

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Kathmandu, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
April 1999

TANZANIA: COUNTRY STRATEGY PAPER 1999

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A. SUMMARY

A1. Since 1986 Tanzania has made progress with economic, structural and political reforms, yet remains one of the poorest countries in the world. 50% of the population live below the locally-defined poverty line. Education indicators are worsening and health indicators are poor. Poverty is worst in, but not restricted to, rural areas, where the great majority of the population live.

A2. The Government of Tanzania has a clear commitment to the principles of the international development targets. Its own targets are ambitious, but mostly realisable. However, progress will require a determined effort by the Government to formulate and implement appropriate policies in the key social sectors and to fight corruption, whilst continuing to make progress with economic and public sector reforms.

A3. The UK's good development relationship with Tanzania can become even more effective. If our partnership continues to strengthen we propose to deliver a substantial and increasing programme of bilateral development assistance, rising from £42 million in 1997/98 to approximately £63 million by 2001/02. Development co-operation with the Government of Zanzibar remains suspended due to concerns over governance and human rights.

A4. The purpose of our strategy will be sustainable improvements in the livelihoods of poor people in Tanzania over the next five years. We expect this strategy to have the following measurable impacts by the end of 2002:

- Improved public resource and economic management;
- Improved education status, particularly for the poor;
- Improved health status, particularly for the poor;
- Improved productive opportunities, particularly for the poor;
- Enhanced participation in the development process by poor people and improved awareness of their civil, social and political rights.

A5. We will work closely with the Government and with others involved in the development process, channelling funds through government mechanisms where practicable, and seeking to establish common frameworks for impact measurement.

B. THE CHALLENGE

B1. Following independence and the union of Tanganyika and Zanzibar, Tanzania developed a political and economic system which was characterised by state ownership, central planning and a one-party state - the Chama Cha Mapinduzi (CCM). The result was a national identity and internal stability that is uncommon in the region, but also economic collapse. In 1986 Tanzania adopted a package of reforms supported by the international financial institutions, since when, despite occasional setbacks, significant progress has been made. These have put in place the foundations of a pluralist democracy with a mixed-market economy, but the process is far from complete.

POVERTY IN TANZANIA

B2. Tanzania remains one of the poorest countries in the world. The World Development Report ranks it seventh poorest with a gross national product (GNP) per capita of US\$210¹. Half the population live below a poverty line equivalent to approximately \$180 per year at today's prices². Inequality in Tanzania, where the poorest 20% share 6.9% of the national income, is not as high as in some sub-Saharan countries.

B3. Tanzania is a vast country and the poor are concentrated in rural areas, where 70% of Tanzania's population live, yet access to social services is skewed towards urban centres. Poverty in Tanzania is complex, but a participatory poverty assessment identifies defining characteristics as: inadequate agricultural inputs leading to reduced quality and quantity of food; lack of productive land close to village centres; insufficient access to health and education; lack of power over decisions; dependency; disability; and discrimination against women and female-headed households³. Other features of poverty include lack of access to credit, a low and unequal asset base, the seasonality of income-earning opportunities, poor access to information, low prices at the farm gate, a lack of opportunity for off-farm income, and high transport costs. Only half Tanzania's population have access to safe water, a problem that is worse in rural areas.

B4. Despite being accorded equal rights under the 1977 constitution, the status of women varies. They have guaranteed, but limited, representation in Parliament, and there are increasing numbers of female ministers and senior civil servants. But generally cultural and religious attitudes restrict women's rights and they are constrained by high fertility rates, early age of first pregnancy, and a heavy burden of domestic and agricultural responsibilities.

B5. Primary school enrolment fell from 98% in 1981 to 75% in 1996⁴ and continues to decline. On average children start school at age nine. Completion rates are low, and while enrolment is still almost equal for girls and boys, girls drop out more quickly and in larger numbers. Illiteracy rates are increasing at 2% a year from a level of 16% in the early 1990s (20% for women). A secondary enrolment rate of 7% is one of the worst in Africa, and only a quarter of those completing secondary education are women.

B6. Surveys show very low public confidence in the education system, due to the lack of resources, poor facilities, poor access to secondary education and low quality of teaching. When parents have to make difficult expenditure choices, and with cost-sharing at all levels, education has become a lower priority. Without serious action to address structural problems at the centre - policy framework, leadership, accountability for outcomes and institutional capacity - and improved resourcing, Tanzania will not meet the international development targets for education. With reform and investment the targets are achievable.

B7. Despite significant improvements in life expectancy, infant mortality and immunisation coverage since independence, these gains are being eroded, partly as a result of the AIDS epidemic. Infant mortality (86 per 1,000 live births), under-five mortality (144 per 1,000 live births), and maternal mortality (530 per 100,000 live births) are high and life expectancy is only 50 years. There is a high unmet need for reproductive health services. The total fertility rate is 5.6 and contraceptive prevalence rate remains very low at 12% for modern methods.

¹ 1997 estimate; World Development Report, 1998/99; recent internal figures suggest that at the end of 1997 GNP/capita was about \$240.

² The National Poverty Eradication Strategy, Vice-President's Office, Government of Tanzania 1998.

³ Nayaran, D, 1997. Voices of the Poor: Poverty and Social Capital in Tanzania. World Bank.

⁴ Ministry of Education figures.

B. THE CHALLENGE

CONTINUED

B8. The main causes of illness and death in Tanzania are preventable and communicable diseases. For children these are malaria, diarrhoeal diseases and respiratory infections. For the 15-59 age group HIV/AIDS is the leading cause of death. The HIV/AIDS epidemic has yet to reach its peak impact in Tanzania and further declines in life expectancy, and higher infant mortality, are anticipated for some time. The socio-economic consequences greatly affect household finances, family structure and orphanhood.

B9. The main constraints to improving health in Tanzania are resources available to the sector (per capita spending on health is just \$3.5 a year) and the Government's organisational and technical capacity. This is further stretched by the need to manage a large and fragmented portfolio of donor-supported projects. If these constraints can be overcome the prospects for meeting the international development targets for access to reproductive health and maternal mortality are good. The impact of HIV/AIDS means that reducing infant and child mortality rates by two-thirds will not be possible by 2015, although there is room for progress against other causes of child mortality.

ECONOMIC PROSPECTS

B10. The oversized and inefficient state sector has been a major obstacle to economic and social development. Subsidies to state-owned enterprises have limited the resources available for service delivery and crowded out private sector investment. The poor performance of utilities is a further brake on the economy. In the civil service, over-staffing, poor management and low pay have reduced morale and performance. While the first 20 years after independence brought substantial investments in basic health and education, mostly financed by development assistance, in the absence of economic growth the benefits were unsustainable.

B11. Agriculture dominates the economy, accounting for half of gross domestic product (GDP) and 75% of exports, as well as employment and incomes for most Tanzanians. But agricultural growth is slow and vulnerable to climatic shocks. Mining is growing in importance from a low base (2% of GDP); tourism has potential but lacks investment; and

manufacturing is growing as privatisation and investment help revive moribund industries.

B12. Following the Government's adoption of an economic reform programme in 1986 annual GDP growth picked up from below 1% in the first half of the decade to 3.5% by the late 1980s. However, poor economic policies in the early 1990s resulted in low growth, high inflation, a large fiscal deficit and Tanzania going off track with the International Monetary Fund (IMF) in 1994. Since 1996, with the return to an economic reform programme supported by an IMF enhanced structural adjustment facility and World Bank structural adjustment credit, macro-economic stability has been re-established, inflation has fallen from 34% in 1994/95 to around 10% now, and growth has reached 4% per year. The direction of change is broadly right, but further improvements to the business and investment environment must be made for continued economic growth. The Government has adopted an improved medium-term budget process, which has resulted in increases to education, health and roads. However, whilst the Government has established fiscal control through strict cash budgeting, this has costs for the predictability of public expenditures which, combined with weak financial management, has reduced their effectiveness.

B13. The budget deficit fell from 11% in 1994 to 5% in 1998, but debt service and the wage bill dominate a total public expenditure of only £1 billion, one third of which is financed by donors. Revenue collection is 14% of GDP, but tax evasion and corruption are rife. Improvement in the revenue effort is essential, since current revenue collection cannot sustain even minimal services, but it should be accompanied by greater efficiency, transparency and predictability in the system. Other key challenges are the need to further improve debt management and keep public borrowing within the level of concessional finance available. In 1998/99, 33% of recurrent expenditure was budgeted for debt service. Tanzania is a heavily indebted poor country (HIPC) and will be considered for HIPC assistance in late 1999. In the meantime, the Government has secured donor support for a multilateral debt fund, to which we contributed £28 million in 1998/99.

B. THE CHALLENGE

CONTINUED

Bi4. Falling population growth and a relatively equal income distribution mean that sustained GDP growth in the range of 5-7% should be enough to achieve the target of halving the proportion of people in absolute poverty by 2015. Such growth is attainable, but will require accelerated economic reform, action against corruption, and a step change in the quality of public expenditure management. Concessional donor finance will continue to be needed in coming years to avoid drastic cuts in public expenditure and for the investments needed to make progress in eradicating poverty.

Bi5. Since 1990 the Government has pursued parastatal reform, privatisation and regulatory changes in order to revitalise industry, encourage investment and release resources for priority spending areas. Around half of the 400 parastatals have been divested. The next step is private sector participation in the utilities, whose inefficiency is a great cost to investors, business, consumers and the public purse. Business and investment are further inhibited by restrictive legislation and regulations, poor communications, and the limited availability of business development and financial services.

Bi6. The Government has committed itself to trade liberalisation through its economic reform programme and membership of the World Trade Organisation (WTO), East African Co-operation, Southern African Development Community (SADC) and the Common Market for East and Southern Africa. However, the complexity of overlapping trade agreements, weak capacity, and the perceived lack of urgency of the international trade and investment policy agenda constrain the Government's ability to negotiate effectively.

GOVERNANCE, HUMAN RIGHTS AND TRANSPARENCY

Bi7. Political reform in 1992 led to Tanzania's first multiparty elections in 1995. The CCM won a clear majority and still dominates politics. The power of the executive is constrained by Parliament, which is gradually becoming more effective. Tanzania's record on civil liberties, compared with its neighbours, is good. There is freedom of association and mainland political parties operate without any overt hindrance.

Bi8. The Government's weak organisational capacity is a serious constraint on its ability to promote poverty eradication. Key weaknesses include: poor motivation and morale of civil servants; a lack of strategic and consistent leadership; and a lack of accountability for achieving results.

Bi9. Grand and petty corruption is widespread and a major constraint on pro-poor economic growth and the delivery of effective social services. President Mkapa took the step of appointing a commission on corruption headed by Justice Warioba, which, in an impressive report, analysed the problem and prescribed some solutions. Follow-up action has been limited, but the President is committed to tackling corruption. Since 1995 three ministers have resigned over allegations of corruption, and large numbers of officials, particularly revenue collectors, have been retired. However, there have been few prosecutions. The Government needs to develop a comprehensive anti-corruption strategy that addresses the systemic issues that provide opportunities for corruption, and seek early gains to demonstrate its commitment.

B. THE CHALLENGE

CONTINUED

B20. The rule of law is limited by the inefficient and often corrupt judiciary and courts. Successive donor-supported reform efforts have failed. The police are poorly managed and under-resourced, some prisoners are ill-treated, many spend years on remand, and prison conditions are generally poor. Without firmer action from the Government to promote reform it is unlikely that donor support to the criminal justice sector can have a significant impact.

B21. Political liberalisation has encouraged the growth of civil society. However, it remains fragmented and weak, and it will take time before it is in a position to hold government more accountable or to fulfil an effective advocacy role. There is a growing and improving free and independent media.

B22. The Government has developed a local government reform strategy based on gradual devolution of authority to urban and district councils. This offers both opportunities for, and threats to, poverty eradication. The programme could improve access to quality public services and bring their management closer to the user. Risks are that local government will lack the capacity to formulate and implement appropriate policies and to generate adequate resources.

B23. Zanzibar, with about 3% of Tanzania's population, is largely autonomous and has its own Assembly and President. There remains widespread concern about the 1995 Zanzibar elections which re-elected President Salmin Amour and the Zanzibari CCM, and about subsequent harassment of the Civic United Front (CUF) opposition. Furthermore, the Zanzibar Government's poor economic management and customs and revenue collection performance are a drain on scarce Tanzanian Government resources.

ENVIRONMENT

B24. Tanzania faces a range of environmental problems, including declining soil fertility, conversion of pastoral land to arable, increasing urban pollution, inappropriate management of watersheds affecting hydro-electric power and urban water supplies, and impacts of tourism on sensitive habitats. One of the most biodiverse countries in the world, Tanzania earns an estimated \$70 million a year from wildlife tourism and sport hunting. However, many rural communities derive few benefits from the wildlife protected areas, which amount to 28% of the country. The Government has only recently developed a national environmental policy, implementation of which depends on better institutional arrangements than currently exist. Tanzania does not yet have recognisable national strategies for sustainable development which link environmental and poverty reduction policies.

C. PARTNERSHIPS

PARTNERSHIPS WITH THE GOVERNMENT

C1. The UK has a good development relationship with Tanzania, based on openness on the full range of development issues and a shared commitment to poverty eradication. The Department for International Development (DFID) has a major role in policy dialogue on public service and sector reform programmes and has provided substantial budgetary support. The main threat to a strengthening partnership is corruption. So far our development relationship with mainland Tanzania has not been affected by the situation in Zanzibar.

C2. Indicators of a strengthening partnership with the Government over the period covered by this Country Strategy Paper will include:

- Tanzania staying on track with its economic reform programme. Key aspects will be improving the private investment climate, revenue reform, and private sector participation in the banking sector and utilities;
- the development and implementation of policies to meet the Government's poverty eradication targets, including government-led sector development programmes in education, health and roads;
- that these policies are linked to pro-poor budget allocations between and within sectors;
- a detailed strategy to fight corruption in place and being implemented;
- continued action on public service reform.

C3. As well as partnerships with central government, there is a great need, and good prospects for, a productive relationship with local government in Tanzania.

RELATIONS WITH OTHER DONORS

C4. Development assistance to Tanzania declined by almost a third between 1992 and 1997 to \$963 million. Major bilateral donors in 1997 were France (with a one-off debt write-off), UK, Denmark, Germany and Japan. Major multilaterals are the World Bank, European Community

(EC), IMF and African Development Fund. Several major, and minor, donors are involved in each sector.

C5. In general DFID has a good relationship with the EC, World Bank, IMF, United Nations agencies and major bilateral donors in Tanzania. However, until recently, limited leadership by the Government and lack of donor commitment undermined effective donor co-ordination. Donors pursued their own strategies, sometimes bypassing central government, and some development assistance had doubtful benefits. Donor co-ordination is improving, with progress towards joint government/donor programmes in health, education and local government reform, agreement on the operation of a multilateral debt fund, and effective donor co-ordination and dialogue with the Government on a financing framework for road maintenance.

OTHER PARTNERSHIPS

C6. DFID is already working to promote the development of small businesses in Tanzania. There is further potential for effective co-operation between DFID and local and international businesses to exploit new products and opportunities with benefits for poor people, and improve the opportunities for business-led growth and employment.

C7. The growth of civil society has been encouraged by political liberalisation in the 1990s. However, the previous long period of state-organised participation has meant civil society is not yet fully effective in engaging with government, particularly in rural areas. Non-governmental organisations (NGOs) are important providers of social services in some regions, for example those affected by refugees and by natural disasters, and in some sectors. The Government, in consultation with NGOs, and with DFID support, is developing new NGO legislation.

C8. DFID will seek to develop stronger relationships with civil society and NGOs, particularly where organisations support awareness of people's rights or can influence government or the private sector to take better account of poor people's needs, and where their work in social sectors is complementary to the Government's sector policies.

D. CURRENT UK DEVELOPMENT PORTFOLIO

D1. The UK's current programme of bilateral development assistance in Tanzania is aimed at supporting a poverty-focused economic and social reform programme. In recent years this has comprised both programme aid (budgetary support) and project-based assistance, with an approximate 60/40 split. Total disbursements in 1997/98 were £42 million, of which £25 million was programme aid. This is expected to rise to around £47 million in 1998/99.

impact. Long-term donor support during the years before the Government fully addressed the need for economic and public sector reform funded large numbers of projects which enabled the government to delay the reforms necessary to reduce poverty.

D4. However DFID, in conjunction with the Government and other donors, can claim some positive impacts. The majority of UK bilateral assistance in recent years has been

BOX I.

IMPACT OF TANZANIA'S ECONOMIC REFORM PROGRAMME

AREA OF EMPHASIS

policies to ensure
macro-economic stability

policies to increase openness
to trade and investment

policies to increase the
efficiency of the
private/productive sector

policies to improve
the effectiveness of
public resources

PERFORMANCE SO FAR

- GDP growth increased from 1.6% in 1994/95 to 4.5% in 1996/97;
- inflation reduced from 27% in 1994 to 12% in 1998;
- deficit after grants reduced from 11% in 1994 to 5% in 1998;
- public external debt ratio reduced from 150% of exports to 108% in 1998;
- exchange rate liberalisation;
- some progress made on tariff harmonisation and reduction ;
- progress made on reducing state trading monopolies;
- new investment regulation;
- around half of the parastatals divested from government;
- reduction in power of state petroleum monopoly;
- banking liberalisation;
- improved budget cycle management through public expenditure reviews;
- high level of civil service retrenchment;
- civil service pay reform and organisation and efficiency reviews;
- start made on education and health sector reforms.

D2. The UK is also a major contributor to multilateral programmes in Tanzania; our share amounted to £24 million in 1997 including £6 million through the EC. Other UK support for development in Tanzania includes volunteer programmes, research activities and a £60 million Commonwealth Development Corporation investment portfolio in financial services, property, tourism and agribusiness. British government-to-government development assistance to Zanzibar is suspended.

D3. Evidence of DFID's and other donors' impact in sustainably reducing overall poverty in Tanzania is limited, partly because of a historical lack of attention to measuring

programme aid, which has played a significant role in essential economic stabilisation, debt management and protecting social expenditure. Without UK budgetary support of £25-30 million per year since 1996 basic services would be even less adequate than they are now. Programme aid has supported the Government's economic reform programme, before which Tanzania had been in a long period of economic decline with rising levels of poverty. Trends suggest that the situation would have continued to deteriorate, probably rapidly, without economic reform. Notably, average incomes have moved from decline to revival coincident with the programme. Box 1 links certain reforms with impacts achieved so far.

D. CURRENT UK DEVELOPMENT PORTFOLIO

CONTINUED

D5. The UK, in collaboration with the World Bank and other donors, has provided substantial support to the Government's *Civil Service Reform Programme*. Its achievements include the removal of 6,000 ghost workers from the payroll resulting in savings of £3 million a year; a 75% real terms increase in average civil service pay since 1992; and a reduction in the size of the civil service by 23% between 1993 and 1997. A 1996 government survey of a sample of retrenchees found that 89% were in gainful employment, 74% had new assets and 49% earned more than in the civil service, whilst average incomes had almost doubled.

D6. In the *health* sector we have provided technical assistance in support of the Government's health sector reform programme. In parallel, project assistance has aimed to improve the delivery, effectiveness and accessibility of essential health care. Impacts include:

- new information on the causes of death and illness in Tanzania, which has highlighted the impact of the AIDS epidemic and for the first time the extent of chronic disease, and is being used by the Ministry of Health to formulate strategy;
- support for district health staff in Mbeya Region has resulted in a three-fold increase in users of family planning services over 1994-97;
- testing the marketing of bed-nets to urban communities at risk from malaria has led to a much larger-scale social marketing initiative;
- a significant reproductive health programme in collaboration with the Government, local government, UN agencies, NGOs and other donors has resulted in an increase in the number of clinics providing family planning services and in the proportion of women using modern methods of contraception from 6% to 12.6% over 1992-96;
- a strengthened policy environment and revised health sector legislation, particularly for health care financing and hospital management.

D7. For about five years up to 1996 our assistance to *education* was largely limited to English language support at secondary level. A strategic review of this approach found no positive impact on poverty and considerable sustainability problems. Since then, with the Government and other donors, we have been working towards a sector development programme aimed at improving educational services on a national scale, particularly at the basic level.

D8. One of the main areas of our support for *rural livelihoods* in Tanzania has been in cashew production. Assistance to strengthen capacity in agricultural extension and research and to encourage farmer participation in the management of the industry contributed to an increase in production from 16,500 tonnes in 1986 to about 100,000 tonnes in 1997, benefiting up to 280,000 people in southern Tanzania.

D9. The UK has provided substantial assistance in response to natural disasters which have struck Tanzania over the last two years. A review of food relief to protect livelihoods after the 1996/97 drought found that the Government/DFID partners (the World Food Programme and international and local NGOs) had been successful in targeting the most vulnerable at a district, village and household level.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. The emerging partnership with the Tanzanian Government can become even more effective. As one of the poorest countries in the world, with a Government committed to pro-poor policies and with a strong development relationship with the UK, there is a good case for a substantial and increasing programme of assistance for mainland Tanzania.

E2. Development co-operation with the Zanzibar Government remains suspended. The situation will be kept under review and if prospects for partnership improve we will reconsider our policy. A key indicator will be the conduct of the 2000 elections. We remain open to proposals from outside government that would benefit poor Zanzibaris.

E3. The goal and purpose of DFID's strategy for promoting development in mainland Tanzania will be:

Goal: a reduction of 50% in the proportion of Tanzanians living in absolute poverty by 2015.

Purpose: sustainable improvements in the livelihoods of poor people in Tanzania over the next five years.

It is estimated that this purpose can be achieved if Tanzania's economy grows at 5-7% or more per year, if population growth remains at projected levels or less, and if effective policies are implemented to combat the AIDS epidemic.

E4. DFID has identified five 'impact areas' (Box 2) in which we will seek to make a measurable difference in partnership with the Tanzanian Government and others. These have been identified on the basis of:

- the internationally agreed development targets;
- Tanzanian Government policy and priorities for DFID assistance;
- UK policy as set out in the White Paper on International Development and our Denver commitments⁵;
- DFID's comparative advantage in terms of resource availability, our expertise and experience, and what other donors are doing.

Although the bulk of financial resources will be directed towards the first four impact areas, Impact Area 5 will be of considerable importance to DFID's overall strategy.

BOX 2.

TANZANIA PROGRAMME IMPACT AREAS

- 1: Improved public resource and economic management
- 2: Improved education status, particularly for the poor
- 3: Improved health status, particularly for the poor
- 4: Improved productive opportunities, particularly for the poor
- 5: Enhanced participation in the development process by poor people and improved awareness of their civil, social and political rights

⁵ At the Denver Summit in 1997, the British Prime Minister made a commitment to raise by 50% Britain's bilateral support for basic health care, basic education and clean water in Africa.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E5. In addressing each of the impact areas we will pay special attention to:

- promoting equality between women and men;
- maximising the impact on poverty of our interventions;
- appraising and, where necessary, taking steps to mitigate the environmental impact of our activities;
- encouraging government leadership and supporting its capacity to promote change and manage the reform process;
- increasing our collaboration with other donors;
- ensuring that our activities complement the local government reform process.
- drawing on DFID's knowledge programmes and output initiatives in support of this country strategy.

E6. We will ensure that our bilateral assistance to the Government is reflected in its budget and is channelled as much as possible through government financial systems, whilst offering assistance to strengthen those systems. We will also collaborate with the private sector and civil society where these can be effective partners for reducing poverty.

E7. We will follow forthcoming multilateral negotiations on trade and investment issues, e.g. the Lomé re-negotiation and in the WTO, assess, with the Government, Tanzania's interests, and seek opportunities to further these. We will support the joint integrated technical assistance programme for trade-related issues and provide assistance to help SADC members assess prospective trade relations with the European Union, post-Lomé IV. We will press for the HIPC initiative to be implemented as quickly as possible for Tanzania. In the Organisation for Economic Co-operation and Development (OECD) we will continue efforts to reach agreement on untying development assistance to least developed countries, which will improve the value for money Tanzania receives from its donors.

E8. There is considerable scope for improvement in how we and the Tanzanian Government measure impact on poverty. We propose to help address this in four ways:

- seeking opportunities to assist the Government strengthen its capacity to obtain better statistics and to monitor poverty. We are already helping the Ministry of Health establish a health surveillance system and we propose to support the next census (likely 2001);
- strengthening capacity to monitor the impact of sector development programmes;
- increasing the attention we give to monitoring our impact, making more use of independent reviews and evaluations; and
- carrying out an annual review, with our partners, of our Tanzania country strategy, which will consider both programme impact and partnership issues.

E9. We will continue dialogue with the East African Co-operation and consider requests for assistance which strengthen regional co-operation, without duplicating functions which may best be undertaken or first require reform at the national level.

Impact Area 1: Improved public resource and economic management

E10. Provided the Government continues to follow appropriate policies for poverty reduction, we will provide support for the economic reform programme and for better public resource and economic management through the mid-term economic framework. We will continue close collaboration in particular with the Government and with the IMF and World Bank to maximise the impact of these efforts. Budget support for 1999/2000 will be £30 million, and similar sums are expected in future years. Our programme aid will initially focus on reimbursing multilateral debt repayments to free Government resources for expenditure on priority sectors. It will be complemented by technical assistance with the Government's public expenditure review process and in other key areas, including assistance to the Tanzania Revenue Authority.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

Ei11. The Government is currently developing a fiscal management reform strategy. Possible areas of DFID assistance include the medium term expenditure framework, taxation policy, and accounting and audit. This will complement our planned support for strengthened financial management in key social sector programmes. Assistance will also be provided to respond to the year 2000 information technology problem.

Ei12. If the Government adopts an appropriate reform strategy we propose to provide support for the next phase of civil service reform. Budgetary support will finance further retrenchment to improve efficiency and pay of the civil service. We will encourage the Government to follow a realistic programme for security sector reform, which should release resources for priority service delivery.

Ei13. We will encourage the Government to fulfil its commitment to adopt a credible action plan to tackle corruption and to rationalise and strengthen anti-corruption activities. Adoption of such a plan, and progress with its implementation, will be important steps towards our developing a stronger partnership.

Ei14. We propose to support the Presidential Parastatal Sector Reform Commission in bringing private sector participation into most major utilities and infrastructure enterprises. This will improve their efficiency and release government resources for priority spending areas. Where appropriate, we will encourage the Public Private Infrastructure Advisory Facility (PPIAF)⁶ to support the process. We also propose to contribute to a programme of essential maintenance to continue rail services until privatisation in 2000.

Ei15. An effective outcome to the local government reform process is critical to the delivery of key services for poverty eradication. We propose to provide technical assistance in policy, planning and programme management and financial support to the joint Government/donor Local Government Reform Action Plan.

Impact Area 2: Improved education status, particularly for the poor

Ei16. We are working with the Government and other donors to develop a sector development programme (SDP) in education. This will address structural, technical and financial constraints to revitalising primary education, and then needs in other parts of the sector. The Ministry of Education's objective is to expand primary enrolments for boys and girls from 4 million now to almost 5.5 million by 2003, a rate of expansion which should lead to universal primary education by 2015. DFID is one of a group of donors who have been asked by the Government to work with it in taking this forward. We propose to provide technical assistance with the development of the SDP and both financial and technical support for its implementation. We anticipate DFID support of up to £50 million over five years and expect implementation to start in 1999/2000. In the meantime we are considering two interim support projects to provide essential text books and start a school-building programme, which will test mechanisms for full implementation of the SDP.

Ei17. Additionally we propose to provide support to large (over £1 million) basic education initiatives in especially impoverished and educationally disadvantaged districts through NGOs. These projects will be developed in close co-operation with, and will test approaches and generate lessons for, the national SDP.

Impact Area 3: Improved health status, particularly for the poor

Ei18. The growing burden of ill health in Tanzania is undermining poor people's chances of escaping from poverty. DFID is working in partnership with the Government and with other major donors to develop a sector-wide approach to future investments in health. We will support the Government's programme of work for health sector reform, to help improve policy, planning, budgeting and management, and to strengthen the Government's capacity to co-ordinate the external resources for the sector.

⁶ The PPIAF is a global technical assistance facility, managed by the World Bank, to facilitate private sector involvement in infrastructure in developing countries.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E19. We will also invest significantly in the Government's health programme itself, to support their efforts to improve the delivery, quality and impact of essential health care for the poor, while at the same time ensuring transparent and cost effective use of resources.

E20. The work towards an SDP will be complemented by projects in partnership with the Government, multilateral agencies and NGOs. These will be targeted on the major causes of illness and death: malaria, HIV/AIDS and sexually-transmitted diseases, on strengthening and increasing access to reproductive health services, on developing surveillance, monitoring and evaluation capacity in the sector, and on strengthening child health services including immunisation and polio eradication.

Impact Area 4: Improved productive opportunities, particularly for the poor

E21. We plan to build on our experiences of working in agriculture and natural resources to improve livelihoods for rural people. We shall promote:

- pro-poor economic, agriculture and natural resource policies;
- improved access for rural people to resources (land, financial services), markets and services (information, advice and technology);
- sustainable management of the natural environment through community-based approaches.

E22. This 'rural livelihoods' approach will include support to agricultural research, development and extension, including livestock and environmental management. We will consider supporting the implementation of Tanzania's new land laws. Assistance to local government reform, decentralisation and privatisation will help ensure that services such as agricultural extension are more sustainable and have a greater impact.

E23. The Tanzanian poor, rural and urban, will largely rely on the private sector for improved and sustainable livelihoods. We shall therefore develop activities to:

- improve the regulatory and legislative environment for business;
- increase the access of Tanzanians, particularly the poor, women and those living in rural areas, to financial services including credit;
- increase the capacity of the private sector to provide business services.

We will also consider opportunities to promote the development of artisanal mining while taking account of health, safety and environmental issues.

E24. With the Government we will seek to identify new ways to promote national strategies for sustainable development, and support initiatives to help take them forward.

E25. Adequate maintenance of Tanzania's road network is vital to promoting investment and economic growth. The Government recently agreed a new financing and institutional framework for road maintenance, which should bring greater sustainability to investments in the trunk road network. With other donors we will encourage the Government to adopt a sector-wide approach to investment in roads. We will also consider supporting a programme to strengthen road maintenance capacity.

E26. Half of Tanzania's households have inadequate access to safe water, and the burden of collecting water falls mainly on women and girls. We will develop a programme to increase poor people's access to safe water, focusing on those rural areas and smaller towns where other donors are not significantly involved. Coupled with sanitation provision and hygiene promotion this will also combat diarrhoeal diseases, one of the main causes of child mortality.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

E27. If appropriate we will provide humanitarian assistance to help protect poor people's livelihoods. We will explore possibilities to strengthen the Government's capacity to prepare for and manage disasters. We will provide assistance for refugees through our contributions to the United Nations High Commissioner for Refugees.

Impact Area 5: Enhanced participation in the development process by poor people and improved awareness of their civil, social and political rights

E28. To underpin our activities in pursuit of impact areas 1 to 4, DFID will provide support to build the capacity of civil society to undertake advocacy work at local and national levels and to increase the accountability of government. We propose to finance activities to raise awareness and promote understanding of rights for the poor in key areas including civil and political rights, access to justice and the rights of women and children. We will encourage the establishment of an independent human rights commission and will promote private sector and civil society involvement in tackling corruption.

F. IMPLEMENTING THE NEW STRATEGY

Fi. Achieving a measurable impact in each of these five impact areas will depend in large part on strengthening our relationships with the Tanzanian Government, both centrally and locally, and with other partners and donors, particularly the World Bank, IMF and the EC. This will require increased contact and dialogue between DFID and key stakeholders in Tanzania. Plans for expanding programmes in Tanzania and elsewhere in the region will further increase pressure on the advisory and programme management capacity of DFID Eastern Africa (DFIDEA).

F2. We propose to tackle this in part by reducing the number of separate interventions, while increasing the size of the programme, and by sub-contracting some programme management. As well as improving sustainability and impact, and strengthening partnerships, sector development programmes are also expected to play an important role in reducing pressure on DFID advisory and management resources. We will strengthen our capacity in Dar es Salaam, largely by moving staff from our regional office in Nairobi. This will significantly improve the efficiency and effectiveness of our operations.

G. PROGRAMME RESOURCES

Gi. In recognition of our good development relationship with the Tanzanian Government, UK bilateral development assistance amounted to £42 million in 1997/98 and is expected to be about £47 million in 1998/99. Assuming the partnership continues to develop positively we plan to increase the size of our bilateral development assistance programme to approximately £63 million by 2001/02. This will be on top of our contributions through multilateral agencies.

SUMMARY OF PREPARATION PROCESS

The development of the country strategy outlined in this paper started in June 1998 when DFIDEA advisers began preparation of background papers. These summarised on a sectoral and cross-sectoral basis the key challenges, poverty impact of DFID's current portfolio and proposed future strategies. Since then there have been a series of formal and informal contacts between DFID staff and Tanzanian, British and international interlocutors to discuss the situation in Tanzania, prospects for partnerships and the proposed strategy. The sequence of formal meetings is summarised in the table below. However, the process of developing the Country Strategy Paper (CSP) has been much broader than

the table implies. DFID activities, studies and reviews and less formal contacts in Tanzania have contributed both before and since June 1998.

A key stage in the development of the country strategy was the visit by the Secretary of State for International Development, Clare Short, to Tanzania in August 1998. This provided a high profile opportunity to elaborate the UK Government's policy on international development, to discuss strategic issues, and to begin to discuss some of the key issues affecting our partnership. The British High Commission in Dar es Salaam has been consulted throughout the process, and has facilitated many of the discussions.

TANZANIA COUNTRY STRATEGY PROCESS: KEY EVENTS

DATE	EVENT
25 June 1998	Meeting with the Permanent Secretary, Ministry of Finance, to discuss the CSP process, partnership issues and the Tanzanian Government's priorities for DFID development assistance.
27 July	DFIDEA advisers and programme managers: workshop on causes and characteristics of poverty; internal and external constraints to Tanzania's efforts to eradicate poverty; key partners for a future strategy; principles for taking forward a future strategy; and outline logical framework.
30 July	Initial draft CSP and logical framework, drawing on meetings to date and issues papers, circulated in DFIDEA and to the British High Commission.
12 August	Discussions with the British High Commission.
25-28 August	Secretary of State's visit to Tanzania; meetings with the Government, civil society, NGOs, private sector.
9 September	DFIDEA advisers and programme managers discuss outstanding issues.
September/ October	Consultative draft CSP circulated to Tanzanian ministries and parastatals, Tanzanian and UK academia, civil society, business community, international and local NGOs and other donors and development agencies.
17 September	Meeting with UK business in London to discuss draft CSP.
21-28 October	Dar es Salaam round table discussions with: <ul style="list-style-type: none"> • Civil society (including Tanzanian academics, local and international NGOs, business community); • multilateral and bilateral donors and agencies; and • Permanent Secretaries or their deputies. Bilateral meetings with the Finance Minister; with Permanent Secretaries or their deputies in the Ministries of Finance, Planning, Education, Works, Regional Administration and Local Government, Health, Civil Service; Chair of Tanzania's Vision 2025 Committee; Head of EC Delegation; United Nations Development Programme Resident Representative; World Bank Resident Representative.
26 November	Round table discussion with Tanzanian private sector representatives.
8 December	Draft CSP circulated for comment to Ministry of Finance; DFID senior management; UK government departments and DFIDEA.
9 March 1999	CSP approved by Secretary of State for International Development.

COUNTRY PROGRAMME EXPENDITURE PROFILE

NB. Forecasts are approximate and include an element of over-programming to cover slippage and the need to make choices, in conjunction with the Government of Tanzania

and others, about the various proposals in the pipeline. All forecasts are in £million and are indicative only.

£ MILLION	1998/99	1999/00	2000/01	2001/02
COMMITMENTS				
<i>Impact Area:</i>				
Improved public resource and economic management	31.4	32.0	4.3	2.1
Improved education status, particularly for the poor	2.2	1.7	0.6	0.8
Improved health status, particularly for the poor	5.6	5.9	1.8	1.4
Improved productive opportunities, particularly for the poor	7.7	4.3	2.9	1.0
Enhanced participation in the development process by poor people and improved awareness of their civil, social and political rights	0.1	0.4	0.4	0.0
TOTAL COMMITMENTS	47.0	44.3	10.0	5.3
OTHER PLANS				
Improved public resource and economic management		3.6	29.6	34.6
Improved education status, particularly for the poor		6.4	10.0	10.0
Improved health status, particularly for the poor		5.6	11.6	10.6
Improved productive opportunities, particularly for the poor		6.0	12.8	13.1
Enhanced participation in the development process by poor people and improved awareness of their civil, social and political rights		0.3	0.3	0.3
TOTAL OTHER PLANS		21.9	64.3	68.6
GRAND TOTAL (commitments and other plans)	47.0	66.2	74.3	73.9
EXPECTED ACTUAL EXPENDITURE	47.0	58.0	60.0	63.0

These figures have been prepared as part of the consultative process undertaken in preparation for the new Country Strategy Paper. They must not be interpreted as a firm commitment.