of improvement in the agricultural sector. Through participation, small-scale farmers can access inputs and production technologies that they cannot afford alone. Both the Agriculture and Livestock Policy of 1997 and the Agricultural Sector Development Strategy (ASDS) of 2001 support the formation of growers' and traders' associations as one of the strategic options for enhancing commercialisation of agriculture, improving household income and food security, and addressing problems facing smallholder agriculture, especially their lack of access to technical and financial services and markets.

Data from the Agricultural Census Survey 2007/08 show that smallholder farmers participating in contracting production and out-grower schemes increased from 0.1% in 2002/03 to 0.2% in 2007/08.[10] This is still well short of the MKUKUTA I target for 2010 set at 1.3% (61,761 smallholders).

Small-holder Land Under Irrigation

Most irrigated areas in Tanzania are paddy fields cultivated by smallholder farmers with only a few large-scale commercial farms. According to the ACS, total smallholder land under irrigation as a percentage of total cultivatable land increased from 2.7% in 2002/03 to 3.2% in 2007/08. This increase was too small to achieve the MKUKUTA I target of 13%.

The Economic Survey 2010 provides the latest information on irrigation services that benefit smallholders (Table 5). In 2010, an additional 331,490 hectares were developed for irrigation, which was estimated to benefit over 350,000 households.

Table 5: Irrigation Services for Smallholder Farmers, 2009 and 2010

Indicators	2009	2010	% change
Feasibility studies for irrigation (ha)	275,744	365,744	32.6
Construction and rehabilitation of irrigation infrastructure (dams)	4	6	50
Hectares under irrigation developed	310,745	331,490	6.7
Number of households that benefited from developed irrigation schemes	342,700	351,720	2.6
Formation and registration of irrigation groups	182	210	15.4
Training of farmers in sustainable use of water and irrigation technology	300	510	70

Source: URT (2011a), Table 11.4, p.157

Strategies to increase the area under irrigation will continue to focus on developing new large- and small-scale schemes while paying due consideration to the efficient use of water resources, encouraging low-cost irrigation technologies and promoting rain-water harvesting.

Smallholders Access to Formal Credit for Agriculture

The proportion of smallholders who accessed formal credit for agricultural purposes increased from 0.32% in 2002/03 to 2.4% in 2007/08, based on the data from ACS 2002/03 and 2007/08. Although the rate of increase for five years seems large, the proportion is still far below the MKUKUTA I target of 10% by 2010.

Smallholder Households who Have One or More Off-Farm Income-Generating Activities

Data from the ACS 2007/08 show that households with off-farm income sources in rural areas decreased from 26.6% in 2002/03 to 15.4% in 2007/08. In contrast to these data, the HBS 2007

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10 This comparison is made for households who participated in production of annual crops and vegetables in long rainy season since the data for the same variable for permanent crops in ACS 2008 was not recorded.

found that the proportion of income derived from agricultural sources declined from 60% in 2000/01 to 50% in 2007, suggesting that rural households are now equally dependent on off-farm sources of income as they are on income derived from farm production. The decline of the number of households with off-income sources, as noted in ACS 2007/08, may reflect that the environment in rural areas is not yet conducive for the majority of households to engage in off-farm businesses. But for those households that have successfully diversified into non-farm activities, the contribution of these activities to household income is relatively high.

Goal 6: Provision of Reliable and Affordable Energy

A reliable and affordable power supply for producers and consumers underpins economic growth, facilitates productive employment and contributes to quality of life. There are direct and indirect benefits of electrification for the growth of enterprises (large and small) and for employment. Of all registered enterprises with more than five employees, 82% are located in regions of Tanzania that have access to the national grid (Table 6). Furthermore, the increase in the number of employees hired by businesses in the period from 2007 to 2009 is 20 percentage points higher in regions with electricity compared with regions without electricity. Businesses in regions connected to the national grid grow far faster than those in regions that are not connected.

Table 6: Business Growth in Regions With or Without On-grid Electricity Access in Tanzania

	Average percentage increase of employees in businesses, by size of business, 2007-09						
No. of employees	5 to 9	10 to 19	20 to 49	50 to 99	100 to 499	500+	TOTAL
Regions with grid	66%	43%	37%	18%	13%	33%	52%
Regions without grid	51%	18%	13%	3%	1%	31%	32%
	Percentage of businesses by size in regions with or without electricity, 2009						
No. of employees	5 to 9	10 to 19	20 to 49	50 to 99	100 to 499	500+	TOTAL
Regions with grid	81%	82%	85%	87%	88%	90%	82%
Regions without grid	19%	18%	15%	13%	12%	10%	18%

Source: Mwakapugi et al. (2010, p. 24)

Electrification, however, is still low and unreliable in Tanzania. Widespread power rationing began in 2006 following an extended period of severe drought that drastically reduced hydropower generation. In recent years, rationing has become more regular, reflecting rapid expansion of demand for electricity that outpaces Tanzania's capacity to generate power. The national grid is the mainstay of power transmission in the country but it still has limited coverage.

The specific indicators in MKUKUTA used to assess progress in the energy sector primarily measure changes in household energy use. The indicators are:

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

Since HBS 2007, no new national survey data are available. Hence, the current assessment of progress uses information from other sources. Data provided by TANESCO (August 2011) show that the number of customers connected to the national grid between 2002 and 2010 rose from around 450,000 to 790,000 (an increase of 75%). Connections to off-grid supply of electricity more than doubled over the same period from 32,000 to 72,000 (Table 7).

Table 7: Number of Customers Connected to National Electricity Grid and Off-grid Supply in Tanzania, 2002-2011

Connected to:	2002	2003	2004	2005	2006	2007	2008	2009	2010	% increase (2002-10)
National grid	450,685	489,661	510,841	547,265	585,950	637,324	680,899	737,446	790,448	75.4%
Off-grid supply	32,136	36,953	40,022	44,880	49,360	56,172	60,125	65,582	71,735	123.2%

Source: TANESCO data (August 2011)

According to the 2010 Tanzania Demographic and Health Survey, 14.2% of households in mainland Tanzania are connected to electricity, with an extremely large disparity in coverage between urban areas (45.4%) and rural areas (3.4%) (NBS & ICF Macro, 2011). The MKUKUTA target of 20% by 2010 was not met. Mwakapugi et al., (2011) cite the following reasons for the mixed performance of the sector:

- Limited generating capacity and reserve margins;
- Ageing infrastructure and inadequate investment in maintenance, rehabilitation and upgrading of systems;
- High levels of system losses and poor supply (with voltage fluctuations and power outages) due to ageing infrastructure;
- Sub-optimal operation of hydrothermal systems; and
- Low tariffs relative to the operation and maintenance costs.

Sources of energy for cooking

Table 8 presents data from the TDHS 2010 on the energy sources used by households in mainland Tanzania for cooking. Biomass sources of energy, principally firewood and charcoal, are the main sources of energy for cooking in Tanzania. Overall, 95% of households use wood or charcoal for cooking (83% in urban areas and 99% in rural areas).

Table 8: Sources of Energy for Cooking, Mainland Tanzania, by Residence (% of Households)

Type of fuel	Urban Areas	Rural Areas	All Households
Electricity	3.8	0.2	1.1
LPG/natural gas/biogas	0.9	0.0	0.3
Paraffin/kerosene	9.4	0.4	2.7
Charcoal	62.2	6.3	20.7
Wood	20.7	92.4	73.9
Other	3.1	0.6	1.2

Source: TDHS 2010, pp. 24-5

Data from the Agricultural Census Surveys confirm that almost all rural households continue to rely on firewood and charcoal as their main sources of energy for cooking (98.7% in ACS 2002/03 to 98.4% in ACS 2007/08). Over the same period, the proportion of rural households that used alternative sources of energy for cooking has only increased from 0.9% to 1.6%. Data from the same source found that paraffin is the fuel used most often for lighting by rural households. However, there was a slight decline in percentage of rural household who depended on paraffin for lighting from 92.2% in 2002/03 to 90% in 2007/08. Over the same period, there was a small increase in the use of electricity in rural households for lighting from 1.4% to 2%.

The MKUKUTA target of 10% of the population who use alternative energy sources for cooking by 2010 is well out of reach. Greater efforts from the government and the private sector need to be directed towards minimising the consumption of biomass sources of energy, for example, by encouraging the use of fuel-efficient stoves and other technologies.

Electricity Generation and Utilisation

The data from economic surveys and TANESCO show that there has been steady upward trend of actual electricity generation as percentage of potential capacity, with slight fluctuation in some years (Figure 17).

Figure 17: Trend of Actual Electricity Generation as Percentage of Potential Capacity, 2001-2010
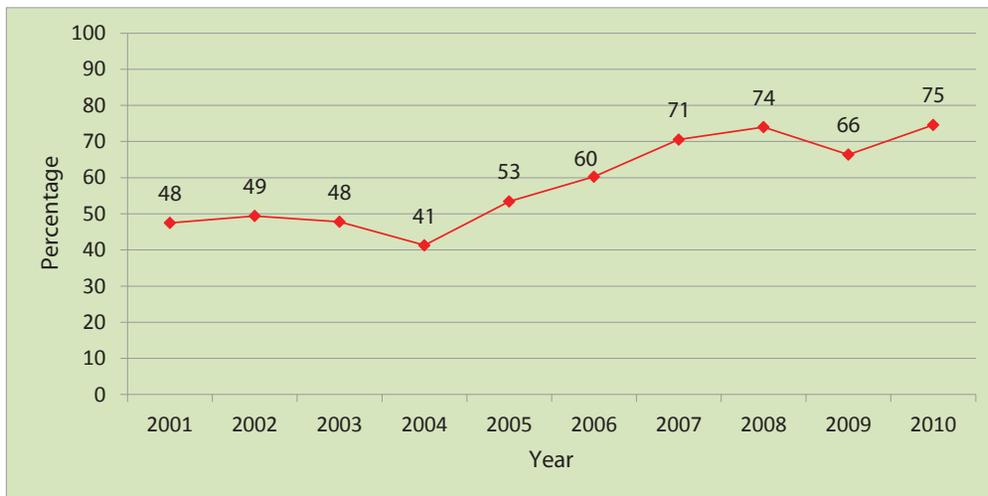
Source: Calculation based on data from the Economic Survey (various years)

The total generating capacity has increased from 5858.19 kWh in 2006 to 6889.91 kWh in 2010, equivalent to an increase of 17.6% over the five years of MKUKUTA I. Over the same period the capacity utilisation has increased from 3589.73 kWh to 5137.76 kWh, which is an increase of 43.1%. These figures indicate that the increase in demand for electricity has exceeded the increase in power generation, which leads to declining per capita consumption of electricity. This is confirmed by the recent trend in average actual per capita consumption, which declined from 87 KwH in 2002 to 84KwH in 2008, while the potential per capita demand has been increasing.

Table 9 shows the per capita consumption of electricity in Tanzania in comparison to other SADC countries and Kenya from 2006 to 2008. The data clearly show that per capita consumption of electricity in Tanzania is very low, which is further aggravated by unreliable power supply and sources. Strengthening the energy sector in Tanzania is, therefore, a critical component in improving the country's investment climate to attract local and foreign investment.

Table 9: Electricity Consumption per Capita (kWh) for SADC Countries (2006-2008)

Country	2006	2007	2008
Botswana	1,418	1,465	1,603
Mozambique	453	472	461
Namibia	1,544	4,541	1,797
South Africa	4,797	4,938	4,769
Tanzania	69	82	84
Zimbabwe	1,003	1,022	1,022
Zambia	729	675	602
Kenya	148	151	155

Source: World Bank: http://data.worldbank.org/indicator/EG.USE.ELEC.KH.PC

MKUKUTA Cluster I Conclusions

Although most macroeconomic indicators show improvement and the economy has shown resilience to shocks, Tanzania remains highly dependent on imported oil and technology as well as essential goods such as medicines and, occasionally, food. Inflation has been a concern as it has been rising steadily owing mainly to supply-constraints in domestic agricultural and manufacturing output. The fiscal deficit has been widening but is still manageable. The biggest concern is that the high levels of economic growth over the last decade have not translated into a significant decrease in the poverty rate.

Economic growth can drive broad-based and sustainable development and poverty reduction if productive assets and employment opportunities can be extended to income-poor areas. This calls for a shift from a "growth" to an "inclusive growth" paradigm. Investment is required to create opportunities for people in remote and resource-rich rural areas so that greater dividends can be realised from agriculture, tourism and trade. Increased support for the private sector to engage in economic activities is also needed. In this regard, the business environment for investment requires significant improvement. Public investments cannot be selectively used for high-return projects to create the necessary physical infrastructure. The current power crisis has been a disincentive for investors. Reliable power supplies are critical for rural growth and economic activities at the household level through agro-processing and non-farm activities. Sustained investment in developing and maintaining transport infrastructure such as roads, railways and ports, and expanding power-generating capacity and electrification are critical for Tanzania to achieve its vision of becoming a middle-income country by 2025.

MKUKUTA INDICATORS – SUMMARY OF DATA AND TARGETS

MKUKUTA Cluster I: Growth and Reduction of Income Poverty

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

Indicator	Baseline Estimate (Year)	Trend											Target MKUKUTA 2010
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Cluster - wide indicators[11]													
GDP growth per annum (%)[a]	4.9 (2000)	6.0	7.2	6.9	7.8	7.4	6.7	7.1	7.4	6.0	7.0		6-8%
GDP growth per annum (%) by Sector[a]													
- Agriculture (Crops, livestock, hunting and forestry)	4.5 (2000)	4.9	4.9	3.1	5.9	4.3	3.8	4.0	4.6	3.2	4.2		10%
- Livestock	3.9 (2000)	4.0	2.8	2.2	4.1	4.4	2.4	2.4	2.6	2.3	3.4		9%
- Manufacturing	4.8 (2000)	5.0	7.5	9.0	9.4	9.6	8.5	8.7	9.9	8.0	7.9		15%

11 Estimates of the National Accounts have been revised from 1992 prices to 2001 prices. For this reason, figures reported for 2006 and earlier years may vary from those reported in PHDR 2007 (and earlier reports) and the MKUKUTA Status Report 2006.

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
- Mining and quarrying	14.3 (2000)	13.9	16.9	17.1	16.0	16.1	15.6	10.7	2.5	1.2	2.7		3% [12]
- Wholesale trade, retail trade and repairs[13]	4.3 (2000)	6.4	8.3	9.7	5.8	6.7	9.5	9.8	10.0	7.5	8.2		Not yet determined
Gini coefficient (Tanzania Mainland)[b]	0.35 (2001)	0.35	X	X	X	X	X	0.35	X	X	X		Not yet determined
Headcount ratio-basic needs poverty line (%)[b]	35.7% (2001)	35.7	X	X	X	X	X	33.6	X	X	X		Rural: 24% Urban: 12.9%
Goal 1: Ensuring sound economic management													
Annual rate of inflation[a]	5.2 (2000)	5.1	4.5	4.4	4.2	4.3	7.3	7.0	10.3	12.1			4%
Central government revenue as % of GDP[c d]	10.9 (2000/1)	2000/1 10.9	2001/2 10.8	2002/3 10.9	2003/4 11.2	2004/5 11.8	2005/6 12.5	2006/7 14.0	2007/8 15.9	2008/9 16.0	2009/10 15.3[n]		16.4%
Fiscal surplus (deficit) as % of GDP[d] - Before grants	(11.1) (2005/6)	2000/1 (4.3)	2001/2 (4.3)	2002/3 (4.6)	2003/4 (8.1)	2004/5 (9.3)	2005/6 (11.1)	2006/7 (8.9)	2007/8 (6.8)	2008/9 (11.5)[14]	2009/10 (10.9)[n]		Not yet determined
- After grants	(5.1) (2005/6)	(1.0)	(0.4)	(0.2)	(2.8)	(4.5)	(5.1)	(3.9)	0.0	(6.5)[15]	(4.7)[n]		2008/09 - 3%

12 The MKUKUTA target for this indicator is to increase the proportion of value added minerals in total minerals exported from 0.5% at the start of the MKUKUTA period in 2005 to 3% by 2010.
13 In the PHDR 2007, the indicator reported was 'wholesale & retail trade'.
14 PHDR reported provisional result of (10.9). Final official data for 2008/09 is (11.5)
15 PHDR reported provisional result of (4.7). Final official data for 2008/09 is (6.5)

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
External debt service as % of exports[e] [16]	15.4 (2000/1)	2000/1 9.4	2001/2 6.2	2002/3 5.6	2003/4 4.5	2004/5 4.5	2005/6 3.0	2006/7 1.2	2007/8 2.2	2008/9 1.3	2009/10 1.4		Not yet determined
Exports as % of GDP[e]	15 (2000/1)	2000/1 14.6	2001/2 18.6	2002/3 18.0	2003/4 19.1	2004/5 20.7	2005/6 22	2006/7 23.1	2007/8 22.0	2008/9 20.5	2009/10 22.0		Not yet determined
Goal 2: Promoting sustainable and broad-based growth													
Domestic credit to private sector as % of GDP[e]	4.6 (2001)	4.6	5.5	6.7	7.6	8.9	11.3	13.8	18.4	17.0			Increase by 1% of GDP per annum
% increase in stock of FDI Proxy: FDI Inflows (US $ million)[a]	463.4 (2000)	467.2	387.6	308.2	330.6	447.6	616.6	653.4	744[17]	558.4	573.3		Not yet determined
Interest rate spread on lending an deposits (percentage points)[e]													Not yet determined
- Annual lending rates		19.4	16.2	14.3	14.4	15.3	15.7	15.8	14.8	15.0			
- Annual deposit rates		4.1	3.4	2.6	2.5	2.6	2.6	2.6	2.8	2.7			
- Spread (lending deposit)		15.3	12.8	11.7	11.9	12.7	13.1	13.2	12.0	12.3			
Proportion (% of labour force not currently employed)[18] [f]	12.9 (2001)	12.9	X	X	X	X	11.7	X	X	X	X		6.9%

16 All figures have been revised from PHDR 2009. Figures for PHDR 2009 were drawn from BoT Economic Bulletins. Figures for PHDR 2011 are drawn from BoT Annual Reports.
17 2008 figure for FDI inflows was revised from USD 695m to 744m
18 The ILFS uses a national definition of unemployment to include those who want to work but have not recently actively looked for work. Other national surveys, such as HBS, also collect and present information on unemployment rates in Tanzania. These surveys use the international definition of unemployment, which counts only those who are actively looking for work.

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
% of trunk and regional road network in good and fair condition[h]	51 (2000)	X	51	72	78	84	78	85	83.5	94.5	89.7		Not yet determined
- Good	16 (2000)	X	14	35	43	53	40	48	51	64	57.9		Not yet determined
- Fair	35 (2000)	X	37	37	35	31	38	37	32.5	30.5	31.8		Not yet determined
% of rural population who live within 2kms of all-season passable road Proxy: % of rural communities/villages with access to all-season passable road within 30 minutes walking distance [19 g]	86.4 (2007)							86.4	X	X	X		Not yet determined
Goal 3: Improved food availability and accessibility at household level in urban and rural areas													
Food self sufficiency ratio (rate) %[i]	94 (2001/2)		2001/2 94	2002/3 102	2003/4 88	2004/5 103	2005/6 102	2006/7 112	2007/8 104	2008/9 X	2009/10 103		119
Proportion of districts reported to have food shortages Proxy: Number of districts reported to have food shortages (%)[i]	15 (2001/2)	X	2001/2 15	2002/3 13	2003/4 62	2004/5 41	2005/6 41	2006/7 50	2007/8 20	2008/9 X	2009/10 X		17 districts
% change in production by smallholder households of key staple crops (maize, rice, sorghum in million tonnes)[j]	2 million tonnes (1987)	X	X	2002/3 3.5 million tonnes	X	X	X	X	2007/8 7.4 million tonnes	X	X		12 million tonnes

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

Indicator	Baseline Estimate (Year)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
					Trend								Target
Proportion of households that consume no more than one meal per day (%) b) j k													
- HBS	Mainland: 1.1 Rural: 1.2 (2000/1)	1.1	X	X	X	X	X	Mainland: 1.1 Rural: 1.2	X	X	X		Not yet determined
- Agricultural Survey		X	X	Rural: 3.4	X	X	X	X	Rural 2.3	X	X		
- TDHS		X	X	X	Mainland: 1.9 Rural: 2.2	X	X	X	X	X	Mainland 2.8 Rural 3.1		
Goals 4 and 5: Reducing income poverty of both men and women in rural and urban areas													
% of smallholders partici pating in contracting production and out grower schemes j	0.9 (2002/3)	X	X	0.9	X	X	X	X	X[20]	X	X		1.3%
Total smallholder area under irrigation as % of total arable land j	2.7 (2002/3)	X	X	2002/3 2.7	X	X	X	X	3.2	X	X		13%
% of smalllholders who accessed formal credit for agricultural purposes j	0.32 (2002/3)	X	X	0.32	X	X	X	X	2.4	X	X		10%
Percentage of smallholder (rural) households with one or more off - farm income -generating activities f j													

20 The Agricultural Census Survey 2007/08 did not record the same variable as 2002/03 so no figure is available for comparison

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
- Agricultural Survey		X	X	2002/3 26.6	X	X	X	X	15.4	X	X		
- Integrated Labour Force Survey (IFLS) - Secondary activities	81.4 (2001/2)	2001/2 81.4	X	X	X	X	2006 81.9	X	X	X	X		
Goal 6: Provision of reliable and affordable energy to consumers													
% Increase in number of customers connected to national electricity grid and off-grid Proxy: Proportion of households connected to electricity [b j k]													
- HBS	10 (2000/1)	10	X	X	X	X	X	12	X	X	X		Grid 20%
- Agricultural Survey		X	X	Rural : 1.4 on grid 0.2 off grid	X	X	X	X	Rural mains elect 2.0	X	X		
- DHS		X	X	X	11.1	X	X	X	X	X	14.2		
% of households in rural and urban areas using alternative sources of energy to wood fuel (including charcoal) as their main sources of energy for cooking [b j k]													

| Indicator | Baseline Estimate (Year) | Trend | | | | | | | | | | | Target |
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
- HBS	7.8 (2000/1)	Mainland : 7.8 Dar: 49.2 Other Urban: 12.9 Rural: 2.7	X	X	X	X	X	Mainland: 4.2 Dar: 16.6 Other Urban: 8.4 Rural: 1.2	X	X	X		10%
- Agricultural Survey		X	X	Rural: 0.9	X	X	X	X	Rural 1.6	X	X		
- TDHS											Mainland 4.1 Urban 14.1 Rural 0.6		
Total electricity generating capacity and utilisation (Actual electricity generation as % of potential capacity)	43.06 (2000)	47.50	49.42	47.81	41.29	53.43	60.27	70.54	74	66.4	74.6		Not yet determined

Sources:

a = Economic Survey (various years)

b = Household Budget Surveys

c = Budget Digest, 2009/10

d = Macro-economic Policy Framework for the Plan/Budget 2008/09 - 2010/11

e = Bank of Tanzania. Annual Report 2009/10 (BoT, 2011, p. 266, Table A5.1)

f = Integrated Labour Force Surveys

g = Household Budget Survey 2007, Community Characteristics Report

h = TANROADS

i = Ministry of Agriculture

j = Agricultural Survey

k = Tanzania Demographic and Health Surveys

l = Own computations using TANESCO statistics presented in Economic Surveys

m = Bank of Tanzania Annual Report 2009/10 (BoT, 2011)

n = Guidelines for the preparation of Medium-Term Plan and Budget Framework for 2010/11 – 2012/13 Part I & II (URT, 2010b)

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

The two broad outcomes for Cluster II are:

i)   Improved quality of life and social well-being with particular focus on the poorest and most vulnerable groups; and

ii) Reduced inequalities (including in survival, health and education) across geographic areas, income, age, gender and other groups.

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

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

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

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

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

- Literacy rate of population aged 15+ years
- Net enrolment at pre-primary level
- Net primary school enrolment rate
- Percentage of cohort completing Standard VII
- Percentage of students passing the Primary School Leavers' Exam (PSLE)
- Pupil/teacher ratio in primary schools
- Percentage of teachers with relevant qualifications
- Pupil/text book ratio
- Transition rate from Standard VII to Form 1
- Net secondary enrolment

- Percentage of students passing the Form 4 examination
- Enrolment in higher education institutions

Literacy

The level of literacy among the adult population is an indicator of national development. Without literacy skills– the ability to read and write, do math, solve simple problems, and to access and use basic technology – individuals are hampered in reaching their full potential as parents, citizens and employees. Literacy is a pre-requisite for socio-economic and political development in any society. Conversely, illiteracy and poverty are closely associated.

The primary sources of data on adult literacy in Tanzania are the periodic Household Budget Surveys (HBS) and Tanzania Demographic and Health Surveys (TDHS). However, these surveys use different criteria for assessing literacy and, therefore, the results are not directly comparable. HBS 2007 data are based on reported literacy. Adults over the age of 15 years were asked if they could read and write in any language. A person stating that he/she could read was considered to be literate. In the 2010 TDHS, information on literacy was collected from each individual who had not received post-primary education or training. These respondents were asked to read from a card containing the following sentences in Kiswahili and English: *Parents love their children. Farming is hard work. The child is reading a book. Children work hard at school.* A person was considered literate if the person had post-primary education or training, or was able to read all or part of a sentence in Kiswahili, English or both.

The TDHS 2010 found that 72% of women and 82% of men were literate (Figure 18). Illiteracy, like poverty, is concentrated in rural areas. Literacy rates in rural areas (66% for women; 77% for men) were much lower than in urban areas (87% for women; 94% for men) (NBS & ICF Macro, 2011). The results indicate that literacy rates have improved marginally for women since 2004/05 (from 67% to 72%), but less for men (from 80% to 82%) (NBS & ORC Macro, 2005). However, levels of literacy among women still lag behind those of men by ten percentage points. Literacy rates also vary markedly by region. In Lindi, 62% of women and 67% of men were literate compared with 91% of women and 96% of men in Kilimanjaro region.

Figure 18: Percentage of Men and Women who are Literate, by Residence, 2004/05 and 2010
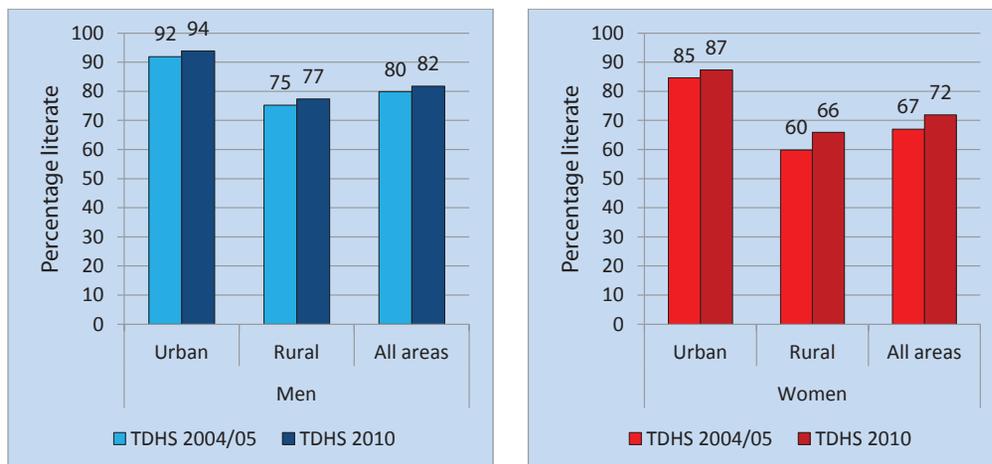
Sources: TDHS 2004/05 and 2010

Tanzania, therefore, did not meet the adult literacy target of 80% set under MKUKUTA I. Indeed, it is difficult to understand the current levels of illiteracy in Tanzania. Illiteracy was almost wiped out in the 1980s after Tanzania achieved almost universal primary education. Yet, 30 years later, illiteracy has once more become prevalent, especially in rural areas.

Pre-primary Education

Two years of pre-primary education for children aged 5 and 6 years is part of the national formal education system. Pre-primary education prepares children for primary school. Children learn to interact with other children and with adults, follow set rules, pay attention to doing things on time, and learn basic things like the alphabet and numbers. Children who go through pre-school find it easier to adapt to the school routine when they join primary schools.

As Figure 19 shows, the net enrolment ratio (NER) in pre-primary, i.e., the proportion of five and six year-olds who are enrolled in pre-schools, has risen from 25% in 2004 to 42% in 2011. This is a significant achievement for the government. The majority of the children are enrolled in government pre-schools; less than 10% are in private pre-primary schools. Slightly fewer girls than boys are enrolled in pre-schools.

Figure 19: Net Enrolment Ratio in Pre-primary Schools, 2004-2011
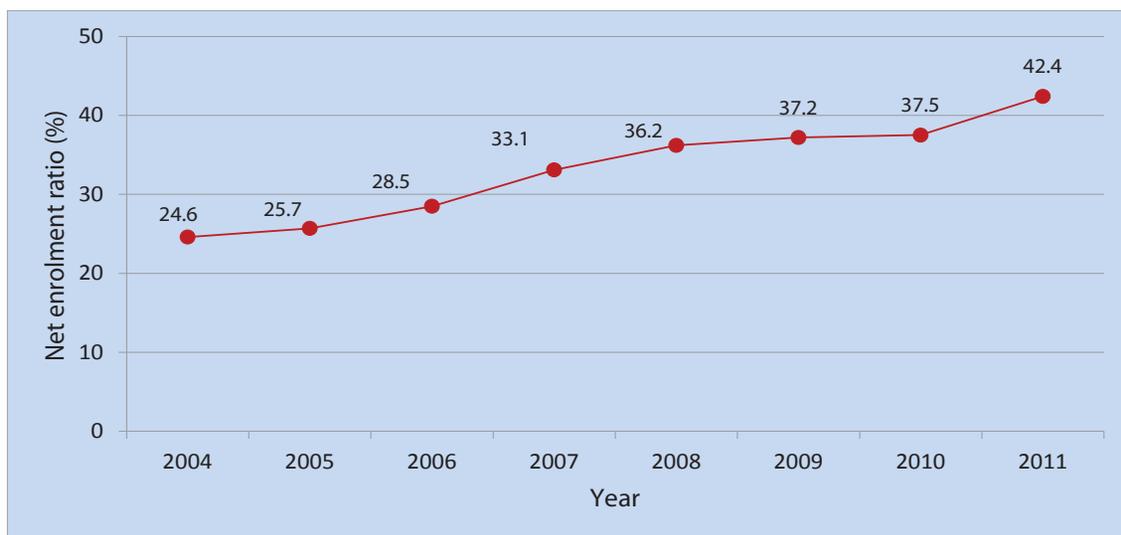
Source: Basic Education Statistics in Tanzania (BEST) 2007-2011 (URT, 2011b, p. 8)

Although more children overall are enrolled in pre-schools, there are significant regional variations in the NER. For example, in 2011, 87% of 5 and 6 year-olds in Mwanza were in pre-primary schools compared to only 14% in Dar es Salaam (URT, 2011b, p.7).

One of the major challenges for the development of pre-primary education is the lack of qualified teachers. According to government standards, the pupil-teacher ratio (PTR) at pre-primary school level should be 1:25. In 2010, for a total enrolment of 1,069,208 children in pre-primary schools, there were only 10,899 teachers giving a PTR of 1:98. Of the 10,899 teachers, 9,369 (86%) were qualified giving a ratio of 114 pupils per qualified teacher. Clearly, much remains to be done to improve the access to and quality of early children education in Tanzania.

Primary Education

Net Primary School Enrolment Rate

Substantial progress has been made in Tanzania in the last decade to increase enrolment in primary schools. Following the introduction of the Primary Education Development Plan (PEDP) in 2001, net enrolment increased significantly from 66% in 2001 to a peak of 97% in 2007 and 2008. However, since 2008, the NER has steadily declined to 94% in 2011 (see Figure 20). This falling trend in primary enrolment is of great concern.

Figure 20: Net Enrolment Rate in Primary Education, 2003-2011 (With MKUKUTA Target for 2012)
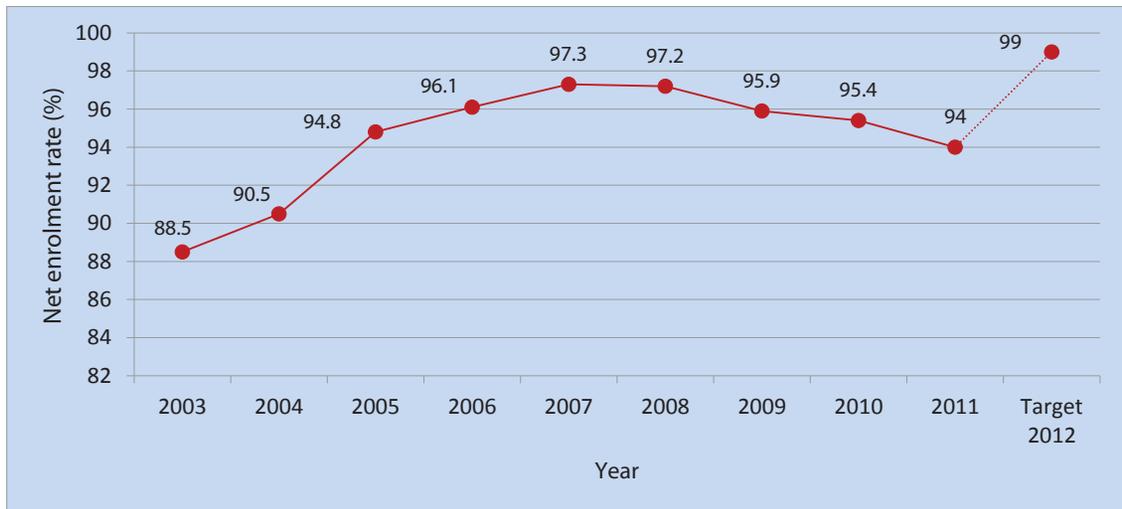
Source: URT (2011b)

To match the rate of population growth, an annual increase in Standard 1 enrolment of at least 3% would be expected. However, over the period from 2007 to 2011, the total number of children enrolled in Standard 1 increased by less than 9,000 (URT, 2011b, p. 19), representing only a 0.6% increase in total enrolments over the entire four-year period versus an expected increase of 12.5%. In turn, the lower than expected enrolment in Standard 1 is reflected in lower than expected total enrolment in primary schools. In 2011, it is estimated that nearly half a million 7 to 13 year-olds did not enrol in school. Indeed, the data show that fewer boys were enrolled in primary school in 2011 than in 2007.

Gender Equity in Access to Primary School

Overall, gender parity in access to primary education has been achieved. As many girls as boys are enrolled in primary schools. In 2011, the NER for boys was 93.7% compared to 94.2% for girls. However, the NER varies across regions as shown in Figure 21. In Dodoma, for example, 15 out of every 100 boys and 9 out of every 100 girls between the ages of 7 and 13 were not in school. In Mwanza, on the other hand, nearly all children aged 7 to 13 years were in school.

Figure 21: Net Enrolment Ratios for Primary School, by Region, 2011
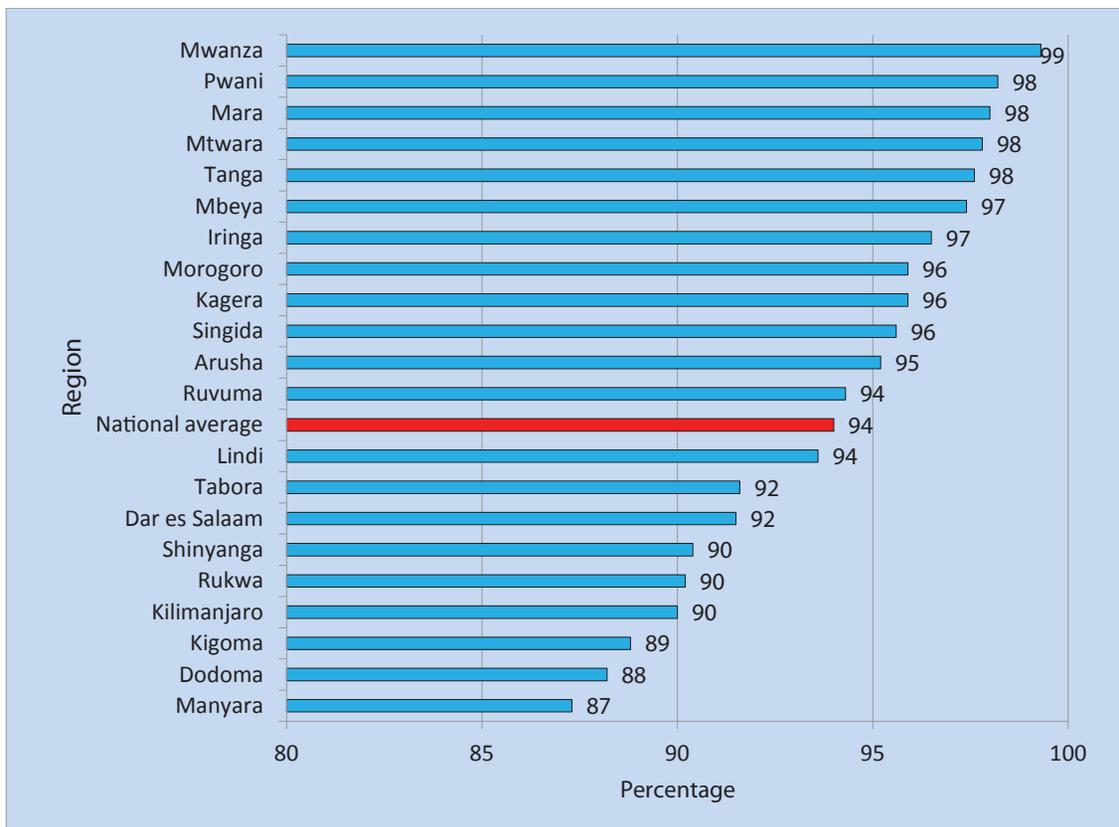
Source: URT (2011b, p. 24)

Commitment to the second Millennium Development Goal (MDG2) to achieve universal primary school education requires that all children have access to basic education. To fulfil every child's fundamental right to an education, the government needs to ensure that the most vulnerable children are enrolled and are supported to stay in school – the disabled, those living in remote areas, those engaged in child labour, and children in families for which the direct and opportunity costs of attending school are too high. See also Goals 4 and 5 of Cluster II for analysis of the proportions of children with disabilities and orphaned children who are attending primary school.

Percentage of Cohort Completing Standard 7

The MKUKUTA indicator "Percentage of cohort completing Standard 7" is defined as "the number of children who completed Standard 7 expressed as a percentage of the total number of children who commenced Standard 1 seven years earlier". Figure 22 presents data for 2001 to 2011.

Figure 22: Percentage of Cohort Completing Standard 7, 2001-2011
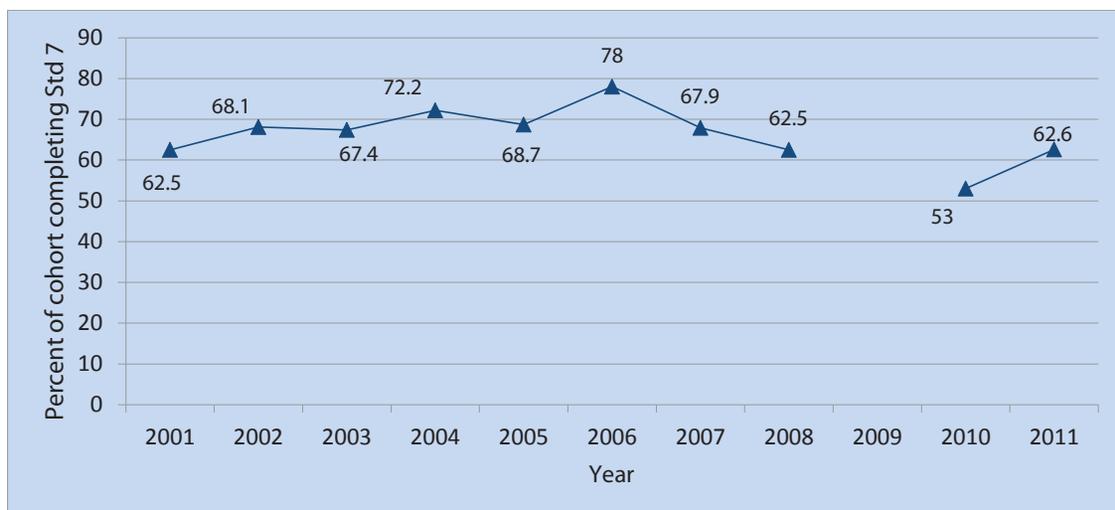
Source: BEST (various years). Note: Data for this indicator is not available for the 2009 academic year

In 2011, only 63 children out of every 100 who enrolled in Standard 1 at seven years of age completed Standard 7 by age 13. This completion rate is much lower than the MKUKUTA target of 90%. The overall survival rate to Standard 7 – which includes students that finish Standard 7 but who repeat one or more grades along the way – was marginally higher at 66% for 2011.

These data paint a worrying picture; one-third of all children dropped out of school before they had completed their primary education. In 2011, 76,246 children dropped out of school and nearly half of these children left before completing four years of education (URT, 2011b, p. 31). It is likely that these children will not have attained basic literacy and numeracy skills.

There are many reasons for children dropping out of school. BEST data show that the majority of children dropout because of "truancy". However, truancy masks many push factors that lead to children dropping out of school. Perhaps the most common factor is the institutionalized violence in schools. A recent study on violence against children in Tanzania aged less than 18 years showed that 53% of females and 51% of males reported physical violence by a teacher (UNICEF et al., 2011). Nearly 4 in 10 females reported experiencing sexual violence while at school or when going to school. Specifically, 15% reported that at least one incident occurred on the school premises and 23% reported an incident that occurred while travelling to or from school.

Given the high level of sexual harassment and violence that girls face, it is not unexpected that a number of girls drop out of school due to pregnancy. In 2011, 1,056 girls dropped out of primary schools because of pregnancy, but this is likely to be an underestimate. Pregnancy among girls is reported as early as in Standard 4 when girls would be 11 or 12 years old (URT, 2011b, p. 31). Although sex with minors is a criminal offence, few cases are reported to the authorities.

Of additional note, 2.6% of all children in primary school in 2011 repeated a class. The repetition rate is particularly high in Standard 1, where nearly 100,000 children repeated (URT, 2011b, p. 31). There is no evidence internationally to show that children who repeat do well after repetition. However, there is every chance that these children get discouraged and eventually drop out of school. Encouragingly, the repetition rate in primary schools has dropped markedly from 4.9% in 2007 following changes in education policy, in particular the elimination of Standard 4 examinations.

Percentages of students passing the Primary School Leaving Examinations (PSLE)

Figure 23 shows that the proportion of children passing the PSLE has fluctuated around 50% over the last four years. In 2010, 53.5 % of children who sat for the PSLE passed (URT, 2011b, p. 36), still lower than the MKUKUTA target of 60%.

Overall, girls tend to perform more poorly than boys. In 2010, 48% of girls compared to 59% of boys passed. This reduces the chance for girls to be selected for secondary education, a key barrier to higher levels of educational access and achievement for girls.

The national figures mask regional disparities. In Kigoma region, 52% of the boys and only 27% of the girls passed. On the other hand in Arusha, 72% of the boys and 69% of the girls passed the PSLE. In all regions, except in Kilimanjaro, boys outperform girls. In Kilimanjaro, more girls (64.1%) than boys (60.6%) passed the PSLE. This trend has been consistent since the PSLE started publishing results. It is not clear why girls in Kilimanjaro should outperform boys when in all the other regions girls perform poorly (URT, 2011b, pp. 37-38).

Figure 23: Percentage of Children Passing the Primary School Leaving Examination, 2001-2010
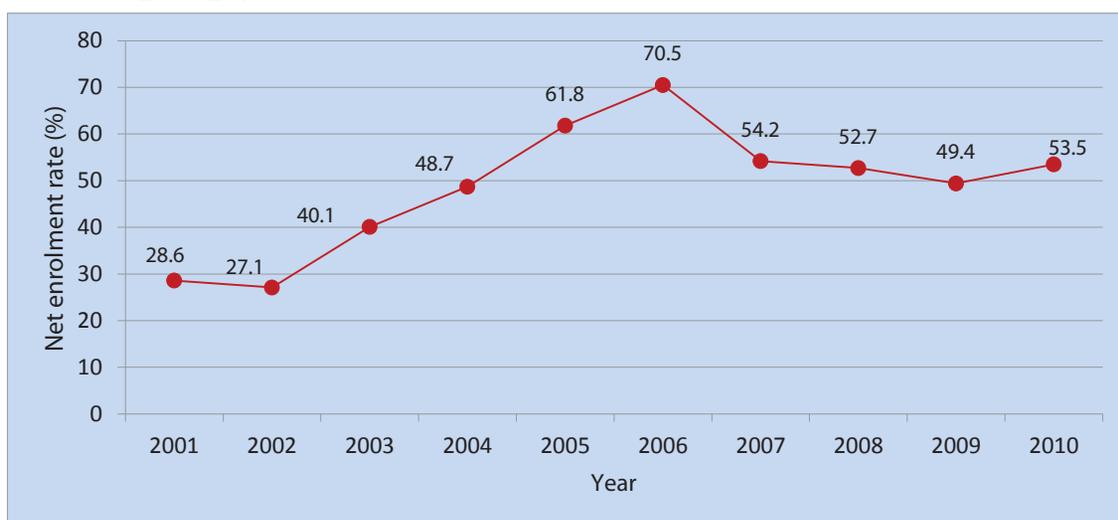
Source: BEST (various years)

Pupil-Teacher Ratio (PTR) in Primary Schools and Percentage of Teachers with Relevant Qualifications

The pupil-teacher ratio is a good indicator of the government's commitment to the quality of education that children receive. Ratios since the commencement of the PEDP show that teacher training and recruitment have not kept pace with the increases in enrolment in primary schools, but class sizes have stabilised in recent years.

In 2011, the PTR in primary schools was 48:1 but this is still much higher than the recommended PTR of 40:1 proposed by the MoEVT. Positively, the percentage of teachers with relevant qualifications has been steadily improving up from 86% in 2008 to 97% in 2011, which exceeds the MKUKUTA I target of 90% by 2010. The proportion of female teachers has also been steadily increasing. In 2011, 51% of all primary teachers were women (see also Box 2).

Even though the PTR is improving, the distribution of teachers between regions, districts and schools has been a problem in the sector for many years now. In Dar es Salaam, the PTR and Pupil per Qualified Teacher Ratio (PQTR) were 37:1; in Kilimanjaro, both ratios were 34:1. In marked contrast, the PTR in Tabora was 59:1 and PQTR was 65:1.Classes in Tabora in 2011 had almost twice the number of pupils as classes in Kilimanjaro. Variations are even greater among and within districts (URT, 2011b, p. 39). In particular, remote rural areas have trouble recruiting and retaining teachers, particularly female teachers, which can have an effect on girl's attendance and achievement.

To achieve the recommended PTR of 40:1, the Ministry will require an additional 39,852 teachers. However, this in itself will not resolve the problem of teacher deployment. On the whole, urban districts tend to have lower ratios than rural districts. Policies and incentives need to be devised to attract teachers to work in rural schools.

Currently, teacher colleges offer diploma and certificate courses. Given the shortage of teachers in secondary schools, most of the diploma graduates will likely teach in secondary schools. The total number of students graduating from teachers' colleges with a Grade A certificate in 2010 was 12,569 (URT, 2011b). If the level of graduates remains the same and the attrition of teachers is taken into account, it will take four years to bring down the PTR to 40:1.

Box 2: The Impact of Female Teachers

There is considerable debate among educators on the need for having teachers of both sexes, and the effect of gender disparity in teaching staff on the participation and performance of pupils. Large gender disparities in teaching staff appear to have an impact on educational quality and the demand for education, particularly among girls (UNESCO, 2000). Female teachers can provide positive role models for girls, especially in rural areas where there may be few other educated working women. UNESCO (2003) found that the proportion of girls enrolled in primary school is affected by the proportion of female teachers in the workforce. Where proportions of female teachers were low (20% or less), only seven to eight girls enter primary schools for every ten boys. The effect the presence of female teachers has in class on girls is difficult to evaluate. There have not been any studies that show how the participation level of girls in classroom discussion is affected by the presence of female teachers.

As detailed above, more than half of primary school teachers in Tanzania are now women. However, female teachers are not deployed equally between districts and schools. A study showed that the proportion of female teachers varied widely among districts. In some districts, such as Meatu, only 28% of the teachers were women. In some urban centres, such as Moshi, Kinondoni and Morogoro, more than 80% of the teachers were female. In Meatu, 40% of the 110 schools surveyed did not have a single female teacher. Many of the schools where there were no female teachers also had a high pupil-teacher ratio. Such schools are normally located in remote areas. Female teachers are often reluctant to work in rural areas because of the lack of appropriate housing (Sumra, 2006).

Pupil to Textbook Ratio

No national level data are available for this indicator in BEST 2011. However, the Education Sector Performance Report (ESPR) 2009/10 reports the findings from a monitoring exercise carried out in 15 regions of mainland Tanzania. The review found that the average pupil-textbook ratio varied widely from school to school, from subject to subject, and from one LGA to another. In almost all surveyed LGAs and schools, the ratio was alarmingly high. The range across subjects was between 5:1 and 67:1.

There are different contributing factors to this situation. The complexity and lack of oversight in the allocation, distribution and utilisation of funds were identified as major weaknesses in the financing of the education sector. As the ESPR 2009/10 relates:

"The grant allocation system consists of a complex mix of formula and discretionary grants which creates a challenge for many councils in managing their execution of their education budgets. The budget guidelines did not clarify fully to what extent grants transferred were earmarked for a specific purpose and/or the actual amount to be transferred to schools with councils making different interpretations in terms of how the grants were to be allocated and used… Some councils were not able to utilise the grants in full due to weaknesses in administrative and financial management capacity, some used part of the education grants for a different purpose or sector and in some councils the transfers of capitation and development grants to schools did not reach the schools with the full amount with losses observed in transfers from the council bank accounts to school bank accounts." (URT, 2010e, p. 166)

In particular, the supply of textbooks in primary schools relies on funds through the capitation grant (CG). The capitation grant of TZS 10,000 per student represents a significant share of non-wage, school-level resources, variously used for purchase of textbooks, other teaching and learning materials, school rehabilitation, school-based examinations and general school administration. The ESPR 2007/08 indicates that 40% of CG funds are to be used for textbooks (URT, 2008a, p. 22).

However, in 2009/10, only TZS 39.9 billion of the TZS 80 billion of capitation grant (CG) funds were disbursed from the central government to LGAs. Based on this figure, the average total CG per pupil for 2009/10 was TZS 4,738, less than 50% of the CG per student (URT, 2010e, p.46). Moreover, there are no standardised procedures for the disbursement of funds from LGAs to primary schools. Amounts disbursed depend on the allocation decisions and management procedures of individual councils, which create significant disparities in resources allocated between councils and between schools within a council. In turn, the final application of funds to address school needs depends on the decision-making, financial management and governance systems in individual schools.

Given the extremely limited availability of textbooks indicated by the latest ESPR, systems of financial management and oversight at all levels from central government through to schools need to be rationalised and strengthened to ensure that budgeted funds reach all schools and are appropriately utilised. The educational outcomes for Tanzanian children will depend upon ensuring transparency and accountability in the allocation and application of funds (see also Box 3).

Box 3: Are Tanzanian Children Learning?

Although Tanzania has made much progress in increasing access to primary education, serious concerns persist about the quality of education that children receive. A recent large-scale survey examined basic skills among 120,000 children aged between 7 and 13 years. The children were assessed on Kiswahili and English literacy and on numeracy. The tests were based on Standard 2 curricula (Uwezo, 2011). The findings of the survey were shocking.

- Seven out of ten children in Standard 3 were not able to read a simple Kiswahili story. Even by Standard 7, two out of ten children were unable to read the Kiswahili story.
- The situation for English literacy was worse. Nine out of ten children in Standard 3 and five out of ten children in Standard 7 were unable to read a simple Standard 2-level story in English.
- Seven out of 10 children in Standard 3 and two out of ten children in Standard 7 were unable to do simple Standard 2-level math problems (additions, subtractions and multiplications).

These findings clearly indicate the urgency to improve the quality of tuition, which, in turn, will depend on the increased and equitable deployment of qualified teachers and resources to all areas of the country. If children do not develop the basic literacy and numeracy skills by the end of Standard 2 then their future education and livelihood opportunities are severely jeopardised. Of further concern is the lack of English literacy among children joining secondary education. How will children who cannot read basic English be able to cope with the English medium of instruction in secondary school?

Secondary Education

Transition Rate From Standard 7 to Form 1[21]

The transition rate from Standard 7 to Form 1 – the percentage of children who sat the PSLE that were selected for enrolment in government secondary schools – rose dramatically from 12% in 2002 to 60% in 2006, the year that the Secondary Education Development Programme (SEDP) commenced. Since then, the transition rate has fallen to 45% in 2010.

By sex, fewer girls than boys are selected to join Form 1. In 2010, the transition rate for girls was 46% compared with 56% for boys. The transition rates also vary substantially by region. In 2010, only 38% of children who sat for PSLE in Mbeya were selected for Form 1, compared with 66% in Arusha (URT, 2011b, p. 33).

Net Enrolment Ratio in Secondary Schools (Forms 1 to 4)

Tanzania has taken great strides to increase enrolment in secondary schools. As for primary education, the specific MKUKUTA I indicator for enrolment in secondary schools is the net enrolment ratio (NER) – the proportion of children between the ages of 14 and 17 years who are enrolled in lower secondary school (Forms 1 through 4). As shown in Figure 24, the NER has steadily increased from 6% in 2002 to 35% in 2011. Despite this impressive achievement, secondary enrolments still fall short of the MKUKUTA target of 50%.

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21 PHDR 2009 reported data on the transition rate for all Tanzanian schools (government and non-government). To reflect the progress in public education for this indicator, the transition data in PHDR 2011 are for government schools only.

Figure 24: Net Enrolment Ratio (%) in Secondary Schools, 2002–2011
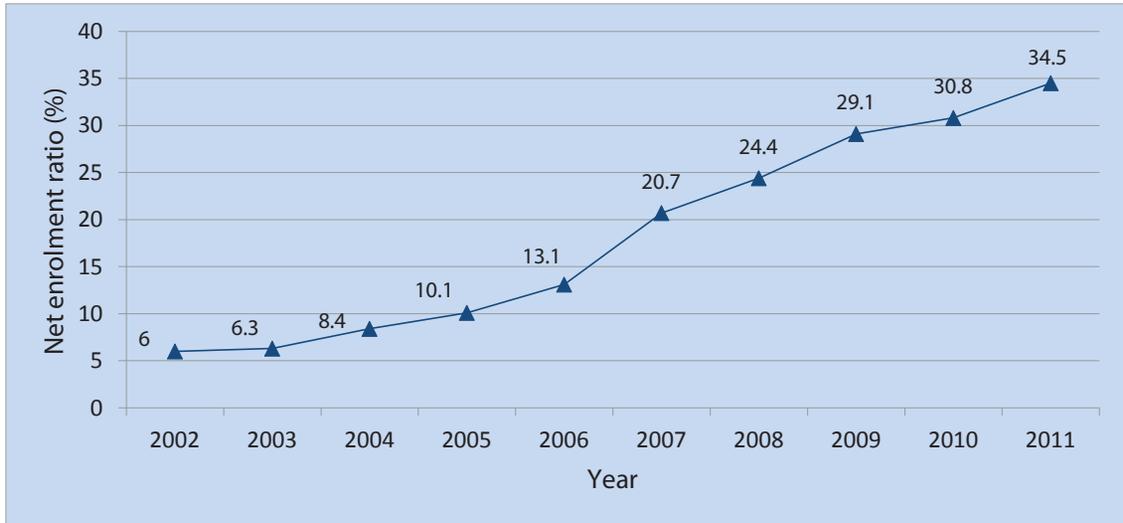
Source: BEST (various years)

Data on total enrolments in secondary school reveal more clearly the dramatic increase in children's access to secondary education over the last decade (Figure 25). In 2007, the total number of students enrolled jumped by 53%, perhaps an unmatched increase in any developing country when over 300,000 new students were enrolled. Since then, the rate of enrolment growth has declined. In 2011, 9.2% more students were enrolled in Forms 1 through 4 than in 2010.

Figure 25: Total Enrolment in Secondary Schools (Forms 1 to 4) and % Annual Change in Enrolment, 2001-2011
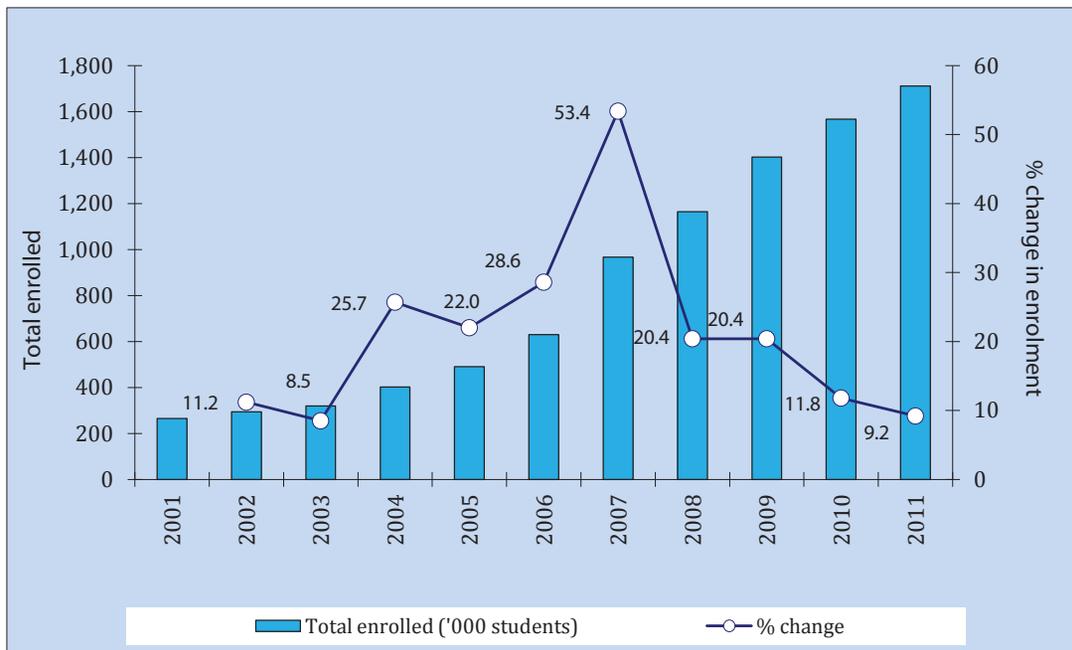
Source: Calculations based on data from URT (2011b)

Despite the increases in total enrolment, the proportion of female students enrolled has not kept pace with boys. In 2011, 45% of secondary students were girls. Of the 1.7 million students in Forms 1 to 4 in 2011, only 5,008 were students with disabilities (or 0.3% of the total enrolment). Clearly, the majority of children with disabilities are unable to access secondary education.

Access to secondary education has always been valued by parents and students as a way to escape poverty. It is therefore surprising that the proportion of students dropping out is increasing. In 2010, over 65,000 students dropped out of secondary school, or 4.2% of total enrolments, compared with just over 18,000 students in 2007, or 1.9% of total enrolments (URT, 2011b, p. 78). As for primary school, truancy is the main reason reported for students dropping out of secondary schools. In 2010, 72.7% of the students dropped out because of truancy. But again it is not clear why a student becomes a truant. The incidence of pregnancy in secondary schools is much lower than in primary schools and negligible in higher classes.

Percentage of Students Passing the Form 4 Examinations

Figure 26 shows that the pass rate in the Certificate of Secondary School Examinations (CSEE) has fallen significantly after rising for a number of years. In 2011, 50% of the students who sat for the CSEE passed the exams, but only 11% were Divisions 1 through 3 passes. A student needs pass at Divisions 1 to 3 to be selected for higher education.

Figure 26: Percentage of Students Passing the Form 4 Examinations (CSEE) by Division, 2000-2010
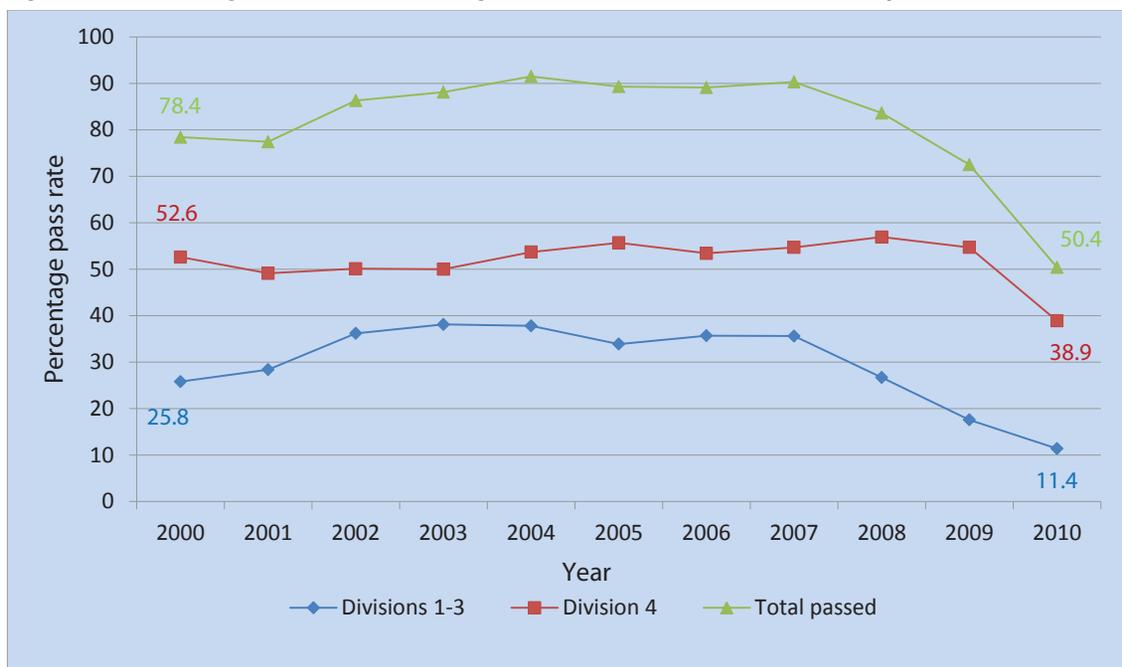
Source: URT (2011b)

Higher Secondary School (Forms 5 and 6)

To be eligible for admission to universities and institutions of higher learning, students have to do two further years of secondary education. Access to higher secondary depends on a student's performance in the CSEE. A student has to achieve at least a Division 3 pass to be selected for Form 5.

Recent data show that the proportion of students selected for Form 5 has been falling in recent years. In 2010, only 12% of students who sat for the CSEE and 23% of those who passed the exam were selected. However, once again, the total number of students has significantly increased. In 2010, three times as many students were enrolled in Forms 5 and 6 than in 2001 (up from approximately 25,000 to over 78,000 students).

The proportion of female students in Forms 5 and 6 has not changed significantly between 2003 and 2011, remaining around one-third of the total enrolment. One major reason for this disparity is that girls, on average, do not perform as well as boys in CSEE, thus limiting their chances of getting selected for Form 5.

Pupil-Teacher Ratios and Percentage of Qualified Teachers in Secondary Schools

The total number of teachers in secondary schools more than doubled between 2007 and 2011 (from around 23,000 to 52,000). But, given the large rise in enrolment, the pupil-teacher ratio (PTR) in 2011 is the same as in 2007. Despite the much greater number of secondary teachers, the proportion of female teachers has remained around 30%. On average, for all secondary schools, the PTR is 34:1. However, private secondary schools tend to have significantly lower class sizes than government schools. The PTR in government schools in 2011 was 38:1 compared with 22:1 in private schools. Data on teacher qualifications show that 85% of all secondary teachers had a degree (31%) or a diploma (53%). Around 15% of teachers were not qualified to teach at secondary level (URT, 2011b, p. 86-87).

Technical and Vocational Education

Technical education is an important sub-sector of education; it provides mid-level manpower, technicians and craftsmen for various industries, institutions and organisations. Students finishing Form 4 and Form 6 can join technical schools for certificate-level or degree-level courses, respectively. In 2011, there were 240 technical institutions nationally, of which 139 were government-run and 101 were run by the private sector. Overall, 85,000 students were enrolled in technical education (45% are female). The vast majority of students (82%) were in government institutions compared with 18% in private schools. By field of study, 60% of students were enrolled in social science, business and law courses, 13% in health and welfare, 9% in science, 7% in agriculture, and 7% in engineering, manufacturing and construction (Figure 27) (URT, 2011b, p. 108-109).

Figure 27: Total Enrolments in Technical and Vocational Training Institutions, by Field of Study, 2010/11
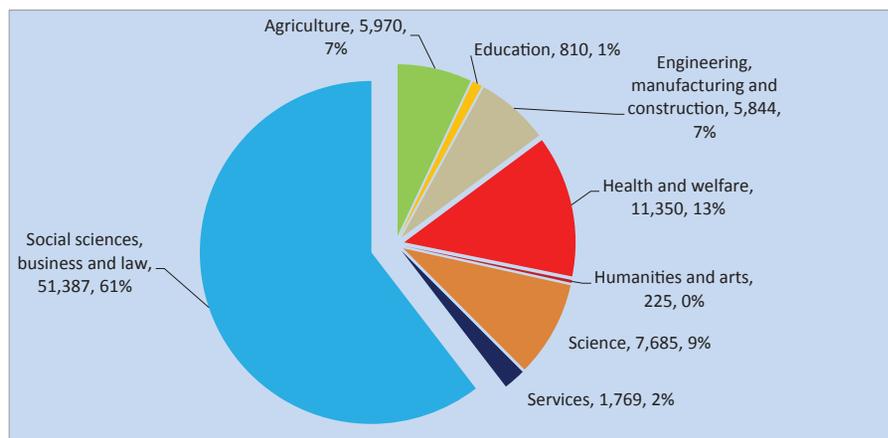
Source: URT (2011b), p. 109

Higher Education

In recent years, there has been a significant increase in the number of public and private universities. There are now 27 universities in Tanzania: 11 public and 16 private. Figure 28 depicts a sustained uptrend in the number of students in higher education over the last ten years from less than 31,000 to almost 140,000 students in the 2010/11 academic year, an increase of 350% over that period. Three-quarters of all enrolments (~104,000) are in government universities and one-quarter in private institutions (~35,000) (URT, 2011b, p. 135). By sex, only one-third of tertiary students in public universities (33.5%) are women; the corresponding figure in private schools is slightly higher (42.4%).

Of the government universities, the three largest are the Open University of Tanzania (OUT) with a student population of 44,272, the University of Dodoma with 19,584 students, and the University of Dar es Salaam with 16,289 students. Most of the private universities are small, with enrolments of less than a thousand students. The largest private university is St. Augustine University of Tanzania (SAUT) with 11,134 students.

Figure 28: Gross Enrolment in Higher Education Institutions, 2002/03-2010/11 (with MKUKUTA Target for 2011/12)
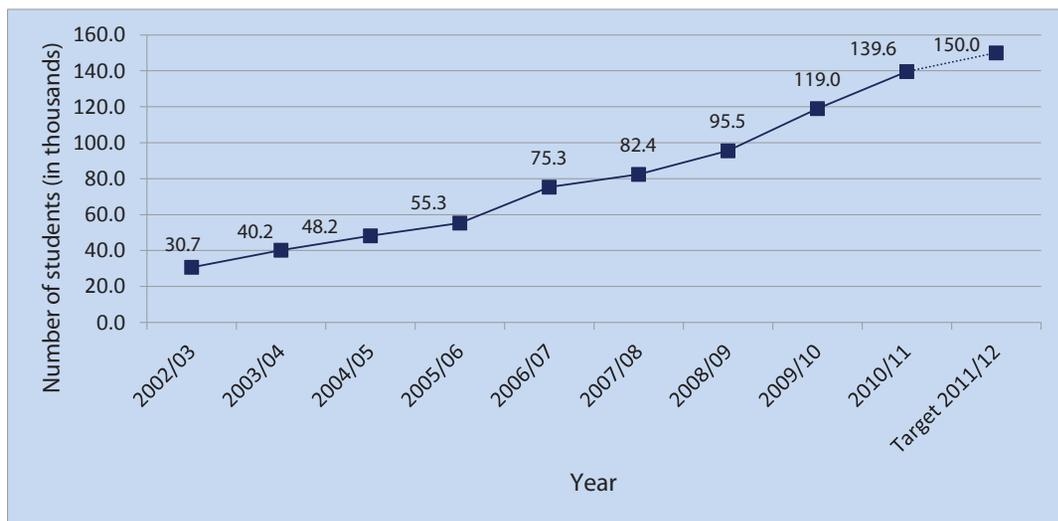
Source: URT (2011b)

In 2011, approximately 3,100 teachers were working in tertiary level institutions; only 26% of the staff was female. Of the teaching staff, 54% had either a Master's degree or doctorate, while 32% had a Bachelor's degree.

Financing for Education

As shown in Figure 29, the budget for the education sector as proportion of GDP has increased from 3.8% in 2002/03 to 6.3% in 2010/11, an indication of the government's commitment to improving educational outcomes in Tanzania. The education sector receives the highest budgetary allocation of all major sectors, including the health, water, agriculture, roads and energy sectors.

Figure 29: Budget Allocations to the Education Sector, 2002/03-2011/12
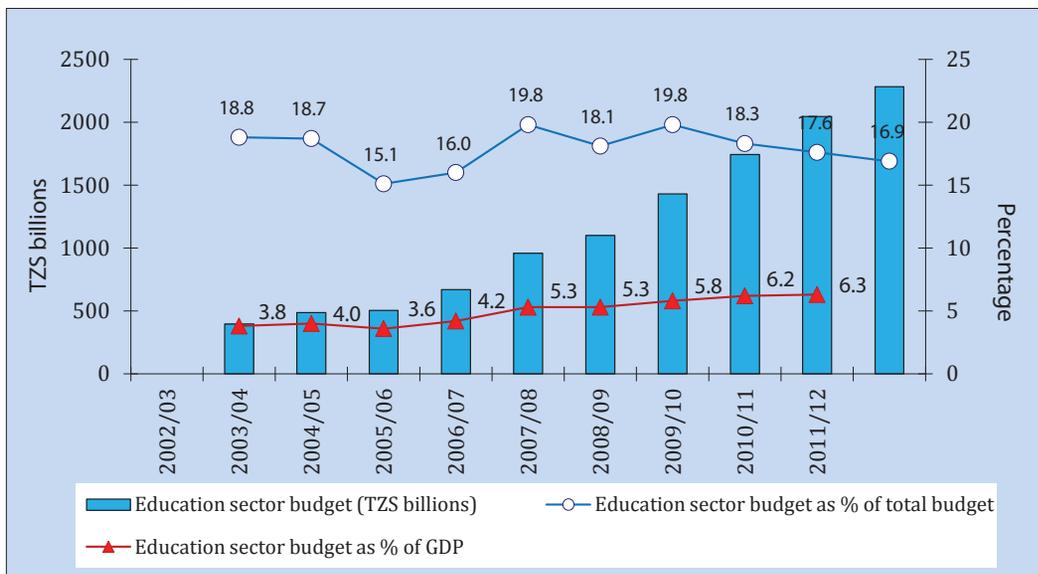
Source: URT (2011b, p. 163)

Within the sector, the allocation to primary education has dropped in recent years from a high of 74.1% in 2003/04 to 50.8% in 2011/12, while the allocations to secondary and tertiary education have increased (Figure 30). In particular, the allocation to technical and higher education has increased substantially in recent years, from TZS 70.5 billion in 2002/03 to TZS 621.6 billion in 2011/12. The allocation for teacher training as a percentage of the total budget has remained almost the same, receiving less than 2% of funds in 2011/12. However, as noted earlier, the systems of financial management and oversight at all levels in the education sector from central government through to schools need to be rationalised and strengthened to ensure that budgeted funds and resources reach all schools and all students.

Figure 30: Budget Allocations to Education Sub-sectors as a Percentage of the Total Education Budget, 2002/03-2011/12
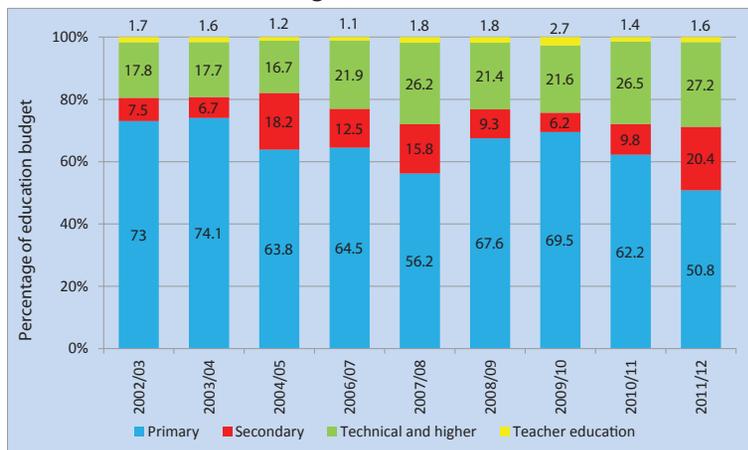
Source: URT (2011b, p.165)
Note: The "primary" category includes allocations for primary, non-formal, other education institutions and supporting services.

Education – Conclusions and Policy Implications

Education has an important role to play in poverty eradication. Since 2009, Tanzania has continued to make progress in ensuring access to education at various levels. Enrolment increases in secondary and higher education have been impressive. Despite these gains, major challenges remain for the sector. Persistently high levels of adult illiteracy, especially among women in rural areas, and poor learning outcomes for children are of serious concern. Many children complete primary education without acquiring basic literacy and numeracy skills. Dropout rates from primary school are increasing and the net enrolment ratio has trended downwards since 2008. The performance of secondary students in the Certificate of Secondary Education Examinations (CSEE) in recent years has been dismal.

Along with continued efforts to expand access and keep children in school, greater attention needs to be focused on the quality of education being provided. More well-trained teachers – new graduates from teachers' colleges as well as in-service training for existing staff – are required to bring down class sizes and improve teaching approaches and methods in classrooms so that young people are equipped with the skills to gain employment. MKUKUTA II must also follow through on its goal to provide employable skills and income-generating opportunities for youth and adults outside the education system who have missed out on the basic skills to earn decent livelihoods.

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

This section assesses national progress in health and nutrition based on the set of indicators defined under Goal 2 of MKUKUTA I. The assessment utilises new data from the Tanzania Demographic and Health Survey (TDHS) 2010 and the most recent routine data available through the Health Management Information System (HMIS) of the Ministry of Health and Social Welfare (MoHSW). Disaggregation of results by geographical area, sex of respondent and household wealth quintiles has been done where data allows.

The specific indicators tracked by MKUKUTA for health and nutrition are as follows:

- Infant mortality rate
- Under-five mortality rate
- Immunisation coverage for diphtheria, pertussis, tetanus and hepatitis B (DPT-Hb3)
- Proportion of under-five moderately or severely stunted (low height-for-age)
- Maternal mortality ratio
- Proportion of births attended by a skilled health worker
- HIV prevalence rate among 15-24 year-olds
- Number of persons with advanced HIV infection receiving ARV combination therapy
- Tuberculosis (TB) treatment completion rate

Life Expectancy

Unlike the specific indicators for health, increased life expectancy is an overarching goal of MKUKUTA and is considered to be a good general indicator of the health status of the population. Life expectancy at

birth is one measure of the quality of life in a country. It is also an indicator of the return on investment in human capital and the overall socio-economic development of a country.

Results from national population censuses undertaken every ten years show that life expectancy has been increasing rather slowly from 42 years in 1967 to 51 years in 2002. Using National Bureau of Statistics (NBS) projections, life expectancy in 2010 was estimated at 57 years for males and 59 years for females. New data will be available in the forthcoming 2012 population census.

There is a close relationship between child mortality and life expectancy; a substantial decline in child mortality is associated with an increase in life expectancy and vice versa. This is demonstrated by the Rufiji Demographic Surveillance System (DSS) in Coast region. Following health system interventions delivered between 1999 and 2007, child mortality declined remarkably. In turn, this reduction in child mortality increased life expectancy on average by seven years for males and eight years for females during the surveillance period (Figure 31).

Figure 31: Life Expectancy at Birth from Rufiji DSS, 2000-2009
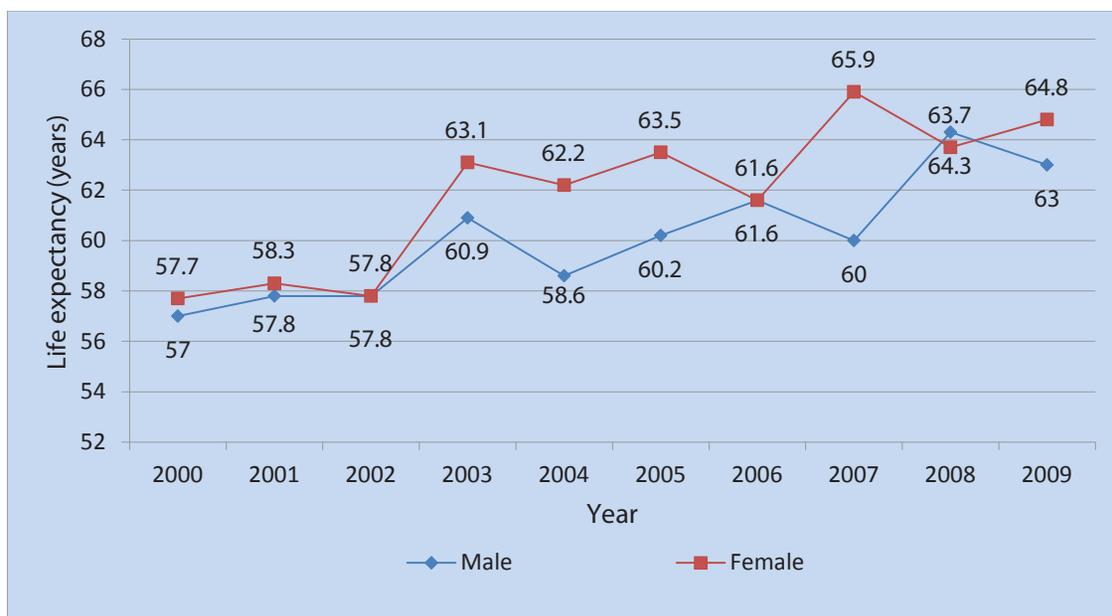
Source: Ifakara Health Institute (2011), data from Rufiji Demographic Surveillance System area

Infant and Under-five Mortality Rates

Results from the TDHS 2010 indicate substantial declines in infant and under-five mortality over the past 10 years. Figure 32 shows that under-five mortality rates have dropped by 45%, from 147 deaths per 1,000 births in 1999 to 81 deaths per 1,000 births in 2010. The MKUKUTA target for 2010 was 79. The infant mortality rate decreased from 99 to 51 deaths per 1,000 births over the same period, again only marginally missing the MKUKUTA target of 50. The largest decline is observed in post-neonatal mortality rate, which dropped from 36 deaths per 1,000 live births in TDHS 2004/05 to 25 deaths per 1,000 live births.

Normally, infant mortality is higher among children living in rural areas than those residing in urban areas. However, Figure 33 shows that the mortality rates in the Tanzania HIV/AIDS and Malaria Indicator Survey (THMIS) 2007/08 and the TDHS 2010 are contrary to expectations. In the TDHS2010, the infant mortality rate in urban areas was 63 per 1000 live births, slightly higher than 60 per 1000 live births in rural areas. Further research is required to determine the factors underlying this disparity.

Figure 32: Infant and Under-five Mortality Rates, 1999-2010
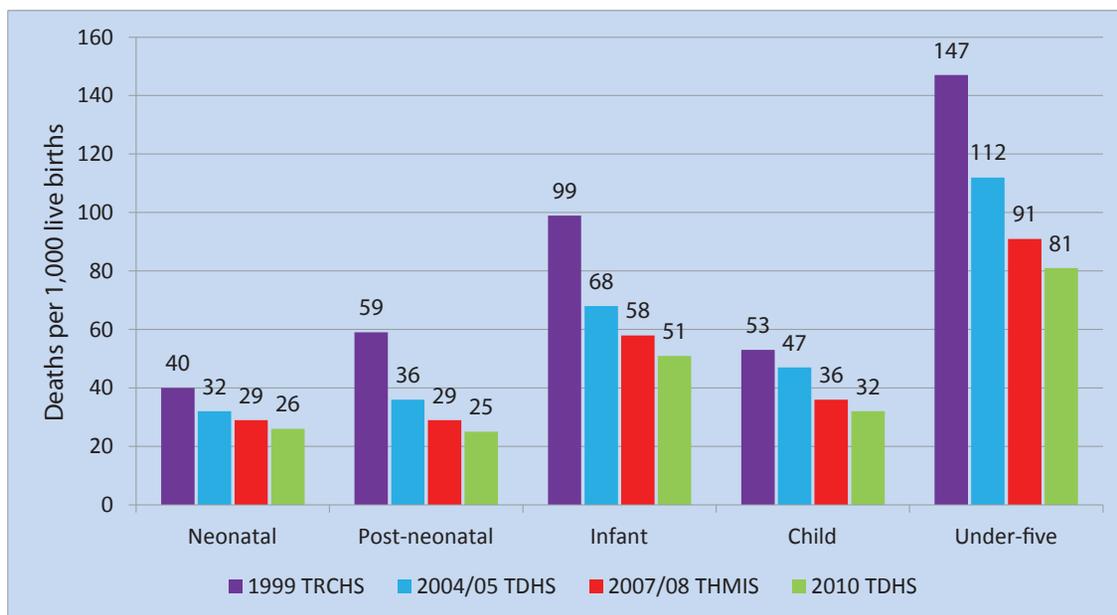
Sources: Tanzania Reproductive and Child Health Survey (TRCHS) 1999 (NBS &Macro International, 2000); TDHS 2004/05 (NBS & ORC Macro, 2005); THMIS 2007/08 (Tanzania Commission for AIDS (TACAIDS), Zanzibar AIDS Commission (ZAC), NBS, Office of the Chief Government Statistician (OCGS) & Macro International, 2008); and TDHS 2010 (NBS & ICF Macro, 2011).

Figure 33: Trends in Infant Mortality Rates, by Residence, 1999-2010
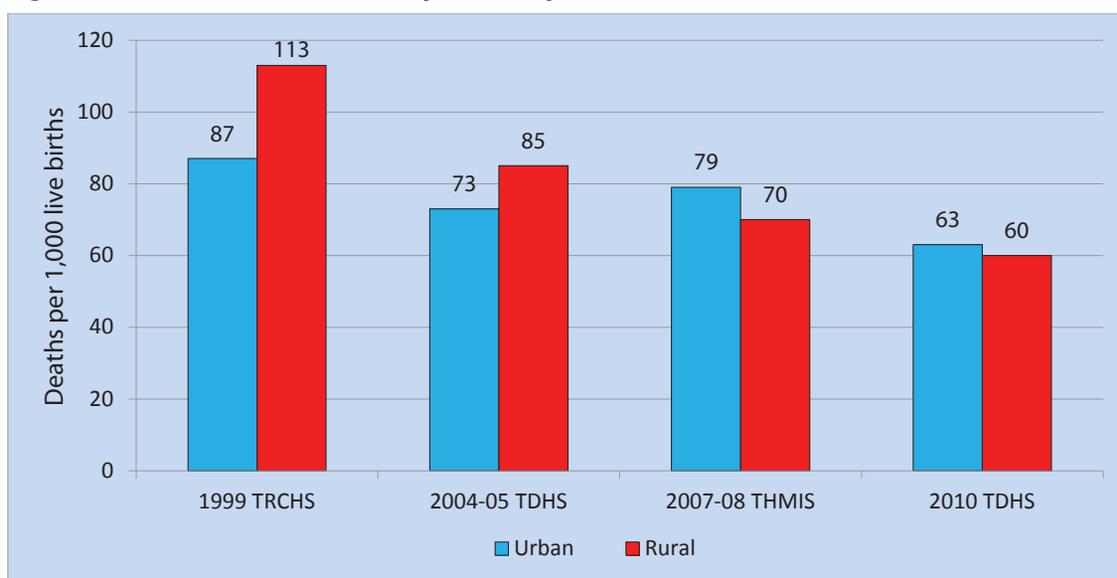
Sources: TRCHS 1999; TDHS 2004/05; THMIS 2007/08; TDHS 2010.

Given the declining trend in under-five morality since 1999, Tanzania is on track to reach the targets for reducing child mortality by 2015 under the fourth Millennium Development Goal (MDG4).[22] As Figure 34 shows, the MDG4 target for under-five mortality is 48 deaths for every 1000 live births. Based on statistical analysis of the trends in child mortality, Tanzania is within reach of the MDG4 target for under-five mortality of 48 deaths for every 1,000 live births by 2015 (de Savigny et al., 2010).

Figure 34: Estimated and Projected Under-five Mortality Rates, 1990-2015
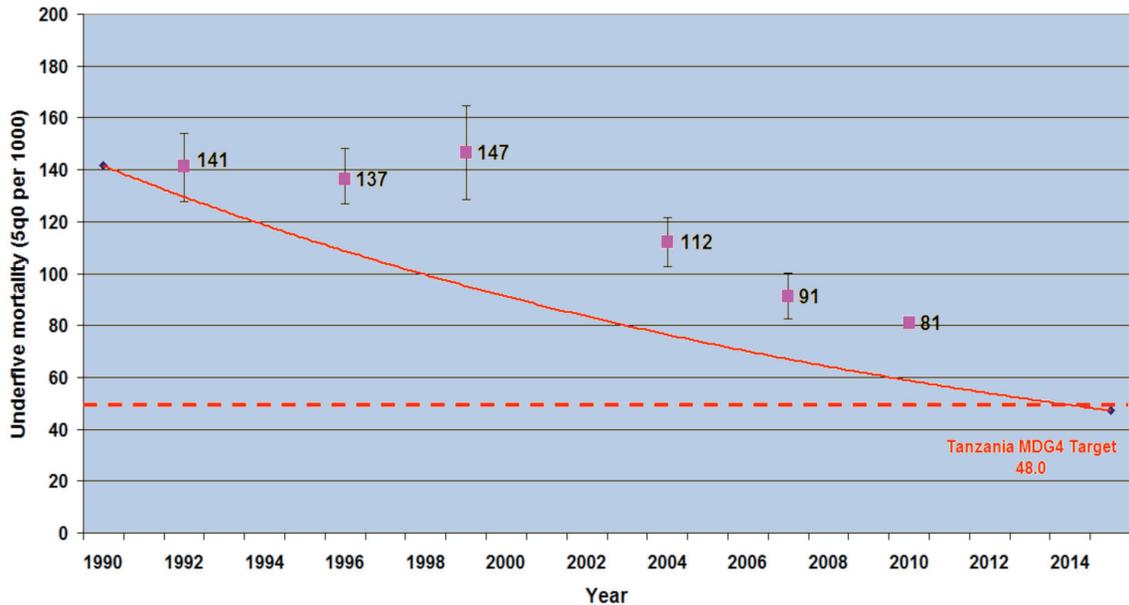
Source: de Savigny et al. (2010)

An in-depth analysis of child survival gains between 1999 and 2004 found that the declining trend in child mortality is largely due to improvements in Tanzania's health system. The adoption of a sector-wide approach to planning in conjunction with the implementation of basket funding in 2000/01 decentralised significant financial resources to the district level for the first time. Over the same period, total government health expenditure per capita more than doubled. Most importantly, these improvements in governance, financing and resources were reflected at the service delivery level in expanded coverage of cost-effective child survival interventions. For example, between the TRCHS 1999 and the TDHS 2004/05, the percentage of districts implementing Integrated Management of Childhood Illnesses increased from 19% to 73%, which facilitated improved diagnosis, prevention and treatment of malaria, the biggest single cause of death among children. Vitamin A supplementation also rose dramatically from 14% to 85%. Iron supplementation in pregnancy, oral rehydration therapy for children and exclusive breastfeeding of infants all increased (Masanja et al., 2008). This multifaceted strengthening of the management, resourcing and service delivery in the health sector has produced dramatic gains in child survival.

The age-disaggregated data on child mortality (in Figure 32 above), however, reveals that neonatal mortality has declined far less and constitutes an increasing share of under-five mortality. Increased efforts to address newborn deaths, which are inextricably linked to maternal healthcare, will be needed to ensure the continued rapid reduction in child mortality required to meet MDG4.

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22 MDG4 aims to reduce child mortality by two-thirds between 1990 and 2015. In Tanzania, to reduce under-five mortality from 141 deaths per 1,000 live births (1992 baseline estimate) to 48 by 2015, and infant mortality from 92 deaths per 1,000 live births (1992 baseline estimate) to 38 by 2015 (URT, 2006a).

Malaria Control

Distribution of insecticide-treated nets (ITNs) has been a major intervention to reduce malaria among children and pregnant women. Use of any type of mosquito net has increased dramatically from 46% of households in 2004/05 to 75% in 2010. The proportion of households that own at least one ITN substantially increased from 23% in 2004/05 to 64% in 2010.

There is a small urban-rural difference in the usage of bed nets; 84% of households in urban areas use any type of net versus 71% in rural households. In terms of ITNs, 65% of urban households used at least one ITN compared to 63% in rural households. According to the 2010 TDHS, about 57% of rural households used long-lasting, insecticide-treated nets (LLINs) compared to 44% among urban households. ITN coverage has expanded even further, partly due to the switch to LLIN, and partly due to increased distribution of ITNs to households.

Other advances in malaria control include improved diagnosis through malaria Rapid Diagnosis Tests (mRDTs), which have been rolled out to half of the country,[23] larviciding and indoor residual spraying. These interventions need to be scaled-up to ensure national coverage.

Figure 35 shows that 64% of children under five years of age slept under an ITN the night before the 2010 survey, with almost no urban-rural difference. The data indicate a dramatic increase from 2004/05 particularly in rural areas where coverage trebled from 21% to 64%.

As in the 2004/05 TDHS, the 2010 data show no significant difference by sex in the use of mosquito nets among children. By region, at least 60% of children in all Mainland regions except Mbeya slept under an ITN two weeks prior to the survey. The proportion ranges from a low of 51% in Mbeya to a high of 88% in Mwanza.

Figure 35: Percentage of Children Under Five Years of Age who Slept Under an ITN the Night Before the Survey, by Residence, 2004/05, 2007/08 and 2010
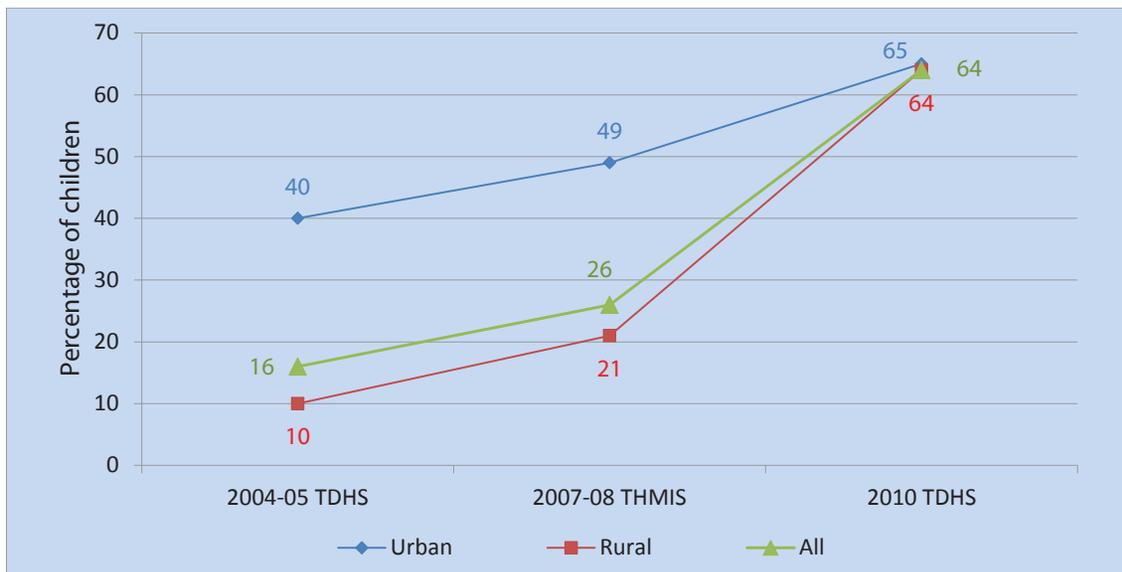
Sources: TDHS 2004/05; THMIS 2007/08; TDHS 2010.

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23 *m*RDTs have been rolled out to the following regions: Iringa, Kagera, Coast, Arusha, Manyara, Mbeya, Mwanza, Mara, Dodoma, Singida and Rukwa.

The challenge, however, is to maintain the high ITN coverage. Koenker et al., (2011) highlights the importance of continuous monitoring of the use of ITNs, improving the understanding of the impact of fluctuating ITN coverage on malaria ecology and epidemiology, and continuous surveillance of resistance to insecticides. The paper recommends administering a pilot of school-based distribution of ITNs to assess its impact on the ownership and use of nets at population level.

Other methods of distribution include the Tanzania National Voucher Scheme (TNVS), which focuses on pregnant women. The TNVS supplies vouchers to antenatal clinics and trains clinic staff on how to distribute the vouchers. It also recruits shopkeepers near each clinic to undertake retail distribution of ITNs. Each woman who attends antenatal clinic receives a discount voucher worth TZS 2,750 towards the purchase of an ITN. Using the voucher, recipients purchase ITNs by providing a "top-up" payment to the retailer equal to the gap between the voucher amount and the retail price, which generally ranges from TZS 3,000 to 5,000. At the age of nine months, children are given their own TNVS ITNs. Other net programmes are the Under-five Catch-up Campaign, which distributed nets at household level to all children under five years, and the Universal Coverage Campaign (UCC), which distributed LLINs to all households with the aim of covering every sleeping space.

No national studies have been conducted on health-seeking behaviour among Tanzanians but community-based results on treatment seeking from surveys carried out by Ifakara Health Institute (IHI) have shown an improvement in malaria treatment between 2004 and 2008 (Figure 36). This progress has been ascribed to improved access to malaria treatment and to better understanding within communities of the importance of prompt treatment. The proportion of fever cases treated with an anti-malarial increased from 86% to 96% over this period. However, no improvement was recorded in the adherence to the recommended dosage of malaria drugs.

Figure 36: Changes in Treatment-Seeking Behaviour from 2004 to 2008, Ifakara Demographic Surveillance Survey Area
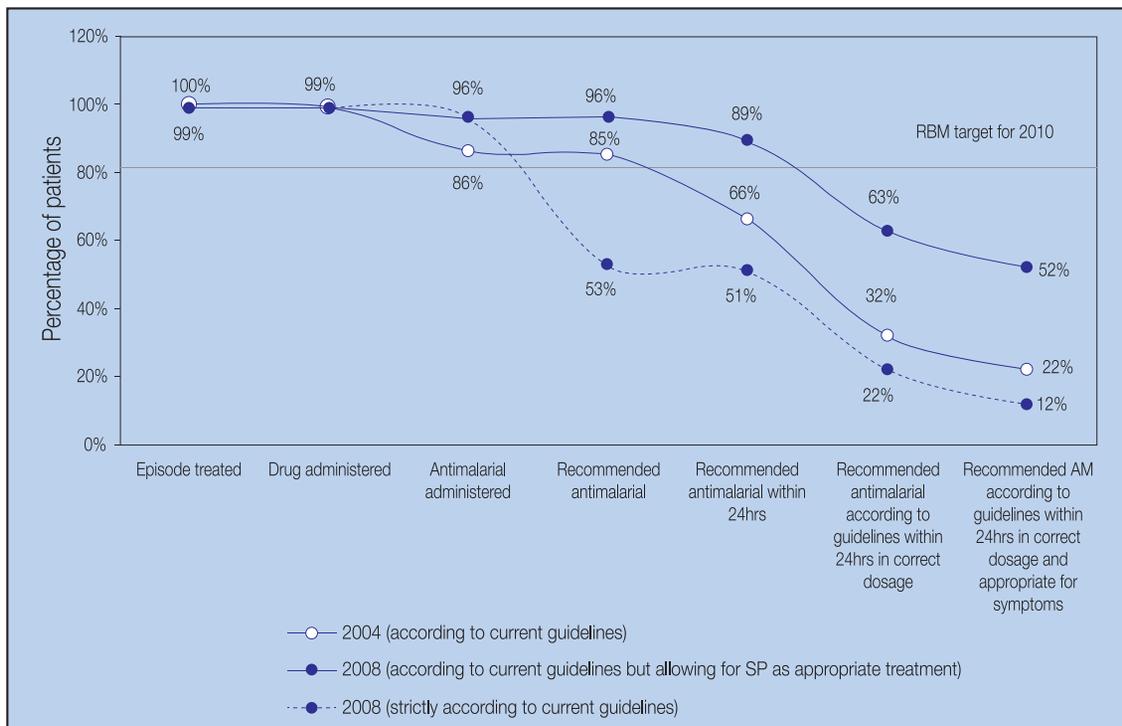
Source: Alba et al. (2010)

Moreover, the proportion of cases prescribed a recommended treatment in public health facilities was only 53% in 2008 because the first-line malaria drug, Artemether-Lumefantrine (ALu), was not widely available at facility level. Consequently, some patients sought treatment in private health facilities. Efforts are needed to improve the availability of ALu in public health facilities and patient adherence to treatment regimens.

Figure 37 shows that the percentage of children under five years who were reported to have had a fever in the two weeks prior to the survey fell from 24% in 2004/05 to 19% in 2007/08. However, according to THDS 2010 data, the trend reversed upwards after 2007/08, particularly among urban children, despite the increased use of bed nets. The increase in fever cases as reported in the TDHS 2010 is most likely due to an increase in other causes of fever and to population growth, especially in urban areas. The data could also be reflecting seasonality in the incidence of fever arising from survey data collection during the wet and/or dry seasons.

Figure 37: Percentage of Children Under Five Years of Age with Fever in the Two Weeks   Prior to a Survey, by Residence, 2004/05, 2007/08 and 2010
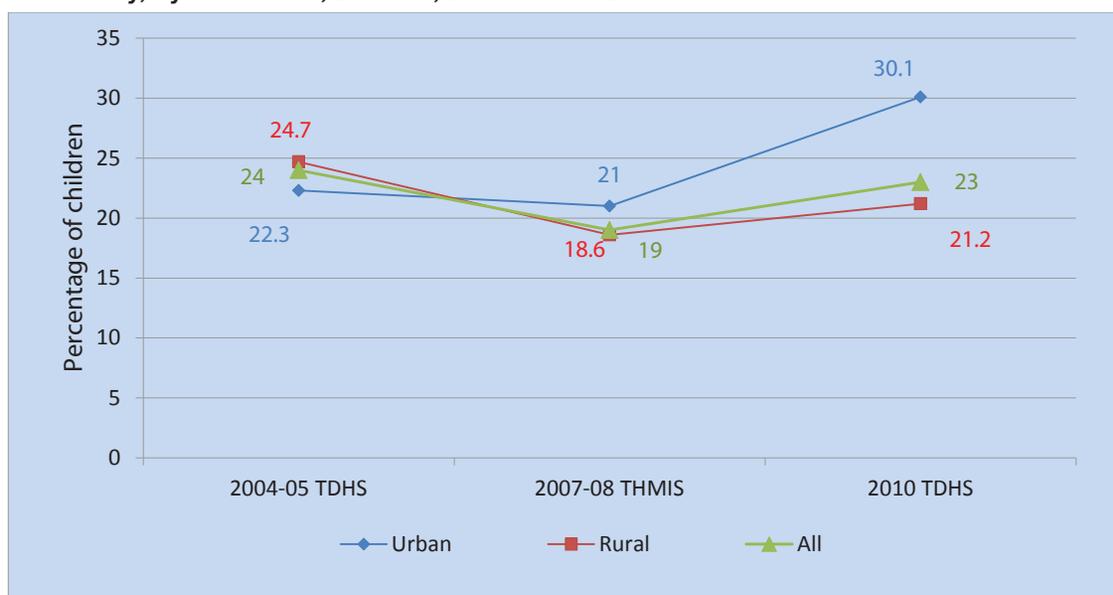
Sources: TDHS 2004/05; THMIS 2007/08; TDHS 2010.

A study by Alba et al., (2011) of data from the Ifakara Demographic Surveillance System showed that, between 2005 and 2008, community-reported fever incidence rates in children under the age of five years declined from 4.9 to 3.2 average cases (a 34% decline) per child per year, whereas convulsions, a marker of severe malaria morbidity in children, decreased from 4,263 to 2,320 cases (a 46% decline) for every 100,000 children per year. The decrease in the community fever rates was paralleled by a decrease in fever rates in health facilities. However, the number of fever cases seen in health facilities did not change because of population growth.

Immunisation Coverage

The specific MKUKUTA indicator for immunisation is the coverage of the diphtheria, pertussis, tetanus and hepatitis B (DPT-Hb3) vaccine. According to the World Health Organisation (WHO), a child is considered fully vaccinated if he or she has received a Bacillus Calmette Guerin (BCG) vaccination against tuberculosis, three doses of DPT vaccine to prevent diphtheria, pertussis and tetanus, at least three doses of polio vaccine, and one dose of measles vaccine. These vaccinations should be received during the first year of life.

The 2010 TDHS collected information on the coverage for these vaccinations among children born in the five years preceding the survey. However, the 2010 TDHS provides information on immunisation coverage only for DPT; data on DPT-Hb3 coverage was obtained from the Expanded Program of Immunisation (EPI). The data indicate an increase in vaccination coverage from 71% of children aged 12-23 months fully immunised in 2004/05 to 75% in 2010. Only 2% of children have not received any vaccination. Looking at coverage for specific vaccines, 95% of children have received the BCG vaccination, 96% the first DPT dose and 97% the first polio dose (Polio 1). Coverage declined for subsequent doses; 88% of children received the recommended three doses of DPT and 85% received all three doses of polio. Therefore, dropout rates – i.e., the proportion of children who receive the first dose of a vaccine but do not go on to get the third dose – were 8% for DPT and 12% for polio. The proportion of children vaccinated against measles was 85%.

Examination of the data for the specific MKUKUTA indicator shows the same upward trend in coverage. Figure 38 shows the trend since 2001 in DPT-Hb3 coverage among children aged 12 months. The coverage reached a peak of 94% for all three doses. However, this was followed by a steady decline to 83% by 2007. Coverage rates stabilised around 85% in 2008 and 2009, prior to a sharp increase in coverage to about 91% in 2010.[24]

Factors that have contributed to the recent increase in coverage include the implementation of the Reaching Every Child (REC) strategy, which helped in reaching children who had missed out on vaccination, and strengthened supportive supervision of the EPI at district level with close supervision of poor performing districts. The drop in previous years was due to the introduction of integrated health services, which transferred responsibility for the EPI to councils. EPI became one of many competing priorities and was not given the attention it deserved.

Figure 38: Coverage of DPT-Hb3 Vaccine in Children Aged 12 Months
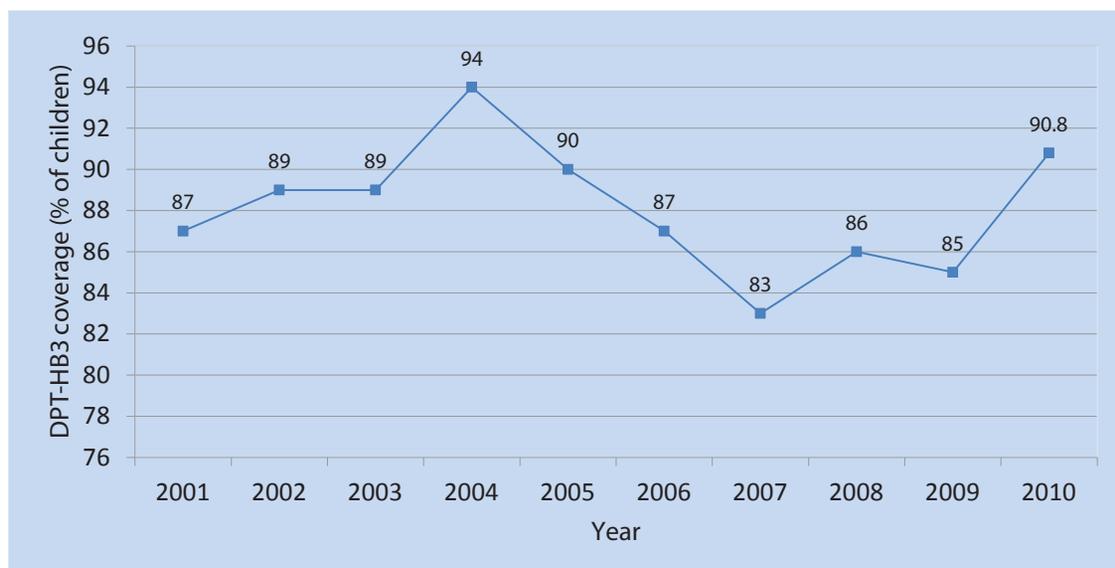
Source: Routine data from the Expanded Program on Immunisation, July 2011

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24 Note that from 2009, the DPT-HB vaccine was combined with another vaccine for Haemophilius Influenza type B to make a total of five antigens in one dose. The new combined vaccine is DPT-Hb-Hib. Since the name was too long, the Expanded Immunisation Program is using the name Pentavalent (Penta) a name given to a combination of five antigens. So, EPI data for 2010 onwards will report the number of children who receive Penta3 not DPT-Hb3.

The MKUKUTA target of reaching 85% DPT-Hb3 vaccination coverage has been reached, and, overall, Tanzania is performing much better in immunisation coverage compared to its neighbours in the region. However, greater coverage could be achieved if regions with low coverage were targeted.

Child Nutrition

Malnutrition of children is a serious problem in Tanzania, a manifestation of not only poverty and food insecurity but also of the poor nutrition of reproductive-age women. The consequences of malnutrition in children are multiple and grave. It increases the susceptibility to and severity of illnesses, undermines physical and cognitive development, and impairs learning. The effects of malnutrition have life-long detrimental effects on individuals' health and livelihood outcomes, eroding human potential and reducing productivity. On average, Tanzanian children in rural areas suffer substantially higher rates of malnutrition than urban children. However, averages mask intra-location differences and the situation of the poorest urban children may be even worse.

With respect to malnutrition, the specific MKUKUTA indicator is the proportion of children under five years of age who are moderately or severely stunted (low height-for-age). Height-for-age is a linear measure of human growth, and stunting indicates cumulative inadequacies of health or nutrition. Stunting reflects failure to receive sufficient nutrition over a long period and is typically associated with poor economic conditions, chronic or repeated infections and illnesses, and inadequate nutrition intake. Height-for-age, therefore, represents a measure of the long-term effects of malnutrition within a population and does not vary much across seasons.

It is important to note that, in 2006, the World Health Organisation released new standards for assessing the growth and development of children from birth to five years of age (WHO, 2006). The shift from the National Centre for Health Statistics (NCHS) international growth reference, which was based on a longitudinal study of children of European ancestry from a single community in the United States, to the WHO Child Growth Standards reference based on primary data from six countries (Ghana, India, Oman, Norway, Brazil and the United States) means that pre-2006 TDHS data are not comparable with post-2006 data such as TDHS 2010. The change of reference has direct implications for nutritional indicators and targets. The MKUKUTA target will need to be revisited given that levels of malnutrition were under-estimated under the previous standard (de Onis et al., 2006).

Trends in nutritional status of children for the period 1999 to 2010 as presented in TDHS 2010 are shown in Figure 39. For the purpose of assessing trends, the data for 2010 were recalculated using the NCHS/CDC/WHO reference point. Data show a downward trend in the percentages of children who are stunted and underweight. Stunting declined sharply (by 6 percentage points) between 1999 and 2004/05, but only slightly (by 3 percentage points) between the 2004/05 and 2010 surveys. A similar pattern is observed for underweight, which dropped by 7 and 1 percentage points, respectively. The prevalence of wasting has remained basically the same in Tanzania for the past 10 years.

Figure 39: Nutritional Status of Children Under Five Years of Age, 1999-2010
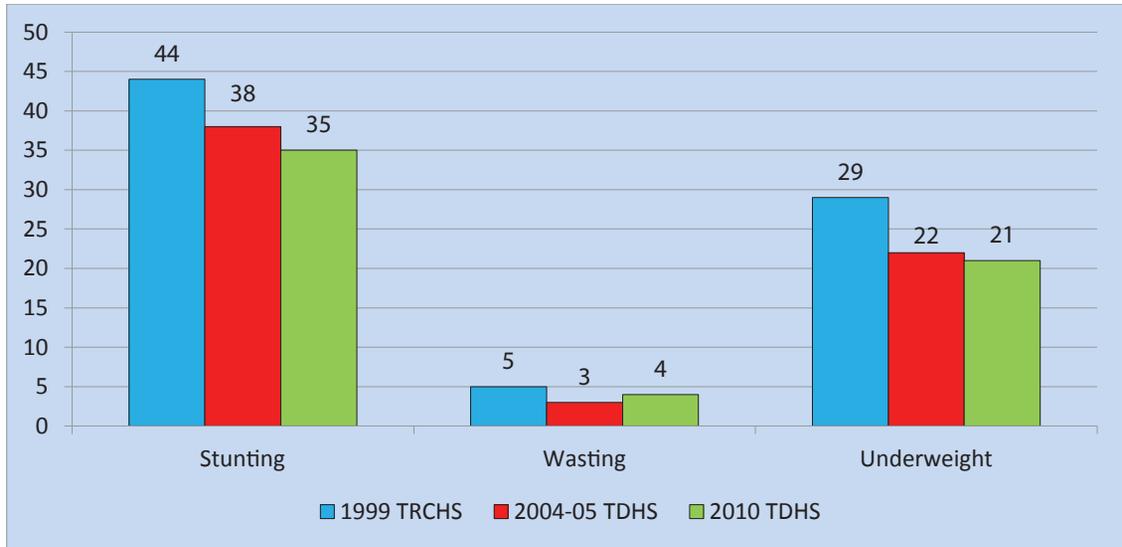
Source: TDHS 2010 data based on NCHS/CDC references

Using the new WHO reference for child growth reveals that the nutritional status among Tanzanian children is even more alarming. Figure 40 shows that a majority of regions have stunting levels that are very high (over 40% of children). Only in Dar es Salaam is the rate of stunting less than 20%, but this average masks the disparities within the region.

Figure 40: Stunting of Children Under Five Years of Age, by Region, 2010
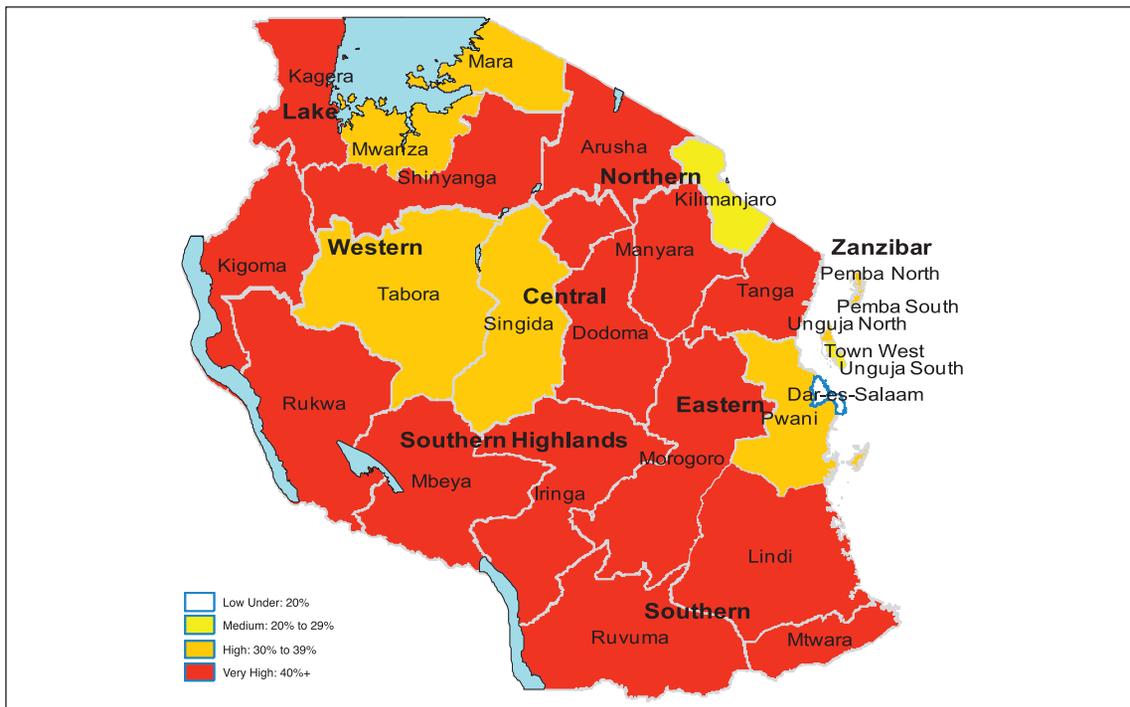
Source: Prepared by UNICEF with TDHS 2010 data (using the WHO Child Growth Standards reference)

Overall, nutritional data show negligible improvement in stunting for the past five years, and levels far exceed the MKUKUTA target of 20% by 2010. It is thus imperative to put nutrition high on the development agenda by ensuring effective implementation of the National Nutrition Strategy at district level, and the active participation and coordination of all relevant Ministries, especially those in health, agriculture, community development and education.

The greatest damage to children from poor nutrition occurs during pregnancy and up to two years of age. Therefore, interventions to protect the health and improve the nutrition of women during pregnancy need to be prioritised as well as services that have the greatest impact on the nutrition and survival of young children, especially promotion of exclusive breastfeeding and complementary feeding practices.

Maternal Health

The TDHS 2010 estimated that the maternal mortality ratio (MMR) during the ten-year period prior to the survey at 454 deaths per 100,000 live births, somewhat lower than the estimates in the 2004/05 TDHS (578 maternal deaths per 100,000 births) and the 1996 TDHS (529 maternal deaths per 100,000 births). For comparative purposes, a study of international trends in maternal mortality estimated the MMR in Tanzania in 2008 to be higher at 790 deaths per 100,000 live births. Tanzania was one of eleven countries that accounted for 65% of maternal deaths globally in that year (WHO, UNICEF et al., 2010).

Given that only infrequent estimates of maternal mortality are available, MKUKUTA also monitors the proportion of births attended by skilled health workers to assess progress in provision of maternal health services. Table 10 shows the results for 2004/05 and 2010. In 2010, skilled birth attendance was estimated at 50%, up marginally from 47% in 2004/05. Nevertheless, data on institution-based deliveries should be interpreted cautiously. Given the current shortage of health providers, some deliveries at health facilities are likely to be attended by unskilled staff.

Table 10: Proportion of Births Attended by a Skilled Health Worker and Deliveries at Health Facilities, 2004/05 and 2010, by Mother's Characteristics[25]

	Assisted Delivery		Delivery at Health Facility	
	DHS 2004/05	DHS 2010	DHS 2004/05	DHS 2010
Mainland Tanzania	**46%**	**51%**	**47%**	**50%**
Residence				
Urban	81%	83%	81%	83%
Rural	39%	42%	39%	42%
Mother's education				
None	33%	34%	32%	34%
Primary incomplete	42%	43%	42%	43%
Primary complete	53%	56%	53%	56%
Secondary+	85%	86%	85%	85%
Wealth Quintile				
Poorest	33%	33%	32%	33%
2nd	37%	36%	37%	36%
3rd	39%	47%	39%	46%
4th	54%	63%	54%	63%
Least poor	87%	90%	86%	90%

Sources: TDHS 2004/05 and 2010

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25 Skilled health workers include Doctor/Assistant Medical Officer (AMO), Clinical Officer, Clinical Assistant, Nurse/Midwife, or Maternal and Child Health (MCH) Aide.

By place of residence, the number of urban women who delivered in health facilities was almost double the number of rural women (83% compared to 42%). Disparities by education of the mother and household wealth status are even more pronounced; 86% of women with secondary education had skilled assistance at delivery compared to only 34% with no education, and 90% of women from households in the least poor quintile received skilled assistance compared with 33% from the poorest quintile. The rate of skilled attendance corresponds closely to the proportion of births delivered in a health facility (Table 10).

Figure 41 shows the percentage of births delivered in health facilities by region. Dar es Salaam, Kilimanjaro, and Ruvuma regions are leading with 90%, 87% and 86% of deliveries respectively, while Rukwa, Shinyanga, Kigoma and Mara regions all had rates of 33% or lower. Comparing with THDS 2004/05 data, the rate of facility-based birth fell by over 5 percentage points in four regions: Shinyanga (45% to 33%); Tabora (54% to 46%); Rukwa (37% to 30%) and Kigoma (39% to 33%). Positively, four regions recorded increases of over 10 percentage points: Morogoro (46% to 58%); Kilimanjaro (70% to 87%); Kagera (32% to 54%); and Pwani (43% to 73%).

Figure 41: Percentage of Births Taking Place in a Health Facility, by Region, 2010
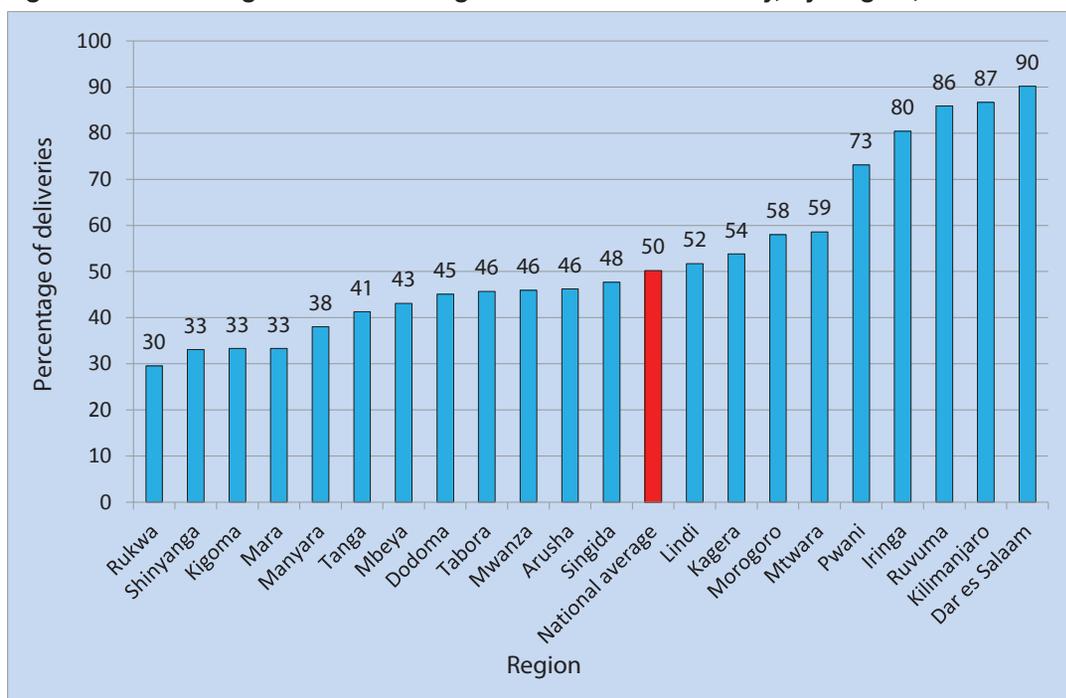
Source: TDHS 2010

Factors contributing to poor maternal healthoutcomes are many-fold. They include:

- Poor nutrition, malaria and high workloads among expectant mothers
- Low utilisation of family planning and teenage pregnancies (which carry a higher risk of complications);
- Long distance to delivery facilities and poor emergency referral systems;
- Lack of quality obstetric care at facilities, in terms of access to skilled health workers at delivery capable of providing life-saving procedures; inadequate supplies of essential equipment, supplies and drugs; and high out-of-pocket delivery costs for women (including purchase of essential medical supplies) even though the policy states that these services should be free (URT, 2010f).[26]

26 The Health Sector Strategic Plan III July 2009-June 2015 states that "at the district level, exemption mechanisms for fee paying for pregnant and delivering women are in place and will be adhered to." (URT, 2008c, p. 48) However, "One Plan" notes a weakness in provision of maternal healthcare is the poor interpretation and implementation of the exemption policy. To address this problem, clear guidelines on the exemption policy must be available and posted at all facilities providing maternal services (URT, 2008b).

The National Road Map (Strategic Plan) to Accelerate Reduction of Maternal, Newborn and Child Deaths in Tanzania ("One Plan") launched in 2008 aims to reduce maternal mortality by three-quarters from 578 to 193 deaths/100,000 live births and neonatal mortality to 19 deaths/1,000 live births by 2015 (URT, 2008b). One of the key operational targets is increasing coverage of births by skilled birth attendants from 46% to 80%. So far only a marginal increase to 51% was achieved in 2010. Effective implementation of the plan through increased investment in identified priority actions is required if the 2015 targets are to be achieved. The biggest challenge is in strengthening the capacity of the health system to provide quality delivery and post-natal care, which are prerequisites for reducing and ultimately preventing maternal and newborn deaths. MKUKUTA II has underscored the importance of greater investment in training health providers, reducing fertility rates, improving access to maternal and neonatal health services, bolstering child health and nutrition, and addressing HIV and AIDS (URT, 2010f).

HIV and AIDS

HIV Prevalence

The 2007/08 THMIS indicated that HIV prevalence in adults (15-49 years) had declined since 2003/04 across most age groups and among both males (from 6.3% to 4.7%) and females (7.7% to 6.8%). A new THMIS will be available in 2012. However, while the decline in national prevalence indicates a positive trend in combating the epidemic, it masks major epidemiological disparities. By residence, urban populations have a greater proportional disease burden with a prevalence of 8.7% among men and women in urban areas compared with 4.7% in rural areas.

In Tanzania, as elsewhere in sub-Saharan Africa, it is increasingly recognised that men's sexual behaviour has fuelled the HIV epidemic (Gupta, 2002; Dunkle & Jewkes, 2007). The TDHS 2010 found that 21% of men had two or more sexual partners in the 12 months prior to the survey compared with only 3.6% of women. Among the men who had multiple sexual partners, only 24% reported using a condom during their last sexual intercourse. Tanzanian men typically have greater power in sexual relationships and women, especially young women, may be urged or forced to have sex. In the TDHS 2010, 10% of women aged 15-49 years reported that their first sexual intercourse was forced against their will, and 20% of women reported that they had experienced sexual violence. Data disaggregated by marital status show that divorced, separated and widowed women were at the greatest risk of sexual violence.

Women's greater vulnerability to HIV infection is clearly reflected in the THMIS 2007/8. The prevalence rate among women is 6.8% compared with 4.7% among men. This disparity is even more pronounced in urban areas; prevalence among urban females is 10.6% compared with 6.4% among urban males. This disparity holds but to a lesser degree in rural areas where 5.3% of women and 4.0% of men tested HIV-positive. To arrest the spread of the virus, HIV prevention programmes must fully and actively engage men to reduce the incidence of gender-based violence and high-risk sexual behaviour.

HIV and AIDS Care and Treatment

The specific MKUKUTA indicator to measure the national status on HIV and AIDS care and treatment is the number of persons with advanced HIV infection receiving ARV combination therapy. Advanced HIV infection is defined as a CD4 count below 200 or WHO stage 4 of the disease. Tanzania has not

yet adopted the WHO recommendation of a CD4 count of 350 or less as an eligibility criterion for ART. By 2010, no MKUKUTA target for this indicator had been established. Nevertheless, the Health Sector HIV and AIDS Strategic Plan (2008-2012) did set a target of 440,000 persons by 2010 (URT, 2008d).

Up to December 2010, the number of health facilities providing and reporting HIV care and treatment services was 825. The cumulative number of clients enrolled in HIV care at that date was 740,040. Of those enrolled, a total of 384,816 were on ART (Figure 42), which is short of the target set by the Strategic Plan. Moreover, this is a cumulative figure, significantly higher than the current number of persons receiving ART (July to September 2010), which was 244,148 as reported by the National AIDS Control Programme (URT, 2011c).

Figure 42: Cumulative Number of Adults and Children Enrolled in HIV Care and on ART, 2008-2010
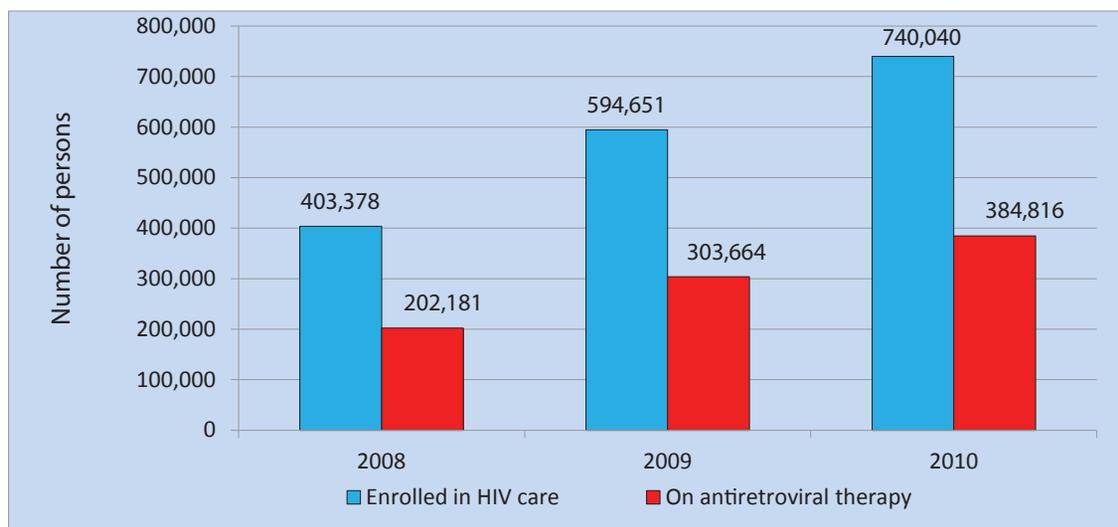
Source: URT (2011c)

Using cumulative numbers to estimate people on ART is problematic as some individuals may have dropped out and others died. Hence, the cumulative number is higher than the population actually receiving ART at any point in time. Hence, NACP has computed treatment indicators derived from traditional cohort analyses which are based on life-tables through the assessment of survival and loss to follow-up at 12, 24 and 36 months after the start of ART. Table 11 shows that a significant percentage of patients on ART are still alive and continuing with treatment 36 months after commencing treatment.

Table 11: Indicators for HIV Treatment in Tanzania

Indicator	Explanation	Results (Adults)			Results (Children)		
Percentage of adults and children with advanced HIV infection receiving antiretroviral therapy	Estimated for adults only	55.2%			Not available		
Percentage of adults and children with HIV known to be on treatment 12 months after initiation of antiretroviral therapy	Estimated for three yearly cohorts	2005 **78%**	2006 **74%**	2007 **76%**	2005 **83%**	2006 **79%**	2007 **82%**
Percentage of adults and children with HIV known to be on treatment 24 months after initiation of antiretroviral therapy	Estimated for two yearly cohorts	2005 **70%**	2006 **65%**		2005 **77%**	2006 **72%**	
Percentage of adults and children with HIV known to be on treatment 36 months after initiation of antiretroviral therapy	Estimated for one yearly cohort	2005 - **63%**			2005 - **72%**		

Source: URT (2011c)

Mother-to-Child Transmission of HIV

As of early 2007, only 10% of health facilities in Tanzania were providing the core components of prevention of mother-to-child transmission of HIV (PMTCT), and an estimated 12% of HIV-positive pregnant women were receiving ARV prophylaxis. The core components include:

- Primary prevention of HIV among women of childbearing age and their partners. The focus is on providing information and testing and counseling to prevent HIV transmission.
- Prevention of unintended pregnancies among women living with HIV, which can be achieved through access to family planning services for these women and their partners.
- Prevention of vertical transmission of HIV from mothers to their infants, which can be achieved through interventions that reduce the risk of mother-to-child transmission.
- Provision of treatment, care and support to women living with HIV and their partners, infants and families, through a continuum-of-care approach.

In response to the need for greater access to PMTCT services, the Government of Tanzania, under its Health Sector HIV and AIDS Strategic Plan 2008-2012 intends to increase the percentage of HIV-positive pregnant women who receive ARV prophylaxis from 34% in 2007 to at least 80% by 2012(URT, 2008d).

The PMTCT program has been scaled up rapidly over the last four years. The number of reproductive and child health clinics that are providing PMTCT as an integral part of comprehensive antenatal care (ANC) services has increased dramatically. Data from the Ministry of Health and Social Welfare show

that by December 2010, about 4,301 facilities out of 4,647 (92%) that provide antenatal care also provide PMTCT services.

Consequently, the number of HIV-positive pregnant women who received ARV prophylaxis rose from 70,944 in 2008 to 79,579 in 2010, indicating increased access to and uptake of ARV prophylaxis (Figure 43). In addition, the number of infants who received ARV prophylaxis increased from 41,347 in 2008 to 64,895 in 2010. A similar trend is observed in the proportions of HIV-positive pregnant women tested at ANC and labor and delivery (LD) against the estimated number of HIV-infected women in the total population. A sharp increase for this indicator from 55% in 2008 to 76% in 2010 was recorded.

Figure 43: Trend in Performance on PMTCT Program Core Indicators, 2008-2010
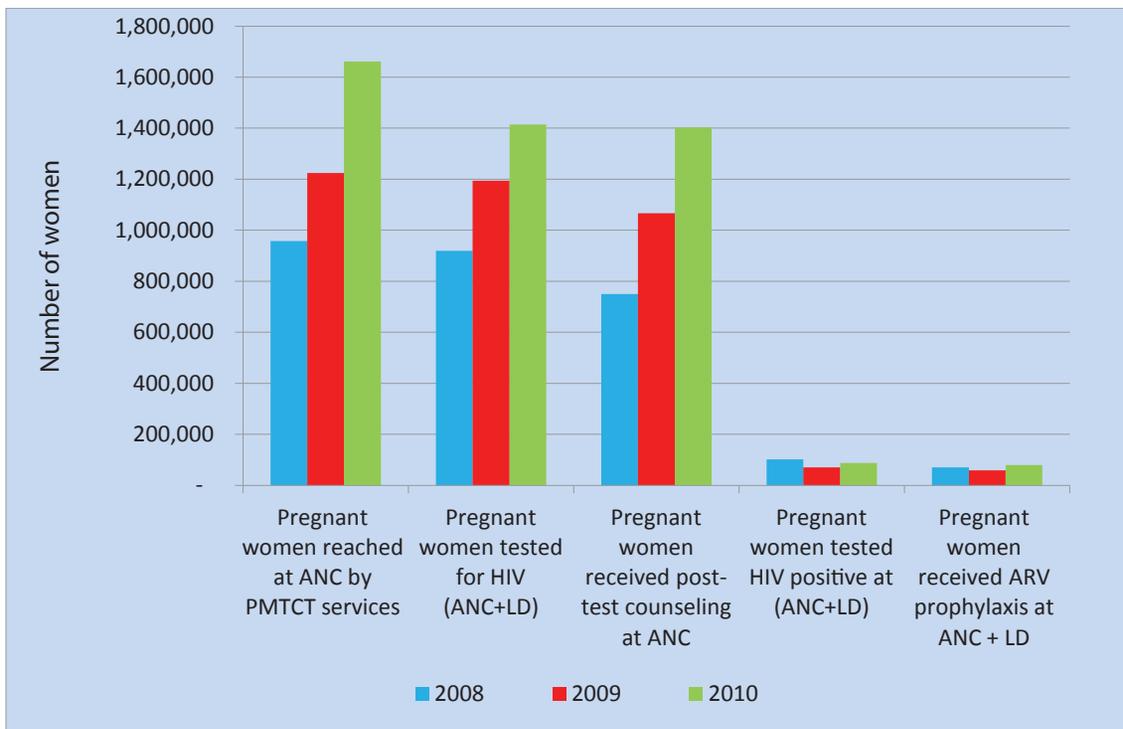
Source: URT (2011c)

Despite the achievements to date in increasing access to ARV, there is no room for complacency. Several areas merit immediate attention to ensure more effective prevention of HIV transmission and to enhance the health of people living with HIV and AIDS.

- For successful ARV prophylaxis both mother and child need to receive ARVs, but infants' access to ARV in Tanzania is much lower than mothers' access largely due to low in-facility delivery rates. As mentioned earlier, strategies to increase facility-based births have to be intensified.
- The regimen that is used for ARV prophylaxis in many health facilities is single-dose Nevirapine which is not efficacious compared to a combination regimen. Although it takes extra resources, the Government should seriously consider phasing out the single-dose Nevirapine regimen.
- The new WHO recommendations for provision of prophylaxis to HIV-infected pregnant mothers need to be adopted (WHO, 2010). The recommendations represent a significant shift from current practice

including: revision of the CD4 threshold for the initiation of ART; the time for initiation and duration for ARV prophylaxis for PMTCT; and a more effective treatment and prevention regimen. The new recommendations also call for the extension of breastfeeding up to 12 months for infants of HIV-positive mothers.

Tuberculosis Control

The tuberculosis (TB) treatment success rate has improved consistently from 2003. The TB treatment success rate is defined as the number of patients who successfully completed treatment as a proportion of total cases diagnosed. New data from the National TB and Leprosy Program show an increase in the treatment success rate from 81.3% in 2003 to 88% in 2008 (Figure44). No target was set under MKUKUTA, however, the programme has surpassed the global target of 85% as well as the 2015 Health Sector Strategic Plan III (HSSP III) target of 82% (URT, 2008c). In addition, the majority of regions have also surpassed the HSSP III target. The challenge is to sustain these high rates.

Another major challenge is to increase the TB notification rate. On average, Tanzania is estimated to detect about 59% of all TB cases and notification rates are less than 50% in most regions (URT, 2010g). This means that there is always a large undetected reservoir of infected people in the community who continue to transmit TB, thus perpetuating the epidemic. A total of 64,267 cases of TB were notified in 2009. Of these, 56,388 were counselled and tested for HIV status representing 87.5% of all TB cases. About 37.2% out of the tested TB cases were found to be co-infected with HIV down from 41% in 2008 (URT, 2010g). This decline is most likely a reflection of the decline in national HIV prevalence as noted in 2007/08 THMIS.

Figure 44: Tuberculosis Treatment Completion Rate, 2003 – 2008
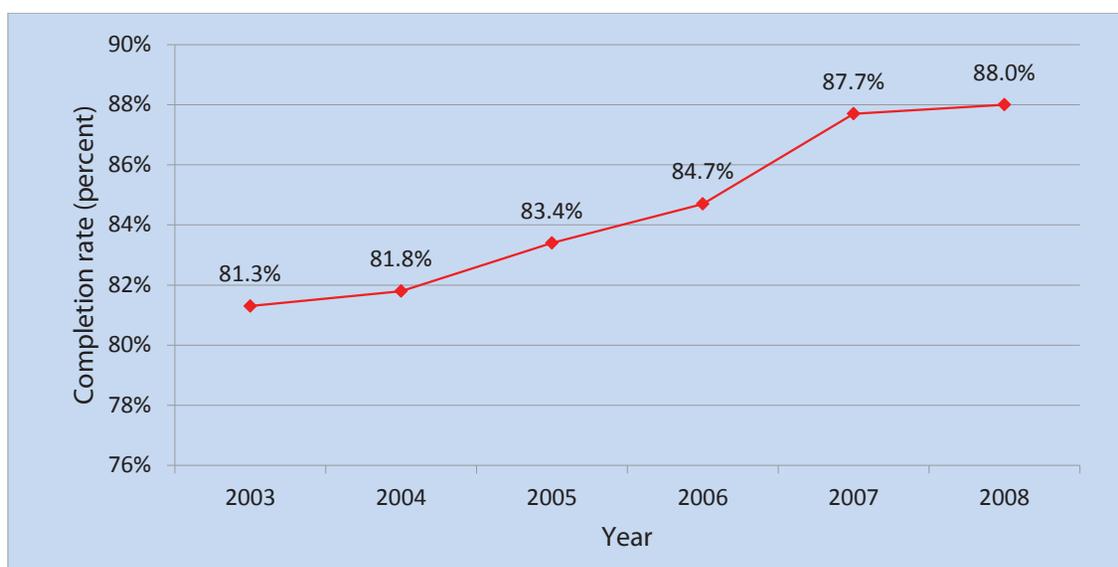
Source: URT (2010g)

Health and nutrition – Conclusions and Policy Implications

The Government is committed to improving health services but the challenge is to ensure a balanced allocation of limited resources across many competing priorities in the health sector and initiatives in other core sectors that impact on the well-being of Tanzanians. Financing water and sanitation, education, and agriculture are equally vital. There are many other issues to address in the health sector including: weak management systems; poor quality of care; lack of access to services by the very poor; a growing burden of non-communicable diseases (NCDs), such as diabetes and heart disease; and the continuing burden of communicable diseases. All of these issues have resource implications. The health system also faces a critical shortage of skilled workers, difficulties in attracting and retaining workers to under-served areas (continued recruitment and transfers to better served districts), high absenteeism, and poor productivity.

Thus, efforts should be made to increase expenditures on strengthening the health system at large but also on specific intervention, such as child and maternal health and nutrition, as stipulated in MKUKUTA II. Greater attention also needs to be paid to equity and quality in the delivery of health and nutrition services in order to minimise the disparities between the rich and poor, between regions, and between urban and rural areas in access to and use of social services.

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

The policy, institutional, legal and regulatory frameworks governing the water sector took a strategic turn with the adoption of the National Water Policy of 2002. This was followed by the development and approval of the National Water Sector Development Strategy (NWSDS) 2006-2015, the Water Sector Development Programme (WSDP) 2006-2025 (URT, 2006b), the Water Resources Management Act No. 11 of 2009 and the Water Supply and Sanitation Act No. 12 of 2009. These reforms have started yielding tangible results reflected in both routine and survey data.

Progress on water and sanitation under this goal is measured through the following indicators:

- Proportion of population with access[27] to piped or protected water as their main drinking water source
- Percentage of households with basic sanitation facilities; and
- Percentage of schools having adequate sanitation facilities (as per the Education Policy).

Each of these indicators is discussed below.

Access to Clean and Safe Water

Proportion of Population with Access to Piped or Protected Sources of Water

Access to improved sources of water (piped water, protected wells and protected springs) is vitally important to the health and well-being of the population as the use of un-improved sources (unprotected wells, rivers or streams, ponds, lakes or dams) is directly related to transmission of waterborne diseases, such as diarrhoea and dysentery.

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27 A 30-minute time frame spent on going to, collecting and returning is to be taken into consideration.

The routine data system (coordinated by the Ministry of Water) and national surveys (coordinated by the National Bureau of Statistics) are the main data sources for assessing performance in the water and sanitation sector. While routine data measure progress on access to services resulting from investment in water infrastructure throughout the country, surveys measure the actual use of water infrastructure, thus revealing over- or under-utilisation of infrastructure relative to the installed capacity of the system. Analysis of these different measurements is essential for making informed decisions.

Figure 45 presents routine and survey data on access to water supply in urban and rural areas from 2007 onwards. According to the HBS 2007 and TDHS 2010, water supply services in rural areas increased by 7.5 percentage points from 40.4% in 2007 to 47.9% in 2010, indicating that the Water Sector Development Program, which commenced in 2007 is starting to yield results. A marginal improvement is also reflected in the routine data for rural areas where access to safe and clean water increased by 1.6 percentage points from 57.1% in 2007 to 58.7% in 2009. However, this declined to 57.8% in 2010 due to the drying off of water sources as a result of droughts over 2008/09, and the discontinuation of quick-win projects. In the 19 regional urban centres other than Dar es Salaam and Kibaha (which are collectively referred to as "other urban areas"), the coverage of water supply services increased from 80% in 2007 to 86% in 2010. However, the survey data for all urban areas indicated a negligible increase in water access from 80% in 2007 (HBS) to 81.2% (TDHS). Although the increase in access to water supply may be attributed to implementation of quick-win projects, progress was not fast enough to achieve the 2010 MKUKUTA targets of 65% for rural areas and 90% for urban areas.

Figure 45: Proportion of Population with Access to Water Supply and MKUKUTA Targets, by Residence, 2007/08-2010/11

Sources: HBS 2007 (URT, 2009c); TDHS 2010 (NBS & ICF Macro, 2011); Draft Water Sector Status Report (URT, 2011d).

Given that rural areas are considered more or less homogeneous, the analysis of survey data for rural areas raises no major complications. However, careful analysis of survey data for urban areas is required due to the differing definitions of "urban areas" across various surveys. While the 2007 HBS provides disaggregated data for Dar es Salaam (85.2%) and other urban centres (76.6%), the TDHS 2010 provides general data covering all urban areas, including Dar es Salaam (81.2%). These different definitions have made it difficult to assess progress in Dar es Salaam between the two surveys. The weighted average result of 80% in 2007 suggests that there was only a single percentage point increase in water supply services in urban areas from 2007 to 2010. Separation of Dar es Salaam from the 19 regional urban centres and township authorities under MKUKUTA II tries to solve this definition problem, which can be overcome if adopted by national surveys.

Time Taken to Collect Water

Analysis of the time spent in collecting water is of great importance; the less time that is required for water collection, the greater the time available for productive economic activities for adults as well as school attendance for children. Data from 2007 HBSand2010 TDHS indicate remarkable strides in the percentage of the population with access to water supply within 30 minutes, particularly in rural areas (Figure 46).

Figure 46: Percentage of Population with Access to Improved Sources of Water Within 30 Minutes, by Residence, 2004/05, 2007 and 2010
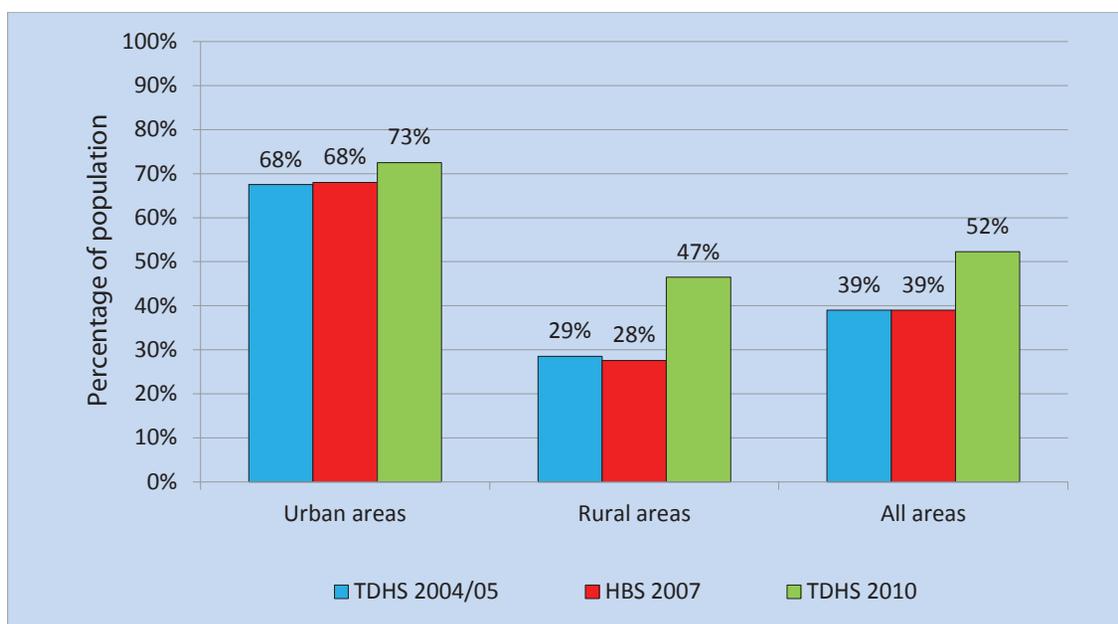
Sources: TDHS 2004/05 and 2010; HBS 2007

The proportion of the urban population with access to improved sources of water within 30 minutes increased from 68% in 2007 to about 73% in 2010, and the proportion of the rural population with access within 30 minutes increased from 28% in 2007 to 47% in 2010. Overall 52% of the entire population had access within 30 minutes as compared to 39% in 2007. However, as argued earlier, area definitions in the HBS and TDHS need to be aligned to enable more accurate comparison of future progress in water access.

Citizens' Satisfaction with Water Services

As reported in PHDR 2009, only 42% of Tanzanian citizens surveyed in Round 4 of the Afrobarometer survey in 2008 were satisfied with government efforts in providing water supply and sanitation services, a much lower proportion than the percentages of citizens satisfied with education (81%) and health services (64%). The impact of improvements flowing from the implementation of the Water Sector Development Programme on citizens' perceptions of water services will be able to be better assessed when results are available from the second round of the Views of the People survey and Round 5 of the Afrobarometer survey in Tanzania, which are both expected to be conducted in 2012.

Access to Basic Sanitation

Household Sanitation

The main sources of data on sanitation are household surveys, which report on the types of toilets and latrines used by households. As shown in Figure 47, the proportion of households with access to a ventilated improved pit (VIP) latrine or a flush toilet declined from 8% in 2007 to 6% in 2010. Furthermore, reversing the positive trend between 2004/05 and 2007, the use of traditional toilets declined from 85% in 2007 to 79% in 2010. Overall, the proportion of households with access to basic sanitation has declined from 93% in 2007 to 86% in 2010. Almost one in five households in rural areas has no access to a toilet.

The concerted efforts of all sanitation stakeholders in Tanzania – especially the key ministries identified in the Sanitation Memorandum of Understanding (Ministry of Health and Social Welfare, Ministry of Water, Ministry of Education and Vocational Training, and the Prime Minister's Office-Regional Administration and Local Government) – will be required to swiftly implement the planned national sanitation campaign, if the target for basic sanitation under MKUKUTA II of 95% by 2015 is to be reached from the current level of 86%.

Of further note, TDHS 2010 data for the first time distinguishes between "improved, not shared facilities" and "non-improved facilities". This categorisation into improved and non-improved facilities follows World Health Organisation guidelines (WHO & UNICEF, 2006). Latrines with washable slabs are classified as 'improved', and those without washable slabs as 'unimproved' as they do not provide effective prevention against disease. Based on this categorisation, only 12% of Mainland households have access to "improved, non-shared facilities", 74% use "non-improved facilities, and 14% do not have access to a latrine. These results clearly show the size of the challenge to provide hygienic and safe sanitation for all Tanzanians.

Figure 47: Household Access to Basic Sanitation, 2004/05, 2007 and 2010
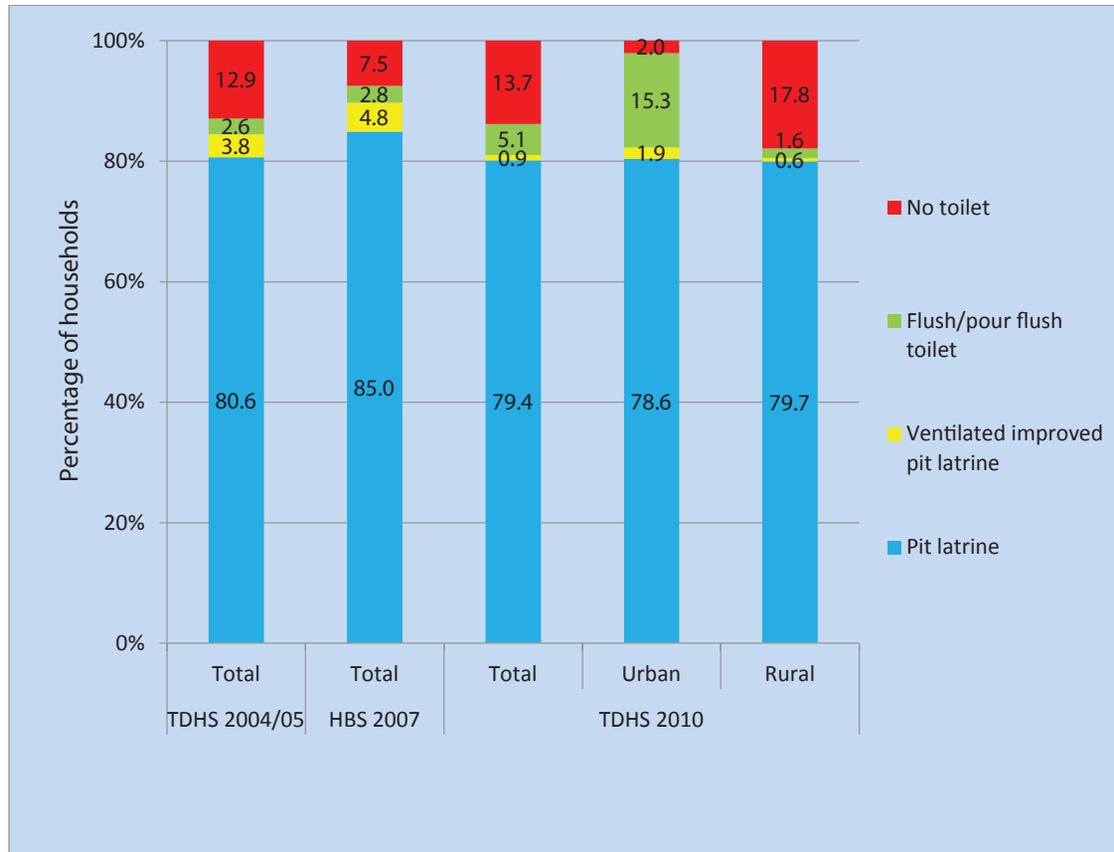
Sources: TDHS 2004/05 and 2010; HBS 2007

School Sanitation

The MKUKUTA I target for school sanitation requires that all schools meet the minimum standard of one latrine for every 20 girls and one latrine for every 25 boys. Lack of access to suitable sanitation facilities is a particular problem for girls, especially during menstruation. A lack of privacy or adequate hygiene facilities for girls can reduce school attendance and some girls drop out of school altogether (Sommer, 2009).

The most recent data on school sanitation comes from Basic Education Statistics in Tanzania (BEST) data collected by the Ministry of Education and Vocational Training (URT, 2011b, p. 46). Figure 48 presents the data on the pupil to pit latrine ratios (PLR) by region for 2011. The national average for the PLR is 53 pupils per latrine. Disaggregated by sex, girls' access to a latrine is marginally better than boys; the ratio for girls is 51:1, for boys it is 54:1. However, based on the MoEVT target, the PLR for female students is 2.5 times the recommended ratio. As Figure 48 also illustrates access to school sanitation varies markedly by region, from a PLR of 27:1 in Iringa region to 78:1 in Shinyanga.

Figure 48: Pupil to Pit Latrine Ratios, by Region, 2011

Region	Ratio
Iringa	27
Kilimanjaro	28
Rukwa	36
Manyara	37
Tanga	45
Mtwara	46
Ruvuma	48
Arusha	48
Pwani	49
Singida	51
Lindi	51
National average	53
Kagera	53
Mbeya	57
Morogoro	58
Dodoma	61
Mara	65
Kigoma	74
Dar es Salaam	74
Mwanza	75
Tabora	78
Shinyanga	78
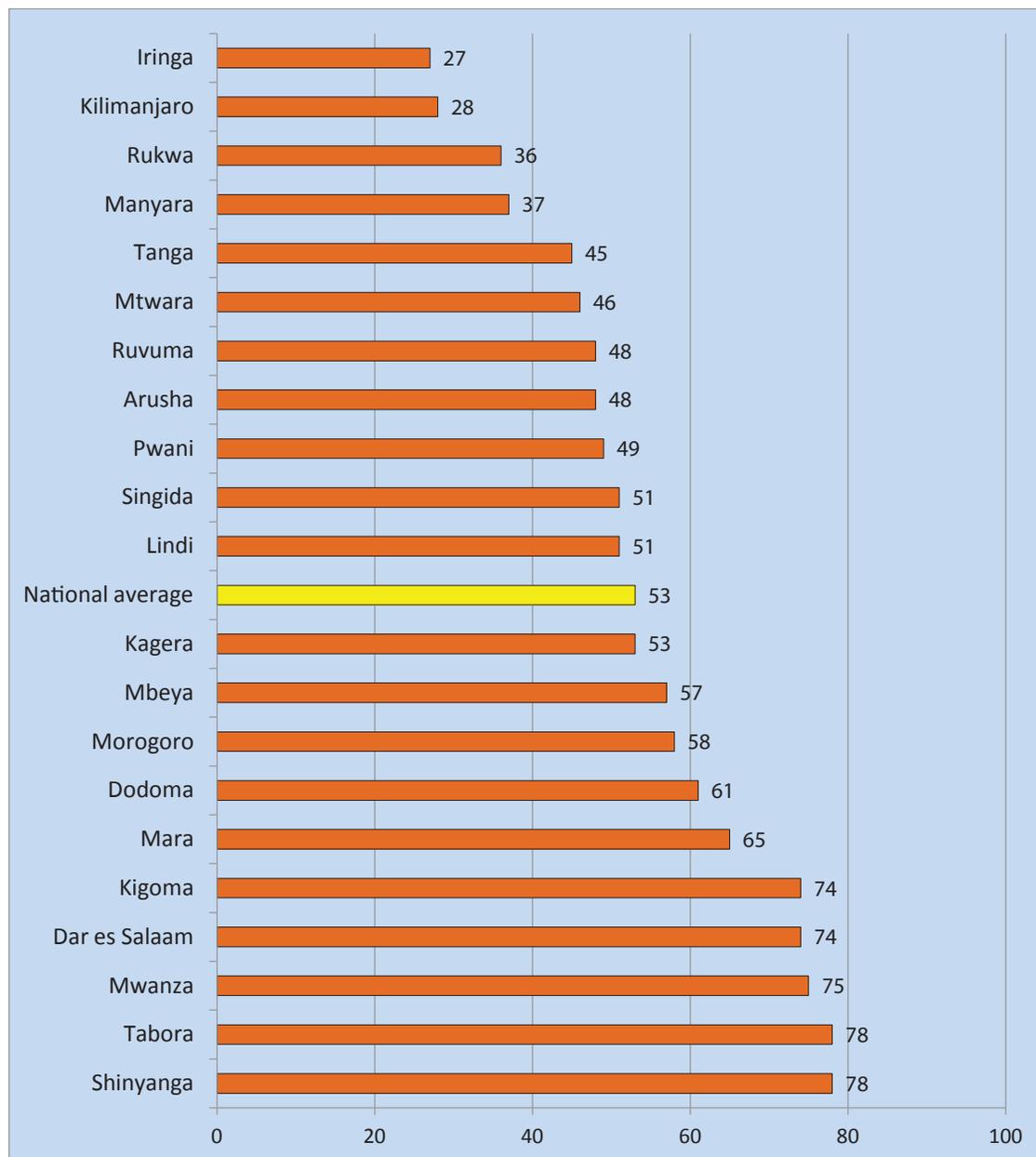
Source: URT (2011b, p. 46)

A more detailed examination of school water, sanitation and hygiene (WASH) mapping was conducted in 2,697 schools across 16 districts in 2009 (SNV, WaterAid & UNICEF, 2009). Although not completed at national level, the selection of the districts was done to produce a representative picture of all schools in Tanzania.

The study found that the situation of water, sanitation and hygiene provision in pre-primary, primary and secondary schools was alarming. Key findings in the schools surveyed were as follows:

- Only 11% met the MoEVT "minimum" standard of 20 girls and 25 boys per drop hole; 20% had more than 100 pupils per drop hole; and 6% had no latrines at all;
- 96% do not have facilities suitable for children with disabilities;
- 52% of girls' latrines did not have doors providing dignity and privacy;
- 92% were without functional hand-washing facilities with water;
- 99% did not have soap;
- 62% have access to piped or another protected water supply but this may not be regular or of sufficient quantity; and
- 60% of teachers reported they have not been trained in providing hygiene education.

These data further demonstrate why, despite the high level of basic household sanitation reported earlier, sanitation-related diseases remain prevalent in many parts of the country.

Some progress has been made with the signing of a Memorandum of Understanding between the four key ministries responsible for school sanitation – MoEVT, MoHSW, MoWI and the Prime Minister's Office for Regional and Local Government (PMO□RALG). A National Technical Working Group for school WASH (SWASH□TWG) is also being established (to be co□chaired by MoEVT and MoHSW), a national school WASH strategy is in final draft, and guidelines for school water supply sanitation and hygiene are to be piloted.

Financing and Equity Issues in the Water Sector

Over the first four years of WSDP implementation (2007-2011), an increasing proportion of resources for the water sector have come from development partners, while the percentage of local development financing for the sector has fallen rapidly. Local funds as a proportion of the total water sector development budget have declined from 57% in 2005/06 to 33% in 2008/09 and down to 10% in 2011/12 (Figures 49 and 50) resulting in an increased dependency on foreign sources of development financing.

Figure 49: Foreign and Local Development Financing to Water Sector, 2005/2006 to 2011/2012 (TZS Billions)
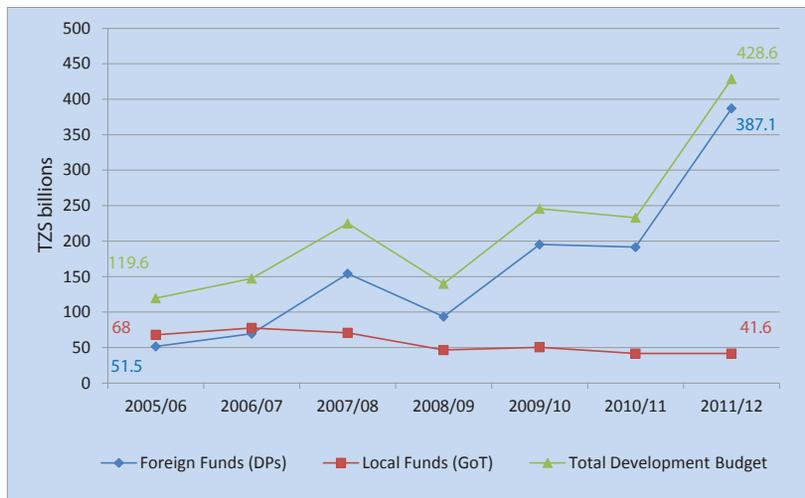
Source: Approved Development Budgets, 2005/06, 2006/07, 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12

Figure 50: Proportion of Local Funds in the Water Sector Development Budget, 2005/06-2011/12
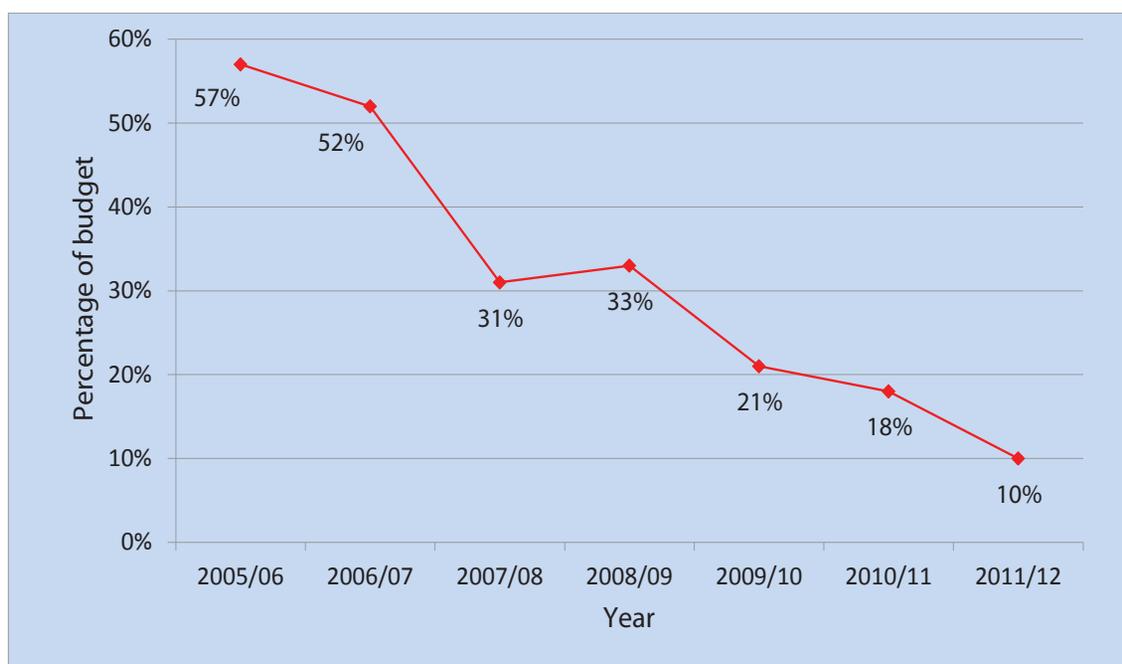
Source: Approved Development Budgets, 2005/06, 2006/07, 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12

This shrinkage in local funding has several implications for national water policy, including a shift in priority. This shift is more visible in the 2011/12 budget. While the government commitment to the WSDP was USD 128 million, the budget allocation is only USD 28 million for 2011/12. Although nearly 60% of WSDP funds for 2011/12 have been disbursed, the bulk of the monies have been used to pay for capacity-building tools, equipment and other working gear, paying consultants who are engaged in developing projects (including scoping studies, designs, drilling test boreholes and preparation of tender documents), and implementation of quick-win projects in rural and urban areas. However, meeting the revised WSDP targets by the close of the first phase of the programme in June 2012 will require a 100% disbursement of all commitments from development partners and the government. This is not feasible given the government's allocation of only USD 28 million in the 2011/12 budget, instead of the full outstanding commitment of USD 128 million. This clearly compromises the achievement of WSDP targets by 2012.

Under the WSDP, more funds are expected to be channeled through basket funding as one of the measures to enhance equity (as distinct from funds earmarked for specific projects). By June 2011, about 62% of the WSDP commitments were disbursed. However, as Figure 51 shows, the largest share of the funds released to date is for earmarked projects. This highlights the challenge of achieving greater equity in the provision water services. Moreover, the rural share in the development budget for water supply and sanitation services is only 36% compared with 64% for urban areas.[28] In the actual implementation, urban areas have so far received 61% of the total development funds disbursed to the water sector. This is unfair because three-quarters of Tanzanians live in rural areas.

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28   Calculations based on analysis of development funds allocated for integrated water resources management and institutional and capacity development (component 1 and 4 of WSDP, respectively).

Figure 51: WSDP Disbursements for FY 2011/12, by Source of Funds
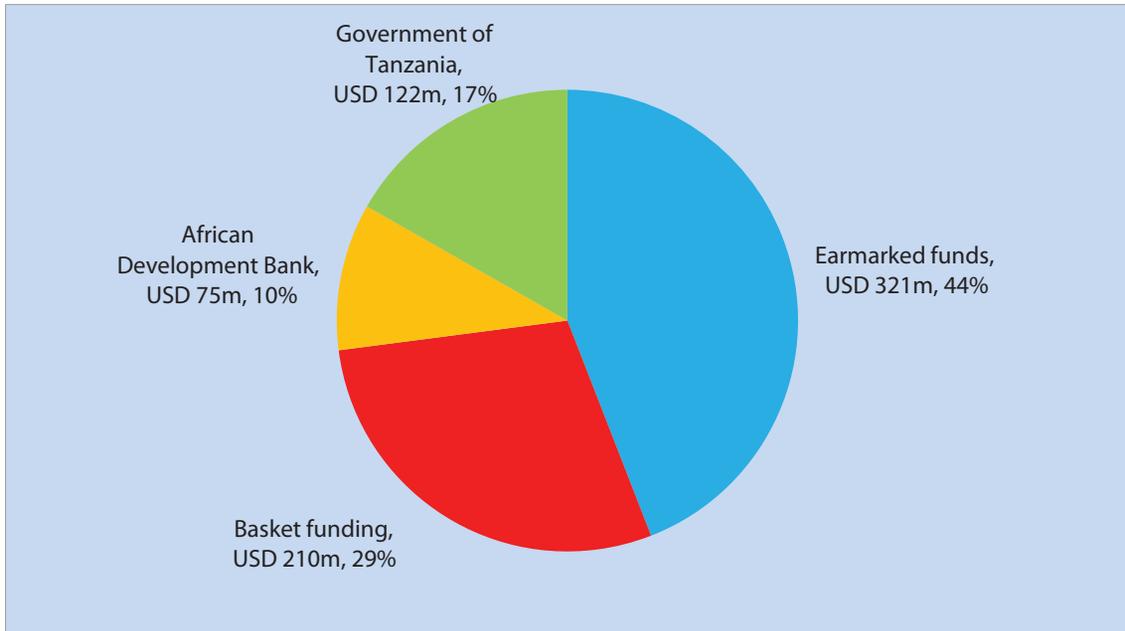
Source: Ministry of Water, Interim unaudited financial reports (IFRs)

Water and Sanitation – Conclusions and Policy Implications

Routine data for 2007/08 to 2010/11 suggest a modest upward trend in the delivery of water supply services to regional urban centres, deterioration in Dar es Salaam, and almost no change in rural areas. Findings from national surveys show little improvement in water access in urban areas but a moderate increase in rural areas. Overall, progress in the sector fell short of reaching the MKUKUTA I targets. Meeting the targets for water and sanitation under MKUKUTA II and the seventh Millennium Development Goal (MDG7) will require sustained investment from the Government and development partners.

Survey data for sanitation indicate a downward trend in household access to basic sanitation, slipping from 93% in 2007 to 86% in 2010. Access to basic school sanitation is far below MoEVT guidelines. High-level political champions are needed to ensure that all new schools are built with adequate WASH facilities and that minimum standards are achieved in all Tanzanian schools. The impact on the health and productivity of Tanzania's children and adolescents would be profound.

Implications for Monitoring

Ministerial and other stakeholders in the water sector are encouraged to utilise survey data to inform policy and program decisions until routine data management systems are adequately strengthened. At present, survey data allow more robust outcome-based analysis of water access over estimations of coverage provided by routine data. The estimated outcomes from routine data tend to be erratic because of the dangers of double-counting rehabilitated water infrastructure (which were already counted during construction), and the danger of continuing to include infrastructure that is no longer functioning.

Routine data management is being strengthened through the harmonisation of data parameters and indicators in the water utilities information system (Majls) controlled bythe Energy and Water Utilities Regulatory Authority (EWURA), and through the countrywide water-point mapping exercise for rural water supply infrastructure which is currently in its final stages. A mechanism for continuously updating data and information in the water sector management information system as part of the water-point mapping exercise needs to be carefully finalised in collaboration with stakeholders who will use the results.

Data parameters need to be harmonised across major national surveys to ease comparative analysis. This process needs to consider the new definition for urban areas in MKUKUTA II, which separates Dar es Salaam from other urban areas because of the size of its population and the 19 urban regional centres (which is expected to increase to 23 by 2012 with the creation of 4 new regions). Specific questions for school sanitation also need to be incorporated in major national surveys. These surveys are more reliable in terms of institutionally recognised legal and operational mandates. The WASH mapping exercise conducted in 2009 can valuably inform the development of appropriate survey questions.

Goal 4:	Adequate Social Protection and Provision of Basic Needs and Services for the Vulnerable and Needy

Goal 5:	Effective System to Ensure Universal Access to Quality and Affordable Public Services

The prevailing socio-economic context in Tanzania can be described as one of generalised insecurity. In addition to the one-third of households who live below the basic needs poverty line (URT, 2009c), a large number of households live on incomes that are only marginally higher. Even small setbacks can temporarily push these households below the poverty line (transient poverty), while larger shocks can lead to the loss of productive assets – such as land and capital – and lock households into a perpetual cycle of declining welfare and increasing poverty (chronic poverty). The welfare of households is, therefore, not simply dependent upon present income or consumption, but also upon their exposure to risk.

Immediate and extended family structures, community support, and traditional coping strategies have always formed the basis of social protection in Tanzania, especially in rural areas where the incidence of poverty is highest. Communities have never been passive in the face of impoverishing forces or shocks but typically mount determined resistance in response whenever possible. Family and community structures, however, have been placed under increasing stress due to the significant social and cultural changes of globalisation, the rapid urbanisation and informalisation of the economy, the devastating consequences of HIV/AIDS and the growing impact of climate change. Consequently, there has been a growing attenuation of informal mechanisms of social assistance as well as a diminution in their effectiveness for risk reduction, but without any compensating expansion in formal mechanisms of social protection.

The draft National Social Protection Framework from the Poverty Eradication Unit of the Ministry of Finance envisages an integrated and comprehensive system of state and non-state mechanisms that support individuals, households and communities to prevent, manage and overcome the risks threatening their security and well-being as a necessary foundation for socio-economic development in Tanzania. However, such a national system of social protection is not yet in place; to date, interventions to address vulnerability are mostly programme-based, limited in scope and duration, and externally funded.

For the purposes of assessing progress towards social protection, therefore, Goals 4 and 5 of MKUKUTA Cluster II track several indicators for highly vulnerable populations in Tanzania. The indicators are:

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

Child Labour

A group of children considered most vulnerable are those engaged in hazardous and exploitative work. There are no recent estimates on children in the labour force. The most recent data from the Integrated Labour Force Survey (ILFS) of 2006 estimated that 21.1% of children aged 5 17 years in mainland Tanzania worked in conditions that qualify as child labour (URT, 2007a).

A recent study conducted in Njombe in Iringa region confirmed that child labour was closely associated with household poverty. About 67.3% of children from poor households were engaged in child labour compared to 32.7% of the children from well-off households (Akarro & Mtweve, 2011). Children in female-headed households were also 2.8 times more likely to be engaged in child labour compared with children in male-headed households. Another study by Lugalla and Sigalla (2010) similarly found a correlation between HIV and AIDS and the poor socio-economic condition of orphans. Children opt for early participation in the labour force due to poverty at household level, which is exacerbated if the household is affected by HIV and AIDS. Tackling poverty will significantly contribute to reducing the rate of children participating in the labour market.

Children with Disabilities Attending Primary School

The specific indicator under the MKUKUTA monitoring system is the "proportion of children with disability attending primary school." The Tanzania Disability Survey (TDS) 2008 – the country's first national survey on disability – found that only 38.4% of children aged 7-13 years with disabilities in Mainland Tanzania were attending school (URT, 2010d, p. 132). The first round of the National Panel Survey (NPS) 2008/09 found that 57.6% of disabled children of primary school age are enrolled as compared with 82.3% of Tanzanian children who are not reported as disabled (URT, 2009d). While the sample size of the NPS[29] demands caution in the interpretation of results, the findings similarly indicate a serious gap in access to education for disabled children.

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29 The National Panel Survey used a very small sample of disabled children to calculate enrolment rates at primary school (just 48 children).

Results from the TDS 2008 on educational attainment among persons aged five years and above show that 41.7% of people with disabilities had no formal education compared with 23.5% of individuals without disabilities. The rate of illiteracy among disabled Tanzanians was 47.6%, almost double the proportion among non-disabled Tanzanians. The disparity in primary-level education was less marked; 49.4% of people with disabilities had attended primary school compared with 59.2% of people without disabilities. However, twice the proportion of individuals without disabilities (17.3%) had secondary or higher education than people with disabilities (8.9%) indicating that many children with disabilities are not facilitated to continue their education beyond primary school (URT, 2010d, p. 37-9).

In a study on policies influencing children, Mamdani et al. (2009) found that:

- A handful of special schools exist, but little inclusive education[30] is practiced in the majority of schools.
- There has been a significant growth in disability-related policies within a human rights framework, i.e., the recognition of the importance of developing appropriate and adequate structures and services to realise the fundamental rights of children and adults with disabilities. Ensuring early identification of disability in children and putting in place a comprehensive and relevant set of measures – including accessible transport, technical aids and personal support – for managing disability and providing quality education are the tasks at hand.

Education should preferably be provided in an inclusive manner. Participation in the regular education system creates invaluable opportunities for disabled children to be socially included. As for any individual, disabled children need a sound education to open up as many employment opportunities as possible for when they become adults. There is also a need for a thorough situation analysis to better understand the barriers faced by children with disabilities and identify gaps in services and technical aids so as to inform program development.

Orphaned Children Attending Primary School

In 2006, 16.8% of children aged 5 to 17 years old were orphans, i.e., they had either lost one or both parents. This proportion tends to increase with the age of the child from 11% among five year-olds to 22% among 17 year-olds (URT, 2009c). Orphans seem not to face major schooling problems, at least at primary level. Orphans'rate of access to primary school of 94.6% is almost identical to the 94.3% among non-orphans (UNESCO, 2010). Yet, when controlling for gender, socio-economic background and region, orphans tend to be somewhat at a disadvantage.

The National Panel Survey (2008/09) reports lower access figures for both orphans and non-orphans, probably reflecting the characteristics of sample (Table 12). However, taking the results at face value because of the small sample size for the orphaned children, the same conclusion is made. The enrolment pattern implies little or no disadvantage in educational access for children that have lost one parent, but a modest enrolment gap for children who have lost both parents. The enrolment rate among children who have lost both parents was 72.3% compared with 81.8% for children with both parents alive.

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30 This refers to quality education that meets the needs of disabled children, in contrast to disabled children being sent to school but not being educated effectively.

Table 12: Net Primary School Enrolment Rate Among Orphans

	% Enrolled
Total	**81.8%**
Non-orphan	81.5%
Father deceased	87.3%
Mother deceased	83.6%
Both parents deceased	72.3%

Source: URT 2009

Eligible Elderly People Accessing Medical Exemptions

The MKUKUTA indicator is the "proportion of eligible elderly people accessing medical exemptions in public health facilities". Unfortunately, this information is not collected by major national surveys or the Health Management Information System (HMIS).

There are some two million people in Tanzania over the age of 60, representing about 5% of the population[31] (URT & Help Age International, 2010). Despite the government's exemption of older people from health user fees, private costs associated with accessing medical care remain a key barrier to access, particularly for older women. Further, local-level health professionals tend to lack the skills and/or medicines required to treat conditions associated with old age. As a result, older people are often referred to healthcare facilities at district level and private facilities.

To date, the implementation of the healthcare user fee exemption regime has been limited due to the incomplete coverage of civil registration systems (such as identification cards) and the subsequent inability of some elderly people to prove their age to healthcare professionals. URT and Help Age International (2010), however, provide an example of best practice from Morogoro Municipality, which successfully overcomes the barrier of age verification. The Department of Community Development and Social Welfare in Morogoro Municipality has been working with a local NGO – the Morogoro Retired Teachers Association (MORETEA) – to issue "local identification cards" to older people. Guidelines for age verification were issued by the local government authority, and MORETEA members then conducted a house-to-house survey, issuing local ID cards to older people who lacked any other form of identification. Mtaa[32] chairpersons and Executive Officers were fully involved in the process and ID cards were individually authorised by the Municipal Director. This TZS 3.5m initiative was financed by the Municipality and local government officials expressed full confidence in the integrity of the age verification procedures conducted by MORETEA.

Another initiative, facilitated by Help Age International and the Morogoro Elderly People Organisation (MOREPEO), monitors elderly people's access to health services. Older People's Monitoring Groups (OPMGs) were formed to interview elderly people who had accessed services in government health facilities in the previous three months. OPMG representatives visited the elderly in their homes and

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31 The largest proportion of elderly Tanzanians are between the ages of 60 and 65 years. Only about 3% of the population is older than 65, and about 2% older than 70. The number over 60 is projected to grow to 3 million by 2025, but to decline slightly as a share of the population.
32 The *mtaa* (plural *mitaa*) is the lowest unit of government in urban areas in Tanzania. Each urban ward is divided into mitaa or neighbourhoods consisting of a number of households, which the urban council may determine.

asked them about their experiences in accessing these services. The information collected by OPMGs was then analysed to inform changes to services.

Findings to date indicate that access to health services for the elderly at five government health facilities, namely Nunge, Sabasaba, Kingolwira, Mafiga and Morogoro Regional Hospital, are improving. Based on the 200 people interviewed by OPMGs in Morogoro Municipality in the first quarter of 2011, it was confirmed that, in the project area, no elderly person paid a fee for a consultation with a doctor. Further, 97.5% of respondents reported that the language used by nurses and doctors was polite and respectful (Help Age International, 2011).

Such innovative, community-based interventions provide excellent models for the development of government programmes to effectively and efficiently reach the elderly with health care and to monitor the accessibility and quality of health services. A major challenge in scaling up interventions is that 40% of Tanzanians still get medications in private/faith-based health facilities where the policy for free medication for older people has not been adopted. The problem has been noted even in the District Designated Hospitals (DDHs), such as Muheza and Karagwe, where in some instances the management of faith-based hospitals were reported to be hesitant of the policy (SAWAKA and AFRIWAG, 2011).[33]

It is important for the government to reach an agreement with private hospitals under which the elderly will be able access healthcare in those facilities for free and the government will reimburse the hospitals the costs of the services provided. It is also recommended that district councils pay Community Health Fund (CHF) premiums for households headed by poor older people, which will enable these individuals and their dependants to access services at private/faith-based health facilities by presenting their CHF cards. Councils such as Songea Municipality and Mpanda, Songea, and Muheza District Councils have adopted this approach as reported in their planning reports.

To monitor progress in providing healthcare to the elderly in Tanzania, the Ministry of Health and Social Welfare also needs to strengthen the HMIS so that information is routinely captured by all facilities on the number of older people who are accessing health services and to what extent they receive free services and medication.

Public Satisfaction with Health Services

As reported in the 2009 PHDR, 64% of Tanzanian citizens surveyed in Round 4 of the Afrobarometer survey in 2008 were satisfied with government efforts in providing health services (64%). New data on perceptions of essential services will be available from the second round of the Views of the People survey and Round 5 of the Afrobarometer survey in Tanzania, which are both expected to be conducted in 2012.

Social Protection – Conclusions and Policy Implications

The overarching issue in advancing the social protection agenda in Tanzania is the finalisation and approval of the National Social Protection Framework, which is meant provide guidance to all actors, state and non-state, to strengthen and expand social protection mechanisms in Tanzania.

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33 SAWAKA stands for Saidia Wazee Karagwe and AFRIWAG is African Women AIDS Group

With respect to current programmes, the National Costed Action Plan (NCPA) for Most Vulnerable Children (MVC) is going through the development phase for the next 5-10 years. This represents an opportunity to put in place a key building block of an integrated social protection system, one that must be government-led with gradually increasing financial commitments.

The scale-up of Tanzania Social Action Fund (TASAF) III to the whole country represents another major social protection measure. TASAF III aims to:

- Establish a National Safety Net incorporating transfers linked to participation in public works and adherence to conditions;
- Support community-driven interventions which enhance livelihoods and increase incomes (through community savings and investments as well as specific livelihood-enhancing grants)
- Provide targeted infrastructure development (education, health and water) to enable service-poor communities to realise the objectives of the safety net; and
- Build capacity to ensure adequate program implementation by communities, local government authorities and the national government (URT, 2011e).

The implementation of TASAF III provides an opportunity to bring together donor and government resources into an integrated programme so as to avoid duplication and cover a much larger proportion of the poor. However, Government ownership and commitment in the form of allocating financial and human resources is imperative for the success of this program. The discussions with political leaders, senior officials, and ordinary Tanzanians as reported in World Bank (2011a) already confirm the limited support in Tanzania for cash transfers to the poor. There is a general aversion to 'handouts' and a concern that they encourage dependency. However, at the same time, there is growing recognition that economic growth alone is not happening fast enough for the poorest rural Tanzanians and that some groups (such as orphans and the vulnerable elderly) are no longer being adequately supported by traditional family and village structures.

Safety net programs need to be developed in such a way that they promote economic transformation and support groups that most Tanzanians agree are in need. The social and political concern with dependency also argues for adopting programs with a work requirement (such as public works employment) or conditional cash transfers (CCTs) which require school attendance, nutritional monitoring, or health clinic visits as envisaged under TASAF III. If categorical targeting approaches are to be used (i.e., targeted support to poor and vulnerable households through safety net transfers) they must be designed and applied carefully to avoid both exclusion and inclusion errors which can lead to community conflict. Lastly, a robust monitoring and evaluation system has to be built into the program to assess the achievements and challenges over time.

MKUKUTA INDICATORS – SUMMARY OF DATA AND TARGETS

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

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

Indicator	Baseline Estimate (Year)	Trend 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Target MKUKUTA 2010
Goal 1: Ensure equitable access to quality primary and secondary education for boys and girls, universal literacy and expansion of higher, technical and vocational education[34]													
Literacy rate of population aged 15+ years (%)[a]		HBS	Census		TDHS			HBS			TDHS		
- All adults	71	71	69	X	73.6	X	X	72.5	X	X	X[35]		80%
- Women	64	64	62	X	67.3	X	X	66.1	X	X	71.9		
- Men	80 (2000/1)	80	78	X	80	X	X	79.5	X	X	81.8		
Net enrolment at pre-primary level[b]	24.6 (2004)	X	X	X	24.6	25.7	28.5	33.1	36.2	37.2	37.5	42.4	Not yet determined
Net primary school enrolment rate[b]	59 (2000)	66.5	80.7	88.5	90.5	94.8	96.1	97.3	97.2	95.9	95.4	94	99%

34 Estimates For a number of indicators, BEST 2007-2011 revised data marginally in previous years
35 Only literacy rates disaggregated by sex are provided in TDHS 2010

Indicator	Baseline Estimate (Year)	Trend											Target MKUKUTA 2010
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
% of cohort completing Standard VII[b]	70 (2000)	62.5	68.1	67.4	72.2	68.7	78.0	67.9	62.5	X[36]	53	62.6	90%
% of students passing the Primary School Leavers' Exam[b]	22 (2000)	28.6	27.1	40.1	48.7	61.8	70.5	54.2	52.7	49.4	53.5		60%
Primary pupil/teacher ratio[b]	46:1 (2000/1)	46:1	53:1	57:1	58:1	56:1	52:1	53:1	54:1	54:1	48:1		45:1
% of teachers with relevant qualifications[b]	50 (2001)	50	X	X	58[37]	X	69.2	73.1	85.6	90.2	94.5	96.5	90%
Pupil/text book ratio[b]	4:1 (2000)	4:1	X	X	X	X	X	3:1	X	X	5:1 to 67:1[38]		1:1
% Transition rate from Standard VII to Form 1[b][39]	12.2 (2002)	13.1	12.2	20.1	27.0	39.8	60.4	51.2	47.2	38.3	45.1		50%
% Net secondary enrolment[b]	6.0 (2002)	X	6.0	6.3	8.4	10.1	13.1	20.7	24.4	29.1	30.8	34.5	50%
% of students passing the Form 4 examination (Division 1 -3)[b]	25.8 (2000)	28.3	36.2	38.1	37.8	33.6	35.7	35.6	26.7	17.6	11.4		70%
Gross enrolment in higher education institutions[b]	22,065 (2000/1)	2000/1 22,065	2001/2 24,302	2002/3 30,700	2003/4 40,184	2004/5 48,236	2005/6 55,296	2006/7 75,346	2007/8 82,428	2008/9 95,525	2009/10 118,951	2010/11 139,638	90,000 by 2008

36 BEST did not record data for this indicator in 2009
37 From PHDR 2005, which covers diploma and graduate teachers.
38 Range of ratios across subjects from a monitoring exercise in 15 regions reported in Education Sector Performance Report 2009/10 URT (2010e). No national level data in BEST.
39 PHDR 2009 reported data on the transition rate for all Tanzanian schools (government and non-government). To reflect the progress in public education for this indicator, the transition data in PHDR 2011 are for government schools only.

| Indicator | Baseline Estimate (Year) | Trend | | | | | | | | | | | Target |
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
Goal 2: Improved survival, health and well-being of all children and women and especially vulnerable groups													
Life expectancy at birth [40c]	42 (1967)	44 (1978)	50 (1988)	51 (2002)									Not yet determined
Infant mortality rate (per 1,000 live births) [41]													
- TDHS and THMIS	99 (1999)	X	X	X	68	X	X	58	X	X	51		50
- Census		X	95	X	X	X	X	X	X	X	X		
Under-five mortality rate (per 1,000 live births)													
- TDHS and THMIS	147 (1999)	X	X	X	112	X	X	91	X	X	81		79
- Census		X	162	X	X	X	X	X	X	X	X		
DPTHb3 coverage (%)													
- TDHS [42]	81 (1999)	X	X	X	86	X	X	X	X	X	88		85%
- Expanded Programme of Immunisation (EPI) [f]	X	X	89	89	94	90	87	83	86	85	91		

40 Note time frame difference; data sourced from national census each decade
41 Estimates of infant and under-five mortality refer to deaths during the five-year period prior to the surveys and three-year period prior to the census.
42 TDHS 2004/05 data reflects DPT3 coverage; TDHS 2010 data reflects DPT3 coverage of any of the following three vaccinations: DPT, DPT-HB and DPT-HB-Hib

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
Proportion of under-fives moderately or severely stunted (Low height for age)[d]	44 (1999)	X	X	X	38	X	X	X	X	X	35		20%
Maternal mortality ratio (per 100,000 births)[43d]	529 (1996)	X	X	X	578	X	X	X	X	X	454		265
Proportion of births attended by a skilled health worker[d]	36 (1999)	X	X	X	46	X	X	X	X	X	51		80%
Number of persons with advanced HIV infection receiving anti-retroviral (ARV) combination therapy[g]	0 (2004)	X	X	X	Start of ARV Avail-ability	20,670 by Dec 2005	60,341 by end 2006	135,696 by Dec 2007	202,181 by Dec 2008	303,664 by Dec 2009	384,816 by Dec 2010		440,000 by end 2010
HIV prevalence among 15-24 year-olds[h]	X (2001)	X	X	3.5	X	X	X	2.5	X	X	X		5%
TB treatment completion rate[44i]		X	X	81.3	81.8	83.4	84.7	87.7	88.0				Not yet determined
Goal 3: Increased access to clean, affordable and safe water, sanitation, decent shelter and a safe and sustainable environment													
Percentage of rural population with access to piped or protected water as their main source (within 30 minutes to go, collect and return)[45]													

43 Estimates of maternal mortality refer to the ten-year period prior to the survey.
44 The indicator refers to all (new) TB cases treated with success.
45 TDHS and HBS data for this indicator were incorrectly quoted in PHDR 2009 data matrix. The data were for all households with access to an improved water source regardless of collection time. The figures in PHDR 2011 reflect the percentage of the population with access to an improved water source within 30 minutes of collection. Please note that

| Indicator | Baseline Estimate (Year) | Trend | | | | | | | | | | | Target |
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
- Census, TDHS and HBS		X	42 Census	X	28.5 TDHS	X	X	28 HBS	X	X	46.5 TDHS		65%
- Ministry of Water and Irrigation (MoWI)		X	X	53	X	55	56	2007/08 57.1		2008/09 58.3	2009/10 58.7		
Percentage of urban population with access to piped or protected water as their main source (within 30 minutes to go, collect and return)													
- Census, TDHS and HBS		X	85 Census	X	67.5 TDHS	X	X	68 HBS	X	X	72.5 TDHS		90%
- MoWI		X	X	73	X	78	X	2007/8 DSM 68; Other urban 80[46]	2008/9 Other urban 83	2009/10 Other urban 84	2010/11 Dar 55; Other urban 86		
Percentage of households with basic sanitation facilities													
- HBS	93.0 (1991/2)	92.8	X	X	X	X	X	92.7	X	X	X		
- Census		X	91	X	X	X	X	X	X	X	X		95%
- TDHS		X	X	X	X	87	X	X	X	X	86		

TDHS 2004/05 reflects proportion of households and used a 15-minute, not a 30-minute collection time. The Census from 2002 did not collect data on collection time so the figures quoted are overall access and are not comparable with later figures. As is clearly evident, data collection on water supply needs to be strengthened and harmonised across different national surveys to allow more accurate trend analyses.
46 The figures for 2007/8 include Dar es Salaam for the first time. Previously issued routine data for urban water supply did not include Dar es Salaam. Data given in this table for earlier years excluded Dar es Salaam.

| Indicator | Baseline Estimate (Year) | Trend | | | | | | | | | | | Target |
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
% of schools having adequate sanitation facilities (as per policy ratio of toilets to students)[b]													
- Boys		X	X	X	X	X	X	1:62	1:64	X	1:54		1:20
- Girls		X	X	X	X	X	X	1:58	1:58	X	1:51		1:25
- All pupils		X	X	1:74	X	1:67	1:60	1:60	1:61	X	1:53		100%
Goal 4: Adequate social protection and rights of the vulnerable and needy groups with basic needs **Goal 5: Effective systems to ensure universal access to quality and affordable public services**													
Proportion of children aged 5 to 17 years in child labour[k]	25% Child labour (2000/1)	25% Child labour	X	X	X	X	21.1% Child labour	X	X	X	X		Below 10%
Proportion of children with disability attending primary school[m]									38.4%[47]	X	X		20%
Proportion of orphaned children attending primary school[q]								87	X	X	94.6		

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

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
Proportion of eligible elderly people accessing medical exemptions at public health facilities								VOP 2007 10%					
Proxy: % of elderly people who reported receiving free treatment at gov ernment health facilities [p,j]								HBS 2007 18%	X	X	X		
Proportion of population satisfied with health services													
- Satisfied with public hospital/dispensary[j]	68 (2000/1)	68	X	X	X	X	X	68.9	X	X	X		

Sources:

a = various sources as indicated in the matrix

b = Basic Education Statistics in Tanzania

c = Census

d = Tanzania Demographic and Health Survey

e = Tanzania Health Management Information System

f = Expanded Programme on Immunisation, routine data

g = National AIDS Control Programme

h = National HIV/AIDS Indicator Survey

i = National Tuberculosis & Leprosy Control Programme

j = Household Budget Survey

k = Integrated Labour Force Survey

m = Tanzania Disability Survey 2008

p = Views of the People 2007

q = Tanzania Malaria and HIV/AIDS Indicator Survey 2007/08

MKUKUTA Cluster III: Governance and Accountability

Standards of governance and accountability affect every sector of the economy from planning and resource allocation through to final service delivery, from receipts through to auditing of expenditure. Good governance enhances transparency and efficiency in the use of limited resources to achieve the best outcomes for all Tanzanians. Poor governance undermines social and economic progress. Achieving the national goals of growth, reduction of poverty and social well-being under MKUKUTA's Clusters I and II relies on accomplishing Cluster III's goals of good governance and increased accountability.

MKUKUTA's third cluster has four broad outcomes:

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

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

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

Goal 1: Structures and Systems of Governance as Well as the Rule of Law are Democratic, Participatory, Representative, Accountable and Inclusive

The indicators for this goal are:

- Percentage of population with birth certificates (urban, rural, Dar es Salaam)
- Percentage of women among senior civil servants
- Percentage of women representatives elected to district council
- Proportion of women among Members of Parliament
- Percentage of females from smallholder households with land ownership or customary land rights (Proxy: Percent of rural households who own their land through official land owner certificates)

- Proportion of villages assemblies holding quarterly meeting with public minutes
- Proportion of LGAs posting public budgets, revenue and actual expenditures on easily accessible public notice boards

Birth Registration

Birth registration is the first legal acknowledgement of a child's existence and the child's right to a nationality. Birth registration is in itself a fundamental right of the child and a fundamental duty of the state. It provides the foundation for securing the other rights of children, such as their rights to healthcare and education, and in protecting them from exploitation and abuse, such as child labour, early marriage and child trafficking. As individuals progress to adulthood, proof of birth and age is commonly required for a multiplicity of activities: getting a driver's license, applying for a passport, opening a bank account, finding employment and voting in elections.

Registration of births is mandatory in Tanzania. However, only a small proportion of children are registered at birth. Even fewer are issued with a birth certificate at the time of registration. Figure 52 presents the data on birth registration since 2004/05. The data indicate that in 2010 only 15 out of every 100 children were registered at birth, and only 6 out of every 100 children were issued with a birth certificate. Even more concerning, the proportion of births registered has fallen from 18% in 2004/05 to 15% to 2010 with declines recorded in both rural and urban areas. Regional disparities in birth registration are marked; less than 5% of births were registered in Lindi, Tabora, Shinyanga, and Manyara compared with 39% in Pwani, 40% in Kilimanjaro, and 59% in Dar es Salaam. Results indicate the urgent need to scale-up vital registration programmes in close association with local government authorities and health facilities.

Figure 52: Birth Registration by Residence 2004/05, 2007/08 and 2010
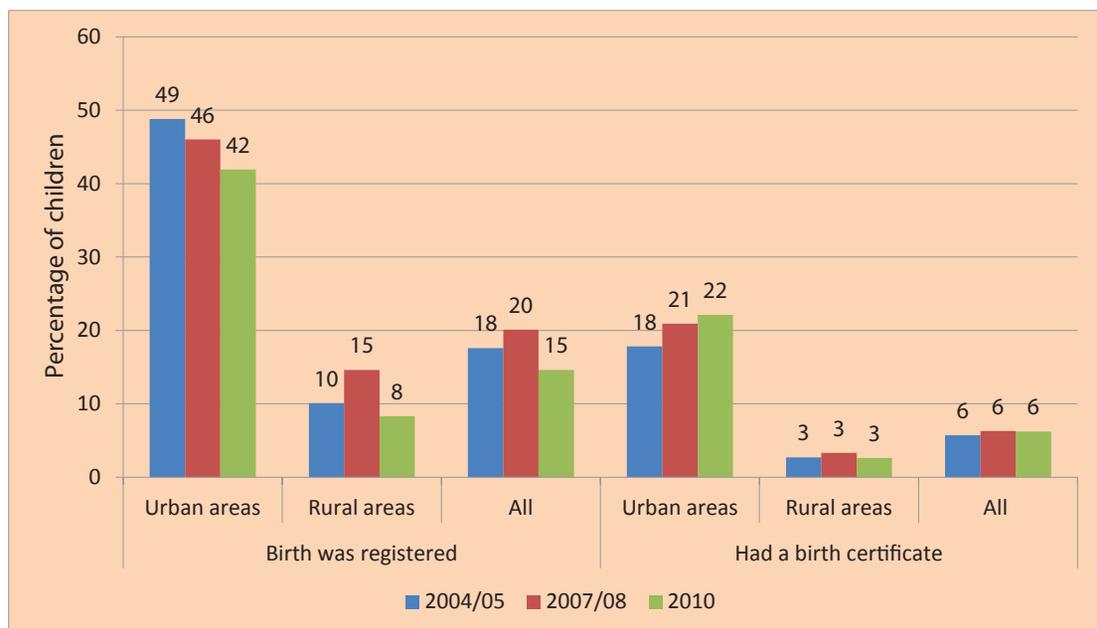
Source: TDHS 2004/05 and 2010, and THMIS 2007/08

Gender Equity and the Empowerment of Women

The empowerment of women is an essential element of socio-economic development, clearly acknowledged by the third Millennium Development Goal (MDG3), which aims to eliminate gender disparity in all levels of education by 2015. The Constitution of Tanzania prohibits discrimination on the basis of a person's sex and recognises the importance of providing equal opportunities to all.

Inclusive governance implies that women participate in decision-making at the highest levels of the public and private sectors. Therefore, MKUKUTA measures the representation of women in the top positions of the public service and in elected office. These indicators are useful to assess the degree to which public structures and systems are representative and inclusive.

Table 13 presents data on the proportion of leadership positions occupied by women in the public service. Overall, the data indicate that the proportion of women in high-level positions in the civil service has significantly increased from 27% in 2004/05 to 42% in 2010/11. In particular, there has been a remarkable increase in the proportion of women who hold positions as Directors in Ministries and Regional Administrative Secretaries with participation rates close to parity in 2010. The proportion of female District Executive Directors has also almost doubled since 2004/05. Incentives and changes in the public service employment policies, including recruitment, promotion, training, commitment to gender mainstreaming and career management policies need to be intensified to further increase the number of women in the public sector at all levels.

Table 13: Number of Women and Men in Decision-making Positions in the Public Service, 2004/05 and 2010/11

Decision making position	2004/2005				2010/2011			
	Women	Men	Total	% of women	Women	Men	Total	% of women
Permanent Secretaries	7	18	25	28	4	24	28	14.3
Directors in Ministries	29	83	112	26	153	133	286	46
Assistant Directors	49	145	194	25	118	37	155	24
Regional Commissioners	2	19	21	10	2	19	21	9
Regional Administrative Secretaries	4	17	21	19	10	11	21	45
District Commissioners	20	87	107	19	31	83	114	27
District Executive Directors	14	86	100	14	35	97	132	26.5
District Administrative Secretaries	23	86	109	21.1	21	90	111	19
Ambassadors	2	34	36	5.6	4	23	27	14.8
Judges	13	25	38	34	34	63	97	35
Total	163	600	763	27%	412	580	992	42%

Source: Data provided by the President's Office – Public Service Management (PO–PSM) 2011, August 2011

The proportion of female representatives both in the national parliament and local councils has increased in recent years in large part due to the affirmative action of allocating special seats for women. The number of women nominated as councillors has increased from940 in 2000 to 1,184 in 2010. However, the percentage of women elected as councillors is still very low at 6%. Overall, the percentage of female representatives at the local council level reached 30.6% in 2010/11 (Table 14).

Table 14: Local Councillors, by Sex, 2010/11

	Number of female councillors	Number of male councillors	Total number of councillors	% of female councillors
Elected	198	3,137	3,335	5.9
Nominated	1,184	0	1,184	100.0
Total	1,382	3,137	4,519	30.6

Source: Data provided by Tanzania National Electoral Commission (NEC), Letter of 29 August 2011

In the case of parliamentary seats, the proportion of female representatives has increased from 30.3% in 2005 to 36.9% in 2010 (Table 15).[48]

Table 15: Member of Parliament, by Sex, 2010/2011

	Number of female MPs	Number of men MPs	Total number of all MPs	% of women MPs
Elected	21	218	239	8.8
Nominated	108	3	111	97.3
Total	129	221	350	36.9

Source: Data provided by NEC, Letter of 29 August 2011

However, an emerging issue is that 'special seats' do not have a clearly defined constituency apart from "women", and nominated representatives are not perceived as having the same legitimacy as women who are elected. One major achievement is that, for the first time ever, the Speaker of Parliament is a woman, thus encouraging and paving the way for a new generation of women to enter the legislative process.

Land Ownership Through Official Land Owner Certificates

The Constitution of Tanzania recognises the right of ownership in property, including land, and other rights associated with land ownership. However, the percentage of households with official title deeds to land has remained low. Structures and systems of governance in land ownership and use have a strong bearing on broader economic growth and poverty reduction. They are a prerequisite for improving the investment climate, creating capital, enhancing access to credit markets and improving government (central and local) revenue. Ownership rights in land also represent an important social safety net.

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48 See also African Peer Review Mechanism (APRM) (2011).

Data on the specific MKUKUTA indicator – the percentage of females from smallholder households with land ownership or customary land rights – are not available. Therefore, a proxy indicator – percentage of rural households who own their land through official landowner certificates – is tracked. Data from the Agricultural Census Survey (ACS) 2007/08 found that the proportion of rural households who owned their land through official certificates was 5.8%, down from 7.1% of households reported in ACS 2002/03.

The government is working towards strengthening the right to property through the Property and Business FormalisationProgramme (MKURABITA). The intention is to change the mode of land ownership in Tanzania from traditional and communal property ownership to more formal private and individual ownership. However, only 5% of land in Tanzania is currently registered. Approximately, 7,000 villages out of 10,000 have been surveyed but issuance of customary certificates of occupancy on surveyed village land has been slow (World Bank, 2011c). Given the rapid population growth and urbanization of Tanzania in the last 20 years, the demand for land surveys and processes to issue title deeds has outpaced the government's capacity to provide these services.

Transparency and Accountability in Local Government Authorities

According to the Local Government Authority Financial Memorandum 1997, local government authorities are required to publish financial information. Local councils use different ways to disseminate information on fiscal affairs to the public, for example, by posting budgeted and actual revenues and expenditures on notice boards or by tabling financial reports at public meetings. The two specific MKUKUTA indicators are:

- Proportion of LGAs posting public budgets, revenue and actual expenditures on easily accessible public notice boards
- Proportion of village assemblies holding quarterly meetings with public minutes

Data available for 2010/11 from the Prime Minister's Office – Regional and Local Government (PMO-RALG) shows that the percentage of LGAs that posted summary annual budgets, plans and audited accounts on notice boards declined slightly from 94.7% in 2007/08 to 93.2% in 2008/09 (URT, 2010h). The same report also shows that over 70% of the villages in three-quarters (76.5%) of all LGAs tabled obligatory financial reports in village assemblies in 2008/09 (Table 16).

Table 16: Village Leadership that Presented Financial Reports to Village Assemblies in 2009/2010

No. of LGAs	Percentage of LGAs	% of Villages that Tabled Obligatory Financial Reports
101	76.5	70% or more
26	19.7	Between 50% and 69%
4	3.0	Less than 50%
1	0.8	None of villages
Total 132 LGAs	100%	

Source: URT (2010h)

Two citizen surveys carried out in 2006 and 2009 in six local councils as part of a formative research programme on local government reform also asked respondents what types of financial information were posted by their councils. The findings are presented in Table 17. The data indicate very limited public access to financial information in their councils. Concerns have also been raised about the ability of the people to understand the fiscal information reported.

Table 17: Percentage of Respondents Reporting Access to Local Government Fiscal Information, 2006 and 2009

Percentage of Respondents who:	2006		2009	
	Male	Female	Male	Female
Have seen the local government budget posted in a public place in the last two years	14.4	12.6	11.5	10.0
Have seen reports on tax and fees collected in this area posted in a public place in the last two years	13.2	11.1	10.0	7.8
Have seen audited statements of council expenditure posted in a public place in the last two years	6.2	4.9	5.8	5.8
Have seen financial allocations to key sectors posted in a public place in the last two years	8.6	6.6	7.1	7.5

Sources: For 2006 data see Tidemand & Msami (2010); 2009 figures from REPOA database on Formative Research Programme on Local Government Reform.

Citizens' Participation in Local Governance

In addition to fiscal transparency and accountability, democratic and inclusive governance at the local level requires the active participation of citizens in the processes of government. Therefore, research data on citizens' participation in their local councils are also reported. According to local government regulations all villages are required to hold quarterly meetings.

A survey conducted in six local councils in 2009 showed increased citizens' participation in local government institutions and groups/committees. Citizen's participation has registered an increase, particularly in village/ward leadership as well as school committees and primary cooperatives and agriculture extension groups (Table 18). However, participation in local planning slightly declined. This decrease may in part reflect the failure of many villages/wards to implement plans, which has discouraged people's continued participation.

Table 18: Citizens' Participation in Local Government Structures, 2006 and 2009

Respondents who report that they are or a household member is involved in….	2006	2009	% change between surveys
Village/ward leadership	22.9	31.8	39%
Full council meetings	28.1	30.2	7%
School committee member	35.8	51.0	42%
Water management committee	23.2	25.4	9%
Village/ward plans	35.0	30.1	-14%
Tanzania Social Action Fund (TASAF) project committee	13.7	11.9	-13%
Primary cooperatives/society/farmers' association	12.1	15.6	29%
Agricultural/livestock extension group	6.4	15.1	136%

Sources: For 2006 data see Tidemand & Msami (2010); 2009 figures from REPOA database on Formative Research Programme on Local Government Reform.

Despite the increases in citizen's participation in local structures, only 47% attended a village assembly meeting within the previous three months. Interestingly, among respondents who did attend the last village assembly meeting, almost all remembered the topics discussed indicating greater awareness and engagement in issues affecting their communities. Perhaps, most importantly, over 70% of respondents felt that people have a say in the village/mtaa assembly and perceived that the assembly was a democratic forum (Table 19).

Table 19: Citizens' Participation in Village/Mtaa Assembly, 2006 and 2009

Survey question	2006	2009
Village/mtaa assembly met less than 3 months ago	53	50
I attended a meeting within the last 3 months total respondents	44	47
Women	42	46
Youth	33	30
Percentage of respondents attending last assembly meeting who could indicate what topics to be covered	20	95
Percentage of respondents who said anything at the last meeting	18	28
Percentage of respondents who agreed that 'people have a say in the meeting' and consider the village/mtaa assembly 'a democratic forum'	77	72

Sources: For 2006 data see Tidemand & Msami (2010); 2009 figures from REPOA database on Formative Research Programme on Local Government Reform.

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

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

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

Revenue Collection

Table 20 presents data of estimated and actual revenue collections for the financial years 2005/06 to 2010/11. Actual revenue collections in nominal terms have significantly increased over this period from TZS 1,971 billion to TZS 5,316 billion. However, revenue collection in the past three years has fallen short of estimates. Moreover, as reported under Cluster I, domestic revenue collection as a percentage of GDP declined from 16.0% in 2008/09 to 15.3% in 2009/10. The government budget continued to depend on foreign assistance; in 2010/11 the contribution of development partners was 17%, down from 28% in 2007/08.[49] Domestic revenue is still far below that required to finance and achieve the MKUKUTA targets.

Table 20: Estimated and Actual Revenue Collections, 2005/06 to 2010/11 (TZS Billion)

Year	Estimate	Actual	Actual revenue as % of estimated collections	% annual change in actual revenue
2005/06	1,873.8	1,971.4	105.2%	–
2006/07	2,316.3	2,577.3	111.3%	30.7%
2007/08	3,301.6	3,378.8	102.3%	31.1%
2008/09	4,497.1	4,052.0	90.1%	19.9%
2009/10	4,855.9	4,437.9	91.4%	9.5%
2010/11	5,652.6	5,316.0	94.0%	19.8%

Source: Data provided by Tanzania Revenue Authority (TRA), August 2011

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49 Speech by the Minister of Finance, Hon. M.H. Mkulo, introducing to the National Assembly the estimates of government revenue and expenditure for the fiscal year 2011/12, p. 16.

Public Procurement

This MKUKUTA indicator monitors compliance of public entities with the Public Procurement Act 2004. Government procurement accounts for a substantial amount of the national budget; in 2009/10, procurement by 244 public entities represented 50% of budget expenditure, with two entities – TANROADS and TANESCO – consuming the bulk of monies spent (PPRA, 2010, p. 45). The Public Procurement Regulatory Authority is, therefore, a central plank in the government's anti-corruption platform.

The Public Procurement Regulatory Authority (PPRA) Annual Performance Evaluation Report 2009/10 shows that the average compliance level among the 91 procuring entities audited during the year was 73%. As the data in Table 21 indicates, the average level of compliance has steadily improved in since 2006/07.

Table 21: Average Level of Compliance Among Public Entities Audited by the PPRA, 2006/07 to 2009/10

Year	Average level of compliance with PPA 2004
2006/07	39%
2007/08	50%
2008/09	55%
2009/10	73%

Source: PPRA (2010, p. 61-62)

Further analysis shows that compliance levels were below the PPRA's target of 69% in 2009/10 for five of the thirteen indicators assessed by the audits. These areas were: i) preparation of the annual procurement plan, publication of contract awards, records management, quality assurance and control, and contract management. Out of the 91 procuring entities audited, the compliance level for 33 entities (including 23 LGAs) was below target. The highest compliance was attained by the Energy and Water Utilities Regulatory Authority (98%); the lowest by the Tanzania Tourism Board (40%).

Audits of Central and Local Government Entities

The National Audit Office is responsible for auditing and reporting on the accounts of all ministries, departments and agencies (MDAs), local government authorities and other bodies that receive public funds. In ensuring prudent use of public funds, the government has sought to continuously improve the Integrated Financial Management System (IFMS), International Public Sector Accounting Standards (IPSAS) and the inter-bank settlement system. Data in Table 22 show some improvement in audit outcomes; three-quarters of the entities audited in 2009/10 received clean audit certificates. Improved internal controls seem to be the main contributor to this improved performance.

Table 22: National Audit Office –Summary of Individual Audit Opinions 2009/10

Type of Opinion	Meaning of opinion	No. of entities audited	%
Unqualified audit opinion	Financial statement gives a true and fair view	92	75.4
Unqualified audit opinion with emphasis of matter	Report may be modified by adding emphasis of matter paragraph(s) to highlight a matter affecting the financial statements.	12	9.8
Qualified opinion	Expressed when there is material misstatement in the financial statements	10	8.2
Qualified opinion with emphasis of matter	Effect of disagreement but does not lead to adverse opinion.	7	5.8
Disclaimer opinion	Unable to express an opinion	1	0.8

Source: Controller and Auditor General (2010)

Implementation of audit recommendations is key to improving governance and accountability. However, the NAO reported that little effort and attention were directed towards implementing recommendations raised in audits in 2008/09. These observations concur with the widespread view that, while public affairs are becoming more transparent, officials are still not accountable and not held answerable for monies that go unaccounted for each year, leading to recurrence of the anomalies observed by auditors.

Corruption

Despite positive trends in controls, corruption remains the most serious challenge to governance and development in Tanzania. In recent years, a series of high-level corruption cases – including the Richmond affair, BAE aviation radar scandal, misappropriation of funds at the Tanzanian embassy in Italy, construction of the BoT headquarters, operation of the External Payment Arrears (EPA) account and currency scams–have involved huge sums of misappropriated funds which have severely impacted Tanzania's international reputation, undermined resource allocations for socio-economic development, and jeopardised funding levels from development partners.

Transparency International (TI) has consistently rated Tanzania poorly. TI's 2010 Corruption Perception Index (CPI) ranks Tanzania 116thout of 178 countries with a CPI score of 2.7 out of 10.[50] According to the East African Bribery Index 2011 developed by Transparency International, Tanzania ranked third after Burundi and Uganda with the police and the judiciary ranked as the most corrupt institutions. Business executives surveyed for the Global Competitiveness Report for 2010/11 ranked corruption as the most problematic factor of doing business in Tanzania (WEF, 2010).

In response to corruption concerns, the United Kingdom cut its budget support by TZS 24 billion in 2009 and expressed its worries about the lack of progress in improving the business environment (Tanzania Development Research Group, 2011). Britain has indicated that it will cut its budget support channeled through the U.K. Department for International Development (DFID) for the financial year

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50 The CPI score tracks perceptions of corruption seen by business and country analysts, ranging from zero (highly corrupt) to 10 (not corrupt).

2011/12 by up to 30%. The British government's decision goes in step with 12 other development partners who may reduce aid funding by up to USD 100 million (TZS 170 billion) if they are not satisfied with the government's performance in addressing corruption.[51] The loss of such a large percentage of donor contributions to the budget will clearly put Tanzania's development targets at risk.

The second generation of national anti-corruption strategy (NACSAP) aims to move Tanzania to advanced standards in dealing with corruption. Corruption cases routinely involve three different agencies – the Prevention and Control of Corruption Bureau (PCCB), the Director of Public Prosecution (DPP) and the Attorney General's Chambers – before they are referred to courts of law. In practice, the PCCB investigates a case. If it is classified as grand corruption it is submitted to the DPP for further investigation before a case is referred to the State Attorney to prosecute.

Progress in countering corruption is indicated by the exposure of politicians, senior public officials and businessmen in grand corruption cases, and, in some cases, criminal proceedings have been instituted in the courts of law. However, as the data in Table 23 show the number of cases prosecuted and convictions for corruption are small fractions of the allegations received by the PCCB. Over the period from 2008 to July 2011, a total of 20,346 allegations were received by the PCCB, yet only 1,932 cases were prosecuted and 179 convictions (less than 1% of total allegations) were recorded.

Table 23: Statistics on Corruption Cases, 1995 to June 2011

	Allegations received	Cases investigated	Completed investigation files	Administrative actions taken	Files transferred to other agencies	New cases into court	Total cases prosecuted	Conviction cases	Acquittal cases	Saved money / Assets recovered (TZS millions)
1995	261	261	145	-	-	8	16	1	7	2,707
1996	513	513	245	-	-	21	34	2	9	1,901
1997	510	510	289	-	-	9	18	1	4	6,933
1998	545	545	200	-	95	15	31	2	6	9,300
1999	1,116	1,116	304	-	209	62	47	9	25	14,795
2000	1,244	1,244	276	-	234	49	42	6	3	11,100
2001	1,354	1,354	285	1	154	57	53	-	-	2,500
2002	1,383	1,383	732	42	222	52	191	12	12	2,714
2003	2,285	1,796	540	21	36	51	178	9	28	3,800
2004	2,223	1,149	458	126	25	60	202	6	8	4,000
2005	3,121	677	540	111	2	50	218	6	10	2,501
2006	6,320	1,528	1,688	209	496	71	251	18	28	1,301
2007	8,235	1,266	2,015	280	460	196	352	35	45	1,580
2008	6,137	928	936	74	184	147	416	37	71	13,203
2009	5,930	884	1,175	40	152	222	463	46	73	436

Table continued next page

51 Tanzania Corruption Tracker System, www.corruptiontracker.or.tz accessed 15 November 2011

	Allegations received	Cases investigated	Completed investigation files	Administrative actions taken	Files transferred to other agencies	New cases into court	Total cases prosecuted	Conviction cases	Acquittal cases	Saved money / Assets recovered (TZS millions)
2010	5,685	870	924	29	135	224	587	64	98	10,123
2011 (July)	2,594	468	273	25	52	116	466	28	32	3,021
Total	49,456	16,492	11,025	958	2,456	1,410	3,565	282	459	TZS 91,917m

Source: PCCB Corruption Almanac, July 2011

Budget Allocations to Local Government Authorities

In 2004, the Government of Tanzania committed to providing formula-based allocations to LGAs for recurrent expenditures in six key sectors – education, health, local roads, agriculture, water and administration. At the same time, a new joint donor/Government-funded block grant for development, the Local Government Capital Development Grant (LGCDG) was introduced. Under this arrangement, all LGAs receive a discretionary development grant of approximately US$ 1.5 per capita if they fulfill minimum conditions regarding the quality and transparency of their development plans, financial management and procurement systems.

In 2010, only four out of 132 LGAs – Kilosa DC, Rorya DC, Bahi DC and Arusha MC – did not meet the minimum conditions for allocation of the LGCDG and, in turn, the further allocation of sector-specific grants for the financial year 2010/11. These four councils will access only 50% of the sector-specific grants with strict oversight by PMO-RALG and Regional Secretariats (URT, 2010h, p. 16). Almost the same level of compliance was observed in 2009; only three councils (Kyela DC, Ukerewe DC and Rorya DC) did not meet the conditions for allocation of the LGCDG for the financial year 2009/10 (URT, 2009e, p. 20).

Emerging problems relate not only to delays in disbursement of funds to the LGAs but also lower amounts than indicative planned figures are actually sent to LGAs. LGAs are further required to remit 20% of the general grant to sub-council structures. In 2010/11, only 50 out of 132 LGAs (37.9%) fully complied, 70 (53%) of LGAs made remittances but less than the required 20%, and 12 (9.1%) did not make any remittances to sub-council structures.[52]

Regulation of the Natural Resources Sector

MKUKUTA recognises the importance of environmental governance and natural resource management as an essential building block in improving livelihoods and reducing poverty. However, the regulation and monitoring of the natural resources sector is poor. Independent research indicates that illegal logging is widespread and as little as 5% of revenues from timber to go villages and local authorities (U4 Corruption Resource Centre, 2009).

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52 Data sourced from the Local Government Finance Information for Tanzania mainland website www.logintanzania.net accessed 2 September 2011

National data for the specific MKUKUTA indicator – total value of revenue received from concessions and licenses for mining, forestry, fishing and wildlife as a percentage of their estimated economic value– are not available. However, the 2011/12 budget speech by the Minister of Natural Resources and Tourism included the latest revenue figures for the forestry and tourism sectors.

In 2010/11, the Ministry expected to collect TZS 2.8 billion from licenses of agents in tourism and tourist businesses. To May 2011, a total of almost TZS 3 billion had been collected, surpassing the annual target by 6.7%. Between July 2010 and May 2011, 938,737 tourists visited national parks (an increase of 36% from 2009/10) with revenue collected of TZS 94 billion. The increase in revenue from tourism indicates that the negative effects of the global economic crisis on tourism are subsiding and that marketing strategies are attracting more visitors. In the forestry sector, up to May 2011, the government collected TZS 24.7 billion, equivalent to 63.4 % of the target TZS 39 billion for 2010/11.

The most recent data for the mining sector comes from the 2010/11 budget speech of the Minister of Energy and Minerals. In 2010, the mining sector contributed 2.4% of national revenue. The value of mineral exports (mainly gold) increased from USD 1,103.4 million in 2009 to USD 1,508.7 million in 2010. Among sector challenges noted by the Minister, prospecting and mining are expanding at a faster rate than the capacity to manage the sector. The strategy to support the capacity of small miners has also been facing challenges with a negative impact on revenue collection from the mining sector.

Given the importance of the sustainable exploitation of natural resources for reducing poverty in Tanzania, strengthened systems of monitoring natural resource extraction and revenue collection will be a vital component of the national development agenda.

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

No new data are available for the indicators under this goal. PHDR 2009 reported the results of Round 4 of the Afrobarometer survey in 2008, which asked participants their perceptions of the government's performance in providing essential services – education, health and water supply. Overall, 81% of respondents reported being satisfied the government's performance in providing education, 64% were satisfied with health services but only 42% were satisfied with water supply. New data are expected from the second round of the Views of the People survey and Round 5 of the Afrobarometer survey in Tanzania, which are both scheduled to be conducted in 2012. A detailed discussion of trends in the provision of services in these three core sectors is provided under Cluster II.

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

The current indicators for this goal are:

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

Court Cases Outstanding for Two or More Years

The government is implementing the Legal Sector Reform Programme with the objective of providing timely justice for all. One of its key result areas is improving the capacity of legal sector institutions to deliver services. Available data indicate that the percentage of cases pending for two years or more declined slightly to 22.9% in 2009[53], down from 25.9% reported in 2008.[54]

However, data in Table 24 show large backlogs of cases at all levels of the judicial system. The increased number of judges appointed during the last three years has helped to reduce the backlog of cases in the High Court, and a higher percentage of cases is being decided in lower courts. In 2010/11, decisions were handed down in 57% of cases in the district courts and 64% in the primary courts. Another initiative to expedite the hearing of cases is the ongoing civilianization of prosecution processes, whereby the role of the police in prosecuting cases is transferred to state attorneys. Under this arrangement, police are only responsible for the investigation of cases, thereby eliminating the potential for conflict of interest in prosecuting cases.

Table 24: Status of Cases in the Court System, 2010/11

Status of cases	Court of appeal	High Court	District courts	Primary courts	Resident magistrate courts
Carried over from previous years	2,172	10,932	27,062	40,316	20,256
New cases	685	9,453	57,227	303,032	28,096
Total cases foryear	2,857	20,385	84,289	343,348	48,352
Number of cases decided (% of total cases for the year)	798 (28%)	9,669 (47%)	47,677 (57%)	219,693 (64%)	19,760 (41%)
Pending	2,059	10,718	36,612	123,655	28,592

Source: 2011/12 Budget Speech, Minister of Justice and Constitutional Affairs.

Prisoners Remanded in Custody for Two or More Years

In line with international human rights principles and national laws, Tanzania has put in place a rights-based approach within the prison system. Positively, the total number of prisoners has declined in recent years from 40,066 in 2008 to 37,421 by August 2011 (Table 25). However, the prison population still far exceeds the official prison capacity of 27,653 inmates. The percentage of prisoners remanded in custody for two or more years pending trial has also remained constant at nearly 10%, putting continued pressure on the acute shortage of accommodation in the prison system. Moreover, it is likely that most of the individuals in remand for this length of time are the poor who cannot meet bail conditions.

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53 Data provided by the Ministry of Justice and Constitutional Affairs, August 2011
54 Based on data over several years, the MKUKUTA indicator target of 40% by 2010 was not a relevant target for assessing progress in this area. The indicator and target need to be reviewed for MKUKUTA II.

Table 25: Prisoners in Remand for Two or More Years, 2009 to 2011

Year	Total prison population	Number of prisoners on remand for two and more years	% prison population on remand for two or more years
2009	40,066	3,764	9.4
2010	38,477	3,738	9.7
August 2011	37,421	3,635	9.7

Source: Data provided by Ministry of Home Affairs, 1 August 2011

Juveniles in Detention

The MKUKUTA indicator – percentage of detained juveniles accommodated in juvenile remand homes – seeks to assess the extent to which children in conflict with the law are detained in appropriate facilities for juveniles and not in prisons for adult offenders. No national level data are available from the Ministry of Home Affairs, the ministry responsible for detention facilities in Tanzania. However, the Commission for Human Rights and Good Governance (CHRAAG) conducted a study of children in detention facilities in 2011 (CHRAGG, 2011). The report estimated that over 1,400 children are being held in adult detention in Tanzania.[55]

During inspection visits, the Commission found 591 children held in 65 detention facilities in 16 regions. Of these:

- 441 children (407 boys and 34 girls) were being detained in adult prisons. Of these, only 64 children had been convicted while 374 were pre-trial
- 80 children (70 boys and 10 girls) were in the Retention Homes, all in pre-trial detention, and 56 boys were in the Approved School in post-trial detention
- 13 children were found with their mothers in detention (12 in adult prisons and 1 in a police station)

Based on this sample, less than one-quarter (23%)[56] of juveniles in detention were accommodated in juvenile remand homes.

The study held in-depth interviews with 179 children. Key findings included:

- 70% of the children sent to police stations were detained for over 24 hours before being sent to court; 37% were held for more than four days.
- 31% reported being beaten or treated badly in police detention.
- A third of children reported experiencing physical violence and sexual abuse in prisons.

In general, living conditions were very poor, contact with family was limited, and children were frequently unable to or denied access to legal representation. The use and length of pre-trial detention was excessive. Courts remand children in pre-trial detention even for minor offences, but often their families cannot afford to pay the bail for their release. Children charged with major offences, such as murder or armed robbery, are spending more than two years in detention due to extensive delays in investigations and the frequent adjournment of cases due to lack of magistrates in rural areas.

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55 On average, 15 children were found in each of the 29 adult prisons visited. In Tanzania, there are a total of 130 prisons (9 central prisons, 85 district prisons, 35 open prisons and one is Wami Prison for Young Offenders. In most cases it is very rare to find children in open prisons. Therefore, based on the average of 15 juveniles per prison, it is estimated that 1,410 children were held in the 94 adult prisons.

56 Calculation based on number of children in Retention Homes and Approved School (n=136) as a percentage of total sample (n=591).

The findings from the report clearly show the need for sweeping changes to the administration of juvenile justice in Tanzania to protect the rights of children in conflict with the law, including the following priority actions:

- Apply non-custodial pre-trial mechanisms as frequently as possible;
- Expedite the cases of all children in adult detention;
- Increase awareness and promote the use of Retention Homes and the Approved School among the judiciary;
- Investigate allegations of torture and inhumane treatment by the police and prison officers, and, where appropriate, discipline and prosecute the officers involved; and
- Develop and implement child protection measures in all facilities along with comprehensive rehabilitation and re-integration programmes for young offenders.

Goal 5:	Reduction of Political and Social Exclusion and Intolerance

There is one indicator of progress towards this goal:

- Number of cases filed for infringement of human rights

One of the functions of the Commission for Human Rights and Good Governance is to receive complaints on allegations of violation and abuse of human rights and principles of good governance.[57] Services provided by the Commission are free and complaint handling procedures are simplified to accommodate the needs of the common people. This indicator provides information on complaints and how they were resolved. Table 26 presents a summary of complaints received since the Commission was established in 2001.

Table 26: Complaints Received by CHRAGG, 2001/02-2010/11

	Total number of complaints received	% change from previous year
From Permanent Commission of Enquiry	2,237	-
2001/02	1,074	-
2002/03	2,458	+129
2003/04	2,691	+9
2004/05	2,789	+4
2005/06	3,812	+37
2006/07	4,948	+30
2007/08	2,660	-46
2008/09	2,459	-8
2009/10	1,454	-41
2010/11	1,355	-7
Total	27,937	

Source: Data provided by Commission for Human Rights and Good Governance, August 2011

57 The commission follows a seek-remedy-redress approach. The first step involves writing to the relevant organisation asking for right/justice to be done. If the organisation does not respond adequately, the commission will contact higher authorities, e.g., the organisation's board of directors or a government organ to intervene. The last resort will be to bring the case to court of law to seek legal redress for the violation.

The total number of complaints received by CHRAGG has declined over the last four years. However, in large part, the decrease is associated with the Commission's lack of resources to implement outreach programmes in creating awareness about human rights and principles of good governance and the functions of the Commission. Table 27 presents data on the complaints investigated by the Commission from 2002/03 to 2010/11. Of all the complaints received, 21% of allegations were found to be justified.

Table 27: Status of Complaints Investigated by CHRAGG, 2002/03 - 2010/11

	Complaints found justified	Not justified	Referred to other authorities/organisations	Declined	Total no. of complaints investigated
2002/03	491	304	315	485	1,595
2003/04	490	197	392	485	1,564
2004/05	604	503	749	591	2,447
2005/06	517	436	1,236	832	3,021
2006/07	426	254	2,580	278	3,538
2007/08	478	211	1,366	369	2,424
2008/09	597	363	1,188	583	2,731
2009/10	355	131	767	335	1,588
2010/11	136	71	723	128	1,058
Total	4,094	2,470	9,316	4,086	19,966
Percent	21%	12%	47%	20%	100%

Source: Data provided by the Commission for Human Rights and Good Governance, August 2011

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

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

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

Average Number of Inmates in Detention Facilities

Both local and international standards require that prison facilities and services adhere to human rights and governance principles. The "average number of inmates per facility as a percentage of the facility's authorised capacity" is intended to capture the problem of overcrowding in prisons. Data from 2005 to 2009 indicate that the problem of overcrowding in Tanzanian prisons is improving. However, the latest data available indicate that the prison population was still 145% of the authorised capacity of detention facilities.

Different measures have been taken to reduce the congestion in prisons, including expanded use of the parole system, which reduces prison sentences after fulfillment of parole conditions as per the Parole Board Act of 1994. Inmates who have committed serious crimes do not benefit from the parole system. During the period July 2010 to April 2011, 154 prisoners were released on parole. During the same period, 792 convicts were on probation and 1,026 were convicted to do community work under the Community Service Act. Community service is in place in 12 regions – Dar es Salaam, Mwanza, Mtwara, Dodoma, Mbeya, Kilimanjaro, Tanga, Arusha, Iringa, Mara, Kagera and Shinyanga. On Independence Day (9 December 2010), 3,626 prisoners were pardoned by the President. A further 3,117 prisoners were released on Union Day (26 April 2011). The target of the Ministry of Home Affairs is to reduce congestion in prisons by 20%.[58]

Crimes Reported

The State is responsible for ensuring that citizens are secure in their person and property. A well-functioning legal system is an essential part of ensuring the security of citizens and the number of criminal cases filed before the courts is an important indicator for monitoring the status of security in the country.

Annual data on the number of cases of crime reported in district courts has fluctuated significantly since 2000, suggesting that the figures are questionable. Cases in the High Court numbered around 2,000 up to 2004. Between 2004 and 2007, the number of cases of crime in the High Court increased to slightly more than 5,000 cases. In recent years, particularly 2008 and 2009, the number of cases in the high court seems to have stabilised at around 3,000 cases. The total number of cases in the Court of Appeal has steadily increased from 82 cases in 2001 to around 300 in 2009.[59]

A comparison between total number of cases of crime reported to police stations and numbers of cases reported by the court system is quite revealing (Table 28). In 2009, for example, the total number of cases of crime reported in districts courts was slightly less than 30,000 compared with crimes reported to police stations of over 529,000 or nearly 20 times more. This means that the overwhelming majority of the crimes must be handled by the police force, which has limited capacity to investigate and prosecute crimes. It is important for state organs responsible for justice to take corrective measures so that all cases of crime are investigated and prosecuted in line with legal and human rights principles.

Table 28: Criminal Cases Reported at Police Stations, 2009 and 2010

Year	Number of cases reported
2009	567,288
2010	543,358

Source: 2011/12 Budget Speech, Minister of Home Affairs

Sexual Abuse

The MKUKUTA indicator – number of cases of sexual offenses filed in the High Court, Court of Appeal or District Courts as a percentage of all cases – was used as a starting point to measure the extent of sexual violence in Tanzania. However, since the publication of PHDR 2009, two national surveys have collected data on the prevalence of violence, including sexual violence, in Tanzania. Therefore, for the first time, the extent of sexual violence can be more accurately reported.

58 This 2011/12 Budget Speech, Minister of Home Affairs
59 Data provided by the Ministry of Justice and Constitutional Affairs, August 2011

The experience of any forms of violence can have severe impact on an individual's physical, mental and emotional health, and on behaviour and social development throughout life. Sexual violence in particular is associated with increased risk of sexual and reproductive health problems including unwanted pregnancies, gynecological disorders, as well as HIV/AIDS and other sexually transmitted diseases.

Sexual Violence Against Women

The 2010 Tanzania Demographic and Health Survey investigated women's experience of sexual violence.[60] The findings are alarming. Overall, 20% of women had experienced sexual violence, usually by their partners or former partners. One in ten women (10.4%) also reported that their first sexual intercourse was forced against their will. The rates of sexual violence experienced by women varied markedly by their marital status; over one-third (34%) of women who were divorced, separated or widowed had experienced sexual violence compared with 22% of women who were currently married and 11% of never-married women.

The latest available data from the Ministry of Home Affairs on reported cases of sexual abuse have more than doubled between 2003 and 2007, which may reflect that women are becoming increasingly aware of their right to be protected from sexual violence and to seek legal redress in the courts and bring perpetrators to justice (Table 29). However, based on the evidence from the TDHS 2010, the number of reported cases still represents only a small fraction of the women who experience sexual violence. The majority of crimes goes unreported or is settled outside the court system. For example, women who are victims of sexual abuse within marriage are unlikely to seek or be provided with legal protection.

Table 29: Reported Cases of Sexual Offences, 2002-2007

	Cases of rape	Cases of sodomy	Total no of cases of sexual abuse	Cases of sexual abuse as % of all cases	Total all reported crimes
2002	3,721	490	4,211	5.09	82,702
2003	3,089	488	3,577	4.58	78,142
2004	4,621	488	5,109	6.56	77,938
2005	3,997	420	4,417	6.40	69,073
2006	4,278	512	4,790	6.96	68,781
2007	8,874	569	9,441	10.66	88,527

Source: Data from Ministry of Home Affairs reported in Tanzania Gender Indicators Booklet 2010
(URT, 2010i)

Sexual Violence Against Children

In August 2011, the Ministry of Community Development, Gender and Children launched the Tanzania Violence against Children (VAC) Study 2009, the first nationally representative survey of

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60 In the TDHS 2010, sexual violence includes a woman being forced to have sexual intercourse or perform any other sexual acts against her will.

violence against children. Tanzania is the first country in Africa to undertake such a survey. In total, 3,739 females and males aged 13 to 24 years were interviewed. Like the TDHS 2010, the VAC study revealed alarmingly high levels of sexual violence.[61] Nearly 3 out of every 10 girls and 1 out of every 7 boys reported at least one experience of sexual violence prior to the age of 18. Nearly 6% of girls had been physically forced to have sexual intercourse before the age of 18. The majority of perpetrators of sexual violence against girls were older than the victim, while the majority of perpetrators of sexual violence against males were about the same age as the victim. Incidents of childhood sexual violence most commonly took place in someone's house, at school, or going to and from school, and occurred most often in the afternoon or early evening. A Multi-Sector Task Force comprising the Government, development partners, civil society and the UN is developing a four-year National Plan of Action to Respond to Violence Against Children (2011-15), which will detail interventions to address the child protection concerns raised by the report.

Domestic Violence

The MKUKUTA indicator – the percentage of surveyed respondents (male and female) who agree that a husband is justified in hitting or beating his wife for a specific reason – was used to examine the level of public tolerance for violence against women in Tanzania as a starting point in determining the prevalence of gender-based violence in the country. However, along with new data for this indicator, the TDHS 2010 collected data on the actual prevalence of domestic violence.

The findings indicate that the extent of violence against women is shocking. Overall, 33% of ever-married women aged 15-49 years reported that they had experienced violent acts in the previous 12 months. Figure 53 illustrates the types and extent of violence inflicted on ever-married women by their current or previous husband/partner.

Figure 53: Percentage of Ever-married Women who Experienced Physically or Sexually Violent Acts in the Previous 12 Months, by Type of Violent Act, 2010
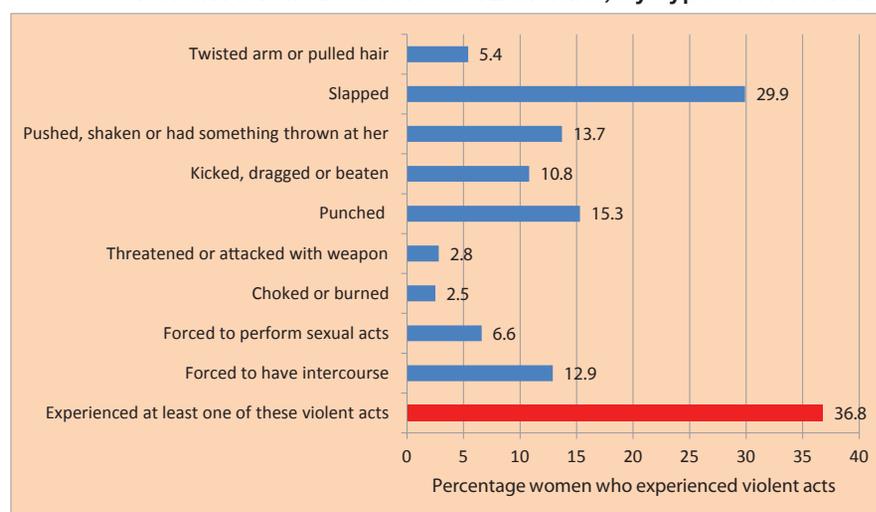
Source: TDHS 2010, p. 279-281

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61 The VAC study applied a broader definition of sexual violence than that investigated by the TDHS 2010. Sexual violence refers to any sexual act that is perpetrated against someone's will, including a completed non-consensual sex act (i.e., rape), attempted non-consensual sex acts, abusive sexual contact (i.e., unwanted touching), and non-contact sexual abuse (e.g., threatened sexual violence, exhibitionism, verbal sexual harassment).

As in 2004/05, the TDHS 2010 also examined attitudes towards wife beating. Men and women were asked whether a husband is justified in beating his wife for the following five reasons: if she goes out without telling him, neglects the children, argues with him, refuses to have sex or burns the food. Table 30 presents the findings for 2004/05 and 2010.

Table 30: Percentage of Respondents who Agree that a Husband is Justified in Hitting or Beating his Wife for Specific Reasons, by Sex, 2004/05 and 2010

Reason	2004/05		2010	
	Women	Men	Women	Men
Burns the food	19.9	10.9	18.2	6.4
Argues with him	46.7	23	39.6	22.2
Goes out without telling him	43.4	27.1	37.4	23.9
Neglects the children	48	28.3	40.6	26.7
Refuses to have sex with him	29.3	15.1	30.6	14.1
Any of these reasons	60.3	42.1	54.5	38.8

Sources: TDHS 2004/05 and 2010

The results indicate that the social tolerance of wife beating has declined marginally over the last five years, but over half of the women and approximately 40% of the men considered that a husband is justified in beating his wife for at least one of the five specified reasons. This demonstrates the continued widespread acceptance of harmful gender stereotypes and men's power in intimate relationships. Women may be increasingly conscious of their basic rights but, in the event of domestic violence, have few choices socially and economically. National dialogue and action are urgently required to improve the status of women, increase the awareness among both men and women of the benefits of gender equity, and reduce the high levels of gender-based violence in Tanzania.

MKUKUTA Cluster III – Conclusions and Policy Implications

A high standard of governance at all levels – within both public and private sectors – is essential for promoting economic growth, reducing poverty and improving the lives of all Tanzanians. The analysis of Cluster III shows some strides in national governance, including the ongoing devolution of responsibility and resources for service delivery from the central government to LGAs, and the alignment of planning and budgeting processes of MDAs and LGAs to realise the development objectives of MKUKUTA, MDGs and Vision 2025.

The principles of democratic, transparent and accountable government are being enhanced through greater community awareness and participation in local government processes. Progress in reforms of the taxation system and regulation of public procurement are also encouraging, though domestic revenue collections have been subdued in recent years as a result of the global financial and national electricity crises.

The analysis, however, shows that the fight against corruption is far from won. Recent high-profile scandals have seriously impacted Tanzania's international standing with development partners, and the flagged cuts to budget support will put at risk national development and poverty reduction goals. There is widespread public dissatisfaction with government efforts to combat corruption overall and the performance of the PCCB in particular. The main reason for dissatisfaction relates to low conviction rates in cases of grand corruption. In connection to this, two prominent views have surfaced. The first perspective is that the PCCB is shackled by the requirements of the DPP in bringing cases to court. The second perspective – that of the common citizen *(wananchi)* – is that grand corruption is being practiced in collaboration with senior officials of the government. Under these circumstances, it is difficult to bring these individuals to justice because their fellow officials including political leaders and state institutions are protecting them. It is imperative for the government to seriously consider both of these perspectives in the fight against corruption.

The Legal Sector Reform Programme is ongoing with the aim of improving standards of justice and protecting human rights. However, the demand on the judicial system at all levels – police, the courts and detention facilities – exceeds the current capacity to deliver services and ensure fair and equal access to justice. The poor are disproportionately disadvantaged in access to legal representation and redress, while court case delays and conditions within jails frequently violate the rights of alleged and convicted offenders, including juveniles. The handling of complaints on matters of human rights abuses and violations by the Commission of Human Rights and Good Governance (CHRAGG) is one way to address political and economic exclusion and intolerance. It is evident, however, that CHRAGG and like-minded organisations require greater resources to fulfill their mandate of increasing awareness and protection of the rights of ordinary citizens.

In particular, the rights of children and women to live free of violence must be more staunchly upheld and defended. The groundbreaking national survey of Violence Against Children and the expanded examination of gender-based violence in the TDHS 2010 reveal extremely high rates of violence against women and children. National and local champions are urgently needed to stop institutionalised violence in schools and to transform harmful gender attitudes that perpetuate domestic and sexual violence against women. The implementation of the Sexual Offences Special Provisions Act also has to be strengthened to protect women and children and bring offenders to justice.

MKUKUTA Cluster III: Governance and Accountability

Notes to readers:

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

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
Goal 1: Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive													
% of population (children under five years) with birth certificates [a]													
- Total Mainland	6.4 (1999)	X	X	X	5.7	X	X	X	6.3	X	6.2		Not yet determined
- Urban		X	X	X	17.8	X	X	X	20.9	X	22.1		
- Rural		X	X	X	2.7	X	X	X	3.3	X	2.6		
- Dar es Salaam		X	X	X	24.8	X	X	X	31.1	X	29.6[62]		
Proportion of women among senior civil servants (%)[63c]		X	X	X	X	2004/5 27	X	X	X	2008/9 22		2010/11 42	30%

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62 The 2010 figure is for Dar es Salaam region; the TDHS 2010 did not record data for Dar es Salaam city

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

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
Percentage of women representatives elected to district council[64d] Proxy: Percent of women councillors		X	X	X	X	4.88	X	X	X	X	5.9		Not yet determined
Proportion of women among Members of Parliament[65d]	21 (2000)	X	X	X	X	30.4	X	X	X	X	36.9		30%
Percent of rural households that own their land through official land owner certificates[e]	X	X	X	7.1	X	X	X	X	5.8	X	X		Not yet determined
Proportion of communities (ward/village/mtaa), which held quarterly meetings with public minutes last year[66f]	Dar: 90.3 Other Urban: 75.8 Rural: 87.6 (2006)							Dar: 90.3 Other Urban: 75.8 Rural: 87.6	X	X	X		Not yet determined
Proportion of LGAs posting public budgets, revenue and actual expenditures on easily accessible public notice boards									2007/8 94.7	2008/9 93.2			Not yet determined
Goal 2: Equitable allocation of public resources with corruption effectively addressed													

64 Reported every five years following district council elections

65 Reported every five years following national elections

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

Indicator	Baseline Estimate (Year)	Trend											Target MKUKUTA 2010
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Total revenue collected as a percentage of revenue due at national level Proxy: Total tax revenue collected by TRA as percentage of estimated collection in a particular period[g]							2005/6 105.2	2006/7 111.3	2007/8 102.3	2008/9 90.1	2009/10 91.4	2010/11 94.0	Not yet determined
% of procuring entities complying with the Public Procurement Act and procedures Proxy: Average level of compliance (%) for procurement entities audited[h]						2004/5 10%	2005/6 58.3%	2006/7 39%	2007/8 50%	2008/9 55%	2009/10 73%		80%
% of government entities awarded clean audit certificate from National Audit Office[i]		2000/1	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9			
- MDAs:	41 (2000/1)	41	31	49	45	34[67]	49	76	71	86			Not yet determined
		2001	2002	2003	2004	2004/5	2005/6	2006/7	2007/8	2008/9			
- LGAs	11 (2001)	11	32	34	44	53	43	81	54	58			

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

Indicator	Baseline Estimate (Year)	Trend											Target
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
% of LGAs that receive the full calculated amount of their annual formula based budget allocation Proxy: Percentage of LGAs qualifying for Local Government Capital Development Grants[i][68]								2006/7 51	2007/8 52	2008/9 84	2009/10 98	2010/11 97	Maintain 100%
Number of corruption cases convicted as a percent of corruption cases investigated sanctioned for prosecution by the Director of Public Prosecution. Proxy: Number of corruption cases convicted[k]	6 (2000)	0	12	9	6	6	18	35	37	46	64	28 (up to July 2011)	Not yet determined
Goal 3: Effective Public Service Framework in Place To provide Foundation For Service Delivery Improvement and Poverty Reduction													
% of population reporting satisfaction with government services[l]													
- Education		59	X	79	X	86	X	X	81	X	X		
- Health		50	X	73	X	70	X	X	64	X	X		
- Water		X	X	46	X	41	X	X	42	X	X		

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

Indicator	Baseline Estimate (Year)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Target MKUKUTA 2010
% of population that found key service providers to be absent when they needed a service[m]	53 (2004)	X	X	X	53	X	X	X	X	X	X		Not yet determined
Goal 4: Rights of the poor and vulnerable groups are protected and promoted in the justice system													
% of court cases outstanding for two or more years[n]					27.9	23.6	28.7	29.0	25.9	22.9			40%[69]
% of prisoners in remand for two or more years compared to all prisoners in a given year[o]	15.7 (2005)	X	X	X	6.8	15.7	7.1	6.1 April 2007	5.4	9.4	9.7	9.7 as at August 2011	7.5%
% of detained juveniles accommodated in juvenile remand homes												23%	Not yet determined
Goal 5: Reduction of political and social exclusion and intolerance													
Number of cases filed on infringement of human rights[p]	3,311 (2001/2)	X	2001/2 3,311	2002/3 2,458	2003/4 2,691	2004/5 2,789	2005/6 3,812	2006/7 4,948	2007/8 2,660	2008/9 2,459	2009/10 1,454	2010/11 1,355	Not yet determined
Goal 6: Improved personal and material security, reduced crime, eliminate sexual abuse and domestic violence													

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

| Indicator | Baseline Estimate (Year) | Trend | | | | | | | | | | | Target |
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
Average number of inmates per facility as % of authorised capacity[o]	196.3 (2005)	X	X	X	X	196.3	185	153 April 2007	151	145			Not yet determined
Number of cases of crimes reported[q]		2000/1	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9			
- Court of Appeal	82 (2000/1)	82	91	160	127	221	222	306	329	301			Not yet determined
- High Court	2,288 (2000/1)	2,288	2,047	1,863	2,212	3,291	4,344	5,396	3,301	3,161			Not yet determined
- District Courts	39,010 (2000/1)	39,010	39,167	39,800	8,494	1,998	22,099	14,400	28173	29,361			Not yet determined
Percentage of cases of sexual abuse that resulted in conviction Proxy: Percentage of women aged 15-49 years who haveever experienced sexual[a]											20.3%[70]		
% who agree that a husband is justified in hitting or beating his wife for a specific reason[71a]													
- Women	60 (2004/5)				60	X	X	X	X	X	54.5		Not yet determined
- Men	42 (2004/5)				42	X	X	X	X	X	38.8		Not yet determined

70 Data on women's experience of sexual violence was collected for the first time in TDHS 2010 (NBS & ICF Macro, 2011, p. 280)

| Indicator | Baseline Estimate (Year) | Trend | | | | | | | | | | | Target |
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	MKUKUTA 2010
Goal 7: National cultural identities enhanced and promoted													
Currently no outcome indicators identified by stakeholders													

Sources:

a = Tanzania Demographic and Health Surveys (1999, 2004, 2010) and Tanzania Malaria and HIV/AIDS Indicator Survey 2007/08

c = President's Office - Public Service Management (PO-PSM)

d = Tanzania National Electoral Commission

e = National Sample Census of Agriculture, 2002/03 and 2007/08

f = Household Budget Survey 2007, Community Characteristics Report

g = Tanzania Revenue Authority

h = Public Procurement Regulatory Authority

i = National Audit Office - Reports of the Controller and Auditor General (various years)

j = PMO -RALG Annual Assessments of LGAs for minimum conditions and performance measures under Local Government Development Grants System (various years)

k = Prevention and Combating of Corrupti on Bureau, data accessed through http://www.corruptiontracker.or.tz/

l = Afro barometer Surveys 2001, 2003, 2005, 2008.

m = State of Public Service Report, 2004

n = Ministry of Constitutional Affairs and Justice, including findings from 'A study on the status of judicial case backlogs in Tanzania Mainland 2004 – 2008'.

o = Data provided by Ministry of Home Affairs

p = Data provided by Commission for Human Rights and Good Governance, August 2011

q = Speech of the Minister of Constitutional Affairs and Justice when presenting estimates of the budget for MoCAJ for FY 2008/09.

r = Calculation based on data from Commission for Human Rights and Good Governance Inspection report for children in detention facilities in Tanzania, June 2011 (CHRAGG, 2011)

CHAPTER 2

TOWARDS PRODUCTIVE EMPLOYMENT AND INCLUSIVE GROWTH

Several attempts have been made in the recent past to better understand the complex nature of growth elasticity and poverty reduction in Tanzania. Over the last decade, the Tanzanian economy has registered a relatively high growth rate of 7% per annum, which is above the average for Sub-Saharan countries, but there has been a near negligible decline in the basic needs poverty rate from 35.7% of households in 2001to 33.6% of households in 2007. An almost unchanged poverty rate amidst economic expansion would suggest that income is becoming more concentrated in wealthier households. Yet, the Gini Coefficient, a measure of income inequality, did not change between 2001 and 2007. Data from the Household Budget Survey 2007 does, however, indicate the accumulation of durable assets among low-income households, which would suggest that their incomes are rising. But counter to this argument the prices of durable assets have decreased over time, so poor households now need to spend a smaller part of their income to acquire them (URT,2009b).

This chapter aims to broaden the analysis of poverty by examining economic production, ongoing structural changes and labour productivity, and how these factors may be affecting the nature of growth in Tanzania. Such an analysis is important in reconfiguring the growth model towards a job-centric approach in which employment is seen as a pathway to securing long-term economic stability and well-being for the people.

The findings of this analysis show that Tanzania has not fully benefited from the productivity gains one associates with the structural change from a predominantly agriculture-based economy to a more diversified economy in which services and industry play a larger role. Labour productivity in the countryhas increased gradually but remains low overall. Much of the improvement has been undermined by what has been described as "perverse" structural changes (Page, 2011) in Africa. As countries industrialise, the share of the agriculture sector gets smaller and with it labour moves from subsistence agriculture to more productive sectors of the economy such as manufacturing. There are usually positive gains to be made from such structural changes as pressure on agriculture is relieved, while labour finds better-paying jobs in the industrial sectors. Industrialisation in the developed countries and more recently the growth of East Asia show the benefits of such structural transformation. In the case of Africa, however, the share of the agriculture sector is indeed getting smaller, but the labor from agriculture has been absorbed mainly in the informal economy. This results in perverse or what one may call undesirable effects from structural transformation.

To reverse the effects of this perverse structural change, the Tanzanian economy has to become more inclusive by investing in human capital and enacting pro-poor industrial and agriculture policies. These policies should be driven not only by a desire to increase growth and production, but also by a people-centered approach that prioritises the creation of productive employment. In this paradigm

shift, the state must play a proactive role in creating the conditions for domestic enterprises to unleash productivity and in ensuring that people have the skills and entrepreneurial attributes to engage in gainful employment. Human development is after all the pursuit of enhancing capabilities and enlarging choices of individuals. Thus, adopting a people-centered approach in policy making human development outcomes can be realized.

1. Why Productivity is Important for Inclusive Growth

Productivity in its simplest form is the ratio of outputs to inputs. It is a measure of the efficiency of production. Productivity can be measured at any stage in the development of an output by a single firm or by multiple producers, as is the case in a nation's economy. Productivity is generally measured in terms of three broad inputs – labour, capital, and underlying intermediate outputs – and what has been termed as a "residual" multi-factor productivity or total factor productivity, which seeks to measure the contribution of technological innovation and management processes in the production of a final output (Schreyer & Pilat, 2001).

There is no fixed template for putting a country on a high growth path, but the experiences in developed countries following the Industrial Revolution and the subsequent rise of emerging economies do offer a set of "enabling factors" that can unleash growth and economic prosperity. While the Industrial Revolution introduced new methods of production using both technology and human capital, the rise of Asia was mainly fuelled by adapting existing technology to drive an export-oriented growth model that compensated for inadequate domestic demand. This export-driven model transformed the economies of several Asian countries, starting with post-war Japan and then spreading through much of East and Southeast Asia. These "Asian Tigers" were able to outperform many developing economies, including those in Africa, which were at the same level in the late 1960s and early 1970s when Southeast Asia took off. Since then, many of these emerging economies have kept moving up the value chain and in the process taken over a large chunk of global manufacturing. The recent global financial crisis, aptly described as the "Great Recession", has, however, exposed deep structural problems in industrialised countrieswhile also raising questions about the dependence of emerging economies on developed countries as their markets for manufactured goods.

The path that Africa followed has been somewhat different owing to the composition of its exports to developed countries, principally agricultural commodities and raw materials. While commodities still constitute the bulk of exports from Africa, the trade destinations are gradually diversifying. From 1990 through 2008, Asia's share of African trade doubled, to 28%, while Western Europe's portion shrank from 51% to 28% (Leke et al., 2010). Although the threat of exogenous shocks exists, there is new optimism about the future growth and prosperity in Africa. Six out of the ten fastest growing economies in the world over the ten years to 2010 were in Sub-Saharan Africa: Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda. It is also being suggested that from 2010-2015, Tanzania will probably be the fifth fastest growing economy in the world after China, India, Ethiopia and Mozambique (The Economist, 2011).

These are indeed encouraging trends for Africa and a sign of a multi-polar world in which growth will be fuelled by emerging economies, and Africa will play an important role in propelling global growth. These global economic shifts have also led to more interest in examining the implications arising

from a possible convergence in the development trajectories of emerging economies. One argument being put forward is that not all emerging economies will converge and that there will always be a group of countries performing at different levels (Rodrik, 2011). Nonetheless, there is consensus that several industrial countries need to reconfigure their economies to create demand and find new avenues for future growth and employment. On the other hand, fast growing low-income countries such as Tanzania also need to re-examine their growth drivers, the potential for using these drivers to enhance productivity, and the alignment of growth with decent employment.

2. Productivity, Employment and Structural Change

As the global economy moves into uncharted territory there is renewed academic interest to study structural changes (Page, 2011). There is also more focus on exploring the relationship between labour productivity, industrialisation and growth, especially in light of the loss of manufacturing jobs in developed countries (Tregenna, 2011). The implication is that fewer units of labour are needed to produce the same output. But the loss of jobs can also mean diminished consumer demand owing to a lack of income, which, in turn, can have a negative impact on future investment. In other words, maximising productivity can lead to jobless growth if there is insufficient demand for labour. In developing countries, this can be a major problem as their economies are not diversified enough to allow the smooth transfer of labour across economic sectors. As countries grow, it is assumed that labour will move from what is perceived to be low productivity sectors, such as agriculture, to higher productivity work in industry and manufacturing, but this has not always been the case in Africa.

In general, structural changes in Africa have been accompanied by labour shifts to lower productivity jobs (McMillan & Rodrik, 2011). Without more recent data, it is difficult to assess the current trend in Tanzania. But, until 2006, the country appeared to be following a similar path in which labour was shifting from the agriculture sector to services and industry but mainly in the informal economy. A decomposition of productivity gains from 1990 to 2005 shows that productivity in Africa as a result of structural changes, i.e. when labour moves to more productive sectors of the economy, declined over this period (-1.27%). On the other hand, structural changes have largely benefited Asia (0.57%). Labour productivity growth during this period was also much higher in Asia (3.87%) compared to Africa (0.86%). The difference in productivity across economic sectors is highest in Africa, which suggests that the continent has the most to gain from well-managed structural changes (Page, 2011).

3. The Status of Productivity in Tanzania

As discussed above, the size of the national output is determined by the quantity and quality of inputs and the efficiency in which they are used to produce goods and services. In turn, the income and profit generated from the sale of output is shared between labour and the owners of capital. The income is determined by the value of output and the demand for the products in domestic and international markets. Productivity is thus a measure of fundamental importance in assessing how resources are being deployed to increase the value of national output, commonly referred to as the Gross Domestic Product (GDP), and enhance the well-being of the people through the benefits they can derive from work.

A Microeconomic Perspective

In Tanzania, very little research has been done to study productivity and its complex relationship with poverty reduction. A fundamental part of the problem is the lack of routine data on enterprises, labour and employment, which makes it a very challenging to draw a clear picture of the interplay between growth, labour market dynamics and income distribution. This task is made even more challenging owing to the existence of a large informal economy, which is estimated to provide jobs for almost 94% of the workforce in Tanzania (ILO, 2010). The presence of a large informal economy is a common characteristic in most African countries. Steel and Snodgrass (2008) estimated that the informal economy accounts for 50 to 80% of GDP and 90% of employment in Africa.

Although it is the mainstay of livelihoods for many households, productivity in informal enterprises is assumed to be quite low owing to unequal access to services. Without formal registration, access to services is undoubtedly constrained. However, the relationship between productivity and the formal status of enterprises is rather complex. Having legal status or operating a business that conforms to national business regulations does not, by itself, lead to better access to services and higher productivity. Interestingly, the difference in productivity between formal and informal enterprises in East Africa is not as large as in Southern Africa (Gelb et al., 2009), the reason being that informal firms in East Africa receive even less, if any, government support than firms in Southern Africa. That study argues that the growth of the informal economy in essence should be seen as a state failure.

In another study conducted in West Africa, very little difference was found in productivity levels between formal and large informal firms (Benjamin et al., 2010), which suggests that enterprise size can also determine productivity. In this case, remaining informal may be a choice to avoid meeting strict government regulation, as the firms do not see any benefit in formalising their businesses. A corollary to this argument, however, is that if the right regulations and incentives were in place these businesses may choose to formalise, which, in turn, might further enhance their productivity. A set of efficient business regulations and an enabling investment climate in the country can stimulate the growth of the private sector and encourage businesses to move to the economic mainstream. A more in-depth analysis of the state of the business environment in Tanzania including constraints faced by small enterprises is presented in Chapter 3 of this report. But it is important to highlight that business rules and regulations go beyond investment decisions made by firms and have an impact on productivity as well.

Past studies into productivity in Tanzania have painted a rather mixed picture. The study by Ndulu and Semboja (1994), which looked at productivity as a response to incentives, demand from exports and the domestic exchange rate, found that changes in manufacturing output were primarily attributed to factor inputs with erratic patterns in labour productivity. The study concluded that lack of productivity was a response to cyclical instability, which resulted in a 40% negative value addition in manufacturing. Moreover, the emphasis was on import substitution with disincentives for exports including a high real exchange rate and other export controls such as taxes.

Mbele (2005) showed a high capital deepening in the period from 1967-1985 compared with 1986-2000, a period of widespread economic reforms. A comparison between the pre- and post-reform

period in Tanzania shows that capital was less productively deployed in the pre-reform era. However, following the reforms a slight decline in the labour productivity was observed. The expansion in output from 1986-2000 was associated with better use of capital and higher multi-factor productivity, but a marginal decline in labour productivity (0.4%).

Using the International Comparisons of Output and Productivity Project (ICOP) methodology, Szirmaiand Lapperre (2001) compared labour productivity trends between Tanzania and the USA. Not surprisingly, the study found a large gap in labour productivity between the two countries, which was explained by the use of advanced technological inputs in the production process in the USA.

On the whole, labour productivity in Tanzania increased rapidly from 1965, reached a peak in 1973, and then spiraled downward all the way to 1994. By that year, labour productivity had almost halved from the 1973 level. This downward trend in labour productivity can be explained by an increase in the number of workers while output levels remained low.

Goedhuys, Janz and Mohanen (2008) examined productivity in the manufacturing sector in relation to technology and the business environment. Interestingly, the study found little impact from technological inputs used by the firms, including research and development (R&D), product and process innovation, licensing of technology and training provided to employees. While employee training did not appear to have a significant impact on productivity, the educational level of management was higher in those firms that were more productive. Firms with foreign ownership and quality assurance certificates such as ISOs were more productive. Larger size and networking of firms were also associated with higher productivity. In certain cases, constraints in the business environment, particularly the lack of access to business development support services, were key determinants of poor productivity among firms. The research also showed that business regulations affected larger firms more while the outputs of smaller firms were more constrained by lack of support services and less educated staff. Moreover, weak backward linkages between well-established, productive, foreign-owned firms and smaller indigenous enterprises also meant that there were very limited spillover effects.

Based on the research reviewed above, a few common features tend to emerge. Firstly, productivity is dependent on a variety factors that are not often easy to capture and may lie outside the strict confines of conventional inputs. Secondly, the "pull" factors of an improved business environment or demand for exports can also act as strong stimulant for productivity.

Overall, there has been a slight improvement in labour productivity in Tanzania over the last two decades, a period characterised by massive transformation from state control to a more open and competitive economic system in which the private sector was expected to be the driver of growth and job creation. However, the growth of the private sector has remained an area of concern and the country has been unable to unleash its full economic potential.

Economic reforms and the recent episode of growth have not led to the expansion of a vibrant domestic private sector. Growth in the private sector has been driven by a few large firms, thus limiting the creation of productive jobs. The dominance of larger enterprises in manufacturing is best illustrated by the presence of five or six large firms that account for almost half of the manufactured products in Tanzania (World Bank, 2011).

Macroeconomics of Productivity

The preceding section mainly focused on trends in productivity at the firm level in Tanzania and experiences inother parts of Africa. This section will now examine broad macro-level trends in productivity by looking at aggregates of production in terms of GDP by key economic sectors and trends in the labour market. The aim is to better understand how the economy has evolved over time and the impact of structural changes on labour productivity.

The employment to population ratio (EPR) measures the number of people employed as a percentage of the working age population. The proportion of people working in Tanzania is quite high; in fact, at 85.4%[72] the country has one of the highest EPRs in the world, much higher than the average for Sub-Saharan Africa, which has an EPR of 63.4%, while for Least Developed Countries (LDCs) the average is close to 70%.[73] On one hand, a high EPR augurs well for increasing production, but this indicator can also mean that some individuals join the workforce simply to earn a living for survival and not necessarily to take advantage of better livelihood opportunities (ILO, 2010). A higher EPR also indicates the nature of the Tanzanian economy, which has increasingly drawn young people to the commercial capital of Dar es Salaam and to other urban areas in search of better work opportunities. For example, from 2001 to 2006, the EPR increased by 12.7 and 9.8 percentage points in Dar es Salaam and other urban areas respectively. This resulted in an increase in the out-of-school population by 9.4% and unemployment rate by 7.5% in Dar es Salaam (ILO, 2010).

To better understand the employment outcomes in developing countries, the working poverty rate and the proportion of the population engaged in vulnerable employment must also be considered[74]. The working poverty rate is defined as those people who are working but are earning less than the income threshold of the national poverty line. In 2007, the working poverty rate in Tanzania was 30.7% , which had marginally decreased from 32.5% in 2000. In other words, one third of those who are technically employed do not even earn what is considered a minimum threshold income to cover the basic needs of an individual.

The precarious nature of work for many Tanzanians is further revealed by the data for vulnerable employment. By definition, vulnerable employment is the sum of contributing family and own account workers as a percentage of total employment. The vulnerable employment rate in 2006 was close to 88%, which is quite high compared with other low-income countries, including those in Africa. Not surprisingly, the vulnerable employment rate among those with higher university education (18.3%) was significantly lower compared to those with primary (87.3%) or secondary education (38.2%).

The vulnerable employment rate is also much higher in rural areas (94.7%) compared with Dar es Salaam (51.5%) and other urban areas (72.9%). However, there has been a significant increase (14.1 percentage points) in the vulnerable employment rate in Dar es Salaam, which again underlines the trend of more and more people moving to the commercial hub of the country in search of better livelihoods. However, agriculture continues to be the primary source of employment for the

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72 Rate used here takes into account the international definition of unemployment. Using the national definition, the EPR is 79.2%. For comparison with Sub-Saharan Africa, the international definition has been used to calculate EPR. For more details refer to ILO Analysis of MDG Employment Indicators: Mainland Tanzania.

73 http://data.worldbank.org/indicator/SL.EMP.TOTL.SP.ZS/countries/1W-ZG-XL?display=graph

74 Please note that, unless indicated otherwise, working poverty and vulnerable employment rates reported here are from the ILO Analysis of MDG Employment Indicators: Tanzania Mainland, 2010

workforce. According to the ILFS 2006, more than 75% of the labour force was still engaged in the agriculture sector.

The GDP per person employed is a commonly used indicator to measure labour productivity. The GDP data by employment can also give an indication of productivity levels by sector and help to assess the state of the economy in terms of value addition and capacity to absorb labour. Ideally, labour productivity should be measured using data from enterprises to get a breakdown of the value of output produced and the actual number of labour hours. These data, however, are rarely available in developing countries.

Figure 54 shows the trend for GDP per person employed from 1980 to 2008 for Tanzania, Kenya and Uganda along with averages for countries in Sub-Saharan Africa and LDCs. The data show that labour productivity in Tanzania has remained quite low even when compared with its neighbours in the East African Community (EAC) as well countries in Sub-Saharan Africa LDCs. As discussed in the preceding section, labour productivity fell all the way up to 1994. Since then, labour productivity has been in an upward trend with increasing gains from 2000 onwards. This rise in productivity can be explained by the much greater economic expansion in recent years.

Figure 54: Trend in GDP per Person Employed, Tanzania, Kenya and Uganda with Sub-Saharan and LDC Averages, 1980-2008 (USD PPP)
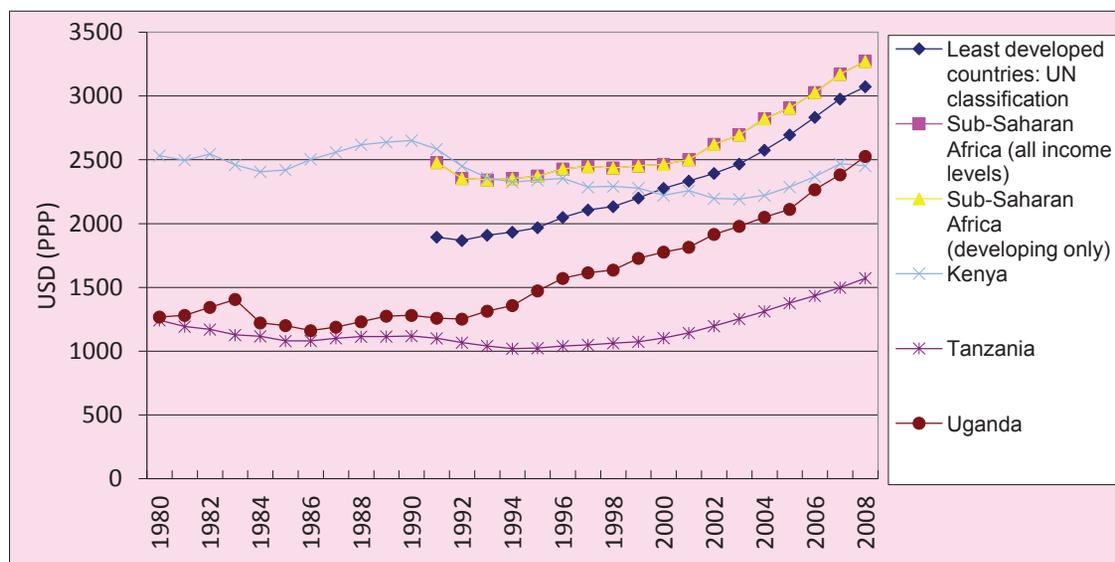
Source: World Bank Database

The ILO Analysis of MDG Employment Indicators for Tanzania Mainland 2010 assesses productivity by key economic sectors. The analysis estimates the overall annual growth rate of labour productivity to be 3.5%, which is relatively high, but productivity in the manufacturing and services sectors has negative growth rates of -6.1% and -1.3% respectively. While absolute labour productivity in manufacturing is almost ten times higher than agriculture, the negative growth rate of labour productivity in manufacturing and services is partly attributed to labour movements. Over the last

decade, both the industrial and services sector have been growing much faster, but the sectors are not exhibiting high labour-intensive absorption with higher productivity gains. An initial dip in labour productivity in manufacturing and industry is not necessarily unusual for developing countries as their economies take off. In these cases, the GDP per person employed in non-agricultural sectors tends to follow a U-shaped trend. But a continued decline in labour productivity in these sectors can be a cause for concern.

Taken together, the data from the working poverty rate, vulnerable employment, and labour productivity convey the explicit message that participation in the labour market for many people has not resulted in good economic returns for themselves and the economy as a whole.

Even with the widespread structural changes, the Tanzanian economy has not moved in a direction to enhance productivity and create better livelihoods for people. The potential gains from structural changes and movement of labour from low productivity sectors to higher productivity sectors have not been fully realised. It is likely that many in the labour market are simply shifting from low productivity agriculture to work in the informal economy particularly in the services sector. There has been growth in the industrial sector including manufacturing but not at the rate and in a manner to create enough productive jobs.

The manufacturing sector, which can be linked to international markets, has unique attributes to create productivity gains that can also have a spillover effect. But in the case of Tanzania, a weak domestic private sector with a high concentration of a few large firms combined with a huge informal sector working at the margins of the economy has meant that the backward linkages are very weak. Furthermore, the heterogeneity of rural employment and impact from growth in agriculture and non-agriculture sectors has not been carefully studied to find appropriate solutions to better manage structural changes in Tanzania (Parray, 2011).

4. Recommendations to Reconfigure Future Growth for Productive Employment and Poverty Reduction

Establish a Robust Labour Market Information System

As a starting point in reconfiguring the growth path of the economy, an effective labour information system is needed to better track labour shifts and capture signals from economic sectors. Implementing a robust labour market information system will better enable the Government to steer public policy and investments towards pro-employment initiatives. A well- functioning labour market system will also valuably inform all institutions and stakeholders involved in labour and human capital development.

Support Initiatives that Counteract the Negative Outcomes of Structural Changes

Existing policies and strategies may need to be revised to counter the negative outcomes that have arisen from structural changes, particularly in the agriculture sector and related industries. A wide range of initiatives and projects are being implemented to support agriculture and agro-processing in the country to realise the *Kilimo Kwanza*[75] vision. At operational level, however, these initiatives need to

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41 Kilimo Kwanza literally translates into Agriculture First. It is an overarching national framework strategy to support agricultural development and making agriculture a priority sector in the economy.

be consolidated. Secondly, innovative ways of creating backward linkages and pro-poor benefits from national programs are required. Considering the poor performance of small enterprises and smallholder farmers and their challenges to tap into supply chains, there is merit in further exploring ways of enabling small producers to benefit more from backward linkages, for example, through initiatives aimed at developing agricultural corridors, such as SAGCOT, or special processing zones for exports.

Ensure Implementation of the Five-Year Development Plan 2011/12-2015/16 and Integrated Industrial Development Strategy 2025

In 2011, the government launched its first Five-Year Development Plan, which aims to unleash Tanzania's growth potential. In essence, the plan articulates a strategy to produce high-yield returns through infrastructure development, domestic value addition, improved technology and skills development, and better services for small enterprises. In December 2011, the Ministry of Industry and Trade also launched its Integrated Industrial Development Strategy 2025. This has been described by the Ministry as a road map to implement the Sustainable Development Policy 1996-2020 (SIDP) while taking into account the emerging challenges faced by the economy and limited share of industry in the economy. The strategy calls for an *agriculture-led industrialization*, which rightly recognises that a smaller agricultural sector does not necessarily translate into a productive industrial sector. Both strategies have come at an opportune time, but it is not clear how the government aims to raise public and private resources for implementation. A realistic investment plan and appropriately designed projects, including public-private partnerships (PPPs), should be prioritised.

Invest in Human Capabilities

In an increasingly globalised world in which economies are shaped by knowledge, there is no better substitute than investing in human capabilities to drive productivity gains and prosperity. Since 2000, Tanzania has significantly expanded access to education but the quality of education, including returns on investments, has been a major concern (World Bank, 2012). The educational system is also not very responsive to the emerging needs of the economy (ATE, 2010). In particular, the vocational educational and training sub-sector needs to be revamped to engender cost effectiveness and equip graduates with the technical and entrepreneurial skills demanded by the labour market.

Align National Policy with the EAC Common Market Protocol

Lastly, national policy actions need to be better aligned with the objectives and vision for the EAC Common Market Protocol, which came into effect in 2010. The larger market of the EAC has undoubtedly created greater opportunities for the member states. However, a large share of the labour force in the region works in the informal economy. This may lead to a situation in which labour from the informal sector of the economy crosses into another country in search of better livelihoods. Productive jobs being scarce, this may actually add more workers to the informal economy of the receiving country. Alternatively, active labour market interventions such as developing certain human skills, if not properly coordinated, can lead to an oversupply. Moreover, without a mechanism for signaling shortage of certain skills in some countries, which other member states can provide, it will be difficult to address. To avoid this, memberstates need to effectively coordinate their industrial strategies and labour market policies.

AN ENABLING BUSINESS ENVIRONMENT FOR JOB CREATION AND INCLUSIVE GROWTH

An enabling business environment[76] is an important pre-requisite for encouraging private sector investment which, in turn, is critical for sustaining long-term growth and job creation. Over the last ten years, the Government of Tanzania has made considerable advances to improve the business environment for both foreign and domesticprivate investors evidenced by, for example, the steady growth in private investment, including foreign direct investment, to USD 650 million in 2009[77]. While the space for private sector activity has grown, the largely unchanged poverty rate among Tanzanian households suggest that the poor are not necessarily part of this growth process. Usually, low-income households participate in and benefit from the economy through wage and self-employment. However, as noted in Chapter 2, the country has experienced limited productivity gains along with labour movements from subsistence agriculture to the non-farm informal economy. These trends strongly underline the need for investing in human capital to engender pro-poor dividends from structural changes.

The objective of this chapter is to further broaden the discussion of inclusive growth by examining the business environment in Tanzania, particularly how it affects the growth of small enterprises. This is critically important as small enterprises often form the backbone of an economy by absorbing a large number of job seekers in both industrialised and developing countries. In Tanzania, the private sector is characterised by a large number of micro and small businesses and a smaller number of medium-sized enterprises. Although mainly operating in an informal economy, these micro, small and medium sized enterprises (MSMEs) are increasingly seen as pivotal players in generating the productive employment to achieve broad-based economic growth and poverty reduction in Tanzania.

The chapter is structured into four parts. The analysis starts with an overview of the reform process of the business environment in the last twenty years. This is followed by an assessment of the overall status of the business environment in the country based on international and domestic surveys and research studies. The third part of the chapter discusses the specific business environment issues that affect the development of MSMEs. The fourth and final section identifies a set of priority reforms for improving the business environment for MSMEs in Tanzania.

1. Overview of the Reform Process on the Business Environment in Tanzania

Beginning in the mid-1980s, the Government of Tanzania embarked on a series of major economic reforms. The first phase of this structural adjustment programme (1986-89) focused on

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76 For the purposes of this paper, the term "business environment" encompasses both macro-level investment climate issues that affect the development of the private sector (such as the rule of law, political and economic stability, human capital and physical infrastructure) as well as the set of policy, legal, institutional, administrative and regulatory systems that govern business activities.
77 Reported as provisional in the Economic Survey, June 2009. Ministry of Finance.

macroeconomic stabilisation and trade liberalisation. The second phase (1989-92) concentrated on the inclusion of key social dimensions of adjustment and laying the groundwork for institutional reforms and foreign exchange and investment deregulation. The third phase (1993 onwards) focused on reforms in institutional governance, notably civil service and parastatal reform.[78] Subsequently, in 2000, Tanzania adopted the Poverty Reduction Strategy (PRS) succeeded by the National Strategy for Growth and Reduction of Poverty (MKUKUTA), which has become a formal process and overarching policy for driving economic reform. Tanzania is now implementing the second phase of MKUKUTA, which commenced in July 2010 and runs through June 2015. In addition, the government has formulated the Five-Year Development Plan (2011/12-2015/16), which aims to unleash the growth potential of the economy.

As part of the economic liberalisation and reforms, the Government has already implemented a set of measures to improve the business environment including:

i)   Formation of the Tanzania Revenue Authority (TRA) in 1996 to modernise the tax administration, promote voluntary tax compliance and strengthen the government's revenue base;

ii) Transformation of the Investment Promotion Centre (IPC) in 1997 into the Tanzania Investment Centre (TIC) with a focus on making it a one-stop-shop to ease bureaucratic hurdles for potential investors, particularly to attract foreign investment;

iii) Establishment of the Business Registration and Licensing Authority (BRELA) in 1999 to handle business registration outside the mainstream of government bureaucracy, with a view to cutting red tape and making it easier to start a business;

iv) Initiation of the Business Environment Strengthening for Tanzania (BEST) programme in 2000 to comprehensively improve the business environment and bring down the cost of doing business;

v)   Formation of the Tanzania National Business Council (TNBC) in 2000 to serve as the forum for dialogue between the Government and the private sector, and to build a constructive partnership for policy reform and push for faster economic growth;

vi) Creation of the Fair Competition Commission in 2003; and

vii) Enactment of the Business Activities Registration Act (BARA) of 2007 to further simplify the process of starting businesses by separating business licensing from the revenue collection function.

The other major areas of reforms have included the Public Sector Reform Program (PSRP) I and II, Local Government Reform Program (LGRP) I and II, Public Financial Management Reform Programme (PFMRP), Second Generation Financial Sector Reform Programme, National Anti-Corruption Strategy and Action Plan (NACSAP), Agricultural Sector Reform Program and the Legal Sector Reform Program (LSRP).[79] These reforms have aimed to promote good governance, scale down direct government participation in economic ventures, create a business environment conducive to attracting both local and foreign investments, and increase private-sector participation in the economy.

While these reforms have contributed to achieving macro-economic stability and ushered in a period of high GDP growth since 2000, they have not helped to empower MSMEs to participate more actively in the growth process by tapping into supply chains, adding value, and increasing productivity

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78   See Cooksey (2011)
79   Confederation of Tanzania Industries (CTI) (2011a)

to accelerate the creation of decent employment. With an aim to address these imbalances in the economy, the Government has developed the second phase of the National Strategy for Growth and Reduction of Poverty (NSGRP or MKUKUTA II) 2010-2015. The strategy explicitly calls for an accelerated reduction of income poverty by promoting growth that generates inclusive and pro-poor employment (URT, 2010f). The aim is to direct interventions to support creation of productive and decent jobs, especially for women and for young people, who form the largest share of the labour force. MKUKUTA II strongly acknowledges the role of the private sector as the engine of growth and underlines that a conducive business environment is essential for accelerating private sector development, wealth creation and poverty reduction. The strategy thus proposes measures to improve the business environment and reduce the cost of doing business for both large-scale businesses and MSMEs. It seeks to establish a 'level playing field' in which all firms – large or small, rural or urban, domestic or foreign, or owned by women or men – operate on an equal footing.

Given the broad scope of the NSGRP, in May 2011, the Government prepared the Tanzania Five-Year Development Plan (2011/12-2015/16) or FYDP I with the intention of prioritising interventions to unleash the country's latent growth potential. The plan charts out a growth path to realise the Tanzania Development Vision 2025 to become a semi-industrialised country by 2025, one which is capable of withstanding competition in domestic, regional and global markets. Moreover, the FYDP I aims to effectively tap into Tanzania's resource potential in order to create the conditions for broad-based and pro-poor growth (URT, 2011f).

Following the launch of MKUKUTA II, in July 2010, the Government also approved the Road Map for Improving the Investment Climate in Tanzania. A comprehensive action plan for 2010/11-2012/13 was developed to implement the recommendations from the Road Map (URT, 2010j and 2010k). The action plan aims to ensure that Tanzania's business environment becomes globally competitive and vibrant for both domestic and foreign-owned businesses by: i) reducing costs of doing business through reforming and eliminating regulatory procedural and reducing administrative barriers; ii) improving the capacity of the public sector to deliver better services to the private sector; and iii) promoting strategic partnerships between the public and private sector.

2. The Status of the Business Environment in Tanzania

Tanzania is generally considered to have a high level of political stability and macro-economic conditions for investment and private sector development that are relatively sound (White, 2010). However recent trends in macro-economic indicators and business indices have been less positive. Since 2006, inflation has been on a steady upward trend. In the last three years, inflationary pressures have been intensifying with the annual rate of inflation rising to 12.1% in 2009. At the same time, domestic revenue as a percentage of GDP ratio remains low at 15.3% (2009/10), which necessitates reliance on budgetary support from development partners.

With respect to business and investment regulations, this section presents key findings from two leading international surveys – the Global Competitiveness Report 2010/11 and the Doing Business report for 2011 – and draws from other national-level analyses.

The Global Competitiveness Report 2010–2011

Published by the World Economic Forum (WEF), the Global Competitiveness Report (GCR) assesses the investment climate and business environment of national economies based on 12 indicators or pillars of competitiveness (WEF, 2010). Although the 12 pillars of competitiveness are described separately, they operate interdependently. Table 31summarises the results for Tanzania from the 2010/11 report. Overall, Tanzania scored 3.6 (on a scale of 1 to 7) on the Global Competitive Index (GCI) and ranked 113th out of 139 countries assessed by the survey. Tanzania ranked relatively better on several indicators: institutions (83rd); labour market efficiency (77th); financial market development (90th); market size (81st); business sophistication (98th); and innovation (86th).

However, Tanzania needs major improvements across many areas to make the country more competitive and attractive for investment. In particular, national infrastructure – roads, ports, electricity supply and telephone lines – are under-developed. As noted in Chapter 1 of this report, the quality of the educational system also needs to be strengthened such that school leavers have the skills and attributes in demand in the labour market. The country further suffers from limited uptake of information and communication technology, which is shaping the future of economies.

Table 31: Tanzania's Ranking in the Global Competitive Index

Global Competitive Index (GCI)	Rank (out of 139)	Score (1-7)
GCI 2010–2011(out of 139)	**113**	**3.6**
Basic requirements	**116**	**3.6**
1st pillar: Institutions	83	3.7
2nd pillar: Infrastructure	128	2.4
3rd pillar: Macroeconomic environment	115	3.9
4th pillar: Health and primary education	113	4.7
Efficiency enhancers	**114**	**3.4**
5th pillar: Higher education and training	133	2.5
6th pillar: Goods market efficiency	108	3.8
7th pillar: Labour market efficiency	77	4.3
8th pillar: Financial market development	90	4.0
9th pillar: Technological readiness	131	2.6
10th pillar: Market size	81	3.4
Innovation and sophistication factors	**94**	**3.2**
11th pillar: Business sophistication	98	3.5
12th pillar: Innovation	86	2.9

Source: WEF (2010)

Lack of adequate physical infrastructure is an enormous challenge facing Tanzania in its efforts to attract investors and stimulate economic growth. The country's geographical position gives it a strong comparative advantage as a transport hub for neighbouring landlocked countries. Transit

trade is already the fourth largest foreign exchange earner (BoT, 2011). However, with respect to the overall quality of physical infrastructure, the Global Competitiveness Report 2010/11 ranked Tanzania (124th out of 139 countries) much lower than Kenya (88th). It also ranked far below Kenya in the quality of port facilities, a core infrastructural component of inter-country trade (see Table 32). Of particular note, the Integrated Industrial Development Strategy 2025 (June 2010) indicates that 50% of cargo unloaded at the port of Dar es Salaam passes through the transportation hub at Ubungo, which one can say is the Achilles' heel of Dar city, where congestion is now at critical levels. The narrow backyard of Dar port of 100 metres, against a preferable 500 metres, which also makes container operations complicated.

Table 32: Comparison of Tanzania and Kenya on Infrastructure Development, 2010/11

Indicator	Tanzania	Kenya
Quality of overall infrastructure	124	88
Quality of roads	124	77
Quality of railway infrastructure	72	74
Quality of port infrastructure*	119	85
Quality of air transport infrastructure	118	57
Quality of electricity supply	122	103

Source: WEF (2010)

The backbone of the Global Competitiveness Report is the annual Executive Opinion Survey, which asks a sample of business executives in each country their perceptions of the business environment. In 2011, over 13,500 executives participated. As part of the survey, respondents are asked to select from a list of 15 factors the five most problematic factors for doing business in their country's economy. Figure 55 presents the findings for Tanzania. In this year's survey, corruption was ranked as the most problematic factor,[80] followed by access to finance and poor infrastructure (road, ports, electricity supply and telephone lines). Other factors that were seen as serious issues were tax rates, tax regulation, crime and safety.

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80 Transparency International (TI) has also consistently rated Tanzania poorly for its perceived corrupt business practices (TI, 2011). TI's 2010 Corruption Perception Index (CPI) ranks Tanzania 116th out of 178 countries with a CPI score of 2.7 out of 10. The CPI score tracks perceptions of corruption seen by business and country analysts, ranging from zero (highly corrupt) to 10 (not corrupt).

Figure 55: The Most Problematic Factors of Doing Business in Tanzania, 2010/11
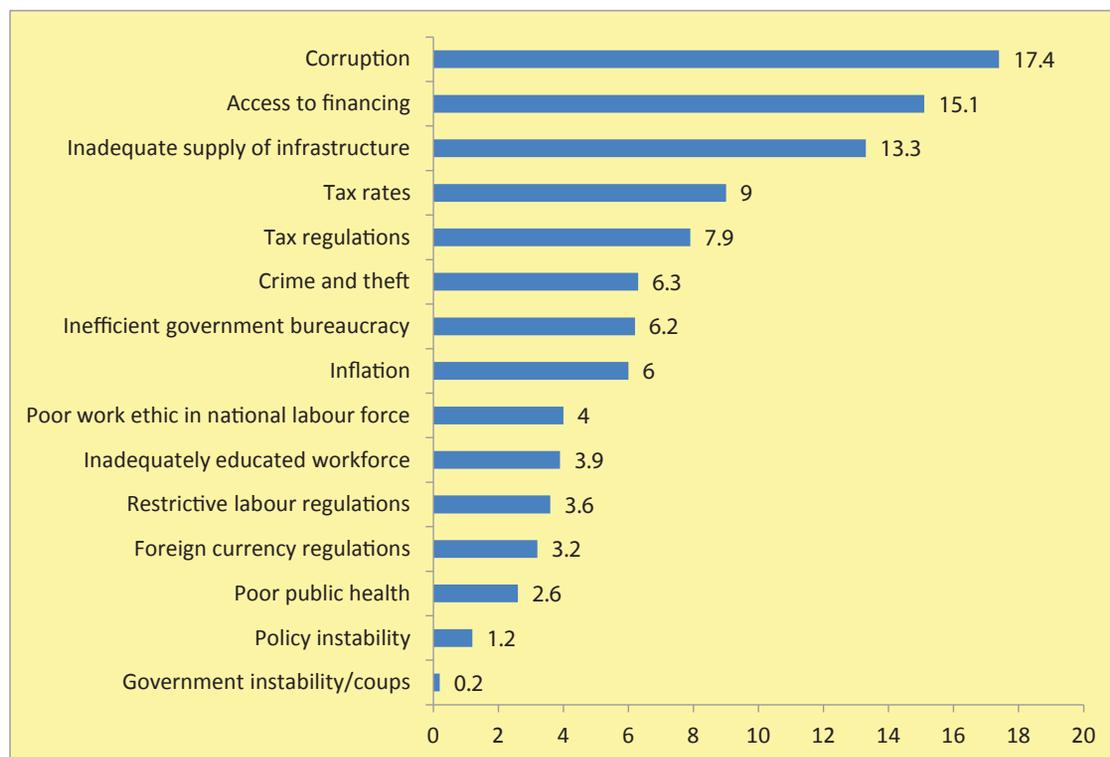
Source: WEF (2010, p. 320)
Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

The Doing Business Report

Doing Business (2011) is the eighth in a series of annual reports published by the World Bank and International Finance Corporation (IFC). The report investigates national regulations that can enhance or constrain business activity (World Bank & IFC, 2010). The results from Doing Business 2011 are summarised in Table 33. The major impediments to business activity identified in the 2011 report relate to starting a business, dealing with construction permits and registering property. Findings indicate that to:

- Start a business in Tanzania requires 12 procedures, takes 29 days and costs 30.9% of Gross National Income (GNI) per capita;
- Build a warehouse[81] requires 22 procedures, takes 328 days and costs 2,756.29 % of GNI per capita;
- Register property requires 9 procedures, takes 73 days and costs 4.4% of the value of the property.

The areas in which Tanzania ranked relatively better included enforcing contracts, protecting investors and getting credit.

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81 The Doing Business indicator, "Dealing with construction permits" measures the procedures, time and cost for a small to medium-size business to obtain all the necessary approvals to build a simple commercial warehouse and connect it to basic utility services.

Table 33: Ease of Doing Business in Tanzania, 2010 and 2011

Indicators	Doing Business 2010	Doing Business 2011	Change in ranking (2010-2011)
Overall ranking (Ease of doing business)	125*	128	+3
Starting a business	120	122	-2
Dealing with construction permits	178	179	-1
Employing workers**	131	--	--
Registering property	145	151	-6
Getting credits	87	89	-2
Protecting investors	93	93	0
Paying taxes	119	120	0
Trading across borders	108	109	-1
Enforcing contracts	31	32	-1
Closing business	113	113	0

Sources: World Bank & IFC (2009 & 2010)
Notes: *The aggregate rankings published in Doing Business 2010 were based on 10 indicator sets and are therefore not directly comparable with 2011. Based on all 10 indicators of DB 2010, Tanzania's aggregate ranking was 131. The comparable 2010 ranking for Tanzania based on the same 9 indicator sets used in DB 2011 is 125 (see page 1 and Table 1.2 of DB 2011).
   ** Employing workers was not considered in Doing Business 2011

Investment Climate Assessment

An investment climate assessment was prepared by the World Bank in 2009 based on the results of an enterprise survey of 419 small, medium and large enterprises and 65 microenterprises carried out in 2006 (World Bank, 2009b). Among its findings, the assessment found that labour productivity in Tanzania is comparable to other low-income countries in Sub-Saharan Africa. Value-added per worker in Tanzania is estimated at $3,000. Since value-added per worker ranges between US$1,000 and $4,000 for most low-income countries in the region, this puts Tanzania towards the upper end of productivity among countries in Sub-Saharan Africa. The cost of labour, which includes wages, salaries, bonuses, other benefits and social payments, is comparable to other low-income countries in Sub-Saharan Africa. For the median firm, labour costs are close to US$800 per worker. This is fractionally higher than Uganda, Burundi or Rwanda. Since labour productivity is also higher than in these countries, Tanzanian firms should be relatively competitive in regional markets.

However, the shortage of skilled labour at all levels is one of the most serious constraints for the private sector in Tanzania to compete internationally. In response, the Government has worked to expand enrolment at all levels of education – primary, secondary, technical and tertiary. Despite some notable achievements at primary and secondary levels, the quality of education and limited opportunities for technical and higher learning remain major concerns.

3. The Situation for Micro, Small and Medium Sized Enterprises

To achieve inclusive growth that is employment-friendly, a conducive environment for firms, especially for MSMEs, is essential. The critical role that MSMEs play in the Tanzanian economy cannot be overemphasised. For instance, a recent survey of the manufacturing sector has shown that out of the 25,000 manufacturing enterprises operating in the country, 88% are microenterprises that engage 1-4 persons (60.3% engage 1-2 persons and 27.7% engage 3-4 persons) (NBS, 2008). By June 2008, of these 25,000 enterprises, only 5,520 (22%) were registered with BRELA. As the majority of manufacturing enterprises in Tanzania is operating informally in the regions, district planning needs to take this into account to support these businesses.

Broad-based growth can only be realised through the effective participation of MSMEs in the growth process. The formalisation of MSMEs will contribute significantly to the transformation of the economy. Reforms are thus urgently needed to promote the growth of MSMEs, many of which operate at the household[82] level. Six pressing issues facing MSMEs in Tanzania have been identified:
i)   legal and regulatory frameworks;
ii) infrastructure;
iii) registration of land;
iv) access to finance;
v) enterprise culture; and
vi) support and development services.

Each issue is now discussed in turn.

Legal and Regulatory Frameworks

The legal and regulatory framework in Tanzania is generally considered to be costly and unfriendly to MSMEs. Regulations have adversely affected the competitiveness of businesses in Tanzania through increased costs of doing business owing to high user fees, delays in clearance of goods through customs, and bureaucracy in testing standards and quality of goods. Moreover, regulators seek to generate income in the process of enforcing regulations leading to rent-seeking behaviour rather than facilitating the private sector. There are four specific areas related to the legal and regulatory framework in Tanzania that impact the operation and growth of MSMEs:
i)   licensing;
ii) business informality;
iii) access to business premises; and
iv) taxes.

Licensing

Recent studies show that the majority of enterprises appreciates the value of regulations in ensuring good business practices but they are concerned about the multiplicity of regulatory authorities and duplication of regulations (which gives rise to multiple licensing and permits, multiple charges and

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82 Household enterprises (HEs) are the smallest informal firms, typically consisting of a single entrepreneur perhaps supported by unpaid workers who are likely to be family members. In practice, many Tanzanians are involved in HEs as a secondary activity, including farmers, civil servants and schoolchildren. The sector reflects the efforts of rural, peri-urban and urban households to diversify their income-generating activities to earn more income. HEs are often the entry point to participation in private sector-led growth. Supporting these enterprises, therefore, represents a significant opportunity for inclusive, pro-poor growth and poverty reduction (World Bank, 2011b).

penalties), and high costs and complexity of compliance. The time spent in obtaining permits, and the many agencies to be visited, give rise to many corrupt practices. They feel that most regulators are motivated by revenue collection rather than facilitating enterprises to comply with regulations (CTI, 2011a; TAMPA, 2010; TCCIA, 2008). Since most regulators act as police rather than coaches, the level of enterprise satisfaction with the services offered by regulators is low.

The 2010 report of the USAID-supported Commercial Legal and Institutional Reform in the Agriculture Sector (AgCLIR) found that, in addition to the customary issues of registration and licensing, agricultural businesses in Tanzania confront many challenges during business start-up, the most pervasive being lack of information. The implementation of the licensing system as it applies to agri-businesses in Tanzania takes place within a climate of uncertainty that promotes minor rent-seeking activities by licensing agents (USAID, 2010).

Business Informality

The 2009 Diagnosis Report on the Property and Business Formalisation Programme (MKURABITA) reported that 97% of all businesses in Tanzania and 86% of all urban properties in Tanzania are extralegal. Experience shows that even the enterprises that are perceived as legal run several operations including employment, procurement and handling financial transactions in ways that are characteristic of an informal economy. The report highlights that ineffective, burdensome and culturally inappropriate laws and regulations are responsible for making it virtually impossible for 90% of Tanzanians to enter the legal economy. The challenge lies in transforming the enterprises, including those in the informal sector, in ways that enable them to access key resources such as finance, operate from proper business premises, provide gainful and decent work conforming to basic labour rights, follow urban planning and environmental regulations, and produce goods of acceptable standards.

Access to Business Premises

Recent studies, including the 2011 Household Enterprises (HE) Survey, found that it is almost impossible for MSMEs in urban areas (where most businesses are concentrated) to acquire plots for constructing business premises due to bureaucracy, corruption and the very limited number of surveyed plots available. The World Bank Household Enterprises (HE) Survey (2011) found that the new Business Activities Registration Act (BARA) of 2007 effectively excludes most household enterprises because of the prerequisite for businesses to have a fixed premise before being issued a license. In 2006, only about 9% of household enterprises operated in a permanent workspace other than their home (World Bank, 2011b). Many microenterprises set up their operations in the streets. When unable to gain access to a fixed premise, operators are exposed not only to poor working conditions, but also to potential loss of livelihood due to eviction or harassment by authorities. Local government authorities, claiming that they are only enforcing regulations, often subject business operators to forceful eviction, seizure of goods, and/or demolition of their temporary structures for business operations. The consequent loss of assets, earnings, and productivity has significant adverse effects on the viability of their businesses and the welfare of operators and their families.

The problem of not having fixed premises makes it hard for MSMEs to access credit, since few lenders will extend credit to a business that has no fixed premises or address. As operators in open

spaces are insecure about their future, they become less motivated to expand their businesses. The problem is compounded by the inconsistent government position on the use of open spaces. Government officials often issue contradicting statements as to which areas can be used by MSMEs. Many operators have now resorted to using mobile structures.

Taxes

Until 2007, when the Government introduced the presumptive tax policy, the tax regime had been oriented to the large-scale business sector. While there are significant provisions for tax exemptions for MSMEs as compared to large-scale enterprises, there are still numerous taxes and levies, which are cumbersome for small enterprises.[83] Furthermore, although LGAs have abolished a number of levies, there is still lack of clarity on the abolished levies. This brings about confusion as it has obscured the actual taxes being imposed by LGAs. The names of the current levies are similar to the names of those which were abolished, making it difficult to differentiate.

The tax assessment and collection system is also neither transparent nor predictable, giving opportunities for tax officials to exhort bribes from small business operators in addition to creating a business environment that is marred by uncertainty. This alone may seriously affect an individual's interest in setting up or developing enterprises that will one day require them to deal with tax or other regulatory officials. Along with the complexity and disproportionately high costs of compliance, MSMEs are effectively forced to remain small and informal to avoid detection by the government.

Infrastructure

Transport

For agricultural producers and MSMEs in Tanzania, the most pressing infrastructure issue is roads. Tanzania has the lowest road density in the East Africa region with only 7.4 meters per square km of paved roads. Available data indicate that only 28% of the rural population is living within 2 km of an all-weather road (URT, 2011f). The network of trunk roads is of strategic importance for the country as it enables market linkages with neighbouring landlocked countries. But only 40% of trunk roads are paved. An improved road network is essential to connect producers in rural areas with urban centres, thereby reducing the time and cost of transporting agricultural products to markets and facilitating the flow of agricultural inputs and industrial goods to rural consumers. Railway, port and air infrastructure are also important in exploiting new opportunities for agricultural and resource production in regional and international markets, for tourism and for servicing landlocked states.

Energy

Tanzania's energy sector remains under-developed. Although endowed with diverse energy sources, including natural gas, hydropower, coal, wind power and solar power, Tanzania's energy sources are largely untapped. The main source of energy in Tanzania is still biomass (fuel-wood and charcoal), which accounts for about 85.5% of total energy consumption. Only around 14% of the population has access to electricity but power consumption is growing at the rate of 11-13% annually. Where electricity is available, the quality of supply is poor and blackouts and other service interruptions are common. The relatively high cost for businesses associated with maintaining a reliable supply

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83   See, for example, TCCIA (2008)

of electricity via use of private generators during blackouts puts pressure on Tanzanian firms to increase product prices to recoup these costs, thereby becoming less competitive against similar products from firms in other countries (CTI, 2011b). Many micro and small enterprises cannot afford a generator and must suspend their operations when power is not available.

As noted in the status chapter (under Goal 6 of Cluster I), there are direct and indirect benefits of electrification for the growth of enterprises (large and small)- including agro-industry, and for employment. Of all the registered enterprises with more than five employees, 82% are located in those regions of Tanzania that have access to the national grid. Furthermore, businesses in regions connected to the national grid grow much faster than those in regions that are not connected (Mwakapugi et al., 2010).

Information and Communication Technology (ICT)

The ICT systems in Tanzania are still inadequate to meet domestic business demand. Basic ICT infrastructure is limited and fragmented. The first optic-fibre backbone is run by the Tanzania Telecommunications Company Limited (TTCL), which provides voice and data communication services to business and residential customers. Connections are, however, currently limited to urban areas and a few semi-urban communities. Rural areas are served by small capacity transmission links, with some areas still being served by analogue systems. On a positive note, the FinScope 2009 survey found that approximately 13.4 million adult Tanzanians have access to a mobile phone, representing a 130% increase since 2006. Mobile telephony has enormous potential for development, for example, by facilitating greater access to market and health information as well as financial services.

Registration of Land

The government has long recognised the critical importance of land for sustainable development in Tanzania, and its particular importance for the development of small firms. However, the issue of land ownership is fraught with political, cultural and social complexities. The 2010 USAID AgCLIR study found that registering real property in Tanzania is difficult and time consuming. The vast majority of Tanzania's agricultural land is "village" land (see Table 34). As such, most land is not privately owned, rather it is nominally owned by the state and administered by village councils. Therefore, land is not held in a form that can easily be used as collateral to access credit or, if it is owned in fee simple[84], has title problems. As a consequence, lending to the agricultural sector is perceived as extremely risky. As a result, land is rarely used for collateral outside of urban and peri-urban areas, and access to large tracts of land with clear title is a serious problem for commercial agriculture. Few men, and even fewer women, are able to use land as collateral.

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84 Fee simple is a form of freehold ownership in land. It denotes absolute title to land to the holder, free of any other claims against the title, which one can sell or pass to another by will or inheritance. It is the most common form of ownership in common law countries.

Table 34: Distribution of Land in Tanzania

Land Category	Percentage of land	Governing authority
Village land	70%	Village council
Reserved land (forests, national parks, wildlife reserves and areas set aside for future planning and infrastructure)	28%	Depending on the law governing the sub-category of land
General land (neither village nor reserved land)	2%	Commissioner for land

Source: World Bank (2011c)

Development of reliable land registries has also been slow, with limited progress in modernising the Central Land registry and limited capacity of LGAs to develop land registry systems that match their responsibilities under the law. With limited access to titling and registration, management of land has remained problematic on the ground, with widespread issues of uncertainty of tenure and corruption in land management practices.

Access to Finance

Access to finance is one of the key factors that can determine the success of the private sector and economic growth of a country. The problem of finance in Tanzania has always been perceived as one of the critical barriers for firms, especially for MSMEs. To increase access to finance, the Government of Tanzania, since the early 1990s, has implemented a series of reforms that have liberalised the banking sector and reduced the dominant role of the state. Currently, about 30 local and foreign private commercial banks are registered with the central bank (Bank of Tanzania). The influx of foreign banks has helped to improve the availability of financial services and the quality and pricing of existing services, either directly as service providers or indirectly through competitive pressures on domestic banks.

The FinScope Survey (2009) indicated a healthy growth in the number of people who use banks. In the period since 2006, the adult population grew by 10%, but the number of people holding a bank account rose by 33% (Table 35). On the other hand, only 8.3% of rural dwellers have bank accounts compared with 22.1% of urban residents. The micro and small business sector is substantially under-served by banks. Only 20% of those running their own business and about 18% of people in informal employment have bank accounts. Education and the level of financial access are closely linked; the lower an individual's education, the more likely they are totally excluded from formal or semi-formal financial services.

Table 35: Access to Bank Services in Tanzania, 2006 and 2009

Access to bank services	Number of people		%
	2006	2009	change
Total adult population in 2006	20,365,808	22,349,432	10%
Currently using bank services	1,467,815	1,951,310	33%
Never used banks	19,621,136	18,262,202	-7%

Source: FinScope Survey 2009

As a consequence, most MSMEs continue to finance their activities using their own funds, loans from friends and family, money lenders or rotating savings and credit groups. Although there have been a number of initiatives by the government, banks and other financial institutions to expand services to MSMEs, there is still a huge gap in access to capital for small enterprises. The majority of these enterprises are not served by the financial system in Tanzania.

The agriculture sector accounts for the largest proportion of the workforce, but only a few banks have a finance window for agriculture, such as theTanzania Investment Bank (TIB), National Microfinance Bank (NMB), CRDB, Exim Bank, FBME and Kilimanjaro Cooperative Bank. Among rural households that have loans, 84% obtained loans through informal means, 8% through Savings and Credit Co-operative Societies (SACCOS), 3% through microfinance institutions (MFIs), 3% as business loans and 3% individual personal loans from the banks.

The Household Enterprises Survey (2011) found that although lack of credit is a common problem across all enterprises in Tanzania, household enterprises are even more vulnerable because they are largely left out of the financial sector either as savers or borrowers. Despite rapid growth of credit lending, the proportion of HEs with access to financial services is dismally low. Many government-supported credit programmes, including microfinance programs, have not reached HEs. The problem is more severe for HEs than for microenterprises (e.g., enterprises larger than HEs). In 2006, only 6% of HEs reported having received credit from banks, compared to 19% for microenterprises. HEs are also more reliant on friends and relatives for credit (about half of HEs) than microenterprises (22%). Moreover, about 80% of urban HEs and 90% of rural HEs have no access to banks for savings and credit (World Bank, 2011b).

The major constraints faced by MSMEs to access to finance arise from the following:
i) The characteristics of the enterprises themselves, for example, limited managerial capacity demonstrated by a lack of planning, accounting and reporting systems, lack of a credit history as most MSMEs do not borrow or do so informally, and limited collateral (such as title to land) required by banks to secure loans.
ii) Regulatory framework, including impractical foreclosure procedures under the Land Act 1999, lack of appropriate identification systems for prospective borrowers, and long and costly dispute settlement systems.
iii) Weaknesses in the banking system in servicing MSMEs, such as the centralisation of loan processing in commercial banks due to capacity constraints in credit and risk management. Some banks recently attempted to decentralise, but had to recentralise loan processing after bad experiences in the regions. The over-insistence on collateral rather than on the potential of the business has been one of the major challenges to accessing bank finance.

In an attempt to address some of the challenges facing access to credit by MSMEs, the Bank of Tanzania in 2007 committed to creating a credit reference bureau and associated regulations. It also committed to establishing a credit reference bureau databank, which private credit bureaus could leverage. The Tanzania Bankers Association has also announced plans to establish a credit reference bureau to use this data bank. However, many of these mechanisms are not yet in place. As a result, the cost of lenders' due diligence and the cost of borrowing will remain high, and lending to the agricultural sector in particular will remain low.

Enterprise Culture

The enterprise culture in Tanzania for both enterprises and facilitators of MSMEs is still under-developed. This is partly owing to a system that lasted for 20 years in which enterprise culture was suppressed in favour of building a socialist society. Only a small proportion of Tanzanians have had direct exposure or experience in serious, private business activities. Those who are in business are almost exclusively first generation. Most small business operators are "survivalists"; they have been forced into business by economic necessity as opposed to being motivated by an "entrepreneurial spirit". As a result, most enterprises remain at the micro/informal level and very few graduate into small and medium-sized businesses.

The education system does not inculcate entrepreneurial knowledge, skills and preferences. In recent years, there has been a proliferation of higher learning and technical training institutions. However, courses have largely focused on "employability" in large public or private enterprises, and not on self-employment or employment in MSMEs. This is unfortunate because there are very limited job openings in the formal sector. Recently, the Vocational Education and Training Authority (VETA) has changed its curricula to include some aspects of entrepreneurship to prepare its students, but most graduates from technical institutions remain unemployed. Some higher learning institutions are also including training and mentoring in entrepreneurship. The University of Dar es Salaam has formerly introduced a policy for entrepreneurship development as well as an Entrepreneurship Centre. However, institutional capacity is very limited and few youth are reached through these programmes.

Business Development and Support Services

Although a number of strategies and plans have been formulated, the limited financial and technical capacity of national, regional and local governments severely restricts the provision of support services for MSMEs. Some private business development service providers are also operating in Tanzania but most MSMEs are not able to afford their services. The government has struggled to play a leadership role in the planning and implementation of a development agenda for MSMEs. For instance, local government units dealing with MSMEs commonly see their role as controlling and policing MSMEs rather than facilitating their operations. Moreover, workers in these small enterprises get little help or guidance from representative bodies. The 2010 AgCLIR report found that most agricultural workers in the informal sector receive little attention, if any, from state agencies, labour unions and employer associations.

4. Conclusions and Recommendations

Despite the reforms that have been undertaken so far, the business environment in Tanzania still requires significant improvement so that it can cater better for the needs of MSMEs. Given the large number of challenges faced by businesses and the limited resources available to the Government, there is a need to prioritise areas of reforms which will result in high dividends for MSMEs so as to engender broad-based economic growth, increased employment and poverty reduction. Based on the analysis in this chapter, the following priority areas have been identified that can significantly improve the domestic business environment and accelerate pro-poor growth and poverty reduction.

Improve National Infrastructure and Energy

Recurrent energy shortages and poor transport infrastructure, especially roads, are the most visible constraints affecting businesses. Policy and regulatory frameworks are urgently required to promote public-private partnerships in selected areas of infrastructure development, operation and maintenance. Opportunities available through the EAC's Road and Rail Master Plans to finance regional networks also need to be examined. In addition, scaled-up investment is required in the energy sector to implement the Power System Master Plan and to support the Rural Energy Agency in implementing the Rural Electrification Master Plan.

Accelerate Implementation of the Road Map for Improving the Investment Climate in Tanzania

The Road Map and accompanying action plan show the Government's commitment to respond to stakeholder concerns to improve the business environment in Tanzania. However, implementation of the Road Map's recommendations must be accelerated. The awareness and participation of private sector in this reform process also needs to be further enhanced.

Improve Governance and Strengthen Institutions Dealing with Corruption

While some efforts have been made to improve administrative governance, poor corporate governance is also evident among private sector enterprises. The rent-seeking behaviour that is predominant in the public sector must be changed so as to ensure that the government plays a more effective role of service delivery. Strengthening oversight institutions, such as the Prevention and Control of Corruption Bureau (PCCB) and the office of the Controller and Auditor General (CAG), as well as regulatory agencies is vital to improved governance, transparency and accountability.

Enhance Access to Finance

Although the financial sector has been liberalised and it has expanded quite significantly, there is need for further improvement in the delivery of financial services. Enhancing access to finance, especially for the agricultural and MSMEs sectors, will require speeding-up initiatives for formalisation of informal enterprises, implementation of the national identification project, strengthening credit guarantee schemes, facilitating banks to have reliable credit reference bureaus, and building the capacity of enterprises and financial institutions to address their own challenges. The provision of financial services should take into consideration the special needs of MSMEs so as to offer them flexible loan conditions, assistance in preparing feasible business plans, and use of appropriate forms of collateral. Recent government interventions, such as targeted credit guarantee schemes and agricultural subsidies need to be further tested and improved to ensure that they reach the intended target groups. The Government's decision to transform the Agricultural Window at the Tanzania Investment Bank into the Agricultural Development Bank is another step towards expanding access to finance to the farming sector. In this regard, the government can benefit from experiences in other developing countries that have managed to establish successful banks for agriculture development.[85] The cross-fertilisation of ideas and sharing of good practices with these countries should be encouraged as there are a number of cases globally, of government-owned agriculture banks that have failed or remained dependent on subsidies.

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85 A good example is Bank Rakyat in Indonesia, which is arguably the largest microfinance bank in the world exclusively serving the rural population. It was primarily established to expand credit and saving services for farmers.

Expand and Improve Registration of Land

Concerted efforts are required to speed up reforms on land management and eliminate unnecessary bureaucracy and hurdles in registration of land. Currently, only 5% of land in Tanzania is registered, compared with 30% in Kenya and 18% in Uganda. The surveying of communal land has progressed farther, with 7,000 villages surveyed out of 10,000, but issuance of customary certificates of occupancy for surveyed village land has been slow (World Bank, 2011c). Without registered titles to land and business premises, agricultural producers and MSMEs will continue to face barriers to accessing credit as well as uncertainty of tenure and loss of land and livelihood through corrupt land management practices.

Formalisation of MSMEs

MSMEs are not only an important source of income for many Tanzanians but also an important avenue for promoting entrepreneurial activities. But operating informally severely limits their growth and capacity for job creation. It is therefore critical that implementation of existing programmes such as MKURABITA is further improved to encourage informal businesses to register. The formalisation process can only succeed if informal businesses see benefits from it. The relevant institutions in the government need to reach out to informal businesses, try to better understand their problems, recognise their contribution to the economy, and facilitate their participation in shaping the development of Tanzania.

CONCLUSION TO PHDR 2011

PHDR 2011 comes at a critical juncture in national development. With great uncertainty persisting in the global economy and many donor nations facing severe fiscal constraints, Tanzania, as other successful emerging economies have demonstrated before it, must exploit strategic domestic opportunities for economic growth.

The country has a distinct geographical advantage to serve as a regional trade and transportation hub, with access to the markets within the East African Community and Southern African Development Community. Tanzania's extensive agricultural resources can fuel agro-based processing and manufacturing, and its vast reserves of natural resources can supply domestic needs and support export growth.

But to realise the Tanzania Development Vision 2025 of a middle-income country with a high level of human development that is free of poverty, the Government needs to remove the constraints to growth and unleash the potential of its labour force. At every turn, domestic entrepreneurs need to be supported and facilitated to increase productivity and generate jobs so that an ever-growing number of households can secure and sustain decent livelihoods.

At the same time, the significant gains in indicators of quality of life and social well-being need to be maintained and expanded through the provision of high-quality public services. Tanzania is on track to meet key Millennium Development Goals by 2015, but all actors and every available resource need to be applied to make that happen.

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