



**MKUKUTA AND MKUZA FINANCING AND STRATEGIC
ALLOCATION OF RESOURCES INTO AREAS THAT
SUPPORT PRO-POOR GROWTH**

INTERIM REPORT

by

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4.1 PPP Schemes and Modalities

ACRONYMS AND ABBREVIATIONS

BOT	Build, Operate and Transfer
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HBS	Household Budget Survey
IMF	International Monetary Fund
MACMOD	Macroeconomic Model
MAIR	MKUKUTA/MKUZA Annual Implementation Report
MDAs	Ministries, Departments, Agencies
MDGs	Millennium Development Goals
MKUKUTA	<i>Mkakati wa Kukuza Uchumi na Kupunguza Umaskini</i> Tanzania (NSGRP)
MKUZA	<i>Mkakati wa Kukuza Uchumi na Kupunguza Umaskini</i> Zanzibar (ZSGRP)
MOF	Ministry of Finance and Economic Affairs(Mainland)
MOFEA	Ministry of Finance and Economic Affairs (Zanzibar)
MPIP	Medium Term Public Investment Plan
MTEF	Medium Term Expenditure Framework
NSA	Non State Actors
NSGRP	National Strategy for Growth and Reduction of Poverty
UCC	University Computing Center
URT	United Republic of Tanzania
RGOZ	Revolutionary Government of Zanzibar
SBAS	Strategic Budget Allocation System
TASAF	Tanzania Social Action Fund
ZBAS	Zanzibar Budget Allocation System
ZGS	Zanzibar Growth Strategy
ZPRP	Zanzibar Poverty Reduction Plan
ZSGRP	Zanzibar Strategy for Growth and Reduction of Poverty

Executive Summary

Introduction and Background

Tanzania is meeting the challenges of accelerating economic growth and reducing poverty through concerted efforts guided by main development frameworks, Long Term Visions 2020 (Zanzibar) and 2025 (Mainland) with quality livelihoods and absence of abject poverty as outcomes; and Medium Term Plans. Medium term strategies such as *MKUKUTA*, *MKUZA*, global commitments such as Millennium Development Goals (MDGs) provide road map for reaching these aspirations.

The migration from priority sector approach to outcome-based approach to poverty reduction (*MKUKUTA* and *MKUZA*) brought many expectations, the main being ***substantial poverty reduction***. In addition, considerable “investments” had been made for implementation of these strategies in terms of systems of budget allocation software, review of strategic plans, monitoring systems etc. Various implementation assessments and HBS point to a mismatch between these efforts and outcomes. What explains this?

It is within the context that the Ministry of Finance and Economic Affairs commissioned a study on *MKUKUTA* and *MKUZA* financing strategy and strategic allocation of resources in order to inform implementation of successor strategies *MKUKUTA* (II) and *MKUZA* (II) to be launched in July 2010.

The study was guided by the given TORs, and the main methodology used was assessments based on secondary data, complemented by information obtained from interviews with key stakeholders/experts.

Overview of financing and resource allocation

The financing strategies of both *MKUKUTA* and *MKUZA* assumed that the public sector would play a critical role in implementation. A number of analytical tools were used to identify levels of funding by government. Financing by Non-State Actors (private sector, NGOs and other CSOs) could not be established *a priori*.

Though the Governments succeeded in mobilizing more domestic revenue during implementation of both MKUKUTA and MKUZA, the assumed annual increment of 3 percent GDP was not realized.

Moreover, the financing frameworks were arrived at before the resource requirements for implementing MKUKUTA and MKUZA had been ascertained

The key lessons to learn are: the need to make realistic assumptions and need to sharpen prediction of risks (and plans to mitigate such risks) and that a financing framework should be worked after the resource requirements have been ascertained.

In terms of pro-poor spending in agriculture, for example, many of the activities are not pro-poor. Our analysis showed only two out of 23 activities to be pro-poor.

Another method used to assess pro-poor growth is to examine employment creation. Agriculture is widely acknowledged as a pro-poor sector where the majority of poor people derive their livelihoods. The findings show that employment creation in response to economic growth benefited the non-pro-poor sectors.

Analysis of budget allocation

Both URT and RGOZ specify budget allocation *by* MKUKUTA and MKUZA as opposed to *non-* MKUKUTA and MKUZA, with the former taking as much as 70 percent of total allocation in recent years.

During implementation of MKUKUTA and MKUZA resource allocation was planned to be done using computer soft ware. The Mainland operationalized the Strategic Budget Allocation System (SBAS) while in Zanzibar, the Zanzibar Budget Allocation System (ZBAS) could not be operationalized.

There have been sustained increases in the overall amount allocated for MKUKUTA and MKUZA interventions, with Cluster one being the main beneficiary. Even though, the resources were inadequate to cover all interventions thus necessitating prioritization in the resource allocation process

Development financing of both MKUKUTA and MKUZA rely more on foreign funding.

Potential options for financing

Current sources of financing include domestic: Government domestic revenue from taxation, Dividends, Proceeds from privatization and Sale of Government shares, Domestic borrowing (non-Bank), Credit/loan guarantees, Skills development financing, Road funds, road licences and vehicle inspection fees and 4.5 per cent of GBS through URT (applicable to Zanzibar only)

External: Foreign grants and concessional loans and Debt relief

The main problem of these traditional sources has been low predictability and less reliability.

A number of schemes that have proved successful in other countries and should be explored include: domestic,- domestic: exploring full range of PPPs, Road toll, Property tax, Credit/loan guarantees to private sector; external: sovereign borrowing, bilateral financing and regional arrangements.

Private sector contribution in overall financing

The private sector in Tanzania is playing significant role in sectors in Cluster I (such as Manufacturing and agriculture) and Cluster III (especially in education and health).

During the period 2005-2008 for which data were available, the share of private sector increased from 66.7 per cent to 73.9 percent.

It is also found that private sector contribution has been expanding during implementation of both MKUKUTA and MKUZA

Role of community contribution and scope for scaling-up

Community contributions are important in Clusters I and II. The scope of scaling up community contribution lies in the form of contribution in kind.

Analysis of macroeconomic framework

The quality of macroeconomic and fiscal projections is important for optimal allocation of resources and budget discipline. Sustaining a credible macroeconomic and fiscal framework remains a challenge.

The predictive power of MACMOD is stronger in tax revenue projections and weakest in tax effort. There is need to examine the assumptions.

There is no definite tool used to make macroeconomic projections/forecasting in Zanzibar. There were significant variations between the MTEF, budget appropriations and budget out-turns. The significant disparities undermine the credibility of the resource envelope and MTEF. The proposal to develop a forecasting model in Zanzibar should be a matter of priority.

Linking resource allocation and outcomes

The main expected outcome of MKUKUTA and MKUZA was substantial poverty reduction. This was not realized. The main cause of this was large resource gaps (as realistic costing of MKUKUTA and MKUZA interventions had shown).

Conclusions and Recommendations

Key lessons that can be learned from implementation of MKUKUTA and MKUZA and which should inform MKUKUTA II and MKUZA II implementation:

1. Need for realistic costing the interventions before launching of the two successor strategies in order to give a comprehensive picture of the price tag of implementing MKUKUTA and MKUZA.
2. Need to include wages and salaries and transfers to LGAs as MKUKUTA expenditure (human resource issues are key in implementing MKUKUTA II and MKUZA II).

3. Need to estimate as far closely as possible the contribution of non-state actors in implementation
4. Adequate resource mobilization to close the resource gap is key in realizing the outcomes. This will avoid phasing out some activities as experienced during implementation of MKUKUTA and MKUZA
5. Growth of agriculture is key to poverty reduction.
6. Need to improve Budget Guidelines in terms of assumptions – this calls for reengineering of the forecasting tools and models
7. Need to re-examine the cash budget system which largely operated during implementation of MKUKUTA and MKUZA. A horizon equal to at least quarterly disbursements enhances implementation.

A number of challenges confronted MUKUTA and MKUZA implementation: resource constraints, both financial and human and slow pace of poverty reduction despite improved economic growth (attributed mainly to macroeconomic reforms).

In a nutshell, these challenges call for expansion of the domestic revenue base such as through improved tax administration, reduce unnecessary exemptions while in terms of external finances prioritization and improving aid coordination for effectiveness is needed. Last but equally important is the need for strengthening the macro-micro link

MKUKUTA AND MKUZA FINANCING AND STRATEGIC ALLOCATION OF RESOURCES INTO AREAS THAT SUPPORT PRO-POOR GROWTH

CHAPTER I: INTRODUCTION AND BACKGROUND

1.0. The Development Challenge

Like many other developing countries, Tanzania is faced with formidable development challenges, key being the twin challenges of accelerating economic growth and reducing poverty. Tanzania is meeting these challenges through concerted efforts guided by main development frameworks, Long Term Vision and Medium Term Plans.

Tanzania's development aspirations are articulated in *Development Vision 2025*, Zanzibar Vision 2020 with quality livelihoods and absence of abject poverty as outcomes. Medium term strategies such as *MKUKUTA*, *MKUZA*, global commitments such as Millennium Development Goals (MDGs) provide road map for reaching these aspirations. In turn, sector plans and programmes support these medium term strategies.

Mainland

The Tanzania Development Vision 2025 (1999) (Mainland)

Development Vision 2025 spells out the economic and social achievements by the year 2025: high quality livelihood, absence of abject poverty; a strong, diversified, resilient and competitive economy; as well as peace; stability and unity; good governance; and high quality education. In terms of status the economy to have moved from a least developed to a semi-industrialized medium income country.

The *National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA)* was crafted in 2005, improving on previous strategies such as PRSP through adopting an outcome-based approach. *MKUKUTA* was organized around three clusters:

- (a) Growth and reduction of income poverty;

- (b) Improvement of quality of life and social well-being; and
- (c) Good governance and accountability

Zanzibar

Zanzibar Vision 2020, formulated in 2002, spells out eradication of abject poverty and attainment of sustainable human development as the main goals to be achieved by 2020: a strong, diversified, resilient and competitive agriculture, industry, tourism and other productive socioeconomic sectors; highest level of ingenuity, self confidence and self esteem; peace, political stability, good governance, integrity, national unity and social cohesion; modernized production and delivery systems for goods and services; and higher degree of Foreign Direct Investment (FDI).

Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP/MKUZA)

ZSGRP is an outcome-based poverty reduction strategy and is also organized around three clusters, namely; Growth and Reduction of Income Poverty; Social Services and Well-being; and Good Governance and National Unity.

1.1. Problem statement

The orientation away from priority sector approach to outcome-based approach to poverty reduction brought many expectations, the main being *substantial poverty reduction*. In addition, considerable “investments” had been made for implementation of MKUKUTA: development of budget allocation software SBAS (micro and macro); review of strategic plans (MDAs, LGAs); monitoring system and the Medium term Strategic Planning and Budgeting Manual. Various MKUKUTA implementation assessments such as MAIRs and PHDRs, HBS (2007) show a mismatch between these efforts and outcomes.

1.2. Objective

It is within the context of this background that the Ministry of Finance and Economic Affairs commissioned a study on MKUKUTA and MKUZA financing strategy and strategic allocation of resources into areas that support pro-poor growth. The findings of

this analysis will greatly inform implementation of successor strategies MKUKUTA (II) and MKUZA (II) to be launched in July 2010.

1.3. Methodology

Data and data sources

Secondary data will be the main source of information, where necessary complemented by opinions of experts. The main sources of data include Ministries of Finance, Bank of Tanzania, IMF, World Bank, sector ministries, etc.

Methods of analysis

The main method will be assessment of existing information complemented by interviews with key stakeholders/experts.

1.4. Lay out of report

This report consists of nine Chapters including the Introductory Chapter just concluded. Chapter two is devoted to Overview of Financing and Resource Allocation, followed by Analysis of Budget Allocation. In Chapter four, Potential Options for Financing are discussed followed by an assessment of

Private Sector Contribution in Overall Financing. Chapter six covers issues of Role of Community Contribution and Scope for Scaling-up, followed in Chapter seven by Analysis of Macroeconomic Framework. Chapter eight attempts to link Resource Allocation and Outcomes, and finally the report is crowned with Conclusions and Recommendations in the last Chapter.

CHAPTER II: OVERVIEW OF FINANCING AND RESOURCE ALLOCATION

2.0. Overview

This Chapter provides an overview of financing strategy and allocation of resources. Examination of a financing strategy helps assess the adequacy of current strategies and in revealing the potential sources that are at present not captured, in order to release stress in the fiscal space of the Government. Examination of allocation of resources is central to decision making, given the basic economic problem of “and unlimited wants and limited resources”. Efficient allocation ensures that resources are utilized optimally and effectively in order to realize intended outcomes.

2.1. Analysis of financing strategy

Like PRS(P) the financing strategies of both MKUKUTA and MKUZA assumed that the public sector would play a critical role in the implementation of the strategy to invigorate the participation of the private sector. Moreover, the financing frameworks were arrived at before the resource requirements for implementing MKUKUTA and MKUZA had been ascertained. This was done respectively in 2007 and 2009.

2.1.1. Mainland

A number of analytical tools were used to identify levels of funding by government. Financing by Non-State Actors (private sector, NGOs and other CSOs) could not be established a priori.

Overall projected resources for the implementation of NSGRP -related interventions and other government commitments was based on the Medium Term Plan and Budget Framework for 2005/06 – 2007/08 while ensuring consistency with macroeconomic targets.

The key guiding assumptions were:

(a) Resources increasing by 3 percent of GDP annually,

- (b) A 2 percent annual increase in donor support
- (c) Domestic revenue increasing from 13.8 percent of GDP in 2004/05 rising gradually to 15.5 percent of GDP by the end of 2008/09

The financing framework during implementation of MKUKUTA is shown in Table 2.1.

Analysis

Though the Government succeeded in mobilizing domestic revenue from T.Shs 2,124.8 during 2005/06 to T.Shs 5,234.1 during 2009/10, the assumed annual increment of 3 percent GDP was not realized. The increments were 1.6 percent between 2005/06; 1.8 percent, 2006/07, 0 percent between 2007/08 and 0.4 between 2008/9 and 2009/10. In terms of foreign financing, the trend was erratic and only between 2006/07 and 2007/08 was the assumption realized (however it was after a sharp decline between 2005/06 and 2006/07). Though the global financial crisis played part in depressing potential for more resource mobilization, this is only true for the last financial year. Detailed discussion of this issue is provided in Chapter seven.

Two key lessons emerge from this brief analysis:

1. The need to operate with realistic assumptions and
2. The need to sharpen prediction of risks

Table 2.1: Financing Framework for MKUKUTA 2005/06 – 2009/10

	MKUKUTA PERIOD				
	2005/06	2006/07	2007/08	2008/09	2009/10
<i>In billion of Shillings</i>					
Total Domestic Revenue	2,124.8	2,739.0	3,634.6	4,293.1	5,234.1
Tax Revenue	1,948.4	2,529.4	3,359.2	4,043.7	4,840.9
Non-Tax Revenue	178.4	209.6	275.3	249.4	393.2
Total Expenditure	4,005.2	4,474.7	5,209.0	6,811.8	8,862.3
Recurrent Expenditure	2,661.9	3,137.5	3,398.0	4,681.5	6,036.8
Development Expenditure	1,343.4	1,337.2	1,811.0	2,130.4	2,825.4
Overall deficit before grants	-1,880.4	-1,735.7	-1,574.4	-2,518.8	-3,628.2
Grants	1,043.4	952.2	1,573.2	1,257.3	2,090.9
Adjustments (including exp. floats and cash)	-87.5	-172.4	-377.2	58.6	0.0
Overall balance	-924.4	-955.8	-378.4	-1,202.9	-1,537.3
Financing	924.4	955.8	378.4	1,202.9	1,537.3
Foreign (net)	581.2	717.8	729.6	944.2	1,037.1
Domestic (net)	383.2	238.0	-351.2	258.7	500.2
<i>In Percent of GDP, unless otherwise indicated</i>					
Total Domestic Revenue	12.5	14.1	15.9	15.9	16.3
Tax Revenue	11.5	13.0	14.7	14.9	15.1
Non-Tax Revenue	1.1	1.1	1.2	0.9	1.2
Total Expenditure	23.6	23.0	22.8	25.2	27.7
Recurrent Expenditure	15.7	16.1	14.9	17.3	18.9
Development Expenditure	7.9	6.9	7.9	7.9	8.8
Overall deficit before grants	-11.1	-8.9	-6.9	-9.3	-11.3
Grants	6.2	4.9	6.9	4.6	6.5
Overall balance	-5.5	-4.9	-1.7	-4.4	-4.8
Financing	5.5	4.9	1.7	4.4	4.8
Foreign (net)	3.3	3.7	3.2	3.5	3.2
Domestic (net)	2.1	1.2	-1.5	1.0	1.6

Source: MOFEA

2.1.2. Zanzibar

The financing framework for MKUZA was guided by the following assumptions:

1. Annual GDP growth rate of 10 percent
2. Inflation rate of 5 percent
3. Tax to GDP ratio of 18.5 per cent per annum
4. Enhanced Public-Private Partnerships
5. Continued support from developing partners

For Zanzibar, a similar trend of increased domestic revenue mobilization is evidenced (increasing from T.Shs 89,922 million during 2005/06 to T.Shs 139,693 million during 2007/08. Projections of revenue were surpassed in all years except during 2006/07 where the achievement was 96.6 percent of target.

Table 2.2: MKUZA Financing Frame for MKUZA 2005/06-2008/09 (Shillings Million)

MKUZA FINANCING							
	2008/2009	2007/2008		2006/2007		2005/2006	
DESCRIPTION	Budget	Budget	Actual	Budget	Actual	Budget	Actual
TOTAL DOMESTIC REVENUE	159,697.00	134,550.00	139,693.43	114,558.20	110,652.54	83,187.98	89,922.55
TOTAL TAX REVENUE	148,932.00	124,709.00	130,219.02	103,111.92	103,155.14	76,676.75	83,149.58
NON TAX REVENUE	10,765.00	9,841.00	9,474.41	11,446.28	7,497.40	6,511.23	6,772.98
TOTAL EXPENDITURE	412,605.00	341,709.00	232,455.26	266,942.54	179,209.64	198,227.62	166,247.28
RECURRENT EXPENDITURE	172,692.00	149,435.00	163,655.85	131,296.11	105,303.24	93,782.06	93,156.19
Salaries and Wages	73,763.00	64,095.00	63,803.51	61,528.33	58,326.65	50,626.34	46,638.24
Other Charges	98,929.00	85,340.00	99,852.33	58,916.30	46,976.59	36,619.43	40,309.52
			-	-	-	-	-
DEVELOPMENT EXPENDITURE	239,913.00	192,274.00	68,799.41	135,646.42	73,906.40	135,646.42	73,091.09
Local	40,725.00	18,522.00	21,676.77	16,504.43	10,144.05	8,858.05	7,121.02
Foreign	199,188.00	173,752.00	47,122.65	119,141.99	63,762.35	96,587.51	65,970.07
Deficit before Grant/Subv.	-80,216.00	-57,724.00	-92,893.95	-21,088.23	-68,557.11	-52,458.45	-87,923.15
Financing			-	-	-	-	-
Grants	147,093.00	132,732.00	46,754.88	93,897.50	74,328.36	66,683.47	71,467.12
o/w 4.5% of budget support / cash	50,214.00	23,407.00	23,543.00	27,064.00	26,286.00	21,196.00	19,506.20
Debt Relief (MDRI)	-	8,000.00	-	-	-	-	-
Project grants	96,879.00	101,325.00	23,211.88	57,733.50	48,042.36	37,487.47	51,960.92
Foreign (loans)	102,309.00	72,427.00	23,910.76	61,408.50	15,720.00	58,100.04	14,009.15
Non Bank Borrowing (TB)	3,506.00	2,000.00	-	6,138.26	5,506.65	6,830.00	6,006.93
Amortization	-12,794.00	-8,035.00	-150	-9,100.00	-5,147.35	-16,574.00	-11,305.46

2.2. Strategic Allocation of Resources Into Areas that Support Pro-Poor Growth

For purposes of shedding light, the analysis will focus on issues in sectors categorized as “pure” growth sectors.

The definition of “pro-poor” adopted by the UN is growth that leads to significant reductions in poverty - growth is pro-poor if it reduces poverty.

The indicators of a move towards pro-poor growth include diversification and productivity growth in the rural economy, human capital indicators (health and education), employment –creation of decent jobs, measured by increase in per capita employee cash income in relation to the growth of the economy.

In determining support of allocation to pro-poor areas one has to centre the analysis on the identified growth sectors. For the purpose of shedding light, we pick one such sector – agriculture (Mainland).

A clear definition of agriculture activities need to be defined first. These are activities that are agricultural and are being implemented by the respective Ministry of Agriculture as well as well as other institutions. Table 2.3 shows agriculture sector expenditures as captured through SBAS.

Table 2.3: Mainland Tanzania: Agriculture Sector Expenditure As Captured in SBAS 2007/08-2008/09

SUMMARY OF PRIORITY SECTOR EXPENDITURE: 2008/09 BUDGET ESTIMATES							
(In '000 Tshs.)							
VOTE	SECTOR	2007/2008			2008/2009		
NO.		TOTAL RECURRENT EXPENDITURE	TOTAL DEVELOPMENT EXPENDITURE	TOTAL BUDGET 2007/08	TOTAL RECURRENT EXPENDITURE	TOTAL DEVELOPMENT EXPENDITURE	TOTAL BUDGET 2007/08
Agriculture:	Total of Agriculture Sector Expenditure	111,891,752	165,047,550	276,939,302	158,936,499	137,834,158	296,770,658
37	Prime Minister's Office	-	14,906,499	14,906,499	-	3,292,522	3,292,522
43	Ministry of Agriculture, Food Security and Cooperatives	71,850,190	60,061,913	131,912,103	93,704,218	20,032,832	113,737,050
44	Ministry of Industries, Trade and Marketing (marketing component)	3,113,862	2,458,476	5,572,338	3,521,227	2,476,015	5,997,242
56	Pres. Office: Reg.Admin & L. Govt. (ASDP)	-	490,440	490,440	-	5,148,257	5,148,257
99	Ministry of Livestock Development	12,621,516	9,776,000	22,397,516	21,500,066	20,372,507	41,872,573
49	Ministry of Water (Irrigation)	-	-	-	1,693,681	13,185,574	14,879,255
70-89,95	Regions	-	77,354,223	77,354,223	2,728,924	91,800	2,820,724
70-89,95	Local Government	24,306,184	-	24,306,184	23,810,980	73,234,651	97,045,631
	<i>Salary adjustments Vote 43,99,44, 49, Regn & LGAs</i>				11,977,404		11,977,404

A closer examination of expenditure items will reveal the nature of pro-poor spending as shown in Table 2.4.

Diversification and productivity growth (to increase farmer income) is one of the indicators of pro-poor growth in agriculture/the rural economy. The only activities that fit this definition are crop development (Ministry of Agriculture, Food Security and Cooperatives), and animal production (Ministry of Livestock Development & Fisheries) – only two activities out of 23 activities!

Table 2.4: Mainland Tanzania: Nature of Spending on Agriculture Sector

Vote	Institution	Sub-vote	Activities
37	PMO	5001	Coordination of Government Business –Agricultural Marketing Systems Development Programme
43	Ministry of Agriculture	2001	Crop Development, PADEP, ASDP, LVEMP, Special Programme for Food Security, Accelerated Food Security Project, Cleaner Integral Utilization of Sisal waste
44	Ministry of Industry	4002	Commodity Market Development
49	Ministry of Water	2004	Directorate of Irrigation and Technical Services
56	PMO RALG	2003	Sector Coordination Division ASDP (out of 11 activities)
99	Ministry of Livestock Development & Fisheries	7001 8001	Veterinary services Animal production

Another method used to assess pro-poor growth is to examine employment creation. Table shows, the response of employment in sectors as the economy grew between 2007 and 2008, by Government and Private sector. Agriculture is widely acknowledged as a pro-poor sector where the majority of poor people derive their livelihoods. High employment response would relate to higher incomes through increased production. In order to have benefited the poor employment was supposed to increase at least equal to the GDP growth rate of around 6 percent or the differential growth of 0.3 percent. Table shows, the sectors which created more employment are the non-pro-poor sectors (in Government, Manufacturing, Hotels and Restaurants; private sector, Construction).

Table 2.5: Employment Elasticity of growth in Zanzibar in Between 2007 and 2008

Sector	Government	Private sector
Agriculture, forestry & fishing	0.1	-1.5
Mining and Quarrying	-2.2	-2.0
Manufacturing	129.5	-563.5
Construction	-6.1	145.8
Hotels and Restaurants	69.9	-20.5
National estimates	-0.5	2.8

Source: Draft MKUZA II

CHAPTER III: ANALYSIS OF OVERALL BUDGETARY ALLOCATION TO MKUKUTA AND MKUZA INTERVENTIONS

3.0. Overview

The purpose of this Chapter is to present an analysis of budget allocation with a view to discerning trends to specific growth priority areas under MKUKUTA and MKUZA.

There are two limitations in making the analysis: the first issue concerns span of time. Implementation of MKUKUTA began in 2005/06 and MKUZA in 2006/07. This is a short span to have any ideal trends. One has thus to be satisfied with the limited short period (four and two years respectively). The second issue concerns incorporation of synergies and complementarities. Growth issues (Cluster I) have synergies and complementarities with Clusters II (Improvement of Quality of Life and Well being) and Cluster III (good governance), thus one may not adequately be able to isolate pure Cluster I issues..

Both URT and RGOZ specify budget allocation *by* MKUKUTA and MKUZA as opposed to *non-* MKUKUTA and MKUZA. Salaries and wages are counted as in the latter category. Cluster wise disaggregation is also made. In Zanzibar, for example, in the development budget for 2009/2010 the allocation by Clusters was Cluster I: 60.74 per cent; Cluster II: 33.52 percent and Cluster III: 5.74 percent (RGOZ 2009d.). URT also has broad allocation figures for the three Clusters. However in Cluster I (Growth and Reduction of Income Poverty), the focus of this study, there has been no attempt to delineate allocation to “pro-poor growth” interventions.

During implementation of MKUKUTA and MKUZA resource allocation was done using computer soft wares Strategic Budget Allocation System (SBAS) for the Mainland and Zanzibar Budget Allocation System (ZBAS) (with varying successes).

Mainland

SBAS is a software tool to facilitate resource allocation including budget ceilings by the Plan and Budget Guidelines Committee. SBAS has two versions namely SBAS Micro and SBAS Macro. SBAS Micro is a tool for inputting budget requests by MDAs, Regions and LGAs. In financial year 2005/06 requests were inputted at the level of targets. However, from 2006/07 requests were inputted at activity level (URT 2007).

Zanzibar

As part of implementing financial management reform, Zanzibar adopted MTEF during 2003/04. In order to improve resource allocation to MDAs in the course of implementing MKUZA, MoFEA introduced ZBAS during 2007/08. This was software developed in Microsoft Access by University Computing Centre (UCC) from University of Dar es Salaam. The software was piloted during preparation of 2007/08 Government budget. The software could not be fully utilized due to some technical problems (bugs). During 2008/09, MoFEA planned and agreed with software developer (UCC) to extend the software up to input level instead of activity level (1st version of 2007/08). There were even more technical problems (bugs) which made it more difficult to operate. There are no more improvement of that software so far, hence not in use.

3.1 Analysis of budgetary allocation

3.1.1 Mainland

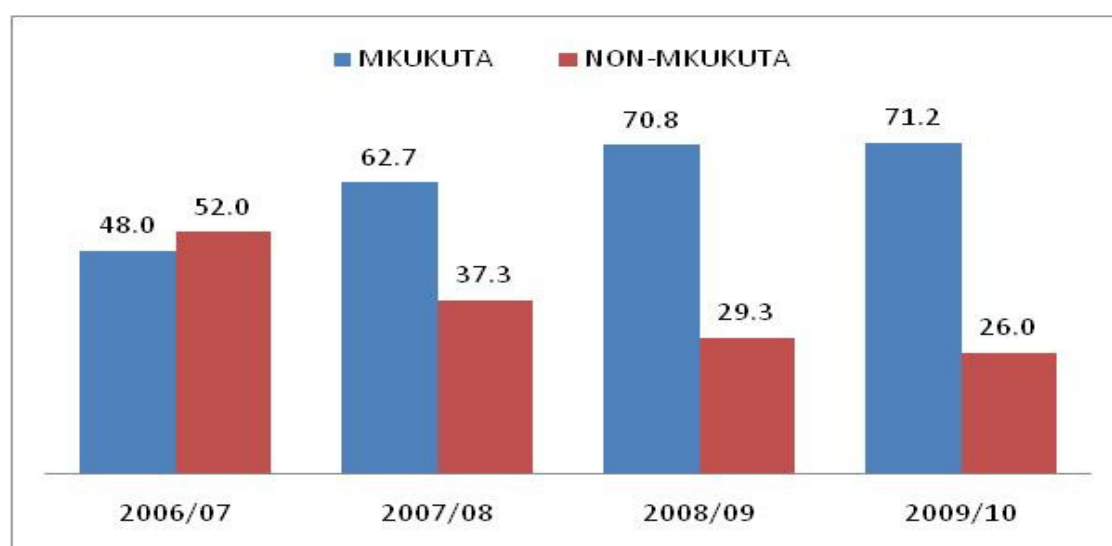
Introduction and Framework for MKUKUTA Budgetary Resource Allocation

The implementation of MKUKUTA began in 2005/06 financial year. Since then the budget strategy of Tanzania intends to maintain or increase MKUKUTA share to the level that will provide adequate financing to MKUKUTA-related interventions. In order to facilitate the allocation process, a significant attempt has been made to ensure that Medium Term Expenditure Framework (MTEF) and budgetary allocation are harmonized and aligned to reflect and link with the activities of the MKUKUTA. Also to facilitate the allocation process in the course of MKUKUTA implementation, resource allocation was done using computer Strategic Budget Allocation System (SBAS) soft ware. It is also

through this software and all above attempts that the Government Budgets are currently specified by clusters.

In allocating the available resources, emphasis is always placed on targeting the priority programs, projects and activities under the respective MKUKUTA Clusters. In choosing among the priority programs, allocation was always targeting on-going program with some few emphasis on the new issues needing immediate interventions. The budget allocation process has always been guided by the Budget Guideline Document, which specifies areas for priority resource allocations.

Figure 3.1: Mainland Tanzania: MKUKUTA and Non-MKUKUTA Allocation 2006/7-09/10



In the whole period under review, as said before, the expenditure focus was to accelerate implementation of MKUKUTA and fasten attainment of its broad objectives of sustained economic growth and reduction of poverty. However, the alignment in resource allocation to MKUKUTA clusters had been twisting slightly year after year depending on the number of on-going projects and emerging issues within clusters. This mixed trend reflects different set of priorities in each year.

As hinted above, in the planning process priorities are set within the SBAS framework. In the SBAS, the approved budget to implement MKUKUTA is separately categorized, with

the remaining percent of the total being for projects and programs that does not have direct link to MKUKUTA targets and outcomes. The category of non-MKUKUTA expenditures includes Wages and Salaries, Local Government Authorities (LGAs) and Consolidated Fund Services (CFS). In this chapter, we will focus on the MKUKUTA part of implementation.

3.2 Priority Areas for MKUKUTA Resource Allocation in the four years of Implementation

Based on the SBAS and Budget Guidelines, for the four years of MKUKUTA implementation the allocation in each cluster were focusing on almost related implementation aspects.

For *Cluster I* priority over these years has been mainly in;

- ✓ **Agriculture:** In agriculture the main focus for these years has been on implementation of Agricultural Sector Development Program (ASDP). The main areas were on expanding irrigation area, improving seeds, mechanizing agriculture and fertilizer use. These intend to improve agricultural productivity and hence reduce income poverty to farmers;
- ✓ **Roads:** The focus was on improvement, upgrading and rehabilitation of all roads. This were done to ensure that all roads are passable through-out a year and thus people even in rural area can access market easily hence increase the market share of their produce. Also, with improved and passable roads it will be easily to access all social welfare amenities. The road sector improvement went hand in hand with the finalization and implementation of the Transport Sector Investment Program. Also, improvement of rail, water and air transport were considered in the allocation process with equal importance to roads development;
- ✓ **Mining:** The attempt has been at increasing the share of revenue income to the government from large scale miners by improving the Mineral Policy and promoting the performance and activities of small scale miners;
- ✓ **Manufacturing:** Effort have been directed towards improving the productivity of manufacturing sector both by encouraging availability of skilled workers,

improving R&D and marketing framework and promoting linkage of manufacturing with other sectors;

- ✓ **Energy:** Direction has been towards allocating resources to construction of more power plants so that over time electricity will be reliable and link with other sectors that promote growth.

For *Cluster II* resource allocation has been focusing on;

- ✓ **Education:** There has been continued focus on issues related to implementation of Primary Education Development Program (PEDP) and Secondary Education Development Program (SEDP). These have also been going hand in hand with some focus on Higher Education Development;
- ✓ **Health:** The main focus has been at formulating and implementing the Primary Health Service Development Program. In addition, the Reproductive and Child Health Services and Integrated Management of Child Hood Illness have been allocated resources and implemented all along;
- ✓ **Water:** There has been a continued allocation of resources towards implementation of the Water Sector Development Program.

For *Cluster III* resource allocation has been focusing on;

- ✓ **Corruption:** The implementation of NACSAP I and II has been given priority in almost these years. Corruption has been regarded as enemy for growth strategy hence combating corruption deemed right for attainment of sustained and pro-poor growth;
- ✓ **Service Delivery:** Improvement in government sector service delivery were key to growth hence allocation of resources targeted these areas too. The main issues under service delivery were on implementing the Pay Reform for Government officials and improving the working environment of government employees by providing them with more training, good office facilities and good office buildings. This goes hand in hand with improvement of the D by D framework in which all

issues conducted at Central Government Level are implemented also at Local Government Level.

a. Trends and Volumes in Resource Allocation by MKUKUTA Clusters

In analyzing trends and volume of budgetary resource allocation for the four years of MKUKUTA implementation, a number of issues will be looked at basing on availability of information. Cluster by Cluster trends will be looked at and their share in overall MKUKUTA allocation shown. In addition, the highlights of MKUKUTA allocation in overall resource allocation will be given.

In the four years of implementation, the Government continued to link resource allocation and MKUKUTA policy objectives through cluster-based expenditure programming, with emphasis on activities and measures that have the highest impacts on growth and poverty reduction. In the same period, costing of MKUKUTA activities has been conducted though it could not cover all sectors. However, as said before budget allocation has been focusing and aligned on intervention within MKUKUTA Clusters. Table 4.1 gives trends and shares of government budgetary allocation for the four years of implementation.

Table 3.2: Mainland Tanzania: Resource Allocation by Clusters, 2006/07-2009/2010 (In Billion Shillings) 2006/07-2009/10

Cluster/Year	2006/2007		2007/2008		2008/2009		2009/2010	
	Volume	% Annual Increase	Volume	% Annual Increase	Volume	% Annual Increase	Volume	% Annual Increase
Cluster I	862.0		1011.6	17.4	1739.7	72.0	1965.0	13.0
Cluster II	693.0		603.0	-13.0	2322.0	285.1	2320.0	-0.1
Cluster III	431.0		433.0	0.5	819.0	89.1	1194.4	45.8
Total-MKUKUTA	1,986.0		2,047.6	3.1	4,880.7	138.4	5,479.4	12.3

Source: Budget Guideline (Various Issues) and National Budget Speeches, 2005/06-2009/2010 and Author's Computations

Figure 3.2: Mainland: Budget Allocation to MKUKUTA and non-MKUKUTA Activities, 2008/09

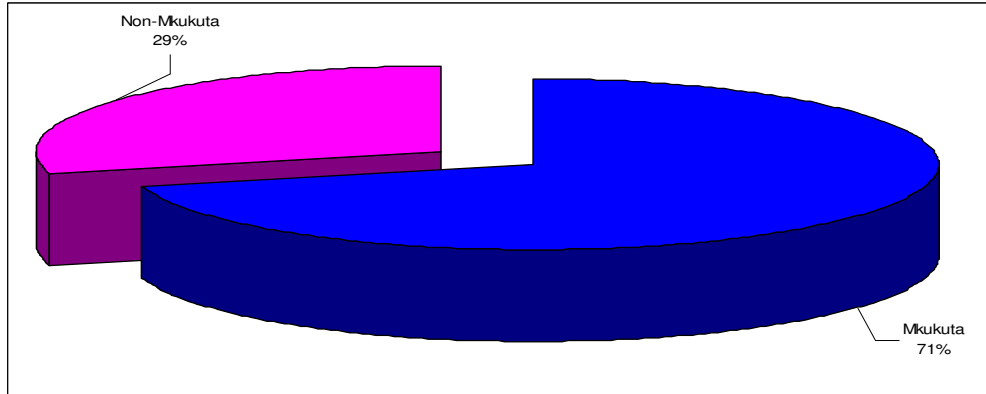
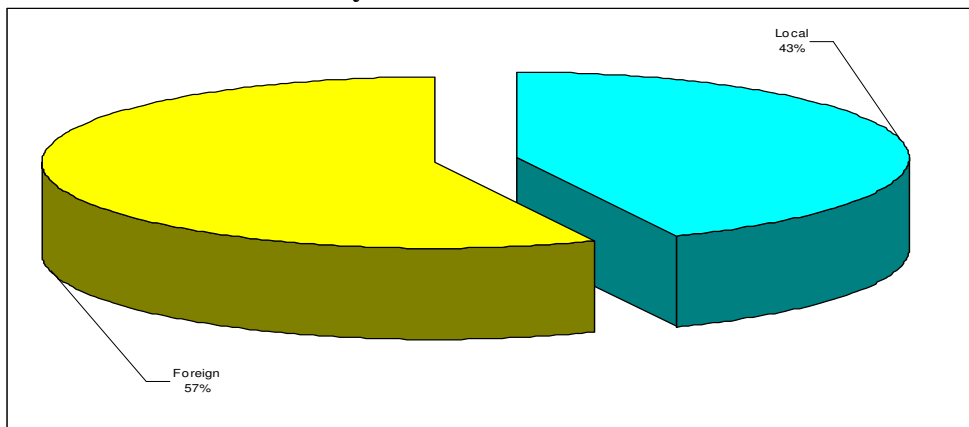


Figure 3.3: Mainland Tanzania: MKUKUTA Development Financing by Source: 2008/09



From Table 3.1 we can see that there have been a sustained increase in the overall amount allocated for MKUKUTA intervention, from Tshs 1,986 Billion to Tshs 5,479 Billion. This year to year increase shows importance put by the government towards achieving MKUKUTA objectives. However, looking within Clusters it can be concluded that over the recent, intervention in Cluster II of MKUKUTA have been given much attention by trying to increase its allocation. The direction towards cluster II can be attributed by the fact that over the years the government has been recognising the role played by the activities under cluster II (such as education and health) in reducing poverty and linking with other sector. Yet, in general emphasis is still put in Cluster I (growth and reduction of income poverty) interventions since it is the only cluster that have been registering a positive increase in resource allocation.

Notwithstanding positive growth in overall MKUKUTA allocation, resource allocation across clusters has not been consistent. Year to year trends show that the annual allocation though in most cases have been increasing in all clusters, but the rate of increase have been very erratic within clusters (Table 1.1). For instance, while allocation to Cluster I increased by 17.4 percent in 2007/08 and 72 percent in 2008/09 the year to year growth in allocation declined to 13 percent in 2008/09. The same applies to other Clusters. This can be attributed by changes in priority over years. This calls for clear look of the criteria used in determining the priorities for MKUKUTA resources allocation so that the trend in the end will not compromise the overall outcomes of MKUKUTA intervention.

Interventions under Cluster I, seek to maintain macroeconomic stability and economic growth. Measures are being taken to improve business environment to enable the private sector to participate effectively in various economic activities so as to contribute in economic growth and reduction of poverty. They also involve specific programs to address geographic disparities, identify new avenues for growth, supports to small and medium sized enterprises and the informal sector in accessing financial services, and continue implementation of the land use and management plan.

Cluster II interventions seek to improve quality of life and social well-being. Both aspects are also essential for the development of human capital because a well educated and healthy workforce is capable of absorbing new technologies, raising productivity and hence supporting accelerated economic diversification, growth and employment creation.

Cluster III interventions are geared to improving governance and accountability. The medium term focus is on economic, administrative as well as judiciary governance. Enhancing governance and accountability is essential for promoting the rule of law, improving security and safety, protecting basic human and economic rights, as well as improving expenditure efficiency and service delivery, thus creating favourable conditions for investment and growth.

Table 3.3: Mainland Tanzania: Cluster Shares in Total MKUKUTA Allocation 2005/06-2009/10

Cluster/Year	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
	% of MKUKUTA	% of MKUKUTA	% of MKUKUTA	% of MKUKUTA	% of MKUKUTA
Cluster I	39.0	45.8	49.4	48.3	51.2
Cluster II	43.0	35.8	29.5	34.1	29.3
Cluster III	18.0	18.4	21.1	17.6	19.5
% of MKUKUTA Allocation to Total Budget	65.0	63.7	62.7	66.9	73.5

Sources: URT: Budget Guideline (Various Issues) and Budget Speeches, 2005/06-2009/2010 and Author's Computations

The Cluster shares in total MKUKUTA allocation is presented in Table 3.2. Table 1.2 show that with exception of FY 2005/2006, in other years, Cluster I intervention attracted a large share of resource allocation followed by Cluster II and Cluster III respectively. The trend was almost stable for cluster I but for the remaining cluster there share experienced an erratic trend. Comparing with Table 1.1 results, the findings shows that despite the fact that year to year growth were favouring Cluster II intervention, overall share of Cluster II in MKUKUTA allocation has not surpassed Cluster I share hence showing the continued recognition by the government to the importance of Cluster I intervention in poverty reduction initiatives.

Table 3.4: Mainland Tanzania: Aggregate Resource Requirement and Allocation 2006/07-2009/10 (%)

Cluster/Year	2006/2007		2007/2008		2008/2009		2009/2010	
	Total MDA Request	% of Request Accepted	Total MDA Request	% of Request Accepted	Total MDA Request	% of Request Accepted	Total MDA Request	% of Request Accepted
Cluster I	1,808,622.2	47.7	1,584,395.2	63.9	1,034,137.8	120.4	1,168,362.5	117.0
Cluster II	1,641,954.1	42.2	1,822,651.7	33.1	1,334,904.1	66.0	3,834,899.4	23.1
Cluster III	1,036,039.8	41.7	1,031,137.4	42.0	698,223.0	65.2	1,607,836.1	28.8
MKUKUTA TOTAL	4,486,616.2	44.3	4,438,184.4	46.2	3,067,265.2	84.2	6,611,098.0	41.1

Source: Budget Guideline (Various Issues)

As highlighted before, the resources were not sufficient to cover all MKUKUTA interventions within a year. The resource constraints necessitated prioritization in the resource allocation process. Table 4.3 show that except for Cluster I recent years trend, MKUKUTA resource requirement has been exceeding the available resources. And in almost all the years of MKUKUTA implementation, cluster wise and in Total MKUKUTA requirement, the final allocation has been less than half of the requests. This trend call for a need to scale up resource mobilization and at the same time put in place a clear and well designed prioritization criteria that can result into poverty reduction. If efforts are not channelled towards that direction there is a possibility for not achieving the desired targets despite year to year increase in resources directed towards MKUKUTA implementation since in each year there will be a number of unimplemented projects that may be needed to complement the performance of the implemented project.

However as in the previous tables, Table 1.3 show that Cluster I received highest share compared to requests. This direction has to be encouraged because if the country needs to attain to a pro-poor growth more resources have to be directed towards activities under cluster I since most of them are pro-poor in nature as compared to interventions under the remaining clusters.

b. Trends and Volumes in Resource Allocation by MKUKUTA Priority Areas

As it has been highlighted in previous sections of this chapter, in the course of implementation and resource allocation, due to lack of resources to cover all MKUKUTA activities, the government have been prioritizing the activities by choosing interventions that have quick wins in terms of poverty reduction. These activities over the years of implementation have been in agriculture, roads, mining, manufacturing, energy, education, health, water, corruption and service delivery.

Table 3.5: Mainland Tanzania: Allocation of Resources in Selected Priority Areas- Selected Years¹ (Billion Shillings)

	2007/2008	2008/2009
Education	1086.1	1413.0
Roads	777.2	970.3
Health	589.9	743.6
Agriculture	379.0	460.0
Water	309.5	233.0
Energy		378.0

Source: Annual Budget Speeches (Various)

Table 1.4 shows trends in resource allocation in selected priority areas. The trend shows that for the two selected years, each sector has been attracting increasing resources. Also it can be seen that, overall, education sector has attracted more attention followed by roads, health, agriculture, water and energy sectors. From Table 1.4 it can also be shown that under Cluster I roads attracted more resources followed by agriculture. In cluster II education sector attracted more resources followed by health and water sectors. These trends followed declared government policy commitments in the major sectors, including education, health, agriculture, water and roads.

The trend also show that in the recent years the government is keen to improving access to quality basic and secondary education, and vocational training as well increasing enrollment in tertiary education. Tanzania being aware of the importance of education in enhancing poverty eradication among Tanzanians is fully committed towards expanding access to and quality of education at all levels including primary, secondary and tertiary

¹ The figures include non-MKUKUTA interventions.

levels. If the sector is well developed, the country will therefore be guaranteed with elite and capable human capital, the resource which is very critical in sustaining growth of the economy.

3.2.1 Zanzibar

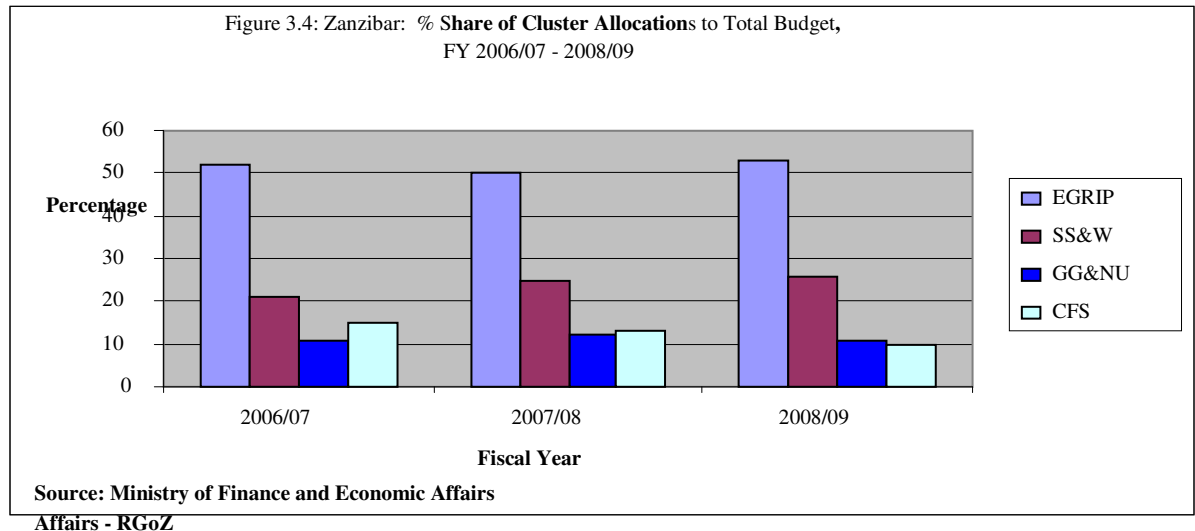


Table 3.6: Zanzibar:-Trend Analysis Of Total Budget Allocation By Cluster FY 2006/07 - 2008/09, in Tshs billion

Sector	2006/07			2007/08			2008/09		
	Budget	Budget	Total	Budget	Budget	Total	Budget	Budget	Total
	Rec.	Dev.	budget	Rec.	Dev.	budget	Rec.	Dev.	budget
EGRIP	25.24	87.48	112.72	34.08	104.48	138.56	39.38	140.23	179.61
SS&W	32.22	13.76	45.98	43.63	24.70	68.33	46.33	42.50	88.84
GG&NU	21.09	3.21	24.29	26.89	6.46	33.34	28.61	9.54	38.15
CFS	31.81	0.00	31.81	35.77	0.00	35.77	35.11	0.00	35.11
GRAND Total	110.36	104.44	214.80	140.37	135.64	276.01	149.43	192.27	341.70

Source: Printed Estimates for 2006/07, 2007/08 & 2008/09 for RGoZ.
EGRIP- Economic Growth and Reduction of Income Poverty; **SS&W**-Social Services and Well being; **GG&NU**-Good Governance and National Unity Cluster; and **CFS**- Consolidated Fund Services

As shown in Figure 3.4 and Table 3.5, cluster-wise, the Growth Cluster (I) received the highest allocation throughout the period.

CHAPTER IV: POTENTIAL OPTIONS FOR FINANCING

4.0. Overview

This task requires assessing the feasibility and sustainability of other potential options for financing such as Public Private Partnerships (PPPs), financial instruments such as long term bonds, etc.

It is generally agreed that this scope exists and has great potential. However, the state of the financial markets in Tanzania sets a limit to the potential exploitation of certain financial instruments such as the capital market. The private sector is often taken as young and unable to participate efficiently in all financial instruments. PPPs have taken shape and they have proved successful in certain areas. In the Mainland, the sector of infrastructure has proved success (URT 2009c), while in Zanzibar, schemes such as Build, Operate and Transfer (BOT) have proved successful in financing airport hangars, warehouses and fuel storage facilities (RGOZ 2009d).

4.1. Traditional financing mechanisms

In the Mainland, the traditional financing mechanisms have been

Domestic

Government domestic revenue

This mainly involves fiscal operations of the Government, with tax revenue being the highest component (about 90 percent). The main problem with this source is the feasibility of expansion in developing economies like Tanzania. The taxable population is small for various reasons main being a large informal sector.

Dividends

These are proceeds from government investments. This source is conditional upon businesses in which the government has investments making profit and declaring dividends. Neither is guaranteed.

Proceeds from privatization and Sale of Government shares

With further progress on privatization, this source dwindles

Domestic borrowing (non-Bank)

This source involves government sale of its papers (to commercial banks), and domestic suppliers of goods and services to the government. The main problem with this fund is that the borrowed funds are used to finance recurrent outlays.

Credit/loan guarantees

The guarantee is issued by the Ministry of Finance and Economic Affairs for government agencies to develop projects

Skills development financing

The main avenue is VETA funds, where employers pay for an establishment of more than ten employees. The main problems with this scheme involves employer cheating through maintaining records of permanent employment of not more than ten while pretending to maintain a large pool of “casual labourers” as well as casualization of labour – employees not being upgraded to full employment status.

Road funds, road licences and vehicle inspection fees

This is a dependable source if well managed

External

Foreign grants and concessional loans

This forms the main source of financing development projects in Tanzania. The main challenges with this source are reliability and predictability in addition to conditionality.

Commercial borrowing

Debt relief

Tanzania has enjoyed full HIPC benefits. The social services sector has been the main beneficiary. Exit from relief in favour of borrowing in international financial markets on a commercial basis means that this source gets wiped out.

Zanzibar

The main sources for Zanzibar have been:

Domestic Revenue

4.5% of GBS through URT

Non-Bank borrowing (Treasury bills/bonds)

Project Grants

4.2. Potential sources of financing

Domestic

Exploring the full range of PPPs

As Box 4.1 reveals, there are many forms of PPPs and Tanzania has not taken full advantage of many of the schemes and modalities

Box 4.1: PPP Schemes and Modalities	
Schemes	Modalities
Build-own-operate (BOO) Build-develop-operate (BDO) Design-construct-manage-finance (DCMF)	The private sector designs, builds, owns, develops, operates and manages an asset with no obligation to transfer ownership to the government. These are variants of design-build-finance-operate (DBFO) schemes
Buy-build-operate (BBO), Lease-develop-operate (LDO), Wrap-around addition (WAA)	The private sector buys or leases an existing asset from the government, renovates, modernises, and/or expands it, and then operates the asset, again with no obligation to transfer ownership back to the government
Build-operate-transfer (BOT), Build-own-operate-transfer (BOOT) Build-rent-own-transfer (BROT) Build-lease-operate-transfer (BLOT) Build-transfer-operate (BTO)	The private sector designs and builds an asset, operates it, and then transfers it to the government when the operating contract ends, or at some other pre-specified time. The private partner may subsequently rent or lease the asset from the government.

Road toll

Property tax

Credit/loan guarantees to private sector

This scheme has hitherto benefited government agencies only. Extending same to private sector can be explored.

External

Sovereign borrowing

This modality involves external markets where the government can borrow from and has proved successful in a number of countries. Tanzania needs to exploit this source.

Bilateral financing

Regional arrangements

This mainly involves joint financing of investments in Regionally integration schemes in which Tanzania is active – EAC, SADC) such as investments in power generation and distribution.

CHAPTER V: PRIVATE SECTOR CONTRIBUTION IN OVERALL FINANCING

5.0. Overview

The purpose of this Chapter is to present an assessment of the significance of private sector contribution.

The private sector in Tanzania is playing significant role in sectors in Cluster I (such as Manufacturing and agriculture) and Cluster III (especially in education and health). It is possible to identify private sector contribution in these areas and by level e.g. in education – primary, secondary and tertiary. In fact it is in education that private sector contribution is more visible. The other measure is capital formation

5.1. Mainland

Education

We provide an example of private sector provision in pre-primary, primary and secondary education.

The first observation we make is the increase in absolute number in enrolment at all levels. The second observation is that Government provision has expanded.

Table 5.1: Mainland Tanzania: Private Provision of Education, 2005-2009

	2005	2006	2007	2008	2009
<i>Pre-primary</i>					
Govt	624,204	653,485	775,313	805,407	851,084
Non government	14,367	16,652	19,698	68,574	45,062
<i>% Non-govt</i>	2.2				5.0
<i>Primary</i>					
Government	7,476,650	7679688	6,235,432	6296608	8,313,080
Non-government	64,558	80,196	81,493	113,486	128,473
<i>% Non-govt.</i>	0.9				1.5
<i>Secondary 1 -4</i>					
Government	337,034	462,590	795,637	998,890	1,249,795
Non-government	152,908	167,655	171,450	165,360	151,764
<i>% Non-govt</i>	31.2				12.1
<i>Secondary 5-6</i>					
Government	18,154	27,902	33,456	36,983	43,896
Non-government	16,229	17,525	19,966	21,170	20,947
<i>% Non-govt.</i>	89.4				47.7

Source: URT *BEST* 2009

Capital formation

During the period 2005-2008 for which data were available, the share of private sector increased from 66.7 per cent to 73.9 percent.

Table 5.2: Mainland Tanzania: Private Sector Capital Formation, 2005-2008

	2005	2006	2007	2008
Total (Shs million) current	4,023,968	4,957,781	6,209,741	7,381,257
o/w Private	2683283	4,815959	4,570,749	5,451,815
% Private	66.7	97.1	73.6	73.9

5.2. Zanzibar

Education

Tables 5.3 and 5.4 show the structure of school infrastructure. Public provision is pronounced in all categories except at University level.

Table 5.3: Zanzibar: Number of Private Schools by Category, 2006 – 2008

Category	2006	2007	2008
Nursery Schools	160	236	209
Primary Schools	26	27	25
Primary Middle Schools	22	21	20
Secondary Schools	5	6	6
Technical Biased Schools	1	1	1
Universities	2	2	2

Source: Ministry of Education and Vocational Training

Table 5.4: Zanzibar: Number of Public Schools by Category, 2006 – 2008

Category	2006	2007	2008
Nursery Schools	25	25	26
Primary Schools	109	119	129
Primary & Middle Schools	109	105	103
Secondary Schools	64	69	69
Technical Biased Schools	2	2	2
Islamic College	1	2	2
Technical College	1	1	1
Teachers Training College	2	2	2
Science Biased Schools	3	4	4
Business Biased Schools	2	2	2
University	1	1	1

Source: Ministry of Education and Vocational Training

In concluding we may say that private sector contribution has been expanding during implementation of both MKUKUTA and MKUZA.

CHAPTER VI: ROLE OF COMMUNITY CONTRIBUTIONS AND SCOPE FOR SCALING-UP

6.0. Overview

There have been efforts to assess community contributions (both financial and in kind) through programmes such as TASAF. However, the assessment of contributions in kind have relied mainly on accounting prices rather than *shadow prices* especially for labour. This has tended to under estimate the contributions in kind. Using shadow prices will give a more correct picture of contributions in kind.

The Tanzania Social Action Fund (TASAF) is one of the core instruments of the policy to combat poverty in the country. The development objective of TASAF is to empower communities to access opportunities so that they can plan, implement and monitor sub-projects that contribute to improved livelihoods linked to MDG targets in the Poverty Reduction Strategies MKUKUTA and MKUZA. The operations of TASAF cover all 132 local government authorities on the Mainland and Unguja and Pemba in Zanzibar (except Dar es Salaam City Council that does not deal directly with community level operations). The principal target beneficiaries are communities who lack access to basic social and market services.

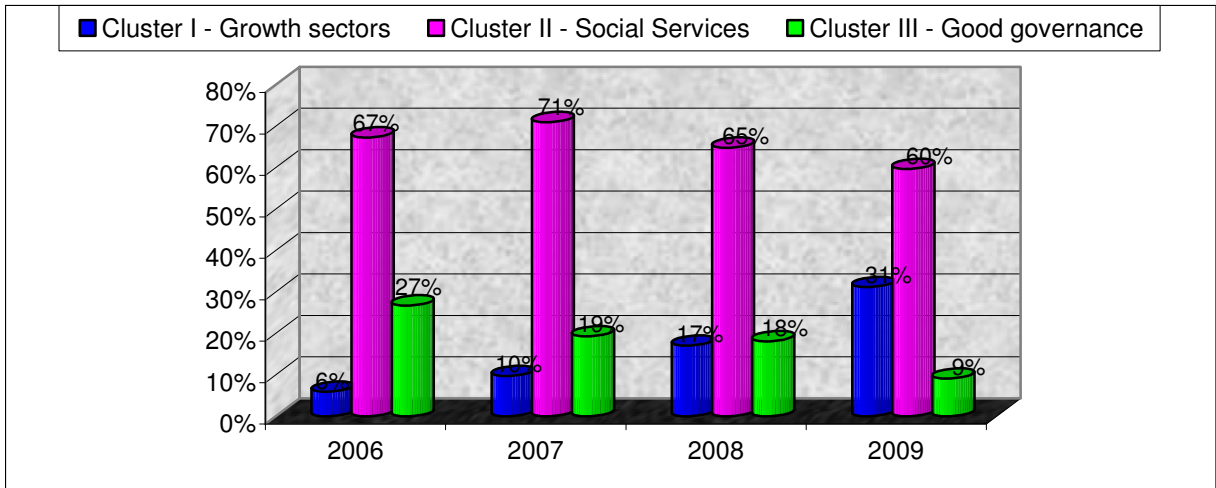
In 2007, the government of the United Republic of Tanzania launched the Second Phase of the Tanzania Social Action Fund (TASAF II). The objective of TASAF II is to empower communities to access opportunities and to implement, and monitor sub-projects that contribute to improved livelihoods. TASAF II operations cover all councils in the Mainland and two councils in Zanzibar. TASAF II project comprises two major components – the National Village Fund (NVF) and Capacity Enhancement (CE). The targeted beneficiaries of the NVF are those communities who lack access to basic social and market services, have able-bodied but are food insecure households, and have households with vulnerable individuals. The targeted beneficiaries of the CE component are agencies (public and private) that support communities to make the best use of resources made available under the NVF, and poor individuals participating in savings groups

This notwithstanding, there is general agreement that community contributions can be scaled-up (or properly reflected). Innovative ways are needed and are available.

6.1. Mainland

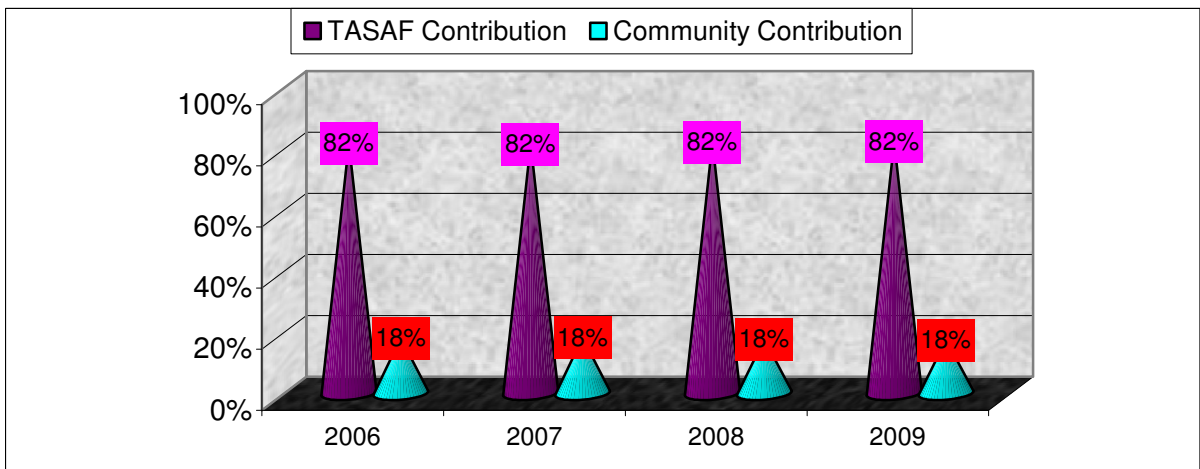
Figure 6.1 shows cluster-wise composition of TASAF projects. It is seen that Cluster II has been the major beneficiary during implementation of MKUKUTA.

Figure 6.1: Mainland: Cluster-wise Distribution of TASAF Projects 2006 -2009 (%)



In terms of contribution, communities contribute 20 percent as shown in Figure 6.2.

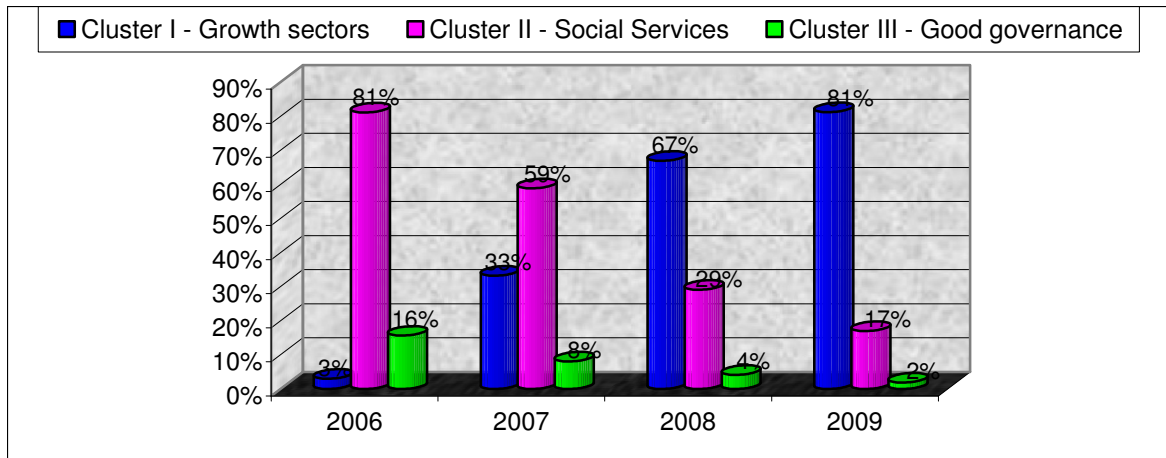
Figure 6.2: Mainland- TASAF Contribution vs Community Contribution, 2006-2009 (%)



6.2. Zanzibar

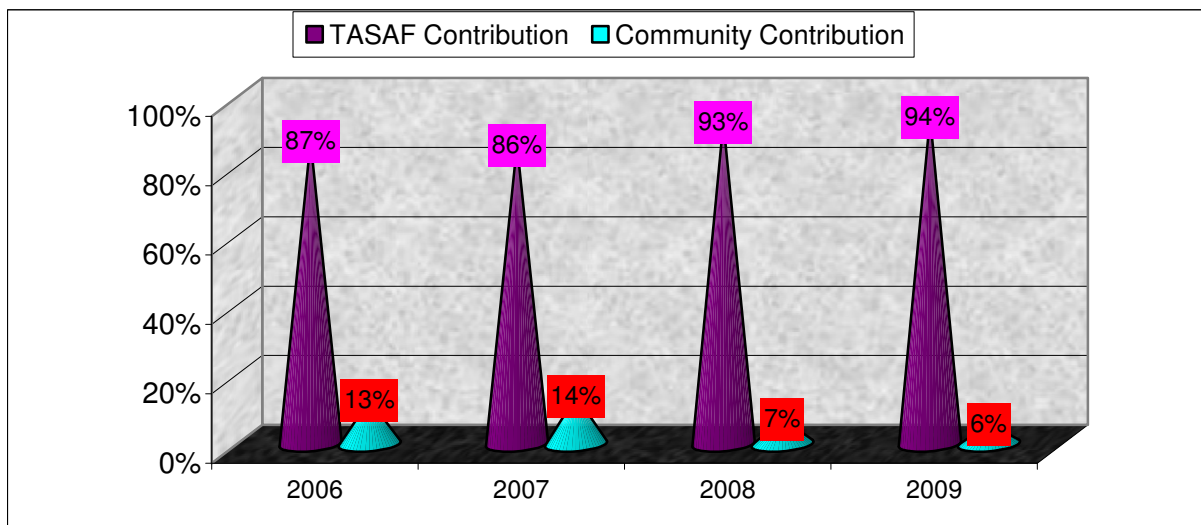
Cluster-wise, social sectors were the main beneficiary in the initial years before being overtaken by Growth cluster

Figure 6.3: Zanzibar: Cluster-wise Distribution of TASAF Projects 2006 -2009 (%)



Unlike in the Mainland, the contribution of communities differ from year to year, declining from 13 percent in 2006 to 6 percent in 2009 as shown in Figure 6.4.

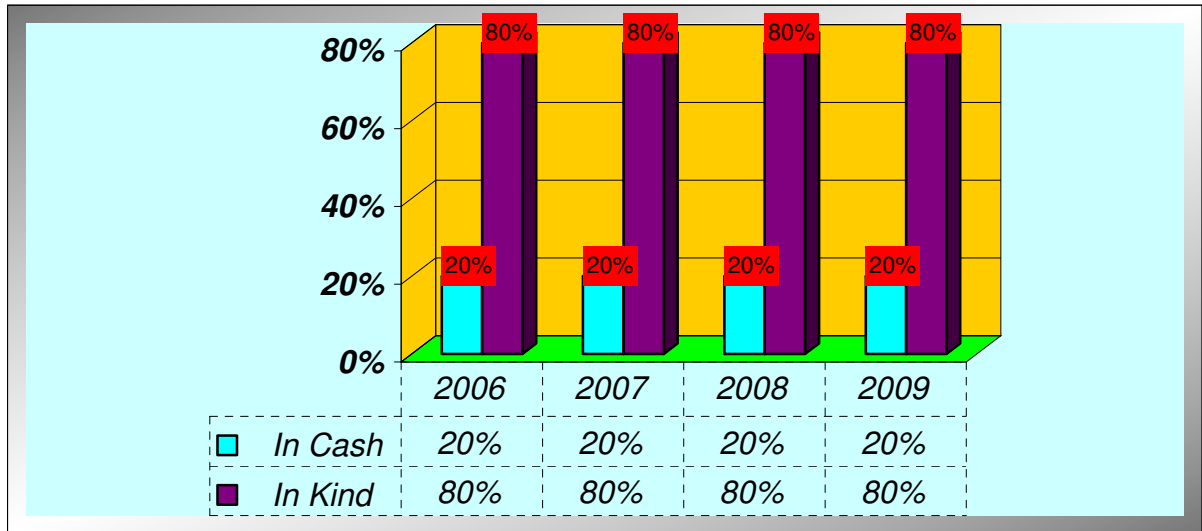
Figure 6.4: Zanzibar: TASAF Contribution vs Community Contribution, 2006-2009 (%)



Nature of contribution (Mainland, Zanzibar)

The nature of community contribution in both the Mainland and Zanzibar is mainly non-cash, making up about 80 percent.

Figure 6.5: Mainland In-Cash and In-kind Community Contribution in TASAF Projects, 2006-2009 (%)



In conclusion one clearly sees that the scope for scaling up community contribution lies in non-cash contribution

CHAPTER VII: ANALYSIS OF MACROECONOMIC FRAMEWORK

7.0. Overview

The purpose of this sector is to provide an analysis of the macroeconomic framework with a view to assessing its realism and make suggestions for establishment of a realistic macroeconomic framework and resource allocation in order to ensure a credible Medium Term Expenditure Framework (MTEF).

The quality of macroeconomic and fiscal projections is important for optimal allocation of resources and budget discipline. Robust and realistic macro-fiscal projections are key to the success of an MTEF. The credibility of the MTEF will depend on a robust macroeconomic and fiscal modelling and a solid budgetary management foundation. The key ingredients of an MTEF include: (i) a top-down resource envelope; (ii) a bottom-up estimation of the current and medium-term expenditure costs of existing and new policies and priorities and, (iii) projected expenditures that are contained within the available resources during the annual budget process. The interface between macroeconomic and fiscal/budget policy is as follows: (RGOZ 2009).

- A credible macroeconomic and fiscal policy framework allows a realistic budget resource envelope to be constructed, which is consistent with macroeconomic objectives. Budget policy decisions have to be grounded on robust and reliable medium-term fiscal frameworks.
- The “top-down resource envelope” is fundamentally a fiscal framework that indicates fiscal targets as well as estimates of revenues and expenditures, including government financial obligations, high cost government-wide programs, and extra-budgetary agencies.
- Realistic and reliable data on projections/commitments and disbursements of external resource inflows is critical to effective macroeconomic and fiscal planning. In this regard, it provides a comprehensive picture of the resource envelop, promotes optimal allocation of resources at the disposal of government and encourages realistic estimation of counterpart funding to programs financed by project aid.

- Bottom-up estimation of the current and medium-term expenditure enhances the credibility of the medium term fiscal projections. It is imperative that generation of estimates is based on effective analyses of the multi-year implications of existing and new policies and projects as well as all fiscal operations that are undertaken by the government.

Sustaining a credible macroeconomic and fiscal framework remains a challenge.

Macroeconomic models typically cover macroeconomic management tools; GDP targets; Fiscal Policies and internal debt; Monetary policy and Financial sector; Domestic trade policies; external sector policies. New and emerging challenges of globalization and regional integration are seldom inbuilt. Credibility of an MTEF is measured by the predictive power of the model. By computing the divergence between predicted values and actual values, one may closely measure credibility of the model.

The other two sections of the Chapter cover the Mainland and Zanzibar

7.1. Mainland

There are a number of efforts that have been made to establish the macroeconomic framework. These include Macroeconomic Model (MACMOD), Medium Term Public Investment Plan (MPIP), PlanRep2 as well as International Monetary Fund (IMF) and World Bank Macroeconomic models.

With successive refinements over the years MACMOD has become the main tool of projecting the macroeconomic framework in the Mainland.

The macroeconomic framework for implementation of MKUKUTA was based on the following assumptions:

- Real GDP growth rate of 6 - 8 percent annually over the medium term
- Attainment of consumer price inflation to 4.0 percent by end-June 2005 and thereafter maintain it at 4.0 percent or below, consistent with major trading partners;
- Controlled expansion of broad money supply (M2) consistent with GDP growth and inflation targets; and,

- Foreign reserves maintained above a value equivalent to 6 months of imports of goods and services.

Table 7.1: Mainland Tanzania: Actual and Projected Figures for Selected Macroeconomic Variables, 2003-2010

Macroeconomic Variable	"Past Five Years"					Outer Years (projected)		
	2003	2004	2005	2006	2007	2008	2009	2010
Calendar year								
Inflation (actual)	3.5	4.1	5.0	7.3	7.0			
Inflation (projected)	5.2	5.0						
Deviation in inflation as % of actual	-48.6	-22.0						
Real GDP Growth	6.9	7.8	7.4	6.7	7.1	8	8	8
Real GDP per PGBs 2006 projected	5.7	6.7	6.9	7.2	7.6	7.7	7.9	8.1
Deviation in growth as % of actual	17	14	6.8	-6.8	-7.0			
Money Supply: M2/GDP (%)	16.1	16.6	19.8	16.4	19.6			
Foreign Reserves (Months of Imports)	8.9	8.2	6.4	5.3	4.6	6	6	6
Fiscal year								
	2002/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Domestic Revenue collection/GDP (%)	12.1	13	13.6	14.1	14.3	14.8	15	
Overall fiscal deficit before grants	-7.7	-9.3	-11.3	-11.2	-9.0	-6.7	-11.2	
Overall fiscal deficit after grants	-1.5	-3.2	-3.7	-5.0	-4.1	-2.0		

Source: Economic Survey and BOT Economic Bulletin (various issues)

Two issues can be raised from Table 4.16: first, the deviations between the projections and actual performance. Though there is no established "norm", being within a range of maximum 10 percent may be regarded on either side as fair though the story should not end there. One would need to examine other variables as well and next explain the possible causes of the deviations other than "recording errors". Second is the closeness of projections to actual with advancing years showing greater accuracy in projections with time thus indicating increasing predictability and credibility of government economic policy.

Box 7.1 shows predictability of MACMOD with respect to GDP growth, tax revenue and tax effort.

	Actual RGDP growth	Estimates RGDP growth	Difference (RGDP)	%Change (RGDP)
2004	7.8	6.3	1.5	19.2%
2005	7.4	6.5	0.9	12.2%
2006	6.7	7.2	(0.5)	-7.5%
2007	7.1	7.6	(0.5)	-7.0%
2008	7.4	7.7	(0.3)	-4.1%
2009	5.5	7.8	(2.3)	-41.8%

Year	Actual Tax Rev	Estimates Tax Rev	Difference (Tax Rev)	%Change (Tax Rev)
2004/05	1,773,709	1,739,288	34,421	1.9%
2005/06	2,124,844	2,066,751	58,093	2.7%
2006/07	2,739,022			
2007/08	3,653,605			
2008/09	4,293,074	4,728,595	(435,521)	-10.1%

	Actual REV/GPD	Estimates REV/GPD	Difference (REV/GPD)	%Change (REV/GPD)
	11.8%	13.8%	-2.0%	-16.5%
	12.4%	14.3%	-1.9%	-15.6%
	14.1%	14.5%	-0.4%	-2.9%
	15.8%	18.1%	-2.3%	-14.5%
	17.8%	18.5%	-0.7%	-4.1%

As can be seen from Box 7.1, the predictive power of MACMOD is stronger in tax revenue projections and weakest in tax effort. There is need to examine the assumptions.

7.2. Zanzibar

MACROECONOMIC FRAMEWORK – PROJECTION METHODOLOGY

There is no definite tool used to make macroeconomic projections/forecasting. Usually trend data (trend analysis) is in use, with consideration of prevailing situation such as predicted weather conditions, construction of sea port (likely to impact on import growth), global situations that are likely to affect domestic business environment and the like.

Table 7.2: Zanzibar: Comparison between MTEF and Budget Estimates for 2006/07, 2007/08 and 2008/09

in Tshs billion	2006/07			2007/08			2008/09		
	MTEF	Budget	Variation %	MTEF	Budget	Variation %	MTEF	Budget	Variation %
TOTAL RESOURCES	198	215	8%	282	267	(5)%	272	342	26%
a. Domestic revenue	83	83	0 %	107	115	7%	127	135	6%
b. Budget Support	29	29	0%	35	36	2%	23	31	36%
c. Treasury Bills	(10)	7	(170)%	7	(3)	143%	3	2	33%
d. Grants and Loans	96	96	0%	132	119	(10)%	119	174	46%
TOTAL EXPENDITURES	198	215	8 %	282	267	(5)%	271	342	26%
e. Recurrent expenditure (Ministries)	60	78	31%	101	105	3%	107	114	6%
f. Rec. Expenditure CFS	34	32	(6)%	33	27	20%	33	35	6%
g. Development Exp									
o/w Govt. contribution	9	9	0%	15	17	10%	11	19	61%
o/w Donor Contribution	96	96	0%	132	119	(10)%	119	174	46%

In financial year 2009/10 MoFEA started developing a simple scientific model that will be used in forecasting and estimation of macroeconomic indicators for 2010/11 fiscal year.

The MTEF and approved budget estimates exhibit wide differences. Table 7.1 shows significant variations between the MTEF, budget appropriations and budget out-turns. The significant disparities undermine the credibility of the resource envelope and MTEF. The macroeconomic and fiscal forecasting that was used during implementation of MKUZA exhibits a number of weaknesses namely:

- Lack of a credible tool for formulation of a robust macroeconomic framework that prevents generation of projections that are closely linked and based on a consistent set of assumptions.
- Inadequate capture of the external resources in-flows
- Inadequate capacity and institutional arrangement within MOFEA to obtain reliable data on key macro economic indicators and formulate robust projections.
- Significant variations between MTEF projections, budget estimates and budget out-turns.

CHAPTER VIII: LINKING RESOURCE ALLOCATION AND OUTCOMES SO AS TO ESTABLISH A GAP

8.0. Overview

There have been attempts to establish the financing gap of both MKUKUTA and MKUZA. The most credible of these were costing exercises done in the Mainland in 2006 and in Zanzibar in 2008. Both attempts have revealed substantial financing gaps. However, both costing exercises selected few sectors only. In addition, there has not been any attempt yet to link financing and outcomes for both MKUKUTA and MKUZA. It is possible to assess the link between financing and outcomes through assessing overall allocations and intended progress in intended outcomes in all three clusters.

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In this section we examine the link by looking at progress in selected indicators.

8.1. Mainland

The main expected outcome of MKUKUTA was substantial poverty reduction. As Table 8.1 shows, this was not realized.

Table 8.1: Incidence of Poverty in Tanzania

Incidence of poverty					
	Year	Dar es Salaam	Other Urban Areas	Rural Areas	Mainland Tanzania
Food					
	2000/01	7.5	13.2	20.4	18.7
	2007	7.4	12.9	18.4	16.6
Basic Needs					
	2000/01	17.6	25.8	38.7	35.7
	2007	16.4	24.1	37.6	33.6

Source: URT, NBS, Household Budget Survey 2000/01, and 2007.

8.2. Zanzibar

Despite the increased focus on ensuring the attainment of sustainable growth and reduction of both income poverty and non-income poverty, a section of Zanzibaris still live below acceptable poverty levels (Data of HBS, 2009). In addition higher levels of vulnerability to poverty are still prevalent as evidenced by persistent fluctuations of incomes and inadequate social services.

8.3. Explaining the Mismatch

Inadequate resources

As elaborated elsewhere, resource constraint was the main bottleneck in implementation of MKUKURA. Table 8.2 shows realistic costing of MKUKUTA. Clearly the allocated resources fall far below this resource requirement.

Table 8.2. Mainland Tanzania: Summary MDG Costing 2007/08-2014/15(in Million USD, current)

Sector	2007/08	2008/09	2009/10
Agriculture	270.5	280.2	291.9
Water	374.0	433.7	482.7
Roads	951.4	965.5	801.8
Health	470.0	500.0	540.0
Energy	897.9	1123.5	906.6
Education	1004.4	1312.6	1502.3

Sources: URT 2006, URT 2008b

8.3.1. Zanzibar

Costing of MKUZA interventions also revealed existence of large financing as shown in Table 8.3

Table 8.3a: Zanzibar: Resource Gap in MKUZA Financing: Cluster I and II

ANALYSIS OF THE FINANCING GAP (MILL US\$)				
YEAR	MKUZA “NA” RESULTS IN mil US\$	MTEF	GAP	percent of the GAP to Available Resources
2008	420.5	62.5	358	85
2009	436.4	70.7	365.7	84
2010	451.7	81.2	370.5	82
TOTAL	1,308.6	214.3	1094.3	84

Table 8.3b: Zanzibar: Resource Gap in MKUZA Financing: Cluster III

Year	Resource Projections (Requirements) for MKUZA (unconstrained budget)	Projected Resource Allocations (constrained budget) to the GG sector	Financing Gap	Gap as percent of available resources	Available resources as percent of resource needs
2008/9	36.99	35.17	1.82	5.2	95.1
2009/2010	108.77	41.15	67.62	164.3	37.8
2010/2011	101.10	48.15	52.96	110	47.6
TOTAL	246.86	124.47	122.39	98.3	50.4

Source: MOFEA

CHAPTER IX: CONCLUSIONS AND RECOMMENDATIONS

The main challenges that faced the outgoing strategies for growth include; unacceptable low production and productivities of economic sectors, inadequate linkage between agriculture and drivers of growth such as tourism manufacturing and trade, low productivity of labour, inadequate economic infrastructure such as feeder roads, market, information, storage, transport, poor implementation of National land use plan and poor availability and accessibility of investment capital. In addition agricultural sector is faced with a weak value added supply chain that tremendously reduces the competitiveness of local products and access to both domestic and export markets.

Key lessons that can be learned include and should inform MKUKUTA II and MKUZA II implementation include:

1. Need for realistic costing the interventions before launching of the two successor strategies in order to give a comprehensive picture of the price tag of implementing MKUKUTA and MKUZA.
2. Need to include wages and salaries and transfers to LGAs as MKUKUTA expenditure (human resource issues are key in implementing MKUKUTA and MKUZA).
3. Need to estimate as far closely as possible the contribution of non-state actors in implementation
4. Adequate resource mobilization to close the resource gap is key in realizing the outcomes. This will avoid phasing out some activities as experienced during implementation of MKUKUTA and MKUZA
5. Growth of agriculture is key to poverty reduction.

6. Need to improve Budget Guidelines in terms of assumptions – this calls for reengineering of the forecasting tools and models
7. Need to re-examine the cash budget system which largely operated during implementation of MKUKUTA and MKUZA. A horizon equal to at least quarterly disbursements enhances implementation.

These important lessons call for action in the following areas

- i. Continued pursuance of prudent fiscal and monetary policies
- ii. Enhancement of domestic revenue
- iii. Improving macroeconomic indicators forecasting and estimation
- iv. Strengthening aid coordination and external resource management based on aid effectiveness principles
- v. Strengthening and developing an efficient and effective public debt management system
- vi. Strengthening union financial matters
- vii. Enhancing intergovernmental fiscal relation (central government and local authorities)
- viii. Strengthening the macro-micro link

In a nutshell, the main challenge involves expanding the domestic revenue base such as through improve tax administration, reduce unnecessary exemptions while in terms of external finances prioritization and improving aid coordination for effectiveness

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ANNEXES

ANNEX 1: Terms of Reference (TORs)

- a) Analyse overall budgetary allocation to MKUKUTA and MKUZA interventions
- b) *Explore other potential options for financing*
- c) *Assess the contribution of the private sector in the overall financing arrangement*
- d) *Assess the potential of scaling up community contributions both in terms of cash and in kind*
- e) *Analyse and establish a realistic macroeconomic framework and resource allocation in order to ensure a credible Medium Term Expenditure Framework (MTEF).*
- f) *Explore the link between resource allocation and MKUKUTA and MKUZA outcomes*

**Annex 2: Trend analysis of intra Cluster allocation within Ministry of Education
2006/07 - 2008/09**

Ministry/Department	2006/07	2007/08	2008/09
ECONOMIC GROWTH & REDUCTION OF INCOME POVERTY	112.72	138.56	179.61
Economic Brigade	2.9%	4.0%	2.1%
Ministry of Finance & Economic Affairs	9.8%	19.0%	22.0%
Ministry of Communication & Transport	43.9%	33.8%	30.5%
Ministry of Agriculture, Livestock & Environment	17.0%	14.2%	14.7%
Ministry of Tourism, Trade and Investment	1.0%	9.7%	3.6%
Ministry of Water, Construction Energy & Land	23.5%	17.2%	25.7%
Tourism Commission	0.5%	0.6%	0.4%
Fire & Rescue Force	1.3%	1.6%	1.1%
Sub-total	99.99%	100.01%	100.01%
SOCIAL SECTORS AND WELL BEING	45.98	68.33	88.84
Zanzibar Commission for AIDS	3.1%	2.1%	2.8%
Ministry of Education & Vocational Training	66.4%	65.2%	55.1%
Ministry Of Health & Social welfare	17.0%	20.3%	26.1%
Ministry of Labour, Youths, Women & Children Dev.	2.8%	2.3%	5.2%
Urban West Region	0.9%	1.0%	0.7%
South Region Unguja	0.8%	0.9%	0.7%
North Region Ugunja	0.9%	1.0%	0.8%
South Region Pemba	1.3%	1.1%	0.9%
North Region Pemba	1.4%	1.1%	0.8%
Ministry Of Information, Culture & Sports	5.3%	4.9%	7.0%
Sub-total	100.00%	100.01%	100.00%
GOOD GOVERNANCE AND NATIONAL UNITY	24.29	33.34	38.15
President's Office - Econ. & Int. Relations	1.2%	0.8%	0.8%
Presidents Office Rev. Council	1.9%	2.2%	6.2%
Presidents Office Reg. Coordination	4.9%	6.4%	11.2%
Presidents Office State House	4.7%	5.1%	5.1%
Office of Controller & Auditor General	2.3%	4.6%	4.2%
High Court Zanzibar	3.5%	3.7%	3.2%
Chief Ministers Office	13.4%	10.3%	12.6%
Attorney Generals office Zanzibar	1.4%	1.7%	1.7%
House of representatives	21.9%	21.5%	17.2%
Prison Department	11.0%	9.7%	8.2%
Anti-smuggling Unit	16.7%	14.8%	14.0%
Zanzibar Electoral Commission	1.7%	2.2%	1.6%
Ministry of State(P.O) constitutional Affairs	5.5%	5.6%	4.4%
People's Militia Unit	5.8%	7.1%	5.5%
Office of Director of Public prosecution	3.3%	2.6%	2.5%
Zanzibar Registration and identity Card Office	0.8%	1.6%	1.4%
Sub-total	100.1%	100.0%	100.0%
Consolidated Fund Services as a percentage of the Grand Total	14.8%	13.0%	10.3%

ANNEX 3: ZANZIBAR: CONSOLIDATED FUND SERVICES

	2005/06	2006/07	2007/08	2008/09	2009/10
Terminal Benefits					
Political retirees-HoR	1,840.32	-	-	-	-
Pension	4,200.00	3,200.00	4,264.00	4,477.20	4,701.06
Gratuity	1,002.66	3,500.00	4,170.00	4,378.50	4,597.43
Sub-Total	7,042.98	6,700.00	8,434.00	8,855.70	9,298.49
Special Expenditure					
Contingency	519.00	1,357.00	4,303.00	6,736.00	9,536.44
Gender mainstreaming and HIV/AIDS	60.00	-	-	-	-
Electricity Bills (ZSFPC)	200.00	210.00	220.50	242.55	266.81
General Elections costs	1,000.00	-	-	-	-
Joint (P) Supervisory Commission	159.00	-	-	-	-
Electricity Costs (IDO) Pemba	3,000.00	4,320.00	4,439.56	4,938.51	5,486.80
Political Parties Subvention	150.00	150.00	157.50	173.25	190.58
Sub-Total	5,088.00	6,037.00	9,120.56	12,090.31	15,480.62
Interest Foreign	-	-	-	-	-
Amortisation Foreign	-	-	-	-	-
Sub-Total	-	-	-	-	-
Interest Local	846.20	2,500.00	2,625.00	3,937.50	5,906.25
Amortization local	6,542.76	16,574.00	14,984.00	14,200.00	11,971.00
Sub-Total	7,388.96	19,074.00	17,609.00	18,137.50	17,877.25
GRAND TOTAL	19,519.93	31,811.00	35,163.56	39,083.51	42,656.36

Annex 4: TASAF Activities Funding and Structure 2006-2009

	Tanzania Mainland			
	2006	2007	2008	2009
Cluster I - Growth sectors	6%	10%	17%	31%
Cluster II - Social Services	67%	71%	65%	60%
Cluster III - Good governance	27%	19%	18%	9%

	Tanzania Mainland			
	2006	2007	2008	2009
TASAF Contribution	21,257,575,234	61,619,123,981	48,033,619,626	28,255,369,893
Community Contribution	4,716,716,013	13,787,305,336	10,338,039,927	5,995,887,018
TOTAL	25,974,291,247	75,406,429,317	58,371,659,553	34,251,256,911

	Tanzania Mainland			
	2006	2007	2008	2009
TASAF Contribution	82%	82%	82%	82%
Community Contribution	18%	18%	18%	18%

	Tanzania Mainland			
	2006	2007	2008	2009
In Cash	943,343,203	2,757,461,067	2,067,607,985	1,199,177,404
In Kind	3,773,372,811	11,029,844,268	8,270,431,942	4,796,709,615
TOTAL	4,716,716,013	13,787,305,336	10,338,039,927	5,995,887,018

	Tanzania Mainland			
	2006	2007	2008	2009
In Cash	20%	20%	20%	20%
In Kind	80%	80%	80%	80%

	Zanzibar			
	2006	2007	2008	2009
Cluster I - Growth sectors	17,894,933	853,848,737	2,547,559,313	1,915,790,191
Cluster II - Social Services	500,365,344	1,515,354,882	1,108,704,931	400,871,589
Cluster III - Good governance	95,671,467	207,961,046	155,719,735	43,610,574
TOTAL	613,931,744	2,577,164,664	3,811,983,978	2,360,272,354

	Zanzibar			
	2006	2007	2008	2009
Cluster I - Growth sectors	3%	33%	67%	81%
Cluster II - Social Services	81%	59%	29%	17%
Cluster III - Good governance	16%	8%	4%	2%

	Zanzibar			
	2006	2007	2008	2009
TASAF Contribution	518,260,277	2,396,130,302	3,655,439,115	2,232,038,007
Community Contribution	75,136,501	380,168,341	284,561,188	137,931,385
TOTAL	593,396,778	2,776,298,643	3,940,000,303	2,369,969,392

	Zanzibar			
	2006	2007	2008	2009
TASAF Contribution	87%	86%	93%	94%
Community Contribution	13%	14%	7%	6%

	Zanzibar			
	2006	2007	2008	2009
In Cash	15,027,300	76,033,668	56,912,238	27,586,277
In Kind	60,109,201	304,134,673	227,648,950	110,345,108
TOTAL	75,136,501	380,168,341	284,561,188	137,931,385