

Tanzania: Sustaining and Sharing Economic Growth

For the last decade, Tanzania has sustained high economic growth driven by structural reforms and improvements in economic performance and service delivery. Growth in gross domestic product (GDP) has averaged between 5 and 7 percent a year since 2000. Access to primary education has increased dramatically, along with solid increases in net enrollment rates. Under-five child mortality has declined by more than a third since 2000.

Challenges

Tanzania's solid growth record has not led to a corresponding reduction in poverty. The 2007 Household Budget Survey revealed disappointing results in poverty reduction: the poverty headcount ratio dropped only marginally from 35.6 percent in 2001 to 33.6 percent in 2007. Tanzania is therefore not on track to meet the basic needs and the food security MDG. However, data indicates a relatively large concentration of the population around the poverty line, suggesting that achieving the MDG remains feasible.

Tanzania is on track to reach the MDG for nutrition. The 2010 DHS reported that 15.8 percent of children are underweight down from 28.9 percent in 2000 and 21.6 percent in 2004/05.

To address the challenge of reducing poverty, Tanzania is working to strengthen agriculture and create a better environment for private sector development. Stagnating rankings in the Doing Business indicators underscore the need for regulatory streamlining. Tanzania now ranks lower than all neighboring countries in East Africa except Burundi and the Democratic Republic of Congo.

Poor infrastructure is the most important constraint for private sector development. Only about 14 percent of Tanzanians have access to power and Tanzania's transport infrastructure remains insufficiently developed to support growth and connect all Tanzanians with markets and services. Locally managed roads have suffered from years of neglect, with 75 percent in poor condition. The volume of goods transported by rail is falling due to disrepair of the railways and the port of Dar es Salaam is congested.

Maternal mortality rates and fertility are showing only minor or no improvement and the unit cost of delivering basic health services has increased. New resources will be needed to train health workers and retain them. Maternal mortality will only be reduced if the country invests in both staff and facilities to provide emergency obstetric care. Currently, only 5 percent of adults have a secondary education, and only about 1 percent have a tertiary education.

Approach

Since 1995, the International Development Association (IDA) has provided more than US\$5.5 billion to Tanzania in credits and grants. About 45 percent of IDA's support over the last three years has been provided through development policy operations (general budget support) focusing on increasing growth, improving the efficiency of public financial management, and improving social service delivery. IDA has also provided investment lending for private and financial sector development, energy, roads, rail, water, rural development, natural resource management, community and local government development, and public sector reform. IDA provided considerable support to the government in

the preparation of its first and second Poverty Reduction Strategy Papers in 2000 and 2004. To deepen the understanding and commitment to fiscal reform, IDA helped establish an annual Public Expenditure Review to set priorities within an overall expenditure ceiling, as well as to monitor progress and assess results. Based on this analysis, the government implements a strategic budget allocation system, which links budget allocations with the country's development goals. Since 2005 the process has been widened to include a country financial accountability assessment and a country procurement assessment.

Results

Since 2003 IDA and 13 other donors have assisted Tanzania through investment lending and general budget support, combined with policy advice. This approach has contributed to doubling per capita spending in education, health, water, agriculture, roads, judiciary, and combating HIV/AIDS, as noted in the poverty reduction strategy. This range of support has led to significant achievements:

IDA has channeled more than US\$183 million since 2000 to improve transportation. During this period the percentage of major arteries and trunk roads in good and fair condition has increased along with regular funding provided for the maintenance of roads by local governments. As of March 2010, the percentage of trunk and regional roads in good and fair condition had increased to 88 percent from 51 percent in 2000.

IDA investments in education (through both individual projects and through budget support) have focused on sustainable reforms to widen access to schooling, while improving quality and relevance. In education, net pri-

mary enrollment is up to 84 percent in 2007 from 59 percent in 2000/01. Bank support to a series of education programs combined with removal of school fees at primary school level has played a critical role in raising enrollment rates. The government's share of the recurrent budget devoted to the education sector has reached 28.5 percent, higher than many low-income African countries.

IDA has supported Tanzania's efforts to increase access to and improve the efficiency of health services with policy advice and knowledge transfers, as well as financing. An innovative public-private partnership has increased the domestic production and use of bed-nets to prevent malaria. Tanzania's reductions in infant and child mortality are among the greatest in Sub-Saharan Africa. Infant mortality has fallen by nearly 50 percent in Tanzania, from 99 deaths per 1,000 live births in 1999 to 51 in 2010. This suggests that the country can reach the relevant Millennium Development Goal (MDG) by 2015. Under-5 mortality has also declined, from

146 deaths per 1,000 live births in 1999 to 81 in 2010, again bringing the MDG target within reach. The recently implemented Under-5 bed net campaign—to which the World Bank contributed 2.4 million nets—plus the increased emphasis on immunization coverage, make Tanzania's child health related MDG targets look even more attainable. Equitable access to health services relates to government's focus on improved primary health care; and to the growing volume of health basket funds from many partners, including the World Bank, going to frontline health services.

IDA Contribution

As of February 22, 2011, IDA's lending portfolio in Tanzania consists of 25 active projects with total commitments of US\$2.6 billion, including US\$16.5 million from two projects funded by the Global Environment Facility, blended with investment operations. Tanzania's active portfolio includes projects in roads, energy, education, health, irrigation, rural development, and other sectors.

Sector distribution of Tanzania's active portfolio (excluding a Poverty Reduction Strategy Credit)	
Sustainable Development	Water and Sanitation—US\$200 million (8 percent)
	Agriculture/rural development, forestry, and environment—US\$385.8 million (15 percent)
	Infrastructure (roads and urban)—US\$773 million (30 percent)
	Energy and Mining—US\$336.5 million (13 percent)
	Sector total: 66 percent
Human Development	Health, education and social protection—US\$672 million (25 percent)
	Finance and Private Sector Development—US\$162 million (6 percent)
	Economic Management and Public Sector—US\$80 million (3 percent)
	Sector total: 34 percent

Tanzania has maintained a good portfolio performance that stands out in the Africa region. Disbursements during fiscal year 2010 reached US\$769.5 million (US\$409.5 million for investment projects and US\$360 million for general budget support) and the disbursement ratio was 34.8 percent.

Partners

The Government of Tanzania and its development partners have entered into an agreement for managing development cooperation in order to achieve national development and poverty reduction goals, the Joint Assistance Strategy (JAST). The JAST includes alignment of support to government's poverty reduction priorities. Tanzania's Development Partner Group has analyzed Tanzania's development achievements and challenges, and adopted plans for financial and technical support extending until 2010. The increase in aid channeled through the country's own institutions and systems has made aid more effective by strengthening Tanzania's capacity to develop, implement, and account for its own policies. Following a 2000 assessment of IDA's Tanzania program by the World Bank's Independent Evaluation Group, IDA has been working to adopt the following recommendations: Promote balanced long-term growth; Develop strategies for private sector and rural development; Address social policy distortions; Strengthen financial management and accountability systems; Improve aid coordination. Forty-one partners disbursed overseas development assistance to Tanzania from 2003 to 2007. More than half of all disbursements came from four partners (IDA, United Kingdom, Japan, and the European Commission). Additionally, 14 partners (besides the

four above-mentioned EC, United States, the Netherlands, African Development Fund/African Development Bank, Sweden, Denmark, Norway, Germany, Global Fund, Canada, Ireland) provided more than 90 percent of total disbursements to Tanzania. IDA plays a pivotal role in donor coordination, notably in general budget support but also in sectors and JAST Working Groups. IDA is often the conduit between the government and its other partners, as it has a unique role in Tanzania thanks to its on-the-ground expertise (about 80 percent of Task Team Leaders are based in Dar es Salaam), multi-sector involvement, and financial importance.

Moving Forward

To assist Tanzania in meeting its development goals, IDA will continue to actively coordinate with partners and participate in the joint development dialogue with the government. Going forward, the lending program for the remainder of the Country Assistance Strategy (CAS) period (the current CAS ends on June 30, 2011) will largely focus on the infrastructure and human development sectors. In addition, IDA will continue its strategic policy dialogue through general budget support, analytic and advisory activities, and its existing portfolio. Tanzania's next CAS will be presented to the World Bank Board of Executive Directors in June 2011. Consultations have been carried out regionally and with selected stakeholders, including private sector representatives, civil society, and key state organs and institutions, such as the Judiciary, the National Audit Office, and Central Bank of Tanzania.

Last Updated April 2011.

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