

Summary Tanzania Human Development Report 2017



*Empowered lives.
Resilient nations.*



United Republic of Tanzania

Social Policy in the Context of Economic Transformation



Summary

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Implementing Partner

Tanzania Human Development Report 2017

Social Policy in the Context of Economic Transformation

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Preface

In 1990, UNDP's first global Human Development Report (HDR) introduced the Human Development Approach as a new way for understanding and advancing human well-being. The vision of that first HDR was to see development as a "process of enlarging people's choices". By putting the lives of the people at the centre of development and economic thinking, that report and those that followed brought a revolutionary change in the conceptualization of development and the way world leaders consider poverty and injustice. During the past 25 years, the global Human Development Reports have been complemented by over three dozen regional and sub-regional and more than 700 national HDRs. These reports are strategic advocacy tools created through a process of active engagement within countries and across regions in addressing cutting-edge issues and articulating people's priority needs. They provide an important source for innovation and advancement in development policies and practices.

The Tanzania Human Development Report (THDR) 2017 is the second national report for Tanzania. The theme of this year's report is "Social Policy in the Context of Economic Transformation in Tanzania" which was purposefully chosen to build on the ideas put forward by THDR 2014. In recent years, Tanzania's approach to economic development has placed renewed emphasis upon the importance of economic transformation in driving poverty reduction and prosperity. The term "economic transformation" refers to a structural change in the economy, characterized by a lesser contribution to GDP from the agricultural sector and greater contributions from the industrial and service sectors, and accompanied by a demographic transition from high birth and death rates to low birth and death rates. In light of the importance of economic transformation accorded in Tanzania, THDR 2014 addressed the theme "Economic Transformation for Human Development". A major premise of THDR 2014 was that for economic transformation to work for human development, the transformation process must go hand-in-hand with the creation of decent jobs, income growth and social provisioning. THDR 2017 therefore aims to build on the previous report by analyzing the space of social policy and social provisioning in Tanzania's ongoing process of economic transformation.

The structure of this summary reflects that of the full report. It comprises four chapters and a statistical annex. The first chapter provides a snapshot of the status and progress of human development in Tanzania. The second chapter discusses the space of social policy in economic transformation. The third chapter offers a historical perspective on the integration of social and economic policies in Tanzania's policy landscape since the country's independence. The fourth chapter then assesses the challenges that need to be confronted and opportunities to be tapped by Tanzania's Government to make social policy not only an end but a means for achieving sustained economic transformation with human development. The statistical annex provides a rich overview of key indicators/indices of social, economic and human development.

THDR 2017 was produced under the aegis of the UNDP Human Development Initiative, which was explicitly designed to draw upon local expertise and to seek widespread nationally-based consultation and feedback from actors within the field of development policy and action, including government institutions. With funding from UNDP, the report's production engaged a network of scholars from the national research and university systems. The Economic and Social Research Foundation (ESRF) was the implementing partner for the THDR project, working in close collaboration with key partner institutions, including the National Bureau of Statistics (NBS), the Office of the Chief Government Statistician Zanzibar (OCGS), and the Department of Economics at the University of Dar es Salaam (UDSM). The project manager and secretariat of the THDR initiative carried out the day-to-day activities in the report's production in close collaboration with a core team composed of experts from the UNDP, ESRF, NBS and UDSM. In addition, a broader working group, composed of 35 experts drawn from a variety of national institutions and development agencies, provided further support, feedback and guidance throughout the production process. This process involved commissioning 11 background papers, which constituted the core materials for developing the final report. In parallel, diversified data on key indicators/indices of human development were collected and compiled to produce the statistical annex. We would like to express our gratitude to the following authors of the THDR 2017 background papers:

- Paper No. 1: “Status and Progress of Human Development in Tanzania”
by Prof. Haidari Amani, Dr. Tausi Kida and Mr. Danford Sango
- Paper No. 2: “Status and Progress of Human Development in Zanzibar”
by Dr. Flora Kessy and Ms. Mashavu Omar
- Paper No. 3: “Population Dynamics and Social Policy”
by Prof. Haidari Amani, Prof. Alfred Agwanda and Mr. Ahmed Makbel
- Paper No. 4: “Situating Social Policy in Socioeconomic Transformation: A Conceptual Framework”
by Prof. Marc Wuyts and Dr. Hazel Gray
- Paper No. 5: “Aid Dependency in Financing Space for Social Provision in Tanzania: A Macro Perspective”
by Prof. Marc Wuyts, Mr. Desmond Mushi and Dr. Tausi Kida
- Paper No. 6: “Social Policy in Historical Perspective: Shifting Approaches to Social Provisioning”
by Dr. Jehovaness Aikaeli and Prof. Humphrey Moshi
- Paper No. 7: “Social Policy, Gender and Labour”
by Prof. Razack Lokina, Dr. Joyce Nyoni and Prof. Godius Kahyarara
- Paper No. 8: “Health as a Productive Sector: Integrating Health and Industrial Policy”
by Prof. Maureen Mackintosh and Dr. Paula Tibandebage
- Paper No. 9: “Social Protection: Safety Net or Vehicle for Transformation?”
by Dr. Flora Myamba and Dr. Sheshangai Kaniki
- Paper No. 10: “Education Foundations of the Development of Skills and Productive Capabilities”
by Prof. Suleman Sumra and Dr. Joviter Katabaro
- Paper No. 11: “Water, Sanitation and Hygiene in Tanzania: Access, Policy Trends and Financing”
by Dr. Flora Kessy and Mr. Richard Mahali

We would sincerely like to thank Dr. Tausi Kida, Executive Director of ESRE, for her leadership, technical guidance and coordinating role throughout the preparation and production of the report. Special appreciation is also due to Professor Marc Wuyts (ISS) for his intellectual guidance throughout the process. Special thanks are further due to the core THDR team for their technical inputs and commitment throughout the process. Along with Dr. Tausi Kida and Prof. Marc Wuyts, this team was composed of Mr. Amon Manyama (UNDP), Dr. Jehovaness Aikaeli (UDSM), Dr. Kenneth Mdadila (UDSM), Mr. Ahmed Markbel (Prime Minister’s Office), Mr. Irenius Ruyobya (NBS), Mr. Deogratias Mutalemwa (ESRF), Dr. Hazel Gray (University of Edinburgh UK), Prof. Samuel Wangwe (ESRF), Dr. Christian Shingiro (UNDP), Ms Kristina Weibel (UNDP) and Dr. Rogers Dhliwayo, former economics advisor for UNDP Tanzania.

Our sincere gratitude goes to the report’s drafting team, composed of the following experts: Prof. Haidari Amani, Dr. Tausi Kida and Mr. Danford Sango (chapter 1); Dr. Hazel Gray (chapter 2); Prof. Samuel Wangwe, Dr. Josaphat Kweka and Prof. Marc Wuyts (chapter 3); Prof. Samuel Wangwe and Dr. Josaphat Kweka (chapter 4); and Dr. Kenneth Mdadila and Mr. Irenius Ruyobya (statistical annex)¹. The preparation of the statistical annex benefited greatly from the active support given by the national statistical offices of both Tanzania Mainland and Zanzibar. In this regard, we are indebted to Dr. Albina Chuwa, Director General of the NBS, and Ms. Mayasa Mwinyi, Chief Government Statistician of the Revolutionary Government of Zanzibar, for their support in preparing THDR 2017.

¹ The views expressed in this report are those of the authors, and do not represent the views of UNDP, the United Nations or any of its affiliate organizations.

THDR 2017's preparation benefited greatly from the feedback and guidance provided by the 35 members of the THDR Working Group, who were mostly senior officials drawn from diverse professional and occupational backgrounds. More specifically, members came from the following offices: the Parliament of Tanzania, Ministry of Finance and Planning, Planning Commission, Ministry of Health, Community Development, Gender, Elderly and Children, Ministry of Education, Science and Technology, Tanzania Commission of Science and Technology (COSTECH), NBS, OCGS, UNDP, ESRF, UDSM, REPOA, UONGOZI Institute, International Labour Organization (ILO), The World Bank, World Health Organization (WHO), UNICEF, Children's Dignity Forum and HelpAge International. We would like to extend our gratitude to the members of the THDR Working Group for their unwavering support throughout the report's preparation. Furthermore, we also thank Mr. Jonathan Hall from Human Development Report Office (HDRO) for technical support and guidance.

We thank Mr. Danford Sango (ESRF) and Mr. Yasser Manu (ESRF) for their technical and administrative roles as members of THDR secretariat. We would also like to thank Ms. Margareth Nzuki and the entire Knowledge Management team at ESRF for their support in disseminating the report. Further thanks to Mr. Chris Daly, Principal-Daly Consulting, for editing the final manuscript. We would further like to express our gratitude to Mr. Nicolai Schulz for his contribution to the summary report and Mr. Rashid Chuachua for translating the summary report from English to Kiswahili. Special thanks also to the contemporary Tanzanian artist, Mr. Haji Chilonga, for the vivid painting he produced to serve as the report's cover page.

Finally, we are grateful for the wisdom and guidance provided by Hon. Dr. Ashatu K. Kijaji, Deputy Minister for Finance and Planning during ESRF's 5th National Conference on "Social Policy in the Context of Economic Transformation in Tanzania" held on 29 November 2016. The theme for this national conference drew its inspiration from THDR 2017, and the conference involved presentations and discussions on the report's 11 background papers.

From all of these efforts, it is our sincere hope that the report will provide readers with a deeper understanding of the vital role that social policy can play in achieving economic transformation with human development in Tanzania.



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Permanent Secretary, Ministry of Finance and
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List of Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
DCF	Development Cooperation Framework
DHS	Demographic and Health Survey
DPs	Development Partners
ESR	Education for Self-Reliance
ESRF	Economic and Social Research Foundation
EYS	Expected Years of Schooling
FYDP	Five Year Development Plan
GDI	Gender Development Index
GDP	Gross Domestic Product
GII	Gender Inequality Index
GNI	Gross National Income
GoT	Government of Tanzania
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
IFIs	International Financial Institutions
ILO	International Labour Organization
IMR	Infant Mortality Rate
LTPP	Long Term Perspective Plan
MIS	Malaria Indicator Survey
MOFP	Ministry of Finance and Planning
MPI	Multidimensional Poverty Index
MYS	Mean Years of Schooling
NBS	National Bureau of Statistics
NER	Net Enrolment Rate
NESP	National Economic Survival Programme
OPHI	Oxford Poverty and Human Development Initiative
PRSPs	Poverty Reduction Strategy Papers
PSLE	Primary School Leaving Examination
PSPF	Public Service Pension Fund
RGoZ	Revolutionary Government of Zanzibar
SAP	Structural Adjustment Programme
TACAIDS	Tanzania Commission for AIDS
TDV	Tanzania Development Vision
U5MR	Under-Five Mortality Rate
US	United States
USD	United States dollar

Introduction

The Human Development Approach and Key Indices

In 1990, UNDP's first global Human Development Report introduced the Human Development Approach (HDA) as a new way of understanding and advancing human well-being. Founded on Amartya Sen's capabilities theory of development, the HDA views development as a process of expanding people's freedom and enhancing their capabilities (Sen 1999). It encourages policy makers to look beyond monetary metrics of poverty and pay greater attention to the things that people intrinsically value.

To provide a means to measure, compare and analyze progress in human development outcomes within and across countries, the 1990 report introduced the Human Development Index (HDI).² The HDI measures a country's average achievement across three basic dimensions of human development:

- (i) a long and healthy life, as measured by life expectancy at birth;
- (ii) knowledge, as measured by two educational indicators, namely, expected years of schooling (EYS) and mean years of schooling (MYS); and
- (iii) a decent standard of living, as measured by gross national income per capita.

In 1995, the Gender Development Index (GDI) was introduced to add a gender-sensitive dimension to the HDI.

To expand on the analysis of human development—and to overcome limitations in the HDI and GDI—UNDP's 2010 Human Development Report introduced the Multidimensional Poverty Index (MPI) and the Gender Inequality Index (GII). The MPI assesses ten weighted indicators of human development across the same three dimensions as the HDI, namely, health, education and standard of living (Box 1). An individual is identified as "MPI poor" if the person is deprived in a third or more of the ten indicators, and in severe poverty if the person is deprived in 50 percent or more of the ten indicators. By identifying people experiencing greater intensity of poverty, i.e., a higher number of overlapping deprivations, the MPI can contribute to the design of policies and programmes and the effective allocation of resources. Similarly, the GII was developed to better capture gender disparities in human development by assessing three critical dimensions for women's well-being: reproductive health, empowerment (which includes education attainment as well as political representation at the national level) and labour market participation.

² The HDI value measures the level of human development in a country, ranging from 0 for low human development to 1 for high human development.

Box 1:

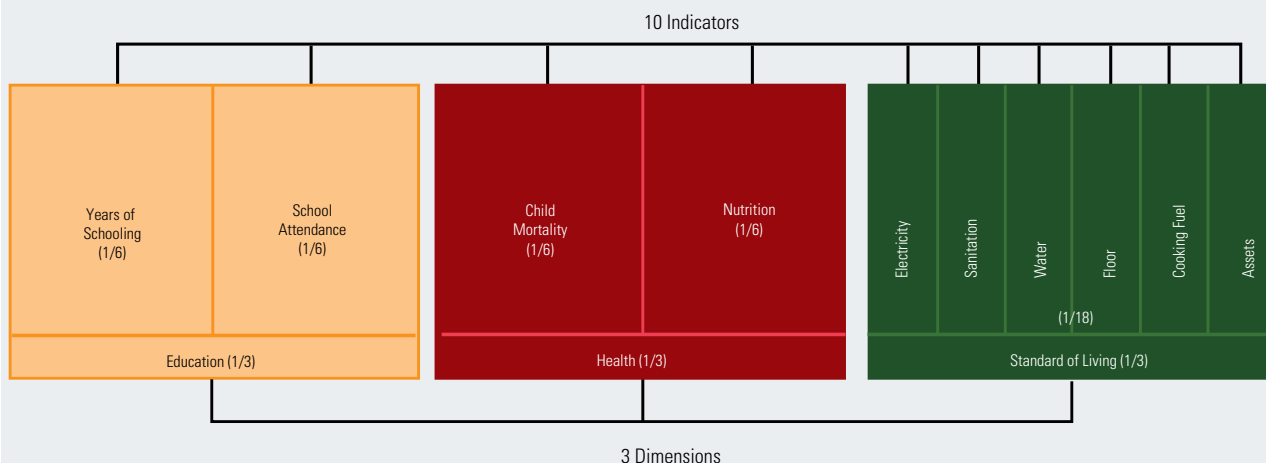
Multidimensional Poverty Index (MPI)

The Multidimensional Poverty Index (MPI) assesses 10 indicators of human development across three dimensions, namely, education, health and standard of living. The indicators are:

Health: Nutrition and child mortality,

Education: Years of schooling and school attendance,

Living Standards: Type of cooking fuel, sanitation availability of clean and safe water, access to electricity, type of floor and ownership of assets.



MPI measures the extent to which individuals are deprived in terms of these three components and subcomponents. The first exercise in computing MPI for Tanzania was done in 2011 using Demographic and Health Survey data from 2010 using Alkire-Foster Method developed by Oxford Poverty and Human Development Initiative (OPHI). THDR 2017 has computed MPI using Demographic and Health Survey and Malaria Indicator Survey (TDHS-MIS) 2015–16 data using the same methodology (see the statistical annex).

Source: OPHI (2013, 1)

The Tanzania Human Development Report 2017

The Tanzania Human Development Report (THDR) 2017 is the second national report for Tanzania. The theme of this report is “Social Policy in the Context of Economic Transformation in Tanzania.” As for the inaugural report published in 2014, the first chapter of the report analyzes the current status of human development in Tanzania. Based on the most recent data available, results for the four key human development indices (HDI, MPI, GDI and GII) are presented for Tanzania Mainland (and its regions) and for Zanzibar. Income poverty headcounts from the most recent household budget surveys are also discussed. The report then analyzes the indicators used to calculate the HDI and MPI so as to more closely examine the drivers of human development outcomes for the country. The relationship between population dynamics in Tanzania, particularly the very high rates of population growth and urbanization, and human development is also discussed.

Building upon the analysis of THDR 2014 which focused on “Economic Transformation for Human Development”, the three thematic chapters of this year’s report examine the role of, and space for, social policy in Tanzania’s ongoing process of socio-economic transformation. The second chapter presents a conceptual framework that explains the vital link between social and economic policy in achieving economic transformation with human development. The third chapter offers a historical perspective on the integration of social and economic policies in Tanzania’s policy landscape since the country’s independence. To conclude the report, the fourth and final chapter assesses the

challenges that need to be confronted and opportunities to be tapped by Tanzania's Government to make social policy not only an end but a means for achieving sustained economic transformation with human development. The report cogently argues that to achieve Tanzania's ambitious development goal to become a semi-industrialized, middle-income country by 2025 will require the strategic integration of economic and social policies.

1.

Status and progress of human development in Tanzania

Tanzania and the Human Development Approach

Since independence, human development has been central to Tanzania's development process. The late Mwalimu Julius Nyerere, Tanzania's first President, identified poverty, ignorance and disease as the main development challenges facing Tanzania. He understood development as a process of removing various 'un-freedoms' and argued that freedom and development are intimately and intricately linked (Nyerere 1973). Fundamentally, Nyerere and Amartya Sen agreed that development should be people-centred and enhance the capabilities of people to live long and fulfilled lives through improved health, education, living standards and livelihoods.

Most official policy during the first decade following independence echoed Nyerere's perception of human development, which shows that Tanzania has long defined national development in a manner consistent with the human development approach developed by Amartya Sen and championed by UNDP since 1990. Today, over 50 years on from independence, Tanzania's current National Five Year Development Plan 2016/17–2020/21 (FYDP II) seeks to nurture industrialization for economic transformation and human development with the main objective of accelerating progress towards the Tanzania Development Vision 2025 (URT 1999 and 2016a). The plan explicitly acknowledges the linkages between human development and economic growth. Grounded in the understanding that economic growth is a necessary but not a sufficient condition for development, the FYDP II emphasises the importance of industrialization-led structural transformation for human development. Under the plan the government aims to improve the country's HDI score to 0.600 by 2025/26. To offer guidance for policy makers in reaching this target, THDR 2017 analyzed the current status of human development in the country. Headline results for key human development indices along with important findings on the indicators that are driving Tanzania's human development outcomes are summarized below.

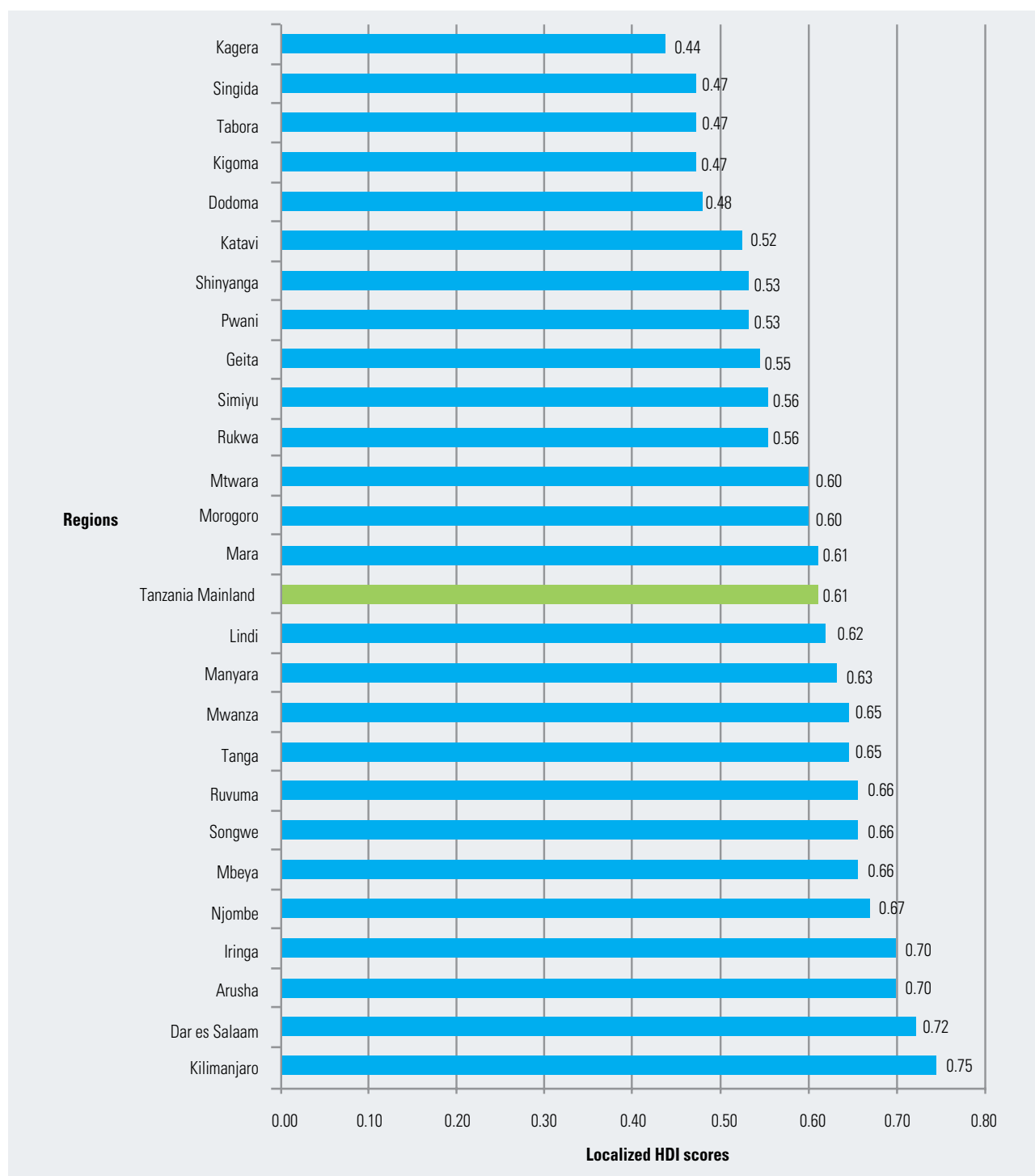
Results for key human development indices

Tanzania has made significant progress in human development evidenced by the improvement in its Human Development Index (HDI) score from 0.371 in 1985 to 0.531 in 2015, which represents an increase of 43.1 percent over this 30-year period (UNDP 2016). Based on its 2015 score, Tanzania ranks above the sub-Saharan African average of 0.518. Yet, the country remains within the category of countries with low levels of human development, ranked 151 out of 188 countries globally. Localized analysis³ further shows that regional differences within Tanzania are significant. For example, HDI values range from a high of 0.75 in Kilimanjaro region to a low of 0.44 in Kagera region (Figure 1).

³ For methodological reasons, the index values for Tanzania in UNDP's global reports and the localized index values computed for the THDR 2017 cannot be directly compared.

Figure 1:

Ranking of regions in Tanzania Mainland by localized HDI scores, 2015



Source: Calculated for THDR 2017 based on data from various sources and years. For detailed source information see Table A2 in the Statistical Annex of the full report.

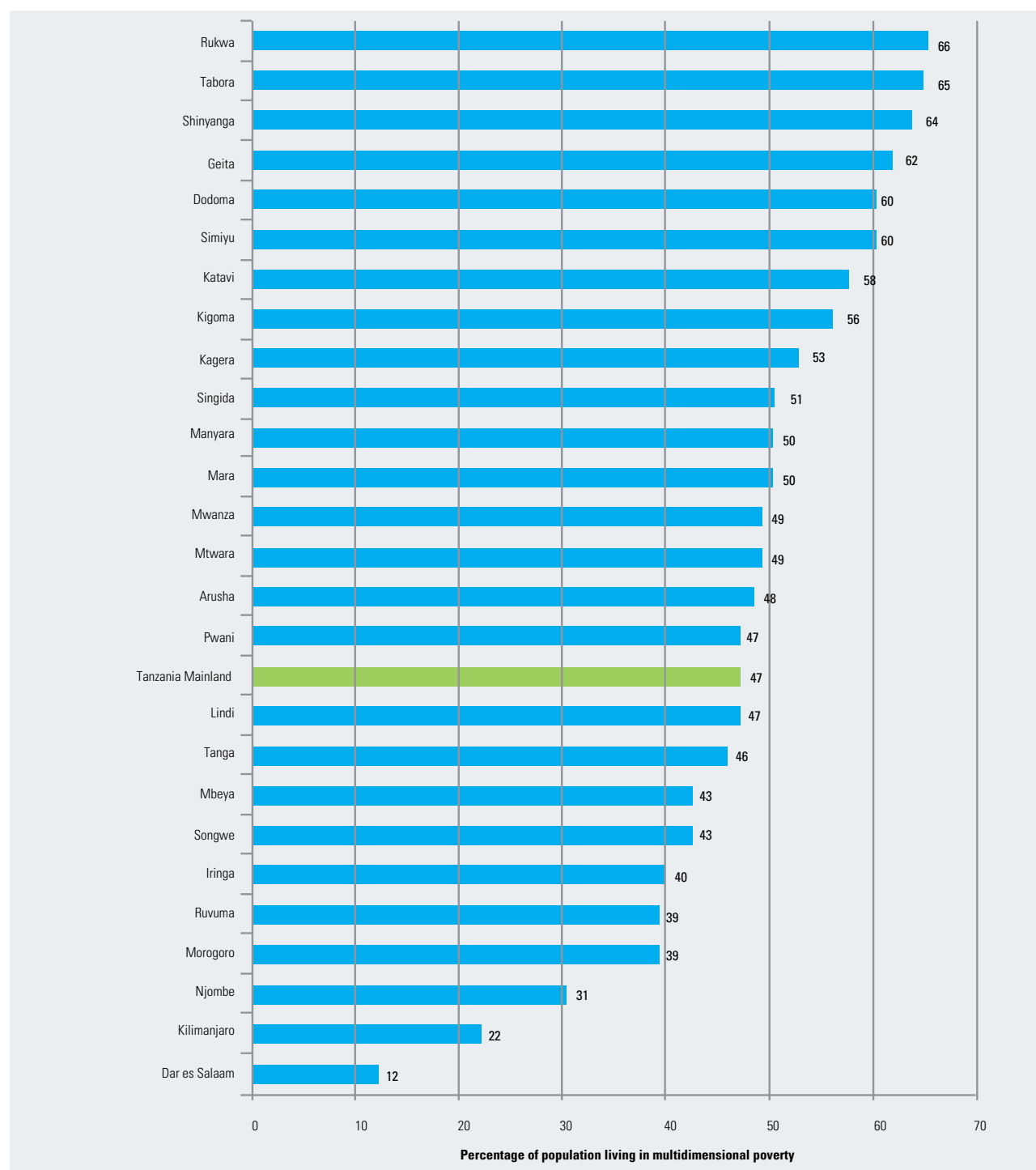
Results for the MPI mirror that of the HDI; rates of multidimensional poverty have declined but remain high.⁴ The proportion of the population experiencing multidimensional poverty declined from 64 percent in 2010 to 47.4 percent in 2015, and extreme poverty declined from 31.3 percent in 2010 to 17.7 percent in 2015. Improvements in all MPI indicators were recorded over this period. However, the increases in access to electricity as well as rates of ownership of assets (including mobile phones, radios and motorcycles) are the most important factors explaining

⁴ Multidimensional Poverty Index values were calculated based on data from the Tanzania Demographic and Health Survey (TDHS) 2010 (NBS and ICF Macro 2011) and the Tanzania Demographic and Health Survey and Malaria Indicator Survey (TDHS-MIS) 2015-16 (MoHCDGEC et al. 2016).

the decline in multidimensional poverty between 2010 and 2015. This trend is in line with national targets, as indicated in the FYDP II, to reduce the MPI to 38.4 percent by 2020/21 and ultimately to 29.2 percent by 2025/26. Again, significant regional disparities persist. On one end of the scale, 66 percent of the population in Rukwa region are living in multidimensional poverty compared with 12 percent in Dar es Salaam region (Figure 2). In the case of Zanzibar, the data show that the proportion of MPI poor has declined from 43.3 percent in 2010 to 26.3 percent in 2015 and that extreme poverty has almost halved from 16.6 percent to 8.5 percent over the same period.

Figure 2:

Poverty headcount ratios in Tanzania Mainland regions, 2015, based on localized MPI analysis

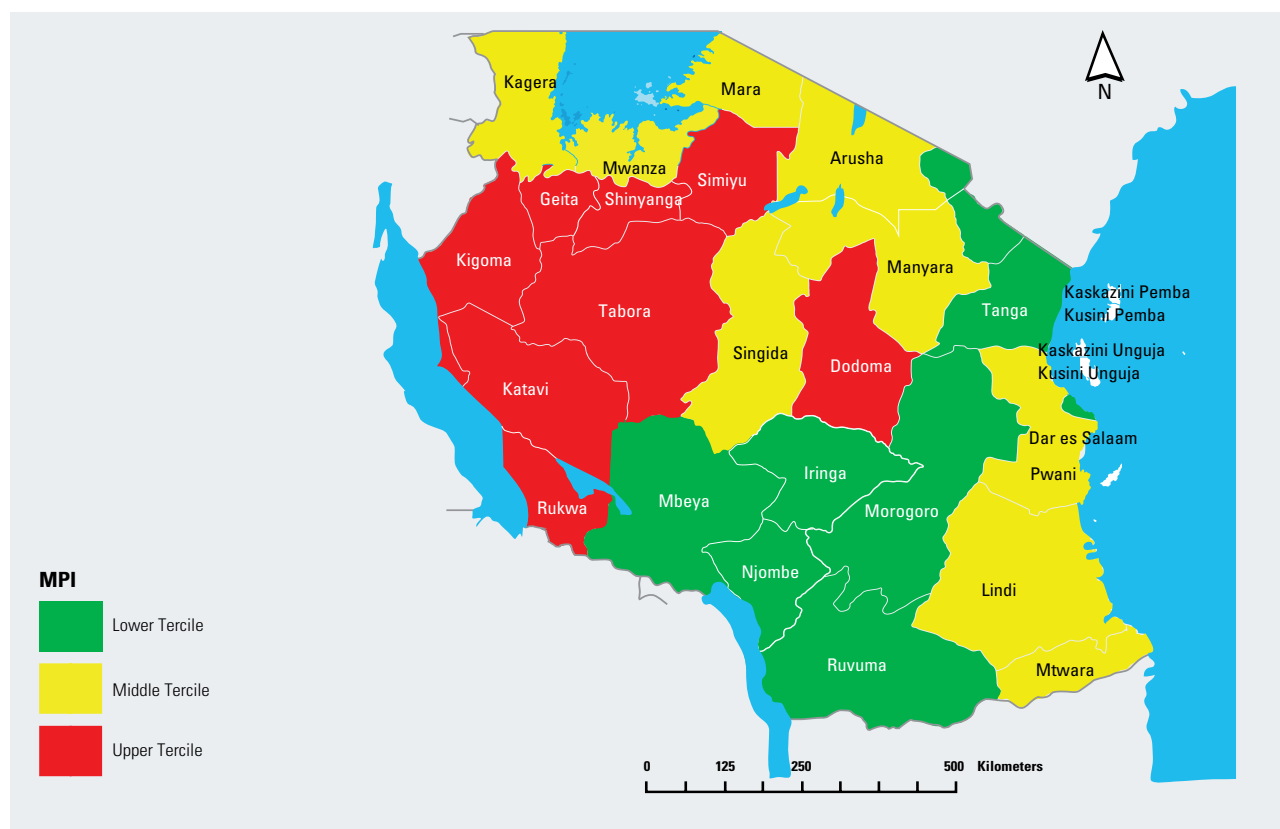


Source: Calculated for THDR 2017 based on data from Tanzania Demographic and Health Survey and Malaria Indicator Survey (TDHS-MIS) 2015-16. For detailed results and source information see Table A5 in the Statistical Annex of the full report.

To show the geographical distribution of human development outcomes in Tanzania, the regional MPI scores were divided into three terciles to indicate low, middle and upper levels of human development (Figure 3). The map shows that human development in Tanzania has a strong spatial dimension with several clusters of regions with similar levels of human development.

Figure 3:

Regions of Tanzania Mainland, by category of localized MPI values, 2015



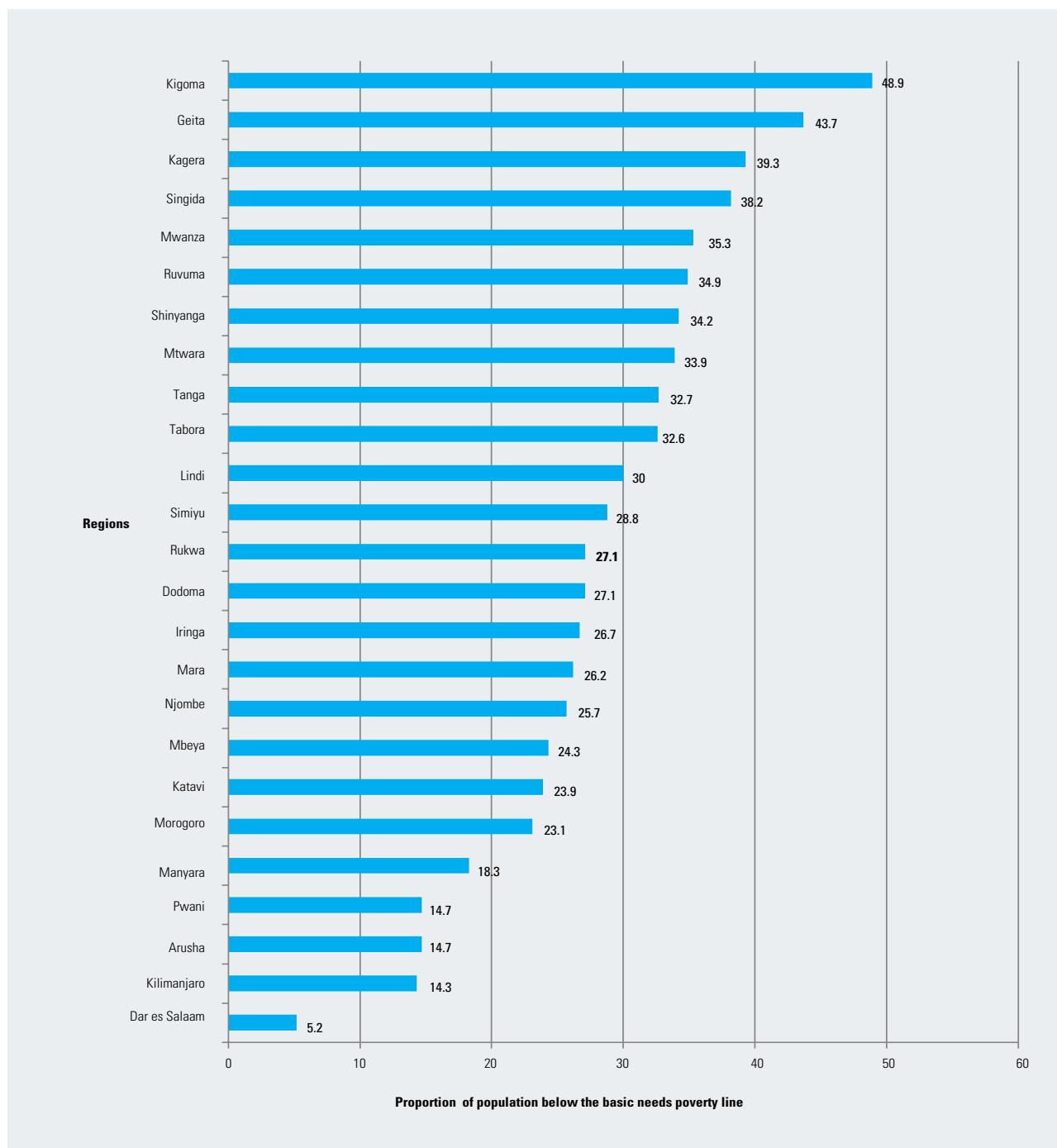
Source: Calculated for THDR 2017 based on data from TDHS-MIS 2015–16. For detailed results and source information see Table A5 in the Statistical Annex of the full report.

Interestingly, the income poverty data from national household budget surveys for Tanzania Mainland indicate significantly lower levels of poverty than the MPI analysis.⁵ The income poverty headcount—i.e., the proportion of people living below the basic needs poverty line—for Tanzania Mainland stood at 28.8 percent in 2012, while the proportion living in extreme poverty—i.e., the proportion of people below the food poverty line—was 9.7 percent. However, regional disparities remain largely unchanged. Dar es Salaam, Kilimanjaro and Arusha are the three regions with the lowest proportions of households below the poverty line, while the three regions with the highest proportions of households below the poverty line are Kigoma, Geita and Kagera (Figure 4). In the case of Zanzibar, basic needs poverty declined from 34.9 percent in 2009/10 to 30.4 percent in 2014/15, while extreme poverty declined only marginally from 11.7 percent to 10.8 percent during the same period. Arguably, this more limited progress is partially the result of hikes in global food prices. As a net importer of food, increases in food prices can result in substantial declines in welfare in Zanzibar.

⁵ Data for the poverty headcount for Tanzania Mainland are obtained from the Household Budget Survey 2011/12 (NBS 2014) whereas data for the poverty headcount in Zanzibar are obtained from the Household Budget Survey 2014-15 for Zanzibar (OCGS 2016). For detailed results see Table A5 of the Statistical Annex of the full report.

Figure 4:

Income poverty headcount ratios for Mainland Tanzania regions, 2012



Source: Region and District Poverty Estimates for Tanzania, 2012 (URT 2015f)

Results for the Gender Development Index (GDI)⁶ and the Gender Inequality Index (GII) both indicate that women are more likely than men to suffer a lack of human development due to inequalities in access to education, health services and economic opportunities. The GDI score for Tanzania Mainland for 2015 is 0.864 while the value for Zanzibar is 0.849. These scores indicate that Tanzania is doing well in closing the gender gap, especially in life expectancy and access to primary and lower secondary education. However, as measured by GDP per capita (a proxy indicator for per capita gross national income) women's standard of living still significantly lags their male counterparts in both Tanzania Mainland and Zanzibar.

⁶ The closer the ratio is to 1, the smaller the gap between women and men.

With respect to the GII, Tanzania dropped four places to 129th out of 188 countries in UNDP's latest global Human Development Report (UNDP 2016). Disaggregated by the dimensions and indicators used to calculate the GII, a more nuanced picture can be drawn. Progress has been made in increasing the representation of women in Parliament, achieving gender parity at the primary level of education, increasing women's labour force participation, and extending life expectancy. However, marked disparities were recorded for the proportion of women in decision-making positions at the regional and local government levels, and in senior and middle management occupations, where men account for 82.6 percent of the positions compared to 17.4 percent for women. Gender-based inequalities also persist in access to and control of productive and financial resources, and time poverty remains a significant burden for most Tanzanian women. Further concern results from the increase in the percentage of adolescent women who have commenced childbearing, which has increased from 23 percent in 2010 to 27 percent in 2015 (MoHCDGEC et al. 2016). As these results strongly indicate, further interventions to promote gender equality and women's empowerment are needed to secure the fundamental rights of women and unleash women's full potential to contribute to Tanzania's social economic transformation.

The driving forces behind human development in Tanzania: Findings on component indicators for the HDI and MPI

To identify the principal factors driving human development in Tanzania, component indicators of the HDI and MPI indices were analyzed. Notable findings are summarized below.

Income

The indicator used to measure the living standards dimension of the HDI is income. To estimate income differentials between countries, the UNDP uses Gross National Income (GNI) per capita. However, given constraints in the national data, the THDR 2017 uses Gross Domestic Product (GDP) per capita.⁷

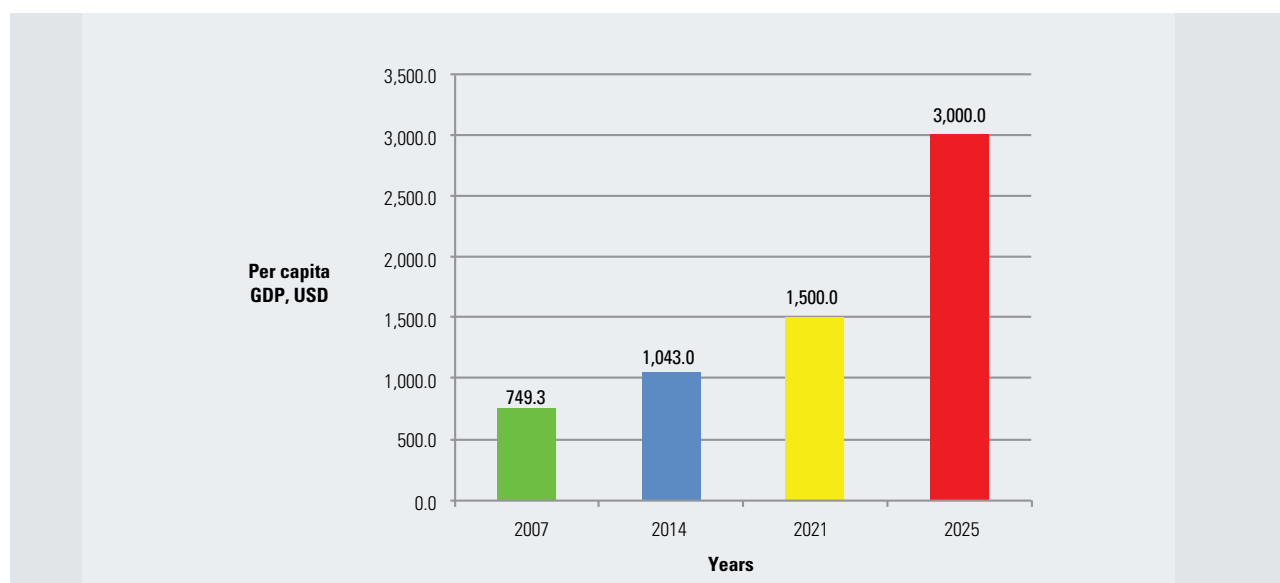
GDP per capita for Tanzania Mainland has been increasing steadily over the last decade to 1,918,929 Tanzanian shillings (TZS) in 2015, up from TZS 1,025,038 in 2012. Income levels ranged widely from a high of TZS 3,035,543 per capita in Dar es Salaam region to a low of TZS 1,075,268 per capita in Kagera region (URT 2016b).

Figure 5 shows trends and long-term targets for per capita income in U.S. dollars. By 2014, Tanzania had reached GDP per capita of USD 1,043 with the target of reaching USD 3,000 to realize the goal of the Tanzania Development Vision to attain the status of a middle-income country by 2025.

⁷ GDP is the sum of value added by all domestic producers in the economy. It represents the monetary value of all goods and services produced within an economy during a specified period, usually a year, before the provision for consumption of fixed capital. It is a common practice to express GDP on a per capita basis. Per capita GDP is obtained by dividing GDP by the total population in a given year. It shows how much of the country's total income each person would earn if divided equally.

Figure 5:

Trends and targets for per capita income, 2007 to 2025



Source: FYDP II (URT 2016a)

Health

Over the period from 2002 to 2012, life expectancy at birth increased by almost 9 years for men from 51 years to 60 years, and by almost 13 years for women from 51 years to 64 years (Table 1). Average life expectancy for Mainland Tanzania is 61.7 years and for Zanzibar it is 65.7 years. These increases are attributed to improvements in a number of variables, including declining child mortality rates, stabilized HIV/AIDS levels, improved nutrition and hygiene, increased access to safe drinking water, and effective birth control and immunization.

However, despite marked improvements in controlling and reducing the number of cases, malaria continues to be a major cause of morbidity and mortality. Children under five years of age are at highest risk, followed by pregnant

Table 1.1:

Life expectancy at birth in Tanzania, 2002 and 2012

	Life Expectancy at Birth, 2002			Life Expectancy at Birth, 2012		
	Total	Male	Female	Total	Male	Female
Tanzania	50.9	51.0	51.0	61.8	59.8	63.8
- Rural	50.0	49.9	50.4	62.4	60.3	64.4
- Urban	56.8	55.8	58.8	59.7	57.7	61.7
Tanzania Mainland	50.4	50.8	51.0	61.7	59.7	63.7
- Rural	49.4	49.4	51.2	62.6	60.6	64.6
- Urban	56.4	55.5	58.8	59.9	58.0	61.8
Zanzibar	59.0	59.7	60.3	65.2	63.3	67.1
- Rural	58.7	58.0	59.9	65.5	64.0	66.9
- Urban	56.8	55.5	57.8	64.9	62.2	67.6

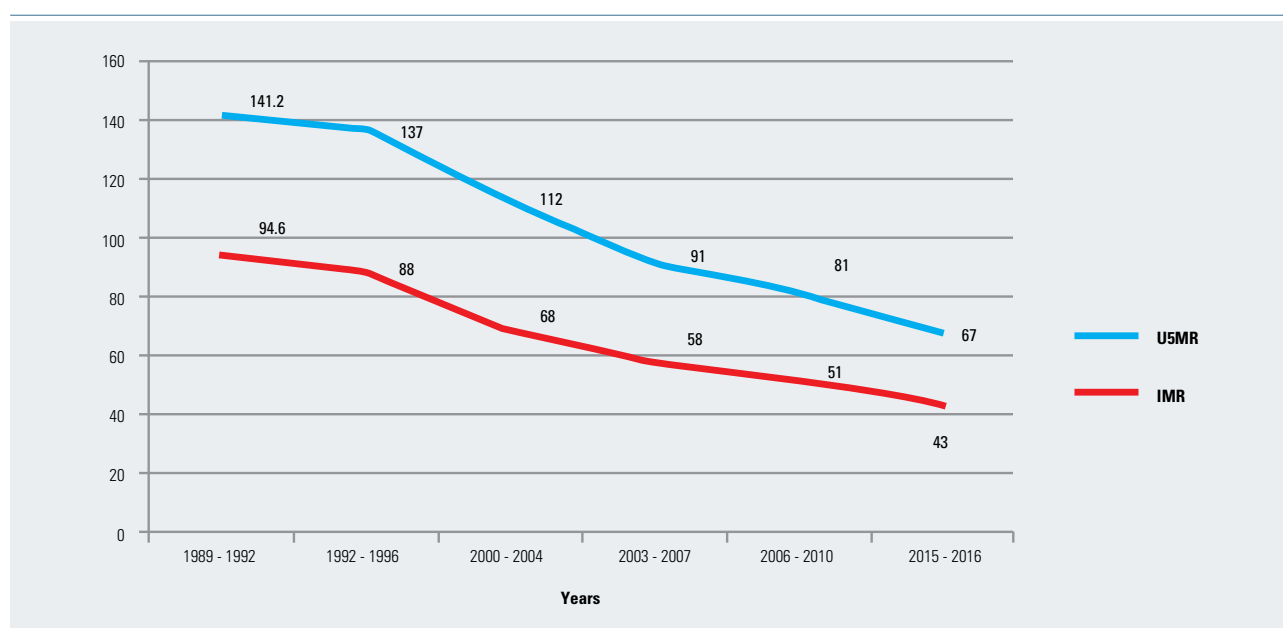
Source: URT 2015a

women, who are four times as likely to experience complications of malaria as non-pregnant women. And although Tanzania has managed to stabilize the HIV/AIDS epidemic, it still contributes to lower life expectancy. Data from the 2007-08 and 2011-12 Tanzania HIV/AIDS and Malaria Indicator Surveys (THMIS) indicate that HIV prevalence has declined slightly from 5.7 percent to 5.1 percent among adults age 15-49 years (TACAIDS et al. 2008, 2013). By sex, prevalence among women is 6.2 percent compared with 3.8 percent among men.

Childhood mortality, which is one of the component indicators for the health dimension in the MPI, has declined considerably over the last 25 years. For example, the under-five mortality rate (U5MR) has fallen from 141 deaths per 1,000 live births in 1990 to 67 deaths in 2015-16 (Figure 6). Declines are due to continued improvements in the healthcare sector, especially in maternal and child health, and, more specifically, in immunization and malaria prevention initiatives. However, despite marked improvements in controlling and reducing the number of cases, malaria continues to be a major cause of morbidity and mortality.

Figure 6:

Trends in child mortality in Tanzania, Under-Five and Infant Mortality Rates, 1990 to 2016



Source: Calculated for THDR 2017 based on DHS data from various years

Again, despite improvements, rates of under-nutrition among Tanzanian children remain a serious and widespread concern. Data from the Tanzania Demographic and Health Survey and Malaria Indicator Survey (TDHS-MIS) 2015-16 found that 34 percent of children under five years of age were stunted, 14 percent were underweight or too thin for their age, and 5 percent were wasted or too thin for their height. Moreover, the prevalence of wasting—a sign of acute malnutrition—has remained virtually unchanged between 1999 and 2016. Data further show substantial disparities in nutritional status among children by region and household wealth. For example, the rate of stunting among young children ranged from 15 percent in Dar es Salaam region to 49 percent in Njombe region, and children from very poor households are three times more likely to be chronically malnourished than children from better off households. These high rates of chronic under-nutrition are driven not only by poverty and food insecurity but also by poor infant and young child caring and feeding practices at the household level.

Education and skills development

Education is one of the major drivers of human development and one of the key dimensions of both the HDI and MPI. Education plays a key role in building human capability in general as well as for developing skills and technological capabilities in the workforce, which are essential for economic transformation. According to the 2012 Population and Housing Census, the expected years of schooling (EYS) for a child in Mainland Tanzania was 8.9

years and for a child in Zanzibar was 10.8 years (URT 2015c). Again, variations in EYS among Mainland regions are marked. The EYS for a child in Tabora region is 6.2 years, which is over five years less than the expected years of schooling for a child in Kilimanjaro region (11.4 years).

Data from the THDS-MIS 2015-16 indicate that the percentage of the population without formal education has been decreasing over time. In 2015, around 24 percent of females and 19 percent of males in 2015 had no formal education. School completion rates, however, remain extremely low; around one third of the population in Tanzania have completed primary school but less than one in ten Tanzanians have completed secondary education. Notably, children in urban areas are four to five times more likely to have finished secondary school than children in rural areas (MoHCDGEC et al. 2016). Failure rates in the Primary School Leavers' Exam (PSLE) also remain substantial; only 67.8 percent of Tanzania Mainland students who sat the PSLE in 2015 passed. These data strongly indicate that many young people either do not complete primary school or finish the primary cycle without having acquired the expected level of skills and knowledge in the primary curriculum.

Worrisome trends can also be observed in secondary education. The net enrolment ratio in lower secondary school (Forms I to IV) has decreased from 37.6 percent in 2012 to 33.4 percent in 2016. Notably, students from urban areas are more than twice as likely to attend secondary schools than their rural peers, and children from the wealthiest households are almost eight times more likely to attend secondary school than children from the poorest households.

Besides ensuring access to quality education in primary and secondary schools, the development of human capabilities for economic transformation requires investments in skills development. For example, the 2014 Integrated Labour Force Survey reported low levels or lack of soft or behavioural skills, which negatively affect labour productivity (URT 2016f). The study also points to a mismatch between the supply and demand for skills. This is related both to the type and quality of skills that graduates acquire at vocational training institutes, technical colleges and universities. For example, about 80 percent of the occupations available, including occupations that will be in demand in the next three to five years, are based on science and mathematics. Yet, these are the subjects with the lowest pass rates in Form IV and Form VI exams. Positively, the government has taken several measures to address some of these skills gaps and FYDP II emphasizes the need for improvement in formal skills training across key priority sectors.

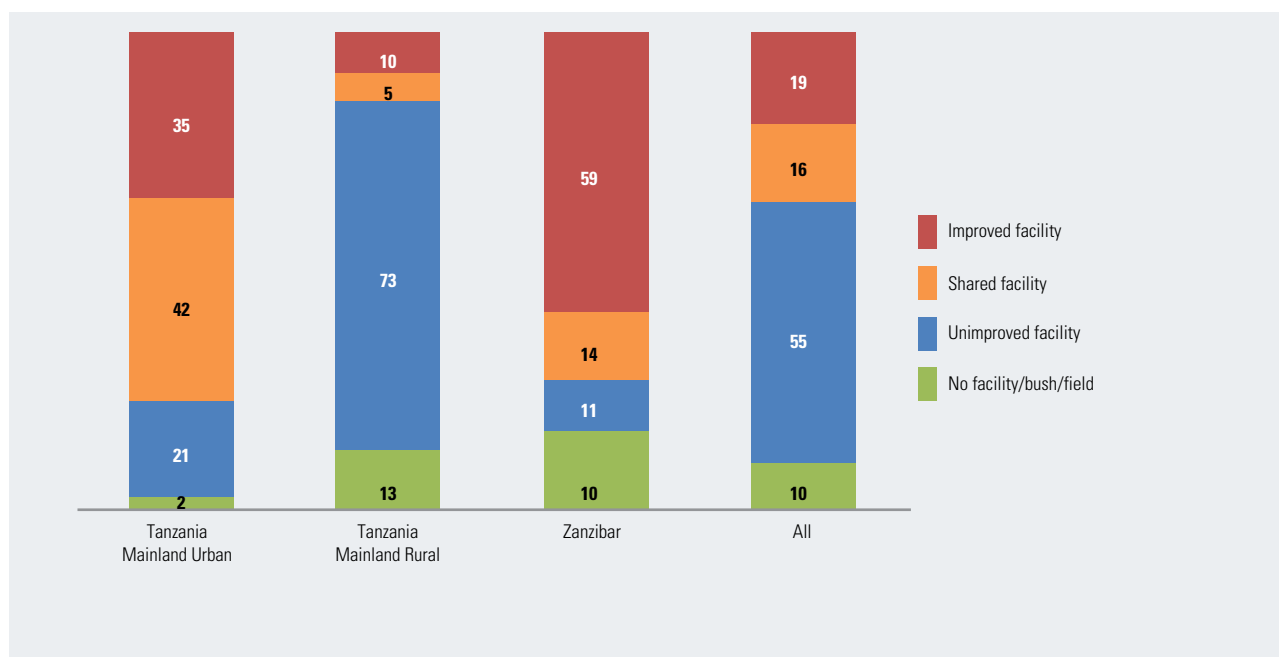
Living standards

To measure people's living standards, the multidimensional poverty index assesses six household-level indicators: availability of clean and safe water, access to sanitation facilities, ownership of assets, type of cooking fuel used, access to electricity, and type of flooring in the dwelling. Recent trends for these indicators are encouraging but much remains to be done to improve living standards for the majority of Tanzanians. For example, the percentage of households with access to improved sources of drinking water increased from 54 percent in 2010 to 61 percent in 2015-16 (MoHCDGEC et al. 2016, NBS and ICF Macro, 2011). However, by residence, only half of rural Mainland households (49 percent) have access to an improved source of water compared with 86 percent of urban Mainland households and 98 percent of households in Zanzibar.

And, while slowly declining, the proportion of households with access to acceptable sanitation facilities is low (Figure 7). Overall, 55 percent of households use an unimproved toilet facility and 10 percent of households have no toilet.

Figure 7:

Household toilet facilities by residence (% of households)



Source: MoHCDGEC et al. (2016, 23)

Ownership of durable assets, such as radios, refrigerators, and (mobile) phones, is another robust indicator of a household socio-economic status. The 2015–16 TDHS-MIS found that about 8 in 10 households (78 percent) own a mobile phone, about half (52 percent) own a radio, and one in five (20 percent) own a television. Only 9 percent of households own a refrigerator. Mirroring other geographical disparities, possession of household assets is substantially higher among households in urban areas of Tanzania Mainland and in Zanzibar than among rural areas in Tanzania Mainland.

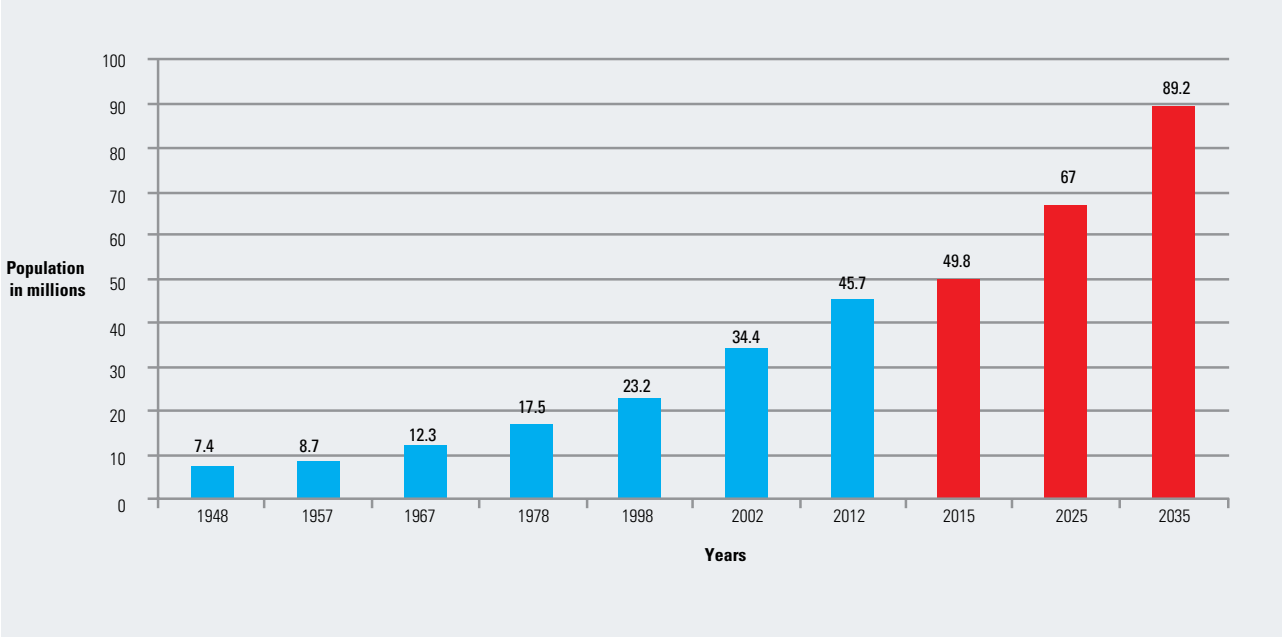
A further factor influencing Tanzanian's living standards is the type of energy used by households. Cooking and heating with solid fuels—including charcoal, firewood, straw, shrubs and grass—can lead to high levels of indoor smoke and a complex mix of health-damaging pollutants. The 2015–16 TDHS-MIS found that more than 9 in 10 households in Tanzania (94 percent) use some type of solid fuel for cooking, mostly wood (66 percent) and charcoal (27 percent). The results indicate that over the last five years, the use of wood has decreased but the use of charcoal has increased. Nationally, about one-quarter of households (23 percent) have electricity. Again, the urban-rural divide is vast; 56 percent of Tanzania Mainland urban households have electricity compared with 5 percent of Tanzania Mainland rural households. Around one in two households in Zanzibar are connected to electricity (47 percent).

Population dynamics and human development in Tanzania

The report also highlights the huge development challenges posed by Tanzania's rapid population growth and urbanization. In the last 35 years, the country's population has almost tripled to 50.1 million (2016 estimate). At 2.7 percent per annum, the national average population growth rate is one of the fastest in the world and translates to a net addition of 1.2 million people each year (Otieno, Amani and Makbel 2016). At the present rate, Tanzania's population is projected to reach 67 million in 2025 and 89.2 million by 2035 (Figure 8).

Figure 8:

Population of Tanzania (1948–2035)

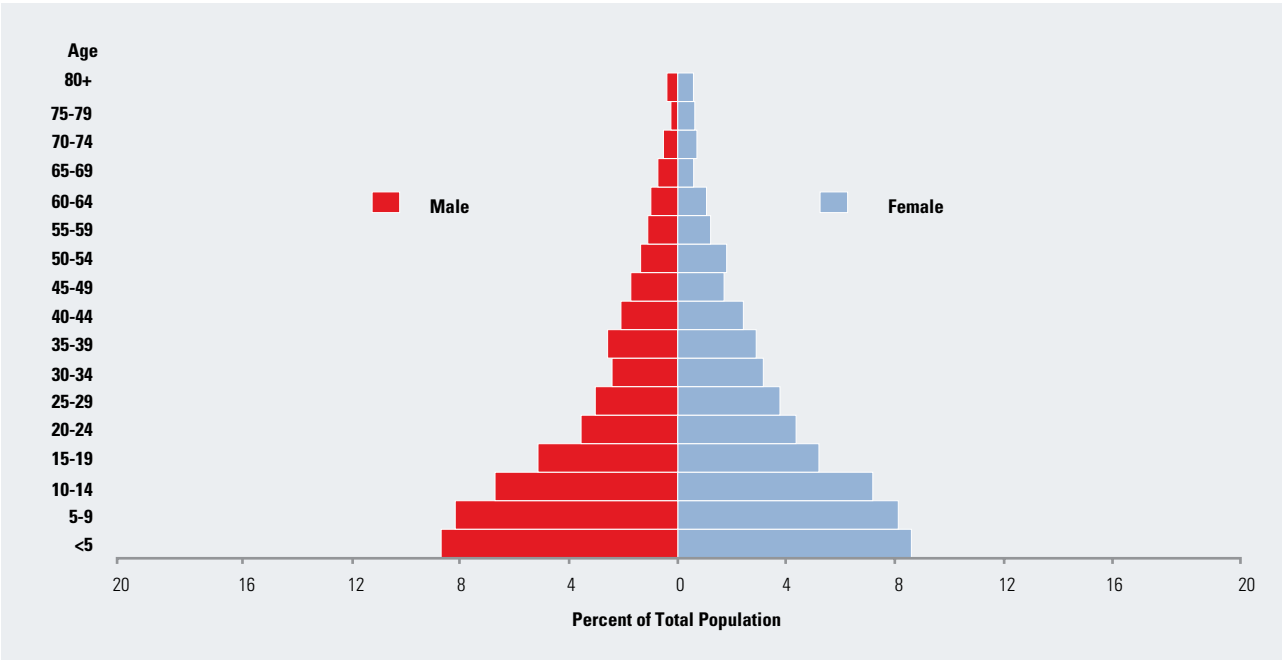


Source: Data from national censuses for 1948 through 2012. Data for 2015 and later years are provisional estimates from NBS based on projections from the 2012 Population and Housing Census.

Based on data from the TDHS-MIS 2015-16, Figure 9 shows the distribution of the population in Tanzania by five-year age groups, disaggregated by sex. The broad base of the pyramid illustrates that Tanzania’s population is young, which is typical of countries with low life expectancy and high fertility. About half of the total population is under 17.5 years. This age-sex structure of the Tanzanian population has remained largely constant over the past decade.

Figure 9:

Age –sex distribution of household population in Tanzania, 2012



Source: MoHCDGEC et al. (2016, 25).

The rapid growth in population and urbanization pose great challenges to the Government's capacity to meet the demand for public infrastructure and facilities, housing, employment and social services, particularly in the areas of education, health and water supplies. For example, the 2014 Integrated Labour Force Survey (ILFS) reported that, between 2006 and 2014, the working-age population (15 years and above) grew by 4.8 million persons to 25.8 million, with most of this increase occurring in urban areas. These huge increases in the labour force have significant policy implications for job creation and skills development, especially given that young people make up 55 percent of the working population. To decelerate the supply of new entrants into the labour force, Government efforts will be needed to promote reductions in the population growth rate in tandem with economic strategies to create decent jobs.

2.

The role of social policy in economic transformation

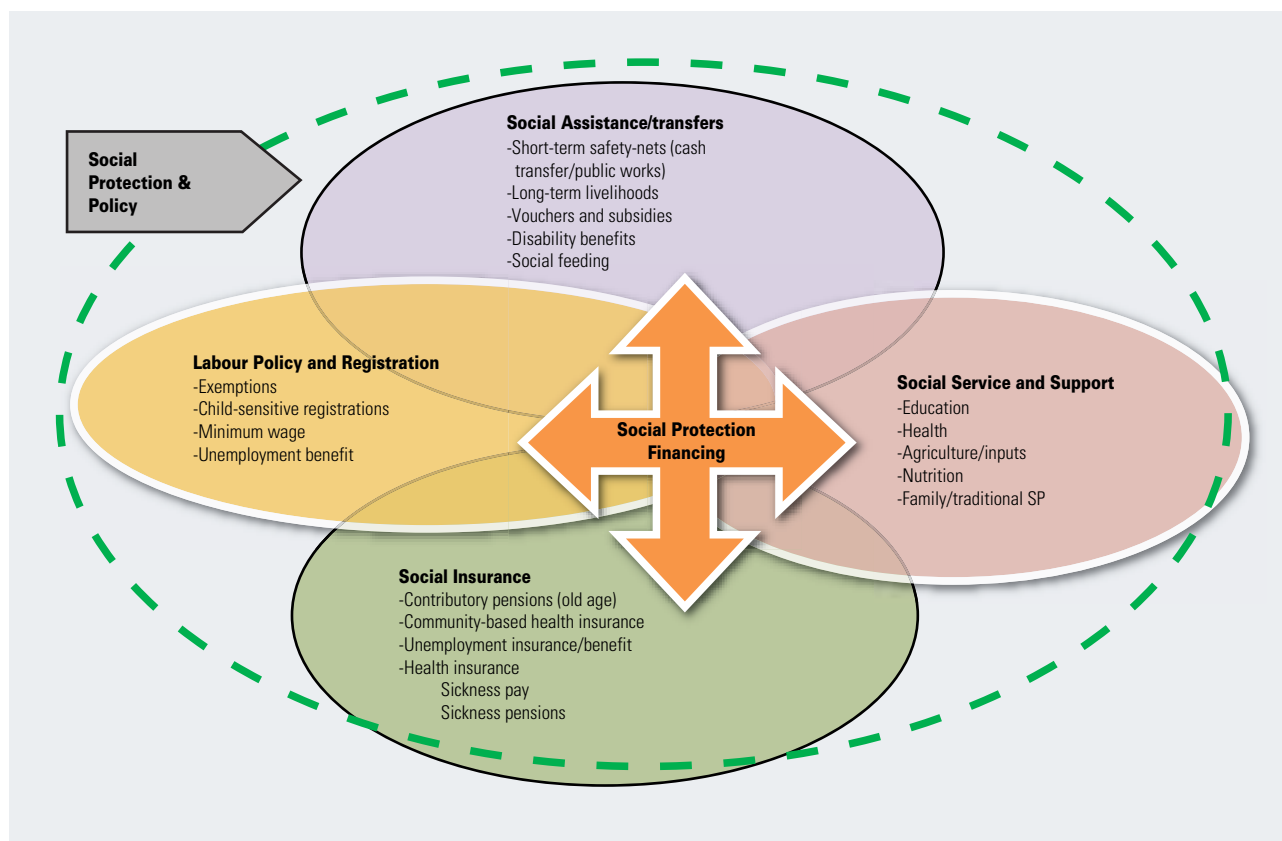
As described in the introduction, the three thematic chapters of this year's report examine the role of, and space for, social policy in Tanzania's ongoing process of socio-economic transformation. This chapter sets out a conceptual framework to explain the links between social and economic policy in the pursuit of economic transformation with human development. It argues that social policies must be actively considered to reconcile the goals of economic transformation with desired social outcomes.

Broadly defined, social policy encompasses a range of policy instruments that affect the way that people secure their livelihoods through collective and individual efforts. Social policies address the overlapping goals of delivering protection, redistributing wealth and income, and facilitating social reproduction and caregiving. Economic performance and production are directly affected by all of these different policy objectives. Yet, social policy has numerous indirect effects that are often overlooked. These include: encouraging new paths of innovation; reducing risk and uncertainty surrounding investment; providing financial resources for investment; as well as the more widely recognized impact on improving human capital formation through investment in health and education.

To take one example, expanding social protection through contributory systems (e.g., pension funds) or non-contributory systems (e.g., cash transfers) is a direct way of reducing poverty and marginalization. But, in addition to the direct benefits, these systems can influence economic transformation in several important ways. First, the protective aspects of social policy—which allow household to address their immediate needs—also promote household resilience by enhancing real incomes as well as levels of education, by allowing poor families to send their children to school. Second, at the level of the household and individual, social protection can alleviate risk and promote investment in new and potentially more productive economic activities. Third, additional household income will likely lead to an overall increase in demand, thereby stimulating national economic growth. Finally, contributory social protection systems, such as pension funds, can play—and historically across the world have played—a wider transformative role by providing financial resources for domestic investment, such as the development of new manufacturing facilities. For example, the Public Service Pension Fund (PSPF) is sponsoring the Agave Syrup Factory in Tanga as part of strategic efforts to promote domestic pharmaceutical industries. The expansion of contributory systems can also contribute to the deepening of the financial sector, thereby increasing the supply of long-term capital and reducing the cost of capital. Figure 10 illustrates the main components of social protection in Tanzania.

Figure 10:

The main components of social protection in Tanzania



Source: Myamba and Kaniki (2016, 7)

Redistribution of the benefits of growth—which is typically achieved through fiscal policies that determine taxation and expenditure—can also have a direct impact on poverty by raising the incomes of the poor and a positive impact on economic development. In particular, redistribution can help to address rising inequality as an economy expands. This is crucial since growing inequality can impinge on industrialization by reducing aggregate demand, by generating political instability, and by raising the long-term costs of social policies. In Tanzania, individual and household income inequalities have been increasing since the mid-1990s, which suggests greater scope for thinking through the relationship between redistribution and industrialization so as to optimize the conditions for sustainable economic transformation.

In addition to physical investments, human capital development is an essential aspect of the industrial and structural transformation of the economy. Technological transformation of production is at the core of the drive for industrialization, and using new technologies effectively requires technological capabilities. Not surprisingly, countries that have successfully (and rapidly) industrialized have invested heavily in their education systems, with strong focus on technical and vocational education to support the needs of expanding industries. Social spending on education and health, together with a range of other social policies that address protection, social reproduction and redistribution, plays a key role in developing skills and technological capabilities of the workforce. Thus, social policy has a role in promoting innovation and the expansion and diffusion of technological capabilities necessary for transforming the idea of industrialization into reality. FYDP II calls for the development of the capabilities of labour as the cornerstone of driving industrialization. However, policies that focus on skills development to promote human capital need to take into account the actual pattern of labour flows and the dynamics of demographic change as a starting point.

In addition to their impact on supply-side factors, social policies have an equally important but frequently overlooked role within the demand side of the economy. Effective demand has important implications for industrialization.

For example, industrialization can have considerable effects on prevailing patterns of demand within an economy. More specifically, it can occur at the expense of the living standards of the poor. Growth through industrialization tends to lead to growing demand for essential goods, in particular, food. When the domestic agriculture sector lacks the dynamism to supply this increased demand, and increased imports of essential goods are curbed to avoid trade imbalances, demand surpasses supply, resulting in inflation of prices for essential goods. While this negatively affects the living standard of the whole population, it does so most severely for the poor, given that a large percentage of their income is spent on essential goods. Hence, social policies must be seen as necessary solution to correct these imbalances, rather than as a detrimental form of present consumption that may hinder long-term growth.

Social policy can also play a key role in translating needs into sources of effective demand. In the early post-independence period, within the Basic Industry Strategy, social goals were explicitly linked to the types of industries that were needed to meet them. For example, the provision of health care requires goods and services as inputs to production, including medicines, medical supplies and equipment, as well as other basic supplies such as packaging and cleaning materials. Hence, using public funds for health care procurement can support industrialization by offering opportunities for industrial and commercial investment within the domestic economy. This provides a further illustration of how social policy and economic transformation can go hand-in-hand.

In many ways, therefore, social policies can be transformative when they play a role in shaping the type of economic activities, pace and content of innovation, and patterns of consumption that emerge as growth occurs. Moreover, economic policies—and not just traditionally defined social policies—can have a significant impact on social outcomes. This means that social and economic policies are inherently mutually constitutive; social policies have far-reaching economic implications and economic policies will inevitably play a considerable and direct role in determining social outcomes. Consequently, a successful integration of social and economic policies is required to steer Tanzania onto a development path where human needs are fulfilled over time.

3.

Integrating social and economic policies - the changing emphasis in national policy frameworks since independence

The third chapter provides a historical perspective on the integration of social and economic policies in Tanzania's policy landscape since the country's independence. It demonstrates that integrating social and economic policy is not new to Tanzania, but the nature and extent of interaction has differed markedly depending on changing policy regimes in Tanzania. Lessons from the past were identified by analyzing the integration of economic and social policy across four periods: 1) From independence to the Arusha Declaration (1961-66); 2) from the Arusha Declaration until the economic crisis (1967-1985); 3) the period of structural adjustment from 1986 to 1996; and 4) the period from 1996 to 2016 during which the Tanzanian government has worked to re-assert its control over the national development agenda.

Independence to the Arusha Declaration (1961-66)

Following independence in 1961 the government concentrated on the Africanisation of the public sector and measures to stimulate economic growth. The structure of the economy in terms of production relationships, ownership, and the priorities of commodities were still oriented to the industrial countries with a focus on consumer luxuries and exports of raw materials or the primary processing of bulky products for export. Moreover, colonialism had promoted a differentiation and compartmentalization of society along economic and racial lines. The prevailing policy framework emphasized private sector development, and the economy was heavily reliant on the largely foreign-owned private sector, foreign direct investments, and aid. Notably, the government did not fundamentally question the critical issues of inequality in income and wealth distribution in society or the division of labour along racial lines or the lopsided structure of the economy.

Rather, priorities were aimed towards transforming agriculture using modern agricultural techniques to achieve high productivity. This approach involved moving some of the farming population from their traditional villages to new villages or settlement schemes to fast-track introduction of socio-economic transformation, on the assumption that the smallholder farmers were poor because of lack of capital and technology. However, this approach, proved largely unsuccessful, creating a privileged group and further social differentiation as well as limited economic results due to its high and unsustainable costs. It became increasingly clear that structural change and economic transformation were necessary to change the distorted economic and social structures. These lessons were important in informing the Arusha Declaration in 1967.

The Arusha Declaration until the economic crisis (1967-1985)

The Arusha Declaration made an ideological shift and enunciated the principles of socialism and self-reliance to address prevailing conditions for development following independence (TANU 1967). Enshrined in the Arusha Declaration was the concept of people-centred development. It was interpreted broadly to include social and economic liberation with human dignity, equality and freedom of the individual, equality of opportunity across all races, and the commitments to reduce income and wealth differentials in society and to fight against corruption. During this period under the leadership of President Nyerere, social concerns were integral to the government's economic transformation and industrialization policies.

The policy-making stance of the late 1960s and 1970s emphasized collective ownership of the major means of production through the nationalization and expansion of public enterprises. For agriculture and rural transformation, the new approach chosen was that of villagization (*ujamaa* in Kiswahili which translates as ‘familyhood’), that is, the creation of villages through the voluntary, self-reliant activities of the people themselves. *Ujamaa* had a dual economic and social focus: to achieve viability as economic units and to achieve social development as village communities.

However, contrary to the emphasis Nyerere had placed on consultation and involvement of the people, the villagization program was undermined by inadequate consultation with the villagers on the program and its benefits, resulting in an undemocratic and bureaucratic manner of enforcing the programme. However, the outcome of villagization as a basis for harnessing economies of scale was not realized. Collective farms were not as productive as envisaged. Indeed, productivity in farms under the villagization programme was lower than productivity in private peasant farms in the late 1970.

Adopted in 1975, the Basic Industry Strategy (BIS) was also designed to achieve structural change and self-reliance. Industrial production was largely nationalized and emphasis was placed on industries directed towards meeting domestic demand, especially the basic needs of the population, including social services such as health, education and shelter, while providing intermediate and capital goods in the economy. Therefore, industries prioritized under the BIS included textiles, shoes, pharmaceuticals, paper and other educational materials. Health policy, which entailed the provision of free medical services for all citizens, was integrated with industrial policy. Industrial development incorporated requirements for the health sector, such as pharmaceuticals and other supplies. In education, the policy of Education for Self-Reliance (ESR) of 1967 also served a dual role: facilitating acquisition of knowledge and skills for addressing societal challenges or meeting requirements of the labour market, while at the same time instilling societal values that were fundamental in nation building (Nyerere 1968).

The role of effective demand and consumption in shaping economic outcomes in Tanzania was also underplayed under the premise that the main constraints facing Tanzania resulted from the supply side. The focus on investment outweighed attention to recurrent expenditures that would ensure adequate utilization of capacity that had been created. Industrial investment quadrupled between 1968 and 1979, which had a significant impact on the economic development of the country. However, the rapid expansion in industry (as well as in social provisioning) led to the situation in which capacity creation went hand-in-hand with falling capacity utilization.

Moreover, over the period from 1967 through the early 1980s, Tanzania aimed to become more independent from aid, seeing this as a necessary means to move towards self-reliance. Throughout the 1960s and 1970s most aid came from bilateral sources and was in line with the national agenda and priorities. Accordingly, most aid in the 1960s and the early 1970s was directed to the agricultural and transport sectors, and during the second half of the 1970s, emphasis shifted from agriculture towards industry and energy. Donors—both bilateral and multilateral—supported Tanzania’s development approach without imposing policy-based conditionalities. Tanzania’s sovereignty, autonomy and ownership of its development agenda were left virtually intact despite the high level of aid dependence.

However, the share of foreign aid in project financing increased as funds from the Tanzania Investment Bank (TIB) declined. Over time, the pace and sequencing of project implementation was increasingly influenced by the availability of foreign finance rather than national priorities. In the early 1980s, the share of multilateral aid had risen, which brought about increased policy conditionality. As the economic crisis gained momentum in the late 1970s and early 1980s, the socialist development model came under increasing stress and pressure to change course. While the government strongly resisted changes to its policies, the failure of the economic system and the ability to deliver goods and services increasingly undermined its credibility. By 1986, as the political legitimacy of the government was being put into question and the risk of collapse had grown considerably, the Tanzanian government yielded to international pressure and adopted the Structural Adjustment Program (SAP) package as part of the Economic Recovery Programme (1986-89).

Reform and structural adjustment (1986 to 1996)

The period of reform and structural adjustment programmes from 1986 to 1996 saw a separation of social and economic policies. The first generation of reforms, under the ERP (1986-89), focused on “getting the prices right” via liberalization and general macro-economic reforms, including reforms in trade policy, exchange rate devaluation, removal of price controls and the removal of subsidies. This was followed by a second generation of reforms, which focused on institutional reforms in the form of civil service reform, privatization and governance. In the case of social sectors, reforms were characterized by the introduction of cost sharing. This implied that households had to meet part of the cost of social services. In effect the introduction of user fees meant that the poor and marginalized were denied access because they could not afford to pay the set fees.

While the reforms increased access to additional external support, the SAPs neglected how social outcomes would be affected by radical reform and adjustment. Essentially, the reforms did not have any instruments to empower poor people and to enable them to exploit potential opportunities within a market economy. Furthermore, the fiscal regime neither provided for a progressive impact on a pattern of public expenditure that favoured the needs of the poor, such as meeting their basic needs, nor created opportunities for enhancing access to public services and resources, such as land and finance, that were required to support production.

The logic behind the SAP policy package was that policies to promote economic growth and structural change must be prioritized to create wealth first before it can be spent on consumption in general and social expenditure in particular. The main implication of this approach is that in order to enhance growth, consumption needs to be restricted through demand restraint, particularly by cutting government consumption and social spending. The policy was driven by the perceived trade-offs between social and economic development and between equity and efficiency.

This period was characterized by weak economic and deteriorating social indicators. The whole decade remained a dark period in terms of growth and social provision until arrangements for Heavily-Indebted Poor Countries (HIPC) commenced in 1996.

Re-asserting control of the national development agenda (1996-2016)

In the most recent period (1996-2016), the government has worked to re-assert its control over the national transformation agenda. Central to these efforts, long-term development visions were put in place to provide guidance on the country's development pathway. The Tanzania Development Vision (TDV) 2025 and Zanzibar Vision 2020 embody the country's aspirations to achieve economic transformation with human development. Inequality and poverty are key issues in both visions, to be addressed through generating high and inclusive economic growth. In education, priority is accorded to the promotion of a learning society in which a culture of creativity, innovation and entrepreneurship are encouraged consistent with the improvement of capabilities needed for competitiveness.

Vision 2025 and Vision 2020 were designed to be operationalized through a series of five-year development plans starting in the year 2000. However, implementation was postponed by discussions with international financial institutions about debt relief linked to poverty reduction. This process led to the adoption of a series of poverty reduction strategy papers (PRSPs): the PRSP 2000/01-2002/03, and the first and second phases of the National Strategy for Growth and Reduction of Poverty in Tanzania Mainland (MKUKUTA I 2005/06-2009/10 and MKUKUTA II 2010/11-2014/15) and the Zanzibar Strategy for Growth and Reduction of Poverty (MKUZA I and II) (URT 2005 and 2010). These PRSPs were derived from the Comprehensive Development Framework (CDF) developed by the World Bank in 1999. Compared to the first and second generation of structural reforms, the CDF claimed to consider all elements of development—social, structural, human, governance, environmental, economic and financial. However, in practice, participation remained quite limited and the content of PRSPs was dominated by social sectors as the key to eliminating poverty, reducing inequity, and improving opportunities for people.

For the period from 2000 to 2015, Tanzania performed well in terms of economic growth, with GDP growing at an average rate of 6.6 percent. However, serious concerns remained, including a lower than envisioned growth rate, persistent inequalities and modest poverty reduction, and little transformation of the economy. These facts, in combination with its 2009 review of the implementation of Vision 2025, convinced the Government that the time had come to revert to long-term planning. The result was the formulation of the Long Term Perspective Plan 2011/12–2025/26 (LTPP), which is to be implemented through a series of three five-year development plans (FYDPs). Each plan has a theme to underpin the thrust and priority of interventions. The Five-Year Development Plan II (2016/17–2020/21), which is currently being implemented, carries the theme of ‘nurturing industrialization for economic transformation and human development’. The thrust of the FYDP II presents an opportunity to achieve economic transformation (through industrialization) that is associated with high levels of human development. Zanzibar is currently formulating MKUZA III, which is expected to balance both economic and social policies to achieve Vision 2020.

Overall, the historical analysis of the integration between social and economic policy in Tanzania since independence in 1961 shows that economic policy alone is not sufficient for achieving the desirable level of human development. Rather, as has been accepted in principle and incorporated in the FYDPs, social policy objectives should be pursued as an integral part of the development policy. Conversely, implementing social policy merely as an “add-on” to economic policies, such as occurred during the period of structural adjustment in Tanzania, risks creating economic growth that fails to improve the living standards for the majority of the population. Therefore, the task that remains is how to manage the integration of economic and social policies in practice during the implementation phase of FYDP II and beyond.

4.

Social policy as a means and end of economic transformation for human development: Key messages for implementation of FYDP II

As the analysis in TDHR 2017 has shown, people-centred development has been the lynchpin of Tanzania's development policy since independence and, in recent years, the country has made considerable progress in key indicators of human development. Tanzania has recorded a significant reduction in the proportion of the population that is living in multidimensional poverty from 64 percent in 2010 to 47 percent in 2016. Furthermore, between 2007 and 2012, Tanzania recorded a reduction in income poverty from 34.9 percent in 2007 to 28.2 percent in 2012. These promising results indicate the early signs of pro-poor growth.

Overall, indicators of income, health and education have improved significantly. However, disaggregated analysis reveals stark disparities in human development by region, by residence (urban versus rural), and by household wealth status. Recent reversals in key education indicators after a decade of progress combined with the substantial number of Tanzanians reaching employment age annually are also significant challenges. Therefore, the Government will need to determinedly pursue its roadmap for development.

Based on the report's findings, the following key messages are offered for the consideration of government policy makers and development stakeholders for achieving sustained economic transformation with human development.

KEY MESSAGES

- **Success in industrialization with human development will be more likely to occur if objectives are anchored in an appropriate social policy.**

Perhaps the core policy challenge for the Government of Tanzania is to define the path of industrialization to maximize human development outcomes. Drawing lessons from the Basic Industry Strategy (1975-1995), it is both possible and desirable to prioritize both structural change and self-reliance by strengthening industries that meet the population's basic needs (particularly health, education and shelter) and produce relevant industrial goods, such as agricultural inputs, vehicles and implements, solar panels and bicycles in rural areas, as well as supplies, tools and other equipment for micro-, small- and medium-sized enterprises (MSMEs).

- **Agricultural transformation deserves high priority in the development agenda.**

With 70 percent of the population still residing in rural areas, the issue of agricultural transformation remains a central concern for creating Tanzania ya Viwanda (an Industrial Economy). Industrialization that is supportive of human development will need to unlock the productive potential of rural areas and maximize backward and forward linkages between agriculture, manufacturing and the services sector as a way of reducing rural poverty.

- **Economic growth needs to be achieved in an environmentally sustainable manner.**

FYDP II recognizes that economic growth needs to be achieved in an environmentally sustainable manner, thereby highlighting the integration of environmental concerns in addition to the economic and social. This added linkage is vitally important. It is widely documented that the unsustainable use of natural resources and environmental degradation inhibits future economic growth, exacerbates multidimensional poverty over time, and undermines the achievement of key goals such as poverty reduction and food security, particularly in rural areas.

- **A balance must be struck between the creation of new productive capacity (through development expenditure) and the effective utilization and maintenance of existing capacity (through recurrent expenditures).**

One of the major factors that precipitated the crisis of the early 1980s was the imbalance between the allocation of resources for new investments and allocation of resources for maintaining the country's existing productive capacity. The risk of a return of this imbalance needs to be managed carefully. Effective utilization of existing facilities can be explored, including adoption of low-cost construction of facilities, for example, by leveraging citizens' self-help initiatives.

- **For economic transformation to improve human well-being, the social service needs of the growing population must be anticipated and mechanisms put in place to enhance the economic productivity of the population.**

Population dynamics, labour force development and spatial development all have immediate and long-term implications for development policy. Tanzania's population is growing rapidly, and rural-urban migration offers many opportunities but also presents considerable governance challenges at all levels. However, through the innovative integration of social and economic policy, it is possible to harness the country's demographic dividend to jumpstart economic transformation.

To inform the Government's agenda for socio-economic transformation, an analytical framework for integrated population-development planning will be essential. The challenges of rapid urbanization and its influence on spatial development will also require that greater attention be paid to integrated rural-urban planning and strengthening urban-rural linkages, for example, through the establishment of economic development corridors.

- **Education is the foundation of economic transformation and human development.**

To accelerate development and benefit from opportunities provided by globalization and regional integration, Tanzania needs to ensure its workforce is competitive by providing its young people with the knowledge, skills and capabilities that are appropriate for the global labour market of the 21st century. As stressed by the FYDP II, educational gains need to be consolidated by strengthening school management, inspection and standards. The acquisition of specialized skills is also vital to enhance the competitiveness of the national labour force in general and to meet the specific skills requirements within priority industries. This will necessarily include identifying the skills needed, determining the appropriate skills mix, and addressing any skills mismatch by ensuring that training is demand-driven. For example, domestic capabilities need to be developed to forge productive links to the country's large infrastructure and energy investments.

- **The health sector in Tanzania can be more economically and socially productive if health policy and industrial policy are more closely integrated.**

The health sector is economically and socially important as a major service sector, a location of investment, a generator of employment and income, a sector for skilled training and employment, and a location for industrial growth. Hence, increasing the depth and breadth of domestic economic linkages between health services, and industrial and commercial suppliers can both strengthen economic development and improve health care. Presently, domestic demand for medicines in Tanzania is largely met by imports. Therefore, the report recommends prioritizing the support for domestic industrial firms that are producing pharmaceuticals and medical supplies, and adopting selective import protection policies for the industry. Deliberate steps are needed to increase public sector procurement from local manufacturers and encourage donor support for the domestic pharmaceutical industry.

- **Empower women and promote gender equality to close gender gaps in human development.**

Equal educational opportunity for girls and women is critical for achieving gender equality, reducing child mortality, delaying marriage and generating female leaders. In recent years, the Government has made great strides in improving access to education for girls, most notably in primary and lower secondary. However, women's representation at higher levels of education is still low, which significantly limits their chances of securing higher-level and better-paid positions. Therefore, eliminating the gender gap in education and skills development should be given high priority. At the same time, their participation in more technical subjects needs to be encouraged to better equip them for the labour market. There needs to be a more systematic extension of the training provided by governments and employers, and of technical training schemes supported by multilateral donors, with particular focus on enhancing opportunities for women. As stressed by the FYDP II, other key factors to enhance women's economic opportunities include to formalize land ownership rights and enhance women's access to finance and technologies. Also, more diagnostics are needed to provide insights on the constraints that women and men face in realising their economic opportunities. In addition, expanding social protection is a direct well-documented way of reducing poverty and marginalization and closing the gender gap, thereby securing the fundamental rights of women and their families.

- **Socially and economically inclusive policies and programmes are needed that target excluded and marginalized groups.**

In Tanzania, inequalities in incomes, wealth and opportunities were major issues characterizing the post-independence period in the 1960s. Today, the country's society is still characterized by large inequalities between social groups, which will need to be addressed in the process of the country's economic transformation and human development. At the policy level, the Government will need to capture and utilize disaggregated data to better identify and target people who are left behind. Policies and programmes will need to include productive social protection so as to promote human development, eradicate poverty (for example, by linking public works and livelihoods) and contribute to transformation. Gender equality initiatives should also be accorded deliberate priority to promote inclusive development.

- **The state has a strategic role to play in national transformation.**

Experience has demonstrated that successful countries did not pursue transformation by relying exclusively on the free play of market forces. Rather, states had a notable role in ensuring that economic growth led to desired social transformation. By rolling back the state during the period of structural adjustment, Tanzania effectively "threw

out the baby with the bathwater". In the future, therefore, the Government will need to play a strategic facilitative role in regulating market forces, addressing market failures, providing public goods upon which the market relies, maintaining macroeconomic stability, and implementing policies that improve the business environment. In turn, an institutional framework will be required that ensures that sectors or ministries do not work in silos but operate as one coordinated entity.

- **Political will, committed leadership, and community ownership matter in achieving sustainable economic transformation with human development.**

The experience of the past shows that political will and committed leadership matter in achieving economic transformation with human development. Most notably, the visionary and committed leadership of Mwalimu Julius Nyerere, the first President of Tanzania, enshrined people-centred development in the national policy framework and he was able to inspire and rally other leaders and actors to implement development programmes. Similarly, recent initiatives by the Tanzanian government to encourage community participation and ownership of development programmes are promising, and processes to mobilize citizens to contribute to local initiatives need to be institutionalized to further enhance their sustainability.

Conclusion

As the analysis in this report has shown, Tanzania can valuably learn from its own rich development experiences as well as those in other countries that have integrated economic and social policy objectives to achieve structural transformation. Notably, in countries that have been successful, the State played a central role in ensuring that economic growth led to the desired social outcomes. Importantly, too, the approaches adopted were inclusive and participatory; mechanisms were utilized to ensure that social services targeted the majority of the population, and processes for economic transformation sought to involve all citizens. High levels of expenditure on basic social services were sustained, all the while with strong linkages to productive activities. These successes demonstrate that structural transformation with high levels of human development is possible provided that economic and social priorities are appropriately integrated and resources are strategically and efficiently allocated.

Perhaps, most significantly, people-centred development was the foundation of Government policy during Tanzania's post-independence period. The dual objective of all policies, including the Basic Industry Strategy, was to achieve structural change and self-reliance. Positively, the current Five Year Development Plan re-affirms this dual purpose of industrialization to accelerate economic transformation and improve human development outcomes in Tanzania. And through its linking of social and economic priorities alongside environmental concerns, the Plan echoes the integrated and indivisible goals of the 2030 Agenda for Sustainable Development.

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At present, Tanzania's development is influenced by three major frameworks: namely, Tanzania's Development Vision 2025, the Long Term Perspective Plan 2011/12–2024/25 and National Five Year Development Plan 2016/17–2020/21. The underlying aspiration of these frameworks is to ensure that Tanzania becomes a middle income country (MIC), with a high level of human development and annual per capita income of more than USD 3,000 by 2025. A major defining feature of Tanzania's development during this period will be transformation of the economy from low agricultural productivity to a semi-industrialized economy, coupled with a significant and dynamic service sector.

The Tanzania Human Development Report (THDR) 2017 is the second national report for Tanzania. The theme of THDR 2017 is *“Social Policy in the Context of Economic Transformation in Tanzania”* which was purposefully chosen to build on ideas put forward by THDR 2014. A major premise of THDR 2014 was that for economic transformation to work for human development, the transformation process must go hand-in-hand with the creation of decent jobs, income growth and social provisioning. THDR 2017 therefore aims to build on the previous report by analyzing the space of social policy and social provisioning in Tanzania's ongoing process of economic transformation.

“.....the envisaged transformation in Tanzania Development Vision 2025 is a process that is industry/manufacturing sector-led, facilitates building of a diversified competitive economy and yields desirable human development outcomes. FYDP II as the lynchpin to this process builds the foundation for the requisite structural change and socially inclusive development process. FYDP II does this by embracing the symbiotic link between industrialization and human resources development”

~ NFYP II, page 37, chapter 1

“.....in the context of development, there can be no doubt that the transformative role of social policy needs to receive greater attention than it is usually accorded in the developed countries and much more than it does in the current focus on ‘safety nets’ ”

~ Mkandawire, chapter 3

“.....development is seen not only as a process of accumulation, i.e., augmenting the output capability of the Tanzania economy, but also as a transformation of the institutional structure of our society. Tanzania's development, therefore, requires the introduction of activities that are basic needs oriented (food, habitat, health, education, communication, and transport), favoring endogenous and innovative process and which take into cognizance environmental potentials and limits”

~ Rweyemamu, chapter 3