

# THE UNITED REPUBLIC OF TANZANIA

## COUNTRY REPORT ON THE IMPLEMENTATION STATUS OF BRUSSELS PLAN OF ACTION

### INTRODUCTION

Tanzania is among the Least Developed Countries (LDCs) with a total population of about 35 million and per capita income (US\$ 310 in 2004). Tanzania subscribes fully to the global efforts of eradicating poverty and alleviating the social conditions of the poor in terms of health, education, good governance, gender balance and environmental preservation and other aspects. The global efforts include the Brussels Programme of Action (BPoA) for the Least Developed Countries for the Decade 2001 – 2010 adopted during the Third United Nations Conference in Brussels on 20 May 2001 with the objectives of eradicating poverty and achieving sustained economic growth and sustainable development in the Least Developed Countries.

To achieve the BPoA's objectives, Tanzania's strategies has been linked to the National Development Vision 2025 and the Poverty Reduction Strategy Paper (PRS1), now being implemented under the National Strategy for Growth and Reduction of Poverty (NSGRP), commonly known as MKUKUTA in its Kiswahili acronym.

Well before the adoption of the BPoA Tanzania has been undertaking social and economic reforms aiming at creating favourable macroeconomic conditions for sustainable growth, promoting an environment conducive for business investments and at improving monetary and fiscal policies as well as enhanced domestic revenue mobilization. As a result of social and macroeconomic reforms, remarkable progress in economic growth, inflation trends, fiscal and monetary management, foreign trade, and good governance have been registered.

Tanzania has undertaken initiatives to improve her trading prospects and avoid marginalization in the Multilateral Trading System (MTS). It continues to be 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. Being also one of the two African countries identified as pilot countries for examining and responding to the World Commission on the Social Dimension of Globalization's (WCSDG) recommendations on fair globalization, Tanzania has prepared Action Plan ready for implementation. Tanzania has also joined the NEPAD African Peer Review Mechanism (APRM).

The Government is committed to good governance as the key requirement for attaining the Millennium Development Goals (MDGs). In Tanzania, big strides on promoting **good governance and accountability** have been made since 2001. Various measures and reforms towards strengthening good governance have focused on the areas of democracy and human rights, legal and institutional systems.

In terms of building human and institutional capacities, the Government of the United Republic of Tanzania has undertaken institutional reforms to strengthen various institutions in the country, including legal institutions, training institutions, and reviewed and improved curriculum including Computer studies at primary, tertiary education, and university levels to make curricula relevant to current and future needs of producing quality competitive graduates.

## **IMPLEMENTATION STATUS**

### **Commitment 1: Fostering a People Centered Policy Framework.**

The Government of the United Republic of Tanzania has been implementing a number of policy initiatives, programmes, plans and strategies as instruments to implement and to achieve the National Development Vision 2025, Millennium Development Goals and BPoA. These include; Poverty Reduction Strategy Paper (PRSP)- currently, the National Strategy for Growth and Reduction of Poverty (NSGRP); sectoral policies and plans; Tax reforms; Business Environment Strengthening Programme for Tanzania (BEST); Rural Development Policy; National Investment Policy; Small and Medium Enterprise Development Policy

Through the implementation of policies, programmes and reforms, notable progress has been achieved. The GDP growth rate has been growing consistently from 5.7 percent in 2001 to 6.7 percent in 2004. The inflation rate as an indicator of stable economic growth has continued to decline from an average of 5.1 percent in 2001 to 4.2 percent in 2004. Foreign Direct Investment (FDI) has gained importance in recent years and finances about 20 percent of Tanzania's investment. In 2004, the FDI inflow dropped to USD 260.2 from USD. 327.4 million in 2001 following the tempering of investments in mining. Per capita income has increased from US\$ 210 in 2000 to US\$ 310 in 2004 and thus it is within the set target of between US\$ 300 to US\$ 500 . Agriculture sector recorded a growth rate of 6% in 2004 compared to 5.5% in 2001, while, the contribution of manufacturing sector to the overall GDP has increased marginally from 8.3% in 2001 to 8.8% in 2004 and the growth rate has picked from 5% in 2001 to 8.6% in 2004

Poverty and hunger in Tanzania is measured by the national poverty line. Findings from the Household Budget Survey (HBS) of 2000/01 reveal a high prevalence of poverty in Tanzania. So far, 18.7 percent of the population is food poor, while 35.7 percent of the population cannot meet their basic needs. However, there has been a slight decline when compared to the results of the HBS of 1991/92, which was 21.6 percent and 38.6 percent respectively. The change is minimal, but given the achievement recorded in the implementation of PRS1, it is believed that as of now, there is more improvement.

### **Challenges**

- Despite the good performance at the macro level, the greatest challenge is how far this growth can be translated into poverty reduction over the coming years. Related to this, is the question of how the gains from growth can be distributed among households for the benefits to reach the poor.

- The impact of the economic reforms, which began in the mid-1980s, especially the policy and institutional reform effort during the period 1995 – 2004 has been fairly positive on economic growth. However, the resultant growth has resulted in modest improvements in poverty levels.
- The problem of employment is yet to be addressed adequately, poverty is still perverse and income inequality has worsened. The majority of Tanzanians do not have access to productive employment from which they can earn a decent income. Many are engaged in seasonal self-employment activities that are beset with numerous bottlenecks that impinge on their ability to raise productivity and income per capita.
- Other sector specific challenges include vulnerability on rain-fed agriculture, inadequate support system (extension, research etc) and weak sectoral inter-linkages.

### **On-going Initiatives/Strategies and Way Forward**

- Important initiatives aimed at reforming policies and institutions to integrate the informal economy into the formal economic mainstream include: (1) the establishment of the Property and Business Formalization Programme (PBFP) aimed at identifying, legalizing and recognizing the property rights of the informal sector; and (2) the Business Environment Strengthening for Tanzania Programme (BEST), which looks at the legal and regulatory framework needed to reduce the cost of doing business and thereby improve the environment for doing business in Tanzania.
- Other initiatives in place include the preparation of Micro, Small and Medium Enterprises (MSMEs)/Private Sector Development Strategy (PSDS) and the Tanzania Mini-Tiger Plan 2020 and ASDS. The Mini-Tiger Plan 2020 is a strategy designed to build among others things, Special Economic Zones (SEZs) needed to fast track realization of the set targets for investments from local and external sources. In those SEZs, issues of inadequate infrastructure and non - conducive policy, legal and institutional frameworks will be addressed.

### **Commitment 2: Good Governance at National and International Levels**

The Government is committed to good governance as a key requirement for promoting economic growth and poverty reduction. Various measures and reforms towards strengthening good governance have mainly focused on the areas of democracy and human rights, legal and institutional systems. The Government of Tanzania has carried out sustained reforms of the legal sector in the pursuit for strengthening the rule of law, democratic governance, transparent and accountable conduct of public affairs.

The Human Rights Commission was also established in 2002. The National Governance Framework and specific on-going reforms including Public Service Reform Programme (PSRP), Local Government Reform Programme (LGRP), Public Financial Management Reform Programme (PFMRP), the Legal Sector Reform Programme (LSRP) and Financial Sector Reform are among the necessary measures aimed at contributing towards good governance outcome, improved public services delivery, better economic management, positive cultural change and democratic development. Furthermore, the Government created

key institutions to fight against corruption in the country. One of the key institutions, which Tanzania established in 1999, is the Prevention of Corruption Bureau (PCB) as the main anti-corruption agency in the country.

### **Challenges**

In spite of big strides made on promoting **good governance and accountability**, Tanzania is still facing challenges on how to eradicate the existing corruption practices for both petty corruption, and grand corruption involving big contracts within government Ministries, Departments and Agencies (MDAs),

### **On going Initiatives and Way Forward**

- The Government of Tanzania will continue to strengthen and enforce laws, rules and regulation on corruption including implementation of the National Ant-corruption Strategy and Action Plan (NACSAP). The plan includes requiring MDAs to reduce and monitor corruption within respective sectors.
- Implementation of the Legal Sector Reform Programme (LSRP) which aims at strengthening the management and coordination of the legal sector institutions and enhancing access to the legal services for the poor and disadvantaged
- Strengthening of public service capabilities to deliver services efficiently through the Public Services Reform Programme (PSRP) and other on-going specific reforms.

### **Commitment 3: Building Human and Institutional capacities**

The Government of Tanzania in collaboration with the Development Partners continued to improve, enlarge and strengthen education system at all levels in translating education policy and strategies with the aim of enhancing human capacities. Moreover, the Government of Tanzania continues to expand and construct new training institutions for the purpose of increasing students' enrolment. For instance, the primary gross enrolment rate increased to 106.3 percent in 2004 from 84.4 in 2001. The number of students enrolled in primary schools increased to 7,083,063 in 2004 from 2,388,717 in 2001, while the number of students enrolled in technical institutions increased marginally to 2,103 in 2004 from 2,049 students in 2000. The number of students enrolled in the University institutions increased by 93% from 13,442 in 2001 to 25,937 in 2004.

The Government is also enhancing capacities for planning, implementation, monitoring and evaluation of development plans at all levels through implementation of the Local Government Reform Programme. The Government of Tanzania has strengthened and expanded various institutions including technical and high learning institutions, and reviewed curricula, including computer studies at primary, tertiary education, and university levels to make curricula relevant to current and future needs of producing quality and competitive graduates.

## **Challenges**

- Success in the implementation of Primary Education Development Programme (PEDP) has created challenges to upper levels of education; especially on the inadequate capacity of secondary schools enrolment to cope with the increased number of pupils qualifying for further studies. Furthermore, quantitative increase in enrolment has not been commensurate to quality of education provided. Capacity building as a whole poses a challenge to an over all performance of the education sector
- Despite the recorded achievements, a lot remain to be done, as illiteracy remains high. About 28.6 percent of Tanzanians cannot read and write and there is more illiteracy among women (36 percent) than men (20.4 percent).
- Another major challenge is on how to increase financing for expanding higher education and research, better performance in higher education, science and technology which would result into greater impact on poverty reduction.

## **On-going initiatives and way forward**

- In addressing human and institutional capacities, the Government will continue to deal with education issues using integrated approach. Programmes on the ground include; the Primary Education Development Programme (PEDP) and Secondary Education Development Programme (SEDP) aimed at enhancing access, increasing enrolment and improving quality of education at primary and secondary levels.
- The Government of Tanzania in collaboration with Development Partners and civil society will continue to strengthen academic and learning institutions.
- The Government will increase financing and expand higher education and research, paying due attention to quality in order to develop a labour force that is creative and globally competitive.

## **Commitment 4: Building Productive Capacities to make Globalization work for LDCs**

The Government of Tanzania has been implementing Corridor programme aimed at removing bottlenecks and enhancing productivity in the provision of transport and communication services and create conducive environment for private investment. In an effort to develop some of its important Trunk Roads network, the Government initiated a Special Trunk Roads Project in 2001/02, which is being implemented using internally generated resources. The Government sets aside Tshs. 1.84 billion per month for implementation of this project which involves selected trunk roads. The Government has also established a dedicated Road Fund (managed by the Road Fund Board) for maintenance of road network in order to safeguard the heavy investment made in the construction of roads and bridges.

Liberalization of business activities in communication including mobile cellular phones has expanded the communications systems significantly. Other measures which the Government of Tanzania has undertaken to promote productive capacities in the country include; establishment of Tanzania Communication Regulatory Authority (TCRA); Surface Maritime Transport Regulatory Authority (SUMATRA); Tanzania Civil Aviation Authority (TCAA) as independent regulatory bodies.

In order to enhance Information Communication Technology development in the country, the Government has adopted a policy of waiving tax on all computer related equipment. In addition, computer degree courses have been introduced at the institutions of higher learning, such as the University of Dar es Salaam.

Furthermore, Tanzania has taken measures in a bid to address the issue of decent and productive work. The formulation of SME policy and establishment of SME Export Credit Guarantee Scheme have been directed towards promoting employment in general, and in particular to youths who account for large portion of unemployed labour force. The Government has also embarked on a programme for formalizing property as a way to promote security of tenure and business in the informal sector where majority of the youth can be employed.

#### **Challenges**

- Inadequate financing

#### **On-going initiative and Way Forward**

- The “Tanzania Road Agency” (TANROAD) has been given the mandate of managing trunk and regional roads countrywide, which comprise of 28,892 km of roads.
- The urban, district, and feeder roads are under the responsibility of 113 urban and rural Local Government Authorities (LGA) and consists of 51,108 kms. Total road network length for the whole country is therefore estimated at 80,000 kms. The two bodies are working in collaborative settings to ensure that the target set for road improvement is attained.

#### **Commitment 5: Enhance the Role of Trade in Development**

Trade and investment are the important areas through which developing countries can mobilize domestic and external resources for financing development activities. In domestic trade Tanzania has liberalised trade and removed inter-regional/district barriers. The Government of Tanzania has been strengthening efforts to integrate trade policies towards poverty reduction including the establishment of Sustainable Industrial Development Policy (SIDP); Export Processing Zone (EPZ) Act of 2002; Integrated Industrial Development Programme; Integrated Framework for Trade Development; Joint Integrated Technical Assistance Programme (JITAP) and Small and Medium Enterprise Development Policy. The National Trade Policy has been in place for promoting competitiveness in the economy and export led growth.

To improve business environment in Tanzania, the Government is implementing the Business Environment Strengthening for Tanzania (BEST) programme to scale up the reduction of administrative hurdles inherent in the taxation and business licensing systems with a view to reducing high costs of starting and doing business. BEST looks at the legal and regulatory framework needed to reduce the cost of doing business and thereby improve the environment for doing business in Tanzania.

In external trade, the Government is committed to furthering economic diplomacy to market Tanzania's products abroad, attract tourists and other service exports, and promote investments. Tanzania has undertaken initiatives to improve her trading prospects and avoid marginalization in the Multilateral Trading System (MTS). This was done through the formulation of the Export Development Strategy (EDS) aimed at stimulating the growth of exports. The EDS initiative has provided the foundation for the programmes initiated within the Framework of the MTS namely; the Integrated Framework for Trade Development (IFTD) and the Joint Integrated Technical Assistance Programme (JITAP) that are contributing to the establishment of the appropriate environment and framework for addressing the supply side constraints in increasing exports.

Tanzania is a member of the East African Community (EAC) and South African Development Community (SADC) as a way of fostering its economic, political and social ties within the region. Being also one of the two African countries identified as pilot country for examining and responding to the World Commission on the Social Dimension of Globalization's (WCSDG) recommendations on fair globalization, Tanzania has prepared an action plan ready for implementation. Tanzania has joined the African Peer Review Mechanism (APRM) and is ready for review.

### **Challenges**

- Tanzania's traders are faced with the challenges in developing competitiveness, innovativeness, adherence to schedules and standards, and confidence to venture into neighboring countries markets and overseas. Unfair international trading system especially through subsidization of agricultural products by developed countries carries a large share in the challenge facing not only Tanzania, but also all other LDCs.
- Other challenges include the following:
  - Problems of access to ICTs due to low literacy rates, low incomes and limited number of service providers. The recent rise in the use of ICTs including mobile telephones is still dominantly urban-oriented and needs to be directed to rural areas as well;
  - Slow progress in promotion of trade through fair trade advocacy in WTO, etc;
  - Weak capacity in terms of human capabilities and financing to reduce poverty and to deal with the negative impact of globalization;

- Capacities for negotiations at international level are inadequate and the country does not have internationally accredited institutions for standardization and certification of commodities etc.

#### **On-going Initiatives and Way forward**

- Efforts need to be stepped up in support of increased access and application of Information and Communication Technologies (ICTs) as a critical “soft” infrastructure that accelerates productivity in the productive and service sectors, government, business, teaching and SMEs development.
- Implementation of Small and Medium Enterprise Development Policy, which was put in place in 2003, will remove a number of constraints hampering the development of small medium sector.
- Strengthening efforts to integrate trade policies towards poverty reduction including Sustainable Industrial development policy (SIDP), Export Processing Zones (EPZs), Special Economic Zones (SEZs) and Integrated industrial Development programmes.
- Enhancing capacity building in trade policy and related areas such as tariffs customs competition, investment and technology.

#### **Commitment 6: Reducing Vulnerability and Protecting the Environment**

Tanzania continued with the implementation of the international environment conservations treaties, including Agenda 21 on Sustainable Development and have ratified international treaties and conventions, including the Rotterdam Treaty dealing with regulation of international trade for harmful chemicals and insecticides; Montreal Protocol dealing with harmful chemicals to the ozone layer; Kyoto Protocol concerning reduction of emissions that cause climate change; Basel Convention concerning regulation of wastes among countries; Cartage Treaty concerning safe biotechnology for conserving the environment; and the United Nations Convention to Combat Desertification (UNCCD).

Tanzania started the implementation of the Kyoto Protocol on Climate Change in February 2005 and have already developed a Cleaner Development Mechanism (CDM) and guideline on how to prepare a CDM project. There are already CDM projects being implemented in Tanzania.

Tanzania is also committed to implement the outcome of the Johannesburg Plan of Implementation (JPOI) in the area of Water, Sanitation and human settlements. It has formulated the Environmental Protection Policy and policies on water and human settlements development to guide the implementation of the JPOI. Also Tanzania has established National Water Fund to serve as a domestic source of generating resources to finance water activities. The Government enacted the child labour laws (Employment and Labour Relations Act No. 6 of 2004). Strategies for elimination of child labour were developed and a list of hazardous types of labour not to be performed by children under 18 years identified consonant to ILO convention No 182 of 1999.

The natural resource sectors have contributed an average of 5.7 percent of GDP, with fisheries showing the highest growth rate and substantial increases in export earnings. However, the present use of natural resources is unsustainable and precipitates poverty by eroding sources of livelihoods and destroying environment.

Other achievements include promotion of public participation in environmental management activities including implementation of the National Tree Planting Campaign. About 66,483,998 trees were planted in 2004 in addition to 47,863,257 trees planted in 2003 and 82,671,132 trees planted in 2002. In 2003, the National Environment Management Council (NEMC), which is one of the institutions responsible for environmental management issues, continued implementing various environment conservation and management programmes, including preparation of strategies for environment conservation, education and sensitisation. In addition, the Council in collaboration with the public and other stakeholders also improved sustainable utilisation of coastal areas by building public and other stakeholders' skills, education and expertise on conservation of coastal areas and preparation of a Sustainable Wetlands Utilisation Programme. NEMC also conducted an environmental impact assessment for more than 24 development projects in the mining, roads construction, agriculture, fisheries, energy and communication sectors.

### **Challenges**

- Mining is one of the fastest growing economic sectors in Tanzania. In 2004, it grew by 15.6 percent compared to 13.9 percent in 2000. Its contribution to exports has significantly increased from 26.9 percent in 2000 to 52.1 percent in 2004. This follows heavy investments in mineral exploration and production. Artisanal and small-scale mining is increasingly becoming dynamic as it provides rare alternative economic opportunities to rural communities. Despite the achievement in the mining sector, it also poses a threat as the environment in the vicinity is degraded.
- Serious poverty concerns have been raised regarding the impacts on environment, tensions over land rights and labour relations in areas where these activities have risen dramatically. The challenge ahead is to ensure that investments benefit the wider economy while giving particular attention to environmental protection.
- Other challenges include;
  - Lack of capacity to manage environment, inadequate involvement of the local communities in environmental activities, lack of alternative source of energy as a result of poverty compel the local communities to embark heavily on natural environmental degradation activities, and lack of resources to sensitize people on the relevance and importance of conserving the environment.

## **On-going Initiatives and Way Forward**

### **▪ Environmental Protection**

Since inappropriate water use practices and degradation threatens sustainability of the resource with potential negative effect to ecosystem integrity, future water management approaches will focus on efficiency, least detrimental effect on the natural environment and principles of sustainability. Public awareness campaigns will be carried out on good land-use practices in order to contain erosion problem.

### **▪ Water Quality and Pollution Control**

The various human activities taking place in the basins threaten the rivers with increasing pollution and degradation. Strategies will be developed to facilitate systematic monitoring and assessment of the status of water quality. In addition, the "polluter pays" principle in conjunction with other legal and administrative actions will be applied. Standards for in-stream flows, industrial effluents and other waste discharges for meeting environmental objectives will be developed and enforced.

### **▪ Conservation and Demand Management**

To avoid wasteful and inefficient use of water demand management in water supply and demand responsive approaches will be promoted.

### **▪ Water Utilization and Allocation**

In water allocation, water for basic human needs will receive highest priority. This will be followed by water for the environment, to protect the ecosystems that underpin water resources, which will be reserved. Other uses will be subjected to social and economic criteria, which will be reviewed from time to time. Utilization of trans-boundary water resources will be based on the principle of equitable and reasonable use in accordance with agreements on trans-boundary water resources. All water abstractions and effluent discharges into water bodies shall be subject to a "water use permit" or "discharge permit" to be issued for determined beneficial use and for a specific duration.

### **▪ Community Management**

The Government will continue to empower communities to initiate, own, manage, operate and maintain their water schemes, including responsibility for coverage of operation and maintenance costs, so as to improve the sustainability of rural water supply systems. Eventually communities will be responsible for letting and supervising design and construction contracts for their water supply systems. This will expedite the rate of water service coverage for the rural population.

## **Commitment 7 Mobilizing Financial Resources**

The Government of Tanzania has implemented tax administration reforms to improve efficiency as well as rationalize the tax structure. This included pursuit of trade liberalization and regional initiatives aimed at molding a tax regime to better support growth by creating space for private sector to invest and operate, while at the same time expanding the tax base. These reforms have resulted in a rise in the revenue to GDP

ratio from 12 percent in 2001/2002 to 13 percent in 2003/04. Domestic revenue collection has increased from Tshs. 1, 042.9 billion in 2001/02 to 1,459.3 billion in 2003/04, an increase of 40%.

ODA to Tanzania has increased almost threefold from Tshs. 510,754 million in 2001 to TShs. 1,413,780 million in 2004. In addition to these quantitative changes, the Government of Tanzania (GOT) has also undertaken various measures to improve the quality of aid, enhancing its effectiveness for achieving the country's development and poverty reduction goals. A key measure has been the launch of the Tanzania Assistance Strategy (TAS) in June 2002 as the national medium-term framework for external resource management in order to contribute to achieving national development goals as articulated in the National Vision 2025, the National Poverty Eradication Strategy (NPES) and the Poverty Reduction Strategy (PRS).

The Strategy has aimed to promote national ownership and Government leadership of the development process and to enhance aid effectiveness through increased aid coordination, harmonization and alignment. It spelled out best practices in development co-operation for both the Government of Tanzania (GOT) and Development Partners (DP), with the main areas of focus being Government leadership, involvement of non-state actors in the development process, improvement of public financial management and accountability, Development Partner alignment with Government priorities and systems, as well as increasing aid predictability. Four priority areas for action in the short term were (1) increasing the predictability of aid flows, (2) integrating external resources into the GOT budget and Exchequer system, (3) harmonizing and rationalizing GOT and DP processes, and (4) building national capacities for aid coordination and external resource management.

Aiming to improve aid effectiveness and strengthen national ownership further, the GOT in collaboration with DPs and other stakeholders is currently developing a Joint Assistance Strategy, which will serve as the national medium-term framework for guiding development co-operation between the GOT and DPs. JAS will consolidate DPs' support under a single strategy for the purpose of achieving national development goals, most notably of the NSGRP and ZPRP.

Improvements have been made to integrate donor funding into the Government Budget System. This integration hinges on the significant reforms of the government's public financial management system, including the Integrated Financial Management System (IFMS); the public Expenditure Review, the Medium Term Expenditure Framework (MTEF), the Public Finance Act 2001, the procurement Act 2001 and the Public Financial Management Reform Programme (PFMRP). All these reform measures have enhanced confidence in the government's financial management capacities and control processes, hence resulted in increased trust in the government. This has encouraged the partners to provide direct budget support to the government budget, through the Poverty Reduction Budget Support (PRBS) and Poverty Reduction Support Credit (PRSC) facilities and to support sector-wise basket approaches in education and health sectors as well as joint funding of the Poverty Monitoring System, the Legal Sector Reform Programme and Local Government Reform Programme.

Total external debt for Tanzania as at end December, 2004 was US\$ 8.29 billion and Tanzania pays an average of US \$ 150 million annually to service the external debt. 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 main focus is to ensure that, borrowing is done where it is necessary to support financing of country priorities as spelt out in the country NSGRP and reduce borrowing costs.

In 2003, the Government amended the Government Loans, Grants and Guarantees Act, which is the principal legislation governing all matters related to Loans, Grants and Guarantee in order to bridge the loop holes which led to rapid accumulation of public debt stock in the past. Established under the Act is the National Debt Management Committee (NDMC), which is an institution that advises the Minister on various issues related to management of debt.

Tanzania is also among the first 18 countries to benefit from the decision of G8 countries to cancel altogether the debts owed to them by poor countries. Out of the external debt amounting to US\$ 8.29 billion in December 2004, US\$ 4,421.31 million is owned to World Bank, IMF and AfDB combined. As of December, 2004 the debt owed to the World Bank, IMF and AfDB was US\$ 3,362.01 million; US\$ 363.0 million and US\$ 660.20 million respectively. However, IMF has already cancelled its debt amounting to US\$ 363.0 million. The World Bank and AfDB will do the same when the modalities are completed.

### **Challenges**

- In spite of the good progress made on revenue mobilization, major challenges remain for the medium to long term. One key challenge relates to the fact that domestic revenue mobilization is still substantially low relative to huge expenditure needs due to widespread poverty. Another challenge is on how to expand the tax by capturing activities carried out in the informal sector.

### **On-going initiatives and Way Forward**

- The Government will continue to focus on expanding the tax base through creation of space for private sector to invest and operate in the country.
- Agreed principles of development partnership relating to harmonization and alignment of aid modalities as set in the Tanzania Assistance Strategy (TAS), will be pursued towards increased aid effectiveness, strengthened accountability and mutual trust, and eventual reduced dependency.
- The on-going process of formulation and then implementation of the Joint Assistance Strategy by the Government in collaboration with Development Partners will enhance aid harmonization, coordination, integration and rationalization processes.
- Tanzania will also pursue the 2003 Rome Declaration on Aid Harmonization and the 2004 Shanghai Conference on Scaling-up Poverty Reduction.