

UNITED REPUBLIC OF TANZANIA

INTERIM POVERTY REDUCTION STRATEGY PAPER (PRSP)

1. The Government of Tanzania is preparing a Poverty Reduction Strategy Paper (PRSP), which is a key requirement for reaching the completion point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC) and provides background essential to IMF and World Bank lending to Tanzania. The strategy aims at attacking the country's deep and pervasive poverty by raising growth and enhancing the participation of the poor in the development process. Between 15 million and 18 million Tanzanians, half the population live below the poverty line of \$0.65 a day. Of these, nearly 12.5 million live in abject poverty, spending less than \$0.50 on consumption a day. Poverty incidence has stagnated or worsened during the 1990s. Poverty remains predominantly a rural phenomenon, although the number of poor in urban areas, mainly the unemployed and those engaged in the informal sector, is growing fast. In both rural and urban areas, the poor typically lack capital and human assets: they are less educated, of ill health and have large families. The vulnerability of the poor is increased by preponderance of disease, including the rapid spread of HIV/AIDS.
2. Many social indicators in Tanzania are comparable to or better than those in countries with the same income level. However, there are indications of a high degree of deprivation with respect to health standards, food security and education attainment. The infant and under-five mortality rates are, respectively, 86 and 133 per 1000, while life expectancy is around 49. Malnutrition affects 44 percent of children and access to safe water is around 50 percent. The adult illiteracy rate is 28 percent and the net primary school enrollment rate is about 57 percent. For all indicators, important regional variations, urban-rural differences, and gender differences persist.
3. Since independence in 1961, the Government of Tanzania has had poverty reduction as its main goal. In 1997, the Government adopted the National Poverty Eradication Strategy, which spells out a vision of a society without abject poverty, and with improved social conditions. This vision, which is in line with the International Development Goals, remains a point of reference for current poverty actions. In June 1999, the Government issued "Poverty and Welfare Monitoring Indicators," a document intended to provide the basis for monitoring the implementation and evaluating the impact of poverty eradication programs. The indicators will facilitate the development of baseline data for assessing the status of poverty and welfare, in order to guide policy and programs for reducing poverty. The National Poverty Eradication Strategy and the Poverty and Welfare Monitoring Indicators were developed in collaboration with a wide range of stakeholders. In line with the National Poverty Eradication Strategy, the Government has identified priority areas for public expenditure in the context of the Medium-Term Expenditure Framework (MTEF), whose implementation is monitored under the annual public expenditure review (PER) process, involving a wide range of stakeholders. This process has guided the budget framework for three years.

4. Consistent with the long-term objective of eradicating poverty, and similar to the HIPC Initiative, the Government established (with effect from July 1998) a Multilateral Debt Relief Fund (MDF), to which seven donor countries have contributed. The MDF, which amounted to US\$88 million during its first year (1998/99), has assisted in servicing debt to the World Bank, IMF, and African Development Bank. The savings of Government resources were used to provide services to the priority sectors that permitted them to increase their expenditures beyond what was originally envisaged in the budget. In 1999/2000, these donors have pledged to contribute US\$81 million to the MDF. Its progress is monitored in quarterly review meetings between the Government and involved donors.

5. The Government is currently developing the Tanzania Assistance Strategy (TAS), which is intended to be a homegrown strategy to guide external aid to Tanzania. The main objectives of the TAS are to improve ownership, partnership, and the effectiveness of aid. The PRSP, which is an essential component of the TAS, will focus on specific goals for poverty reduction and for the improvement of social indicators and on specific public policies and institutional changes to reach these objectives.

6. Poverty in Tanzania is so widespread that it cannot be eradicated in the short run. It is an objective that will be pursued through a long term strategy aimed at achieving higher growth, improving economic opportunities for the poor, building human capital, and empowering the poor to participate in the development strategy. To move in this direction, in the interim period, up to the HIPC Initiative completion point, the Government will:

(a) Prepare a Poverty Reduction Strategy Paper by August 2000. Its preparation will involve consultations with, and the participation of, all stakeholders, including the civil society and development partners.¹ The process will mainstream the poverty and welfare monitoring system into the budget instruments, such as the MTEF framework. The PRSP will not substitute for existing sectoral programs but will strengthen the prioritization of actions within and across sectors targeting poverty. It will:

- Assemble baseline data on poverty and develop a national poverty line.
- Set medium-term poverty reduction targets, including monitorable indicators of main poverty objectives that can be achieved within one to ten years. These indicators will at the minimum cover income poverty, and essential human development.

¹ These include, among others, African Development Foundation; Community Development Trust Fund of Tanzania; Concern Worldwide; Economic and Social Research Foundation; Mwalimu Nyerere Foundation; OXFAM; Promotion of Rural Initiative and Development Enterprises; Research and Poverty Alleviation; Tanzania Association of NGOs; Tanzania Council of Social Development; and Tanzania Social and Economic Trust.

- Set poverty reduction targets for each of the priority sectors, including primary education and health, rural roads, water, and extension services in agriculture.
 - Shift budgetary resources to meet specified poverty reduction targets.
- (b) Conduct 50 percent of district-based school mapping by the end of 2000. This information is a critical requirement for improving the delivery of education. With this, the Government will prepare a report covering the availability and condition of schools, the quality and distribution of teachers, the quality of school management, the enrollment rate, the dropout rate, and key problems in the delivery of primary education. This exercise is a key investment for drawing up district-level education plans aimed at increasing the net enrolment rate and the quality of primary education.
- (c) Adopt specific short-term actions to improve health outcome. The first is to raise the coverage of children under 2 years immunized against measles and DPT (diphtheria, polio, and tetanus) from the current 71 percent to 75 percent of the eligible population. This will have a major impact on reducing childhood mortality and morbidity. The second is targeted at raising the awareness and combating the denial of the HIV/AIDS pandemic. In this regard, the Government plans to implement national awareness campaigns covering at least 75 percent of all districts in the country. The campaigns will be spearheaded by the National Advisory Committee on HIV/AIDS, working hand in hand with the National AIDS Control Program.
- (d) Implement a Household Budget Survey and a pilot labor force survey. This information, which will be available during the first half of 2001, will be essential for updating preliminary estimates of poverty that will be compiled in the PRSP and for monitoring the poverty reduction strategy. Subsequently poverty monitoring surveys will be developed for tracking changes in poverty and welfare.

7. The Government attaches great importance to maintaining the gains in macroeconomic stability of recent years. This is a necessary condition for achieving a higher rate of growth and poverty reduction. The Government intends to avoid net domestic financing of the budget, and to follow monetary policies aimed at reducing inflation below 5 percent per year to rates prevailing in Tanzania's trading partners, while allowing adequate growth in credit to the private sector to support investment and growth. The Government has already completed the process of building international reserves to the comfortable level of 4 months of imports of goods and nonfactor services, and intends to maintain them at that level henceforth. The exchange rate will remain market determined, with interventions by the Bank of Tanzania only to smooth seasonal fluctuations. With a stable macroeconomic environment, and with continuing structural reforms, the Government aims to reach an annual real economic growth rate of at least 6 percent by the year 2002.

8. The Government also plans to undertake actions to ensure sustained improvement in economic governance and the environment for robust private sector development. These actions, together with sustained macroeconomic stability, are expected to improve income

opportunities through higher growth, thus helping reduce the proportion of Tanzania's population below the poverty line. The details of proposed key structural reforms to be implemented by the HIPC completion point are presented in Appendix I, which also includes key actions to strengthen the design and monitoring of anti-poverty efforts. The Government aims at improving accountability and financial management, make the tax regime more transparent, and improve the business environment, so as to enhance private investment and lower the cost of doing business. The major policy measures implemented in recent years are listed in Appendix II, while Appendix III presents a medium-term policy framework matrix for the next three years.

9. In order to ensure broad-based support, the preparation of the PRSP will draw on the experience of the participatory arrangements adopted in the past four years, such as those used in the preparation of the National Poverty Eradication Strategy, the poverty and welfare monitoring indicators, the MTEF and expenditure review, sector reform programs, and the TAS. These participatory arrangements have received increased acceptance across a wide range of stakeholders in the country.

10. The organization, preparation and consultation process for the PRSP will be as follows:

Organization

- A Committee of Ministers and the Governor of the Bank of Tanzania has been established to steer the preparation of the PRSP. The Committee began its work in mid-October 1999.
- A technical committee representing relevant ministries, chaired by a Deputy Permanent Secretary, has been established in the Ministry of Finance to assist the Committee of Ministers. The technical committee, which is responsible for laying the groundwork of the PRSP, will integrate its work with the macroeconomic subcommittee of the TAS.
- The technical committee will coordinate consultations with stakeholders such as the donor community, nongovernmental organizations (NGOs), the business community, and academics, in the framework of the TAS setup.

Preparation of the PRSP and consultation process

(i) Preparation of draft outline: January and February 2000

- The approach to preparation of the PRSP was discussed in January at consultative technical meetings involving central level stakeholders from the donor community and civil society.
- A draft outline was prepared by the technical committee and approved by government in early February 2000 (Appendix IV).

(ii) Consultations to define overall priorities, targets and actions needed for poverty reduction to be inserted in the PRSP: March 2000

- Preparation by the technical committee of a draft prospectus defining strategic directions, poverty reduction priorities, long and short term objectives and targets and actions needed to achieve these goals. Work on the initial draft of the prospectus will commence in February 2000.
- Discussion of draft prospectus with all stakeholders through the organization of a national workshop and six zonal workshops covering most regions of the countries.

(iii) Preparation of the PRSP: April–June 2000

- Drafting of the PRSP by a core group of specialists under the supervision of the technical committee.
- Technical workshops discussing preliminary results with various stakeholders, including the TAS and the Public Expenditure committees.
- The technical committee, in cooperation with the Plan and Budget Guidelines Committee and in the framework of the medium-term targets of the MTEF will reflect the priorities for poverty reduction in the 2000/01 budget.
- Presentation of strategic directions and preliminary results to CG meeting in May 2000.

(iv) Discussion and approval of PRSP: June–August 2000.

- National workshop to discuss draft PRSP, by end June 2000.
- Presentation for approval to the Cabinet of final draft PRSP incorporating the views of stakeholders, with objectives and program priorities integrated in the budget in July 2000.
- Submission of the PRSP document to the IMF and the World Bank by end August 2000, following which it will be widely disseminated.

Tanzania: HIPC — Proposed Completion Conditions

Objectives/Sectors	Actions to Be Taken Before Completion Point	Indicators
Poverty		
Process and information		
Reduce poverty incidence	Prepare a poverty reduction strategy through a participatory process.	Presentation of a Poverty Reduction Strategy Paper (PRSP)
Improve information on poverty	Implement household budget survey	Completion of household budget survey
	Conduct preliminary analysis of basic household data, including poverty lines, and poverty and social indicators (by gender, region, and socioeconomic characteristics)	Presentation of preliminary analysis on the poverty status and indicators for tracking changes in poverty
	Agree on a monitoring system for tracking changes in (i) income poverty; (ii) social indicators; and (iii) community needs	Approval of operational poverty monitoring indicators and survey methods
Improve institutional capacity for poverty monitoring	Define institutional roles in collection, analysis, and monitoring of poverty information. Strengthen capacity for poverty research and analysis in the Vice-President’s Office and in the National Bureau of Statistics	Adoption of a plan for capacity building for poverty analysis and monitoring in the two institutions, and allocation of resources to this end in 2000/01 consistent with well-defined institutional roles
Shift budget resources toward activities benefiting the poor	Adopt MTEF incorporating poverty priorities in agriculture, education, health, rural roads, and water supply	Adoption of MTEF that adheres to prioritization in line with the PSRP
	Establish intersectoral and intrasectoral budgetary allocations in the 2000/01 recurrent and development budget according to poverty priorities, including:	Adoption of budget 2000/01 in line with MTEF priorities and conducting of annual public expenditure reviews to confirm adherence to set priorities
	Rationalize higher education	
	Introduce revolving fund in all hospitals	
	Agree on guidelines on the rationalization of local taxes and fees and institute central government control mechanisms	Publication of guidelines on rationalizing local taxes and fees
Primary education	Map schools to cover 50 percent of all local authorities to raise net enrollment and enhance quality of primary education	Reporting covering availability and condition of schools, quality and distribution of teachers, quality of school management, enrollment rate, dropout rate, and key problems in delivery of education District-based education plans to address key problems emerging from the survey

Tanzania: HIPC — Proposed Completion Conditions

Objectives/Sectors	Actions to Be Taken Before Completion Point	Indicators
Health	<p>Increase percentage of children under 2 years immunized against measles and DPTs from 71 percent (1996) to 75 percent</p> <p>Nationally spearhead campaign on HIV/AIDS</p>	<p>Reports from Ministry of Health</p> <p>Visits to 75 percent of districts</p> <ul style="list-style-type: none"> • National Advisory Committee – all regional centers • Other National Leadership – all districts (district meetings to involve all councillors)
Structural Issues		
Governance		
<p>Improve accountability, reduce corruption</p>	<p>Officially adopt, publish and disseminate national action plan for the control of corruption</p>	<p>Dissemination to all district authorities of anticorruption plan of Government</p> <p>Workshops with district authorities and civil society</p> <p>Adoption of sector-specific anticorruption plans approved by Government for tax administration, national tender system, judiciary, and works</p>
Government financial management	<p>Submit Public Finance Management Bill and Public Audit Bill for parliamentary approval</p> <p>Fully implement Integrated Financial Management System (IFMS)</p>	<p>Submission to Parliament</p> <p>Management of all budgetary votes are through the IFMS</p> <p>Recording of all expenditure commitments, payments, and arrears in the system</p> <p>Integration of tax (Tanzania Revenue Authority) and nontax revenue collections into the system</p> <p>Use of IFMS as sole government accounting and financial information system (apart from other TRA revenue accounts and debt monitoring, pending necessary software development)</p> <p>Provision of funding through separate vote for Accountant General’s Department, which will receive priority status in resource allocation</p>
Tax reform	<p>Consolidate taxes on petroleum products</p>	<p>Application of VAT to petroleum products at standard rate</p> <p>Limiting of other taxes and levies to import duty, product-specific excises, the Energy Fund and the Road Fund</p>

Tanzania: HIPC — Proposed Completion Conditions

Objectives/Sectors	Actions to Be Taken Before Completion Point	Indicators
Business environment	Rationalize import taxes	Repeal of import-specific partial remissions on customs duties (GN241), except for sugar Abstention from imposing minimum dutiable values on any more commodities; for existing list, base minimum dutiable values on international prices, except for sugar
	Harmonize investment incentives	Unification of rates of withholding tax on interest earnings, dividends and royalties (except for mining and infrastructure)
	Reduce scope of exemptions	Repeal of NGO exemption from VAT, except with respect to health, education and water projects
	Eliminate selected taxes	Reduction in number of excises from 52 to 6 Abolition of withholding tax on goods and services
	Start operation of a unified tax appeals system	Public notice
	Establish a duty drawback system based on technical assistance recommendations	Public notice
	Enable foreign investors to acquire equities in the stock market	Development and approval of a proposal to allow foreign participation in the stock market with appropriate safeguards
	Transform Tanzania Investment Centre (TIC) into an effective service centre for investors	Official gazette for legal amendments of the act governing operations and restructuring of TIC
	Take any necessary actions to allow the use of land as collateral for commercial bank lending	Issuing of land regulation to ensure that land can be used as collateral for commercial transactions
	Infrastructure	
Improve management of water distribution system	Assign assets of Dar es Salaam Water and Sewerage Authority (DAWASA) to private management companies	Signed concession agreement
Improve regulatory framework for utilities	Initiate process for the unbundling of Tanzania Electric Supply Company Ltd. (TANESCO) into autonomous commercial entities	Appointment of transaction advisers (merchant banks, legal firms) to develop options for unbundling
	Adopt the framework for the establishment of regulatory authorities for utilities	Government approval

Tanzania: Recent Policy Performance

Sector	Steps Taken	Timing
1. External sector		
a. Trade policy	Abolished all trade restrictions except for petroleum products and goods restricted for health and security reasons	1993
	Reduced number of nonzero tariffs from seven to four, and top rate to 30 percent	June 1997
	Eliminated export duty on traditional exports	July 1998
	In line with Cross-Border Initiative (CBI), implemented a major tariff reform with a structure based on the degree of processing and reduced the maximum tariff rate from 30 percent to 25 percent	July 1999
b. External current payments	Removed limits on payments and transfers for current international transactions	1994
	Accepted the obligations of Article VIII of the Fund's Articles of Agreement	July 1996
c. International reserves	Increased gross international reserves from 1.5 to 3.8 months of imports	1995–1999
d. External debt	Negotiated Paris Club flow rescheduling on Naples terms	January 1997
	Established Multilateral Debt Fund	January 1998
	Completed preliminary debt sustainability analysis for HIPC Initiative debt relief	1998/99
e. Regional initiatives	Endorsed the “road map” for external trade liberalization proposed by the Cross-Border Initiative cosponsors, together with 12 other countries from the region	March 1995
	Common Market for Eastern & Southern Africa (COMESA) rates reinstated	1998/99
	Submitted notice of intention to withdraw from COMESA, with a view to streamlining participation in regional economic integration arrangements and eliminating duplication of functions to cut budgetary cost	September 1999
	Signed the Treaty for the Establishment of the East African Community	November 30, 1999
2. Fiscal policies		
Overall	Achieved net repayment of domestic financing	1996/97–1998/99
a. Revenue	Established the Tanzania Revenue Authority (TRA)	July 1996
	Revised investment act to eliminate tax holidays	1996/97
	Harmonized duties between Zanzibar and mainland Tanzania on five major commodities	December 1996
	Implemented new preshipment inspection contract, with sealing of containers	January 1998
	Adopted narrow definition of capital goods for customs purposes	June 1998

Tanzania: Recent Policy Performance

Sector	Steps Taken	Timing
	Adopted effective and transparent monitoring system for bonded warehouses	June 1998
	Introduced VAT and made complementary changes to the tax system	July 1998
	VAT introduced in Zanzibar with the same rate and coverage as on the mainland	January 1999
	Limited exemptions on capital goods under the Investment Act, using the harmonized tariff system to ensure that investment incentives do not undermine revenue collection	July 1999
	Appointed Deputy Commissioner for Customs Reform	July 1999
	Further simplified and rationalized tax system	July 1999
	Reactivated appeals mechanism of income tax	August 1999
b. Expenditure	Introduced stringent expenditure control, based on rigorous cash management system	From second half of 1995/96
	Fully protected social sectors in implementing cash budget	From 1997/98
	Rationalized development budget, reducing the number of projects to a more manageable level	1996/97–1998/99
	Established subtreasuries	1996/97–1998/99
	Completed review of transfers to public institutions	December 1998
	Introduced an expenditure commitment monitoring system in ten key ministries to run in parallel with the cash management system	October 1998
	Instituted comprehensive personnel database	December 1998
	Started the system for monitoring overall public debt	1998/99
	Expenditure commitment monitoring system established in all ministries	January 2000
	Adopted National External Debt Strategy	October 1998
	Established and operationalized the Debt Coordination Committee (DCC) to control and give guidance on debt and debt-related issues	August 1999
	Installed new payroll system	December 1999
3. Monetary policy and financial reform		
Overall	Liberalized interest rates and established competitive treasury bill auctions	1993
	Reduced rate of monetary expansion	Since 1996/97
a. Banking	Began licensing private banks	1992/93
	Split National Bank of Commerce (NBC) into NBC (1997) and National Microfinance Bank (NMB)	October 1997

Tanzania: Recent Policy Performance

Sector	Steps Taken	Timing
	Amended (Miscellaneous Amendments), 1998 No.12 relating to the Banking and Financial Institutions Act	1998/99
	Signed management contract for NMB	August 1999
	Operationalized commercial court	September 1999
	Signed sales agreement with Associated Banks of South Africa (ABSA) for NBC (1997)	December 1999
b. Insurance	Liberalized insurance sector	May 1998
c. Capital markets	Established Dar es Salaam Stock Exchange	April 1998
	Introduced primary dealer system and instituted book entry	December 1998
4. Public sector reform		
a. Civil service reform	Reduced employment by 87,000 including removal of “ghost workers” from payroll, reducing the workforce to 263,000	1993–99
	Introduced a pay reform program to reduce the number of salary scales, included most allowances in the basic wage, and monetized most in-kind benefits	June 1996
	Restructured regional administration	1997/98
	Public service management and employment policy approved	May 1998
	Public service pay policy approved	January 1999
	Code of Ethics and Conduct issued	June 1999
	Compiled ministerial performance objectives and targets and details of administrative and technical support requirements of the pilot phase of three ministries	July 1999
	Reallocated surplus staff at hospitals and local authorities	April 1999
	Launched seven executive agencies	1999
	Completed all key computer interventions to address Y2K risk	December 1999
b. Parastatal reform	Removed more than half of parastatals from government control	1994–99
	Finalized studies on public enterprise retrenchment compensation packages and public enterprise debt treatment	September 1999
	Removed monopoly of National Shipping Agencies Corporation (NASACO) (amended act to open entry)	February 1999
	Reviewed regulatory framework for utilities and infrastructure; final consultant’s report submitted	September 1999
	Completed study on economic impacts of privatization program	January 2000
	Closed bids for Tanzania Telecommunications Company Ltd. (TTCL)	December 1999

Tanzania: Recent Policy Performance

Sector	Steps Taken	Timing
c. Local government reform	Amended legislation to provide for revenue sharing and decentralized management of finances and staff by local authorities	February 1999
	Adopted a system to ensure that local authorities design and implement programs that are consistent with sector-wide and national policies and priorities	February 1999
d. Governance	Revised anticorruption law	December 1998
	Adopted the National Anti-Corruption Strategy and Action Plan for Tanzania	November 1999
5. Sector policies		
a. Investment policy	Adopted new investment code	August 1997
	Reviewed operations of the Tanzania Investment Centre (TIC) and prepared a strategy to ensure its efficient operation, emphasizing a shift from regulatory functions to promotional activities, in collaboration with the private sector	June 1999
b. Power	Set up a system of direct payment to electricity parastatal Tanzania Electric Supply Company Ltd. (TANESCO) from Ministry of Finance to cover bills for customers TANESCO is not allowed to disconnect	September 1997
	Approved power sector and electricity industry structure	October 1999
c. Petroleum	Abolished monopoly on refined petroleum product imports	April 1997
	Assigned collection of petroleum funds to TRA	1997/98
	Completed the liberalization of retail (pump) prices	June 1999
	Promulgated interim regulations	December 1999
	Decided on the divestiture strategy for Tanzanian-Italian Petroleum Refinery (TIPER)	September 1999
	Eliminated subsidies to TIPER	December 1999
	Removed requirement for oil marketing companies to purchase some of their needs for refined petroleum from Tanzania Petroleum Development Corporation (TPDC)	December 1999
d. Mining	Revised legal framework and enacted new mining legislation	1997/98
e. Land policy	Enacted a new law to improve security of tenure and allocation of land	1998/99
f. Agriculture	Opened marketing and processing of traditional export crops to the private sector	1994
	Adopted agriculture and livestock policy, as well as cooperative development policy	1997
g. Water	Set up semiautonomous water boards in regional headquarters	1997/98
	Reviewed rural water policy	1997/98

Tanzania: Recent Policy Performance

Sector	Steps Taken	Timing
h. Roads	Enacted legislation for the road fund such that at least 90 percent of the fund is dedicated to maintenance	December 1998
	Road Fund Board established	September 1999
i. Railways	Transferred assets to the newly established Marine Services Company	December 1998
j. Ports	Recruited consultants to assist Tanzania Harbours Authority (THA) to prepare bidding documents for the container terminal concession	September 1998
6. Social sectors		
a. Poverty reduction	Adopted and initiated implementation of National Poverty Eradication Strategy	December 1998
	Prepared and approved project on assessing credit to the poor	December 1998
	Completed preparation of draft poverty and welfare monitoring indicators	December 1998
	Prepared poverty data module	March 1999
b. Education	Completed studies on issues in secondary education	June 1998
	Maintained basic education recurrent spending share at 65 percent minimum	1998/99
	Began implementing Basic Education Master Plan	1998/99
	Designed priority programs for facilities, textbooks, school management and teacher assignments, adult and complementary studies, inspectorate, and audit	August 1999
	Adopted action plan for the reform of technical and higher education, including management and financing reforms	November 1998
c. Health	Approved a proposal for health sector reform	March 1995
	Introduced cost sharing at primary care facilities in nine districts	1997/98
	Initiated pilot project for drug revolving funds in certain hospitals	March 1999
	Developed legislation and regulations for health insurance for public servants	July 1999
d. Environment	Endorsed the National Conservation Strategy for Sustainable Development	1996
	Adopted national environmental policy	November 1997
e. Nongovernmental organizations (NGOs)	Formulated NGO policy to govern NGO operations	December 1999
7. Statistics		
	Published revised national accounts	May 1997
	Began publication of balance of payments data on basis of <i>Balance of Payments Manual</i> (5 th ed.)	December 1997

Tanzania: Recent Policy Performance

Sector	Steps Taken	Timing
	Began monthly publication of trade statistics based on customs data	January 1998
	National Bureau of Statistics appointed a Coordinator for GDDS	November 1998
	Began publishing semiannual national accounts	August 1999

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
1. External sector policies			
Overall	Achieve benefits of international integration and reduce aid dependency	Continue financial and economic reforms and liberalization	Continuous
a. Tariff reform	Simplify tariff structure and reduce protection	Maintain flexible exchange rate	Continuous
		Base minimum dutiable values on international prices except sugar	July 2000
		Eliminate suspended duty and the minimum dutiable value on sugar	July 2002
		Remove the export duties on scrap metal	July 2000
b. Regional integration	Enlarge markets and enhance cooperation	Reduce top rates of customs duty further	July 2002
		Follow policies set out in CBI policy letter	Continuous
c. Capital controls	Enhance efficiency of capital markets and promote capital inflows	Negotiate the protocols on the establishment of customs union involving Tanzania, Kenya, and Uganda, including the elimination of internal tariffs, and other duties and charges; the elimination of nontariff barriers; and the establishment of a common external tariff	2000–02
		Increase transparency of existing financial regulations	June 2000
		Create a framework for monitoring capital flows with technical assistance from the IMF	December 2000
		Develop and implement a comprehensive capital flows monitoring system with donor funding	June 2001
		Carry out an assessment of the capacity of the financial system to handle capital flows, including the creation of a strong supervisory system, and its capacity to reduce risks associated with the opening up of banking system to cross-border and foreign currency transactions with technical assistance from the IMF	December 2000

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
		Develop a proposal to relax restrictions on foreign portfolio investment in equity instruments (FPI-E) with appropriate safeguards	June 2001
		Implement the proposals on liberalizing FPI-E	January 2002
		Develop a medium-term policy on capital account liberalization, including measures to improve transparency with Fund technical assistance	June 2001
d. Foreign reserves	Promote external stability	Increase gross official reserves to the level of four months of imports of goods and non factor services	December 2000
e. External debt	Reduce external debt service to sustainable level	Maintain Multilateral Debt Fund	Continuous
		Reach decision point under HIPC Initiative	March 2000
		Maintain macroeconomic stability and implement structural and social sector reforms with a view to reaching the completion point under the HIPC Initiative	Continuous
		Avoid nonconcessional borrowing by public sector	Continuous
	Normalize relations with external creditors	Complete commercial debt buyback	April 2000
		Negotiate Paris Club rescheduling on Cologne terms	2000
		Observe revised debt-service schedules	Continuous
2. Fiscal policies			
Overall	Maintain fiscal stability and increase domestic savings	Avoid domestic financing of the government except for short-term liquidity management needs	2000–02
		Take budget decisions in the light of the medium-term expenditure framework (MTEF)	Continuous
a. Revenue	Broaden revenue base and improve efficiency	Strengthen customs administration and continue implementation of the customs reform program	Continuous
		Review preshipment inspection (PSI) operations and decide whether continuation is necessary	August 2000

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
		Review remaining statutory exemptions, with a view to further reducing them	July 2000
		Establish a unified tax appeals mechanism	August 2000
		Introduce unique taxpayer identification numbers (TIN) in tax administration beyond VAT operation	July 2000
		Introduce TIN registration requirement for major economic activities and property ownership	July 2001
		Complete a study on the administration of nontax revenue sources and implement main recommendations	July 2000
		Rationalize taxes on petroleum products and eliminate VAT exemptions on these products	July 2000
		Harmonize withholding tax rates for investors	July 2000
b. Expenditure control	Limit expenditures to maintain fiscal stability	Strengthen subtreasury system	2000/01
		Protect expenditure on social services in administering the cash management system	Continuous
		Conduct public expenditure review	Annually
		Submit Public Finance Management Bill and Public Audit Bill for parliamentary approval	June 2000
		Replace cash control system with efficient expenditure management based on the budget and spending priorities	July 2001
		Strengthen the capacity for monitoring overall public debt	Continuous
c. Development expenditure management	Reallocate resources to reflect changing roles of government in economic management and improve accounting and efficiency of public expenditures	Prioritize development expenditures among and within sectors and ensure their consistency with the MTEF	Continuous
		Work toward full budgeting and accounting coverage of donor-financed government expenditures in collaboration with donors in the context of the public expenditure review	Continuous

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
		Integrate fully the recurrent and development budgets to take into account sector priorities and recurrent cost implications	2000/01
		Complete first phase of developing the Tanzania Assistance Strategy	July 2000
d. Local government finances	Ensure viability of local government finances	Review block grants, sources of revenues, and mechanisms for sharing of revenue between central and local government	Annually
3. Financial reform and monetary policy			
Overall	Reduce inflation, increase domestic resource mobilization, and improve allocation of financial resources	Maintain market-oriented policies of monetary restraint	Continuous
		Promote and sustain positive real interest rates	Continuous
a. Inflation	Reduce inflation rate to 5 percent	Maintain low rates of monetary expansion	December 2000
b. Financial markets	Deepen markets	Support private sector establishment of a credit information bureau	December 2000
		Review the development of the secondary market for government securities	2000
c. Financial institutions	Improve efficiency of financial intermediation and stem losses	Ensure that NBC (1997) and NMB comply with memoranda of understanding until they are in compliance with regulatory standards	Continuous
		Submit Draft National Policy for Rural and Microfinance for government consideration	February 2000
		Complete study of options for restructuring Tanzania Postal Bank (TPB) and privatizing Tanzania Investment Bank (TIB)	June 2000
		Revise the Banking and Financial Institutions Act to institute legal framework for regulation and supervision of microfinance institutions	August 2001
		Issue preliminary regulations for microfinance institutions	July 2000
		Strengthen banking supervision	Continuous

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
		Complete revision of prudential banking regulations	December 2000
		Agree on new business plan and establish new supervisory memorandum of understanding for NMB	March 2000
		Develop a strategy for recapitalizing NMB and transforming it into a microfinance institution	June 2000
		Develop and evaluate options for restructuring/divestiture of People's Bank of Zanzibar (PBZ)	2000
d. Insurance		Complete study to strengthen the regulatory mechanism for insurance and pension sectors	December 2000
4. Public sector reform			
a. Civil service reform	Establish efficient and motivated civil service and improve quality and effectiveness of delivery of public services	Prepare recommendations on the affordable size of the civil service, consistent with the MTEF pay targets and efficiency	Annually
	Improve performance	Introduce performance management in ministries, departments and agencies (MDA):	2000–04
		<ul style="list-style-type: none"> • 75 percent of MDAs to have developed a strategic plan • 50 percent of MDAs to show results 	2002 December 2004
		Establish performance improvement fund	January 2000
	Reform civil service pay structure	Continue rationalization of civil service pay structure with a view to its enhancement	Continuous
	Restructure and promote private sector participation	Rationalize civil service employment based on needs for quality, service delivery, efficiency reviews, and wage bill targets	Continuous
		Implement “quick wins” service improvements in all MDAs	Continuous
		Commence privatization of low-priority functions	December 2000
	Implement management information systems	Computerize and maintain a central personnel database	Continuous

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
	Strengthen leadership, management, and governance	Establish new Public Service Commission with sufficient powers and resources to ensure increased transparency in appointments and promotions	July 2002
		Restructure civil service training institutions under a public service college	2000/01
	Coordinate, monitor, and evaluate policies	Complete job evaluation program, with the aim of rationalizing the pay structure for professional and technical staff	April 2000
b. Local government reform	Improve the quality of, and access to, public services provided through or facilitated by local government authorities	Implement the local government reform program:	January 2000
		• Begin Phase 1	January 2001
		• Begin Phase 2	January 2002
		• Begin Phase 3	January 2000
		Adopt plan for strengthening capacity in the 35 local authorities under first phase	January 2000
		Adopt transparent systems for disbursement and accounting for the block grants	January 2000
c. Governance	Improve transparency and accountability of public service	Disseminate to all districts the National Anti-Corruption Strategy and Action Plan	2000
		Adopt sector-specific anticorruption plans	2000
d. Parastatal policy ¹	Improve efficiency and avoid fiscal and monetary pressures	Remove public enterprise (PE) units from government control through sales, lease, liquidations, and divestitures	Annual targets
		Remove at least 2 utilities, 1 large entity, and 40 small/medium entities from government control	2000
		Select winning bidder for DAWASA	March 2000
		Bring to point of sale Tanzania Telecommunications Company Ltd.	June 2000
		Deregulate Tanzania Central Freight Bureau	December 2000
		Adopt comprehensive policy on PE retrenchment compensation	May 2000
		Adopt comprehensive policy on PE debt treatment	May 2000

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
5. Sector policies			
a. Investment policy and private sector development	Promote efficient private sector investment by providing a level playing field with sustainable tax incentives	Streamline regulatory environment and ensure effective application of the private sector investment code	Continuous
		Strengthen the facilitation of investment	2000/01
b. Power sector	Satisfy the economy's needs for electrical power in an efficient and environmentally sound manner	Charge economic tariffs and strengthen revenue collection by electricity parastatal Tanzania Electric Supply Company Ltd. (TANESCO)	Continuous
		Revise legislation and prepare regulatory framework for the power sector	March 2001
c. Petroleum	Restructuring power sector Enhance the capacity and efficiency of the petroleum industry, increase private sector participation in the sector, and encourage oil and gas exploration	Unbundle TANESCO	March 2001
		Promulgate new legal and regulatory framework	February 2001
		End financial support for TPDC through earmarking of petroleum revenues and decide on future role of TPDC	June 2000
d. Mining	Establish framework for development by private sector	Complete TPDC restructuring	June 2001
		Divest public mining companies	2000
e. Land and human settlement	Improve service delivery and allocation of land and encourage greater private sector involvement in the provision of housing	Review and decide on the future role of the State Mining Corporation (STAMICO)	2000
		Educate public on the new land laws	2000
		Complete drawing up implementation plan for the Land Acts	2000/01
		Issue the necessary guidelines and regulations	July 2000
		Establish modalities for assigning value to land (land valuation manual)	2000
		Take any necessary action to facilitate the use of land as collateral for commercial bank lending	July 2001
		Revise policy and development strategy for human settlement development	July 2000
Improve information flows through an appropriate information system	Establish a data unit with networks	2000/01	

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
f. Agriculture	Improve the incentive framework for private sector participation	Rationalize levies, fees and taxes that farmers and traders pay.	July 2000
		Avoid multiple taxation and ensure that uniform fiscal treatment comply with set ceilings	
		Complete privatization of agricultural enterprises	December 2003
	Provide a regulatory framework conducive for private sector involvement	Encourage the formation of industry associations and create forums for private-public sector dialogue	2000
		Review and publish rules and regulations that promote private sector participation	June 2001
		Involve all export crop industry groups in research activities	June 2000
		Develop regulatory framework for urban water supply and sewerage services	2000
		Consolidate the urban water and sewerage authorities	2000
		Restructure urban water supply pricing policy to address economic, financial, and equity objectives	Continuous
		Transfer management of existing rural water system infrastructure to local communities and introduce a water fund, managed by local authorities	Continuous
	Improve coordination and information management system in water and sanitation	Support “Water for Life” campaign	Continuous 2000
		Improve capacity of 15 districts to collect, analyze, and disseminate accurate and reliable information for planning and decision making by designing and developing the district and national databases	
	Strengthen water resources management, development, and water quality monitoring	Improve integration of water and sanitation in a coordinated manner by establishing district coordination committees in all districts throughout the country	2001/02
Establish basin boards in all nine water basins.		2000/01	
h. Roads	Ensure effective and efficient management of the country's road network	Establish a road agency to be staffed by personnel engaged on performance contract basis	July 2000

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
i. Railways		Concession Tanzania Railways Corporation	December 2001
		Issue information memorandum for Marine Services Company	September 2000
j. Ports		Finalize negotiations and takeover of the Dar es Salaam container terminal	March 2000
		Commission a divestiture study for Tanzania Harbour Authority (THA) units	April 2000
		Develop a plan for the remaining operations of THA	2000/01
6. Poverty reduction, social sector policies, and environmental protection			
a. Poverty reduction	Institute the poverty-and welfare-monitoring system	The proposed poverty-and welfare-monitoring indicators	January 2000
	Establish a poverty data bank	Conduct household budget survey (HBS) and operationalize the data bank	June 2000
	Initiate preparation of district action plans for poverty reduction	Conduct zonal workshops to reach consensus for development of district action plans for poverty reduction, using participatory methodologies	April 2000
	Make poverty eradication a central focus of macroeconomic and sectoral policies and government budget	Review and integrate poverty eradication issues into macroeconomic and sectoral policies, and planning and budget preparation guidelines	June 2000
	Develop a framework for poverty reduction	Finalize Poverty Reduction Strategy Paper (PRSP) following a consultative process	June 2000
b. Education	Improve access to, and quality and cost-effectiveness of basic education	Maintain basic education recurrent spending share at 65 percent minimum and increase nonsalary spending per student by 0.5 percent annually	Continuous
		Implement action plan for decentralization of education financing and management in 35 phase I local authorities.	June 2000
		Rationalize and reallocate teachers in 35 Phase I local authorities.	June 2000
		Adopt action plan for management and monitoring system	June 2000
		Undertake annual joint government/donor review to monitor progress in sector development, including basic education	Continuous

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
		Complete primary school mapping in 50 percent of the local authorities to raise net enrollment rate and enhance quality of primary education	December 2000
	Improve secondary education, including broadened public-private partnership	Complete Secondary Education Master Plan (SEMP) and adopt a framework for cost sharing among government, private sector, and local communities	January 2000
		Begin implementing SEMF	2000/01
c. Health	Improve health status by increasing the level and improving allocation of resources for basic health care	Complete compilation of the national health accounts and develop a public sector resource envelope for the health sector, including all donor resources, within the MTEF	June 2000
		Review and improve efficiency of revenue collection for hospital services	Continuous
		Extend cost-sharing to dispensaries and health centers	Continuous
		Introduce national health insurance for civil servants	2000/01
		Implement action plan for malaria control	Continuous
		Raise public awareness of HIV/AIDS epidemic as a national development issue and strengthen political commitment to fight it	Continuous
		Set targets for intrasector allocations of resources, with priority to basic health services and nonsalary items	July 2000
		Increase percentage of children under 2 years immunized against measles and DPT from 71% (1996) to 75% to reduce childhood mortality rate	December 2000
d. Employment	Establish baseline data on the labor market	Conduct a pilot labor force survey	December 2000
e. Environment	Conserve natural resources for sustainable growth	Prepare a biodiversity conservation strategy and action plan	April 2000
		Adopt a national action plan to combat desertification	April 2000
		Present environmental framework legislation to Parliament	2001

Tanzania: Policy Matrix, 2000–02

Sector	Objectives and Targets	Strategies and Measures	Timing
		Finalize environmental impact assessment guidelines	December 2000
		Adopt environmental standards	2001
		Prepare a National Priority Environmental Management Program	2000/01
f. Nongovernmental Organizations (NGOs)	Create enabling environment for NGOs to operate efficiently to enable them to play an effective role in the social, political, and economic transformation of the country	Prepare NGO Legislation	2000
7. Statistics			
	Improve economic statistics for better monitoring and analysis of development	Strengthen and computerize the national accounts compilation system	Continuous
		Complete review of the statistical system in preparation for participation in the General Data Dissemination System (GDSS)	March 2000
		Revise the consumer price index (CPI) basket on the basis of preliminary results of a new household budget survey	June 2000
		Revise the GDP figures on the basis of 1992 input-output analysis results	May 2000
		Revise the CPI basket on the basis of final results of the HBS	June 2001

1/ See also under sector policies.

Tanzania: PRSP Outline

1. Poverty and social development in Tanzania

- Preparation of a database for quantitative analysis of poverty data.
- Quantitative estimates of the level of poverty and poverty incidence (rural-urban, regional)
- Analysis of economic characteristics of the poor; human development; access to social services.
- Reasons for widespread poverty in the country.

2. A strategy for poverty reduction

- **Goals:** Objectives for key poverty reduction targets and key social indicators. Long term goals will be informed from the Vision 2025 and the Poverty Eradication Strategy (2010). Annual goals for each target will be established.
- **Intermediate indicators:** Selected intermediate indicators to reach the long term goals.
- **Policies:** Discussion of public policies and institutional changes needed to reach the goals
- **Financing strategy:** strategic public expenditure allocation to reach poverty reduction targets; role of external assistance in the context of the Tanzania Assistance Strategy.

3. Monitoring and evaluation

Development of a monitoring and evaluation strategy to track changes in poverty and human development

4. The participatory process

Description of the participatory process to prepare the strategy.