2008

Guidelines for the Preparation of Medium Term Plan and Budget Framework for 2008-09 2010 - 2011 Part I

Tanzania, United Republic

Ministry of Finance and Planning

THE UNITED REPUBLIC OF TANZANIA

GUIDELINES FOR THE PREPARATION
OF MEDIUM TERM PLAN AND BUDGET FRAMEWORK FOR 2008/09 –2010/11

PART I

Ministry of Finance
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TABLE OF CONTENTS

List of Tables

List of Abbreviations

ARV	-	Anti Retro Virals
ASDP	-	Agricultural Sector Development Programme
BEST	-	Business Environment Strengthening for Tanzania
BOT	-	Bank of Tanzania
BWM-SEZ	-	Benjamin William Mkapa Special Economic Zone
CCM	-	Chama cha Mapinduzi
D by D	-	Decentralization by Devolution
DADPs	-	District Agriculture Development Plans
GDP	-	Gross Domestic Product
HIPC	-	Highly Indebted Poor Countries
ICT	-	Information and Communication Technology
IFMS	-	Integrated Financial Management System
LGA	-	Local Government Authorities
LGCDG	-	Local Government Capital Development Grant
LGRP	-	Local Government Reform Programme
MDGs	-	Millennium Development Goals
MIS	-	Management Information System
MFEA	-	Ministry of Finance and Economic Affairs
MTEF	-	Medium Term Expenditure Framework
MTP	-	Medium Term Plan
NACSAP	-	National Anti-Corruption Strategy and Action Plan
NGSDA	-	National Geographical Spatial Data Infrastructure
NSGRP	-	National Strategy for Growth and Reduction of Poverty
PADEP	-	Participatory Agriculture Development and Empowerment Project
PCCB	-	Prevention and Combating of Corruption Bureau
PEDP	-	Primary Education Development Programme
PER	-	Public Expenditure Review
PFMRP	-	Public Financial Management Reform Programme
PBG	-	Plan and Budget Guidelines
PLWHAs	-	People Living with HIV and AIDS
PHSDP	-	Primary Health Service Development Proramme
PMO-RALG		Prime Minister's Office – Regional Administration and Local Government

PMCT	-	Prevention of Mother to Child Transmission
PO-PSM	-	President's Office – Public Service Management
PPP	-	Public – Private Partnership
PSRP	-	Public Service Reform Programme
R&D	-	Research and Development
RS	-	Regional Secretariat
SADC	-	South African Development Community
SBAS	-	Strategic Budget Allocation System
SEDP	-	Secondary Education Development Programme
SEZ	-	Special Economic Zone
SMES	-	Small and Medium Enterprises
SUMATRA	-	Surface and Marine Transport Regulatory Authority
TASAF	-	Tanzania Social Action Fund
TCRA	-	Tanzania Communication Regulatory Authority
TDHS	-	Tanzania Demographic and Health Survey
TDV2025		Tanzania Development Vision 2025
THIS	-	Tanzania HIV and AIDS Indicator Survey
TRL	-	Tanzania Railways Limited
TSIP		Transport Sector Investment Program
TTIS	-	Tanzania Trade Integration Strategy
VAT	-	Value Added Tax

PREAMBLE

These Guidelines for the Preparation of the Medium Term Plan and Budget Framework for 2008/09 – 2010/11 are developed to guide MDAs and LGAs in preparing their MTEFs. They translate policies set in the Development Vision 2025, MKUKUTA, Ruling Party 2005 Election Manifesto, and other sectoral policies into financeable medium term interventions. For 2008/09, the Government will continue to implement the priority areas identified in 2007/08. In this respect, the expenditure framework will focus on pro-growth areas of the economy; social service delivery, and to consolidate the gains achieved so far.

This Guidelines document is prepared in a participatory way by involving both Central and Line Ministries in defining key priorities in order to optimize outcomes. The Guidelines document is organized into ten chapters.

Chapter One gives an assessment of the focus of the Medium Term Plan and Budget for 2007/08 – 2009/10. The chapter provides an objective critique by pointing out strengths and weaknesses for the purpose of improving future Medium Term Plan and Budget Guidelines. Specifically, the focus is on how potent the Guidelines facilitate strategic resource allocation and the challenges related to attaining a growth path that will drive the country to a middle income country.

Chapter two, summarizes the macro economic performance covering;- economic growth; the inflationary trend; government finance; monetary and credit development; and the external trade. The Chapter concludes by setting the key macro-economic as well as sector specific assumptions for the next medium term (2008/09 – 2010/11) outlook.

Chapter Three reviews the implementation of MKUKUTA in a cluster wide analysis: Cluster I(Growth and Reduction of Poverty); Cluster II (Improved Quality of Life and Social Well-being) and Cluster III (Good Governance and Accountability). The chapter summarizes major achievements and challenges recorded in the sectors within each cluster. The chapter also reviews the implementation of some special programmes and the cross cutting interventions that have contributed to the achievements of MKUKUTA outcomes. Programmes covered in this respect include; the BEST Programme, The Mini Tiger Plan 2020; the National Spatial Data Infrastructure; the National ID Project; and Tanzania Social Action Fund (TASAF). The cross-cutting issues include the HIV and AIDS; Gender; Environment; Employment; and Economic Empowerment.

Chapter Four deals with the implementation of the Government's policy on Decentralization by Devolution (D by D). It provides a brief account of the D by D compliance assessment results and findings in 14 ministries. The Chapter records achievements and challenges facing implementation of D by D in the years ahead.

Chapter Five reviews the implementation of the public sector reforms: the Public Service Reform Programme (PSRP) including Pay Reform; the Public Financial Management Reform Programme (PFMRP); the Local Government Reform Programme (LGRP); and the Legal Sector Reform Programme (LSRP). The chapter summarises achievements and challenges recorded and it identifies the priority areas for resource allocation for the medium term 2008/09 – 2010/11. Chapter Six highlights Government commitments for the medium term 2008/09 – 2010/11 as identified within the Vision 2025, MKUKUTA and sector policies.

Chapter Seven focuses on issues specific to Regional Administration and Local Government. The chapter provides a review of the programs and projects implemented by Regional Administration and Local Government Authorities during the year 2006/07 and those that are currently being implemented by those two levels of administration. In addition, to pointing out the challenges facing the Regions and LGAs, the chapter also highlights priority areas for resource allocation for the coming year. However, a separate set of PBGs for LGAs have been prepared and issued.

In Chapter Eight, the size of the resource envelope for the year 2008/09 is determined. In order to achieve the desired national objectives and priorities, resources have been allocated at the level of MKUKUTA clusters and goals.

The last two chapters (Nine and Ten) provide instructions regarding the preparation and implementation of plans and budgets for the medium term 2008/09 – 2010/11 and institutional responsibilities with respect to planning and budgeting processes. Monitoring, Evaluation and Reporting are also outlined in detail.

CHAPTER ONE

Assessment of the 2007/08-2009/10 Medium Term Focus

1. This chapter presents an assessment of the Medium Term Focus as formulated in the Plan and Budget Guidelines document for the period 2007/08 – 2009/10 and as progressed through the various stages until final approval of the Government budget. It is therefore intended to point out areas of strength and weakness for sustainability and future improvement. The assessment will be directed at the process, content and structure of the current Medium Term Plan and Budget (2007/08 – 2009/10) Guidelines document. The chapter concludes with challenges and the way forward including the need to simplify the Government budget and make it more transparent in respect of allocations to spending entities so as to enhance financial accountability.

2. Each year, the Plan and Budget Guidelines process starts by scanning the social, political, and economic environment within which the medium term plans and budgets are formulated. The scan is essential, in that it facilitates the development of realistic budgetary policies and the related frame. The process involves striking a balance between the competing demands on the government's financial resources. The thoroughness of this exercise is critical, and is intended to inform subsequent stages of the budget consideration and approval process. The PBGs must be a robust strategy document, and the Government expects high standards of its outputs.

The medium Term Plan and Budget Guidelines (PBG)

3. PBG is a document prepared to guide the Government's planning and budgeting processes. It gives instructions to MDAs, Regions and LGAs on how socio-economic policies are translated into workable plans and programs.

4. It is prepared in two parts: Part I: provides the text narrations while part II provides the Forms and formats. Based on the national Plan and Budget Guidelines, MDAs, Regions and LGAs are required to issue internal guidance on how to prepare their institutional plans and budgets.

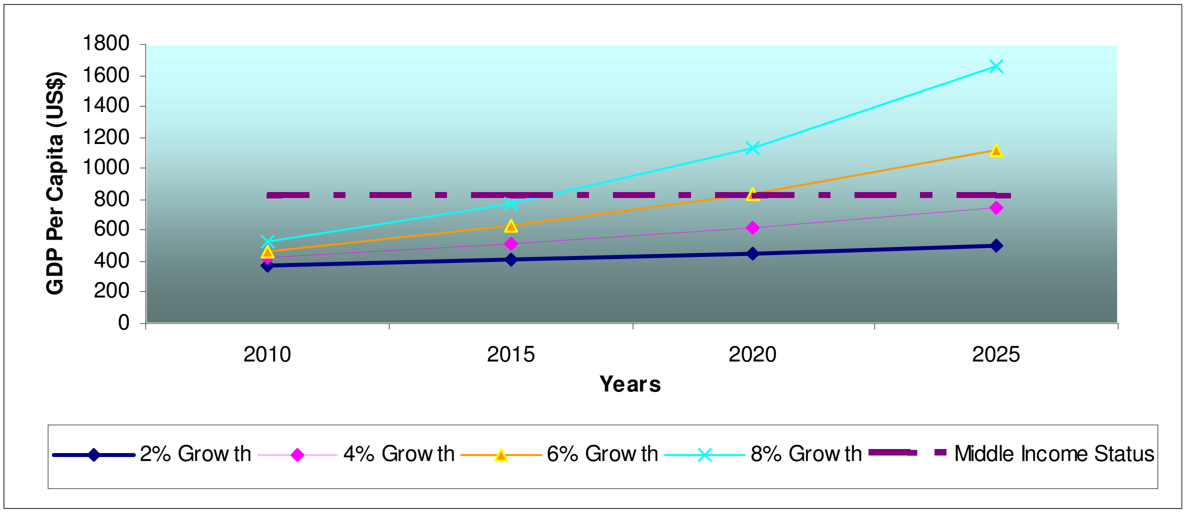
Strengths

5. The strengths of the PBG are that it provides:-
   - A summary of macro economic performance in the previous year; and projections for the medium term.
   - An overview of national priorities as an entry point for considering and implementing specific government policies, strategies and programmes with budgetary implications.
   - Expenditure ceilings for MDAs Regions and LGAS; and
   - Instructions, information and formats to assist implementing agencies in the preparation of their plans and budget and in Monitoring, Evaluation and Reporting;

Challenges

6. The budget process is critical for the attainment of national goals. Tanzania faces major challenges as it strives to meet the aspirations as stipulated in the Tanzania Development Vision 2025. The main goal is for Tanzania to become a middle income country (a per capita income of around USD 3,600 per annum) by 2025. In order to reach even the lower threshold for middle-income status (per capita GDP of USD 826), a per capita income growth rate of not less than 4 percent is needed annually (for each of the remaining 18 years to 2025. Given the current estimated 3 percent population growth rate, the required per capita income growth translates into 7 – 8 percent GDP growth rates over the period. Recent growth forecasts suggest that current policies would achieve just these rates. Any drop in these rates, for any of the years, would mean that the threshold is missed.

GROWTH PATH CHALLENGE



7. For Tanzania to keep to the preferred growth path described above, it has to address the challenges identified and documented in the PBGs for the period 2007/08 – 2009/10. The main challenges included the following:

- Striving to balance recurrent expenditure and domestic revenue;
- Emphasizing growth by encouraging private sector development and controlling expenditure on non-tradable goods and services;
- Ensuring priority programmes are adequately funded;
- Reducing the substantial recurrent costs in the development projects of MDAs, Regions and LGAs;
- Harmonizing mainstreaming the LGCDG system in the Government budget;
- Reviewing the regulatory framework in order to capture resources generated from public institutions and investments;
- Consolidating the gains so far made especially in the area of social service delivery; and
- Establishing the "safe" level of donor support which will enable the country to reduce donor dependency.

Measures to be taken

8. As a way forward the measures contained in the 2007/08 – 2009/10 PBG are still valid and applicable such that efforts should be made to ensure that they are all implemented. Such areas include procurement, government transport, employment allowances, and travel and government hospitality. If more diligence is employed, substantial savings can be realized from these areas.

Government Procurement Systems and Management

9. A big proportion of public expenditure is on procurement of goods and services. The greatest challenge in procurement is to ensure that government purchases reflect the value for money. Public Procurement Agencies and Accounting officers should take measures to improve supervision and monitoring of purchases. Procurement Laws and Regulations may have to be revisited in order to address the existing weaknesses in the Public Procurement system.

Government Vehicles and Transportation

10. Significant savings can be realized from government vehicles and transportation. Areas for savings include; size and model, fleet, maintenance, running, and usage of the motor vehicles. Apart from the regulations and circulars that are already in place, additional measures may have to be taken in order to effectively control expenditures on motor vehicles and transportation generally.

Furniture

11. There is a growing tendency for government officers to change furniture whenever they feel like and whenever there is a change of office holders. The furniture is discarded even when it is in order and replaced by imported ones which are expensive and much less durable compared to the locally manufactured. The government procedures on replacement of furniture should be applied and observed. The Ministry of Infrastructure Development in collaboration with MFEA should issue guidelines on acquisition and disposition of furniture and emphasize on locally made furniture.

Government Rest Houses in Dodoma

12. Most Ministries maintain several rest houses in Dodoma which cost the government a lot of money for acquisition, maintenance and running. In order to abide by government regulations and standards the Ministry of Infrastructure Development should issue guidelines on the establishment and running of government rest houses in Dodoma.

Seminars and Workshops

13. Seminars and workshops are another source of increasing government expenditures. Many of the seminars and workshops are unnecessary and conducted in very expensive hotels. Accounting officers should be very cautious when authorizing seminars and workshops. The directive issued by the President of the United Republic of Tanzania through circular number 1 of 10th March, 1998 on measures to control Government expenditure should be observed. Public Institutions with facilities to hold seminars and workshops should be identified and MDAs directed to hold workshops in such places. PO-PSM should issue guidelines on this matter.

Per diems and Travel Allowances

14. Per diems and other travel allowances are yet another area where the government spends millions of shillings each year. It is important that Accounting Officers satisfy themselves that each expenditure incurred has value for money and that, strictly, there is no double payment. The number of local and foreign trips and the sizes of delegations should be controlled.

Revenue from Public Institutions

15. The Treasury Registrar Ordinance Cap 418, (1959) as amended, requires all government investments to declare profits for appropriation.

It has been observed that dividends, excess funds and other surpluses are not declared and collected in a form that is clearly understandable to every parastatal, regulatory authority, agency or government institution. Many of them manage to individually use the surpluses to top up unauthorized increases in salaries, and payments of allowances, purchase of vehicles and houses. This is due to weaknesses in the existing laws and regulations.

16. In the case of special funds established in various MDAs, e.g. Tanzania Wildlife Fund, National Health Insurance Fund, reviews should also be carried out to instill transparency and accountability. The Public Finance Act, 2004 and respective laws should therefore be reviewed and an appropriate institutional framework be put in place to enable the Government capture revenue information. The information should be both actual and estimates for previous years and the current year for the public institutions and Agencies that get PE and OC funds from the Government.

17. As instructed in 2007/08 Plan and Budget Guidelines, all public institutions and Agencies will be required to submit their annual Revenue Estimates in order to be considered as a pre condition for getting subvention from the Government.

CHAPTER TWO

A Review of Macro- Economic Performance and Outlook

The Revised National Accounts Estimates

18. National Account Estimates for Tanzania Mainland were first prepared in 1954 (Tanganyika by then) and subsequently revised in 1966, 1976, 1992 and 2001. The previous estimates which were based on 1992 prices have now been rebased to 2001 prices to incorporate relative price movements and changes in the structure of the economy. The revision incorporates new sources of data on the production of goods and services, and makes certain methodological changes that ensure compliance with international standards set by the United Nations Statistical Office.

19. In line with the UN System of National Accounts 1993, the Revised National Accounts 2001 estimates Gross Value Added at basic prices as opposed to factor cost, as was previously the case. The key difference between the two is that the former incorporates taxes while the latter does not.

20. The change in the base year was also intended to:- Reflect the impact of reforms that have taken place since 1992; integrate structural changes that have taken place, especially in the patterns of production, consumption and investment; take into account changes in the relative prices of various products which tend to vary over time; update the list of products as continuous developments and innovations, lead to new products to appear in the market and obsoleteness, many old products disappear from the market; incorporate all new data sources available.

Assessment of economic performance over the past period and projections/forecasts for the medium term will be based on the revised national accounts data. Subsequently, the budget frame in these Guidelines has been prepared on the same basis. Tables 1(a) to 1(c) show economic performance (GDP by Economic Activity) from 1998 and projections for the medium term based on the new revised National Accounts series.

Table 1(a): Gross Domestic Product at 2001 Prices by Economic Activity

T. Shillings million

Economic Activity	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Agriculture, Hunting and Forestry	**2,307,952**	**2,402,845**	**2,512,170**	**2,636,193**	**2,766,480**	**2,850,955**	**3,017,988**	**3,148,384**	**3,268,238**	**3,393,362**	**3,526,999**	**3,672,321**	**3,831,861**	**4,002,173**
Crops	1,689,468	1,765,120	1,847,572	1,945,945	2,055,634	2,122,361	2,262,725	2,361,930	2,457,373	2,558,125	2,663,008	2,774,855	2,896,948	3,027,311
Livestock	411,009	425,245	441,860	459,448	472,500	483,001	503,000	525,109	537,498	550,935	567,464	587,892	611,408	636,476
Forestry and hunting	207,475	212,480	222,738	230,800	238,345	245,594	252,263	261,345	273,367	284,302	296,527	309,574	323,505	338,386
Fishing	**138,128**	**142,487**	**146,675**	**153,660**	**164,049**	**173,892**	**185,543**	**196,676**	**206,510**	**217,868**	**229,851**	**242,952**	**258,744**	**276,080**
Industry and construction	**1,377,738**	**1,470,500**	**1,536,952**	**1,638,460**	**1,792,024**	**1,988,081**	**2,204,619**	**2,433,261**	**2,639,902**	**2,877,256**	**3,162,993**	**3,491,420**	**3,877,862**	**4,317,729**
Mining and quarrying	112,578	122,805	140,400	159,979	187,000	219,000	254,000	295,000	341,000	388,740	441,220	497,696	556,424	618,744
Manufacturing	653,575	693,058	726,358	762,400	819,200	893,000	977,000	1,071,000	1,162,000	1,263,094	1,383,088	1,521,397	1,688,750	1,877,890
Electricity, gas	168,323	175,038	185,847	196,860	209,000	223,953	240,708	263,218	258,347	263,514	268,784	276,848	285,153	293,993
Water supply	39,782	40,968	42,363	43,840	45,084	47,128	49,557	51,700	54,905	58,364	62,449	67,133	72,504	78,667
Construction	403,481	438,631	441,984	475,380	531,740	605,000	683,354	752,343	823,650	903,544	1,007,452	1,128,346	1,275,031	1,448,435
Services	**3,529,336**	**3,692,256**	**3,890,050**	**4,139,961**	**4,460,699**	**4,806,587**	**5,182,094**	**5,596,785**	**6,035,895**	**6,536,612**	**7,114,015**	**7,768,104**	**8,537,611**	**9,434,644**
Trade and repairs	1,005,241	1,065,186	1,111,165	1,182,797	1,281,544	1,405,698	1,486,931	1,585,906	1,736,631	1,905,084	2,105,118	2,336,681	2,617,083	2,954,686
Hotels and restaurants	217,000	230,000	239,528	250,978	267,162	275,836	285,732	301,873	314,921	329,092	345,547	364,552	390,071	421,667
Transport	428,679	445,166	464,481	487,062	516,000	541,901	588,574	627,951	661,000	697,355	737,802	782,070	841,507	908,828
Communications	92,158	98,248	103,716	112,783	124,549	144,039	169,158	200,900	239,500	286,921	344,018	412,822	495,386	595,950
Financial intermediation	121,250	126,100	131,000	140,000	154,108	170,643	184,775	204,694	228,000	255,360	287,280	326,063	372,690	428,221
Real estate and business services	823,698	856,687	898,961	936,440	1,003,260	1,068,732	1,141,014	1,226,790	1,316,000	1,414,700	1,525,047	1,647,050	1,778,814	1,924,677
Public administration	510,027	524,000	580,000	640,649	699,561	766,760	871,169	970,786	1,033,488	1,105,832	1,185,452	1,270,805	1,366,115	1,471,306
Education	157,368	162,969	169,462	188,733	202,000	207,606	215,910	224,547	235,774	251,099	269,178	288,021	308,182	330,680
Health	103,837	107,158	112,629	118,972	129,229	140,437	151,370	163,572	177,520	194,384	213,434	234,351	257,317	283,049
Other social and personal services	70,080	76,741	79,108	81,548	83,286	84,935	87,461	89,765	93,061	96,783	101,139	105,690	110,446	115,582
Gross value added before adjustments	**7,353,154**	**7,708,089**	**8,085,846**	**8,568,274**	**9,183,253**	**9,819,516**	**10,590,244**	**11,375,106**	**12,150,545**	**13,025,098**	**14,033,857**	**15,174,797**	**16,506,079**	**18,030,625**
less FISIM	-74,437	-76,978	-78,049	-80,000	-87,000	-97,154	-106,931	-119,497	-137,287	-155,134	-174,526	-195,469	-216,971	-240,838
Gross value added at constant 2001 basic prices	**7,278,717**	**7,631,111**	**8,007,797**	**8,488,274**	**9,096,253**	**9,722,362**	**10,483,313**	**11,255,609**	**12,013,258**	**12,869,964**	**13,859,331**	**14,979,327**	**16,289,108**	**17,789,788**
Add Taxes on products	525,209	550,560	577,542	612,000	655,926	701,372	756,422	812,482	867,868	947,712	1,033,006	1,115,646	1,216,055	1,325,499
Gross Domestic Product at constant 2001 market prices	**7,803,926**	**8,181,671**	**8,585,339**	**9,100,274**	**9,752,178**	**10,423,734**	**11,239,735**	**12,068,090**	**12,881,126**	**13,817,676**	**14,892,337**	**16,094,974**	**17,505,163**	**19,115,287**

Table 1(b): Gross Domestic Product at 2001 Prices by Economic Activity (Growth Rates)

Percent

Economic Activity	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture, Hunting and Forestry	4.1%	4.5%	4.9%	4.9%	3.1%	5.9%	4.3%	3.8%	3.8%	3.9%	4.1%	4.3%	4.4%
Crops	4.5%	4.7%	5.3%	5.6%	3.2%	6.6%	4.4%	4.0%	4.1%	4.1%	4.2%	4.4%	4.5%
Livestock	3.5%	3.9%	4.0%	2.8%	2.2%	4.1%	4.4%	2.4%	2.5%	3.0%	3.6%	4.0%	4.1%
Forestry and hunting	2.4%	4.8%	3.6%	3.3%	3.0%	2.7%	3.6%	4.6%	4.0%	4.3%	4.4%	4.5%	4.6%
Fishing	3.2%	2.9%	4.8%	6.8%	6.0%	6.7%	6.0%	5.0%	5.5%	5.5%	5.7%	6.5%	6.7%
Industry and construction	6.7%	4.5%	6.6%	9.4%	10.9%	10.9%	10.4%	8.5%	9.0%	9.9%	10.4%	11.1%	11.3%
Mining and quarrying	9.1%	14.3%	13.9%	16.9%	17.1%	16.0%	16.1%	15.6%	14.0%	13.5%	12.8%	11.8%	11.2%
Manufacturing	6.0%	4.8%	5.0%	7.5%	9.0%	9.4%	9.6%	8.5%	8.7%	9.5%	10.0%	11.0%	11.2%
Electricity, gas	4.0%	6.2%	5.9%	6.2%	7.2%	7.5%	9.4%	-1.9%	2.0%	2.0%	3.0%	3.0%	3.1%
Water supply	3.0%	3.4%	3.5%	2.8%	4.5%	5.2%	4.3%	6.2%	6.3%	7.0%	7.5%	8.0%	8.5%
Construction	8.7%	0.8%	7.6%	11.9%	13.8%	13.0%	10.1%	9.5%	9.7%	11.5%	12.0%	13.0%	13.6%
Services	4.6%	5.4%	6.4%	7.7%	7.8%	7.8%	8.0%	7.8%	8.3%	8.8%	9.2%	9.9%	10.5%
Trade and repairs	6.0%	4.3%	6.4%	8.3%	9.7%	5.8%	6.7%	9.5%	9.7%	10.5%	11.0%	12.0%	12.9%
Hotels and restaurants	6.0%	4.1%	4.8%	6.4%	3.2%	3.6%	5.6%	4.3%	4.5%	5.0%	5.5%	7.0%	8.1%
Transport	3.8%	4.3%	4.9%	5.9%	5.0%	8.6%	6.7%	5.3%	5.5%	5.8%	6.0%	7.6%	8.0%
Communications	6.6%	5.6%	8.7%	10.4%	15.6%	17.4%	18.8%	19.2%	19.8%	19.9%	20.0%	20.0%	20.3%
Financial intermediation	4.0%	3.9%	6.9%	10.1%	10.7%	8.3%	10.8%	11.4%	12.0%	12.5%	13.5%	14.3%	14.9%
Real estate and business services	4.0%	4.9%	4.2%	7.1%	6.5%	6.8%	7.5%	7.3%	7.5%	7.8%	8.0%	8.0%	8.2%
Public administration	2.7%	10.7%	10.5%	9.2%	9.6%	13.6%	11.4%	6.5%	7.0%	7.2%	7.2%	7.5%	7.7%
Education	3.6%	4.0%	11.4%	7.0%	2.8%	4.0%	4.0%	5.0%	6.5%	7.2%	7.0%	7.0%	7.3%
Health	3.2%	5.1%	5.6%	8.6%	8.7%	7.8%	8.1%	8.5%	9.5%	9.8%	9.8%	9.8%	10.0%
Other social and personal services	9.5%	3.1%	3.1%	2.1%	2.0%	3.0%	2.6%	3.7%	4.0%	4.5%	4.5%	4.5%	4.7%
Gross value added before adjustments	4.8%	4.9%	6.0%	7.2%	6.9%	7.8%	7.4%	6.8%	7.2%	7.7%	8.1%	8.8%	9.2%
Gross value added at constant 2001 basic prices	4.8%	4.9%	6.0%	7.2%	6.9%	7.8%	7.4%	6.7%	7.1%	7.7%	8.1%	8.7%	9.2%
Add Taxes on products	4.8%	4.9%	6.0%	7.2%	6.9%	7.8%	7.4%	6.8%	9.2%	9.0%	8.0%	9.0%	9.0%
Gross Domestic Product at constant 2001 market prices	4.8%	4.9%	6.0%	7.2%	6.9%	7.8%	7.4%	6.7%	7.3%	7.8%	8.1%	8.8%	9.2%

Table 1(c): Gross Domestic Product at current market prices

T. shillings million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Domestic Product at current market prices (CY)	6,283,972	7,222,560	8,152,789	9,100,274	10,444,508	12,107,062	13,971,593	15,965,296	17,749,575	19,992,101	22,624,323	25,673,927	29,319,562	33,617,193
	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2000/06	20060/07	2007/08	2008/09	2009/10	2010/11
Gross Domestic Product at current market prices (FY)	-	6,753,266	7,687,675	8,626,532	9,772,391	11,275,785	13,039,328	14,968,445	16,857,436	18,870,838	21,308,212	24,149,125	27,496,744	31,468,377

Macroeconomic Performance

21. Macroeconomic and structural policies pursued by the government have yielded substantial economic growth as reflected by good performance of the economy at macro level over the past 5 years. Notwithstanding the slight decline during 2006, on account of the drought coupled with the power crisis, economic growth over the past 5 years has averaged 7.2 percent. During 2006 real GDP grew by 6.7 percent, compared with a rate of 7.4 recorded in 2005. There was an increase in inflation rate, but continued to remain at single digit. In 2007/08, revenue to GDP ratio is projected at 16.4 percent. Such revenue performance is attributed to supportive on-going economic reforms, coupled with the sustained inflows of grants and loans from development partners. The Current Account deficit is projected to improve on account of a slowdown in imports due to expected decline in demand for oil as result of favorable weather which has facilitated use of hydro-power and increased use of natural gas.

22. **Economic Growth**: Economic growth for 2007 has been projected at 7.3 percent, compared to 6.7 in 2006. Such a projection is accounted for by substantial improvements in weather (availability of both long and short rains); coupled with Government initiatives in accelerating investments in economic infrastructure, notably roads, water supply and generation of electricity. Sectors that contributed substantially to growth during the year include; Industry and construction, Services and Fishing. Despite such achievements, the persistent increase in oil prices in the world market continues to adversely affect the national economy.

23. **Inflation:** The annual average inflation rate for the year 2006 was 7.3 percent, compared to 5.0 percent during 2005. The higher inflation rate during 2006 was largely contributed by increased prices of food and non food items

which was compounded by the persistent increase in oil prices in the world market. The year 2007 started with an inflation rate of 7.0 percent, rising to 7.3 percent in February, before starting a downswing, registering 5.0 percent by May, following increased food supplies in many parts of the country. June registered a higher inflation rate, at 5.9 percent, which continued to rise, peaking at 9.0 percent in July, in response to a substantial increase in domestic prices for petroleum products. Subsequently, the rate has swung up and down in a sine curve, registering 7.1 percent in October and 7.3 in November and dropped to 6.4 in December. Taking account of the outturn for the past months, the annual average for 2007 was 7.0 percent.

24. **Government Finance:** The overall revenue collection for the first half of 2007/08 demonstrated good performance. Domestic revenue collection for the period was Tshs 1,759,038 million which exceeded the projection of Tshs 1,733,967 million by 1 percent. Good revenue collection performance during the period resulted from implementation of some tax reforms and adjustments which were proposed during the 2007/08 Budget. Non-tax revenue collection was Tshs 107,074 million against the estimated Tshs 155,685 million. The under collection was due to delay in implementing some non-tax revenue related reform measures. These measures include adjustment of forestry and hunting fees.

25. Tax revenue sub-categories which recorded good performance during the period include VAT on international trade, excise duty on domestically produced and fuel, PAYE and corporate taxes. Main revenue sub-categories which under-performed during the period include excise duty on exports, other taxes and non-tax revenues. Under-performance of non-tax revenue resulted mainly from delay in implementing revenue collection reform measures on forestry products. Government plans to implement the measures during the second period of 2007/08 which will lead to satisfactory revenue collections.

26. During the first half of 2007/08 actual expenditure reached Tshs 3,093,924 million, equivalent to 93 percent of the projected Tshs 3,342,116 million. Out of the total expenditure during the period, Tshs 1,763,647 million and Tshs 1,330,277 million was for recurrent and development expenditure, respectively. Government wages and salaries for the first half amounted to Tshs 560,497 million, equivalent to 96 percent of projection during the period. The amount includes wage and salary adjustments for public service servants. Expenditure on domestic interest payments during the period reached Tshs 70,726 million, equivalent to 70 percent of the projected Tshs 101,415 million. Interest payment on foreign debt was Tshs 10,048 million, equivalent to 61 percent of the estimates for the period. Shortfall in domestic interest payments was caused mainly by low interest rates on Government securities than budgetary projections, whereas shortfall in foreign interest payments is resulting from delay in receiving invoices from foreign creditors. In total, expenditure on other debts (CFS others) was 93 percent of budget estimates of Tshs 134,702 million.

27. Expenditure in the "Other Charges (OC)" category (expenditure on goods and services) for all MDAs during July – December, 2007 was Tshs 783,632 million, equivalent to 63 percent of estimates during the period. Development expenditure during July-December, 2007 reached Tshs 1,330,277 million which was higher than estimated Tshs 1,238,974 million by 7 percent. The expenditure exceeded estimates following receipt of large proportion of basket funds and loans for development projects.

28. Total budget support loans and grants during the first half of 2007/08 was Tshs 956,038 million which exceeded estimates budget by 12 percent. This was primarily a result of disbursements that were scheduled for 2006/07 budget and realized in this fiscal year. Grants and loans for development projects during the period reached Tshs 917,743 million, equivalent to 63 percent of total annual budget.

29. **Monetary and Credit Development**: Against a backdrop of drought and oil price related inflationary pressures, the conduct of monetary policy during 2006/07 was geared towards containing inflation at single digit level. The outcome of the implementation of monetary policy has been favourable with impressive expansion in financial deepening reaching 29.0 percent from an average of 23.41 percent of GDP over the past five years. The rate of growth of extended broad money supply (M3) moved in line with the tight monetary policy stance pursued by the Bank of Tanzania during the period. The good performance was sustained by maintaining an appropriate level of liquidity in the economy, while at the same time facilitating the provision of adequate financial resources to the productive sectors of the economy.

Table 2: Selected Indicators of Monetary Aggregates against Targets

Percent

	Jun-06		Sep-06		Dec-06		Mar-07		Jun-07	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Annual Growth of M2	27.0	24.5	26.7	20.1	24.1	13.7	24.8	16.1	25.2	20.1
Annual Growth of M3	27.0	31.6	31.3	28.6	25.0	21.9	24.6	19.5	24.2	20.7
Annual growth of Private Sector Credit	33.0	35.9	37.2	37.1	37.7	42.3	36.0	39.3	36.0	36.4

Source: Bank of Tanzania

30. Credit to the private sector has been consistently been increasing over time, as shown in Table 2 above. Invariably, projections for the medium term are expected to remain strong. It is projected to grow at 39.9 percent in 2007/08 compared to 36.0 percent in 2006/07. The expected growth will be sustained by a number of factors, including the ongoing second generation financial sector reforms; initiatives on pro-poor investment policies such as business formalization process; economic empowerment; micro-lending initiatives; and promotion of small and medium scale enterprises.

[1] *Based on the old GDP series*

31. **External Trade**: During the year ending December 2007, total exports amounted to US Dollars 3,503.6 million, compared to US Dollars 3,230.2 registered during the same period in 2006, equivalent to an increase of 14.7 percent. Travel (tourism) and gold receipts continued to dominate, accounting for 38.2 and 28.9 percent of total exports respectively.

32. Merchandise exports amounted to US Dollars 2,006.6 million by December 2007, compared to US Dollars 1,736.0 million registered during the same period in 2006, equivalent to an increase of 15.6 percent. The increase in the value of merchandise exports during the period under review was accounted for by improvements in non-traditional exports that increased by 16.1 percent to US Dollars 1,705.4 million. On the other hand, traditional exports increased by 8.6 percent from US Dollars 267.1 million in 2006 to 290.1 million in 2007, largely attributed to increase in exports value of cotton, cashew nuts and tobacco.

33. During the review period, services receipts increased by 13.6 percent to US Dollars 1,697.0 million, following large increases in travel and transportation, insurance and other business services. Travel (tourism) receipts amounted to US Dollars 985.3 million, compared to US Dollars 914.2 million registered in the same period in 2006, reflecting an increase in the promotion tourism; while transportation receipts rose to US Dollars 371.4 million from US Dollars 324.2 million in 2006, owing to increased transit cargo to and from neighboring countries, linked with improved political stability in these countries and upgrading of ports facilities.

34. During the year ending December 2007, the value of merchandise imports increased by 25.4 percent to US Dollars 4,826.9 million (fob), following increased importation of transport equipment, building and construction materials, machinery and oil products. Service imports (payments for services) during the review period increased by 18.4 percent to US Dollars 1,479.4 million, attributed largely to payments for travel, freight and insurance services, linked to an increase in merchandise import. The growth of economic services also led to an increase in payments for services on consultancy, legal, architectural, engineering, etc.

35. The Current Account balance during the year ending December 2007 worsened to a deficit of US Dollars 2.056.2 million, compared with a deficit of US Dollars 1,379.3 million during the same period in 2006, attributed mainly to a huge increase in imports of oil and machinery

36. **Exchange rate**: During 2007, the Tanzanian shilling continued to appreciate against the US Dollar over time. The nominal exchange rate of the Tanzanian shilling to the USD was shs. 1301.44 at the end-January 2007 and appreciated to shillings 1268.31 per USD and 1165.2 at end-June and December 2007 respectively. These developments are largely explained by an increase in the supply of foreign currency from export proceeds at a time when the demand for foreign exchange increased, in response to higher import requirements during the period.

Macroeconomic Assumptions and the Medium term Outlook for 2008/09-2010/11

37. In the medium term (2008/09 – 20010/11) key macroeconomic assumptions underlying macroeconomic projections and policy targets for are as follows:

- Sustaining key macroeconomic indicators, including economic growth, inflation, domestic revenue, and the exchange rate;
- Increased impetus in the implementation of MKUKUTA and resource allocation in the areas that have rapid multiplier effects in the economy in the medium term;
- The growth rate of the agricultural sector (crops, livestock, hunting and forestry) is expected to increase as a result of improvements in rural roads (facilitating improved access to markets), irrigation infrastructure, access to rural finance through SACCOS and the Agricultural Inputs Trust Fund and other supportive policy measures;
- There will be further improvement in socio-economic reforms in the medium term, and current macroeconomic reform achievements will be sustained;
- Domestic revenue collection will be enhanced via tax administration reforms, the formalisation of businesses, the expansion of tax base, and sustained growth in productive sectors;
- Foreign inflows, including grants and concessional loans will drop slightly in relation to GDP, HIPC debt relief will stay on course and multilateral debt cancellation initiative will be fully delivered;
- Increased progress in private sector development, including increased local and FDI, and further improvements in business environment; and

- A supportive monetary policy reflected in an appropriate fiscal framework, low inflation, a narrowing interest rate spread, and increased credit to the private sector.

Sectoral Assumptions and Outlook

Agriculture, hunting and forestry Sector

38. The Agriculture, hunting and forestry sector is projected to register a growth rate of 3.8 percent in 2007, the same rate as registered in 2006. Later on, the sector is assumed to grow at an average of 3.9 percent in 2008 and 4.3 percent in the medium term mainly because of improvement in roads and irrigation infrastructure, marketing credit to the members of SACCOS through Agricultural Input Trust Fund and measures undertaken in forestry and hunting sub-sector to promote production. It is also assumed that, the growth of the crop sub-sector will increase from 4.1 percent in 2007 to 4.4 percent by 2010, as a result of sufficient rainfall and the implementation of the Agriculture Sector Development Plan (ASDP) and the Rural Development Strategy. Other measures include: increased efficiency in crop marketing; rehabilitation of rural roads and revival of irrigation infrastructure.

39. The Livestock sub-sector is expected to grow by an average of 4.2 percent in the medium term. Likewise Forest and Hunting sub-sector is expected to grow following the rationalisation of licence fees for forestry and hunting activities. Growth in this sub-sector is expected to increase slightly from 4.0 in 2007 percent to 4.3 percent in 2008 and then to 4.5 percent by 2011.

Fishing Sector

40. The increased demand for fish in local and foreign markets is expected to encourage higher output of fish and fish products, resulting in an average sectoral growth of 6.5 percent over the medium term.

Industry and construction Sector

41. According to the new classification of economic activities, following the revision of National Accounts, the Industry and Construction sector includes manufacturing, mining and quarrying, electricity and gas, water supply and construction

Mining and quarrying sub-sector

42. The Mining and quarrying sector is expected to grow at around 11.2 percent in 2011 from 14.0 percent in 2007. This is attributed by completion of major investment in the sector.

Manufacturing sub- sector

43. The Manufacturing sub- sector is expected to grow from 8.7 percent in 2007 to around 11.2 percent in 2011. The growth will be attributed to the on-going rehabilitation of defunct industries following divestiture, improved power supply, implementation of Special Economic Zone (SEZ) under the Mini Tiger Plan, implementation of Export Processing zone (EPZ) and development of basic industries under Sustainable Industrial Development Policy, Implementation of the Tanzania Trade Integrated Strategy (TTIS), Export development Strategy, and implementation of SMEs policy, coupled with conducive trade and tax policies.

Electricity and gas sub-sector

44. The Electricity and gas sub-sector is expected to grow from -1.9 in 2006 to 2.0 percent in 2007. Following concerted efforts by the government to implement measures aimed at addressing the power crisis by installing additional gas-based to complement the hydro-based power generation capacity, and meet the growing demand for power, the sector is expected to grow at an average of 2.5 percent in the medium term.

Water Supply sub-sector

45. The Water Supply sub-sector is expected grow by 6.3 percent in 2007, while in the medium term, the sector will grow at an average of 7.5 percent. The growth is attributed to new and ongoing major water supply projects.

Construction sub-sector

46. The growth rate of the Construction sub -sector is expected to rise from 9.7 percent in 2007, to an average of 12.0 percent over the medium term, largely due to increased infrastructure developments, including roads and bridges, water supply projects (DSM), Shinyanga Water Supply Project, construction of shopping malls—Mlimani city (also, construction of commercial, residential and non-residential) and land development.

Services Sector

47. In the new series, the services sector comprises of trade and repairs, hotels and restaurants, transport, communication, financial intermediation, real estate and business services, public administration, education and health, and other social and personal services. The sector is expected to rise from 8.3 in 2007 to 9.2 over the medium term.

Hotels and Restaurants sub-sector

48. The Hotels and Restaurants sub-sector is projected to grow at 4.5 percent in 2007 and then at an average of 6.0 percent over the medium term. Increased promotion of tourism, export promotion initiatives and the construction of new hotels are expected to boost the growth of this sector

Transport sub-sector

49. The Transport sub-sector is expected to grow from 5.5 percent in 2007 to 5.8 percent in 2008. The growth is expected to emanate from improvement in physical infrastructure such as roads. Growth of this sub-sector is also expected to be in line with the performance of other sectors such as agriculture, manufacturing and mining.

Financial intermediation sub-sector

50. Expected higher investments and other economic activities will entail higher financing requirements (hence higher credit) and insurance services, and higher investment in real estate by pension funds i.e. NSSF, PPF and other private investment are expected to increase the growth of this sub-sector. Increased economic activities will entail higher demand for business services, such as consultancy fees, advertisement, insurance etc. The sub-sector is expected to attain a growth rate of around 13.0 percent in the medium term as a result of improvements in the business environment.

Real estate and business services sub-sector

51. The Real estate and business services sub-sector is expected to grow at an annual average of 7.8 percent in the medium term.

Public Administration sub-sector

52. Increased financing of public service reforms and new employment to replace retirees, recruitment of accountants internal auditors for both local and central governments to bridge the existing gap, is expected raise growth of the sub-sector from 7.0 percent in 2007 to 7.7 in 2011.

Education sub-sector

53. Increased expenditures in education in line with the implementation of the PEDP, SEDP and the recruitment of new teachers is expected to boost the sector's performance.

Health sub-sector

54. Increased expenditure on health in line with the implementation of programmes to combat diseases such as Malaria, TB, HIV/AIDS is expected to boost the growth of the health sub-sector with an increase in growth rate from 9.5 percent in 2007 to about 10 percent over the medium term.

Monetary and Credit Development

55. Consistent with the targeted inflation and GDP growth, money supply is projected to grow at 24 percent in the year to June 2007. The growth in money supply is projected to reach 24.3 percent in 2007/08, and thereafter slow down to 23.3 percent in 2008/09, and 22.3 percent in 2009/10, which are in line with the inflation target and general macroeconomic policy objectives.

56. Growth of credit to the private sector is projected to grow at around 38 percent in the short and medium term. This is in line with ongoing improvements in the business environment for both small and medium sized enterprises, enhancement of credit guarantee schemes, and government initiatives to promote microfinance activities and pro poor investments.

57. In the medium term, it is forecasted that the current account deficit will remain high but with a gradual declining trend. The current account deficit is projected at 8.2 percent of GDP in 2006/07 and slow down to 5.9 percent of GDP in 2009/10. The gradual decline in the current account deficit is expected to occur as a result of an increase in exports of goods and services.

Macroeconomic Projections and Policy Targets

58. The macroeconomic projections and policy targets for the period 2008/09–20010/11 are as follows:

- Attain a real GDP growth of 7.8 percent in 2008, 8.1 percent in 2009, 8.8 percent in 2010 and 9.2 percent by 2011;

- Control Consumer Price Inflation (CPI) at below 5.0 percent by end June, 2008, consistent with major trading partners;

- Increase domestic revenue collection to the equivalent of 16.4 percent of GDP in 2007/08, 16.7 percent in 2008/09, and 16.8 percent in 2009/10 and 16.9 percent in 2010/11;

- Contain the growth rate of M_2 within a bands of 23.6 percent in 2006/07, 24.9 percent in 2007/08, 23.9 percent in 2008/09 and 22.9 in 2009/10, consistent with GDP growth and inflation targets;
- Maintain adequate official foreign reserves of not less than a value equivalent to five months worth of imports of goods and non-factor service;
- Maintain a market determined realistic exchange rate, with Bank of Tanzania's interventions exclusively limited to smoothing wide fluctuations and/or liquidity management purposes; and;
- Accelerate reforms to the requisite legal and regulatory framework for enhancing access to credit by the private sector.

CHAPTER THREE

Review of the Implementation of MKUKUTA:

59. This chapter reviews progress in implementing MKUKUTA during 2006/07 and part of 2007/08. To this end it will focus on the implementation of the selected priority areas within the three MKUKUTA clusters.

Cluster I: Growth and reduction of Income poverty

Agriculture Sector

60. During the period under review, the Government continued to implement interventions aimed at improving agriculture sector development in the country. These interventions include implementation of; the District Agriculture Development Plans; the Agriculture Marketing Systems Development Programme; the District Agriculture Investment Project; and the Participatory Agricultural Development and Empowerment Project. In 2006, an irrigated area of 9, 557 hectares was developed, compared to 14, 396 hectares which were developed in 2005. This has raised the area under irrigation to 273,945 hectares compared to 264,388 hectares during the period under review. The increase was a result of the construction and rehabilitation of 111 irrigation schemes in various parts of the country. With regards to improved seeds and fertilizers, about 89,941 tones of fertilizers procured under the subsidy arrangement were sold to farmers in 2006/07.

Challenges

The sector faced the following challenges;

- Raising mechanization rates for irrigation;
- Enhancing efforts to attract and lure innovative commercial agricultural investments

- Promoting processing capacity, agricultural production, marketing information and incentives.
- Improving quality of DADPs (in order to address rural poverty and food insecurity; and
- Improving reliability of agricultural data and information

Livestock Sub Sector

61. In 2005, milk production increased from 1.38 billion liters to 1.42 billion in 2006, and production of meat increased from 378,509 tons to 388,294 tons respectively. A total of 6,721 heifers/goats were distributed in a bid to satisfy the national annual demand of 8,000 heifers and the National Artificial Insemination Centre was rehabilitated. As a result, semen production increased by 14.2% between 2005 (51,230 doses) and 2006 (58,500 doses) and the number of inseminated cattle rose from 46,530 cattle in 2005 to 50,500 cattle in 2006 (an increase of 8.5%). Other achievements include; demarcation of 1,894,700 ha. of land for livestock farming in 135 villages.

Challenges

62. Some of the challenges facing the Livestock Sub-sector are:
    - Enhancing the commercialization of our livestock industry while at the same time increasing per capita consumption of livestock products;
    - Satisfying the market requirements;
    - Adopting the use of improved pasture seeds to improve rangelands;
    - Enhancing capacity to control existing and newly emerging livestock diseases;
    - Developing agri-business sector to provide employment opportunities;
    - Ensuring the availability of participatory, cost effective and demand driven extension services including training of extension officers ;

- Changing livestock farmers' attitude from traditional to commercial livestock farming;
- Building capacity of stakeholders including pastoralists on environmental protection to ensure sustainable livestock farming; and
- Increasing investments in the livestock sector.

Fishing Sector

Achievements

Some of the achievements recorded by the sector include:-

- The National Aquaculture Development Strategy has been developed to guide aquaculture development in the country.
- Monitoring of foreign fishing vessels, whereby a total of 69 fishing vessels have been registered so far this year;
- A total of 19 fish landing sites have been improved around lake Victoria; and
- 1,458 samples of fish fillets, water and sediments were analysed for presence of unwanted micro organisms and chemical residues in different laboratories.

Challenges

Some of the main challenges in the fisheries sector include:

- To address the increasing use of illegal fishing gears and methods and combat traficking of fish and fishery products across the borders;
- To tap the vast potential of the aquaculture development that could contribute significantly to food security, employment and national income; and
- To protect depletion of endangered species with commercial value such as prawns and Nile perch.

Manufacturing:

63. During the period under review, the implementation mainly focused on product and market development, technology development and transfer; improvements in agro processing, export stimulation and enhancing entrepreneurial skills.

64. **Achievements**

- Employment in the manufacturing sector increased from 88,713 persons in 2005 to 93,426 in 2006;
- On average, capacity utilization in the manufacturing sector grew from 37% in 2005 to 43% in 2006;
- Five export manufacturing industries under the Export Processing Zone (EPZ) program were established; and
- A total of 66 licenses were issued to establish new industries, out of which 48 have started production.

Challenges

- Improving the quality of domestically manufactured goods in order to compete with our neighbors as well as internationally;
- Addressing supply side constraints in the domestic manufacturing sector;
- Strengthening forward and backward Linkages between manufacturing and other sectors of the economy;
- Ensuring compliance to rules and regulation under East African custom union;
- Meeting the required standards as per International standard organization (ISO);
- Taking advantage of the opportunity that is available under the principle of asymmetry in the East Africa custom union;
- Ensuring value addition in agricultural and natural resources products; and
- Ensuring availability of domestic resources for investment in agro-processing and other manufacturing industries.

Roads

65. Priority areas in the road sector in 2006/07 were construction of new roads, upgrading and rehabilitation, and maintenance of existing road network. Main roads under construction include; Nangurukuru-Mbwemkuru, Mbwemkuru-Mingoyo, Dodoma – Manyoni, Singida- Manyoni, Kyamyorwa–Buzirayombo–Geita-Usagara and Mbeya-Makongolosi.

Notable achievements registered in this sector for the fiscal year under review include the following:

- In the trunk road category, 318 km of tarmac roads were constructed; 78 km of tarmac roads were rehabilitated and 153 km of gravel roads were also rehabilitated;
- In the category of regional roads, 365 km of gravel roads and 15 km of tarmac roads were rehabilitated;
- A total of 3,181 km of council roads were rehabilitated;
- A total of 5,080.4 km of trunk roads were maintained;
- A total of 4,172.7 km of paved and 4,295.5 km of unpaved regional roads were maintained;
- A total of 32 and 42 trunk and regional roads bridges respectively were maintained;
- The preparation of the Transport Sector Investment Program (TSIP) which aims at ensuring that all trunk roads are paved by 2018 was completed;
- Preparation of regulations for implementation of the Roads Act 2007, which aims at strengthening the legal framework, is in progress.

Challenges

66. Challenges faced during the year under review include ;

- Ensuring that work contracts in all projects are concluded without delay and that project implementations are within schedule;

- Ensuring quality performance by contractors in terms of road construction and rehabilitations;
- Ensuring sustainable routine road maintenance;
- Increasing the stock or availability of road construction and maintenance equipment; and
- Enhancing the capacity of local contractors in the roads construction.

Energy Sector

67. During the financial year 2006/07, the country was hard hit by drought, which caused acute power crisis. The Government took deliberate measures to mitigate the situation by implementing an Emergency Power Programme. The measures included renting thermo and gas fired power plants with capacity of generating 185 MW.

Achievements

68. The following achievements were realized:

- Establishment of Rural Energy Agency (REA) which will fund rural electrification projects and other projects;
- Installation of 8 MW gas fired plant was completed under Mnazi Bay Gas to Electricity project;
- Completion of work on seismic data recording at Mandawa in Kilwa district leading to the acquisition of 500 line kilometers of new seismic data;
- Drilling of wells at Mnazi Bay field, Songo Songo, and Mkuranga; and
- Completion of a feasibility study for utilization of natural gas in Dar es Salaam for households, institutions and motor vehicles.

Challenges

Notable challenges facing this sector include:

- Establishing alternative sources of power generation in order to have reliable supply of electricity;
- Handling monopolistic situation in the power sector; and
- Coping with the fluctuating prices of petroleum products in the world market.

Mining Sector

69. The mining sector continued to substantially contribute to the economic growth. Six large-scale gold mines were the major contributors to the sector's growth and foreign export earnings.

Achievements

70. During the period under review, the sector registered the following achievements:-

- Mining Cadastre Information Management System (MCIMS) has been fully operationalized by activating the Wide Area Network for all 21 Mining offices in the Regions. Some offices have started entering mineral rights and dealers' license data in the Cadastre system;
- A total of 4,166 Primary Mining Licenses (PMLs) were re-surveyed to ascertain boundaries and verify ownership;
- Operationalization of the Arusha Gemstone and Curving Centre; and
- A Laboratory for analyzing concentrates and gold samples from auditing exercise for large scale gold mines was established.

Challenges

71. During the period, the sub-sector faced the following challenges:-

- Enhancing institutional capacity;
- Enhancing programs for mines inspections;
- Promoting investment in the mining sub-sector;
- Controlling environmental degradation in the mining areas; and
- Promoting mineral value addition activities.

Transport Sector:

72. A number of activities and processes took place during the review period as part of the implementation of MKUKUTA. The government has finalized the preparation of the Transportation Sector Investment Plan (TSIP) covering all sub sectors, Local Government and crosscutting issues. The TSIP has been prioritized and aligned with the Medium Term Expenditure Framework 2007/08 – 2009/10.

73. With respect to marine transport, the Tanzania Ports Authority implemented a number of projects which were designed to modernize ports, including investment in cargo handling equipments and steps to upgrade infrastructure.

74. With regard to railway transport, the Government has taken steps to revamp the central railway transport by handing over the TRC services to Tanzania Railways Limited (TRL). TRL has managed to reinstate railway transport services between Dar es salaam and Dodoma.

75. The Government through the Tanzania Airports Authority (TAA) and Tanzania Civil Aviation Authority (TCAA) implemented a number of development projects that were designed to further modernize the airports. The goal has been to improve and expand air transport infrastructure to foster both domestic and international trade.

Challenges

76. The Transport sector is facing the following challenges:

- Enhancing handling capacity at the Dar es salaam port,
- Improving transport services of other modes connected to the ports such as railways and roads.
- Improving rail infrastructure and rolling stock;
- Enhancing efficiency in the provision of international air navigation services;
- Accommodating changes that have taken place in the policy framework as laid out in the Civil Aviation Master Plan; and
- Reducing congestion on Dar-es-Salaam city roads

Lands:

77. During the period under review, achievements in the Lands sector include:-

- 3,214 Village boundaries were surveyed in nine regions namely Coast, Lindi, Iringa, Mbeya, Rukwa, Kigoma, Kagera, Shinyanga and Tanga. This surpassed the target of surveying 3,000 villages;

- The target of capacitating LGAs in land survey necessitated the survey of 18,573 plots by LGAs in Morogoro, Mwanza and Mbeya;
- Survey/production of 30,655 plots for different uses in Dar es Salaam;
- Facilitated the enactment of the Land Use Planning Act, the Urban Planning Act and the Town Planners Registration Act in 2007 for the purpose of improving human settlements in the country;
- Master Plan prepared for Mwanza and Mtwara/Mikindani and Interim Plans for Tandahimba, Tunduru, Namtumbo, Masasi, Babati, Mererani, Ushirombo and Misungwi;
- National Land Use Framework for 2007 – 2027 prepared;
- Establishment of 10 district Land and Housing Courts; and
- Central redevelopment plan for Tanga, Singida, Upanga and Kurasini in Dar es Salaam.

Challenges:

- Enhancing capacity at LGAs in terms of equipment, human resources and financial resources in order to reduce massive unplanned settlements in the country;
- Meeting the increasing demand for surveyed plots in urban areas;
- Meeting the growing demand for land for large scale investment in farming; and
- Enhancing capacity of LGAs in managing the development of urban areas according to master plans.

Cluster II: Improved Quality of Life and Social Well Being

78. This section reviews the performance of cluster two and the main challenges for future improvement. The focus is on the social services sectors: education, health, and water and sanitation. Generally, there was progress on achieving indicator target values of social well-being and quality of life.

Education:

79. Notable achievements have been made in ensuring: equitable access to primary and secondary education amongst boys and girls; universal literacy among men and women; and the expansion of higher, technical and vocational education. During the period under review, the Government continued to implement the Primary Education Development Programme (PEDP) and the Secondary Education Development Programme (SEDP). Significant achievements have been recorded at various levels. For example, at primary school level, number of schools and streams increased from 14,700 and 208,471 in 2006 to 15,624 and 218,162 in 2007, respectively. Standard one enrolment increased from 1,316,727 pupils in 2006 to 1,379,293 in 2007, an increase of 4.8 per cent. At this level, Gross Enrolment Ratio (GER) and Net Enrolment Ratio (NER) for both boys and girls including children with disabilities also increased from 112.7 percent and 96.1 percent in 2006 to 114.4 percent and 97.3 percent in 2007, respectively.

80. In regard to transition rate from primary to secondary, this has increased from 21.7 percent in 2002 to 67.5 percent in 2006 thereby surpassing the MKUKUTA target of 50 percent. The increase in recruitment of primary school teachers has led into a decline in teacher-pupil ratio from 1:58 in 2005 to 1:52 in 2006 though the situation varies across regions. As a result of these developments, the NER in secondary education increased from 5.9 percent in 2002 to 13.4 percent and 20.6 percent in 2006 and 2007 respectively, partly attributed by the expansion and increased number of secondary schools. The number of secondary schools increased from 927 in 2000 to 1,755 in 2006. The number of students registered for Form I secondary education increased from 243,309 in 2006 to 401,011 in 2007, equivalent to an increase of 65 percent. The number of students who joined high school (form five) in public schools increased from 15,509 in 2005 to 33,088 in 2007, an increase of 119.1 percent.

81. With respect to higher learning institutions, student enrollment increased from 55,134 in academic year 2005/06 to 75,346 in 2006/07, of which percentage of female was 35 and male 65. The enrolment rate is expected to exhibit an upward trend following the implementation of the various sector policies such as higher education, science and technology, as well as vocational and education training policy.

Challenges

82. Besides the various developments that are taking place to ensure that there is equitable access to education at all levels, a number of challenges remain to be addressed. These include:

- Safeguarding education standards and quality at all levels;
- Enhancing capacity of staff at all levels;
- Improving infrastructure facilities in secondary schools, tertiary and vocational training institutions/centers;
- Providing quality education that will meet diverse labor market demands;
- Reducing gender disparities in enrolment at advanced secondary and tertiary levels of education; and
- Reducing drop out rates for girls in primary and secondary schools.

Health

83. The National Health Policy of 1990 was reviewed in 2007 and a ten year Primary Health Service Development Programme (PHSDP) was developed. In addition, the sector developed a road map to implement strategies on Maternal and Child Health Programme, sanitation and hygiene; and control of non -communicable diseases including HIV/AIDS. The roll over plan for ARVs provision, care and treatment was also pursued.

84. Coverage of OPVO (Polio Vaccine given to newborns either after delivery or within 14 days of delivery) increased from 33 percent in 2001 to over 60 percent in each of the last three years. However, based on DPT-HB3 which is taken as a proxy for overall performance in immunization, coverage for 2006 stood at 87 percent compared to 86 percent in 2005 (TDHS-2004/05), thereby exceeding the MKUKUTA target of 85 percent. With regard to malnutrition, the TDHS 2004/05 indicated that the proportion of under-five stunted (height for age) and underweight (weight for age) dropped from 44 and 29 percent to 38 and 22 percent respectively. However, maternal mortality rate increased from 529 per thousand live births in 2000 to 578 in 2005 partly due to the impact of the HIV and AIDS pandemic.

85. The availability of medicines, medical supplies and equipment to health facilities has improved over time. Despite this effort, the rapid population growth and ongoing construction of new facilities have great impact on the demand for medicines and medical supplies.

Challenges

86. Challenges facing the sector include:

- Sustaining achievements attained in DPT-HB3 immunization coverage and scaling up in all regions;
- Reducing new cases of TB, and making voluntary counseling and testing for HIV and AIDS as a matter of routine;
- Reducing dependence on external financing for HIV/AIDS interventions including provision of ARVs and research;
- Enhancing both quantity and quality of services with the adoption of the public-private partnership;
- Building human resource capacity at all levels in terms of number , quality and skills mix;
- Meeting increasing demand for ARVs;
- Ensuring the availability of appropriate equipments in terms of technology; and
- Motivating and retaining staff particularly those working in hard to reach and disadvantaged areas.

Water and Sanitation

87. During the period under review, the government continued to improve and expand water supply in both rural and urban areas. The proportion of population with access to clean and safe water increased from 53.5 percent in 2005/06 to 55.7 percent in 2006/07 in rural areas and from 74 percent to 78 percent in urban areas.

88. The average of 17 percent of population with access to sewerage service in various Urban Water Authorities was maintained and 25 percent of the wastewater generated daily was collected and disposed through sewerage systems. Expansion, rehabilitation and construction of urban sewerage systems in different municipals and cities are still in progress.

89. To accelerate the achievement of MDG and MKUKUTA targets for water and sanitation sector, the Government has started the implementation of the first 5 years (2006-2010) of the long term Water Sector Development Programme (WSDP-2006-2025). The Programme covers three sub-sectors: (i) Rural Water Supply and Sanitation (WSS); (ii) Urban Water and Sanitation; and (iii) Water Resources Management and Development as well the (iv) Institutional Strengthening and Capacity Building. A Sector Wide Approach to Planning (SWAP) has been adopted with the objective of meeting the resource shortfall in the Government's budget over the next 5 years.

90. Efforts to address environmental pollution have continued over the period. A total of 3,058 water source points were inspected to examine water pollutants and environmental degradation agents.

91. The government continued with construction of infrastructure on the Water Supply Project from Lake Victoria to Kahama and Shinyanga Towns. The project will also supply water to 54 villages along the pipeline route in Mwanza and Shinyanga regions. On completion, the project will carter for demand of 120,000m3/day for 1,000,000 people over a period of 10 years. The project is expected to be completed during financial year 2007/2008. Other projects in the water sector include: Dar es salaam Water Supply and Sanitation Project (DWSSP); the National Rural Water Supply and Sanitation project (NRWSSP) and the Water Sector Development Programme (WSDP).

Challenges

92. Despite the various developments that are taking place in this sector, the following challenges remain to be addressed:
- Sustainably, meeting the demand for water supply and sanitation services and
- Enhancing stakeholders' capacity to plan for; procure; monitor; and manage project and programme implementation.

Cluster III: Good Governance and Accountability

93. The attainment of Tanzania society which is free from abject poverty requires achievement of broad economic goals, improvement of quality of life and a functioning system that observes human rights, transparency and accountability, In recognizing the importance of good governance and accountability the Government is committed to effectively use the public resources in fostering peace, security, fight against corruption and maintaining the rule of law.

Achievements and Challenges

Accountability

94. During the period under review, the Government continued to use its public expenditure monitoring instruments such as Plan and Budget Guidelines (PBGs), Public expenditure Reviews (PER), the Medium Term Expenditure Frameworks (MTEFs), Plan and Reporting Systems (planrep), physical inspection of programs/projects and auditing by the NAO for budget management and accountability. Delivery of social services and implementation of projects have improved in terms of quantity and quality.

Challenges

95. However there are still challenges as follows:
- Improving the quality of services provided;
- Enhancing capacity for the civil servants at all levels;
- Ensuring security, fair law enforcement and expeditious justice delivery; and
- Enhancing transparency of government operations at all levels so as to reduce undue public perception on the magnitude of corruption.

Public Safety and Rule of Law

96. During the period under review the following were done:-
    - The Police Force undertook special and ordinary operations in order to combat and prevent crime;
    - Community Policing as a strategy to prevent crime was introduced through sensitization seminars and the process is still going on;
    - Start the development of Public Safety and Security Policy;
    - The Complaints Unit was established to deal with complaints from the public and from the Police force it self.

Fight against Corruption

97. Implementation of NACSAP I was completed in 2005 and NACSAP II was launched on 10th December, 2006. While NACSAP I was focusing on combating and preventing corruption mainly in the public sector, NACSAP II provides strategies to curb and prevent unethical behavior in both state and none state sectors.

98. Since the inception of the NACSAP II, the following achievements have been realized:-
    - Increased openness and transparency;
    - Start the implementation of the new Prevention and Combating of Corruption Law which was enacted in April 2007; and
    - Training of members of Integrity Committees for MDAs and LGAs

Challenges encountered during the first year of NACSAP II implementation:

- Improving communication modality between State and Non State Actors on preventing and combating corruption in the society;
- Establishing an effective modality to involve Non-State Actors (NSAs) in implementing NACSAP II;
- Ensuring consistent submission of quarterly implementation reports on NACSAP II by MDAs, Regions and LGAs; and
- Enhancing capacity building in institutions dealing with anti-corruption aspects and law enforcement.

SPECIAL PROGRAMMES AND CROSS CUTTING ISSUES:

99. This section reviews the implementation of the special programmes and cross cutting issues. The section highlights information in aggregate terms to reflect broad areas of achievements and challenges, which have significant bearing to the medium objectives and focus for the next three years.

SPECIAL PROGRAMMES:

100. In order to scale up the achievements of the Development Vision 2025 objectives for building a sustainable economic and human development, the Government, continued to implement various special programmes. These programmes focus on strengthening business environment; promote exports through the establishment of Special Economic Zones (SEZs); implementation of Export Processing zone (EPZ); Implementation of the Tanzania Trade Integrated Strategy (TTIS) and export development Strategy, transformation of properties and businesses from the informal sector into the formal sector; promoting investments, formation of a sustainable National Spatial Data Infrastructure (NSDI); establishing systems for National Identification and Registration of persons and supporting community's initiatives.

Achievements and challenges for each programme are briefly noted below

BEST Programme

101. Notable achievements of the programme for the period under review include:

- incorporation of Regulatory Impact Assessment into Tanzania's law and policy-making processes has been formally approved;
- a new Business Activities Registration Act was enacted in January 2007 repealing the outdated Business Licensing Act;
- a diagnostic study on sectoral licensing in Tanzania was completed in 2006;
- Under the land component, mortgage regulations and Bills to regulate land markets and the real estate agency and valuation professions have been drafted.

102. Overall progress in the implementation of BEST has been slower than originally envisaged. Thus, the main challenges include:

- Managing the scale and scope of work by aligning stakeholders around a specific reform effort; and
- Enhancing the Capacity to support the execution of the BEST programme.

The Mini Tiger Plan 2020

103. Among the achievements under this program during the period under review are:

- Construction of some infrastructures in Benjamin William Mkapa Special Economic Zone (BWM-SEZ). i.e power station, Clinic building, Cafeteria, Shopping arcade, and Customs building
- The undertaking of feasibility study for establishing an ICT-SEZ under the coordination of the University of Dar-Es-Salaam (UDSM).
- The signing of Memorandum of Understanding (MOU) between the Government of Tanzania and OJI Paper and Marubeni Corporation of Japan to undertake commercial afforestation in Mtwara and Lindi regions. Trial planting of trees has commenced in six villages within the two regions.

Challenges

- Enhancing capacity for timely completion of the project; and
- Sequencing the program components in the light of pressing demands.

Property and Business Formalization Programme (MKURABITA)

Achievements

104. Activities completed under the programme include

- The reform design phase was completed for Dar es Salaam and Mbeya regions; and
- A study on laws governing property rights with respect to assets and businesses was carried out in 34 districts in Mainland Tanzania and 9 districts in Zanzibar.

National Spatial Data Infrastructure

105. The programme has the following achievements:-

- The draft on NSDI Policy is in place;
- Established a Continuous Operating Reference Station (CORS) for receiving and transmitting satellite data in Tabora;
- Continued updating of twenty towns in Southern part of the Country using Quick -Bird satellite image; and
- Survey tools for capturing institutional metadata-base design developed.

Challenges

The program is faced by the following challenges:

- Collection of data and sharing of information among institutions; and
- Enhancing capacity for data collection, analysis and dissemination.

National ID Project

106. During the year under review, the Government approved the implementation of National Identification and Registration of person's project and the process of establishing National ID Management Agency (NIMA) is ongoing.

Challenges

The following are the challenges that have been experienced during the implementation of the National ID project:-

- Raising public awareness.
- Harmonization of various identification and registration processes

Tanzania Social Action Fund (TASAF)

107. In the year 2006/2007 TASAF II supported communities through LGAs to identify their priorities and come up with sub projects that address their needs. The achievements include the following:

- A total of 2,162 sub projects have been funded under the National Village Fund component. These include 1,675 sub-projects for Service Poor communities (SP), 344 for Vulnerable Groups (VGs) and the remaining 143 for the Food Insecure (FI). The education sector leads with about 76% of the funded sub-projects.
- 46,000 people were trained on Community-Driven Development (CDD) procurement, and Community saving and Investment Promotion (COMSIP),

In the medium term, TASAF II will continue to train communities and implementing community based projects.

CROSS-CUTTING ISSUES

108. Cross cutting issues innlude the implementation of areas of HIV and AIDS, environment, gender, employment and economic empowerment. Particular achievements and challenges on each area are as follows:

HIV and AIDS Pandemic

109. In the period under review the Government, placed more emphasis on prevention. Non State Actors (NSAs) including Faith Based Organizations (FBOs) were brought on board in the fight against HIV and AIDS. In addition, the Multi-sectoral Strategic Plan for HIV and AIDS was developed. The Government also scaled up the availability of ARVs to the needy. The national programme for addressing opportunistic diseases like Tuberculosis and Malaria continue to be implemented.

110. Following the launch of Voluntary Counseling and Testing Campaign by H.E. President Jakaya Mrisho Kikwete, there has been significant increase in voluntary counseling and testing. The head count and support for orphans and vulnerable children are on the increase. A system for monitoring the epidemic and the response has been strengthened.

Challenges

111. The challenges include:

- Managing the increasing number of TB patients (new cases and re-emerging) due to the overall increase in HIV prevalence;
- Treating resistant opportunistic diseases to conventional therapy;
- Reducing dependence on external financing for HIV/AIDS interventions including provision of ARVs and research;
- Harmonizing HIV/AIDS activities funding modalities;
- Developing new strategy to cope with behavioral change/transformation regarding HIV transmission or prevention;
- Enhancing knowledge on prevention of mother to child transmission; and
- Promoting voluntary HIV counseling and testing.

Gender

112. During the period under review, the Government continued to implement the National Programme for gender sensitization. In collaboration with other actors the following issues continued to be addressed:- Training for Gender Focal Points in various MDAs; promoting initiatives aimed at correcting gender related adverse customs, norms and values; conducting awareness creation on peoples' rights; initiating researches on gender gaps; proposing amendments / reviews of laws and regulations governing gender issues. Tools/ Frameworks for mainstreaming gender issues in national policies, plans and programmes were reviewed and operationalised.

Challenges

113. The challenges include:

- Changing the mind set of communities by making gender one of the top agenda at all levels;
- Enhancing knowledge and skills on gender and human rights at all levels;
- Making effective use of gender research findings in decision making at all levels; and
- Promoting Credit facilities that caters for rural & urban women economic activities.

Environment

114. During the period under review, several regulations have been developed to support the implementation of the National Environmental Management Act (EMA). These regulations include; the Environment Impact Assessment (EIA); Audit regulations; and prohibition of manufacturing, importation, selling, buying and use of plastic bags.

115. Under the Strategy for Urgent Actions on Land Degradation and Water Catchments (SUA-LWC), Government relocated pastoralists from Ihefu basin/valley to other parts of the country in order to conserve and protect water catchments area. This has led to restoration of natural vegetation in the area, increased and stabilized water flows in the Ruaha River, and consequently, water level in the Mtera dam has risen.

116. Efforts to address environmental pollution have continued over the period; a draft policy on Occupation Health and Safety has been developed and the State of Environment Reporting System is being established under the EMA implementation support programme.

Challenges

117. Challenges facing the sub-sector include:-

- Enhancing capacity on environment related technical issues;
- To implement EMA regulations;
- Creating awareness on the mandates of respective MDAs and LGAs for implementing the Environment Management Act; and
- Sensitizing the public on the benefits of safe environment.

Employment:

118. During the period under review, the government continued putting issues of employment creation in its development agenda. The Government through the implementation of the National Employment Creation Programme 2006 -2010 has targeted to create more than 1million jobs.

Achievements:

119. Several achievements have been registered in this sub-sector including:

- More than 401,390 new employment opportunities in various sectors were created as of September 2007;
- The initial stage of promoting of labour intensive investments particularly in sectors with high employment potential including infrastructure development (e.g. Labour-based public works in roads construction, rehabilitation and maintenance; water, education and health infrastructures) has shown promising results;
- Support of informal sector through different interventions including sponsoring some of the entrepreneurs has increased participation in national and international trade exhibitions;
- Government is facilitating transformation of the informal sector activities into formal in order to create more employment opportunities;
- Labour Exchange Centre has registered a total of 2,392 Job Seekers whereby 1,344 were connected to Employers; and
- A Labour Exchange Centre (LEC) was established in Mwanza to provide employment service for Lake Zone.

Challenges

120. The challenges facing the Sub sector include:

- Reducing unemployment and underemployment in rural and urban areas;
- Addressing existing skill mismatch between the demanded skill and supply in the labour market;
- Ensure high coverage of social security;
- Harmonizing and coordinating various capacity building initiatives and policies among key employment stakeholders;
- Low access to credit for investments among micro and small entrepreneurs;
- Reduce workers' and employers' disputes and complaints.

Economic Empowerment

121. Economic Empowerment of Tanzanians has been the Government's main agenda whereby various initiatives have been developed since independence. Initiatives for taking forward the agenda have led to the formulation of the National Economic Empowerment Policy (2004) and enactment of the National Economic Empowerment Act No. 16 of 2004. The Act provides for the establishment of the National Economic Empowerment Council, a body responsible for, among others, supervision and coordination of all economic empowerment activities.

Achievements

- A five year (2008/09 – 2012/13) Rolling Strategic Plan (RSP) for implementation of the National Economic Empowerment Policy (NEEP) was prepared; and
- Framework for monitoring and evaluation of the NEEP and National Multisectoral Strategic Framework for Economic Empowerment (NMSFE) were developed.

Challenges

122. Some of the challenges encountered during the implementation of the National Economic Empowerment Policy include:

- Changing the public mindset on repayment of loans granted through the empowerment fund;
- Creating awareness to the public in order to influence their perception of the concept of economic empowerment; and
- Ensuring accessibility to credit facilities.

CHAPTER FOUR

Implementation of the Policy on Decentralization by Devolution

123. The process of embedding Decentralisation by Devolution (D by D) across Government commenced with the assessment of six ministries on the extent to which they were D by D compliant and the results of the exercise were fed into the planning and budget process for the year 2007/08. The following ministries were assessed:

- Ministry of Education and Vocational Training;
- Ministry of Health and Social Welfare;
- Ministry of Agriculture, Food Security and Cooperatives;
- Ministry of Water;
- Ministry of Infrastructure Development; and
- Prime Minister's Office, Regional Administration and Local Government (PMO-RALG).

124. All the assessed Ministries except the Ministry of Infrastructure Development were found to be implementing some functions and responsibilities which qualify for devolution to the local level. The Ministry of Infrastructure Development had by the time of the assessment transferred most of the functions which were being implemented by the Ministry to deconcentrated Executive Agencies.

125. As a result of the decision to transfer some activities and projects from the five Ministries mentioned above, a total of Tsh. 216.2 billion was transferred from the Ministerial votes to LGAs. This raised the amount that goes directly to LGAs to Tshs. 1,074.6 billion which is 19.7% of the Government budget for the year 2007/08.

126. Following the assessment of 1st batch of six ministries, the implementation of D by D started hardly three months ago when the development funds were released. In view of this, it is considered to be too early to attempt to assess its impact. However, a clear achievement is that the funds are now taking a shorter route and shorter time to get to the LGAs. Consequently, financial resources are currently transferred directly to the LGAs instead of doing so through ministerial votes hence enhancing the transparency in financial allocation.

127. A more significant achievement to be registered over time will certainly be a hastened process of development at the local level. This will however be realized if the central and sector ministries will play their crucial role of undertaking capacity building interventions for LGAs so that they can effectively discharge their responsibilities. Ministries are hereby directed to provide capacity building to the Regional Secretariats so that this important level of administration may, on a more sustainable basis, undertake such capacity building and technical back-stopping interventions to LGAs on behalf of the ministries.

Challenges

- Building capacities of LGAs to carry out devolved activities;
- Devolving of Human resources to LGAs in line with the devolved functions in order to deliver the intended services;
- Ensuring balance between functions (activities) and devolved funds; and
- Harmonizing and rationalizing funding modalities to LGAs.

Roll-out of D by D compliance assessment to other ministries

128. Another batch of eight ministries has been assessed as to their D by D compliance. These are:

- President's Office Public Service Management (PO-PSM);
- Ministry of Lands, Housing and Human Settlements Development;
- Ministry of Community Development, Gender and Children
- Ministry of Livestock Development;
- Ministry of Natural Resources and Tourism;
- Ministry of Energy and Minerals;
- Ministry of Industry, Trade and Marketing; and
- Ministry of Labour, Employment and Youth Development.

129. In implementing D by D, funds should follow functions that have been identified for devolution. To that end, LGAs are being informed vide the LGA Plan and Budget Guidelines about the activities, responsibilities projects and attendant levels of funding that are being devolved to them so that they can incorporate this information into their annual plans and budgets for 2008/09.

Medium Term Focus

130. Over the medium term, the achievements of D by D will be consolidated. It is expected that some of the staff and equipment relating to the transferred functions and responsibilities will also be transferred to LGAs. PMO-RALG should collaborate with the relevant ministries in ensuring that this done.

131. In addition, deliberate efforts should be made by individual relevant ministries to enhance the capacity of the LGAs in order to improve service delivery and hasten the process of development in their areas of jurisdiction.

132. The plans and budgets of the ministries that have been covered by the D by D compliance exercise should therefore indicate the way in which the ministries are poised to enable the LGAs to discharge their functions and responsibilities during the medium term 2008/09 – 2010/11. The ministries should include, in their plans and budgets, interventions aimed at providing technical capacity building to the LGAs to enable them to carry out their functions and responsibilities in a D by D environment.

CHAPTER FIVE

Implementation of Public Sector Reforms

133. This chapter reviews the implementation of Public sector reforms, namely, the Public Service Reform Programme (PSRP); the Public Financial Management Reform Programme (PFMRP); the Local Government Reform Programme (LGRP); and the Legal Sector Reform Programme (LSRP).

134. The review focuses on achievements, challenges, and the agenda for the medium term, the basis of which will help responsible institutions to design relevant measures to support other sectors in terms of systems, and accountability within the context of the National Development Vision 2025, and MKUKUTA.

Achievements

135. Programme reviews that have been undertaken over the period indicated that a number of achievements have been registered, including the following:

- The Government has developed a harmonised Strategic planning and budgeting Manual which incorporates Monitoring and Evaluation and reporting systems;
- The National Audit Report has been completed on time, confirming improved public financial management credibility;
- All the reform programmes, with the exception of the LSRP have designed the second generation of reforms, albeit at different stages;
- NACSAP II has been launched and the new Prevention and Combating of Corruption Act No 11 of 2007 was enacted;
- On aggregate, financial management has been improved;
- Reform Coordination Framework (RCF) has been established;

- Embedding Decentralization across Government, starting with six ministries was initiated;
- Progress has been registered in the area of fiscal decentralization;
- The process of Harmonizing Sectoral Acts and regulations to conform with D by D policy has started;
- Capacity building has been provided to LGAs including training of councillors and staff;
- Enactment of the Law School of Tanzania Act, 2007;
- Annual assessment of the LGAs has enhanced financial accountability; and
- Public awareness on the reform of the local government system has increased leading to greater participation and enhanced transparency and accountability.

Challenges

136. Despite these achievements, the implementation of the cross-cutting reforms continued to face challenges including the following:

- Establishing linkages and synergies between the programmes;
- Speeding up the implementation of LSRP to match with other reform programs;
- Mainstreaming the reform agenda in the MDAs, Regions and LGAs;
- Capacity to attract and retain appropriate qualified human resources to take forward the reform agenda;
- Meeting and managing the expectation of the public;
- Provision of physical infrastructure for legal sector;
- Capacity to deliver justice and judicial services in time; and
- Access to legal aid for poor and disadvantaged groups.

Priority areas for resource allocation for 2008/09 – 2010/11

137. In the Medium Term the focus will be as follows:

- To ensure greater predictability and availability of medium term resources to spending agencies (MDAs Regions and LGAs), by 2010;
- Improving the organization and co-ordination of the reform programmes for more efficient and effective delivery of services;
- Focusing the PFMRP Strategic Plan on broader strategic PFM issues (as identified by the CAG reports, PEFAR, Parliament, civil society and MTEFs;
- Continue articulating and embedding Decentralization by Devolution (D by D) policy across the government;
- Continue restructuring the Local Government Authorities to enable them to respond more effectively and efficiently to identified local priorities of service delivery in a sustainable manner;
- Continue clearing case backlogs and attending to inquiries and complaints;
- Development of infrastructure and provision of working facilities, including acquisition of Office accommodation, rehabilitation of Offices and Court rooms and establishment of the management information system (MIS);
- Undertaking capacity building including training of staff on specialized and management skills;
- Streamlining the civilianization for prosecution services;
- Modernization and strengthening of investigation system; and
- Reviewing and conducting research on various laws.

PAY REFORM

138. Pay reform is considered crucial to consolidating the capacity that has been built up in the public sector, and to sustain progress in the implementation of public sector reforms. Pay determines motivation and the level of skills the public service can recruit and retain. How much government can afford to pay public servants is both a political and economic decision. It depends on the size of government, its functions, its revenue, and its expenditure priorities.

Achievements

139. During the period under review, improvements in wage bill have brought pay levels broadly in line with Medium Term Pay Targets. Furthermore, the Cabinet approval on implementation of the recommendations of the Presidential Commission on Salary Review for the Public Service is another step to improving the public service remuneration.

Challenges

140. Despite the achievements made in pay levels, the following challenges remain to be addressed;

- Competitive pay to attract, motivate and retain the requisite staff;
- The economic growth to support both growth and expansion of public service employment as well as substantial salary increase;
- Balancing demands for equity with the decompression required to attract and retain highly qualified and experienced professional; and
- Complementary actions in terms of improved work environment, job satisfaction, and other non-financial incentives.

Focus for the Medium Term

141. The medium term focus with respect to pay reform are;

- To accelerate the pace of pay in the context of the medium term pay strategy to enable government to recruit and retain a critical mass of technical and professional, as well as to motivate the entire public service; and
- To support the implementation of the recommendations of the Presidential Commission on Salary Review for the Public Service.

CHAPTER SIX

Medium Term Objectives and Focus

142. This chapter highlights Government commitments in the Medium term period 2008/09 – 2010/11. The interventions are identified within the Vision 2025, MKUKUTA and Sector policies focusing on scaling up and accelerating economic growth to supporting social services provision and reduction of poverty. This will be carried out with due attention to sustaining commitment to prudent and stable macroeconomic frameworks, and good governance and accountability at all levels. The measures specifically focus on enhancing productivity, reducing cost of doing business at microeconomic level, strengthening economic competitiveness and generating stimulus to the economy.

143. Improving quality of social services and human capital is also the central goal for the medium term. The implementation of the medium term interventions would adopt an integrated and outcome approach, whereby sectors would collaborate in order to tap on the synergies and inter-sectoral linkages. The three areas namely; economic growth, quality of social welfare and well being and good governance are reinforcing on each other. This chapter presents the Government commitments in the medium term period 2008/09 – 2010/11, organized per clusters, special programmes and cross cutting issues.

Cluster I: Growth and reduction of Income poverty

Agricultural Sector:

144. Major areas of intervention during the medium term, include:-

- Implementation of Sustainable water and irrigation development;
- Enhancement of research and development, training and extension services;
- Enhancement of productivity through agricultural intensification, use of agricultural inputs and introduction of voucher scheme inputs;
- Promotion of rural finance and credit services; and
- Strengthening mechanization interventions.

Livestock

145. The focus of the government on the medium term, like in the crop sub sector, is to improve livestock productivity by addressing animal husbandry practices, health conditions and animal nutrition as well as diseases. Major options package covers the following areas:-

- Improving husbandry practices in meat and milk production through increasing production and use of supplementary feeds (molasses and minerals)
- Improving extension services primarily focusing on improvement in animal husbandry, nutrition and health.
- Increasing the use of traditional crops (cassava, sorghum, and millet) in local feed production,
- Encouraging private entrepreneurs in outlying rural areas to establish small feed compounding plants using pre-mixes prepared by large urban-based large-scale feed producers; and
- Encouraging and promoting large-scale production of poultry and dairy products and piggery.

Fishing sector

146. During the medium term, the Government will continue to embark on various interventions that will increase contribution of aquaculture to the improvement of food security, employment and income. Major areas of intervention include:-

- Review of the Fisheries Policy and Legislation to address current and emerging issues;
- Control of illegal fishing practices and trafficking of fish and fishery products across the borders;
- Improve safety, quality and standards of fish and fishery products for the local markets and maintain the international markets;
- Establish and strengthen collaborative fisheries management initiatives in all water bodies;

- Improve the collection, processing, analysis and dissemination of fisheries information, and
- Development of human resource and applied research capacity for sustainable fisheries management.

Manufacturing:

147. The focus for the manufacturing sub-sector include:

- Improve access to advanced and relevant technology;
- Improve infrastructure and skilled labour;
- Prepare an Integrated Industrial Development Framework;
- Support the expansion and deepening of value addition through agro-processing;
- Support institutions to develop and transfer appropriate, user and environment friendly technologies; and
- Continue to facilitate the operationalization of the Export Processing Zone programme; and
- Development of basic industry.

Trade

148. In efforts to improve both internal and foreign trade, the Government will focus on the following over the medium term:-

- Promote entrepreneurship skills development and market linkages;
- Promote and facilitate development of marketing infrastructure;
- Facilitate Tanzania's strategic position in Bilateral, Regional and Multilateral Trade arrangements;
- Improve access to financial capital;
- Diversify exports in line with international market standards;
- Improve the regulatory environment for business;

Roads

149. During the medium term, the government will continue to improve the roads infrastructure in the country. Specific focus will be on the following areas:-

- Construction/Rehabilitation of on-going trunk, regional and essential rural roads;
- Sumbawanga – Mpanda – Kanyani – Nyakanazi road;
- Sumbawanga - Kasesya/Matai - Kasanga Port;
- Kigoma - Kidahwe - Uvinza – Ilunde;
- Manyoni – Itigi – Tabora – Nzega;
- Mangaka – Tunduru;
- Arusha – Minjingu road rehabilitation; and
- Construction of Kilombero and Malagarasi bridges.

Energy sector

150. During the medium term, the Government will focus on the following:-

- Installation of 45 MW Permanent Plant at Tegeta;
- Electrification of six (6) District Headquarters namely: Mbinga, Ludewa, Simanjiro, Bukombe, Kilindi and Kilolo;
- Implementation of Rural Energy Master Plan;
- Strengthening, upgrading, expansion and inter-connection of the National grid with other grids;
- Continue to promote investment in petroleum exploration;
- Establish a strategic oil reserve; and
- Facilitate TPDC to invest in the downstream petroleum/gas projects in Songo Songo gas and Mnazi Bay projects.

Mining Sector:

151. During the period 2008/09- 2010/11, the Government will focus on the following priority areas:-

- Create conducive environment for attracting investment in mineral sector;

- Promote value addition activities through mineral processing;
- Promote Small-Scale Miners in the country by implementing the proposed Small Scale Mining Development Strategy; and
- Strengthen the Gold Auditing Unit.

Transport Sector:

152. During the medium term focus will be directed towards:-

- Expansion of container terminal and entrance channels at Dar es Salaam port;
- Capacity building to handle containers;
- Rehabilitation of the Central Railway Line (Dar Es Salaam – Dodoma);
- Capacity building to enhance efficiency in order to cope with competition from other regional corridors such as North Corridor, Maputo Corridor and corridors through South Africa;
- Rehabilitation and procurement of ferries;
- Expansion and Rehabilitation of Julius Nyerere Airport;
- Construction of new Dodoma airport;
- Procurement of government plane and helicopter;
- Provision of Meteorological equipments; and
- Provision of supportive infrastructure at Umoja bridge

Land and Settlement Development

153. During the medium term, the focus will be on the following areas:-

- Establishment of Land Bank to carter for both local and foreign investors in Agriculture;
- As a pre-requisite to declaration of international boundaries, all African Union (AU) member states have to resolve, demarcate and survey their common boundaries by 2012. Tanzania has started a process to claim

Extended Continental Shelf; i.e to claim its submerged prolongation of the land mass of the coastal state;

- Facilitation of Land Use Planning in Rural and Master Plans in Urban; and
- Completion of demarcation and survey of the 3,000 remaining village boundaries in the country.

Cluster II: Improved Quality of Life and Social Well Being

Education Sector

154. The Government will continue with efforts to improve education sector at all levels. Over the medium term, the focus will be on the following areas:-

- Increase supply of qualified teachers, so as to improve the teacher - pupil ratio across the country;
- Construct teachers houses in difficult environments as well as training and recruiting more teachers and tutors;
- Strengthen Teachers' Resource Centers, finalize of Teacher Development and Management Strategy (TDMS);
- Conduct regular and inclusive in service teacher training in Mathematics, Science and English Language subjects and promote reading culture among teachers, students, and adult learners;
- Improve the supply of textual and non-textual teaching and learning materials for regular and students with learning disabilities through provision of relevant financial resources including capitation grants at all levels;
- Improve the teaching and learning environment at all levels through construction/rehabilitation of necessary learning infrastructure such as classrooms, libraries, laboratories, lecture theatres and sports facilities;
- Strengthen data gathering, analysis and performance reporting through implementation of the Education Sector Management Information System (ESMIS) plan and provide capacity building on the same;

- Strengthen education planning, budgeting and monitoring of disbursement, expenditures and results including undertaking financial audit and conducting regular finance tracking surveys and capacity building of key players at all levels; and
- Increase the enrolment rate in tertiary and higher education by constructing lecture halls and hostels at higher learning institutions.

Health

155. For the period 2008/09 – 2010/11, the government will put more emphasis on the implementation of Primary Health Service Development Program; Reproductive and Child health services, and Integrated Management of Childhood Illness. Other areas will be:-

- Prevention and treatment of malaria;
- Rehabilitation of regional hospitals;
- scaling up provision of immunization services;
- Scaling-up of proven non-ARV interventions, including TB prevention and treatment of opportunistic infection in PLWAs;
- Improving human resource capacity at all levels in terms of quality, skills mix and quantity; and
- Rehabilitation and expansion of training institutions to cope with high demand of human resources in the health sector.

156. **Water and Sanitation**

Major areas of focus during the medium term include:-

- Expansion and rehabilitation of water supply at regional and District level to increase provision of clean and safe water to both rural and urban population.
- Borehole drilling and dam construction, particularly in semi arid districts

- To strengthen management of water resources so as to protect water sources against pollution and environment degradation;
- Strengthen capacities for provision of water and sanitation services at all levels;
- Improve sewerage infrastructure at all levels;
- Extend water supply services from Lake Victoria-Shinyanga-Kahama Project to villages along the pipeline route in Mwanza and Shinyanga regions

Cluster III: Good Governance and Accountability

Good Governance

157. Public leaders are required to observe the Code of Ethics/Conduct as stipulated in the Public Leadership Code of Ethics Act No. 13 of 1995 as amended so as to avoid unethical conduct such as misuse of public property, corruption, nepotism, favoritisms, conflict of interest, illegal accumulation of wealth, misuse and or abuse of official powers. The Government will ensure that public leaders, while in office, act with honesty, compassion, sobriety, continence and trust in the integrity objectivity and impartiality of the government are conserved and enhanced.

During the medium term the Government will focus on the following priority areas:-

- Reviewing the Public ethics Act No 13 of 1995 to address adequately ethical issues in particular conflict of interest between leadership and business;
- To enhance promotion of ethics at all levels of leadership and the community in general;
- Improve working environment and conditions;
- Scale up control and monitoring of borders;
- Improve communication infrastructure and introduce a comprehensive system for good governance, accountability and representation;
- Strengthen administrative systems by emphasizing transparent management;

- Scale up awareness raising activities to the community with respect to the role and usefulness of public information;
- Strengthen disaster management;
- Instill ethics and integrity in professions; and
- Implement the Fire and Rescue Force Act No. 14 of 2007

Public safety and rule of law

158. Major areas of focus during the medium term include the following:-

- Strengthening Defense forces;
- Reduce the of incidence of crime;
- Enhance capacities of law enforcers;
- Continue improving the ICT;
- Improve working and living environment for law enforcers
- Provide working tools and other infrastructure
- Improve delivery of basic services to the public in order to reduce the incidences of corruption; and
- Improve dissemination, sensitization and advocacy of information to the public regarding their rights and obligations.

Fight against corruption

159. Over the medium term Government will continue to strengthen efforts in fighting corruption through the following interventions:-

- Conduct the National Governance and Corruption Survey for identifying the magnitude of corruption in the country and introduce strategies to combat the vices;
- Review the Monitoring and Evaluation mechanism for NACSAP II;
- Prepare a workable modality for involving Non State Actors in implementing Anti-corruption programmes;
- Prepare communication modality between State and Non State Actors in implementing Anti-corruption programmes and
- Continue providing education and sensitization programmes on effects of corruption and their measures for combating it.

SPECIAL PROGRAMMES

160. The Government is committed to implement special programs which have positive socio economic bearing in achieving the objectives of TDV 2025, MKUKUTA and MDGs. The programs include, Business Environment Strengthening for Tanzania (BEST), The Mini-Tiger Plan (TMTP 2020), implementation of Export Processing zone (EPZ); The Tanzania Trade Integrated Strategy (TTIS), Property and Business Formalization Programme - MKURABITA; the National Spatial Data Infrastructure (NSDI);.the National ID Project and TASAF II. Under each of the programme, a set of priorities are identified.

BEST Programme

Priority areas for resource allocation for 2008/09 – 2010/11

161. During the medium term the Government through BEST Programme will focus on the following areas:

- Continue with Land Law Reform to ensure rapid and cost effective delivery of titled land as a business asset as well as security of tenure and property rights;
- Continue with business registration and regulation with a view to creating simple but efficient and low cost business registration system;
- Continue with labour market reforms based on establishment of market supporting institutions;
- Ensure that there is an efficient judiciary that delivering fair and efficient dispute resolution; and
- Transform the private sector based on support for human resources development through incubation of entrepreneurship, skills development, and cluster development.

The Mini Tiger Plan 2020

162. Priority Areas for Resource Allocation for 2008/09-2010/11

- Furnishing the Clinic, Cafeteria, Shopping arcade, Customs building and fire station for BWM-SEZ;
- Start the construction of ICT SEZ;
- Establishment of SEZ Authority;
- Establishment of SEZs in Kigoma, Tanga, and Bagamoyo; and
- Support OJI Papers and Marubeni Corporation in the afforestation programmes in Mtwara and Lindi regions.

The EPZ Program

The priority areas for resource allocation for 2008/09 – 2010/11

- Undertaking land survey and valuation in four new EPZ sites namely Morogoro, Ruvuma, Kagera and Kilimanjaro;
- Undertake feasibility in four surveyed EPZ sites (Bagamoyo, Mara, Arusha, and Mtwara);
- Providing preliminary onsite infrastructure in four surveyed EPZ sites, (Bagamoyo, Mara, Arusha, and Mtwara).

The Tanzania Trade Integration Strategy (TTIS)

The priority areas for resource allocation for 2008/09 – 2010/11

- Establishment and operationalisation of TTIS Coordinating Unit;
- Establishment and operationalisation of Network of Sector Trade Specialists and Technical Committees;
- Provision of support to Exporters, Building Capacity on exports oriented products;
- Establishment of Standards Regulation Accreditation bodies, accredited laboratories and certification to Institutions dealing with Accreditation;
- Building capacity to Business organizations to participate effectively in a national Public –Private Sector Dialogue at all levels;

- Prepare action plan for export trade and investment facilitation.

The Export Development strategy

- Establishment and increasing quantity and quality production of goods and services, processes, procedures and value addition for quick win exportable products and services across sectors, namely:-
    - cashewnuts, cotton coffee and tea,
    - Fruits, vegetables and floriculture,
    - Leather and leather products;
    - Tourism services
    - Aquatic farming;
    - Gemstone, diamond and gold value addition
    - Meat and meat products and
    - Forestry products, honey and honey products.
- Establishment of quality infrastructure for production and packaging of quick win exportable products;
- Build capacity institutions and private sector for market access research and product development; and
- Harmonize legal and regulatory Framework to promote exports.

MKURABITA

163. The priority Areas for Resource allocation for 2008/09-2010/11:-

- Facilitate and assist individuals to formalize their properties and businesses to access credit and other available opportunities in the formal market;
- Initiate a process of preparing regulations and procedures for registering assets including land and businesses;
- Continue fast tracking rural and urban land titling; and
- Promote the establishment of Property and Business Formalization Centres (platforms) at district level.

National Spatial Data Infrastructure

164. Priority Areas for Resource Allocation for 2008/09-2010/11:-
The following are priority areas for resource allocation:

- Finalization of NSDI policy and development of legal framework;
- Establishment of NSDI Institutional framework and capacity building;
- Sensitization of stakeholders on NSDI;
- Establishment of a comprehensive survey and documentation of existing spatial and non spatial data;
- Designing and implementing of metadata-base;
- Physical mapping of the Country by aerial photographing and remote sensing technology as an input to NSDI;
- Revision of National Geodetic Network by GPS technology; and
- Continuous updating of existing maps by remote sensing (satellite image) technology.

National ID Project

165. During the year under review, the Government approved the implementation of National Identification and Registration of person's project and the process of establishing National ID Management Agency (NIMA) is ongoing.

Priority Areas for Resource Allocation for 2008/09

166. For the period of 2008/2009, the government is intending to implement the following activities in order to make the project a success. The activities, which will be implemented, to ensure the National Identity Cards are issued by 2009 include: -

- Data collection and establishment of MIS;
- Raising public awareness;
- Enactment, or reviewing the relevant legislations;
- Capacity building; and
- Carrying out the identification and registration of persons exercise by either mass or regular registration.

Tanzania Social Action Fund (TASAF)

167. In the year 2006/2007 TASAF II supported communities through LGAs to identify their priorities and come up with sub projects that address their needs. In the medium term, TASAF II will continue to train communities and implementing community based projects.

CROSS-CUTTING ISSUES

In the medium term, the Government, will continues to put more emphasis on addressing issues of HIV and AIDS, environment, employment, gender and economic empowerment

HIV and AIDS Pandemic

168. Priority Areas for Resource Allocation for 2008/09-2010/11:-

- Stepping up efforts to effect behavioral change
- Promotion of home-based care and treatment for People living with HIV/AIDS
- Increasing coverage of ARV recipients
- Containing HIV and AIDS **spread**, especially focusing on young people and other key drivers of the epidemic and commercial sex workers.
- Economic and Social support of People affected by HIV and AIDS

Gender

169. During the medium term period of 2008/09- 2010/11, the Government will focus on the following priority areas:

- Proceed with mainstreaming gender into policies, plans and strategies at all levels including conducting of sensitization on gender issues including pertinent issues such as fight against gender violence and reducing women work loads;
- Capacity building for gender focal points and other stakeholder;

- Empowering prospective entrepreneurs by promoting credit facilities for women and youth; and
- Facilitating and creating conducive environment for enabling formation of women SACCOS which will be the basis for establishing women's Bank.

Environment

170. During the medium term period of 2008/09- 2010/11, the Government will focus on the following priority areas:

- Finalize the development of state of Environment Reporting System;
- Finalize other regulations under EMA which include;- Environment Quality Standards, Fees and Charges, Ozone Depleting Substances, Economic Instruments, and Strategic Environmental Assessment;
- Scale-up afforestation initiatives and strengthening forest surveillance;
- Continue implementing the strategy for Urgent Actions on Land Degradation and Water Catchments (SUA-LWC);
- Operationalise the program to support implementation of Environmental Management Act (EMA) of 2004; and
- Mainstream environmental management concerns into sectors' and LGAs' plans.

EMPLOYMENT:

171. Over the medium term 2008/09 – 2010/11 the Government will continue focusing on the following:

- Implementation of the National Employment Policy;
- Creation of an enabling environment for the private sector in order to create more jobs; and
- Facilitation of access to credit.

Economic Empowerment

159. During the medium term period focus will be on the following:

- Establish National Economic Empowerment Fund;
- Continue with sensitization, awareness creation and dissemination of the National Economic Empowerment Policy and its Act to various stakeholders;
- Oversee training on entrepreneurship skills;
- Monitor and evaluate economic empowerment programs; and
- Forge linkages between research institutions and entrepreneurs to enhance economic development.

CHAPTER SEVEN

Issues Specific to Regional Administration and Local Government

172. This chapter focuses on issues that are specific to Regional Administration and Local Government. The purpose is to bring out the role played by two levels of administration on the development and execution of the government budget. Regional Administration is the extended arm of the Central Government that fulfils some of the functions which are relevant for the Central Government such as quality assurance, provision of enabling environment, monitoring, enforcement of laws and ensuring that standards of service delivery are met by LGAs and other implementing agencies. Regional Administration specifically plays an important facilitating and advisory role. It also provides technical back-stopping support to LGAs.

173. Aware that these plan and budget guidelines cannot take on board all the pertinent issues that specifically relate to planning and budgeting at the local level, a separate set of PBGs have been prepared and issued. The purpose is to ensure that issues aimed at enhancing the quality of LGAs' plans and budgets, having full regard to the need for participatory bottom-up planning approach, are accorded due weight and significance. The separate set of PBGs for LGAs for the medium term 2008/09 – 2010/11 have therefore been prepared and issued to guide the process of planning and budgeting at the local level. They are supposed to be read in conjunction with these guidelines, for the two sets are meant to complement each other.

PERFORMANCE REVIEW FOR 2006/2007

174. During the year 2006/2007 the following Programmes/Projects were implemented by Regional Administration:

- Rehabilitation of District Commissioner's residents in 48 Districts namely Magu, Ukerewe, Sengerema, Geita, Kwimba, Shinyanga, Kishapu, Igunga, Urambo, Sikonge, Tabora, Mbinga, Namtumbo, Songea, Mufindi, Makete, Ludewa, Iringa, Ileje, Kyela, Mbozi, Sumbawanga, Nkasi, Mpanda, Same, Mwanga, Mtwara, Masasi, Newala, Liwale, Nachingwea, Biharamulo, Ngara, Karagwe, Bukoba, Arusha, Arumeru, Karatu, Monduli, Ngorongoro, Morogoro, Kilombero, Mafia, Lushoto, Handeni, Muheza, Korogwe and Pangani;
- Construction of District Commissioner's Offices in Longido, Bahi, Chamwino, and Missenyi;
- Procurement of 85 Motor Vehicles for District Commissioners; and
- Review of Strategic Plans of Regional Secretariats.

175. As for LGAs, during the year 2006/07 the following projects were implemented;

- Construction of Councils offices at district head quarters in Karatu, Mvomero, Babati, Kilindi, Kishapu, Namtumbo, Kilolo and Korogwe.
- Construction of classrooms for Primary and Secondary Schools;
- Projects implemented under the Local Government Transport Programme (LGTP);
- Projects implemented under the Village Travel and Transport Programme (VTTP);
- Projects implemented under the Agricultural Sector Development Programme (ASDP);
- Projects implemented under the District Health Rehabilitation Component (DHIRC) of the Health Sector Reform;
- Projects implemented under the Health Sector Programme Support (HSPS);

- Participatory Forest Management (PFM);
- Projects implemented under the Rural Water Supply and Sanitation Programme (RWSSP);
- Projects funded under the HIV & AIDS (G-Fund);
- Implementation of projects receiving funds through the LGCDG System;
- O&OD (Planning Approach) Roll out to LGAs;
- Rehabilitation of dispensaries, health centers and district hospitals;
- Training of grass roots leaders and officials;
- 33 Ambulances bought to improve the referral system; and
- Procurement of 8 Fire engines.

176. In 2007/2008, the following projects are being implemented by Regional Administration;
    - Rehabilitation of Regional Hospitals of Tabora, Kigoma, Tanga, Shinyanga, Singida, Lindi, Ruvuma, Rukwa, Dodoma, Mara and Iringa regions;
    - Construction of District Commissioner's Offices and Residences for newly established districts;
    - Completion of the Construction of Manyara Regional Office Block;
    - Facilitation of Land Use Planning by LGAs; and
    - Review of Strategic Plans of Regional Secretariats.

177. In 2007/08, the LGAs are implementing the following programs/projects:-
    - Projects funded under the LGCDG system;
    - Construction/rehabilitation of HQs in:- Sumbawanga Municipal; Korogwe, Babati, and Mpanda Town Councils; and Karatu, Mvomero, Kilindi, Kishapu, Namtumbo, Kilolo, Ruangwa, Bahi, Misenyi, Chato, Longido Ukerewe, Rorya, Mbarali, Mkuranga, Pangani, Misungwi, Meru, Nanyumbu, and Siha district councils
    - Reconstruction/rehabilitation of staff houses in Ruangwa, Ngorongoro and Mahenge.

Challenges

178. The following are the major challenges facing Regional Administration and Local Government:-

- Harmonizing and rationalizing funding modalities to LGAs;
- Building capacities of Regional Secretariats to coordinate and facilitate LGAs; and
- Funding of OC in the non - grant aided sectors of LGAs (e.g Community Development, Natural Resources, Land, Trade, Cooperatives Youth etc.) in order to enable them to effectively discharge their mandates .

Priority Areas for Resource Allocation 2008/09-2010/11

179. During the medium term, Regional Administration is required to allocate funds on the following areas

- Operationalization of District Consultative Committee (DCC);
- Effective operationalization of Inter Council Forum (ICF) meetings;
- Disaster and Environmental Management Issues;
- Continue with construction of District Commissioner's Offices/staff houses in Rorya, Bahi, Missenyi and Pangani;
- Construction of three Regional Hospitals (Manyara, Mbeya and Singida) subject to prior submission of Project document;
- Rehabilitation of District and Regional Commissioner's Offices and Residences;
- Rehabilitation of Regional Hospitals of Morogoro, Shinyanga, Kigoma Tabora, and Mwanza regions;
- Expansion of Tumbi Hospital in Kibaha; and
- Review of Strategic Plans and Client Service Charters.

180. On the part of LGAs, they are required to allocate funds on the following areas

- Operationalization of District Consultative Committee (DCC);

- Effective operationalization of Inter Council Forum (ICF) meetings;
- Making presentations for grass-roots leaders elections;
- Rehabilitation of health facilities at District, Ward and Village level;
- Continue training of Councillors; and
- Procurement of 100 ambulances.

181. Regional Administrative Secretaries and Council Directors should submit and present their Institutional Plans and Budgets to MFEA and PMO-RALG during the scrutinization exercise.

CHAPTER EIGHT

Resource Envelope and Expenditure Focus 2008/09 – 2010/11

182. The Government has consistently placed high priority on implementing the Vision 2025, MKUKUTA and Millennium Development Goals (MDGs). There is no doubt that this commitment requires a substantial amount of resources from all stakeholders, the government itself, non-state actors and private sector. While we recognize, other players' contributions to the poverty reduction interventions, these guidelines present an overview of the government's obligation in this regard.

183. In the medium term, the government is determined to enhance revenue collection, particularly domestic revenue and to leave other sources of revenue to complement government efforts. To this end, additional sources will be brought into the revenue base and improvement made to the tax administration system. The government will cautiously consider development partners' pledges to the national budget in a manner that will ensure the sustainability of its core functions. Total expenditure is projected to reach 25.5 percent of GDP consistent with the planned resources for 2008/09. Thereafter, it will decline to 23.4 percent in 2010/11 mostly on account of cautious projections of foreign contribution in the budget. In order to keep the macroeconomic variables on track, no bank borrowing is planned in the MTEF period.

184. Based on recent performance, revenue collection is projected to reach 16.7 percent of GDP in 2008/09 *(based on new GDP series).* This is equivalent to a 15 percent increase from 2007/08 estimated levels. Hefty contributions are expected to come from local taxes such PAYE, VAT and non tax revenues. Other tax categories are also projected to perform better than this year's level. The same level of 15 percent growth is anticipated in the other two outer years.

185. With regard to foreign assistance, the frame is projecting that it will reach Tshs 2,014.149 billion equivalent to 8.3 percent of GDP in 2008/09. Out of this amount, General Budget Support loans and grants account for Tshs 768.1 billion, MDRI Tshs 72.6 billion, basket support loans and grants Tshs 175.6 billion and project loans and grants including MCA (T) of Tshs 1,070.345 billion. As it can be noted in table 3(a), GBS funds are increasing, whereas, projects as well as baskets loans and grants are declining from 2007/08 levels.

186. The United Republic of Tanzania (URT) and the United States of America through the MCA – Tanzania has signed the Compact program to enable the URT to access the MCC facility. The effective date for the compact implementation will be July, 2008. The compact focuses on the following areas: strategic investments in transportation, energy, and water infrastructure.

187. As it has been explained in the introductory part, total expenditure in the medium term is anticipated to decline by 2.1 percentage point, from 25.5 percent of GDP in 2008/09 to 23.4 percent of GDP in 2010/11. Out of the total expenditure in 2008/09, recurrent and development expenditures are estimated at Tshs 4,306.499 billion and Ths 1,890.197 billion respectively. Wages and Salaries together with CFS will account for about 8.6 percent of GDP in 2008/09 and 8.4 percent in the last year of MTEF. Following cautious projections of external resources, foreign component of the development expenditure is planned to be Tshs 1,246.002 billion in 2008/09. Local component of the development expenditure is envisaged to be 15 percent of domestic revenues equivalent to Tshs 604.196 billion. This is consistent with the government decision in 2005/06 of allocating for at least 15 percent of domestic revenue to local development expenditure annually. The main objective is to enhance government investment, particularly in productive sectors which have comparative advantage, and redress poor state of productive infrastructure which has often been cited as a binding constraint to private sector development. Both the CCM Election Manifesto (2005) and MKUKUTA cluster 1 of Growth and Reduction of Income Poverty acknowledge the need for supporting productive sectors.

Table 1: BUDGET FRAME FOR 2007/08 - 2010/11 (ACCOUNTING)				
				Tsh. Million
	2007/08	2008/09	2009/10	2010/11
	Budget	Ceiling	Projections	Projections
I. TOTAL RESOURCES	**6,066,832**	**6,156,697**	**6,582,485**	**7,353,765**
Domestic revenue	3,502,583	4,027,970	4,632,166	5,326,991
Programme loan and grants	881,320	768,147	891,000	928,340
Project loans and grants	1,188,698	970,462	708,000	637,200
Basket Support Loans	80,320	84,149	78,000	70,200
Basket Support Grants	192,874	91,507	82,000	73,800
HIPC relief-Multilateral	0	0	0	0
MDRI (IMF)	206,037	72,578	0	0
MCC (MCA-T)	0	99,884	191,319	317,234
Non Bank Borrowing	0	0	0	0
Bank Borrowing	0	0	0	0
Adjustment to cash	0	0	0	0
Privatisation Funds	15,000	42,000	0	0
Financing Gap	0	0	0	0
II. TOTAL EXPENDITURE	**6,066,832**	**6,156,697**	**6,582,485**	**7,353,765**
RECURRENT EXPENDITURE	3,780,736	4,306,499	4,596,733	5,189,932
CFS	615,039	637,165	697,007	763,689
Debt service	344,750	359,847	391,957	428,135
Interest	276,000	282,359	310,595	341,654
Amortization	68,750	77,488	81,362	86,480
Others	270,289	277,318	305,050	335,555
Recurrent Exp.(excl. CFS)	3,165,697	3,669,335	3,899,726	4,426,243
o/w Salaries & wages	1,180,814	1,458,324	1,649,805	1,888,103
Other Charges	1,984,883	1,829,921	1,882,628	2,168,140
Designated Items	0	381,089	367,293	370,000
DEVELOPMENT EXPENDITURE	2,286,096	1,850,197	1,985,752	2,163,832
Local	824,204	604,196	926,433	1,065,398
Foreign	1,461,892	1,246,002	1,059,319	1,098,434
o/w MCC (MCA-T)	0	99,884	191,319	317,234

Table 3(b): BUDGET FRAME FOR 2007/08 - 2010/11 (ACCOUNTING) AS % OF GDP				
	2007/08	2008/09	2009/10	2010/11
	Budget	Ceiling	Projections	Projections
I. TOTAL RESOURCES	**28.5%**	**25.5%**	**23.9%**	**23.4%**
Domestic revenue	16.4%	16.7%	16.8%	16.9%
Programme loan and grants	4.1%	3.2%	3.2%	3.0%
Project loans and grants	5.6%	4.0%	2.6%	2.0%
Basket Support Loans	0.4%	0.3%	0.3%	0.2%
Basket Support Grants	0.9%	0.4%	0.3%	0.2%
HIPC relief-Multilateral	0.0%	0.0%	0.0%	0.0%
MDRI (IMF)	1.0%	0.3%	0.0%	0.0%
MCC (MCA-T)	0.0%	0.4%	0.7%	1.0%
Non Bank Borrowing	0.0%	0.0%	0.0%	0.0%
Bank Borrowing	0.0%	0.0%	0.0%	0.0%
Adjustment to cash	0.0%	0.0%	0.0%	0.0%
Privatisation Funds	0.1%	0.2%	0.0%	0.0%
Infastructure Bond	0.0%	0.0%	0.0%	0.0%
II. TOTAL EXPENDITURE	**28.5%**	**25.5%**	**23.9%**	**23.4%**
RECURRENT EXPENDITURE	17.7%	17.8%	16.7%	16.5%
CFS	2.9%	2.6%	2.5%	2.4%
Debt service	1.6%	1.5%	1.4%	1.4%
interest	1.3%	1.2%	1.1%	1.1%
amortization	0.3%	0.3%	0.3%	0.3%
Others	1.3%	1.1%	1.1%	1.1%
Recurrent Exp.(excl. CFS)	14.9%	15.2%	14.2%	14.1%
o/w Salaries & wages	5.5%	6.0%	6.0%	6.0%
Other Charges	9.3%	7.6%	6.8%	6.9%
Designated Items	0.0%	1.6%	1.3%	1.2%
DEVELOPMENT EXPENDITURE	10.7%	7.7%	7.2%	6.9%
Local	3.9%	2.5%	3.4%	3.4%
Foreign	6.9%	5.2%	3.9%	3.5%
o/w MCC (MCA-T)	0.0%	0.4%	0.7%	1.0%

188. The projection of external resources is inherent in the assumption that conditionalities attached as triggers to the disbursement of funds are met within the stipulated time, and that Development Partners disburse funds as pledged. As we have noted in recent years, non fulfilment of prior actions has led to a reduction in disbursements when compared to budget. In this regard, key players are reminded to fulfil their obligations as identified in the Performance Assessment Framework (PAF) Matrix so as to ensure a realistic resource envelope and a meaningful medium term expenditure framework.

Strategic Resource Allocations among Clusters

189. Priority areas for resource allocation have been identified in chapter six. As noted earlier, the overall resource envelope has declined, translating into a net decline in allocations to individual votes. Thus resource allocation ensures adequate funding for the on going programmes/ activities and a carefully consideration for other areas identified. To ensure strategic focus in resource allocation, resources have been allocated at the level of clusters and goals. Tables 4(a) and 4(b) demonstrates this, and the following is a summary of allocation.

190. The growth and reduction of income poverty cluster interventions have been allocated 48.25% of the total funds available for implementing MKUKUTA.

191. Improvement of quality of life and social well-being cluster interventions has been allocated 34.11% of MKUKUTA resources. These resources are geared towards improvement and sustaining delivery of social services.

192. In cognisance of the need to provide conditions within which cluster 1 and 2 will take place, 17.64% have been allocated for governance and

accountability cluster intervention. The focus is, among others, to ensure enforcement and adherence to law and order, and inclusion and participation of all men and women in decision-making.

193. Overall, total resources allocated for implementing MKUKUTA interventions for 2008/09, account for 66.9% of resources excluding wages and salaries, and special expenditure category. Non-MKUKUTA interventions take the residual. It is worthy noting that of the non-MKUKUTA resources for 2008/09 51% are for Consolidated Fund Services (CFS) expenditures, which include debt repayments, interest expenditure, pension payments and contributions, as well as contractual obligations.

Table 4 (a) Aggregate Resource Requirements and Proposed Allocations

(Figures are in Million Tsh)

	2008/09 Ceiling				2009/10 Projection				2010/11 Projection			
	Request	Ceiling	Ceiling as a % of Cluster Request	Ceiling as a % of NSGRP Allocation	Request	Ceiling	Ceiling as a % of Cluster Request	Ceiling as a % of NSGRP Allocation	Request	Ceiling	Ceiling as a % of Cluster Request	Ceiling as a % of NSGRP Allocation
NSGRP Clusters												
1 - Growth and Income Poverty Reduction	1,034,137.8	1,245,186.2	120.41%	48.25%	1,168,362.5	1,366,442.5	116.95%	50.30%	1,133,580.4	1,568,937.4	138.41%	51.37%
2 - Improvement of quality of life and social well being	1,334,904.1	880,472.3	65.96%	34.11%	3,834,899.4	886,848.4	23.13%	32.64%	1,266,301.3	937,274.5	74.02%	30.69%
3 - Governance and Accountability	698,223.3	455,295.6	65.21%	17.64%	1,607,836.1	463,502.8	28.83%	17.06%	2,216,496.1	547,694.2	24.71%	17.93%
Total NSGRP Clusters	**3,067,265.2**	**2,580,954.1**	**84.15%**	**100.00%**	**6,611,098.0**	**2,716,793.7**	**41.09%**	**100.00%**	**4,616,377.8**	**3,053,906.1**	**66.15%**	**100.00%**
Non-NSGRP	1,576,968.5	1,278,057.8	81.05%		3,569,856.1	1,365,754.9	38.26%		2,334,043.4	1,518,484.0	65.06%	
Total NON-NSGRP	**1,576,968.5**	**1,278,057.8**	**81.05%**		**3,569,856.1**	**1,365,754.9**	**38.26%**		**2,334,043.4**	**1,518,484.0**	**65.06%**	
TOTAL	**4,644,233.7**	**3,859,011.9**	**83.09%**		**10,180,954.1**	**4,082,548.6**	**40.10%**		**6,950,421.2**	**4,572,390.1**	**65.79%**	
%ge NSGRP	**66.04%**	**66.88%**			**64.94%**	**66.55%**			**66.42%**	**66.79%**		

Table 4(b): Summary of cluster goals

(Figures are in Million Tsh)

Clusters / Goals	2008/09					
	Requirement			Ceiling		
	OC	Dev - L	Dev - F	OC	Dev - L	Dev - F
Cluster 1 : Growth and Income Poverty Reduction						
Ensuring sound economic management	157,053.7	11,832.8	5,476.4	138,008.3	5,190.9	55,719.3
Promoting sustainable and broad-based growth	84,087.8	251,051.3	423,234.8	272,631.31	188,986.4	401,576.14
Improved food quality, safety, availability and accessibility at household level in urban and rural areas	20,282.5	727.4	9,091.4	13,025.0	400.9	69,003.7
Reducing income poverty of both men and women in rural areas	22,399.6	1,757.9	21,781.3	12,964.1	1,359.9	19,478.7
Reducing income poverty of both men and women in urban areas	19,541.4	625.3	1,122.4	17,369.5	2,370.8	7,601.8
Provision of reliable and affordable energy to consumers	3.5	1,558.8	2,509.6	3.1	5,910.0	33,586.50
Cluster 1 Total	**303,368.5**	**267,553.3**	**463,215.9**	**454,001.31**	**204,218.9**	**586,966.14**
Cluster 2 : Improvement of quality of life and social well being						
Ensuring equitable access to quality primary and secondary education for boys and girls, universal literacy among men and women and expansion of higher, technical and vocational	195,395.6	97,302.8	126,574.5	162,763.2	56,952.2	84,764.3
Improved survival, health and well-being of all children and women and of especially vulnerable groups	87,958.7	4,141.5	227,248.2	72,614.6	1,463.2	130,184.5
Increased access to clean, affordable and safe water, sanitation, decent shelter and a safe and sustainable environment and thereby, reduced vulnerability from environmental risk	11,900.7	97,147.7	273,617.1	5,900.8	32,683.4	113,496.3
Adequate social protection and rights of the vulnerable and needy groups with basic needs and services	1,558.8	1,396.3	854.3	1,130.6	4,946.6	11,494.4
Systems in place to ensure effective universal access to quality public services that are affordable and available	31,613.9	48,867.0	129,327.1	18,273.89	87,957.9	95,846.4
Cluster 2 Total	**328,427.7**	**248,855.2**	**757,621.2**	**260,683.09**	**184,003.4**	**435,785.7**
Cluster 3 : Governance and Accountability						
Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive	141,219.6	7,707.1	33,228.5	107,116.4	8,088.7	25,747.9
Equitable allocation of public resources with corruption effectively addressed	63,995.2	5,544.8	83,533.3	43,028.1	3,197.2	39,132.7
Effective public service framework in place to provide foundation for service delivery improvements and poverty reduction	126,317.1	12,489.9	32,539.3	84,828.4	8,780.7	16,751.6
Rights of the poor and vulnerable groups are protected and promoted in the justice system	75,918.2	60,784.5	202.2	41,843.3	42,886.4	1,689.9
Reduction of political and social exclusion and intolerance	1,387.6	219.3	5,874.8	846.9	152.8	2,934.0
Improved personal and material security, reduced crime, eliminate sexual abuse and domestic violence	24,647.1	350.0	9,985.4	18,565.9	0.0	3,424.4
National cultural identities enhanced and promoted	7,829.3	4,450.0	0.0	3,200.4	3,080.0	0.0
Cluster 3 Total	**441,314.1**	**91,545.5**	**165,363.6**	**299,429.3**	**66,185.7**	**89,680.5**
TOTAL	**1,073,110**	**607,954.1**	**1,386,200**	**1,014,114**	**454,408.0**	**1,112,433**

CHAPTER NINE

Institutional Responsibilities

194. This chapter outlines the institutional responsibilities with respect to planning and budgeting processes. It offers a checklist of new and other requirements for MDAs Regions and LGAs in the preparation and implementation of plans and budgets for the medium term period 2008/09 – 2010/11. The chapter also highlights the role of the Accounting Officers and that of the Plan and Budget Committees.

Developing Results Framework:

195. Prior to actual budget preparation, and as part of the strategic Planning process, institutions are required to establish their intended future achievements or results and how performance will be tracked or measured. This will involve formulating indicators and their target values as well as planning for evaluations, reviews, assessments and other analytical works. Indicators are intended to gauge progress towards meeting the objectives. Institutions have been trained on the new requirement of developing results framework.

196. Detailed description of the frameworks and the associated forms are in the Medium Term Strategic Planning and Budgeting Manual (MTSPBM). The forms are also included in the Plan and Budget Guidelines Part II as:

- PBF-4.1: Summary of the Strategic Plan: this form outlines the summary of the key issues in the Strategic Plan covering the period of three years. The form is to be prepared and attached to the approved Strategic Plan.
- PBF-4.2: Results Framework:
- The form captures projected results over the three year plan period. It is also required to be filled in and attached to the approved Strategic Plan.
- PBF-5.1: 3 Year MTEF Target Value Form for Recurrent and Development Expenditure:

- This form is intended to provide target values on yearly basis. It has to be filled in and included in the Institutional MTEF document.
- PBF- 5.2: Current Year MTEF Target Value Form for Recurrent and Development Expenditure: the form is intended to provide target values on quarterly basis. Again, this form has to be filled in and included in the Institutional MTEF document.

Undertaking general preparation of the plans and budgets:

197. Institutions are supposed to come up with well formulated and focused plans for the three years of MTEF. In that regard, MDAs, Regions and LGAs should undertake the following:-

- Ensure resources are allocated on the basis of declared government policy commitments, macro and sector priorities and decisions for 2008/2009 – 2010/2011;
- Ensure that the allocation of resources addresses the National Strategy for Growth and Reduction of Poverty (NSGRP) as well as cross cutting issues such as HIV and AIDS, gender and environmental conservation;
- Establish during the planning stage the objectives, targets and programmes that are linked to coordinating frameworks of Millennium Development Goals (MDGs), MKUKUTA, Performance Assessment Framework (PAF) and the Ruling Party Election Manifesto as prerequisites for reporting on performance;
- Ensure that institutional objectives are clearly articulated and more focused; and targets are specific, quantifiable, achievable, realistic and time bound;
- Established activities are relevant to outlined targets;
- Ensure that targets and activities are prioritized and allocations are consistent with available resources i.e consider the prevailing the hard budget constraints; and
- Prepare estimates of foreign funded projects based on firmed up donor commitments.

Inter - Sectoral Collaboration

198. The attainment of NSGRP outcomes invariably needs the contribution of various sectors and actors, hence the need for close coordination of sectoral linkages and sharing of information. MDAs are directed to ensure inter-sectoral collaboration in attainment of NSGRP outcomes. This entails all sectors to move towards modifying their priority sector approach of the PRS into NSGRP priority outcome-based approach. In addition to ensuring inter-sectoral collaboration discussed above, the MDAs ought to ensure full involvement of partners in SWAPs, pooled fund and basket funding arrangement with a in view to identifying and disaggregating funds in as per NSGRP clusters.

Preparation of Personnel Estimates at Institutional Level:

199. Recruitment permits from Presidents Office – Public Service Management (PO-PSM) should be processed and obtained in time to ensure the budgeting for Personnel Emoluments (PE) is carried out without delays.

Preparation of Revenue Estimates at Institutional Level:

- Ensure that revenue estimates are based on likely collection outturn for 2007/08; and
- Explore all sources of revenues within the Institutions to meet the challenge of enhancing domestic revenue collections;

Documentation of MTEF Estimates:

- Prepare institutional MTEF document that includes revenue, recurrent and development estimates;
- Ensure that Budget submissions for 2008/09 – 2010/11 adhere to the approved format; and the relevant forms indicated in Plan and Budget Guidelines Part II are dully filled in;

- Institutions are required to accommodate their outstanding debts in their budgets;
- Ensure that institutional budget submissions are within the given outlay ceilings for MTEF period; and
- Update Institutional MTEFs to accommodate subsequent changes after budget scrutiny sessions. The revised institutional MTEFs including filled in Form No. 10 (Project Profile) appearing in the PBG Part II need to be re-submitted to MFEA before the end of First Quarter (30th September, 2008);

Implementation of Institutional Plans and Budgets:

- Effectively monitor the implementation of the institution Strategic plan and MTEF based Budget;
- Prepare reports on physical and financial performance as indicated in the chapter of Monitoring, Evaluation and reporting; and
- Ensure proper management of resources at institutional level and address weaknesses pointed out in the Controller and Auditor General's (CAGs) reports.

Role of Accounting Officers:

200. Accounting Officers are required to do the following:

- Ensure that Institutional Planning and Budgeting Committees are strengthened and actively involved in the planning and budgeting process, as well as in monitoring, evaluation and reporting on performance; and
- Provide clear guidance on institutional policy priorities to be reflected in the plans and budgets.

The Role of Plan and Budget Committees:

201. Institutional Plan and Budget Committee continues to be an important organ in the MDAs', Regional Secretariats' and LGAs' budget preparation, finalization and execution processes. It is vested with a major responsibility of supporting

the Accounting Officer in overseeing that this process is well coordinated. More particularly, the Committee is required to:

- Coordinate the actual preparation of revenue and expenditure budgets as well as budget execution;
- Undertake coordination with MDAs who are implementing shared programmes;
- Ensure adherence to Plan and Budget Guidelines requirements including complying to the given expenditure ceilings. Targets are to be prioritized and core activities adequately funded within the set vote and sub-vote ceilings; and
- Consolidate and finalize institutional MTEF by ensuring that departmental budget estimates are consistent with institutional priorities and are within the given ceiling; and finally prepare quality MTEF document;

202. Regional Secretariats' Plan and Budget Committees are also required to pay attention to their other main role of coordinating the plan and budget preparation exercise at the LGAs levels.

203. As D by D is being implemented, Regional Secretariats' role of facilitating, providing technical and backstopping support and advising the LGAs will increasingly be crucial. Regional Secretariats should incorporate in their MTEFs activities that will enable them to effectively play this role.

Incorporating PFMRP objectives and component targets into the Government MTEF system so that monitoring and evaluation of PFMRP is internalized and becomes and integral part of standard MTEF reporting, this in turn being part of the Government reporting system.

Budgets for implementing the reforms activities will appear on the implementing agencies plans and not on the coordinating agency as is currently the case. The centre will in most cases provide guidance advice, support and incentives to ensure quality (The Circular on this aspect to be attached to the Planning Circular to be issued by the PS MFEA.

CHAPTER TEN

Monitoring, Evaluation and Reporting

204. Monitoring, evaluation and reporting as management tools and essential elements in the plan and budgeting processes need to be effectively undertaken for the purpose of improving institutional performance. This is be brought by institutions focusing implementation on results and using the feedback of M&E information to adjust implementation and also ensuring transparency and accountability.

205. The government has introduced significant changes and improvements in the area of M&E and reporting that need concerted efforts of all institutions to conclusively undertake them. The changes emphasize the importance of getting beyond output to tracing higher level objective based outcome indicators. Such changes focus on linking the strategic planning and monitoring, evaluation and reporting processes. Thus, MDAs, Regional Secretariats and LGAs are required now to undertake M& E to meet the reporting requirements.

206. Monitoring and evaluation to be carried by government institutions are also intended to determine the movement towards or away from the set goals and objectives; and to ascertain how well funds are utilized. It is aimed at ensuring that the budget is being implemented as planned; and at identifying achievements and bottlenecks during budget execution for the purpose of taking necessary remedial measures. Sound and effective Management Information system remains to be a basic tool for providing data to be used for monitoring and measuring MKUKUTA operational outcomes.

207. The focus of M&E and Reporting mechanisms will be on the performance of the institutions (MDA, RS, LGA), and this performance will be aggregated to generate sector and MKUKUTA results. Reporting formats have been

rationalized in terms of layout and information content in order to harmonize submissions and eliminate duplications. In addition, reporting will go beyond sheets and forms by requiring Government the institutions to prepare more analytical reports. This if properly done will improve the Government's internal accountability mechanism.

208. MDAs, Regional Secretariats, LGAs and other institutions receiving Government subventions are required to report, in more detail, on their performance against their plans. This is intended to enable the Ministry of Finance, the Ministry of Planning, Economy, and Empowerment, and other responsible institutions, to ensure public funds are being used efficiently and effectively.

209. In the process of reporting results, Monitoring and Evaluation (M&E) techniques will be essential to collect, manage, analyze and interpret data. This will include the definition of key performance indicators, the collection of indicator data, and the undertaking of analytical or evaluation studies. In addition, the institutional Plan and Budget Committees are required to call for M&E reports for assessing the quarterly implementation performance and making decisions on the way forward.

210. The following reports will need to be prepared:

(i) Reports related to Operational Plans:

Institutions are required to prepare Action Plans and Cash Flow Plans to be used by management to monitor progress in the implementation of their planned activities as stipulated in their respective MTEF. Cash flow Plans should be submitted to MFEA with Action Plans as supporting documentation and those for RSs and LGAs should be sent to PMO – RALG. The required Forms which have been revised are contained in Part II of the PBG as well as in the Medium Term Strategic Planning and Budgeting Manual (MTSPBM).

These forms are:

- PBF 6.1 (a) – Action Plan for Recurrent Budget;
- PBF 6.1 (b) – Action Plan for Development Budget;
- PBF 6.2 (a) – Annual Cash flow Plan for Recurrent Budget; and
- PBF 6.2 (b) – Annual Cash flow Plan for Development Budget.

(ii) Reports related to Performance:

211. Each MDA, Regional Secretariat and LGA is required to report on performance. There are three types of performance reports, namely, Cumulative Quarterly Reports on targets and expenditure, Annual Performance Report on targets and outcome monitoring and a three - year outcome evaluation report against Strategic Plan objectives and outcomes. The performance reports have to be produced using standard forms provided both in the PBG and in the MTSPBM.

- MEF 7.1– Cumulative Quarterly MTEF Target Monitoring Form;
- MEF 7.2– Quarterly Cumulative Milestone (Priority) Monitoring Form;
- MEF 7.3– Outcome Indicator Monitoring Form;
- MEF 7.4 (a) – Quarterly Cumulative Financial Overview Form; and
- MEF 7.4 (b) – Quarterly Cumulative Financial Detailed Form.

212. Ministries, Departments and Regional Secretariats will submit their reports to MFEA and PMO; and Executive Agencies and Other Public Institutions will submit their reports to their parent or supervisory Ministry. The respective Ministry will then consolidate the information into the main report for submission to MFEA and PMO.

213. Annual Performance Reports and 3- Year Outcome reports will be made available to the respective Parliamentary Committees and to the public, either on institution's web site or other media to enhance transparency and access to information. Detailed descriptions of the contents, structure of these reports, including the formats of the forms to be used are outlined in MTSPBM.

MKUKUTA Monitoring

214. Poverty monitoring system has been strengthened by broadening it to the 3 clusters of MKUKUTA, bringing it under the remit of the Ministry of Planning, Economy and Empowerment, and by strengthening national statistics and their analysis.

215. The Government has also progressed in strengthening reporting by MDAs, taking into account the need to ensure one overall system for MDAs and LGAs and the need to link reporting to planning and budgeting. To that end, *Ripoti ya Utekelezaji wa MKUKUTA* (RIMKU) system has been designed. The aim is to collect MKUKUTA implementation information (activity and output level) in a structured and systematic format from both Government (MDAs and LGAs) and Non-State Actors, and to make the information widely available. The system builds on and link with other systems such as SBAS, IFMS and PlanRep2 so that users do not have to enter the same information into different systems more than once.

216. In recognition of the importance of monitoring and reporting on status and trends of achieving the MKUKUTA goals, RIMKU intends to inform both local and international stakeholders on progress made. In addition, the RIMKU will be used to promote dialogue on critical interventions of achieving MKUKUTA and be used for advocacy and resource mobilization both at local and international levels.