



**CIVIL SOCIETY  
PARTICIPATION IN  
THE PRSP PROCESS:**

**A CASE FOR TANZANIA**

**2002**

**African Forum & Network on Debt and Development**

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## **FOREWORD**

If poverty reduction strategies are to genuinely address the various dimensions of poverty - including insecurity, vulnerability, gender inequalities and access to opportunities, work, assets, and welfare – empowerment, genuine and effective participation of civil society in key decision-making processes will need to be institutionalized. It is accepted that this is because the process of tackling poverty should be owned, driven and directed by the people themselves through their governments.

Participation of civil society in the processes leading to the preparation of Poverty Reduction Strategies in Uganda, Burkina Faso, Tanzania, Mauritania and Mozambique, the five African countries that have so far completed PRSP, indicate that, the World Bank and IMF offered *civil society participation* as a condition of the PRSP, while the governments were required to draw up Poverty Reduction Strategy Paper with inputs from all sections of society. This raises the issue of how genuine, legitimate, empowering or disempowering the process of participation was.

In the case of Tanzania, as shall be noted in this booklet, civil society participation in the PRSP process was a necessary and meaningful process but not sufficient to guarantee effective policy change that would secure better living standards of the poor people.

We encourage civil society to continue to demand the right to participation and ensure that their input is valuable and makes a difference in the lives of the people of Uganda. We equally encourage governments to empower civil society and provide their legitimate space for genuine participation.

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**AFRODAD Coordinator.**

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## **INTRODUCTION**

The write-up is addressing the contentious issues arising within and around preparations of Poverty Reduction Strategy Papers (PRSPs) vis-a-vis involvement (participation) of Civil Society in the process and inputting on the contents. Moreover, analysis of Tanzania PRSP is undertaken amid the available information in the regard of the national development planning framework initiatives.

Basically this write-up provides the descriptive details on how the PRSP process began in Tanzania; involvement of civil society in the process; relation of civil society participation in the PRSP with other development planning processes; reflection of National Annual Budget (NAB) with the PRSP; relations of the PRSP with other development planning (poverty) policy papers; factors behind Tanzania's achieving of PRSP Completion Point; trade-offs (economic costs) in the course of preparing the PRSP; and recommendations based on Tanzania experience.

Hopefully readers will find useful the information contained in the document.

## **BACKGROUND**

The International Monetary Fund (IMF) and the World Bank's International Development Association (IDA) agreed and on November 27, 2001 approved Tanzania's Poverty Reduction Strategy Paper (PRSP) as such to have reached the Completion Point under the enhanced framework of the Heavily Indebted Poor Countries (HIPC) Initiative. Tanzania had on that date become the fourth country to reach that point (joining Bolivia, Mozambique and Uganda).

Tanzania's PRSP qualifying to Completion Point followed the same country's document to have been approved, on April 5, 2000, for the Decision Point by the same Bretton Woods Institutions (BWIs).

According to the agreement between the Tanzania government and the BWIs, under the HIPC initiative arrangements, debt service relief under the enhanced HIPC Initiative from all of Tanzania's creditors will amount to approximately US\$3 billion over the next 20 years' time (US\$2.026 billion in net present value [NPV] terms). As a result of HIPC assistance, the net present value of Tanzania's total external debt is reduced by some 54 percent. The NPV of debt-to-export ratio is expected to remain well below the target ceiling of 150 percent throughout the period 2000 - 2020. Moreover, after taking into account additional bilateral assistance beyond the enhanced HIPC Initiative, the debt ratios fall even further.

IDA and IMF explain Tanzania's eligibility for debt relief under the enhanced HIPC Initiative underscoring recognition by the international community of its continued progress in implementing sound macroeconomic and structural policies, and of the overall quality of its Poverty Reduction Strategy Paper.

That upon reaching its decision point under the enhanced framework of the HIPC Initiatives in April 2000, Tanzania committed to undertake work in three areas in order to reach the completion point and receive irrevocable debt relief under the enhanced framework:

- ❑ Completion of a full PRSP and implementation of the poverty reduction strategy for at least one year;
- ❑ Continued implementation of strong macroeconomic and structural policies supported by an IMF Poverty Reduction and Growth Facility (PRGF) program; and
- ❑ Implementation of a set of social, structural and institutional reforms.

Debt service payments are cut substantially - by an average of 47 percent over time - from about US\$1993 million in fiscal year<sup>1</sup> 1999/ 2000 (actually paid before HIPC assistance) to an average of US\$116 million during 2001/02 to 2010/11, and US\$87 million during 2011/12-2020/21. Debt service as a percentage of government revenue is reduced from 19 percent in 2000/2001 before HIPC assistance to an average after HIPC relief of 7.7 percent over 2000/01 - 2010/11 and 4.4 percent over 2011/12 - 2020/21. Resources made available by debt relief provided under the HIPC Initiative will be allocated to key anti-poverty programs, which are outlined in Tanzania's Poverty Reduction Strategy Paper.

The debt relief required of multilateral creditors under the enhanced HIPC Initiative amounts to US\$1.020 billion in NPV terms. IDA will provide debt relief under the enhanced HIPC Initiative of US\$ 694.5 million in NPV terms, delivered through a 69 percent reduction in debt service on IDA credits disbursed and outstanding as of end - June 1999. The IMF will provide debt relief of some US\$120 million in NPV terms. HIPC relief required of bilateral and commercial creditors amounts to US\$1.006 billion in NPV terms. Tanzania has negotiated a debt rescheduling agreement with the Paris Club. Some 10 percent of Tanzania's HIPC relief is expected to be delivered by non-Paris Club and commercial creditors. Tanzania authorities are continuing their efforts to obtain comparable treatment from these creditors.

The BWIs further explain that Tanzania's PRSP has been welcomed within Tanzania and by the donor community as an important step forward in the process of focusing on poverty as an explicit objective of public policy. It built on a process that started with the adoption of the National Poverty Eradication Strategy (NPES) in 1997 and has been continued in the context of annual and multi-year public expenditure reviews. Participation in public discussions leading up to the PRSP has been relatively broad, and the document represents a 'truly homegrown' development strategy.

In October 2001, Tanzania presented a PRSP Progress Report. Indicated in the report are such indicators as:

### ***The Economic Programme***

Tanzania has established a solid record of economic performance over the past several years. GDP growth increased to 4.9 percent in 2000 and is expected to remain at a similar level in 2001, despite the negative effects on commodity prices and tourism of the slowdown of the world economy. Inflation was reduced from seven percent to five percent from 1999 to 2001, and the current account deficit of the balance of payments declined from 12 percent of GDP in 1999 to less than 10 percent of GDP for 2000.

### ***Key Policy Measures and Reforms***

Overall, Tanzania has made substantial progress in carrying out the specific structural reforms and institutional strengthening the authorities identified at the time of the decision point. In governance and financial management, important steps have been taken to improve transparency, including by adopting, publishing and disseminating the national action plan for the control of corruption. Significant progress was also made in other areas, such as tax reform, improvement of the business climate, and strengthening the performance of utilities.

In the health sector, Tanzania has successfully implemented a program to ensure immunization of at least 75 percent of children under the age of two against measles and diphtheria, and has implemented a national campaign against HIV/AIDS, including completion of visits to three - quarters of all districts.

In education, the government has undertaken initiatives to increase access to, and improve, education. In cooperation with donors, the government has launched the Education Sector

Development Programme with a chief aim of increasing access to schools, particularly in poor and undeserved areas while alleviating the cost burden on households. Progress has been achieved particularly at the primary level. Budgets have been increased, school fees have been abolished, and a school mapping exercise is well underway.

Summing up the above, Tanzania's PRSP is seen as having strong country ownership and that the poverty assessment has been built on a solid consultative process with civil society and other development partners. That within the context of sound macroeconomic policies, the strategy aims at addressing the main causes of poverty, including a history of low growth, lack of access to social services and infrastructure and governance issues. And further that the medium and long-term targets and indicators (contained in the PRSP) for poverty reduction and human development are appropriate and realistic.

## **DETAILED DESCRIPTION AND ANALYSIS OF THE TANZANIA'S PRSP PROCESS**

### **Historical Trend Towards Process of the PRSP in Tanzania**

#### ***Policy and Technical Coordination of the PRSP Work***

In October 1999, a Committee of twelve Ministers and the Governor of the Bank of Tanzania was formed to steer the process of preparing the PRSP. This Committee was supported by a Technical Committee comprising officials from Vice President's Office, Prime Minister's Office, Planning Commission, Ministries of Finance, Education, Health, Works, Community Development, Local Government, Agriculture, Water, Energy and Minerals, Labour and Youth Development and the Bank of Tanzania. It was coordinated by the Ministry of Finance. The process of preparing the PRSP was coordinated by the Vice President's Office. The Technical Committee was specifically asked to prepare the interim and final and organize the Zonal PRSP, and National PRSP Workshops.

#### ***Interim PRSP***

The interim PRSP was prepared by the Technical Committee in early January 2000; discussed at a consultative technical meeting, including Government representatives and stakeholders from the donor community and civil society; and reviewed and approved the Cabinet in early February 2000.

#### ***The Zonal Workshops***

In preparation for Zonal Workshops, the Technical Committee secured expert assistance to draft a Reference Document, which outlined, among other things, objectives of the workshops; issues to guide the discussion; composition and numbers of participants; and methodology to be used in conducting the workshops.

The Zonal Workshops, which were mainly aimed at soliciting views from the grassroots stakeholders, were conducted concurrently during May 11 - 12, 2000 in seven zones covering all regions in Mainland Tanzania. The zones include: Lake Zone (Mwanza, Mara and Kagera); Western Zone (Kigoma, Shinyanga and Tabora); Northern Zone (Arusha, Kilimanjaro and Tanga); Central Zone (Dodoma and Singida); Southern Highlands Zone (Mbeya, Ruvuma, Rukwa and Iringa); Southern Zone (Mtwara and Lindi); and Eastern Zone (Dar es Salaam, Morogoro and Coast).

Each district was represented by 4 villagers (sampled randomly from two villages), one district councilor, one town councilor, and one district executive director (DED). For every zonal workshop, 'civil society' was represented by five NGOs (with one person each).

In total, 804 participants attended the workshops, comprising of 426 villagers, 215 councilors, 110 District Executive Directors (DED) and 53 persons from NGOs. Of the participants, 180 (or 22 percent) were women. The workshops were conducted through working groups, followed by plenary presentations. To ensure active participation, villagers were grouped according to region and gender, councilors by region; DEDs by region; and NGOs by zone. Among the issues discussed by each group were: definition of poverty, causes of poverty, characteristics of poverty, indicators for poverty, identification of priority areas for poverty reduction and actions required.

Generally, the zonal workshops were successful in highlighting the views and reactions of grassroots participants, particularly women. The report on each zonal workshop was presented to the Technical Committee on May 16, 2000.

In summary, participants in all zones identified education as the top priority area for poverty reduction, followed by agriculture, health, roads, and water. The following were identified as constraints in the effort to reduce poverty: "poor governance", cultural factors, illiteracy, poor condition of rural roads and marketing system for agricultural produce, unavailability of inputs and implements, and inadequate (and poor) extension services.

### ***Consultative Group (CG) Meeting May 22, 2000***

At the CG meeting, which took place in Dar es Salaam, the Government reported on progress toward the preparation of the PRSP, including the outcome of the Zonal Workshops.

### ***Preparation of the Initial Draft of the PRSP***

The initial draft of the PRSP was prepared by a team of experts from key ministries using the results of consultations with the stakeholders and background papers such as Tanzania Development Vision 2025 (1998); Tanzania Assistance Strategy (TAS), National Poverty Eradication Strategy (1997); National External Debt Strategy (1998); and Public Expenditure Review (PER). Specific studies on education, health agriculture, rural development, environment; employment, HIV/AIDS, land reform and governance also provided useful background information.

### ***Consultation with Donor Community***

The Government convened a consultative meeting with donor community on June 30, 2000 to seek comments of the donor community of the PRSP process and the draft PRSP. A joint World Bank/IMF Mission also attended the meeting.

### ***Consultation with Members of Parliament***

On July 1, 2000, the parliamentarians were briefed on the concerns and priorities identified at the Zonal Workshops. This background information gave the parliamentarians an opportunity to indicate their concerns and priorities regarding poverty reduction efforts.

### ***National Workshop on the PRSP***

A national workshop with 25 participants was held on August 3 - 4, 2000. Among the participants were Permanent Secretaries, Regional Commissioners, and representatives of the donor community, the multilateral institutions, private sector organizations, Non-Governmental Organizations, the public media, and informal sector representative. The major objective of this workshop was to seek further reactions to the targets, priorities and actions as outlined in the draft PRSP.



### ***Retreat Workshop for Regional Administrative Secretaries (RAS)***

The draft PRSP was also presented to RAS during their retreat workshop held at Lobo in Serengeti on August 3 - 4, 2000 for further discussions.

### ***Presentation of PRSP to the Cabinet***

A revised draft PRSP was presented to the Cabinet for review and approval on August 31, 2000.

### **Critical Observation of the Process**

The PRSP document was not (strategic or deliberate avoidance?) formally tabled in the Parliament for debating and endorsement. Critical issues of ownership of the PRSP and powers/influence behind amongst categories of PRSP stakeholders are arising at this point.

## **THE ROLE OF CIVIL SOCIETY ORGANIZATIONS (CSOs) IN THE PRODUCTION OF TANZANIA'S PRSP**

### **Types and Nature of Civil Society Organizations**

There are about four types of Civil Society Organizations in Tanzania as follows hereunder:-

#### ***Service Delivery Organizations***

These are mainly based at the local level. Their main role is to support and deliver services, mainly the social services, for example health activities, education or small economic activities (small entrepreneurship income generating). Sometimes they deliver their services in collaboration with government or donors to support the civil societies and individuals at the grassroots.

#### ***Policy Analysts, Advocacy and Lobbying Organizations***

These normally operate at national level, but, there are also networks and coalitions at the districts. The major roles of these organizations are to analyse social and political policies both at micro and macro levels; analyse financial and other economic policies; review the micro and macro policies; and identify the policy gaps and give support to the positively indicating ones. Other activities that these organizations undertake consist of lobbying and advocating for change; conducting civic education and building gender and other relevant capacities of actors of different orientations. By nature of the carried by some of these organizations, they generate and disseminate information.

#### ***Research Organizations***

These are mainly national organizations and linked sometimes with institutions of high learning. But there are also those, which are not linked by the higher learning institutions. These undertake research, training and information dissemination.

Such organizations have got their activities directed to generating data and information, analyzing and interpreting the information and data collected, disseminating the information for sharing and acting; and lastly documenting the information. Such organizations maintain databanks. Other activities in which these organizations are involved are issues of disseminating civic education.

### ***Legal Aid and Human Right Organizations***

These are mainly national organizations, but the fact that there are such organizations operating at local level cannot be overlooked. Their main role is to give support on legal matters including running legal clinics/ paralegals. These organizations are also involved in advocacy and lobbying; and they conduct civic education on legal and human right issues.

It is obvious that organizations are not static. They do a number of things, across the categories above. At the same time, CSOs act both at national and local level.

### **CSOs, PRSP Participation Synopsis**

NGOs' participation in the PRSP process was similar to that in many other government-led processes.

These processes are mainly characterised by:

- ❑ NGOs being uninformed on the process and getting to know about it through unofficial channels;
- ❑ Some active NGOs organising for a separate process to review the proposed process and contents.
- ❑ Working towards developing a position paper on both the process and contents.
- ❑ Working towards influencing the government to listen and enlarge their process to adopt gender and civil society perspectives.

### ***The Process***

Throughout the PRSP processes, civil society organizations were demanding for more active involvement and participation in the process of both NGOs and communities. However, on the whole, CSOs in Tanzania were involved in at the process superficial and half-handed manner. The government developed the document internally, while civil society organizations were involved in a separate process, convened by the Tanzania Coalition for Debt and Development (TCDD). At a later stage, the civil society working groups managed to participate the PRSP process in the sharing sessions in the documents already prepared by the government (the zonal workshops). Rather than having a joint-sharing process about the best way to merge the efforts and inputs, civil society organizations were simply sent to the government-led processes for integration. The consultation that was done was all in a rushed manner, not allowing for true dialogue, discussion, and debate.

At the National Workshop carried-out after the zonal workshops of the government-led process, some NGOs were invited to comment at that workshop on the topics contained in the PRSP. Some of their inputs were very critical but ended there. They were not, again, called to participate in the final drafting of the PRSP, although it was argued that the final process should include representatives of civil society organizations. In this way, civil society organizations were involved only at late stages of the process, yet still could not truly participate in the process of finally preparing Tanzania's PRSP.

### ***PRSP Contents***

The requirement for Civil Society participation on PRSP meant to describe a more holistic approach to poverty eradication in Tanzania and sought to provide a detailed direction to address issues of globalization and liberalization as well as debt relief. Among many other specific intended objectives, the requirement sought to harmonize:

- ❑ Mechanisms to be adopted to ensure full participation of all sectors of society in policy-formulation, implementation and monitoring of the debt relief strategy, with a pro-poor gender perspective approach.
- ❑ Information provided to the public and NGOs, in particular, as they need to be informed on the on-going dialogue between the government and the WB/IMF. Major recommendations for the civil society, such as how to make the processes around debt relief funds more transparent, need to be taken into more serious consideration.
- ❑ Monitoring and reporting tools and structures as they need to be developed and adopted in a transparent and participatory manner so as to ensure that the funds released as a result of debt relief are allocated and used as planned, to fit the vision and objectives of the PRSP programme.

On the whole, the final PRSP document does not demonstrate civil society perspective and inputs in a meaningful way. Many of the civil society actors feel cheated by both the government and the donors, especially the World Bank. The latter have been emphasizing the importance of the civil society participation in the PRSP preparations yet condoned government's marginalization of the CSOs.

### **FOCUS ON CSOs INVOLVEMENT IN TANZANIA'S ECONOMIC POLICY MAKING**

Since early 1990s when Tanzania, like many other former nation-states of Eastern-bloc, yielded to and adopt the plural and competitive social and economic policy arrangements, there has been, though to a lesser extent, efforts by government to include CSOs in economic policy making processes.

However, apparently the problem has always been, as indicated earlier in this document, the powers to decide on the level, extent and whether or not some civil society organizations should be involved in the processes of national development policy making. Seizing the opportunity of the existing yet nascent and weak CSOs in Tanzania, the government has very oftenly been co-opting CSOs, which conform to the official views of the government. 'Whenever the 'need arises' government has been inviting and thus incorporating (as against participation) CSOs in the process of economic policy making.

Bearing the above power relations in mind notwithstanding, participation of CSOs in the process of making the PRSP is not the first time for them (CSOs in Tanzania) to take part in the economic policy making processes.

Pre-determining the level, extent and the way of CSOs participation though, the government had involved the civil society at different stages in developing such policy papers as Tanzania Assistance Strategy Paper (TAS), Vision 2025 (1998), National Poverty Eradication Strategy (NPES - 1997), to mention only the few major ones.

This means therefore, given this context, it is not the question of whether or not CSOs are involved by government in the making of economic policy papers, but the level, extent and way in which CSOs are involved in the processes; and whether or not involvement of civil society in the processes of making economic and social development policy has any measurable significance in terms of inputs towards influencing the processes and contents of those policy documents!

## **THE LINKAGE BETWEEN PRSP AND THE EXISTING NATIONAL STRATEGIES**

The future development of Tanzania is guided by Vision 2025, which presents the national vision, aspirations and framework for economic and social development. Strategies towards achieving the goals are articulated in various government documents. The NPES focusing on poverty eradication is one of the aforesaid strategies. PRSP which has been developed in the context of the HIPC Initiative is only the strategy for implementing NPES, initially in the medium term, with a budgetary frame for 2001/02 - 2003/04.

Moreover, there is an ongoing exercise of TAS, which is aiming at giving indications of priority areas for external support. Additional to the above development policy documents there is the National Action Programme (NAP) for Tanzania's development agenda for the decade of 2001 - 2010, Medium Term Expenditure Framework (MTEF), Public Expenditure Review (PER) and respective National Annual Budgets (NABs).

Additional to the above-mentioned policy documents, which are partly locally owned, there also exist in Tanzania, multilateral straight-jacket economic policy documents that are currently operative in the country. These are the pre-fabricated economic and social policy conceived and developed by World Bank and IMF for poor countries, where Tanzania is not exception. These are the IMF -supported Poverty Reduction Growth Facility (PRGF) and the World Bank - supported Programmatic Structural Adjustment Credit Phase I (PSAC I). PRGF and PSAC - I are the respective three-year macroeconomic policy programmes financed under specific arrangements. Implementation of those programmes had started Financial Year (FY) 2000/2001 and will run through to last FY 2002/2003.

Whereas PRGF is a conversion of the Enhanced Structural Adjustment Facility (ESAF) that ran between FY 1997/98 and FY 1999/2000 - stemming from the IMF's Economic Recovery Programmes (ERPs) and Structural Adjustment Programmes (SAPs) respectively of the 1990s until 1980s; PSAC - I aims at improving the economic environment by strengthening the judiciary system, the private sector and the legal and regulatory framework.

With very few exceptions, multilateral financing of macro-economic policy arrangements is coordinated through the Ministry of Finance. Office of the Vice President (VPO) coordinates the PRSP and other poverty reduction policies. Presidents Office, Planning and Privatization Ministry is responsible for coordinating implementation of vision 2025 and the UN supported LDCIII NAP. Indeed, under bilateral arrangements sector specific policy financing supports are coordinated through respective ministries or institutions.

Indeed, although it is only through CSOs' participation in the macro-economic policy making process and living in place of the democratic framework and relevant political institutional arrangement in a country which make a policy sustainable on the basis of underscoring local ownership, analysis of Tanzania macro-economic policy making process indicates foreign influence as being the most significant factor.

Undertaking of the issues and constraints raised in foregoing two paragraphs, therefore, leads to the conclusion that linkage between PRSP and the existing national strategies in Tanzania is rather difficult to attain.

Different priorities, objectives and value attached to respective policy and implementation strategies are indeed difficult to harmonize. It is difficult for Tanzania, for example, with 40% of NAB depending on foreign donors, in the long run, to effectively co-ordinate and link various poverty reduction policy strategies consider the diverse interests, originating within, around and outside Tanzania just as it is currently being experienced when the government response to that effect had since 1999 been to developing the TAS, MTEF, PER and PRSP itself.

## **THE EXTENT TO WHICH NABs REFLECT PRSP**

Examining Tanzania's FY 1998/99 - FY 2001/2002 annual budgets objectives and structure vindicates that PRSP is a strong factor in the NABs.

Tanzania' pre-PRSP annual budget (FY 1998/99) only gives scanty mentioning of HIPC Initiative as a pipeline policy of the Paris Club creditors. Although the budget in question is fully emphasizing the governments commitment to pay foreign debts and thus enabling the nation to becoming credit-worthy, poverty, reduction (eradication) strategy as policy is served only by implication of budget objectives and financing focus. Emphasis on reliance upon internal sources of financing the FY 1998/99 seem to be adequately contained, despite the budgetary gap of about 30.72% financed by foreign sources.

Likewise, the FY 1999/2000 budget does not directly reflect PRSP, other than one of the budget objectives to indicate that the budget has the intention of eradicating poverty, 'particularly for women and children.'

The main areas of cooperation with donors in the budget document are envisaged to evolve around the continued implementation of the reform programmes through continued consultations and seeking contributions towards the Multilateral Debt Relief Fund (MDF). Efforts directed to request debt relief effected through the cancellation of Tanzania's debts under the HIPC Initiatives is also mentioned. However, the budget deficit gap increases to 33.2%.

The reasons for the FY 1998/99 - FY 1999/2000 budgets not directly reflecting PRSP are obvious. The budgets were prepared earlier before the IMF and WB introduced PRSPs the major development financing policy document in the context of HIPC Initiative. The PRSP process in Tanzania officially started in February 2000 - in the 2<sup>nd</sup> half of the FY 1999/2000.

However, the FY 2000/2001 and FY 2001/2002 national annual budgets are PRSP full-fledged. The budgets objectives and sub-sections *titled Foreign Loans and Grants and External Debts* in the FY 2000/2001 annual budget document and the sub-section *titled Poverty Reduction Strategy* in the FY 2001/2002 annual budget document are together reflecting implementation of PRSP as the major factor in the national macro-economic policy.

PRSP objectives are conspicuously seen especially the FY 2001/2002 national budget whose preparation was concluded at the time the government expected to achieve the PRSP completion point.

## **PRSP PROCESS CONSULTATION AND PRIVATIZATION**

Since 1993, the Government has been taking a variety of measures to spur private investment. These measures include adoption of the Tanzania Investment Act, the privatization of public enterprises, and the establishment of the Tanzania Investment Centre (TIC). Despite these and other measures, which have been taken, the response of private investors has fallen below expectation (except in the mining and tourism sectors). Accordingly, the Government has resolved, on its own, to bring forward a number of important reforms that had been programmed under PSAC-I. Among the reforms that would be implemented before mid-2001 are:

- Restructuring and restaffing of the TIC, to serve as an investment-promotion agency in keeping with its newly developed corporate strategy;
- Preparing the Commercial Court project plan, and establishing an automatic filing and registry system through computerization;

- Submitting the new companies legislation to Parliament for approval; and
- Approving a proposal to relax restrictions on foreign portfolio investment in equities with appropriate safeguards.

In addition, the Government decided to:

- Implement forcefully reforms that will help reduce the excessive cost of utilities (including electricity) to industry; and
- Accelerate adoption of key reforms in the National Anti-Corruption Strategy.

The foregoing section indicates how privatization, as a factor in poverty reduction, will be incorporated in the strategy to reduce poverty in Tanzania. Nevertheless, this does not indicate privatization being part of effective consultative process in the course of making the PRSP. The reason for this fact is obvious. Unlike PRSP, privatization of the former public enterprises and parastatal organizations has been an on-going process of competitive marketization and trade liberalization policy implementation as advised by World Bank and IMF since the early 1990s. It has been there, formulated and implemented by government in collaboration with the BWIs without engaging consultation with civil society and the people at large.

This means therefore, merely mentioning of the already existing privatization policy implementation during the consultative process towards PRSP making could not, frankly speaking, make any significant effect towards policy changes.

Judging from the logical perspective, mentioning of privatization as part of PRSP is for expedience of theoretical convenience. It is just for the PRSP to recognize the importance of having the private sector and privatization in place, in the endeavours to reduce poverty, mainly through expansion towards full employment of the factors of production and the implications of competitive market environment, in the long run notwithstanding.

## **RELATIONS BETWEEN PRSP AND OTHER NATIONAL POLICY DOCUMENTS**

Since independence in 1961, the Government of Tanzania has been preoccupied with three closely related development problems; namely, ignorance, disease and poverty. National efforts to tackle these problems were initially channeled through the centrally directed, medium term and long-term development plans, and resulted into significant improvement in per capital income and access to education, health and other social services until the 1970s. Thereafter the gains could not be sustained because of various domestic and external shocks, and policy weakness. Indeed, despite sustained efforts since the mid-1980s, to address the country's economic and social problems, one half of all Tanzanians to day are considered to be basically poor, and approximately one-third live in abject poverty.

The recent efforts to tackle poverty and the other development problems have been pursued under relatively decentralized but largely complementary policy initiatives as indicated in the table below:

<b>Policy Planning Initiative</b>	<b>Objective</b>
Vision 2025 (1996 - 1999)	National vision economic and social objectives to be attained by the year 2025.
National Poverty Eradication Strategy (NPES) (1997 - 1998)	National Strategy and objective for poverty eradication efforts through 2010.
Tanzania Assistance Strategy (TAS) (1999 - 2001)	Medium term national strategy of economic and social development, encompassing joint efforts

	of Government and international community.
Poverty Reductive Strategy Paper (PRSP) (2000 - 2001)	Medium-term strategy of poverty reduction developed through broad consultation with national and international stakeholders, in the context of the enhanced Highly Poor Indebted Countries (HIPC) initiative.

Vision 2025 lays out the long-term development goals and perspective, against which the strategy for poverty alleviation (NPES) was formulated. The TAS results from mutually felt need by the Government of Tanzania and its international development partners for a comprehensive development agenda, around which issues pertaining to ongoing activities can be regularly discussed and assessed. As such TAS covers all the development areas that have characteristically been supported by the international partners, both within and outside the framework of the central government budget.

Of all the recent national development policy planning documents as mentioned above, the PRSP tallies in almost all aspects with the NPES policy document. In fact the latter is the framework for the former policy document.

Whereas NPES elaborates on the whole situation of poverty in Tanzania and generally highlighting on various strategic measures which have to be taken in the medium term (10 years) time frame to eradicate especially abject poverty, PRSP (decision point) is basically the short-term (3 years) policy document implementation strategy (practical) of the NPES. It comprises poverty statistical data focused to and pinpointing priority areas on which resources released in the context of HIPC Initiative arrangement will have to be directed in the bid to reducing poverty. PRSP therefore comes from the womb of NPES.

Although to a limited extent both documents recognize the role of civil society in development policy making, the documents are overwhelmingly presenting the state philosophy/view and approach to tackling poverty in society.

Development projects and activities designed and formulated within the framework and focus of PRSP are assured of being financed, at least through HIPC Initiative. But, those development projects and activities found outside PRSP framework focus, although are basically within the NPES framework, remain precarious of securing financing.

## FORCES BEHIND TANZANIA'S ACHIEVING OF PRSPS COMPLETION POINT

### General Economic Performance

The various reform programmes implemented since the 1980s could not achieve the targets set. It was thus prudent that Tanzania stays the course of reforms into the 1990s in order to finish the "uncompleted agenda". Targets set for 1990s were largely not achieved as shown in the table below. Except for real GDP growth during ERP I & II period, no other target was achieved.

### Tanzania: Selected Quantitative Economic Benchmarks for the 1990s

Area	Policy document	Target		When Achieved
		Value	Date	
1. GDP real growth	ERP I & ERP II	5% p.a.	1990	1990 and 1991
	RPF 1996 - 99	6% p.a.	1998	Not achieved
2. Inflation	ERP I & ERP II	Less than 10%	1990	January, 1999

3. Money Supply (M3)	ERP II	8% - 10%	1990	Only in 1996
4. Capacity Utilization in Manufacturing (average).	ERP I & ERP II	60% - 70%	1990	Only in 1997

Source: Country Presentation by the Government of the United Republic of Tanzania to the DCIII Conference.

In setting (or retaining) targets for the 1990s two issues had to be taken into consideration; enhancing the policy framework and translating the targets of the various international fora into achievable targets. Important Conferences (the resolutions of which have been ratified by Tanzania) include in the area of social development (e.g. universal primary education by 2015: Jomtien 1990) and economic development (e.g. reducing the proportion of people living in extreme poverty by at least 50 per cent by 2015: Copenhagen 1995).

On the domestic policy framework a number of initiatives (in terms of policies and actions) were taken and implemented in many areas. To increase competitiveness of exports, for example, exchange controls were further dismantled through enactment of the Foreign Exchange Act in 1992 which created a more relaxed atmosphere for international trade and payments and introduced a managed float exchange rate regime. This facilitation was further enhanced in 1996 by accepting the obligations of Article VIII Section 2, 3 and 4 of the IMF's Articles of Agreement committing the government to a free and open exchange system with no restriction on current account payments and transfers. To attract more Foreign Direct Investments (FDIs), the Tanzania Investment Act, 1997 was enacted outlining provisions and incentives for investment in areas of national priority. This Act repealed the 1990 Act, which was not attractive enough.

A comparison of the 1990 and 1999 situation is provided in the table below with regard to achievements vis-a'-vis the benchmarks.

#### **Achievement in Selected Economic and Social Benchmarks in Tanzania in the 1990s**

Target/Benchmark	1990 Situation	1999 Situation
GDP real growth 5% - 6%	5	4.8
Inflation: Single digit	32	7.9
Growth of Money Supply (M3) 8% - 10%	40	17.0
Life expectancy at birth	52	48

Source: Country Presentation by the Government of the United Republic of Tanzania to the DCIII Conference.

Though not all indicators are shown in the above table the main conclusion is more important: that some key targets were not achieved. This again called for reinvigoration of policies and programmes in year 2000 and beyond (the basis for PRSP).

The table below shows performance in selected indicators. It is evident from the Table that the results for the 1990 are mixed.



**Tanzania: Selected Indicators on Economic Performance 1990 - 1999**

Indicators/Years	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Population (mill.)	23.9	24.6	25.3	26.0	26.7	27.5	28.3	29.1	30.0	31.1
Real GDP growth (%)	5	6	4	4	3	3.6	4.5	3.5	4.0	4.8
Per Capital income (US \$) (nominal)	160.9	180.7	167.0	149.2	156.2	176.9	210.3	235.6	257.0	270.0
Per Capital real GDP growth (%)	2.2	3.2	1.2	1.2	0.2	0.8	1.7	0.7	1.2	2.0
Openness (M+E/GDP)	24.4	27.7	40.5	44.3	43.8	41.5	33.5	27.2	25.4	22.8
Agricultural GDP (%) real	47.9	48.2	48.0	49.3	49.6	50.7	50.6	50.1	49.1	48.9
Industrial GDP % (real) +	16.9	16.5	16.2	15.5	15.6	14.7	16.6	15.6	16.5	16.6
Inflation rate (%) (++)	32	34	24	24	27	27.4	21	16.1	12.8	7.9
Gross Domestic Savings/GDP (%)	-0.6	-0.6	-2.4	-3.1	-1.2	0.8	5.4	6.2	6.0	2.2
Gross domestic investments/GDP (%)	26.1	26.3	27.2	25.1	24.6	19.8	16.6	14.9	15.0	15.5
Growth in Money Supply (M3)*	43.3	26.9	42.7	39.3	35.5	32.2	8.7	13.3	10.8	17.0
External cover rates (%)	28.8	28.0	31.6	34.1	39.8	50.1	64.8	61.4	53.4	38.1
External debt service(%)**	-	-	-	-	-	44.1	40.8	36.4	40.2	27.9
Debt Service as % of exports***	33.0					16.5	17.3	17.5	16.2	17.4
Foreign Direct Inv. US\$ mill.	0.0	0.0	12.0	20.0	50.0	150.0	148.5	157.8	172.2	183.8
Services as % of total exports	43.8	29.3	29.7	41.4	44.6	46.1	41.3	39.6	47.7	54.2
Foreign reserves (weeks of imports)	6.8	8.2	12.4	6.0	9.5	6.6	11.3	16.5	13.4	18.0

- KEY: + Defined to include manufacturing, mining & quarrying, energy and construction.  
 ++ Annual average. By September-end 2000 it had declined to 5.7% (from 5.8 in June 2000)  
 \* Currency in circulation outside banks + bankers' reserves + time deposits + savings deposits + foreign currency deposits.  
 \*\* As % of Government recurrent revenue. Reliable data available from 1995.  
 \*\*\* As % of total exports for financial year, (where 1994 = 1993/94)

**SOURCES:** BOT (Various),URT (1999),URT/World Bank (1999 a.b. and 2000) and Real per capital growth rate, from 1990 - 1994

URT (1996) Economic Survey;  
URT (2000) Economic Survey for Services

### **Budgetary Measures**

Since it was first elected to govern political leadership of Tanzania in 1995, the current government had shown amongst others, its commitment to:

- ❑ Increased GDP growth rate far above the then 3.2% p.a;
- ❑ Reduced inflation rates from then two digit to single digit rate;
- ❑ Reduced Balance of Payment (BOP) deficit; and
- ❑ Reduced donor dependency.

The above government objectives, amid massive causes and effects of poverty notwithstanding, were by and large implying reduced poverty amongst people in the society. The goal has been to put the nation on the internationally accepted standard of development track and thus promoting social well-being of the people. Moreover, the political aspects of government objectives mentioned above were to maintain peace, order, security and building a nation of confident citizens.

However, the government realized and was indeed aware of the weak base on the part of both human and financial resources available in Tanzania. The resources which are necessary to enable the government smoothly plan and undertake various development activities aimed at achieving the intended objectives and the development goal.

With resource deficiency in mind, the government then made two major strategic policy decisions, namely

- ❑ Introducing stringent measures for both tax collection and government spending; and
- ❑ Strengthening development cooperation relations with donors, focusing on effective foreign debt repayment programme (conspicuously for creating national credit-worthiness, which would lead to further resources mobilization) and continued structural adjustment programmes supported by WB, the IMF and the donor community at large.

However, according to the available evidence, government performance based on its internal capacity towards attaining the aforementioned objectives could not do much of the achievements, although the trend was promising. Government revenue was overloaded by expenditure, BoP deficit dominated, export value declined far short of imports' value, the magnitude of both domestic and foreign debt increased and the social indicators pinpointed the downward trends of humankind's well-being amongst the majority Tanzanians.

Certainly, Foreign Debt servicing kept stigmatizing the government. Amid various external debt-focusing policy strategies, some relevant policy measures including Multilateral Debt Relief Fund (MDF) and Poverty Reduction Budget Support Fund (PRSP) were introduced to address the worsening trends. Moreover, in the same vain policy documents such as NPES, TAS, PER, MTEF and PRSP, to mention only a few, were formulated and adopted at national level partly as Tanzania's internal efforts directed to contain poverty and its impact.

Despite many shortfalls, endless government efforts to eradicate poverty as indicated above signifies that when in 1999 the Paris Club declared the intention to introduce HIPC Initiative in whose context PRSPs were developed, the government of Tanzania was already standby, and

therefore, received the decision with enthusiasm because of the high expected value it attached to debt relief.

Whereas it is true that WB, WB and Paris Club decisions are quite significant in influencing PRSP-both processes and contents, yet conclusively on the part of Tanzania, achieving the PRSP completion point status is attributed to strong government ownership and leadership, prior existence of national poverty reduction strategies, donor support (because of credit worthiness Tanzania attained through consistent debt repayment) and the importance that government attached to obtaining rapid HIPC Initiative debt relief.

### **CSOs' TIME AND RESOURCE IMPLICATIONS IN THE PRSP PROCESS**

Since even before independence in 1961, escalation of poverty had remained and increasingly remains at large the major social problem in Tanzania. All the pre-independence and post-independence development policies and struggles directed to improve the economic, social and political life of the people were by implication, the fight against poverty. Poverty is as old as the very existence of human kind and therefore it is complex in nature because it retains all life facets of society - economic, sociological, political, technological, environmental and the invisible human life capacities.

It is conventionally agreed in Tanzania that poor people are the illiterate Tanzanians (estimated at 32% of the population); people with inadequate clean and safe water supply (estimated at 89% of the population); people experiencing poor health services (the ratio of population per health facility is 7,421, one hospital bed per 1,000 people or one physician per 23,188 people); belonging to the high mortality rate group (average life expectancy is 50 years, infant mortality rate is 96 per 1,000 live births, under-five mortality rate of 158 per 1,000 and maternal mortality is standing at 200-400 per 100,000); people experiencing malnutrition (prevalence of stunting is 43.4% of population and under-weight is 30.6% of population); people experiencing environmental degradation (at imaginable high rate); people experiencing unemployment (escalating over 30% of amongst the eligible working age of population); people belonging to the low income bracket (50%+ of the population are surviving on less than US\$1 per day); and the homeless people (70% of population in urban centres are living in squatter and shanty settlements).

Judging the situation of poverty in Tanzania based on the above statistical indicators, it is no doubt, the state of poverty in the country is pervasive and deep-rooted in the society.

Conversely, working to sustainable eradication (even to reduce) of poverty in the country has to apply the deep, complex, well thought, far reaching and long term focusing methodology, skills, strategy and techniques. Moreover, the poverty fighting strategy has to involve everyone in the society -being all encompassing and participatory in nature.

However, the relative looking at the 63 pages Tanzania PRSP document and the 10 months' time spent in the process of preparing the same, out of which only 2 days' (May 11 - 12, 2000) time was allocated and actually spent by 0.00259% of the population of Tanzania to 'debate' the document, the whole PRSP may sound rather farce and a big joke!

Only 804 participants 'attended' the 2 days zonal workshops destined to debate PRSP document contents. The workshops which were held concurrently in the 7 zones of Tanzania maintained the participation structure of 426 'villagers, 215 councillors', 110 District Executive Directors (DEDs) and 53 'persons from NGOs' (!) Of the participants 180 (22%) were women!

Obviously, the centre - periphery (duality) or the power relations theory may stand to explain and justify or disqualify the envisaged effectiveness/nature of Tanzania's PRSP. Though to the

contrary, more time and people's inputs were needed than just 'attending the workshops', to enrich the PRSP document, if Tanzania is really committed to reduce poverty. The genuine PRSP should have been relatively more comprehensive and nationally owned through being debated by all the people. However, the government's urge to secure debt relief (through HIPC Initiative) could not allow much of that to be realized.

Looking at Things from a different perspective, probably whatever the government did in forging ahead the PRSP is justified by the fact that societies characterized by nascent emerging democracies have weak civil society sector (sector III), and therefore, unlikely to support the government by effectively participating in the process and debating to improve contents of PRSPs. Tanzania civil society falls in this category.

Judged against past experiences, Civil Society Organizations in Tanzania are not organized, not aware and lacking necessary capacities (tools and skills). They are relatively weak and therefore could not voluntarily, and for long time, participate in the consultative process of preparing the PRSP.

## **CONCLUDING REMARKS**

Tanzania's PRSP was on November 27, 2001 declared by WB and IMF bodies as having graduated the Completion Point Level. Upon attaining this status Tanzania will benefit from debt relief under the context of HIPC Initiative for the next 20 years. At that time Tanzania was the fourth country to graduate, preceded by Bolivia, Mozambique and Uganda.

There are a number of good reasons leading to Tanzania's PRSP achieving through. However, for the interest of this paper let us look into the Tanzania's PRSP's process and identify the best practices that can be replicated.

PRSP processing evolves around the type of stakeholders and the extent to which they took part in the consultation. The issues which are raised here are whether or not:-

- ❑ PRSP have genuine stakeholders;
- ❑ The process was genuinely transparent and participatory friendly.
- ❑ All stakeholders, during the consultative process, had equal powers and chances to make sure that their views/recommendations were incorporated in the final document of PRSP.
- ❑ There is a conventional philosophical understanding and awareness about poverty transcending and shared amongst all stakeholders.

## **PRSP Stakeholders**

Tanzania's PRSP stakeholders were:

- ❑ The Government of Tanzania
- ❑ Tanzania citizens represented through civil society and the private (market) sectors; and
- ❑ The donor community consisting of multilateral, bilateral and international commercial banks.

Looking at the Tanzania government's commitment to relieve Tanzanians from unsustainable debt burden in relation to the country's achievement of attaining the PRSP Completion Point status, we recommend governments of poor countries applying for debt relief through HIPC Initiative to emulate the steps taken and commitment shown by Tanzania Government.

## *Recent Economic Performance and Policy Implementation behind Tanzania's Attainment of PRSP Completion Point*

Tanzania's recent macroeconomic developments remained broadly in line with the programme objectives and targets. Real GDP growth, at 4.9 percent, was slightly lower than expected for 2000 - 5.2 percent), while the 12 - month rate of inflation declined as projected to 5.1 percent by June 2001. Gross official reserves amounted to US\$983 million at end - June 2001, equivalent to five months of imports of goods and non-factor services projected for 2001.

Overall budgetary performance in fiscal year 2000/01 (July - June) was strong. Revenue reached the equivalent of 12.2 percent of GDP, about 0.4 percent higher than programmed, reflecting good performance across most taxes.

Following the abatement of strong upward pressure on the exchange rate, the focus of monetary policy has shifted to absorbing excess liquidity in the interest of holding inflation at a low single-digit level. Fiscal policy remained geared toward maintaining macroeconomic stability, while raising expenditure allocations to priority sectors.

### **Institutional and Capacity Constraints**

Examining the way PRSP stakeholders 'found themselves' in the process - Paris Club, IMF and WB designing the framework and 'putting the HIPC Initiative in place'; Tanzania Government organizing local stakeholders 'to suit themselves into the framework' thus start working on and finally submitting the PRSP document to WB and IMF endorsement and finally for approval of reaching the Decision and Completion Points - leave a gap pinpointing on the continued imbalances of power relations that stems from the dominant thinking theory to which some scholars attribute poverty - hence the paradox! The major assumption behind this approach is that poverty in society is caused by only administrative/managerial inadequacies as understood and thus determined by Paris Club, WB and IMF.

Coming out of poverty, therefore requires only improving the managerial/administrative techniques (efficiency and effectiveness). This way of thinking undermine the fact that poverty has its basis on political, cultural and social phenomena differences that dominate the global divide.

Conspicuously dominated by constraints of power relations as explained above, the weak institutions of Tanzania nascent civil society and market sectors lacked necessary powers to effectively participate in the PRSP process. CSOs and market institutions in Tanzania are lacking amongst others, organizational and intellectual capacities; awareness and adequate skills to effectively engage themselves in the PRSP debate.

Whereas it is recommended that at this stage of development CSOs and market sectors institutions should on own initiatives organize themselves and work together by sharing development information through facilities provided by Information and Communication Technology (ICT), capacity building on Organization Development (OD) and the training programmes designed to underscore the local demands of CSOs and institutions of market sector is vital.

Moreover, if the government is genuinely committed to eradicate (even to reduce) poverty in Tanzania, it should initiate and maintain the institutional framework allowing close collaboration

with the civil society and market sectors' institutions. This will help the government to increase the bargaining power with the BWIs, Paris Club and other donors, based on local understanding of poverty, in the course of negotiating further poverty eradication programmes packages, which unfortunately are dominated by foreign (Dominant North) way of thinking.

### **PRSPs Transformation Process Towards Donors-Poor African Countries Long Term Sustainable Relations**

There is one major obstacle that will consistently keep the long-run PRSP transformation process unattainable the inter-play between the very existence of WB and IMF and (un/conscious) debt burden of the poor African countries.

However, if compromise concerning the above inter-play is reached, our recommendation for PRSP transformation into long-term sustainable relations between donors and indebted countries, would be developing and enhancing the knowledge to reach a conventional understanding benchmark, between North and South, that will harmonize the notion of what poverty really is.

The universal and harmonious notion of poverty based on appreciation of cultural diversity, is important as it will bring into the play ground, the diversified notions, interpretations and therefore approaches, to replace the uni-model way of thinking, interpreting and therefore approaching to eradicate poverty.

Genuine and unbiased understanding of poverty that addresses the real causes namely, colonial legacy, structural arrangements and attitudes, arranged together in the matrix of political, social and economic causes focusing either at local or foreign dimensions, and analyzed as fundamental, trigger or exacerbating factors; is the very important bearing in the efforts directed to eradicate poverty.

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