

UNITED REPUBLIC OF TANZANIA



TANZANIA COUNTRY REPORT

IMPLEMENTATION OF THE BRUSSELS PROGRAMME OF ACTION (LDC III) AND INITIATIVES FOR LDC IV ACTION PLAN

**PRESIDENT'S OFFICE
PLANNING COMMISSION
DAR ES SALAAM
TANZANIA**

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ACRONYMS AND ABBREVIATIONS	
AG	Attorney General
AU	African Union
ADSL	Asymmetric Digital Subscriber Lines
ART	Anti-Retroviral Therapy
ASDP	Agricultural Sector Development Programme
ASDS	Agricultural Sector Development Strategy
ASPS II	Agricultural Sector Support Programme
ASSP	Agricultural Services Support Programme
APRM	African Peer Review Mechanism
BEST	Business Environment Strengthening in Tanzania
BRELA	Business Registration and License Authority
BPOA	Brussels Plan of Action
BRU	Better Regulation Unit
CEDAW	Convention on the Elimination of All forms of Discrimination Against Women
CPC	Cleaner Production Centre
CDMA	Code Division Multiple Access
CSOs	Civil Society Organisations
DADPs	District Agricultural Development Plans
DCC	District Consultative Committee
DASIP	District Agricultural Support and Improvement Programme
DR	Drop out Rate
D by D	Decentralisation by Devolution
DRI	District Response Initiatives
EAC	East African Community
EPZ	Export Processing Zones
EPZA	Export Processing Zone Authority
FDI	Foreign Direct Investment
GDP	Growth Domestic Product
GER	Gross Enrolment Rate
HBS	Household Budget Survey
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICBAE	Integrated Community Based Adult Education Schemes
ILO	International Labour Organization
IWRM	Integrated Water Resource Management
JPOI	Johannesburg Plan of Implementation
LDCs	Least Developing Countries
LESCO	Labour Economic and Social Council
LRC	Law Reform Commission
LSRP	Legal Sector Reform Programme
LGAs	Local Government Authorities
LGRP	Local Government Reform Programme
MDAs	Ministries, Departments and Agencies
MDG	Millennium Development Goal
MPs	Member of Parliamentary
MTS	Multilateral Trading System
NACSAP	National Ant-Corruption Strategy and Action Plan
NACP	National Aids Control Programme
NBS	National Bureau of Statistics
NEDF	National Entrepreneurship Development Fund
NEPAD	New Partnership for African Development
NER	Net Enrolment Ratio
NEMC	National Environmental Management Council
NGOs	Non Government Organizations
NSGRP	National Strategy for Poverty Reduction

NTB	Non Tariff Barriers
10YRSDP	Ten Years of Road Sector Development Program
ODA	Official Development Assistance
PADEP	Participatory Agricultural Development Project
PBFP	Property and Business Formalization Programme
PCCB	Prevention and Combating of Corruption Bureau
PEDP	Primary Education Development Programme
PFMRP	Public Financial Management Reform Programme
PIDP	Participatory Irrigation Development Project
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RDS	Rural Development Strategy
RTAs	Regional Trade Arrangements
SACCOSS	Savings and Credit Cooperatives Societies
SADC	South African Development Community
SEDP	Secondary Education Development Programme
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprises
SUMATRA	Surface Maritime Transport Regulatory Authority
TACAIDS	Tanzania Social Action Fund
TASAF	Tanzania Commission for Aids
TANROAD	Tanzania Road Agency
TPA	Tanzania Port Authority
TCAA	Tanzania Civil Aviation Authority
TCRA	Tanzania Communication Regulatory Authority
TRC	Tanzania Railways Cooperation
TRL	Tanzania Railways Limited
TIC	Tanzania Investment Centre
UNCAC	United Nations Convention Against Corruption
UNCCD	United Nations Convention to Combat Desertification
UNIDO	United Nation Industrial Development Organisation
USD	Vocational Training College
VTC	United States Dollar
WCSDG	World Commission on the Social Dimension of Globalization
WTO	World Trade Organisation

EXECUTIVE SUMMARY

Tanzania, as a member of Least Developed Countries (LDCs), has participated fully in the three United Nations Least Developed Countries Conferences held so far i.e. LDCI held in Paris in 1981, LDCII held in 1991 and LDCIII held in Brussels in 2001. The three Conferences have aimed at setting up an international programme of action to stimulate a sustainable process of socio-economic and human development. The third LDCs Conference, held in Brussels, May 14 – 20, 2001, agreed to a specific Programme of Action for the Decade 2001 – 2010, known as the Brussels' Programme of Action (BPoA). The BPoA is a combination of specific actions by the LDCs with corresponding support measures by international development partners with a specific set of performance targets that match with and reflect the principles and values of human development enshrined in the Millennium Development Goals (MDGs).

The Fourth UN Conference on LDCs is scheduled to take place in Istanbul, Turkey, in 2011. Its objectives include stocktaking on the implementation of BPoA with a view to identifying and drawing key lessons and experiences thereof in terms of the problems and challenges facing the LDCs in the new Millennium and inform the actions to be pursued during the forthcoming fourth development decade. This document presents Tanzania's country report on the progress made in the course of implementing the BPoA, achievements and challenges that have been encountered in the process. As required by the guidelines, this report is the result of extensive consultations between the stakeholders of the development process drawn from the public and private sectors including civil societies, parliamentarians and media institutions.

The report is presented in five sessions. The first session presents a brief introductory background while the second session presents a synopsis of the national planning process showing that measures called for in BPoA are an integral part of the national long term vision and mission. The session describes the core macro and sector policies that have been adopted in response to the commitments made under the BPoA and the strategies and programs that have been formulated and are being implemented towards the fulfillment of these commitments.

The third session details the achievements emerging from the implementation of these policies and strategies on the basis of each of the main BPoA commitments. The major success story has been recorded at the macro-economic level, and is quite explicit in the increase in GDP growth rate from 6 percent recorded in 2001 to 7.4 percent in 2008 as well as rise in per capita income (at market prices) from USD 265 in 2001 to USD 534 in 2008.

Session three presents in more detail, the specific achievements on each of the BPoA commitments. ***Achievements on Commitment 1*** include maintenance of inflation rate at single digit (between 5 and 7 percent) from 2001 to 2008. However this trend was reversed in 2008 as inflation rose to double digits from 10.3 percent in 2008 to 12.1 percent in 2009 reflecting adverse development related to spiraling oil prices, draught at the national level and the global financial crisis. Other success stories include increase in foreign direct investment flows, from USD 467.2 millions in 2001 to 695.5 millions in 2008.

In implementation of Commitment 2 regarding good governance, the government has put more emphasis on fighting corruption through measures that included the establishment of a Commission for Human Rights in 2002, Strengthening of Prevention and Combating Corruption Bureau (PCCB), implementing the Legal Sector Reform Program (2005) and ratifying international and regional levels protocols on corruption. Focus was also placed on gender equality and women empowerment,

reflected in government initiatives that included amendment to the constitution in 2003 to increase the proportion of women at the level of political representation to 30 per cent achieved in 2008.

Commitment 3 dwells on human and institutional capacity building. In this area, achievements include a more than two-fold increase in health services delivery capacity since 2000/2001 as evident in the increase in health services delivery facilities from a total of 3,366 in 2001 to 5,901 in 2008 and improved service delivery resulting in substantial reduction in infant and child mortality rates. More fundamental achievements have been made in the education sector including: increase of primary school enrollment from 4,845,185 in 2001 to 8,410,094 in 2008 and secondary school enrollment increase of 27.8 percent by 2009 compared to an increase of 10.6 percent made in 2001. University enrollment increased from 17,102 in 2001 to 82,529 in 2008.

Dramatic achievements have also been recorded under **Commitment 4** with respect to physical infrastructure development and ICT services. These include the establishment of the Road Fund Board to implement the National Transport Policy of 2003 and the Tanzania National Communication Regulation Authority (TCRA) to oversee the development of a national telecommunication system. Achievements are also emerging in the area of private sector development and stimulation of business growth based on measures to create the enabling environment for enhanced private sector competence and competitiveness so as to participate proactively in growing global economy, through implementation of programs that include the Program for Business Environment Strengthening for Tanzania (BEST) and the Private Sector Competitiveness Project. Specific initiatives for the agriculture sector include the formulation of the Agriculture Sector Development Strategy (ASDS) and its ongoing implementation under the Agriculture Sector Development Programme (ASDP), whose results include an increase in the output of food crops from 8.57 millions tons in 2001/2 to 10.78 million tons in 2007/2008.

Initiatives under **Commitment 5** focus on domestic trade strengthening based on initiatives to integrate trade policy measures in poverty reduction initiatives and programmes through pro-poor re-orientation of sector strategies and interventions. Some of the initiatives taken include: Formulation of the National Trade Policy in 2003; establishment of Export Processing Zones (EPZ) in 2003 and formulation of a National Foreign Policy which emphasizes on economic relations was in 2004. At International and regional levels, on Multilateral Trading System (MTS) the country continued to negotiate at WTO through LDC group and as a member of SADC and EAC at regional level.

Measures for the diversification of the export basket have taken off resulting in unfolding increase in trade volumes at the regional and international levels. Exports of merchandise goods increased from USD 776.4 million in 2001 to USD 3,336.7 in 2008 while import of merchandise goods increased from USD 1,489.7 million in 2001 to USD 6,439 million in 2008.

With regard to the implementation of **Commitment 6** on vulnerability and protection of the environment, the National Disaster Management Policy was formulated in 2003 and National Operational Guidelines for Disaster Management and preparedness to respond to disasters and provide relief put in place. Public awareness campaigns to protect environment through tree planting have been initiated. A total of 347 million trees were planted during the decade (by 2008) compared to a total of 82 million by 2001.

Finally, with respect to the **Seventh Commitment** regarding financial mobilization and domestic revenue collection, major implementation instruments took the form of enactment of the Public Finance Act enacted in 2004 and Amended Loans, Debt and Guarantee Act enacted in 2004. The results include an increase in ODA inflows from TSh 510,754 million in 2004 to TSh 869,563

millions in 2009. Domestic revenue collection over the decade experienced a tremendous increase from Tshs 508,433 collected during the period July-December, 2001, TShs 3,199,134 million collected during the period July 2008 to March 2009.

These successes have laid the solid foundation on which Tanzania aspires to launch its ultimate efforts for the achievement of the MDGs in the interim period and eventually the goals of building a medium income developing country by 2025 as articulate in the National Development Vision. There are many challenges in the road ahead. In the immediate horizon, the major challenge lies is overcoming effects and adverse impact of the continuing global financial crises so to shift the path of economic growth to a higher trajectory reaching 8 per cent and above as soon as possible. To reach this target in the medium term, there are other formidable challenges including that of raising the standard and quality of education and skills to a level that will underpin broad based participation in unfolding economic growth process. Other challenges are in the delivery of affordable and reliable infrastructure based services in particular transportation and energy. With its resource base, there is confidence that the problems underpinning these challenges can be surmounted and that Tanzania will achieve her cherished goals over the coming one to two decades.

SECTION ONE

1. INTRODUCTION:

Tanzania has participated actively in the international agenda emanating from the three United Nations Least Developed Countries (LDCs) Conferences, i.e. LDC I (Paris, 1981), LDC II (Paris, 1991) and LDC III (Brussels 2001) which seek to address problems constraining the development of the LDCs. The Fourth United Nations Conference on LDCs is scheduled to take place in Istanbul in 2011 and will take a comprehensive appraisal of the implementation of the Programme of Action agreed to during the LDC III Conference for the decade 2001 – 2010 also known as the Brussels Plan of Action (BPoA) through an agenda that includes a review of implementation in all LDCs. This review is expected to shed light on key accomplishments and critical constraints in delivering the goals of the current programme and suggest new strategies to address the challenges identified at national, regional and global levels that will form the focus of a new Plan of Action for the coming decade (2011 – 2020).

The specific objectives of the conference include:

- (i) To undertake a comprehensive appraisal of the implementation of the Programme of Action for the Decade 2001-2010 by the LDCs and their development partners, share best practices and lessons learned, and identify obstacles and constraints encountered as well as actions and initiatives needed to overcome them;
- (ii) To identify effective international and domestic policies in the light of the outcome of the appraisal as well as new and emerging challenges and opportunities and the means to address them;
- (iii) To reaffirm the global commitment to address the special needs of the least developed countries made at the major United Nations conferences and summits, including the Millennium Summit and the 2005 World Summit, in particular the needs related to sustainable development in its economic, social and environmental dimensions and to support the least developed countries to eradicate poverty and to integrate beneficially into the global economy; and
- (iv) To mobilize additional international support measures and action in favour of the LDCs and, in this regard, formulate and adopt a renewed partnership between the least developed countries and their development partners.

The Government of the United Republic of Tanzania has prepared this Fourth Country Report for LDCIV in collaboration with stakeholders. The report is arranged in five sections with the first section covering a brief introduction. The second section presents a synopsis of the national development planning process while third section is an assessment of the progress and challenges in implementation of the commitments of BPoA for LDCs for the decade 2001 – 2010. The fourth section reviews the impact of global financial and economic crisis and policy responses that will inform an appropriate country plan of action for the fourth development decade. Finally, the fifth provides the conclusions on achievements of implementing BPoA in Tanzania and the way forward over the coming decade.

SECTION TWO

2. THE NATIONAL DEVELOPMENT PLANNING PROCESS:

Tanzania's National Development Vision 2025, covering the period 2000 – 2025, defines the overall long-term social-economic development goal. It calls for measures to achieve high and shared growth to facilitate access to high quality livelihood for all Tanzanians; consolidation of the national social-political environment characterised by peace, stability and unity based on rule of law, good governance, access to high quality education and stimulating private sector competitiveness at the regional and international levels. The National Strategies for Growth and Reduction of Poverty (NSGRP) 2005-2010 provides the strategic and practical framework for translating the inspiration from this Vision into action, focusing on achieving and sustaining high rates of economic growth and reducing poverty as the main thrust of the national development agenda. The NSGRP also commits the country to achievement of the Millennium Development Goals, which reflect international initiatives for reduction of poverty and eradication of hunger, diseases, illiteracy, and discrimination against women as well as mitigation against environmental degradation.

The NSGRP also draws upon experiences from past policies such as the National Poverty Eradication Strategy 1997-2010 which laid a strong foundation for poverty reduction. Other past policy frameworks informing the NSGRP include: the Poverty Reduction Strategy Paper (PRSP) (2000/01 - 2002/03); and Tanzania's Mini-Tiger Plan 2020. All of these emphasize on the need to achieve and sustain a high growth trajectory as the means of fast tracking the objectives and targets of Vision 2025.

In the course of implementing the poverty reduction strategies, remarkable results have been attained in the sphere of socio-economic development. These include an increase in GDP growth rate from 6 percent in 2001 to 7.4 percent 2008 with an unforeseen decline to 5.1 percent in 2009 consequent to the international financial crisis. Income per capita (at market price) has undergone an increase from US \$ 265 in 2001 to US \$ 534 in 2008 while the number of people living below the poverty line declined from 38 percent in 2000/01 to 36 percent in 2007. Achievements have also been recorded in the education and health sectors, including: a major increase in enrollment ratios for primary, secondary and university level education; and improved child health. Good governance and accountability in the country has significantly been improved through the effective implementation of a National Framework for Good Governance.

SECTION THREE

3. ASSESMENT OF THE PROGRESS AND CHALLENGES IN IMPLEMENTATION OF THE COMMITMENTS OF THE PROGRAM OF ACTION FOR LDCs FOR THE DECADE 2001-2010

The objectives of the Brussels Program of Action (BPoA) emphasizes on eradication of poverty through and a sustainable socio-economic development process in the LDCs based on sustained high rates of shared economic growth. Tanzania's strategies for implementing the commitments resulting from the BPoA are articulated in the National Development Vision 2025 while the implementation strategies have been embedded in the Poverty

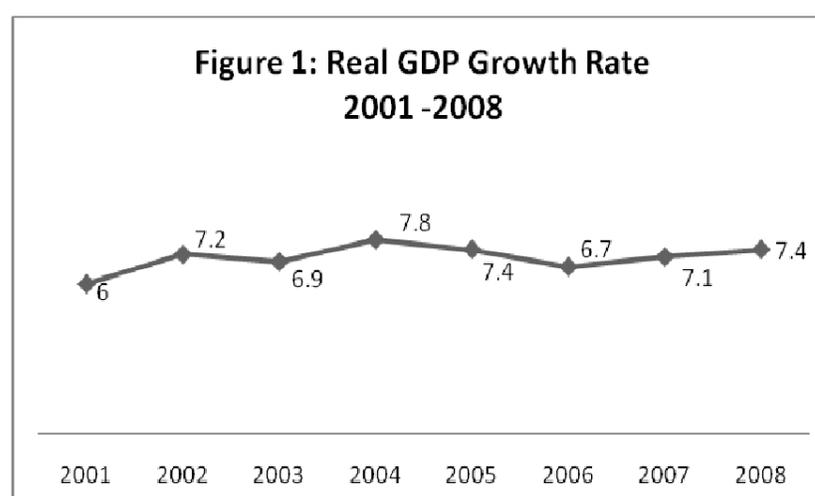
Reduction Strategy Paper (PRS1) and its sequel, the National Strategy for Growth and Reduction of Poverty (NSGRP).

Activities undertaken and achievements to-date under the seven commitments include the following:

3.1 Commitment 1: Fostering a People Centered Policy Framework:

Since the adoption and implementation of BPoA in 2001 through 2009, notable progress has been achieved in many areas under this commitment including:

Gross Domestic Product (GDP): the GDP growth rate has experienced a consistent rising trend, moving from 6.0 percent in 2001 to 7.4 percent in 2008, equivalent to an average rate of growth of 7.1 percent. This trend in GDP growth rates for the period 2001- 2008 is presented in **Figure 1**. This achievement resulted from a sustained process of structural adjustment reforms ranging from prudent monetary and fiscal policies and prioritization of human capital development and investment in infrastructure geared to stimulating private sector investment to generate income, create jobs and increase exports.



Source: National Economic Survey, 2009

Inflation: The inflation rate as an indicator of stable economic growth was consistently maintained at a single digit level from 2001 up to 2007. It declined from 7.8 percent in 1999 to 5.0 percent in 2005 but rose to 7.3 in 2006 due to drought experienced during the 2005/2006 farming season leading to a substantial increase in food prices. Further, recent increases in the prices of food, fuel and the negative impact of the global financial crisis pushed the rate of inflation to 10.3 percent in 2008 reaching an all-time high level of 12.7 percent, during the decade, in October 2009.

Foreign Direct Investment: Foreign Direct Investment (FDI) inflows increased from USD 467.2 million in 2001 to USD 695.5¹ million in 2008. This significant increase in

¹ Provisional

FDI inflows is attributed to the adoption and implementation of sound sector-level economic policies supported by the National Investment Policy of 1997. Some of the sector policies and strategies adopted during the decade include the National Trade Policy 2003, the National Small and Medium Enterprises Development Policy of 2003, the Mineral Policy of 2006 (Revised) and the Agricultural Sector Development Strategy (ASDP) of 2006. The highest inflows of FDI were channeled to the mining, manufacturing and tourism services sectors.

Per capital income: The population of Mainland Tanzania was estimated at 32.9 million in 2001, rising to 39.5 million in 2008. Per capita income (at market price) increased from USD 265 in 2000/01 to USD 534 in 2008. This rise resulted from increased investment flows into high profile economic sectors in which Tanzania is endowed with a rich resource base, including tourism, mining, and agriculture and value adding initiatives based on building capacity to move to higher value segments of the global value chains through agro-processing and manufacturing.

Income Poverty: In spite of the major achievements in growth and impressive macroeconomic outlook, achievements in poverty reduction remained quite modest. The Household Budget Survey (HBS), 2007 indicates that between 2000/01 and 2007 in Tanzania Mainland, poverty declined marginally as the proportion of people living below food poverty line declined from 18.7 percent in 2000/01 to 16.5 percent in 2007 while those living below basic needs poverty line declined from 35.7 percent to 33.3 percent during the same period. Likewise, the poverty headcount ratio declined by 2.1 percentage points from 35.7 percent in 2000/01 to 33.6 percent in 2007. Moreover, there was a marginal decline in income inequality from 0.35 in 2000/01 to 0.33 in 2007.

To combat income poverty, the Government has been implementing a range of programmes supporting economic activities at grassroots level which include: Tanzania Social Action Fund (TASAF); Small Entrepreneur Loan Facility (SELF); Women Development Fund; Youth Development Fund; National Entrepreneurship Development Fund (NEDF); Savings and Credit Cooperative Societies (SACCOS) initiatives; and a National Empowerment Policy was adopted in 2004 whose main objective is to facilitate empowerment of Tanzanians to participate effectively in economic activities.

Challenges

- The impact of global financial crisis constraining GDP growth and triggering a new bout of inflationary trends;
- Raising agricultural productivity of both food and cash crops;
- Widening the tax base so as to increase government revenue while streamlining expenditure to focus on priority sectors and activities; and
- Raising adequate investment in physical and social infrastructure to enhance the development of human capital and support as well as facilitate investments in the productive sectors and competitive market linkages.

3.2 Commitment 2: Good Governance at National and International Levels

The government of Tanzania has taken measures to address good governance issues through scaling up the implementation of the 1999 National Framework for Good Governance. The Framework focuses on people's participation in decision making for social, political and economic development and improved public service delivery. Other

areas include: private sector development; regulatory framework reforms; adherence to the rule of law and access to justice as well as protection of human rights, gender equality and equity; transparency, accountability and integrity in the management of public affairs; electoral democracy; and the prevention and combating of corruption.

Institutional Development and Key Governance Issues: The Commission for Human Rights was established in 2002 with the objectives of receiving, investigating and providing remedy to allegations of violation of fundamental human freedom and the principles of good governance. Up to 2008 the Commission had received 24,415 complaints and resolved 16,898. A Commission for Human Rights in Zanzibar was established through the Miscellaneous Amendments Act of 2006.

The government has put in place a robust system for fighting corruption based on the establishment of the Prevention and Combating of Corruption Bureau (PCCB). The capacity of the PCCB has been improved through recruitment of additional staff and the provision of working tools as well as extension of the activities of the Bureau up to the district level. In 2001, the Public Leadership Code of Ethics was enacted to encourage public leaders to disclose their assets. A Triangulation Partnership Programme (NATPP), initiated in 2005, coordinates the efforts of civil society, the private sector, and the government toward the aims of NACSAP, and the Prevention and Combating of Corruption Bureau (PCCB), founded in 2007.

The government has introduced the Alternative Dispute Resolution (ADR) mechanism to expedite dispute resolution and reduces the backlog of civil cases in the High Court and Resident Magistrates courts. To enhance and sustain transparency and accountability, the government established a website (www.wananchi.go.tz) in 1998. This website facilitates communication between government and members of the public by soliciting and collecting their views.

In conformity to the United Nations' Convention against Corruption, the Government enacted an Act on Money Laundering in 2006. Its implementation is supported by the establishment of a Financial Intelligence Unit within the Ministry of Finance and Economic Affairs which became operational in July, 2007.

In response to initiatives for the promotion of gender equality and women empowerment, as the government has ratified and entered into force the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), has undertaken Constitutional and Legal Reforms to improve civil and property rights for marginalized groups in particular women and children. This includes constitutional amendments of 2000 which has raised the proportion of women in political representation to a minimum of 30 percent with effect from the 2005 National Elections. Furthermore, customary laws which discriminate against women ownership of land have been modified under the Land Act No 4 of 1999 and the Village Land Act No. 5 of 1999 which came into force in 2001.

The Government commenced the implementation of a Legal Sector Reform Program (LSRP) in 2005, whose results include the establishment of Administration and Judiciary

Institute, and the Law School of Tanzania (in 2007), as part of measures to strengthen the legal system. Other legal reforms include the civilization of prosecution services which is being pursued under the National Prosecution Services Act of 2008. A Law Reform Commission has been established as part of measures to expedite legal framework improvement and the Commercial Court has been established as a division of the High Court to speed up disposal of commercial disputes and create a sustainable climate for investors. Likewise the Land Court was established in 2002 as a division of the High Court to expedite the resolution of land and property disputes.

Progress by National Parliament in Exercising its Oversight Roles: The Tanzania Parliament continued to exercise its constitutional mandate of overseeing government functions, holding the government accountable as well as enactment of laws. Parliament continued to monitor and evaluate implementation of Government's policies, programmes and activities through the budgeting process. The Government continues to inform civil society and other stakeholders on various activities through Parliament, based on the annual planning and budgeting process. The mechanisms for executive accountability to Parliament are well established and statutory government reports are submitted to the Parliament in a timely manner. The Government has taken measures to improve the dialogue mechanism and structure at the national level through incorporation of Civil Society Organizations (CSOs). CSOs are now participating in sector and cluster dialogue including sector reviews for education, health, and energy. At the LGAs level, the Government has put in place a District Consultative Committee (DCC) to facilitate stakeholders' participation in the process prior to seeking budget approval by the Full LGA Council Meeting. Other measure to ensure transparency and accountability is the live media coverage of Parliamentary sessions. In addition, with effect from 2007, the Parliament has introduced a special weekly 30 minutes session of instant questions to the Prime Minister inside the House, with live media coverage.

Reports on Core Governance Issues: Major achievements have been registered under the National Framework for Good Governance. With respect to corruption, the Perception Index reports compiled and published by Transparent International shows Tanzania making a gradual improvement in this area reflecting effective measures for curtailing the incidence of corruption. This status signifies the effectiveness of the government's policies for the fight against corruption and fostering good governance and accountability. Likewise the Mo Ibrahim Governance Index report of 2009 ranked Tanzania as the leading country in East Africa in maintaining good governance. The government has repealed the Anti Corruption Act No. 16 of 1971 replacing it with the Anti Corruption Act No. 11 of 2007 which expanded corruption offences from 4 to 24 and conforms to guidelines of the United Nations Convention Against Corruption (UNCAC). Moreover, the Government approved the undertaking of a National Governance and Corruption Survey in 2009 with a view to establish benchmarks for measures to address prevention and combating of corruption. The survey is expected to show some of the problems and weaknesses in governance and in the anti-corruption struggle that need to be resolved.

Tanzania is implementing the New Partnership for Economic Development (NEPAD). In order to enforce the commitment to the African Union (AU) Heads of States resolution, Tanzania has established a full fledged office to handle all issues pertaining to the African

Peer Review Mechanism (APRM). The APRM Technical Assessment Team is now assessing the following thematic areas in Tanzania: Democracy and Political Governance; Economic Governance and Management; Corporate Governance; and Socio-Economic Development.

Regional and International Convention / Protocols Ratified: Tanzania has ratified and domesticated treaties and conventions against corruption at the regional and international levels in order to enhance and sustain the achievement of good governance objectives. Some of these conventions include: the African Union Protocol Against Corruption, 2008; South African Development Cooperation Protocol Against Corruption in 2002; and United Nations Convention Against Corruption in 2003.

Challenges:

There are challenges that prevail inspite of concerted efforts made by the government to address human rights and governance related issues. These include:

- Capacity building on legal aspects;
- Public awareness on human rights and corruption;
- Accessibility to justice; and
- Strengthening the involvement of CSOs and the private sector in good governance and accountability.

3.3 Commitment 3: Building Human and Institutional Capacities

The government of Tanzania in collaboration with its Development Partners continues with implementation of measures to address human and institutional capacity constraints through interventions to improve the provision of health and education services.

Health: Some of the initiatives taken in this sector include the issuing of a new Health National Policy in 2001 Health Policy which aimed at delivering equitable and quality health services to the Tanzanian society. Additionally, the policy aimed at empowering communities and engaging them in health service delivery. The Policy was introduced in tandem with the Primary Health Sector Development Programme (PHSDP) (2007-2012). The PHSDP was intended to address the many constraints facing the health system and preventing access, quality and efficiency of district-based services. Other efforts include increasing of Government expenditure on health has increased more than four- fold since 2000/01. Initiatives in the health sector have led to even further improved performance in the sector. The number of health facilities has increased from 3,366 in 2001 to 5,901 in 2008. These efforts have resulted in the reduction of people suffering from various health problems, in particular women and children. They have also contributed to the reduction of the incidence of prevalence of HIV/AIDS and other pandemic diseases as evidenced by data in subsequent subsections:

Reduced Child Mortality: The government has continued to implement measures aimed at improving child health care. Some of these include: Malaria Control Programme; and awareness campaigns against HIV/AIDS. Under-five mortality declined from 147 per

1000 live births in 1999 to 91 in 2008 while infant mortality declined from 99 per 1000 live births to 58 during the same period.

Improve Maternal Health: the government has taken measures to address problems of maternal mortality which include increased access to immunization facilities, family planning and emergency treatment for delivery services. The government is continuing with efforts to improve health delivery systems and promote knowledge and awareness on health related issues especially in the rural areas.

Combating HIV/AIDS, Malaria, and Other Diseases: The government has continued with implementation of measures to address the problems of HIV/AIDS, malaria, tuberculosis and other diseases. Initiatives have been undertaken to build a deeper understanding of the dynamics of pandemic diseases, including creating awareness and sensitization of the population on the effects of the pandemic. HIV prevalence in adults is estimated to have decreased from 7 percent (7.7 percent for females and 6.3 per cent for males) of the population in 2003/04 to 5.7 per cent in 2007/08. The Government has taken several measures in an endeavour to combat this pandemic which include:

- Implementation of the National AIDS Control Programme (NACP), giving priority to medical care and training of HIV/AIDS patients, counselling and voluntary blood testing, blood safety, diagnosis and treatment of sexually transmitted diseases, and monitoring of HIV/AIDS patients.
- Establishment of TACAIDS by the enactment of a law establishing Tanzania Commission for AIDS, Act No. 22 of 2001 by the Parliament.
- Formulation of a new Health Sector HIV/AIDS Strategic Plan 2008 – 2012 was completed in June 2007
- The National HIV and Counseling and Testing Campaign to mobilize more people to be tested and determine their HIV sero-status was launched on July 14th 2007 by His Excellency the President of the United Republic of Tanzania, Hon. Jakaya Mrisho Kikwete
- Raising the number of people accessing Anti-Retroviral Treatment to 242,290 in 2009. The number of health stations providing Prevention of Mother to Child Transmission (PMCT) of HIV services, in maternal and child clinics, reached 3,029 in 2008.

Regarding malaria, the government has continued to collaborate with other stakeholders including the private sector in sensitising the community on the use of Insecticides Treated Nets (ITN). In order to facilitate their availability to pregnant women and children under-five years, a programme on reduced costs of the nets (ITN voucher system) was introduced in 2004. Other efforts which have continued to be implemented in combating diseases include provision of health education and putting emphasis on environmental sanitation and the use of safe and clean water.

Challenges in this area include:

- Shortage of facilities, trained personnel and financial resources;
- Depletion of manpower in all sectors due to HIV and AIDS pandemic;
- Improvement of medical referral system especially in rural areas;
- Accessibility to and quality of service delivery;

- Availability of emergency obstetric care services and adequate skilled birth attendants;
- Availability and affordability of drugs at all levels;
- Increasing number of orphans and other dependants;
- Short supply of essential equipment, pharmaceuticals, and medical supplies
- Public awareness and willingness to go for VCT; and
- Increase in TB patients, based on new cases and re-emerging ones. These

Education: The government of Tanzania continues to expand and construct new training institutions for the purpose of raising the enrolment ratios. Government budgetary allocation to education and training has been enhanced in order to increase investment in educational infrastructure, teaching and learning materials, recruitment and motivation for more and better teachers, as the prerequisites for delivery of better education and training services that reaches out to more people.

Basing on these efforts the following results have been achieved: Enrolment in pre-primary education has increased from 554,835 in 2004 to 873,981 in 2008 while Primary school enrolment increased from 4,845,185 in 2001 to 8,410,094 in 2008. This is equivalent to an increase of 58 percent. Secondary schools net enrolment rate reached 27.8 percent in 2009 compared to the base year rate of 10.6 percent in 2001/02. This achievement is mainly due to improved access to education. With respect to gender balance, the gender parity index at ordinary secondary school level has reached 0.9 in 2008/09. The increasing level of equity is due to, among other reasons, construction of girls' hostels which has boosted the number of girls accessing secondary education on one hand, and the expansion of community secondary schools country wide on the other hand.

The number of teachers' training colleges increased from 40 in 2001 to 67 in 2008 and enrollment in these colleges increased from 16,037 to 21,888 trainees in respectively. In addition the Government prepared a bridging course to enable vocational school's graduates to access training at higher levels of education. The number of students enrolled for higher education in both public and private higher learning institutions has increased tremendously over time. The number of students who were enrolled in higher learning institutions increased from 13,442 in 2001/2002 academic year to 95,525 in 2008/09 academic year. The proportion of female students by 2008/09 was 34 percent of total students. The number of people who participated in the Integrated Community Based Adult Education scheme (ICBAE) increased to 1,059, 124 in 2008 compared to only 507 in 2001. Out of this figure 52 percent were females.

Challenges facing the education sector include:

- Capacity limitations for higher enrolment figures at secondary school level so as to absorb the increasing number of pupils qualifying for further studies at the primary school level;
- Capacity limitations in ensuring that the quality of education, especially at secondary school level, matches with regional standards inspite of the major leap or increase in enrolment numbers and larger number of graduates at the primary school level;

- Availability of adequate funding for the expansion of higher education and research;
- Attracting qualified students to pursue the academic disciplines of science and technology at the tertiary education level;
- Meeting the special educational needs of vulnerable and disadvantaged children; and
- Achieving and sustaining equal deployment of human resources in underserved areas.

Promote Gender Equality and Empower Women: The government has taken deliberate measures to promote gender equality and empower women. Specific initiatives include the amendment of the Constitution with a provision that calls for a minimum of 30 percent of Parliamentary seats to be allocated to women. As a result, the number of women Members of Parliament increased from 21 percent in 2000 to 29.5 percent after the 2005 general elections. The number of women Ministers increased from 11 per cent to 15 per cent between 1995 and 2005, while women Permanent Secretaries increased in number from one in 1995 to 8 by 2008/09.

Since 2002, Government continued to integrate gender issues in macro and sectoral policies and plans. This has included training of permanent secretaries and gender focal persons to integrate gender issues in their areas. Another initiative was the establishment of Tanzania Women Development Bank in 2009 to enhance women access credit facilities. In addition, for the purpose of enhancing the involvement of women in the science disciplines, affirmative action measures have been initiated based on provision of pre-university preparatory studies to women who did not meet the minimum entry qualifications so that they can qualify for admission to University. At global level, the World Economic Forum Global Gender Gap Report of 2006, ranked Tanzania as number 1 out of 115 countries, in terms of women's economic participation.

Challenges and constraints against gender equality in education include:

- Continuing high dropout rates for girls in primary and secondary education;
- Gender disparity in secondary and higher education;
- Awareness creation of gender issues in employment and other opportunities;
- Contradictions in culture and traditions that favour boys to girls in accessibility to education; and
- Enhancement of women capacity in different fields.

3.4 Commitment 4: Building Productive Capacities to Make Globalization Work for LDCs

The government of Tanzania has been undertaking various initiatives aimed at raising competitiveness through higher productivity so as to enhance effective participation in the global economy. These measures are in the areas of infrastructure development; technology, research and development; investment; improvement of the investment climate and business environment; infrastructure services including energy, water and transportation; agriculture and agro processing; manufacturing; mining; food security and rural development; and sustainable tourism.

Infrastructure Development: The development of infrastructure includes the delivery of reliable and cost-effective critical services including transportation systems (roads, ports and railways), water and power as hard infrastructure and financial services, ICT related and communications services as soft infrastructure.

Initiatives relating to the development of hard infrastructure include:

- The Trunk Roads Projects which was initiated in 2001/02; and is being implemented entirely through internally generated resources
- The development of 10 Year Road Sector Development Programme (10YRSDP) 2001/02-2010/11 in which roads are upgraded on the basis of specifically designated priority status;
- Establishment of a dedicated Road Fund (managed by the Road Fund Board) for maintenance of rural road networks. Since the establishment of the Road Fund Board, the mobilization of resources for roads maintenance has been increasing year after year e.g. in 2000/01 the Road Fund collection for roads maintenance was Tshs. 32,000 million; while in 2007/08 the collection was 223,178.9 million;
- Transport Sector Investment program was developed in 2005 to operationalize the National Transport Policy of 2003;
- Establishment and operationalization of the Energy and Water Utilities Regulatory Authority (EWURA) and the Surface and Marine Transport Authority (SUMATRA) in 2001. These have the mandate to regulate concentration of economic powers in the course of investment and development in the energy, water and transportation sectors respectively;
- The government formulated and approved the National Road Safety Policy in 2009 to provide guidance on road safety issues;
- Restructuring of the maritime sector and establishment of the Tanzania Ports Authority (TPA) by the Ports Act, No. 17 of 2004 as a landlord port authority to coordinate the privatization of operations in the ports; Corresponding measures include the widening of the Port Entrance Channel and installation of Safety Navigation equipments, which facilitated the Port of Dar es Salaam to operate for 24 hours. In March 2009, the government prepared a 20 years Port Master Plan (2008 – 2028), in order to determine the appropriate, harmonized and integrated development plans for both sea and inland ports;

With regard to soft infrastructure, remarkable achievement has been registered in the communication sector, starting with the formulation of the ICT Policy in 2002 and the enactment of the Tanzania Telecommunications Regulatory Authority Act in 2003. The latter has established the Tanzania Communication Regulatory Authority (TCRA) which has the mandate to regulate the practices of service providers and safeguard the interests of users in the communications sector. This has attracted many ICT providers to invest in the mobile telephone sector leading to rapid increase in tele-connectivity. For instance, the number of mobile phone subscribers increased from 196,914 in 2001 to 13,006,793 in 2008 and the number of mobile phone subscribers has increased from 0.3 per 100 persons in 2000 to 32 in 2008. Meanwhile the mobile service providers have increased from 3 companies in 2001 to 6 companies in 2008.

Further, two Millennium villages were established in Tabora and Uyui Districts as part of a pilot project on introducing connectivity to villages in the rural areas. Installation of the National Optic Fibre/Cable is already at an advanced stage and its completion and linkage to the one of two international sea cables linking East Africa to the rest of the world will introduce low-cost broad-band connectivity across the country and revolutionize the communication sector.

Challenges

Some of the challenges prevailing in the sector include:

- Expanding and improving the state of road network to match with increasing traffic, particularly in urban areas;
- Control and mitigation against vehicle overloading and vandalism of transport infrastructure;
- Improving connectivity countrywide and linkage to landlocked neighbouring countries;
- Need to nurture the local construction industry to enable it increase its active participation in a growing construction sector which includes expansion and maintenance of hard infrastructure; and
- Transferring of technologies from developed and advanced developing countries to Tanzania.

Improving Business Environment: the Government is committed to the continued development of a liberalised market economy and the development of a competitive private sector acting as the engine of growth. Various strategic reforms are being implemented with the objective of creating the enabling environment for enhanced private sector competence and competitiveness so as to participate proactively in growing global economy. One of these initiatives is the implementation of Business Environment Strengthening for Tanzania (BEST) and the Private Sector Competitiveness Project. The twin Programme is facilitating necessary goals towards improving the business environment in Tanzania and stimulating the requisite private sector responses. Achievements include:

- Incorporation of Regulatory Best Practices such as Regulatory Impact Assessment into Tanzania's policy-formulation and law-making processes has been adopted and the regulatory tools are being applied to unfolding legal and regulatory reforms;
- A Business Activities Registration Act was enacted in January 2007 and its implementation will repeal an outdated Business Licensing Act. A regulatory licensing policy has been drafted and its implementation will ensure harmonization of current regime to reflect existing international good practices in this area;
- Land administration reforms are being implemented targeting formalization of land and landed property and introducing modern land information management systems including electronic title registries. This goes hand in hand with the establishment of a corresponding legal framework including the adoption of mortgage regulations and ongoing drafting of bills for the regulation of a land market and real estate agency sector as well as for regulating the valuation professions.

- A commercial court has been established as a division of the high court dealing with commercial cases to expedite and improve efficiency in the resolution of commercial disputes; and
- The Law Reform Commission has been established and given the mandate to facilitate expeditious review of outdated laws, including those related to commercial activities;

Finally, the SME policy was adopted and its implementation launched in 2003 with the main objective of fostering job creation and income generation through promoting the creation of new SMEs and improving the performance and competitiveness of the existing ones to stimulate popular participation and contribution to the national economy.

Challenges:

- The cost of doing business in the country remains high and measures to reduce transactions costs dramatically are in the offing;
- Change of mind set towards private sector involvement in business focusing on supporting and facilitating private sector competitiveness remains a major challenge in the civil service; and
- Stimulating private sector pro-active approaches and creativity in building competencies for addressing the competitiveness challenges of participating in the global economy.

Energy and Power:

The Energy sector plays a crucial role in stimulating economic growth through improvement in the delivery of the social services and generally fighting against poverty. The type and amount of energy used in any country have a bearing on its level of development. Tanzania is still largely dependent on biomass energy. Energy consumption from charcoal and firewood accounts for 90 percent of total energy consumption in the country. At the same time it is only 10 percent of the population, largely the urban section, has access to electricity power. The government is taking a number of initiatives to improve the energy sector, especially in the area of power supply. These initiatives include: a rural electrification program; strengthening and expanding the outreach of the National Power Grid and encouraging commercialization through private sector investment in power sub sector generation, transmission and distribution. Achievements in the energy sector include:

- The Energy Policy was launched in 2003, and the Rural Energy Act was passed in 2005. To operationalize the policy, the Rural Energy Agency (REA) and Rural Energy Fund (REF) were established in 2007. The role of REF is to mobilize funds to finance rural electrification;
- The production of hydro power has increased from 2,741.4 gigawatt hours in 2001 to 2,918.6 gigawatt hour in 2008;
- The government has liberalized the power industry and is encouraging the commercialization of and private sector investment in power sub sector through allowing private sector participation in generation, transmission and distribution of power;

- The government continues to invest in and raise awareness on the use of natural gas resources available in the country. In response, a total of 26 industries were connected to use natural gas. In this regard, investments have been in the construction of natural gas compressing plant and compressed natural gas (CNG) motor vehicle filling stations.

Challenges in the energy sector include:

- Development of new and promotion of renewable energy sources;
- Establishment of a National Strategic Fuel Reserve;
- Speeding up the implementation of rural electrification project; and
- Providing reliable and affordable energy sources to the population.

Agriculture and agro industries: Major reforms in the agricultural sector are embedded in the Agricultural Sector Development Program (ASDP) with the role of implementing the revised Agricultural Sector Policy of 1997, a major component of sector-specific policy and structural adjustment reforms. Notable achievements in the sector include:

- The increase in production of food crops from 8.57 million tons in 2001/02 to 10.78 million tons in 2007/08;
- Emphasis on research and extension services with more focus on training and recruitment of extension officers;
- With regard to improved seeds and fertilizers, about 89,941 tones of fertilizers were sold to farmers in 2006/07 under subsidized scheme to promote modern agronomy in food crops production;
- The Agricultural Marketing Policy (AMP) geared towards strengthening agricultural marketing system in the country has been adopted for implementation.

Challenges:

- Improving productivity in agriculture sector;
- Promoting agro-processing and value addition capacity on agricultural output;
- Improvement of research and extension services in agriculture sector;
- Enhancing efforts to attract innovation in commercial agriculture; and
- Increasing investment in irrigation infrastructure and capacity for the production of agricultural inputs.

Manufacturing:

Manufacturing is one of the critical sectors for economic transformation. The manufacturing sector in Tanzania has been growing in increasingly higher rate in recent years, from a growth rate of 5 percent in 2001 to 9.9 percent in 2008. Major achievements in this sector include:-

- Export Processing Zones (EPZ) were established in 2003 under the EPZ Act No. 11 of 2002, and five export manufacturing industries have been established under the Export Processing Zone (EPZ) program;

- The government enacted Special Economic Zones Act in 2006 to simulate establishment of Special Economic Zones (SEZ). One SEZ has been established and is now operational in Dar es Salaam; and
- Production of steel and its products increased from 16,340 tons in 2001, to 39,969 in 2008 while production of corrugated iron sheets increased from 25, 937 tons in 2001 to 31,743 tons in 2008.

Challenges:

- Limited development of forward and backward linkages between the manufacturing sector and other natural resources based sectors;
- Improving access to capital, technology, infrastructure (especially energy)
- Competitiveness of industrial products in the regional and world market; and
- Raising the productivity of SMEs to ensure competitiveness and effective access to domestic and regional markets.

Mining: Mining sector has been experiencing the high rate of growth averaging 10 percent due to new investments in the mining sector from 2001. The Mining sector contributes the largest share to national export-basket (about 37 percent in 2008, 42 percent in 2007 compared to 38.9 percent in 2001). During the period under review, the sector registered the following achievements:-

- The Mineral policy was revised in 2006, while the Minerals Act is currently under review. The new policy and legal framework seeks to address the major challenges facing the mining sector which include promotion and facilitating value addition activities and enhancing higher government revenue generation from the sector;
- Enhancing measures to develop small scale miners through training on mineral prospecting techniques, processing, marketing and value addition;
- Audit of performance in the Gold mining industry was carried out to assess the quality and quantity of gold production and exports in the large scale mining sector;;
- Stimulating value addition activities and processes through enhancing the capacity of the Arusha gemstone carving center; and
- Increase in gold production from 31,135 tons in 2001 to 36,477 tons in 2008.

Challenges:

- Preventing the loss of revenue through malpractices in the mining sector;
- Increasing the contribution of the mining sector to government revenue, economic linkages, overall economic growth and poverty reduction;
- Stimulating value addition to a higher proportion of mineral exports; and
- Addressing the issue of environment degradation in the large and small scale mining sectors.

Rural development and food security: The rural sector is critical to the continued performance and transformation of the Tanzanian economy. It provides a substantial percentage of export earnings, and employs a large percent of the labour force. The

government has been implementing a number of initiatives aiming at improving livelihood in rural areas including:- The implementation of the policy of Decentralisation by Devolution (D by D) which focuses on transferring more resources (human and financial) to local governments in order to foster rural development. During the period under review the following achievements were registered:

- Establishment of Rural Energy Agency and Rural Energy Fund to promote development of agro processing industries/rural industries;
- Review of the Agriculture policy, which among other things, gives the policy guidance for the implementation of a Rural Development Strategy (RDS) and the Agricultural Sector Development Program (ASDP);
- Establishment of empowerment programs specifically targeting the rural economy such as the Rural Financial Services Program and the Participatory Agriculture Development and Empowerment Program (PADEP).

As far as food security is concerned, Tanzania is not a famine prone country. Food production tends to match demand, although several regions are prone to food insecurity i.e.: Arusha, Kilimanjaro, Lindi, Manyara, Mara, Mtwara, Shinyanga, Singida and Tabora.

Challenges

- Continued dependence on rain fed agriculture;
- Inadequate capacity at the local level to enhance the implementation of D by D;
- High post harvest losses in agricultural production and marketing; and
- Poor transport infrastructure linking rural producers with market

3.5 Commitment 5: Enhance the Role of Trade in Development

Trade and investment are the important sub-sectors through which developing countries can mobilize domestic and external resources for the financing of development activities. Domestic trade is being strengthened through efforts to integrate trade policy measures in poverty reduction initiatives and programmes through pro-poor re-orientation of sector strategies and interventions. Some of the measures undertaken to-date include: the liberalization of trade and removal of inter-regional/district barriers; Implementation of the Sustainable Industrial Development Policy (SIDP) of 1996 based on the implementation of an Integrated Industrial Development Programme; adoption and implementation of the National Trade Policy, 2003, through programmes that include the Integrated Framework for Trade Development and Joint Integrated Technical Assistance Programme (JITAP); and implementation of the Small and Medium Enterprise Development Policy of 2003.

The Promotion of SMEs activities remain paramount in efforts to enhance economic competitiveness and transformation of the private sector. Initiatives towards this area includes training on entrepreneurship and improved access to finance and adoption and implementation of private sector competitiveness strategies based on instruments such as the global value chain and the cluster development approaches. The government remains supportive of the private sector and encourages innovative and creative initiatives and ventures in the productive and economic services sectors.. Currently 97.7 percent of the

total industries are in the hands of the private sector with substantial improvement in capacity utilization, investment into new machinery, capital investments and improved technology which has raised the contribution of the industrial sector.

There is stronger and more effective public-private sector cooperation in policy formulation and implementation. To realize this commitment to public-private partnership an apex private sector organization, Tanzania Private Sector Foundation, has been established and coordinates private sector inputs into a regular dialogue forum with the public sector, entrenched through the establishment of the Tanzania National Business Council (in 2001) chaired by the President of the United Republic of Tanzania.

In order to stimulate export-oriented economic activities and build an exporting culture, the government established the Export Processing Zones Authority (EPZA) through Act No.11 of 2002. It became operational in July, 2003. To-date about 14 areas have been set aside for EPZ development in various regions in Tanzania Mainland. In parallel with the EPZ programme, the Government, through the “Mini – Tiger Plan 2020” enacted the Special Economic Zones (SEZ) Act 2006. Investments in the SEZ include export and domestic oriented processing activities and covers sectors ranging from agriculture and tourism to transport and finance.

To improve the business environment, the government is implementing the Program for Business Environment Strengthening for Tanzania (BEST) with effect from 2003. The primary objective is to improve service delivery for private sector performance in four critical subsectors that impact on business start-up, efficiency in business operations and close down whenever necessary. Access to titled business premises and land for investment purposes is the primary target of land administration reforms with a view to increase the use of land as a business asset and increase security of tenure. The program also seeks to improve the business registration and licensing regime so as to establish a low cost one centre business registration system that seeks to formalize the formalization of micro and small business and their graduation to medium and large businesses. The other two measures include strengthening the labour market and legal framework and improving the process of commercial dispute resolution. The emerging result is one of declining transaction cost and increasing attraction of both domestic and foreign investors.

The Government established the Fair Competition Commission (FCC) in 2003 to promote and enhance effective competition in economic activities and to protect consumers from unfair business practices that result from concentration of economic power. In 2005 the Warehousing Receipt Act was enacted and operationalised in 2006. The system facilitates storage of agriculture products in warehouses and use of receipts issued thereof as collateral to obtain credit from commercial banks. This system helps farmers so that they do not have to market their produce immediately after the harvest season when prices are depressed. Further, to protect farmers the Ministry of Industry Trade and Marketing collects and disseminates information on agriculture produce and livestock prices through media such as radio, cellular phones and newspapers, to enable farmers make better decisions on marketing their produce.

In the external trade sector, the government is committed to furthering economic diplomacy based on the Foreign Policy of 2004 which emphasizes on economic diplomacy and relations to complement political relations. The major objective of the new Foreign Policy is to market Tanzania's products, attract tourists, export services and promote investments abroad.

Multilateral Trading System (MTS): Tanzania participates in the Multilateral Trading System (MTS) having acceded to WTO at its inception in 1995. As a member of WTO the government is implementing several initiatives to enable beneficial participation in the system and avoid marginalization. The National Trade Policy (2003) seeks to address the pertinent issues of economic competitiveness and building an export led growth. Within the MTS, Tanzania has served as Coordinator of the LDCs WTO Group for two consecutive periods (2001 and 2009). On October, 2009, Tanzania successfully organized and hosted on behalf of other LDCs group in the WTO, an LDCs Ministerial Conference of Ministers responsible for trade in Dar es Salaam, that came up with consensus on negotiation position on several issues under the ongoing Doha Round including: operationalization of the core principles of Special and Differential Treatment (S&DT); and the development dimension of the Doha Round that sought to accord LDCs more preferential treatment than that granted to non-LDCs. These positions were effectively used in ongoing negotiations during the WTO Ministerial Conference which took place in Geneva, Switzerland from 30 November – 2 December, 2009.

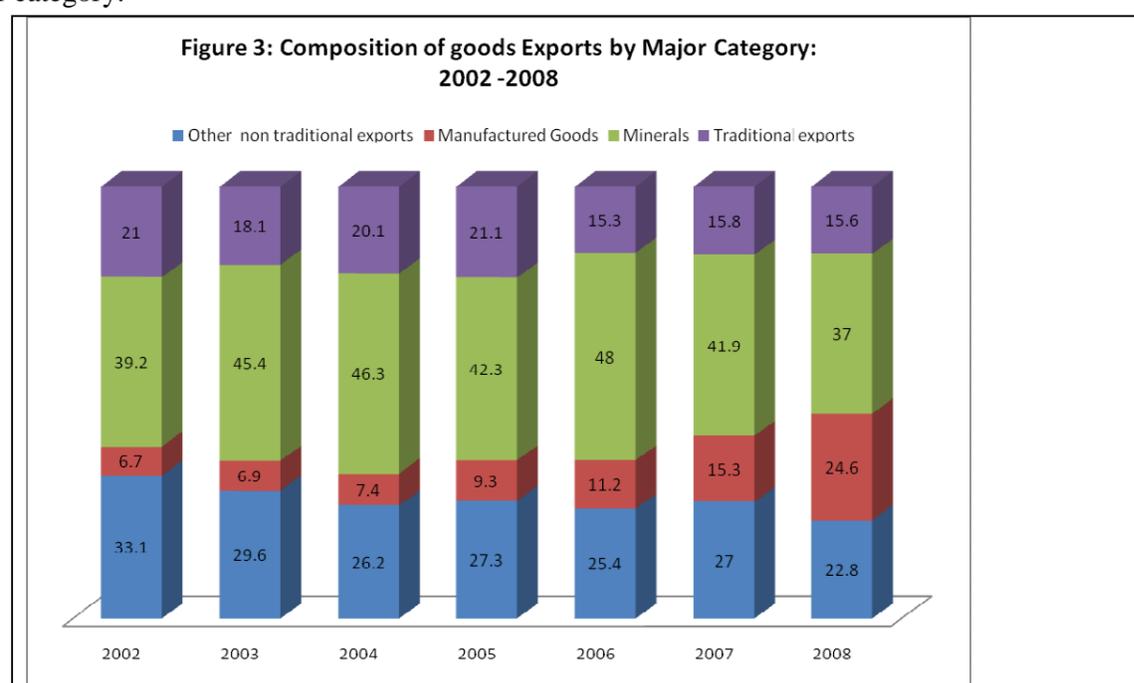
Regarding to Regional Trade Arrangements (RTAs), Tanzania is a member of the East African Community (EAC) and Southern African Development Community (SADC) as a way of fostering its economic, political and social ties within the region.

East African Community (EAC): Tanzania is implementing the EAC Customs Union Protocol and has participated fully in the negotiations for the establishment of the EAC Common Market whose Protocol was signed by the Heads of State in November, 2009 at Arusha, Tanzania. The EAC Common Market Protocol is expected to enter into force on 1st July, 2010. Tanzania through the EAC is also participating in Economic Partnership Arrangement (EPA) negotiations with the European Commission.

Southern African Development Community (SADC): Tanzania is implementing the SADC Protocol on trade since its inception in 2001. The protocol made it mandatory for members to phase down tariff by 85 percent so as to achieve a free trade area by 2008. Tanzania is among the countries which have complied with the Free Trade Area that was launched in August, 2008 in line with the elimination of the Non-Tariff Barriers (NTBs).

Through these efforts Tanzania has been able to diversify her export markets and increase the value of her exports. For instance, the value of merchandise exports increased from USD 776.4 million in 2001 to USD 3,036.7 in 2008, while service receipts increased to USD 2,168.9 million in 2008 compared to USD 712.4 million in 2001. This increase in exports mainly resulted from non traditional exports, in particular minerals, horticultural products and fish products. The increase in service receipts was mainly attributed to an increase in receipts from tourism and cargo transportation. On the other hand merchandise imports increased from USD 1,489.7 million in 2001 to USD 6,439.9.6 million in 2008 while service payments increased from USD 759.6 million in 2001 to

USD 1,598.0 million in 2008. Figure 3 depicts the composition of merchandise exports by major category:



Source: Macro Economic Policy Framework 2009,

Challenges

- Building institutions to support enhanced participation in trade development including implementing international trade rules and regulations;
- Addressing supply side constraints currently exacerbated by inadequate power supply, low reliability in supply of utilities, outdated technology and limitations in skilled manpower in the productive sectors and the consequent high cost of production;
- Inability to maximize utilization of the preferential windows such as AGOA, EBA, and other market access opportunities emerging from the MTS, regional and bilateral trading arrangements;
- Access and utilization of ICT due to low literacy rates and low incomes;
- Weak human capacities and financing for trade related activities with a view to increasing capacity to reduce poverty through more effective participation in international trade.

3.6 Commitment 6: Reducing Vulnerability and Protecting the Environment

Reducing Vulnerability:

Environmental sustainability and vulnerability is a great concern to LDCs including Tanzania in particular, in view of the potential negative impact of environmental degradation and depletion of resources on primary economic activities that underpin the wellbeing of the people, ranging from livestock rearing to fisheries, forestry and natural resources based activities and agricultural land resources exploitation. External shocks

resulting from the climate change phenomenon is already posing a major threat to economic activities affecting the lives of rural-based economy and the rural population. Simultaneously with the climate change syndrome, the country is facing a higher incidence of natural disasters including prevalence of flash floods, earthquakes, epidemics, fire outbreaks due to persistent local draughts, and influx of refugees from neighbouring areas that are exposed to internal strife and political conflict.

To mitigate against vulnerability to natural disasters arising from the combination of natural calamities and man-made catastrophes the government has established a Disaster Prevention System to coordinate and oversee disaster relief initiatives and measures. In 2003, the government launched the National Disaster Management Policy and National Operational Guidelines for Disaster Management-NOG) as tools for disaster relief and management. The guidelines describe authorities, capacities and responsibilities to undertake and manage, in unified and integrated manner, disasters relief and preparedness. In case of drought and hunger to most vulnerable people, the government provides food and accommodation ex gratia. In 2008 alone a total of 2,000 people were assisted with food and shelter.

Challenges

- Climatic changes leads to and causes unreliable rainfall and draught in the country culminating in severe food shortages;
- Insufficient funds and equipment to support people affected with natural disasters and for the rehabilitation of destroyed infrastructure;
- Acquisition of modern techniques, and training skills for operational officers to ensure preparedness for and administration of disaster relief;
- Public awareness on disasters preparedness and mitigation measures; and
- Poverty level remains a problem for most people reducing the capacity to respond to unforeseen disaster mitigation measures at the level of the individual through such instruments as life insurance schemes.

Protecting the Environment: Tanzania is implementing policy measures to address challenges of environmental sustainability and implements International Agreements on environmental conservation. Some of these initiatives include:

- Designation of the high office of the Vice President's (VPO) to coordinate environment matters and ensuring a high level of political commitment and technical support;
- Enforcement the implementation of the National Environment Policy of 1997;
- Implementation of a program integrating Environment Protection into the Poverty Reduction Strategy that was initiated in 2003;
- Enactment of the Environmental Management Act (EMA) of 2005 and preparation of the National Plan of Action (NAPA) for its effective implementation; and
- Ensuring proper implementation of environmental protection, by establishing cross-sector environment working groups for the promotion and integration of environmental activities into government policies and plans in a sustainable manner.

To realize its objective on environmental sustainability, the Government launched an extensive national awareness campaign reaching out to public institutions, community based organizations, private sector associations, based on organization of seminars, workshops, media advertisements and other outreach activities. Activities highlighted in the campaign include forestation efforts, conservation of water sources and mitigation against soil erosion. Motivation schemes include a Presidential Award for outstanding performers under the National Tree Planting Campaign. The result is that a total of 82.1 million trees were planted by various stakeholders in 2001 compared to 131.7 millions in 2008.

The government also established a National Water Fund for the mobilization of funding for improving water supply activities and better management of existing resources in both village and urban areas. To ensure access to and availability of clean and safe water in urban and rural areas, government interventions included the measures for identification and conservation initiatives for a total of 2,810 rivers, 2,335 small rivers, 440 water reservoirs and 22,370 bore holes.

In addition, the government continues to ensure that major investment projects conduct Environment Impact Assessment (EIA) and monitors implementation of the same accordingly. In 2008, 72 projects qualified for and received EIA certificates out of 110 that were registered.

At the international level, Tanzania continues to implement the international environmental conservational agreement and ratification of corresponding treaties including the Rotterdam Treaty, Montréal Protocol and Kyoto Protocol on Climate Change. The implementation of fourteen Multilateral and Regional agreements is coordinated by the Vice President's Office (VPO). Towards this end, twelve regulations on environmental conservation are already in place while four others are at the drafting stage. These include regulations on economic instruments, regulations on intergraded pollution prevention and control and regulation for treatment of hazardous and non-hazardous liquid industrial wastes.

In 2008 the government ratified and commenced implementation of several international agreements on wildlife which include: Convention on International Trade on Endangered Species of Wild Fauna and Flora; Convention on Migratory Species; and Ramsar Convention on Wetlands. With regard to industrial wastes, the government established the Cleaner Production Center (CPC) at the Tanzania Industrial Research and Development Organization (TIRDO) which conducts training for industries with a view to enhancing proper use of technologies in improving conservation of the environment. Between 2004 and December 2008, about 64 industrial enterprises have benefited from this training.

Challenges

- Unfulfilled need for concerted public awareness campaign on environmental protection; and

- Limited availability of financial resources to support national initiatives and interventions on environmental protection.

3.7 Commitment 7: Mobilization of Financial Resources

The major economic structural adjustment and reform programmes being implemented by the Government include: Trade and exchange rate liberalization; Public Service Reforms; Investment Promotion; Tax Administration Reforms; Financial Sector Reforms; Local Government Reforms and Legal Sector Reforms. The Government has also undertaken various measures to improve the quality of aid, enhancing its effectiveness for achieving the country's development and poverty reduction goals including: Joint Assistance Strategy for Tanzania (JAST); Integrated Financial Management System (IFMS); the Public Expenditure Review; the Medium Term Expenditure Framework (MTEF); enactment of the Public Finance Act 2004; enactment of the Procurement Act 2004 and implementation of the Public Financial Management Reform Programme (PFMRP).

In 2002, the government published a National Debt Management Strategy (NDS), which governs the procedures and types of debt to be contracted by the government. The government amended the government Loans, Guarantees and Grants Act in 2004, which is the principal legislation governing all matters related to loans, grants and guarantees with a view to bridging existing loop holes which had contributed to rapid accumulation of the public debt stock in the past.

Remarkable progress has been made with regard to aid predictability, both in terms of timely and reliable fulfilment of aid commitments as well as performance on disbursement under General Budget Support (GBS) arrangements. From September 2006, JAST implementation has extended to all levels of Government in existing national, sectoral and local processes. Development Partners have adopted JAST as the basis for guiding their development co-operation with the government in order to further enhance aid effectiveness in Tanzania, in line with the provisions of the Paris Declaration on Aid.

Official Development Assistance (ODA) to Tanzania increased from Tshs. 510,754 million in 2001 to Tshs 869,563 in 2008/09. During the period July-December 2001, inflows of foreign grants and loans including HIPC debt relief amounted to Tshs. 210,333 million compared to TShs869,563 million received as foreign grants and loans during the period July 2008 – March 2009.

Tremendous progress has also been recorded in domestic revenue collections over the past ten years. During the period July-December 2001, total revenue collected amounted to Tshs 508,433 million, equivalent to 6.7 percent of GDP. The comparative figure for the period July 2008 – March 2009, was Tshs 3,199,134 million.

Challenges:

- Performance in aid predictability has remained variable in the case of basket funding and has been most problematic for direct project funds owing to the existence of parallel systems of resources delivery and project management;

- Channeling external resources through the Government Exchequer has been particularly challenging for direct-to-project funds; and
- Weak supervision and accountability in some ministries and various government departments for revenue collection from non-tax sources remains a problem.

SECTION FOUR

4. IMPACT OF GLOBAL FINANCIAL CRISIS AND POLICY RESPONSES:

The global financial and economic crisis has had a major adverse impact on Tanzania's economic performance rising trend. The demand for and prices of the principal agricultural export crops, in particular cotton, coffee, cloves, cashew nuts and horticultural produce have been weakened. Prices have declined following the decline in the incomes of major trading partners that have affected consumption patterns. Cotton prices plunged from USD 0.82 per pound in March 2008 to USD 0.45 per pound in March 2009. The price of coffee (Arabica) went down from USD 158 per 50kg bag in August 2008 to USD 104 per 50kg bag in December 2008. The price of sisal also went down from USD 1,000 per ton in March 2008 to USD 750-850 per ton in March 2009.

Data on the number of tourists that entered the country between January and February 2009 declined to 120,265 from 130,300 in the corresponding period in 2008, a decrease of 10 percent. In addition, earnings from tourism and transportation (transit trade) as well as the inflow of foreign investment have also been adversely affected, global investment flows have declined and capital is currently not easily accessible. Some investment packages, worth billions of dollars, that had been negotiated and were in the pipeline, have either been suspended or cancelled.

Before the onset of global financial and economic crisis, the Tanzanian economy was already experiencing inflationary pressures due to the lagged effects of rising world petroleum and food prices earlier in the year. As a result, annual inflation had risen to 13.5 percent in December 2008. Following the decline in world commodity prices, domestic inflation had eased to 12.1 percent by the end of September, 2009. However, severe food shortages due to prolonged drought, have kept food prices high maintaining inflation at double digit level.

Tanzania, like many other countries affected by the global economic crisis has had to take a combination of policy and fiscal measures in response to the financial crisis to mitigate its impact and ensure economic recovery and growth. These measures include modest fiscal interventions guided by the following principles:

- Preserving the hard-earned macroeconomic stability;
- Ensuring food security and employment;
- Ensuring the sustenance of social safety net programs;
- Rescuing and preserving major investments particularly in energy and infrastructure;
- Ensuring liquidity in the economy; and

- Ensuring effective governance and management of the economy, including strengthening of the surveillance and regulations of the financial sector.

From the monetary perspective, the recovery plan entailed strict surveillance of financial institutions. Particular attention was given to commercial banks operating in the country to ensure that adverse development were not forthcoming from their operations, ensuring that financial sector operations remained in full conformity with the sector's legal and regulatory framework. As a result, the financial system in Tanzania has remained safe, stable, sound and resilient to the on-going global financial and economic crisis.

From the fiscal perspective in other hand, the Government sought to compensate crop buyers for losses incurred due to the fall in demand and prices of commodities in the world market during the 2008/09 season. The package included extension of guarantees for rescheduling of loans, which borrowers have not been able to service and repay on time due to the crisis. The package also included provision of working capital to investors at discounted rates. Under this arrangement, the Government provides soft loans to banks which in turn lends to the most affected businesses that are now unable to borrow at market rates during the current crop buying season (2009/2010). Other measures include stabilization of government revenues and increased capital for the SMEs credit guarantee scheme and Export Credit Guarantee scheme and ensuring food security. At the same time measures, including improvement of the business environment, are being undertaken to stimulate recovery of capital inflows and encourage domestic investment.

SECTION FIVE

5. CONCLUSION AND WAY FORWARD:

5.1 Conclusion

In order to generate higher levels of broad-based, pro-poor growth that is necessary to achieve commitments to the BPoA for the LDCs, focus is continuously being placed on sustaining sound economic management, raising agricultural productivity, and enhancing linkages between SMEs and FDIs. These are the sources of growth with a major impact on employment creation and income generation. Scaling up development of infrastructure, enhancing improvement in the outreach of education, the quality of education and overall emphasis on the development of human capital including higher levels of private sector competence based on fostering innovation and entrepreneurship remains vital. Tanzania is striving at achieving a higher level of competitiveness in the global market as the instrument for the quality of life and social well-being of its people. In the case of areas where the country still lags behind, such as that of achievement of MDG 5 on maternal health, emphasis is being placed on measures to improve reproductive health and greater empowerment of women.

Tanzania remains on track towards achievement of BPoA on other fundamental objectives and targets such as Universal Primary Education (MDG2) and Reduction of Child Mortality (MDG4) where outreach objectives have been achieved and the challenge on hand is that of raising the quality of education to acceptable levels. Likewise, national focus is being redirected towards efforts to contain and reverse the spread of HIV/AIDS. Finally, with respect to governance and

accountability, priority is continuously being placed on deepening and widening anti-corruption efforts, expediting legal and judicial reforms and enhancing transparency and accountability across central and local government.

The prospects for achieving most BPoA commitments are bright and encouraging in view of the success stories that are emerging in all areas. Most notable achievements have been recorded in the following areas: increase enrollment in primary education by 58 percent from 2001 to 2008 and secondary school by 27.8 percent (compared to 10.6 percent). Likewise enrollment in University education has jumped from 17,102 in 2001 to 82,529 in 2008. Tanzania recorded FDI inflows increase from USD 467.2 millions in 2001 to 695.5 millions in 2008. Other major success stories have been recorded in domestic revenue collection rising from the level Tshs 508.0 billion collected during period July - December 2001 to Tshs 3,199.0 billion recorded during the same period between July 2008 – March 2009.

An important factor for accelerating progress is the availability of resources in particular human, financial and institutional capacities. In this regard, Tanzania's capacity building efforts continue to be directed towards organizational, managerial and institutional development. For example, analytical and evaluation capacities are being developed and augmented through the poverty monitoring system, public expenditure review process and other sectoral reforms. Yet, there is a general need for strengthening of management and planning capacities both at the national and local government levels.

The implementation of NSGRP is monitored and evaluated under the national monitoring systems with a view to keeping track of and reporting on overall results-based performance progress taking into consideration the resources that have been provided for under the normal budgeting and planning cycles. Deliverables include Annual Progress Reports and the Poverty and Human Development Reports. Linkages between national sectoral systems and local government level monitoring mechanisms for monitoring and evaluation systems are being strengthened. With growing emphasis being directed towards decentralization and local government led development initiatives, effective monitoring and evaluation is necessary to enhance knowledge on interrelationships between reform and operational programmes and levels of efficiency in government service delivery on one hand and overall results and impact on the economy and poverty reduction goals, on the other hand.

5.2 Way Forward

We acknowledge that the development of Tanzania is the primary responsibility of the Government and people of Tanzania and that, sound policies, good governance, credible management and a democratic disposition are the bedrock for a sustainable development process. Domestic policies and practices reflecting these fundamentals are a necessary but not sufficient condition for a Least Developed Country like Tanzania to achieve sustainable development and escape from the vicious cycle of poverty. Apart from these basic domestic socio-economic prerequisites, a fair global economic system, equitable international trading system that is based on balanced representation and participation in the Multilateral Trading System and other international economic institutions (World Bank and International Monetary Fund) are equally necessary components of a positive development agenda. Bridging an ever-widening gap between developed and developing countries in the areas of access to technology, finance and ICT services calls for continuing support to the developing countries and the strengthening of multilateral development institutions that have built excellence in supporting efforts to bridge the development

gap such as the United Nations system and its related trade and development institutions. This does not exclude the need for higher development assistance directly to the LDCs.

Specifically the following initiatives remain of paramount importance: further debt cancellation and re-scheduling combined with additional ODA; Developed countries continuing to open up their markets to developing countries; Developed countries to reduce subsidies for their agriculture sector and adhere to the needs of developing countries under WTO negotiations; Further support for measures to improve the business environment in order to boost investment; Substantial support for major investments in infrastructure development to stimulate better linkages between producers and markets; Affirmative action initiatives to promote the development of private sector; Deepening the provision of basic services in education and health sectors; and Public-Private partnerships for the development of infrastructure services; and building private sector competencies through access to production assets to facilitate dynamic responses to emerging opportunities and create employment and income that is inclusive of vulnerable groups in particular youth and women. That is the vision that guides Tanzania's socio-economic development initiatives over the coming decade.

Dar es Salaam, December, 2009.