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THE UNITED REPUBLIC OF TANZANIA

SUMMARY OF THE FIRST DRAFT FOR NATIONAL PROGRAMME OF ACTION

THE UNITED REPUBLIC OF TANZANIA

Tanzania's situation of 1990's

General information

1. The United Republic of Tanzania is a large coastal country in South Eastern Africa. With a per capita GNP of US \$ 210, Tanzania is one of the world's Least Developed Countries (LDCs). Her economy is essentially dependent on agriculture which accounted for about 50 % of real GDP in 1999 and provides the majority of the country's export earnings. The service sector, approximately 40% of GDP, is characterised by trade related to tourism, which constitutes the largest component of services, telecommmunications, insurance and financial services. Manufacturing sector, about 8 %, is underdeveloped and suffers from a variety of inefficiencies that need to be addressed for the sector to contribute substantially to Tanzania's economic well- being. The mineral sector, 2 % of GDP, with over US \$ 600 million of new investments promises to be an increasingly important contributor to GDP and export earnings. Tanzania's GDP has grown over 3% since 1990.
2. The Tanzania economic crisis of 1980s shaped events in 1990s. In 1980s, Tanzania introduced various policy reform measures intended to enhance economic growth and social development. It focused on improving fiscal management and reforming the public sector, privatizing parastatal entities and reforming the civil service. By the end of 1989, there were some encouraging signs of achievements. However, the economic growth remained limited by : inadequate domestic savings and investments in physical infrastructure, inflation rate remained high, weak balance of payments position due to decline in export commodity prices, weaknesses in agricultural marketing systems and continued worsening trend in the provision of social services particularly education, health, water and nutrition.

Tanzania's economy during the 1990s:

3. Tanzania's preparations for the Second United Nations Conference on Least Developed Countries (LDC II), in 1990 were made within a background of continued deterioration of the socio-economic situation of Tanzania like any other LDC. During the country preparations, Tanzania had adopted Economic Recovery Programme phase two (ERP II) for 1989/90 - 1991/92. The programme was under support of the International Monetary Fund (IMF) and the World Bank. It's main objective was to stabilize the economy and achieve sustained high rates of growth under conditions of internal and external fiscal stability. As a move towards fiscal stability of the economy, the Government passed the National Investment (Promotion and protection) Act of 1990 to create a friendly environment for investors. Indeed the implementation of ERP II had commendable results including: Government expenditure being rationalized and maintained at 16-18% of GDP, the overall budget balance improving from an overall deficit of 9% of GDP in 1985/86 to overall surplus of 0.8 % of GDP in 1991/1992, the foreign exchange reserves of the Bank of Tanzania increased from equivalent of two weeks of import in 1985 to three months of import in 1992. The GDP growth recovered from negative growth in 1985 to positive growth of nearly 5% in 1992 and the rate of inflation declined significantly to about 21.8%. Also Procurement and marketing of agricultural crops were liberalized, an Investment Promotion Centre (IPC) was established and a National Investment Promotion and Protection Act was enacted in 1992 . In spite of the achievements and progress made during 1990-1992, towards the end of 1992, there was a relaxation in the implementation of economic reforms. Revenue

collection declined to 10.6% of GDP and total Government expenditure increased to unsustainable level of 19.7% of GDP in 1992/93. Tanzania continued to be constrained by inadequate infrastructure, insufficient managerial expertise, lack of accountability and governance and implementation of social action programs could not be realized. Inflation triggered from about 21% in 1991/92 to over 30% in 1995. In order to ensure resumption of economic reforms, majority of donors suspended their support by cutting financial assistance to Tanzania. Among others, IMF in 1994/95 suspended support for the economic adjustment programme.

4. In 1995, the first multiparty Government of Tanzania which assumed control in late 1995, adopted a strong economic recovery programme to arrest the deteriorating economic situation and restore donor confidence. Further efforts to making the economy recover and stabilise on the sustained growth path continued to be made under Enhanced Structural Adjustment Facility (ESAF) beginning 1995/1996. It was supported by IMF, the World Bank and other donor community . Major focus of ESAF was consolidation of the earlier economic recovery efforts that aimed at ensuring stable macroeconomic environment, efficient resource allocation, increased production growth and encouragement of private sector participation. The programme had positive results. During 1997/98 the economy registered a positive GDP real growth rate of 3.4% despite drop in agricultural output due to el Nino rains. The pace towards economic stability accelerated in the course of 1998/99 with inflation rate dropping to a single digit of about 7% by December, 1999 declining from 32% in 1990. Revenue collection improved from about 10% of GDP in 1992/93 to 13.2% in 1998/99. GDP growth remained at positive levels throughout the 1990's, though below the target, while per capita real GDP growth sustained positive low rates only from 1995 after four successive years of non growth (1991-1994).
5. Foreign trade (imports and exports) grew by an average of 14.1% since 1992, from US \$ 1,714 million to US \$ 1,955 million in 1998. Exports grew from US \$ 397 million to US \$ 588.5 million in 1998 . On the other hand, imports (f.o.b) increased by 3.7 % from US \$ 1, 3166 in 1992 to US \$ 1,366 million in 1998. Major trading partners of Tanzania include EU countries that accounted for about 30% of total imports in 1998. Others include Japan (about 8%), South Africa about 8%, India about 6%, United States about 5%, UAE about 4%, and China 3 % of the total imports. For exports EU countries accounted for over 36 %, India over 19% Japan over 7 % of the total exports in 1998. Southern Africa Development Community (SADC) member countries account for 11.7 % and 10.9 % of the country's imports and exports respectively. East African Community (EAC) member countries accounted for 5.5 % of total exports from Tanzania while imports from these countries accounted for 6.9% by end of 1998. The commodity exports have always relied heavily on agricultural products.
6. Meanwhile, dependence on agriculture continued in the 1990's with no significant diversification of the economy. Manufacturing sector remained small. Various reform programmes intended to increase domestic savings and investments did not succeed as their shares in GDP declined between 1990 and 1999. For domestic savings the decline was from 12.6 % of the GDP in 1990 to 2.2% in 1999. With respect to domestic investments, the share declined from 40.8% in 1990 to 15.5 % in 1999. After improvement in exports of both traditional and non traditional goods between 1995 and 1997, export performance declined in 1999. Performance in social services was generally poor between 1990 and 1999, This is revealed by indicators of life expectancy, HDI rate, illiteracy levels and moderate malnutrition.

Factors that enhanced Tanzania's development in the 1990s

7. Tanzania's development in the 1990s was influenced by a number of factors. These include peace and stability, policy reforms including; macroeconomic policies, financial sector reforms, investment and trade policies, improved Governance and increased Government ownership of reform programmes and enhanced consultations with the civil society, increased mainstreaming of women in development and placing environmental concerns as a priority.
8. Externally, increased cooperation with external development partners and participation in regional and international groupings have influence Tanzania's development positively. The interaction with both multilateral and bilateral development partners has been sustained throughout the reform programmes with a positive outcome of increased ODA inflows. Since the launching of Poverty Reduction Balance Support (PRBS) in 1997, the fund has attracted increasing bilateral donor's contributions amounting to US \$ 81.5 million by the year 2000. The flow of FDI from 1992 to 1999 has improved considerably. From an average of US \$ 3 million per annum between 1987- 1992 to US \$ 20 million in 1993 and to US \$ 150.9 million in 1995 and US \$ 183.8 million in 1999. FDIs constituted 13.6 % of domestic investments in 1998. With regard to regional and international cooperation, which are mainly for economic gains, Tanzania is a member of the Southern Africa Development Community (SADC), East African Community (EAC), Indian Ocean Rim Association for Regional Cooperation (IOR-ERC) and Common Market for Eastern and Southern Africa (COMESA). In respect of COMESA however, Tanzania has tendered a notice to withdraw her membership effective by September 2000. For International groupings, Tanzania is a member of the Lome Convention which has granted Tanzania better access to the EU-Market. EU- Market accounts for more than 28% of Tanzania's destination of exports.

Factors that constrained Tanzania's development in the 1990's

9. The colonial legacy denied Tanzania the kick start in terms of having the necessary labour. Wide spread poverty estimated at about 50% of the population is also a major constraint. Agriculture which is a backbone of Tanzania's economy has a high decapitation rate and about 12% of outputs from agriculture is reinvested. Unsustainable agricultural practices has led to environmental degradation while some policies continue to give wrong signals to actors in the sector. The rapid spread of AIDs has led to withdraw of active labour force and has reduced life expectancy to 48 years. It has also led to a large number of orphans. Currently it is estimated that there are 365 AIDs patients per 100,000 inhabitants (URT 2000). Poor sanitary - related illnesses are the leading causes of morbidity and mortality in the country. Tanzania has also been vulnerable to successive years of drought and EL Nino rains which devastated the physical infrastructure in most parts of the country and threatened food security in most villyges. It is a host to millions of refugees affecting ecological balance and damage to infrastructure especially in Great Lakes region. Other constraints include, low domestic resource mobilization, low capacity for economic management, weaknesses in programme designs and implementation. Despite concerted efforts to mobilize domestic resources, little success has been recorded given the low level of incomes and low level of activities that limit the tax base. Human resource development and less conducive environment for private sector participation have also constrained development. The level of literacy and skills is low. Efforts to address this issue include implementation of comprehensive programmes like Education Sector Development Programme (EDSDP).

10. There has been a decline in ODA between 1990 and 1997, from US \$ 1175 million to US \$ 963 million. One of the features of ODA is the proportion of technical assistance. This has a serious implication on resource outflows in addition to denying nationals employment opportunities Tanzania's external debt is unsustainable by all indicators. It stood at US \$ 7301.9 million during the first quarter of year 2000. The Area where the debt burden is felt most is with respect to servicing. It takes about 30% of the revenue, after accommodating salaries. The effect of this on social services and development programmes is more telling.

Tanzania is marginalized in the world trade system and has limited market access. Problems facing Tanzania in Multilateral Trade Negotiations are reflected by the difficulties with obligations in the WTO agreements in terms of notifications and other requirements and its disadvantageous position including supply constraints, poor trade support services, low level of technology and poor export culture. There is a great need to intergrate Tanzania , like any other LDCs in global economy in a beneficial manner, granting bound duty free, quota- free market access for export products originating from Tanzania.

Programme of action for Tanzania 2001 -2010

11. The preparation for LDC III takes place when Tanzania continues to be marginalized in the world trade, faces unsustainable debt servicing burden and reduced flow of development resources. Factors that impeded economic growth during 1990s outweigh factors that facilitated growth. Domestically, she is pursuing policies that have shown signs of placing the country on the path of sustainable growth and poverty reduction. Unlike in LDC I and LDC II participation, Tanzania is today better prepared in terms of having policies in place that promote growth and poverty reduction. Tanzania acknowledges the vital role of the agricultural and service sectors to its economic growth development. Development of the agricultural sector is crucial for Tanzania's economy growth, employment creation, social cohesion and environmental protection. The ongoing reforms and liberalization of international agriculture trade, must lead to improved access to world markets.
12. Tanzania remains deeply concerned at the marginalization of all LDCs in the world economy. To reverse this trend, Tanzania supports the view that LDC III should adopt decisions and concessions in favour of LDCs , whereby developed countries should assist and honour commitments to enable effective implementation of beneficial programmes in LDCs to intergrate them in Global economy. International support measures in the areas of ODA, debt and investment trade should be of concrete measures during the LDC III.

The national programme of action for Tanzania (2001 - 2010) should be visualized within the country's long term vision (Vision 2025) which has the five main attributes:

- High quality livelihood
- Peace , stability and unity
- Good Governance
- A well educated and learning society
- A competitive economy capable of producing sustainable and shared benefits

The targets for 2010 embedded in the National Poverty Eradication Strategy includes:

Reduction of absolute poverty by 50%, increasing the share of the manufacturing sector, real growth rate of the economy at 8-10%, increased income per capita to between US \$ 300 and US \$ 500 , achieve a literacy rate of 90 % , access to clean and safe water by 90% of the

population within 400 metres distance, attain maternal mortality rate of 100-200 per 100,000 live births, reduce severe malnutrition to 2 % (Currently 6%), achieve an unemployment rate of less than 10%

13. Formulation of programme of action has drawn lessons from the constraints that Tanzania faced in the 1990's and reflected on the future challenges especially in the on-going process of globalization. Programmes set to be implemented on a national level and those where the international support is required were taken into account. Potential for economic growth in Tanzania lies in areas of agriculture, manufacturing, mining, communications and aggressive marketing of tourism, infrastructure and utilities, environment and sustainable resource management and social services. In the social services sector, improvements are expected from utilization of debt relief under the HIPC framework to target areas that have major impacts on poverty reduction and human resource development including: health, water and education subsector targeting to increase enrolment in primary education, raising transition rates from primary to secondary level, improving quality of teachers, increasing enrolment in higher learning institutions, promoting gender equity and improving training. Tanzania's eligibility for the Enhanced Highly Indebted poor Countries (HIPC) initiative in April, 2000 is in part, the result of the recognition that it has consistently implemented stringent measures in economic reforms .
14. The target areas have been identified in three blocks:
 1. Policies and strategies for creating an enabling environment for poverty eradication including, Governance, coordination and participation.
 2. Policies and strategies for creating capacity consisting of: policies for economic growth, policies to raise people's income, agricultural development, development of industrial sector, mining sector development, cooperatives, promoting infrastructure, resource mobilization
 3. The main goals of the sectorial policies and strategies for poverty eradication are to: promote education, health sector development, water supply and sanitation, promotion of employment, protection and preservation of the environment, promotion of housing and settlement.
15. The ultimate requirement for sustainable development of Tanzania and her beneficial integration in the global economy lies in the linkages between agriculture sector and other sectors with the aim of diversifying production and exports and increasing manufacturing. That the programme of action is in place, the challenges will be to set out specific resource requirements, intensify the necessary performance criteria by which to assess if the goals have been attained at specific periods.

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