

FOREWORD

The Status Report 2006 is a key output of the monitoring system for MKUKUTA¹, Tanzania's National Strategy for Growth and Reduction of Poverty for the period 2005-2010. It provides a consolidated national view of the strategy's progress based on MKUKUTA's three major clusters of desired outcomes for poverty reduction: growth, social well-being, and governance.

This is the first report to provide an analysis using the national set of indicators revised in 2005/06. It reviews progress relative to the targets set in MKUKUTA, and updates information contained in the Poverty and Human Development Report series, the most recent of which was produced in 2005. The full list of national indicators is provided in the annexes to this report together with time series data.

The Government of Tanzania will issue national reports on MKUKUTA on a regular basis in order to gauge change and assess the progress of the strategy. The intention is to produce reports which are useful for planners and other stakeholders interested in Tanzania's development. The Ministry of Planning, Economy and Empowerment (MPEE) is the office responsible for monitoring MKUKUTA. It coordinates the many stakeholders involved, including the Research and Analysis Working Group of the MKUKUTA Monitoring System which produced this report.

The current report is based on detailed analysis of research commissioned by the RAWG, and on data and information from a wide range of government ministries, departments and agencies as well as non-state actors. The Government wishes to give special recognition to the central role of the National Bureau of Statistics in providing timely data for the analysis of MKUKUTA's progress.

We welcome feedback on this report. Please send any comments and suggestions to the MKUKUTA Secretariat within the Ministry of Planning, Economy and Empowerment, contactable through the following email: secretariat@povertymonitoring.go.tz

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Permanent Secretary
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¹ Mkakati wa Kukuza Uchumi na Kuondoa Umaskini Tanzania (MKUKUTA) is the Swahili translation for the National Strategy for Growth and Reduction of Poverty

ACKNOWLEDGEMENTS

The planning and development of the current report was complex and involved many institutions and individuals.

The Permanent Secretary of the Ministry of Planning, Economy and Empowerment facilitated the national partnerships between the government and research institutions which made this report possible. These efforts have provided greater impetus for in-country research and analysis established in recent years through the regular production of the Poverty and Human Development Reports.

The report was produced by the Research and Analysis Working Group (RAWG) of the MKUKUTA Monitoring System. Base information was collected over a twelve month period from government ministries, departments and agencies, as well as from research findings, national surveys, and the media. The RAWG also commissioned background technical papers for the cluster sections from Dr J. Kweka of the Economic and Social Research Foundation (ESRF), K. Dyer of Maarifa ni Ufunguo, and Prof. S. Wangwe and E. Mfundo of Daima Associates. Drafts were reviewed by members of the RAWG in regular meetings.

The Ministry of Planning, Economy and Empowerment (MPEE) together with the National Bureau of Statistics (NBS) and Research on Poverty Alleviation (REPOA) coordinated the process, and L. Msongole and Prof. J. Semboja were instrumental in conceptualising the report and ensuring consistency of the overall analysis. Acknowledgement is also given to the REPOA administrators for their dedicated work as the Secretariat for the report.

Many other individuals contributed, the data gathering team included J. Mwangi, D. Sango, B. Mwanaidi and D. Mwita. Peer reviewers of this report from RAWG included M. Kamugisha, Dr. J. Kipokola, Dr F. Njau, H. Raha, M. Mcha, R. Tukai, A. Makbel, J. Biswaro and J. Mahon. Finally, V. Leach and A. Albee provided synthesis and overall editing, and C. Daly provided the final editing of this document.

HIGHLIGHTS AND RECOMMENDATIONS

This Status Report 2006 is produced in accordance with the MKUKUTA Monitoring Master Plan (MPEE, 2006), which calls for a short report on the status of growth, poverty and governance in Tanzania. The report provides information and analysis for the first year of implementation of MKUKUTA based upon the full revised set of national indicators.

In preparing the report, assessments were made of the indicators themselves and the data required to provide reliable measures. In some cases, alternative indicators are proposed which may provide more precise assessments of strategy goals or which might be more practical for data gathering purposes. In other instances, greater clarity is needed in the definition of the goals. The monitoring system for MKUKUTA encourages such examination and review, not only of real progress in development in Tanzania, but also of the systems by which progress is assessed.

Overall Summary

Clear progress is indicated by the data analysed against the goals of MKUKUTA's three major clusters, but further action is needed in each cluster. Moreover, linkages between the clusters are necessary, as the clusters and goals are mutually reinforcing. These interrelationships were borne in mind when assessing the implications and recommendations emerging from this year's report.

The overall assessment of **Cluster I** indicates progress, but the rate of growth needs to be accelerated, and a more strategic and prioritised approach is required to generate broad-based growth, particularly in agriculture.

In **Cluster II**, indicators for education are generally positive, but issues of educational quality need to be addressed. The most recent survey data for health are generally positive also. However, routine periodic reporting through the Health Management Information System (HMIS) remains problematic thereby limiting the assessment of health indicators. A similar situation faces the assessment of goals for increased access to safe water and sanitation. Given its essential role in improving health and productivity, access to safe water needs higher prioritisation.

For **Cluster III**, this is the first year that a set of governance and accountability indicators are being used in the national monitoring system. Initial results provide a general impression of modest improvement, but efforts need to be sustained and intensified. In many cases, obtaining data was challenging, and stronger links are needed between local government monitoring and evaluation systems and national level MKUKUTA monitoring.

Recommendations

The following recommendations are put forward based on this report's findings:

1. Underlying policy frameworks need to be further strengthened.

Although much effort was invested to identify and choose indicators, the selection in some areas is weak, usually because of the lack of underpinning policy frameworks. This is especially the case in social protection and in several areas of governance.

2. Financing of activities and spending of local government authorities (LGAs) needs special monitoring.

Currently, the information available from LGAs is inadequate, and monitoring systems need further strengthening to assess the finances of, and progress in, local government. To facilitate this, flows of funds and reporting obligations need to be streamlined, consolidated, and transparent. This is recognised as crucial given the responsibilities of local government for the delivery of public services.

3. A clearer growth strategy is needed to provide focus for investment – domestic and foreign – in productive sectors of the economy in which domestic producers and investors play critical roles, especially in agriculture and infant industries.

An 'enabling' approach to growth is necessary, but not sufficient to address the urgent need for development in infrastructure and in the social sectors. High expectations about government obligations – especially in generating employment and reforming public sector salaries, as well as their commitment to improving the quality of public services – will require increasing prioritisation of government spending. A focused growth strategy is needed, accompanied by firmer measures in the legal sector and in economic management to ensure that investment patterns are in accordance with national development priorities.

Greater strategic investment in agriculture is necessary to accelerate the rate of growth to reduce rural poverty. However, foreign investment in agriculture has been limited, and greater investment will be needed for necessary improvements in productivity and marketing. Moreover, the continued high spread on interest rates for domestic currency reflects banks' prioritisations, as well as their perceptions of lending risks due to inadequate legal channels to pursue defaulters. High interest rates deter borrowers, especially the small and medium domestic enterprises who may want to invest. More lending needs to be directed into domestic investment for production to complement the few larger scale enterprises currently able to access capital loans.

4. A strategic approach to energy is required, and efforts to diversify energy supplies need to be continued.

The energy crisis and its impact on the economy, tax revenues, and future government spending is of serious concern to all. Inevitably, demand for electricity will increase with growth in the economy and further urbanisation. In the short term, the reduced supply of hydro-electricity, the mainstay of the national electricity grid, and high oil prices have resulted in higher than budgeted government expenditures and lower than expected tax revenues. Protracted problems with energy supplies may have more severe implications for growth and reduction of poverty, especially in urban areas in 2006, and possibly beyond.

5. More prioritisation of government spending is necessary, which takes into consideration various financing and management options for public service delivery.

Sound management of the government budget depends on raising tax revenues and on increasing the extent to which expenditures are financed and managed. Currently, critical shortages of qualified teachers and health workers exist, compounded by expectations about revisions of salaries and improved conditions of work. Therefore, it may be increasingly important for the government to consider contracting out services which it has provided in the past. For example, some aspects of higher levels of technical or academic education could be increasingly financed through soundly managed loans schemes. Whatever options are considered, the demands on the public budget exceed available resources, and spending plans must be judged against serious prioritisation.

6. Reporting of foreign aid in the national budget needs to be expanded and national management of aid flows should be strengthened.

Sound economic management implies strong management of foreign aid flows to complement national revenues so as to maximise the finance available for Tanzania's development. Currently, some public services are heavily dependent on aid, for example, HIV/AIDS prevention and treatment. In some cases the absolute amounts of financing provided is so large and is off-budget (not reported through the national budget), such that it has a distortionary effect on the national budget and on management of funds. In addition, foreign exchange provided through aid programmes requires sound management.

7. Distribution of subsidised food should be focused on those areas unable to purchase foodstuffs in the market, and improved transportation and marketing systems are needed to facilitate distribution of food from areas with surpluses to those with shortages.

Improved food availability is one of MKUKUTA's goals, and the strategy places particular emphasis on food production and on monitoring conditions in districts with food deficits. This goal should be linked to assessments of consumers' capacity to purchase food sufficient to their needs, as not all households in areas with food deficits require government subsidised foodstuffs. Where market mechanisms work effectively and efficiently they should be allowed to do so, including cross border trade which provides opportunities for food crop producers in border areas to increase their incomes.

8. The process of birth registration should be made much easier, and consideration should be given to tying birth registration to provision of immunisation services, because immunisation coverage is very high.

A birth certificate is an important mark of citizenship. Birth registration is needed to enrol in school and to obtain a passport, and is required identification to obtain an ID card in the new ID system, as well as for other aspects of civil life. The percentage of births registered within 90 days of birth is very low, particularly in rural areas. In addition, the costs incurred - expenses as well as time and travel - in registering a birth later are considerable. Speeding up the birth registration process by streamlining it with immunisation services could substantially improve the current situation.

9. A national framework for social protection is needed together with practical actions to ease the hardship of the most vulnerable: the poor elderly who are sick; young people in trouble with the law; and HIV/AIDS sufferers and their carers, as well as others destitute through no fault of their own, especially children.

As indicated in MKUKUTA, a national framework for social protection is needed. However, in the short run, efforts are required to ease the hardships for groups of society who are in special need. Possible interventions include exemption from health fees for poor elderly people; alternative strategies for dealing with misdemeanours to lessen overcrowding in prisons; and alternative strategies for young people in trouble with the law so that they are not be imprisoned with adults. In addition, there is a need for faster legislative action on the legal reviews on the laws of marriage and rules of inheritance and more effective coordination of existing programmes to support the most vulnerable children.

INTRODUCTION

The Status Report for 2006 is produced in accordance with the MKUKUTA Monitoring Master Plan which calls for a short report on the status of growth and poverty in Tanzania in those years in which a full Poverty and Human Development Report (PHDR) is not produced. It provides an overview of the most recent data on indicators of progress towards the goals and targets of MKUKUTA's three major clusters of desired outcomes for poverty reduction: growth and reduction of income poverty; improvement of quality of life and social well-being; and governance and accountability.

The report presents information for the first year of implementation of MKUKUTA, based on the full set of MKUKUTA indicators. These indicators were developed in a consultative process based on the goals and targets in the annexed matrix of MKUKUTA (Vice President's Office (VPO), 2005). The process was coordinated by the Poverty Eradication Division, now in the Ministry of Planning, Economy and Empowerment, in close collaboration with other government ministries, departments and agencies (MDAs), and in consultation with representatives of development partners, civil society and other national institutions. See Annex for the list of indicators

Analysis in this report is organised into three sections, one section for each of MKUKUTA's three major clusters of desired outcomes. Each section presents the available data, and points out data gaps, challenges, and adjustments which may be warranted in the indicator set. Some of the indicators for growth and for social well-being were subject to analysis in the PHDRs of 2002, 2003 and 2005 (RAWG, 2002, 2003, 2005). The Status Report updates these data and also includes data for new indicators for governance.

Throughout this report, analysis relies as much as possible on yearly data. However, several indicators rely on survey data that is only available on an irregular basis. Therefore, for some indicators, new data was not available in 2006 but will become available in subsequent years.

CONCLUSION: THE WAY FORWARD FOR THE MONITORING SYSTEM

This conclusion addresses methodological issues regarding this report and the use of data in the reporting system. The earlier chapter “Highlights and Recommendations” provides a conclusion for the findings of the Status Report.

The Status Report is part of the ongoing reporting under the Government led monitoring system for MKUKUTA (the National Strategy for Growth and Reduction of Poverty). This report provides an overview of changes in outcomes, using the newly revised set of more than 80 national indicators, as per the MKUKUTA monitoring framework.

Representatives from both within and outside of Government were involved in the production of this report. A large number of ministries have the responsibility for regularly reporting on specific indicators within the Monitoring System. It is important that these institutions increase their efforts in reporting on these indicators, so that this critical information can assist the move towards using outcome information to assist the prioritisation processes when planning and budgeting.

Although it is important to make an annual assessment of the progress towards achieving the National Strategy (MKUKUTA) each year, this assessment cannot realistically be based on annual data for every indicator. Some indicators change slowly (e.g. maternal mortality), while others require data from large surveys which are expensive to conduct and cannot practically be undertaken on an annual basis (e.g. infant mortality). It is important that stakeholders appreciate that it is not feasible to produce annual outcome reporting for all the indicators every year. The MKUKUTA Monitoring Master Plan and Indicator Report (Ministry of Planning, Economy and Empowerment, 2006) provides details about the frequency of data for each of the national indicators, and this should be used as a guide.

Over time the volume of data in the Status Reports and other reports produced as part of the monitoring system will increase; however, further revision of the national indicator set for the MKUKUTA monitoring system may be desirable in order to ensure that the indicators used are the optimal set for providing a sound overview of the outcomes towards growth and poverty reduction.

In addition, reporting information on such a large set of national indicators is a challenging task, in part because of the large number of institutions involved, but also because of the need to strengthen capacity to undertake the necessary analysis. The requirement for the production outcome reports on an annual basis (Status Report or Poverty and Human Development Report) makes it especially difficult to allow sufficient time for building capacity in this important area. One way to address this issue would be to carefully consider the planned contents of each annual report and agree on a base set of national indicators to be reported on for each report and, in addition, provide analysis of any additional data of national indicators which has become available since publishing the preceding annual report.

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ABBREVIATIONS

| | |
|---------|--|
| AIDS | Acquired Immune Deficiency Syndrome |
| ARV | Anti-Retro Viral (therapy) |
| BoT | Bank of Tanzania |
| DPP | Director of Public Prosecutions |
| DPTHb3 | Diphtheria, Pertusis, Tetanus and Hepatitis B |
| EPI | Expanded Programme of Immunisation |
| ESRF | Economic and Social Research Foundation |
| GDP | Gross Domestic Product |
| GN | Government Notice |
| ha | hectare |
| HBS | Household Budget Survey |
| HIV | Human Immunodeficiency Virus |
| HMIS | Health Management Information System |
| ILFS | Integrated Labour Force Survey |
| ILO | International Labour Organisation |
| LGA | Local Government Authority |
| MAFS | Ministry of Agriculture and Food Security |
| MDAs | Ministries, Departments and Agencies (of the Government of Tanzania) |
| MEM | Ministry of Energy and Minerals |
| MIS | Management Information System |
| MKUKUTA | Mkakati wa Kukuza Uchumi na Kuondoa Umaskini Tanzania (Swahili for the National Strategy for Growth and Reduction of Poverty) |
| MNRT | Ministry of Natural Resources and Tourism |
| MoEVT | Ministry of Education and Vocational Training |
| MoF | Ministry of Finance |
| MoH&SW | Ministry of Health and Social Welfare |
| MoHA | Ministry of Home Affairs |
| MoID | Ministry of Infrastructure Development |
| MoJCA | Ministry of Justice and Constitutional Affairs |
| MoLEY | Ministry of Labour, Employment and Youth Development |
| MoW | Ministry of Works |
| MPEE | Ministry of Planning, Economy and Empowerment |
| MSTHE | Ministry of Science, Technology and Higher Education |
| MTEF | Medium-Term Expenditure Framework |
| MW | Megawatt |
| NACP | National AIDS Control Programme |
| NAO | National Audit Office |
| NBS | National Bureau of Statistics |
| NEMC | National Environment Management Council |
| NFS | National Food Security (Ministry of Agriculture and Food Security) |

ABBREVIATIONS

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| PCB | Prevention of Corruption Bureau |
| PEDP | Primary Education Development Programme |
| PHDR | Poverty and Human Development Report |
| PMO-RALG | Prime Minister's Office – Regional Administration and Local Government |
| PO-PSM | President's Office – Public Service Management |
| PRS | Poverty Reduction Strategy |
| PSSS | Policy and Service Satisfaction Survey |
| RAWG | Research and Analysis Working Group |
| REPOA | Research on Poverty Alleviation |
| TACAIDS | Tanzania Commission for AIDS |
| TANROADS | Tanzania Roads Authority |
| TB | Tuberculosis |
| TDHS | Tanzania Demographic and Health Survey |
| THIS | Tanzania HIV/AIDS Indicator Survey |
| TSh | Tanzanian Shillings |
| TRA | Tanzania Revenue Authority |
| URT | United Republic of Tanzania |
| VPO | Vice President's Office |
| WHO | World Health Organisation |