



# DENMARK – TANZANIA COUNTRY POLICY PAPER 2014-2018

# CONTENTS

EXECUTIVE SUMMARY	3
1. DENMARK AND TANZANIA	5
2. CURRENT AND FUTURE CHALLENGES AND OPPORTUNITIES IN TANZANIA	7
3. OVERALL STRATEGIC OBJECTIVES AND THE DANISH FOCUS AREAS FOR COOPERATION	16
4. INCREASING CULTURAL COOPERATION AND EXCHANGE	26
5. RESEARCH	26
6. MONITORING OF PROGRESS	27
ANNEX 1 FACTS ON TANZANIA	28
ANNEX 2 DENMARK'S DEVELOPMENT ACTIVITIES IN TANZANIA	30
ANNEX 3 OVERVIEW OF PROGRESS TOWARDS THE MDGS IN TANZANIA (MAINLAND)	32

# EXECUTIVE SUMMARY

Tanzania has shown significant progress since the country gained its independence in 1961. Even though Tanzania is a low income country, it has prioritised the development of social sectors, such as access to clean water, health services and especially primary education.

Productive sectors such as agriculture and private sector driven growth have previously not been given priority. Therefore, growth in the productive sectors has had difficulties keeping pace with Tanzania's high level of population growth.

The results in Tanzania emphasise that investments in people and human development demand a long time horizon, not least in a country like Tanzania, with its low starting point. There are still many reasons for continued close cooperation between Denmark and Tanzania. The previous cooperation has laid a solid foundation for a strong future partnership, which in the future will include new areas such as economic diplomacy and political cooperation in international forums on important issues such as anti-piracy, democracy and security.

Much has been accomplished in the cooperation, and the trust, that has been built up over the past 50 years has given Denmark a unique position with regard to maintaining the role as an active partner, which in cooperation with Tanzania is working to support the development goals set by Tanzania.



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# 1. DENMARK AND TANZANIA

## 1.1 INTRODUCTION, RESULTS AND FUTURE VISION

Denmark's cooperation with Tanzania is long-standing, strong and in continuous development. Tanzania was the first African country with which Denmark initiated a development assistance partnership in 1963. This was just one year after the Danish Parliament (*Folketinget*) passed the first Danish law on international development cooperation and shortly after the Tanzanian mainland, called Tanganyika, became independent.

Over the preceding 50 years, Tanzania has received more Danish development assistance than any other country, amounting to more than 14 billion DKK. Today, Tanzania continues to be one of the main partners for Danish development assistance and will remain so over the medium term. Throughout the 50 years of cooperation, the main objective of the Danish development cooperation has been to contribute to Tanzania's nation-building efforts and to the struggle against its massive poverty.

With support from Denmark and other development partners, many good results have been created in Tanzania. To name a few:

Tanzania is today one of the most stable and peaceful democracies in Africa, and its success in nation building is second to none in Africa. Significant improvements have occurred in the legislative and institutional frameworks for promoting good governance, and the opposition parties, media, and civil society operate more freely today than at any other time in Tanzania's history. The country has also experienced impressive and stable growth rates over the last decades, due partly to strong macro-economic management and support from its development partners. Today, Tanzania is one of the world's 20 fastest growing economies.

Denmark has played a catalytic role in the development of a strong financial sector. Tanzania's strong economic growth, which is expected to accelerate due to its rich national resources, gives the country a stronger basis than previously to reduce the still much needed reduction in poverty. The most impressive results from the long period of cooperation are to be found in the areas that have received the most development assistance and can be seen in the growth of the public's access to public services. Substantial support from Denmark and from other partners has helped ensure rapid and comprehensive

expansion of the population's access to social services such as health, education and access to water. These developments have also led to substantial results in the fight against poverty in a broad sense. Poverty is not only economic. It also involves lack of access to public services such as health and education. Overall, the experience from 50 years of cooperation is good, and there is a solid basis for future cooperation.

The need for further cooperation and development assistance is evident. Tanzania continues to be one of the world's poorest nations. Almost one-third of its population lives in extreme poverty, and inequality measured in terms of income and in terms of access to and quality of social services, is growing rapidly. Achieving the Tanzanian government's vision of reaching middle-income status by 2025 will require strong and innovative efforts. Tanzania is at a crossroad, and the next ten years will be critical for the country's future. The choices made will determine the distribution of income and assets for future generations. And if the right choices are not made, it will pose a challenge to the country's long tradition of peaceful coexistence between many and very different ethnic and religious groups.

## 1.2 VISION FOR THE CONTINUED PARTNERSHIP

In light of the 50 years of good results and the great need for continued support, Denmark will continue to be a strong and engaged partner to Tanzania. This country strategy paper presents the Danish Government's view of the current and emerging challenges and opportunities in Tanzania, as well as strategic objectives for the continued partnership and selected focus areas of cooperation.

The overall vision for the future partnership with Tanzania is to enable all Tanzanians to take an active part in the country's development and to ensure a continuation of its long history of peaceful coexistence, democracy and development. With this overall objective, the three main strategic objectives of Denmark's cooperation with Tanzania are to assist and promote the Tanzanian government's efforts to:

1. reduce poverty and inequality and to ensure equal access of quality social services,
2. promote inclusive green growth and employment, and
3. strengthen democracy, good governance, rule of law and respect for all human rights.

In order to achieve these strategic objectives, special attention will be given to reaching tangible results within the following focus areas:

- a. the health sector,
- b. the agricultural sector,
- c. the demand to ensure good governance and human rights for all,
- d. regional peace and stability.

Development cooperation will continue to be a major element of the partnership, but Danish development assistance must increasingly play a catalytic role in promoting the necessary changes and progress within key areas and in leveraging other forms of public and private support and cooperation. In addition, the Danish-Tanzanian partnership will be strengthened in other areas, notably within commercial relations and political cooperation, both regionally and globally.

## 2. CURRENT AND FUTURE CHALLENGES AND OPPORTUNITIES IN TANZANIA

Tanzania has undergone impressive political and economic developments and improvements in social welfare in recent years. However, the country continues to face considerable development challenges, not least in essential areas such as economic distribution, population growth, corruption and a stronger division between party and state. At the same time, new opportunities are arising which have the potential to become decisive for the necessary changes and reforms.

### 2.1 POVERTY AND INEQUALITY: HIGH GROWTH, BUT NOT FOR ALL

Tanzania has been a macro-economic success story for nearly two decades. The rate of economic growth increased from 3.5 pct. in the 1990s to 7 pct. in the 2000s. Despite the global financial crisis, growth rates have been remarkably stable over the last decade, and they are expected to continue or even increase in the foreseeable future. At the same time, the country has experienced high population growth – from 11 million people in 1963 to around 45 million in 2012. Population growth remains high, at nearly 3 pct. annually. If this growth rate continues, there will be 53 million Tanzanians in 2018 and 100 million in 2042.

Economic growth and decades of massive international aid have created many good results, but it is important to recall that the growth began from a very low starting point and that poverty in Tanzania has proven extremely stubborn. With an annual GDP per capita of USD 532 (2011) and a Human Development Index rank among the lowest 20%, Tanzania is one of the poorest 15 nations in the world. More than two-thirds of the population live below the internationally recognized income poverty line of USD 1.25 per day and almost 90 pct. live on under two dollars per day. Around one-third live below the “basic needs poverty line” corresponding to around USD 0.96 per day.<sup>1</sup> Measured by this limit, official poverty levels declined slightly from 39% of the population in 1992 to 34% in 2007, to 28% in 2012. Due to population growth, however, this relative decrease still means that the actual number of people living below the poverty line has remained relatively constant level of 11-12 million Tanzanians. Official surveys show a constant level of inequality from 2001 to 2007 (Gini 0.35). Other calculations, however, show a 20% increase in inequality in the same period.<sup>2</sup> The degree of inequality can be illustrated by the fact that the richest 20% of Tanzania’s population accounts for 42% of total consumption, whereas the poorest 20% consume only 7%.

The modest reduction in poverty illustrates that economic growth has not been sufficiently broad-based. Growth is concentrated in telecommunications, financial services, retail trade, mining, tourism, construction and manufacturing. While growth was formerly driven largely by public spending and international aid, this is no longer the case. Growth today is generated mainly by the private sector, but the sectors with the highest rates of growth are predominantly capital-intensive and concentrated in large urban areas. Growth has largely failed to affect the great challenges, generating more employment and additional jobs in all parts of society and improving incomes for the vast majority of the population.

One major cause for the lack of poverty reduction despite economic growth is that Tanzania has not succeeded in raising productivity in agriculture over the last decades. Tanzania remains predominantly agricultural, with three quarters of the population living in rural areas. Eighty percent of Tanzania’s poor live in rural households. Growth in the agricultural sector remains low, at around 4% per year, and in the rural areas the growth in productivity can barely keep up with population growth. The birth rates in rural areas are high (6.1 births per woman compared to 3.7 in the urban areas).

1. In its Household Budget Surveys, the Government of Tanzania employs a different measure of poverty than the international standard of PPP \$1.25 per day. The Government’s measure builds on consumption and seeks to determine the proportion of the population that is able to meet its daily needs. It corresponds to PPP \$0.96 per day.

2. The Theil Index shows a 19 pct. increase in inequality and the Palma Ratio indicates a 21.8 pct. increase. Both calculations are based on data from the Household Budget Survey as is the calculations of the Gini coefficient.

While donors and the government have used significant resources to improve the social sectors, similar necessary support has not been given to agriculture and other productive sectors. Lack of secure land tenure to ensure that the traditional users in the rural districts do not lose their land is one of the most essential issues, constraining investments that could enhance productivity. Processing of food and other agricultural produce and other forms of manufacturing is also very limited in the rural areas creating very few additional employment opportunities.

For the same reason, Tanzania is experiencing significant out-migration of young people from low productivity agriculture to urban informal service sectors, where productivity is just as low. Unemployment is high and growing rapidly, especially in the urban areas and among youth. The official unemployment rate is 12% and is highest in the cities, reaching 32% in Dar es Salaam (2006). In addition, one-third of those employed are so-called “working poor”: technically employed, but whose income is less than the basic needs poverty line of USD 0.96 per day. They often work either in farming or in the urban informal service sector in low-productivity, part-time jobs. An estimated 700,000 new young job-seekers enter the labour market each year, but only a fraction of them have a realistic possibility of obtaining a stable job that can give them the possibility to provide for a family. The flow from country-

side to city of rural-urban migration will continue in years ahead, and Dar es Salaam is already one of the fastest growing cities in Africa.

In sharp contrast to the largely stagnating extreme poverty, Tanzania has seen the emergence of a small, but growing urban middle class. It is a relatively small group, only around 10% of the population, but it has growing purchasing power, substantial political influence, and it has posed political and economic demands - for cheap electricity, imported goods, and better urban social services and infra-structure in the urban areas. The Government is working hard to meet these demands, through for instance, large subsidies for cheap electricity, comprehensive tax exemptions to foreign and national companies as well as government employees, and large non-taxed per diem allowances for civil servants. These government’s attempts to satisfy the middle class run the risk of further increasing, rather than reducing, the inequality in society. This can threaten the continued peace and stability as well as social cohesion in Tanzania.

With the recent discoveries of significant gas reserves in addition to its already large mineral resources, Tanzania’s long-term economic prospects appear promising, and these resources have already attracted foreign investors. However, the benefits to be derived from the exploitation of natural resources will

not significantly materialize for another 10 years or so, and it is crucial to ensure macroeconomic management. In recent years, the Government has increased its use of both interest-bearing and low interest concessional borrowing. As a result of the increased borrowing, Tanzania’s public debt has jumped from 28% to 40% of GDP in only four years. The debt continues to grow rapidly, with corresponding increase in debt servicing and repayment. The country’s financial sustainability is not yet threatened, but debt management has become increasingly more important, and there is a strong need for significant strengthening of control of public investments. There is especially a need for greater openness in public contracts and procurement.

## 2.2 SOCIAL DEVELOPMENT

Poverty cannot be measured simply by examining income distribution and distribution of assets alone. The official statistics focus only on private consumption and therefore underestimate the importance of consumption of public goods. The statistics thus underestimate the improvements achieved in recent years. The Tanzanian government has chosen to spend significant resources on provision of public goods to the population. As a consequence, access to water, education and health services have improved substantially over the last



decades. As a result, Tanzania has moved up seven places on the Human Development Index (HDI) from 2006 to 2013, an index published by the United Nations Development Programme (UNDP). Tanzania has also made progress in its efforts to meet the UN's Millennium Development Goals (MDGs).

Tanzania has placed special emphasis on education, and great improvements have been made in the population's access to primary education. Today, Tanzania is one of the few low-income countries that are close to achieving universal primary education. Progress has also been made in efforts to reduce inequalities between girls and boys in access to education and in the struggle against HIV/AIDS, malaria and several other diseases. In the health sector, general success has been achieved in extending access to basic health services, and the results can be seen in the increasing number of children who survive. There have been declines in both infant mortality rate (the official child mortality rate) as well as in mortality for children under five years of age. However, there continue to be major challenges in reducing maternal mortality. Public spending on education has increased substantially in recent years, whereas health expenditures have declined, both in absolute value and as a share of the national budget.

Across all social sectors, there are major and sustained needs to increase the

quality of services offered. The massive expansion of coverage and the attempt to reach out to everyone with education and health services, has reduced the quality of services across the board. Recent studies show comprehensive and persistent quality problems in both primary and secondary education, the consequence being that pupils leave school with entirely inadequate skills. In 2012, 60% of the students failed the public secondary school examinations.

The quality of primary health care has been negatively affected by a range of factors, including shortage and poor distribution of health workers, poor access to essential medicines and poor infrastructure. This situation is further affected by the rapidly growing population. One of the signs that the quality of healthcare services is inadequate is seen in the fact that there has been only a very slight increase in the proportion of women, who give birth at a public health institution. In 2004, 47% of Tanzania's women gave birth in public health clinics. Six years later in 2010, the proportion had increased to only 50%.

Over the past years, the government of Tanzania has managed to reduce the proportion of unfilled health worker positions from 65% in 2007 to 41% in 2011. This is a significant improvement, but it is still just over half the positions which are occupied.

Access to social services continues to be unequally distributed. For both health and education, there are significant disparities in access to services and in the distribution of public expenditures to different groups in society. This concerns differences between rich and poor, where one lives in the country and differences between rural and urban areas. For example, the number of nurses in the health services per capita is 30 times greater in the best endowed district in the country than the worst. More than half of all Tanzania's physicians work in Dar es Salaam. It is therefore not surprising to see that the proportion of women who choose to deliver their babies in health clinics is also three times greater than in the rest of the country. This shows how important it is to have strong focus on improving the quality and equal access for the population to social services. These factors that have been somewhat overlooked by the MDG's focus on achieving as many targets as possible.

### **2.3 PEACE, STABILITY AND DEMOCRACY**

Tanzania – with its multi-party democracy and secular state – continues to be a stable country in a volatile region. Fifty years of peaceful coexistence, without civil wars, armed conflicts or military coups, is impressive. This record, together with Tanzania's historical role in Pan-Africanism and support to numerous

African independence movements, is an important factor in explaining why the country is a key player on the African political scene. To a large extent, the country's founding father, Nyerere, and the ruling party Chama Cha Mapinduzi (CCM), are responsible and can take credit for the unique and peaceful construction of an African nation. Tanzania's history is marked by religious freedom, and there is a long and strong tradition of tolerance and peaceful coexistence between different faiths and ethnic groups. So is its history as a one-party state, and even today, more than 20 years after the introduction of multi-party democracy, the process of separating state and party is still not completed, and this is one of Tanzania's big challenges.

The ruling party, CCM, has governed the country since independence and continues to enjoy an absolute majority in Parliament. However, support to the opposition has been growing in recent years, due mainly to internal conflicts within CCM and public discontent with the slow progress in addressing the social and economic challenges. Even though Tanzania has become more pluralistic, it is improbable that CCM's hold on power is likely to be seriously threatened during this decade. Regardless of Tanzania's economic performance, CCM has always had a very strong and traditional base in most of the rural areas, and it is difficult for other political parties to make an impact here. Much will depend

on how the party manages the increasing frustration, especially among young people. This frustration has created a fertile environment for more radical and less peaceful and less compromise-seeking leaders than those Tanzania has normally fostered. Today there are now many more incidents of open hostility and violent clashes between political parties, religious groups and authorities than formerly. There have also been strikes by civil servants, and conflicts that were unheard of in Tanzania a decade ago have generally become more frequent.

Tanzania is generally on good terms with most of its neighbouring countries, and there are no major external threats to the country. Pirate activity off the East coast of Africa has declined significantly compared to the level in 2010, partly due to increased international naval presence and increased use of private security systems. However, piracy continues to pose a serious threat to the maritime transport to and from Tanzania, thus affecting the neighbouring landlocked countries that are also served by the port of Dar es Salaam.

#### **2.4 ZANZIBAR: A SPECIAL CASE**

The complex relations between the semi-autonomous Zanzibar and the union which comprises Tanzania is an important theme in Tanzanian domestic politics, not least in the context of changes in

the constitution. Many Zanzibaris hold strong ambitions for increased autonomy for Zanzibar. The existing structure, where the union has responsibility for key areas such as foreign and security policy, is encountering increasing popular resistance. Due to significant gas reserves off Zanzibar's coast, there is a special dissatisfaction that the union also has overall responsibility for the natural resources.

The independence party, Civic United Front (CUF), has traditionally been the main opposition party in Zanzibar, but in 2010 it entered into a unity government with CCM. While the government could initially be satisfied with the strong popular support, the coalition is now increasingly perceived as inefficient. At the same time, the participation of CUF in the government has weakened popular support for the party. The CUF is marked by internal conflicts and a political vacuum in the opposition's politics has emerged. Populist movements are seeking to fill this vacuum, and there is a risk that the political scene in Zanzibar will be overtaken by proponents of radical organisations, such as the increasingly popular Uamsho movement, which promotes Islamic principles and total independence for Zanzibar. Zanzibar is thus currently witnessing increased religious tensions and several violent clashes between radical Islamic groups and the authorities. The revision of the constitution, expected when a government

commission has submitted its report in late 2013, is likely to result in a more autonomous Zanzibar, and beyond the political changes will also create a significant change in the islands' economic situation, especially if the changes lead to an end to the tradition of subsidizing Zanzibar's economy with funds from the union budget.

## 2.5 HUMAN RIGHTS AND RULE OF LAW

From a regional perspective, Tanzania continues to have a relatively positive human rights record. Tanzania has ratified most of the international human rights instruments and established institutional frameworks to support democratic governance and the implementation of human rights. After the UN's most recent Universal Periodic Review from 2011, the Tanzanian government accepted several of the recommendations made by the review. This can be seen as a sign of the Tanzanian government's continued commitment to improve the human rights situation. However, despite the positive general framework, there remains considerable scope for very significant improvements in the actual human rights situation for the population in general.

The constitution provides for basic civil and political rights, including freedom of assembly and freedom of speech. Civil society and media outlets have played a much greater role in domestic

politics in recent years, and this has led to increased surveillance of media by the government. However, freedom of expression, access to information and media freedom are regulated by outdated legislation, that enables the government to ban critical newspapers, and several have been banned for various periods of time. Self-censorship is also occurring. The judiciary remains largely independent, but there has been concern over incidences of Tanzania not having lived up to international standards of fair trial, while corruption continues to be a major challenge. Lack of capacity and resource constraints, including legal, are a further obstacle for the majority of citizens gaining effective access to the rule of law, based on timely and just treatment of their cases. In addition, there occur occasional incidents of mob justice and extra judicial killings.

While efforts have been made to promote the practical implementation of economic, social and cultural rights, the full realization of these rights continues to be a major challenge. Unemployment is high, and international labour standards are not effectively implemented or enforced effectively. Gender inequalities are deeply rooted in socio-cultural traditions, and violence against women and children, including domestic violence, female genital mutilation, and child labour continue to be widespread. There is also widespread continuing concern over lack of secure sexual and reproductive rights,

the result of which are continued high rates of preventable infant, under-five and maternal mortality. There are also very high rates of teenage pregnancies, and women lack access to information and assistance in family planning and other reproductive health care services.

Further, some minority groups like LGBTIs (lesbian, gay, bisexual, transgender and intersex), people with albinism and indigenous groups continue to face discrimination in Tanzanian society.

## 2.6 GOOD GOVERNANCE, PUBLIC SECTOR CAPACITY AND PROBLEMS WITH CORRUPTION

In terms of good governance, Tanzania achieves average scores in global rankings. One sign of progress is that citizens are beginning to demand more insight and influence than previously. Citizens, parliament, media and civil society are increasingly demanding that the government act responsibly, and that it be accountable to the population. Tanzania has also recently seen improvements in budget transparency and people's access to information, but the political environment continues to be dominated by a top-down approach.

The government is constantly challenged on issues of effectiveness and rule of law, and the fight against corruption continues to be one of Tanzania's major challenges.

Decades of reforms in the public sector have resulted in Tanzania scoring relatively better than most other African countries on Public Financial Management (PFM). A wide range of laws, regulatory bodies and systems have been enacted and implemented over the last 15 years. Procurement regulation is of international standard, but it continues to be a challenge to ensure compliance with these standards. Public budgets have become more transparent and open, but the citizens' active engagement in these issues continues to be modest. The oversight capacity of the National Audit Office continues to improve, and its reports are being discussed among the public and in parliament, but following up the Audit Office's recommendations continues to be a challenge.

Over the past decade, the government has been successful in increasing tax revenues, partly through more effective tax administration. Collections correspond to almost 18% of GDP, which is high by African standards. A challenge for the future is to revise tax policies so that the tax burden is distributed more broadly in society. Of particular concern is the large amount of tax exemptions, which is estimated to cause annual losses of almost 4% of GDP. In addition, the complex and non-transparent system of exemptions contributes to corruption. Rationalizing of the system and reducing the number of exemptions requires a comprehensive technical and profes-

sional effort and capacity, but political will and resolve are equally important.

Corruption remains a central and serious challenge for Tanzania, in terms of both good governance and for the entire social development. The levels of petty and grand corruption identified in international and domestic surveys continue to be of considerable concern and affect all sectors of the economy from public service delivery to natural resource exploitation, industrial production and business. The formal anti-corruption legislation and anti-corruption institutions in Tanzania are comparable to those of most other African countries. Hence, in principle, there should also be good possibilities to initiate a far more effective struggle against corruption, but this requires a combination of political commitment and increased engagement from the media, civil society and the parliament. There have been some positive developments in recent years, but key challenges remain in implementing and enforcing the legislation. Similarly, it is a great problem that very few of the corruption cases end up being prosecuted in the courts.

New major opportunities and initiatives are underway. Steps have been taken to implement legislation and to meet the standards promoted by organisations such as the Extractive Industries Transparency Initiative (EITI). This entails strengthening of domestic revenue and

financial management, and positive developments within PFM reforms. Crucial, however, is a continued strengthening of the systems and mechanisms for openness, accountability and transparency in the public system.

## 2.7 NATURAL RESOURCES MANAGEMENT

Tanzania is rich in natural resources and has one of the highest forest covers in East and Southern Africa. The wildlife is rich, and the tourism sector is growing rapidly, currently contributing with 18% of the country's GDP. The mining industry has experienced high, but greatly fluctuating growth rates in the last decade with an annual average growth rate of 15% per year. However, it should be noted that the growth departs from a low base, and that the mining industry constitutes less than 5% of Tanzania's GDP. The government expects that the mining sector will grow to 10% of GDP by 2025. Natural resources already account for a large proportion of Tanzania's exports. In 2010, mineral export alone accounted for almost one-third of Tanzania's total exports.

The recent discoveries of very large off-shore reserves of natural gas and potentially oil will make the extraction industry in Tanzania even more important. The expected intensified extraction, export and domestic exploitation of Tanzania's natural resources holds great economic

potential. It could contribute to solving the country's long-standing energy crisis and significantly boost domestic revenue. Current estimates are that when gas exploitation reaches full production, incomes from extraction alone will be more than three times current ODA to Tanzania. Over the short to medium term, however, revenues from the natural gas will not be significant, and it is possible that the government may choose to mortgage its future income in order to satisfy short term needs. This tendency is already evident from the increase in government borrowing.

Based on current experience from the mining industry, there is no certainty that the exploitation of natural gas will generate large numbers of new jobs, unless significant new policy measures are taken to ensure this. The government is aware of the potential benefits to the nation's economic development if linkages between gas exploitation and the local economy can be established, e.g. through local processing and subcontracting. Existing tax policies are being reviewed in order to use international experience to ensure national public revenues from exploitation of the gas reserves. In 2012, Tanzania's policies in the extraction sector were declared compliant with the EITI standards, and implementation of the necessary legislation has begun.

## **2.8 ENVIRONMENTAL CHALLENGES AND CLIMATE CHANGE**

Tanzania's economy remains vulnerable to the environment. The country has relied heavily on hydropower to meet its electricity needs, but in recent years, electricity production generation has proven insufficient, due partly to poor rainfall and depletion of hydro reservoirs. The impact of climate variability Tanzania's predominantly rainfall-based agriculture is also very evident. Most of the country's agriculture is directly dependent on annual rainy seasons, and there is a close relationship between variations in the amount of rainfall and differences in the country's annual economic growth. Agricultural production accounts for nearly half of Tanzania's GDP, and reduced agricultural productivity has already occurred as a result of changes in rainfall patterns. In some regions, this has created problems for the total food production and food security. In early 2013 Tanzania adopted its first ever strategy to reduce the negative impact of climate change.

## **2.9 REGIONAL INTEGRATION: SADC AND EAC**

Regional integration plays an increasingly important role, both politically and economically, in terms of reducing the risk of regional conflicts. Economically, it concerns pooling resources and markets for achieving economies of scale, with the

possibility for specialization and greater competitiveness. Politically, Tanzania continues to be oriented mainly southwards, toward the Southern African Development Community (SADC), while in terms of economic activities, it is linked to the East African Community (EAC), which was re-establishment in 2000.

There are expectations regarding Tanzania's capacity to assume political leadership in solving some of the region's political crises. Tanzania has sent troops to deal with the conflicts in Sudan and the Democratic Republic of Congo, and this is seen as an expression of a willingness to assume such a role.

EAC is critical to achieve regional economic integration. The cooperation currently includes a customs union and a common market. The customs unions, when finally implemented, will lead to common external tariffs and free movement of goods within the region, and a common market will entail the creation of a single regional market with free movement of factors of production, including labour and capital. Plans are in place for a monetary union, with the ultimate goal of a political federation. However, the main emphasis is currently on economic integration. The individual East African economies are still quite small. The total GNP of all the EAC countries taken together (i.e., Kenya, Uganda, Rwanda, Burundi and Tanzania, with about 135 million inhabitants) is only

one-fourth that of Denmark, and Tanzania's GNP is but 7% of that of Denmark, despite Tanzania having a population that is eight times that of Denmark. Increased regional economic integration thereby holds great potential for improved competitiveness and will also mean that the individual firms gain access to a larger domestic market.

Tanzania has chosen a cautious approach to the integration process, as many Tanzanians desire more time to prepare the country for the free movement of goods, labour and capital. Sectors such as migration and land ownership are especially sensitive issues in Tanzania. Despite this, Tanzania is moving forward on the EAC reform agenda, and a number of promising steps have already been made. However, it should not be ruled out that EAC may evolve unevenly, with some countries moving faster in the process of integration than Tanzania.

## 2.10 EXTERNAL ASSISTANCE TO TANZANIA

High economic growth and domestic revenue partly in the form of taxes have resulted in some reduction of Tanzania's historically high aid dependency. However, aid continues to finance nearly one-third of all public expenditures (corresponding to almost 8% of GDP). This may change drastically over the next decade, where continued high growth and

increased revenue from natural gas may reduce the importance of development assistance.

Tanzania has been at the forefront of the global move towards enhancing aid effectiveness. A central element of this effort was a move towards general budget support (GBS) to the government from 2000. While the share of GBS in the total aid package has not increased as much as expected, more than two-thirds of all reported ODA flows through government systems in various ways, and a third of this is GBS proper. While overall ODA to Tanzania has continuously increased over the past five years, the proportion between modalities has changed, with GBS declining relatively, baskets remaining stable and project support increasing.

Studies of the impact of development assistance to Tanzania show that it has made a real difference in the areas where the resources have actually been targeted. This is especially true for the social sectors, where aid from abroad has also led the government's to prioritize use of its own resources, and where the total aid effort has contributing to improvements in sectors covered by the MDGs. The aid, especially in the form of GBS and Basket modalities, has also led to demands and has contributed to improved national financial systems and stronger management and accountability in public administration.

## 2.11 PRESSURE FOR AND PACE OF REFORMS

In cooperation with its development partners, Tanzania has been implementing core economic and public sector reforms for many years. After achieving good results in the early years, many of the core reforms have been stagnating in recent years. This can be partly explained by the fact that the second generation reforms are often more difficult to implement, and that capacity in the systems remains limited. However, there is also a certain degree of reform fatigue within many parts of government apparatus. Recognizing that ineffective implementation of the reforms is one of the major bottlenecks in the country's efforts to achieve its development objectives, the Government of Tanzania has recently adopted the so-called "Big Results Now" (BRN) approach to the reforms in order to speed up implementation in selected and strategically important sectors.

The idea for the BRN strategy comes from Malaysia, and it is implemented as a top-down approach under the direct control of the President. The goal is to achieve a clear sequenced prioritization of policy actions and linked to strategic resource allocation to the prioritized sectors, and a strong focus on the implementation and monitoring of the results. Six sectors have been selected as priorities for the first wave of results: energy and power generation, transport,

agriculture, education, water and resource mobilization. It is expected that the next wave will also include the health sector. The decisions about the new way of implementing the reform process is very new, but it is possible that the BRN approach can lead to genuine changes and to positive results, especially if the government succeeds in creating a strong institutional mechanism that ensures management and control, and that the public sector genuine delivers the planned results.

### 3. OVERALL STRATEGIC OBJECTIVES AND THE DANISH FOCUS AREAS FOR COOPERATION

Denmark's cooperation with Tanzania takes its point of departure in the political, economic and social challenges described above. The cooperation builds on a strong Danish commitment to assist Tanzania in addressing these challenges and helping to exploit the many existing opportunities. Denmark supports the Tanzanian government's overall Development Vision 2025 and its national development plans, including the National Strategy for Growth and Reduction of Poverty (MKUKUTA II, 2010-2015) and the Long-Term Perspective Plan (2011-2025) with its consecutive five-year development plans. It is envisaged that the Big Results Now framework will strengthen the implementation of these strategies.

The overall strategic objectives of Denmark's cooperation with Tanzania are:

1. To reduce poverty and inequality and to ensure equitable access to quality social services, especially within the health sector;
2. To promote inclusive green growth and employment;
3. To strengthen democracy, good governance, rule of law and respect for all human rights.

These different strategic objectives are closely interlinked. Peace, stability and democracy have been essential preconditions for Tanzania's positive development. Continued peace and democratization, improvements in human rights, rule of law and governance will be essential for future economic and social development as well as for improving the business environment

and ensuring a more equitable and just distribution of social services. Increased commercial cooperation with neighbouring and other foreign countries can help promote economic growth and generate more employment. Inclusive growth and better employment opportunities, especially in rural areas, are of fundamental importance for reducing poverty and improving the population's social situation, but also for maintaining stability and the historically peaceful coexistence that has prevailed between Tanzania's different social and ethnic groups.

To achieve these objectives, the following focus areas have been chosen for cooperation:

- a. Health sector;
- b. Agricultural sector;
- c. Good governance and access to Justice
- d. Regional peace and stability.

These thematic areas have been chosen based on the analysis of the major challenges and needs described earlier in this country policy paper. In financial terms, the Danish development assistance amounts to about 0.3% of Tanzania's GDP and only around 1% of its total public budget. The priorities of the Danish efforts are therefore based on an assessment of where Denmark can play a catalyst role attracting other actors, both private and public sector, to work towards Tanzania's overall development goals. Furthermore, Denmark wishes that the continued cooperation is based on the substantial and long-term experience and the strong Danish position gained from many years

of cooperation within precisely these areas.

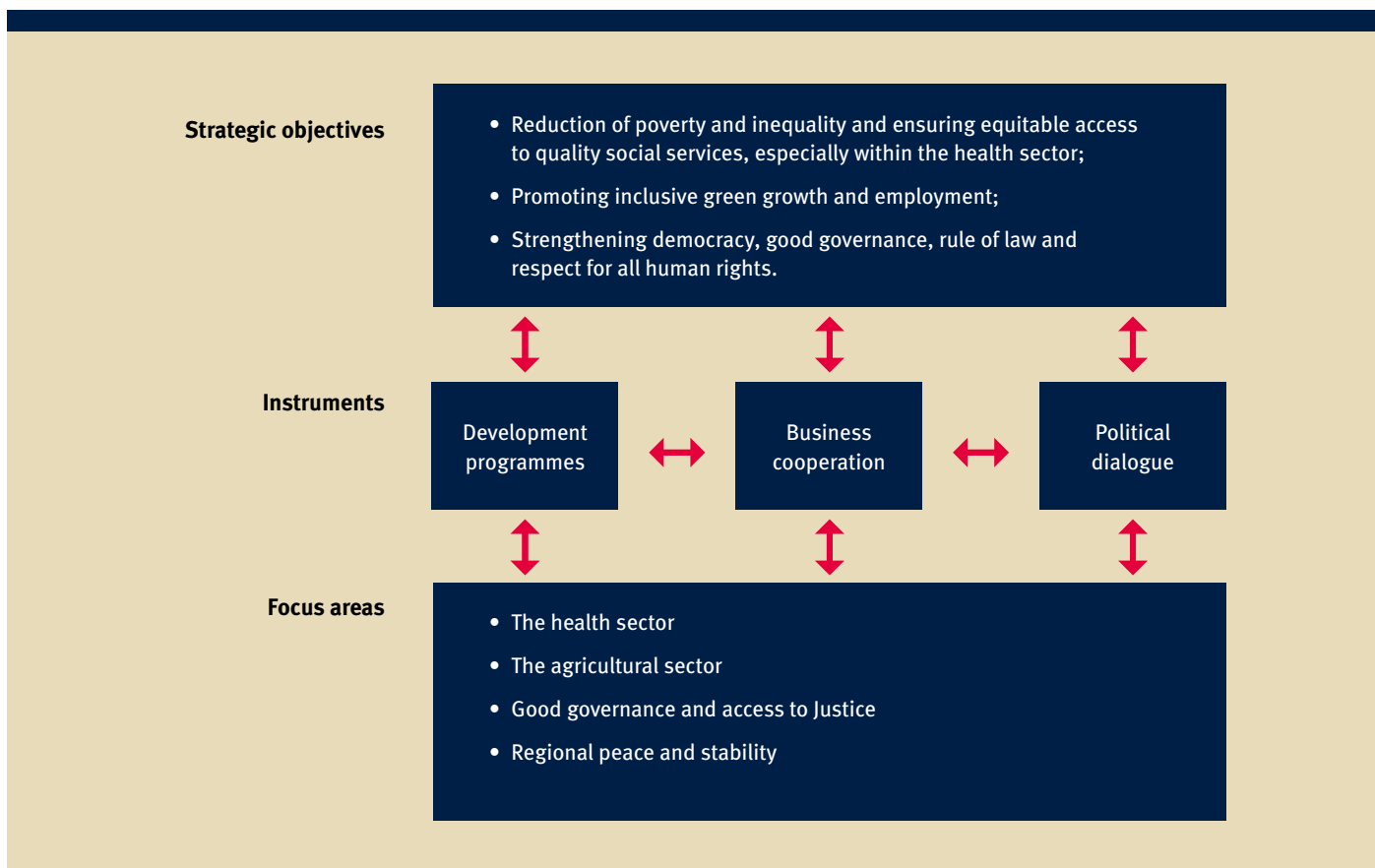
Denmark will work closely with a broad range of stakeholders and actors to the extent that they are prepared to contribute to ensuring the needed changes and reforms. This applies first and foremost to the Government of Tanzania, but also to parliament, civil society, the media and the private sector. More than half the Danish funds are expected to be channelled directly through the government systems, especially as support for poverty reduction and ensuring equitable sustainable provision of social services.

The Danish government has adopted a rights-based approach to development, which means that Denmark will systematically address the core human rights principles of non-discrimination, popular participation, transparency and economic and political accountability in all areas where Denmark and Tanzania cooperate.

The development cooperation will be governed by the international principles for aid effectiveness. These comprise principles of ownership, alignment, harmonization, result-orientation and mutual economic accountability. Denmark will, to the greatest extent possible, support national development strategies and work through the national systems.

The cooperation with Tanzania is characterised by a comprehensive and well-developed tradition for dialogue and coordination. Denmark will continue





to engage actively in policy dialogue with Tanzania, both on a bilateral basis and through the well-established mechanisms for government dialogue with development partners. Tanzania currently has 40 development partners, the largest of which are the United States, the World Bank, African Development Bank, EU, UK/DFID and the Nordic countries. Denmark is engaged in an ongoing dialogue, cooperation and coordination with these key development partners, including joint programming and in basket funding, and in the donor group for general budget support (GBS).

Denmark is collaborating very closely with the EU Delegation and with other EU member states, and when opportunities emerge, will continue to explore the scope for enhancing this cooperation. Of parti-

cular interest is the strong cooperation and harmonization of the various aid instruments for general budget support (GBS), and Denmark and the EU have already partly aligned their methods. In Brussels as well, Denmark will engage actively in the development of EU policies relevant to Tanzania.

Denmark will increasingly support and promote commercial cooperation with Tanzania, also in the context of the increasing regional economic integration in East Africa.

Denmark will increase its collaboration with Tanzania on global issues affecting both countries, such as regional peace-keeping, the fight against piracy, strengthening of the global human rights agenda, rule of law and improved trade policies.

Denmark will also work to strengthen cooperation in the field of cultural exchange between Denmark and Tanzania.

The Danish engagement in Tanzania thus takes the form of an integrated approach in which various individual elements – development programmes, commercial cooperation and political dialogue – mutually reinforce each other in order to ensure maximum impact and efficiency. All available instruments will thus be considered with regard to attaining the strategic objectives, and they will be applied within the relevant focus areas for future cooperation as outlined in the following paragraphs.

### 3.1 REDUCTION OF POVERTY AND INEQUALITY AND ENSURING EQUITABLE ACCESS TO QUALITY SOCIAL SERVICES, ESPECIALLY WITHIN THE HEALTH SECTOR

Danish assistance for promoting poor Tanzanians' right to a better life will target promotion of human rights to all Tanzanians and promote the way in which economic growth is created and distributed in Tanzania. Focus will be on three areas; jobs, social services and the affecting income distribution through the tax system.

The formulation and implementation of a pro-poor policy, and which includes the greater quality and more equitable distribution of social services is first and foremost a responsibility and obligation for Tanzania's government. The Tanzanian government has committed itself positively to fulfilling this obligation, and Denmark will support the government in its efforts. The Danish-Tanzanian cooperation will emphasize good governance including equitable delivery and access to sustainable social services and development of a social safety net for all Tanzanians, especially in rural areas, including areas populated by indigenous peoples.

Denmark supports Tanzania's ambitious long-term vision to become a middle-income country by 2025 (Vision 2025). This goal entails that abject poverty should be eliminated. In the short term, the government's objective is to reduce

income poverty to 24% by 2015 (MDG target is 19%).<sup>3</sup> The government wants to reduce income poverty by promoting inclusive, sustainable, and job-generating growth and development. More specifically, the government's goal is to create and ensure decent and productive employment, especially for women, youth and people with disabilities, and to reduce total unemployment to 5%. This will entail creating more than three million jobs over the next five years. The efforts to improve productivity in the agricultural sector will be a crucial factor in this context, and the government plans to increase agricultural growth to 6% by 2015.

In addition to a direct reduction in poverty, the government seeks to improve the provision of public social services so that they reach farther and broader. The Vision 2025 plan sets targets for universal primary education, the eradication of illiteracy and a situation with so many highly educated and trained, skilled Tanzanians that the country achieves a critical mass of highly qualified human resources and obtains the capacity to meet the myriad of developmental challenges facing the country.

In the health sector, the objectives are to ensure access to quality primary health services of a quality for all and especially access to reproductive health services (including family planning) for all those who need it. The goal is a reduction in infant/child and maternal mortality rates to one-quarter of the current level.

Over the medium term, the government aims to ensure that all children, from early childhood, shall be offered pre-school education, and that there will be access for both primary and secondary schooling for all girls and boys. The objective entails that the net enrolment rate of children at both pre- and primary school levels must be 100%, and that an adequate number of competent teachers must be trained, so that there can be one teacher for every 45 pupils in the primary school, and one teacher for every 25 pupils in secondary school.

In the health sector, the government aims to improve survival rates, health, nutrition and well-being, especially for children, women and especially vulnerable groups. Denmark will assist the government in its efforts to accelerate provision of quality primary health care services to all by 2017 and to rehabilitate and upgrade older primary health care facilities and establish new ones in order to ensure the greatest possible equity and equal access of quality health care to all Tanzanians.

The government's development objectives are both ambitious and costly. The government's plan is to increase state revenue by more than 80% over the next five years, and Denmark will assist the Tanzania Revenue Authority in meeting this ambitious target. This corresponds to an increase in the state's total revenue collection, primarily via taxation, from around 18% to 22% of GDP. If the government reaches its target,

3. The Government uses in its objective "The elementary needs poverty line", which correspond to \$0.96 in purchasing power per day. This limit is lower than UN's limit on \$1.25. See note 1 and note 2.

the increase in annual tax and licensing revenue alone in 2018 would correspond to more than 25 times the annual Danish ODA to Tanzania. Denmark will support a reform programmes that enhances public financial management, including management of the state's revenues. This effort will also be crucial for ensuring responsible management connected to general budget support GBS, reducing the risks attached to this form of support. Denmark will continue to emphasize strengthening the respect for the rule of law and respect for all forms of human rights. Denmark will focus especially on transparency and accountability in administration and on the fight against corruption at all levels.

The cooperation with the Government of Tanzania will be based on a development contract between the two governments, where Denmark channels funds to Tanzania's public budget on the basis of the Tanzanian Government's adherence to the principles of good governance and promotion of human rights and democracy, as well as achievement of specific development targets year by year. This principle has the goal of ensuring:

- Increased aid effectiveness and country ownership, fewer transaction costs in managing development assistance, and greater predictability of aid flows; enhancing the administration of public finances and public expenditures; strengthening of the national planning and budget process together with

the financial responsibility being moved from donors to all Tanzanians;

- Improved monitoring and evaluation systems and ensuring reciprocity in the responsibility to manage the aid;
- Strengthening of the use of national planning and budgeting process and strengthening the capacity of Local Government Authorities, because they are on the front lines in the implementation of the poverty reduction strategies.

The human rights based approach entails that through dialogue and technical assistance that Denmark will focus specifically on:

- Creating strong and inclusive economic and political institutions able to fulfil their respective roles as duty bearers;
- Redistribution of resources in society so that they are used increasingly for the benefit of the poor and marginalized groups; this applies to actual economic resources as well as public goods such as infrastructure, energy, health and education;
- The need for growth to become more sustainable and inclusive, especially in creating more employment in the rural areas.

Denmark will also engage in dialogue with the Tanzanian government on issues relating to public expenditures. This includes the priority given to the social sectors, especially health, in the national budget. The policy on income distribution,

fulfilment of civil and political rights and of the economic, social and cultural rights are also issues that will be emphasized in the Danish-Tanzanian dialogue.

Denmark will insist that the support leads to tangible results, both in terms of fulfilment of the overall poverty reduction and in the fulfilment of development objectives set by the Government of Tanzania, as well as the specific objectives agreed upon between the government and its development partners. The results-oriented focus is important in order to ensure that the beneficiaries of the Danish GBS will be primarily the poor people in Tanzania, and this means that considerable parts of the budget will be frozen if the agreed upon objectives are not achieved.

#### ***Social Protection and Safety Net***

Equitable delivery and provision of social services is a pre-condition for proper functioning of the broader social safety net. National efforts are currently focusing on increasing health insurance coverage at both national and community levels and scaling-up the use of payments to low income families, conditioned, for example, by their children being vaccinated, girls attending school and the like. Denmark, through the GBS and health sector dialogue, will contribute towards ensuring that the poorest people, both in the public and private sector programmes, experience improved availability and access to social services.

### 3.1.1 Focus Area:

#### Support to the Health Sector

A part of Denmark's contribution to Tanzania's public budget will be targeted support specifically to the health sector. The objective is to improve the health and welfare in the poorest segments of Tanzanian society by strengthening the national (including local) systems' capacity to ensure equal access to quality health services for all. This includes sustaining and further developing the results achieved in relation to the UN Millennium Development Goals. Increased emphasis will be given especially to issues of equity and quality.

The overall objectives will be achieved through a focus on:

- Core health systems support, including promotion of a coordinated approach to result-based financing in accordance with the national and sector strategies;
- Public private partnership to support innovative financing mechanisms and ways of providing health services, while at the same time increasing the role of private sector health provision;
- Strengthening efforts for maternal health, including support for sexual and reproductive health and rights;
- Denmark will promote and operationalize the rights-based approach in all forms of its support to the health sector.

Through continued targeted support to the health sector, Denmark can use its

long-standing experience in this sector in Tanzania to strengthen and consolidate existing activities until health, if things go as expected, becomes a priority sector of the Big Results Now initiative. If health becomes a part of this initiative, it will give a potential for a significant increase in the priority of this sector. Denmark will carry out studies of the ways in which the health sector is financed in order to ensure that the funds are used as effectively as possible. In this area as well, Zanzibar is also a special case, and possible future support to the health sector will be assessed when the existing constitutional review process has been completed.

In order to address the significant disparities in terms of access to quality health services as they affect different groups in society, Denmark will focus on both the supply side and demand-sides. This will include efforts to ensure more equal and equitable distribution of resources at the district level. It will be essential to ensure that the basic health services are of an acceptable standard, while also being available to all and everywhere, and provided in a way that is economically sustainable over the long term. Denmark will endeavour to: increase the resources going to the district level (from 50% to 75% of the total sector support); to ensure more equitable allocation and distribution of the pooled health financial resources; and to ensure a more equitable distribution of professional health personnel to all the districts.

These efforts will be promoted through the policy dialogue linked to the GBS. The efforts to promote equity and quality of health service delivery require a close linkage to Denmark's broader support to good governance and human rights.

The assurance of basic health services is primarily government responsibility. However, the government is not the sole provider of health services. The private institutions and organisations today provide about 40% of the total services, and the involved institutions are both faith-based non-profit organisations and for profit firms. The private institutions also provide a great proportion of the health services in the most outlying rural areas and to some of the poorest segments of the population. Denmark will therefore give targeted support to the cooperation between public and private partners with the intention of stimulating and strengthening support to the private sector's active involvement in promoting access, availability and quality in the health services.

Besides supporting public-private partnerships in the urban areas, Denmark will support the establishment of public-private partnership forums at the regional level (25 regions in total). It will strengthen the cooperation between the public and private sectors in seeking to ensure increased access and choice for the users of health and social services.

## THE DANISH PROGRAMME CONTRIBUTES TO TANZANIA'S NATIONAL TARGETS IN REGARD TO:

1. Reducing population growth from 2.9% p.a. (2002) to 2.7% p.a. in 2015.
2. Reducing the maternal mortality ratio from 454 per 100,000 live births (2010) to 265 per 100,000 live births by 2015.
3. Increase in the proportion of births attended by skilled health personnel from 50.6% (2010) to 80% (2015).
4. Decline in the total fertility rate from 5.4 (2010) to 5 by 2015.
5. Reduction in the proportion of districts with fewer than 3 nurses/midwives per 10,000 population from 55% (2012) to 34% (2015).

### 3.2 PROMOTING INCLUSIVE GREEN GROWTH AND EMPLOYMENT

The objective of the Danish support is to strengthen employment and income opportunities for both women and men by supporting green, inclusive growth of micro, small and medium enterprises (MSMEs). This is an area where the Tanzanian government has eloquent policies, but only modest results have been seen on the ground. In order to help Tanzania reach the desired outcomes in terms of both jobs and poverty reduction, Denmark will focus its support on the non-state actors, who have the best prerequisites for increasing economic growth, and on the local governments, who are the key government interlocutors for most businesses in the country. This support will be given parallel with an effective private sector advocacy activity for reforms of the business environment. There has already occurred a significant degree of success in developing financial borrowing systems and models that can create the kind of security so as to facilitate better access

to loans in the private sector. This work will be continued and expanded.

#### 3.2.1 Focus Area: Supporting the Agricultural Sector

The Danish support will address some of the major factors that can contribute to stimulating private sector growth and job creation, and special emphasis will be given to raising agricultural productivity and the processing of agricultural products. Constraints analysis has identified a number of barriers to growth, including lack of access to markets, lack of access to financing, and lack of skills. Focus will be on creating donor cooperation for developing implementation modalities that are flexible in relation to the needs and that can embrace a wide range of public and private stakeholders. All activities will be initiated with the aim of giving the individual Tanzanians access to decent employment that can assure him or her an income that gives a minimum standard of living and possibilities to support a family. The activities will be centered around those value chains in production related to agriculture, which

have the greatest potential. There will be a strong focus on green growth, especially where there are particularly promising possibilities for creating decent employment and decent incomes for poor people in rural areas and small towns, and not least for women and young people. The effort will target the structural barriers to growth, and include targeted efforts to develop technical skills.

The support effort is expected to have the following impacts:

- Increased income and higher productivity among especially farmers and poor small-holders;
- Increased employment in part-time or full time jobs, especially in rural areas;
- Greater and more varied skills and better employability among those Tanzanians who have been beneficiaries of education and training;
- Enhanced competitiveness and access to markets for MSMEs;
- Improved business climate, especially in terms of improvements in the local governments' ability and capacity to implement the adopted reforms of rules and regulatory framework;
- Improved access to credit through new, improved and innovative financing systems, especially in the rural areas.

The goal of the support in terms of employment impact is to facilitate the creation of what corresponds to at least 50,000 new full-time jobs. In practice, it will correspond to the creation of more than 150,000 part-time

or seasonal jobs in the value chains that are supported through the programme. Overall, the goal of the support is that more than one million people obtain direct or indirect benefit from the support.

Denmark's rights-based approach ensures that there is a focus on rights in all major interventions. The partner institutions' compliance with human rights will be assessed, and the partners will be encouraged to initiate and publish their own human rights policies. Follow-up will be evaluated. In agriculture, special emphasis will be placed on issues of access to land and water for different groups (including pastoralists). The choice of interventions in the different value chains will be based on analyses of green growth potentials and gender analyses. Tanzania's strategy for mitigating the negative consequences of climate change will form part of the foundation.

Denmark will also continue to support the regional economic integration process in East Africa through direct support to the EAC and to TRADEMARK East Africa, the goal of which is to improve the efficiency of East Africa's transport corridors and to reduce administrative costs so that regional trade can increase and competitiveness improve. The overall objective of the regional support is poverty reduction through green growth and promotion of employment. All the EAC member states, including Tanzania, stand to benefit from stronger regional economic integration, and a number of promising

steps have already been made to make East Africa into a single market and customs union. The single market and the customs union are the pillar of EAC cooperation.

Denmark will leverage all available GoGlobal tools and instruments in order to support green growth and employment in Tanzania, including Danida Business Finance, Danida Business Partnerships, Danish Climate Investment Fund and the Investment Fund for Developing Countries, and Denmark's Export Credit Agency and the Trade Council.

Tanzania is increasingly resorting to non-concessional borrowing for its credit needs and could therefore benefit considerably from using Denmark's different types of concessional lending instruments with lower interest rates. Opportunities also exist in other sectors than agriculture, such as renewable energy, transport and infrastructure, waste management, industrial design, health and food processing. Such loans will at the same time promote investments by Danish firms in Tanzania and can help to create employment and sustainable growth, especially in Tanzania, but also to some extent in Denmark as well.

### **3.2.2 Intersection Between Development Cooperation and Commercial Activities**

In order to increase the role played by commercial activities in support of green growth and employment, Denmark will strengthen the synergy between its devel-

opment cooperation and commercial activities. Focus will be on agriculture, but not limited to agriculture.

Actual commercial cooperation between Denmark and Tanzania is today very limited, and trade on purely commercial terms is practically non-existent. Export of Danish goods to Tanzania accounts for 0.01% of total Danish exports (equivalent to DKK 57 million in 2011). However, there is more export within services in the form of shipping and other transport. There are also some minor examples of commercial cooperation through the Danida Business Partnerships (DBP), which work to promote technology and knowledge transfer from Danish to Tanzanian companies. Denmark has set the goal of establishing 20-25 projects over the next five years through the Danida Business Partnerships. Focus will be on strengthened competitiveness, corporate social responsibility (CSR) and green growth in Tanzania. Danida Business Partnerships is expected to increase sales in selected agriculture-related value chains and to generate employment of 400-500 new jobs over the next five years.

Denmark is also expecting to use the Danida Business Finance instrument to support demand-driven investments of more than DKK 500 million in sustainable economic infrastructure, primarily in the transport and energy sectors. These investments are expected to enhance energy efficiency, environmental protection of ports and coastal areas,

4. GoGlobal is a cooperation between Danida, the Trade Council, Investment Fund for Developing Countries, and Denmark's Export Credit Agency. See [www.GoGlobal.dk](http://www.GoGlobal.dk)

and the promotion of greener transport systems to remote and poor communities.

Over the medium term, there is potential for developing stronger commercial ties between Denmark and Tanzania. Agriculture and food processing, along with green technology, water and energy and construction represent some of the areas that are likely to be of interest to Danish investors and exporters. The discovery of energy reserves also provides potential opportunities, and service export will continue to be significant. Considering the still limited purchasing power of the Tanzanian private sector, public procurement will continue to remain an important area.

The main thrust of Tanzania's foreign policy is to promote and enhance the country's economic relations to the outside world. This is taking place under the foreign policy paradigm of 'economic diplomacy'. While Tanzania's economic relations with China and India are particularly strong and rapidly deepening, there is also a considerable potential and Tanzanian willingness to strengthen economic relations with other partners, including Denmark. By 2018, Denmark is expected to have doubled its export of goods and services to Tanzania. In the service sector, this will be primarily in the area of maritime transport.

Improved regional integration is likely to strengthen the interest of Danish companies, as a regional approach to

Tanzania and the EAC will give access to a larger market, intra-regional trade and investments, and the possibilities to benefit from EAC's aligned bureaucratic processes and the common tax and customs regulations. Even with these improvements, however, East Africa – and Tanzania in particular – is not an easy market to enter for Danish companies. It is important to have knowledge of the political, social and cultural environment. Sufficient patience and robust attitude in dealing with bureaucratic obstacles and corruption can also be crucial to success. The Danish embassy in Tanzania is prepared to assist Danish companies with knowledge in these areas.

The Tanzanian growth rates appear attractive to European investors, who face low growth in their home markets. However, the current Tanzanian market for consumer goods continues to be relatively small. Even though the East African countries have growing middle classes, it is important to recall that they are growing from a low base, and that goods produced in Europe are still too expensive for the vast majority of East Africans. Considering the high regional growth rates, however, the market could for certain selected

consumer goods, become interesting within 5-10 years, and some foreign investors are currently preparing for this development.

The Ministry of Foreign Affairs of Denmark will continue to promote trade and commercial activity between Denmark and East Africa, including Tanzania. The long history of Denmark's engagement in Tanzania means that the embassy is in a strong position to assist Danish companies in a broad range of sectors. Denmark will make efforts to create synergies between development cooperation and commercial activities by utilizing the experience from the development cooperation in relevant sectors. The embassy in Tanzania aims at positioning itself as an esteemed advisor to companies in the region by enabling commercial interests to benefit from all GoGlobal tools and instruments. As such Denmark will apply a comprehensive approach by using development cooperation, commercial instruments and political dialogue to foster further commercial cooperation between Denmark and Tanzania.

#### **THE DANISH PROGRAM CONTRIBUTES TO TANZANIA'S NATIONAL TARGETS IN THESE AREAS:**

1. Creating employment, especially for women, youth and people with disabilities.
2. Reducing unemployment by half by 2015 compared to the level in 2008.

### 3.3 STRENGTHENING DEMOCRACY, GOOD GOVERNANCE, RULE OF LAW AND RESPECT FOR ALL HUMAN RIGHTS

While the Tanzanian government is broadly committed to ensuring non-discrimination, participation, transparency and accountability in the public sector, progress in realizing the core public sector reforms is not living up to expectations. The primary drive for change will need from an active population that makes greater and more broadly articulated demands for a more responsible political system and political leadership.

#### 3.3.1 Focus Area:

##### **Supporting the Demand Side of Good Governance and Human Rights for All**

The development contract with the government of Tanzania, deals with the supply side of governance and services to the population. As a logical supplement to this side of the development cooperation, Denmark will also support the demand side – the Tanzanian civil society – in working to promote democracy, good governance, rule of law and respect for human rights. There is an important link between provision of budget support, which enables the government to live up to its obligations, and the support to the work of civil society in increasing understanding of and the demands for increased social accountability. Denmark will assist the citizens' own organisations, such as the Foundation for Civil Society, in ensuring that the poor have a voice in society and enhancing the monitoring

mechanisms and advocacy in the social sector. Women's rights and gender equality are integral parts of this agenda, which has great strategic importance in relation to population growth, one of Tanzania's major challenges. This area will therefore be central in the Danish assistance effort to Tanzanian civil society.

It is envisaged that support will go mainly to key institutions and organisations that can advocate for and make demands for good governance, help to ensure the systems of checks and balances necessary to a democratic society and generally hold the government accountable to its citizens. Among these institutions could be parliament, civil society (including women's organisations and legal aid providers), media and private sector institutions such as the trade unions and the employers' organisations. Denmark will select partners who can promote social accountability and transparency in the government, both locally and nationally, especially as regards the use of public resources. The choice will also include partners who focus on ensuring that basic social services are

accessible for all and not least for women. Women have a special need in terms of reproductive health, an area crucial for Tanzania's long-term development. Special interventions may be designed to promote similar objectives in Zanzibar, which is in many ways is a special case and which has its own institutions.

The main objectives and expected results of the Danish engagement in this area are:

- Strengthened demand for good governance via a strong and vocal civil society;
- A deeper and more developed democracy via stronger institutional checks and balances;
- Greater respect for rule of law and human rights;
- Improved transparency and accountability via strengthened capacity of key public sector institutions.

In order to achieve these goals, Denmark will use a combination of policy dialogue and systematic integration of human rights considerations in all development interventions.

#### **THE DANISH PROGRAM CONTRIBUTES TO TANZANIA'S NATIONAL TARGETS IN THESE AREAS:**

1. Promotion of peace, social cohesion, national dialogue and mechanisms for conflict resolution (by 2015);
2. Effective reduction of corruption and of money-laundering (by 2015);
3. Social, political, economic and cultural rights for all, with particular focus on vulnerable groups (by 2015).



### 3.3.2 Focus Area:

#### Regional Peace and Stability

Denmark supports the demand side of good governance and rights in Tanzanian society, but ensuring peaceful democratic development must also be based on promoting regional peace and stability as a precondition for creating a sustainable environment for economic growth, social development and political stability. Denmark will therefore support and work for closer cooperation on regional and global issues in areas where Tanzania and Denmark could benefit from the partnership.

Traditionally, Tanzania has been an important foreign policy player in Africa. Tanzania continues this tradition – both diplomatically and with more than 2000 peace-keeping troops in African conflict areas – and Tanzania is increasingly active on global issues. Its strengthened democracy, political stability and sustained economic growth have provided a platform for Tanzania being able to act with more assertiveness and authority on regional and global issues. As such, it has the potential to become an even stronger partner for Denmark. A more internationally assertive Tanzania would enable increased cooperation on important global issues such as climate change, human rights, including women’s rights, and counter-terrorism and piracy. It is particularly in the UN and other multilateral forums where there will be possibilities for partnership. Tanzania, a large developing country, shares many values with a small

developed country like Denmark, and to the extent that the two countries can strengthen their cooperation on global issues in precisely these forums, it can boost the importance and legitimacy of these issues. As opportunities emerge, Denmark will actively seek to establish closer cooperation with Tanzania in addressing shared challenges.

The increasingly important role of Tanzania in the international efforts to combat piracy constitutes a specific opportunity for cooperation. Tanzania has recently strengthened its counter-piracy efforts, and this could also potentially nurture a much-needed regional cooperation on counter-piracy. Tanzania and Denmark recently entered into a bilateral agreement on the transfer of suspected pirates. As a result, Tanzania, upon request from Denmark, may accept the transfer of persons detained by Danish naval forces in connection with suspected acts of piracy. The Tanzanian authorities will be able to conduct legal investigations and prosecution. This agreement is

evidence that Tanzania has assumed greater responsibility in the common struggle against piracy, and Denmark is prepared to extend diplomatic and technical support to this end. Furthermore, Tanzania is also active in the international work to fight crime in connection with mass atrocity crimes and attempts to evade prosecution and promote respect for the rule of law.

#### THE DANISH PROGRAM CONTRIBUTES TO TANZANIA’S NATIONAL TARGETS IN THESE AREAS:

1. Strengthening international cooperation and peace-making, conflict resolution and diplomacy;
2. Controlling immigration, efforts to check illegal arms imports and curbing of cross-border violence and crime.

## 4. INCREASING CULTURAL COOPERATION AND EXCHANGE

Every significant partnership between nations should include cultural exchange as a way of bringing citizens together and enhancing mutual recognition and understanding. The Danish-Tanzanian partnership will place further emphasis on cultural cooperation, and special emphasis will be placed on the performing

arts, with a potential of reaching large sections of the population in both countries. Support to performing arts in Tanzania may even have a more commercial element. The cultural programme will be developed and implemented by the Danish Centre for Culture and Development.

## 5. RESEARCH

There is a long and rich tradition for research cooperation between Denmark and Tanzania. The cooperation between universities dates back to the 1960s and the beginning of development cooperation. It has been a constant reality in the 50 years of development cooperation between Denmark and Tanzania, and it has produced many

positive results, in the form of knowledge in the two countries and capacity development in Tanzania. Denmark will continue to support research in Tanzania, both through traditional development research and through other initiatives, such as the South-driven research cooperation and initiatives linked more directly to the sector programmes.

## 6. MONITORING OF PROGRESS

Within each of the thematic areas, specific indicators will be chosen to monitor performance and results. To the largest extent possible, these indicators will be chosen from the Tanzanian government's own strategies and systems for monitoring the selected areas. Denmark will continuously monitor developments and progress against these indicators and assess the extent to which the support has led to the intended results. Within each area, Denmark will identify potential risks and the needed strategies

to continuously monitor and manage these risks. A comprehensive high-level review of the entire Danish Tanzania policy and country programme will take place during the 2014-2018 period. The goal will be to assess whether the strategic objectives within each thematic area continue to be relevant in relation to the overall goals, and whether the Danish support has been provided in the most effective way possible to achieve the desired results.

# ANNEX 1

## FACTS ON TANZANIA

KEY ECONOMIC DATA	UNIT		SOURCE
Area	km <sup>2</sup>	885,800	WDR
Population (2011)	Million	46.22	WDR
GDP (2011)	Billion USD	23.87	WDR
Annual economic growth (GDP) (2011)	%	6.45	WDR
GNI per capita (2011)	USD	540	WDR
Growth in GNI per capita (2011)	%	3.53	WDR
Ease of doing business (2012)	Rank	134	DB
Economic sectors: Value added (% of GDP) (2011)			WDR
Agriculture	%	27.68	
Industry	%	25.07	
Manufacturing	%	10.23	
Services, etc.	%	47.25	
Government expenditures (% of GDP) (2010/2011)	%	27.0	IMF
Tax revenue (excluding grants, % of GDP) (2010/2011)	%	15.2	IMF
Net official development assistance per capita (2010)	Current USD	65.97	WDR
Net official development assistance (% of GNI) (2010)	%	13.08	WDR
Debt service (ratio to exports – TDS/XGS) (2011)	Ratio	1.97	WDF

KEY SOCIAL DATA	UNIT		SOURCE
Population growth (annual average) (2000-2010)	%	2.8	UGS
Life expectancy (2011)	Years	58.15	WDR
Infant mortality (number of deaths per 1000 births during the first year of life) (2011)		45.4	WDR
Population with permanent access to an improved water source (2010)	%	54.5	NBS
Access to health facilities (percentage without access) (year)	%	N/A	HDR
Number of doctors (per 100,000 inhabitants) (year)	...	N/A	HDR
People btw. 15-49 years living with HIV (2011)	%	5.8	UNAIDS
Adult literacy rate (2010)	%	73.2	WDR
Primary education (percentage of school-age children attending school) (2007)**	%	83.6	NBS
Girls in primary education (percentage of girls of school age attending school) (2007)**	%	86.1	NBS
Social sectors (percentage of public expenditure) (year)	%	N/A	WDR
Military expenditures (percentage of GDP)	%	1.08	WDR
Distribution of income (percentage of national income) (2007)			WDR
Richest 10% of population	%	29.61	
Poorest 10% of population	%	2.82	
KEY ENVIRONMENTAL DATA	UNIT		SOURCE
Ratio of land area protected to maintain biological diversity to total surface area	%	N/A	CBD/IUCN
Carbon dioxide emissions per person and consumption of ozone-depleting CFCs (ODP tons)	ODP tons	N/A	UNFCCC
KEY HUMAN RIGHTS DATA	UNIT		SOURCE
Ratification of main international human rights instruments (12 in total)	No.	N/A	OHCHR
Compliance with main international human rights instruments	No.	N/A	OHCHR

Note: Numbers in this table may differ slightly from the numbers used in the policy paper due to the use of international sources. Where available, the policy paper has used newer national calculations.

# ANNEX 2

## DENMARK'S DEVELOPMENT ACTIVITIES IN TANZANIA

### General Budget Support

Danish direct support to Tanzania's budget can be traced back to the very beginning of the partnership. However, General Budget Support in its current form began after Tanzania reached international debt release in 2001, where Denmark was among the first development partners to enter into a Poverty Reduction Budget Support (PRBS) programme. The most important objective of this direct budget support is to contribute to economic growth and reduction of poverty by supporting Tanzania's own Poverty Reduction Strategy. Denmark has since 2011 provided approximately DKK 1.1 billion in general budget support to Tanzania. Another DKK 615 million is committed under the current fourth phase of the Danish GBS programme, which runs from 2011 to 2015. In the current phase, 80% of the Danish funds are given as a fixed annual tranche, while approximately 20% is dependent on fulfilment of performance agreements in selected areas.

The provision of GBS, together with increased tax revenues, has increased the state's capacity to mobilize resources and increased public expenditures, enabling for significant growth in public services, particularly in health and education. GBS has also created a structured framework for dialogue between development partners and the Government of Tanzania. In terms of poverty reduction, however, the progress has been disappointing, with a largely stable, high poverty level over the last decade. The great future challenges are to decrease the transaction costs of aid and to focus the dialogue on the key problem areas, such as poverty reduction.

### Democracy, Human Rights and Good Governance

Danish support for Democracy, Human Rights and Good Governance can be traced back to the period prior to the abolition of the one-party system in 1992. The presidential election of 1995 was also supported by Denmark. Throughout the years, Denmark has supported democratic development in Tanzania by supporting key democratic institutions, civil society organisations and many of the important reforms in the public sector, such as the Public Service Reform, Local Government Reform, Public Financial Management Reform and Legal Sector Reform. The current phase, which runs from 2011 to 2015 with an amount of DKK 250 million, gives support to three components.

1) Support for democratic interaction and accountability through civil society organisations and empowerment of the media.

2) Support to the legal sector through increased access to legal service facilities and support to the Legal Sector Reform.

3) Support for the Public Financial Management Reform Programme to achieve more sound and more sustainable financial management structures, especially a more sustainable system of tax management.

### Health

The objective of Denmark's support to the health sector is to improve the general health status and well-being of all Tanzanians, with a special emphasis on women, children and vulnerable groups. The programme is aligned with Tanzania's national poverty reduction and sector strategies as well as the Millennium Development Goals. Since the Government of Tanzania initiated the health reform in 1996, the Danish support has been in the form of sector programme support. The current fourth phase of the Health Sector Programme Support (HSPS IV) runs from 2009 to 2014. The programme supports three different components, the health sector on the Mainland, the health sector in Zanzibar and a multi-sectoral support to HIV/AIDS. The current fourth phase has a total budget of DKK 910 million, where Mainland is the largest component, receiving DKK 528 million (80% of which is co-financing through a Health Basket Fund). The many years of involvement in the health sector both on the Mainland and in Zanzibar, have generated positive results in form of reduced child mortality, reduced level of infectious diseases and better planning and collaboration around the support to basic health services. Challenges persist in ensuring human resources to health care facilities especially in rural areas, better quality of service delivery and more equity in access.

### Road sector

Since the late 1980s, Denmark has supported the road sector with more than DKK 1.9 billion, and helped in the construction of some of Tanzania's most important roads. A review in 2000 revealed a need for socio-economic initiatives, and it is a priority to make space for trade and pedestrians. At the same time, emphasis will be placed on road safety measures. Roads and transport have a high priority in the government's plans for poverty reduction, and a well-functioning road network is considered a precondition for the economic growth and social development in Tanzania. The Danish support for this sector is to be phased out by 2014.

### **Agriculture**

Through the years 1999 to 2008, Denmark contributed approximately DKK 454 million to Agriculture Sector Programme Support. The overall aim was a sustained increased rate of growth in the income of the rural population. To achieve this, the second phase of assistance (ASPS II) was given as support for policy reforms, promotion of private sector growth within the agricultural sector (PASS), farmers' access to quality seeds, and increased agricultural development at local level. As time passed, however, the various components were increasingly implemented as fragmented, individual projects, lacking a coherent and strategic approach. The intended developing synergies between components were lost. Thus, the programme underachieved in terms of having an impact on national policy development, and the Danish support was phased out in 2008. Some of the more successful elements, such as the PASS support, after a restructuring, were included in the Business Sector Programme.

### **Business Sector**

Denmark has been supporting Tanzania's business and private sector development since the early 1990s. The main purpose of the Danish support has been to develop the private sector as an engine of pro-poor economic growth that supports Tanzania's Poverty Reduction Strategy. Currently, the third phase of the Business Sector Programme Support (BSPS) focuses on: improved business environment, better access to international markets and the development of the micro, small and medium enterprises sector, including agriculture. The third phase is coming to an end (2008 – 2013), and the formulation of the fourth phase is at the final stage. The total financial support for the first three phases amounts to DKK 925 million, and the fourth phase will have a budget of DKK 600 million. The first three phases of BSPS have generated significant results and have played a key role in, for example, the establishment of the Vocational Education and Training Authority, improved functioning of the labour market, strengthened the capacity of the Ministry of Industry and Trade and improved access to financial services for more than one million people. The support to broad-based business environment reforms has been less successful, and the general pace of reform remains slow and will continue to be a challenge in the future.

The development activities in Tanzania's business sector also include the Danida Business Partnership (DBP) Programme

and support to the East African Community (EAC). Support to the EAC aims to increase regional economic integration and to create larger markets, increase competitiveness on the global market and attract foreign investors. The current Danish support amounts to DKK 160 million over the years 2012-2014.

### **Environment**

For more than 20 years, Denmark has supported the environment in Tanzania. In the 1990s, the support was primarily for projects in the southern highlands, and in the end of the 1990s, the first Environmental Support Programme (ESP) was developed, and since 2000 it is this programme that has guided the Danish support. The current Danish support is focused on two issues 1) Urban Environmental Management with the aim of introducing environmental planning and management at the municipal level. 2) Natural Resource Management to support forests and wetlands. The programme support from 2007 to 2012 has had an overall budget of DKK 180 million. Most recently, Denmark has supported the development of Tanzania's first National Climate Change Strategy. The Danish support to the environmental sector will be phased out gradually until the end of 2015.

### **Culture**

From 2008 to 2012, Denmark supported the protection, promotion and development of Tanzania's cultural identity and diversity with DKK 6.2 million. In working with school children and upcoming artists, the support helped to empower vulnerable groups through their active participation in arts and culture. A new phase is expected.

### **Gender**

Denmark has supported the empowerment of Tanzanian women since 2002. The aim has been advocacy activity and enhancing of women's rights to, for example, school and land. In the phase from 2009 to 2011, one of the main results was the completion of the National Gender Diagnostic Study. The current phase (2012-2014) of DKK 25 million, aims to prevent and fight gender-based violence and to empower women economically, especially women in the rural areas, through network and enhanced business skills.

## ANNEX 3

# OVERVIEW OF PROGRESS TOWARDS THE MDGS IN TANZANIA (MAINLAND)

INDICATORS	Baseline 1990	Current level	MDG objectives 2015	Progress
<b>GOAL 1 ERADICATE EXTREME POVERTY AND HUNGER</b>				
1.1 Proportion of population below (\$1, PPP) (based on national income poverty line)	39%	33.6% (2007)	19.5%	Not achievable
1.1 Proportion of population below (\$1, PPP) (based on national food poverty line) <sup>5</sup>	21.6%	16.6% (2007)	10.8%	Not achievable
1.8 Under-5 Underweight (%) (weight-for-age below -2SD)	28.8%	16.8% (2009)	14.4%	Not achievable
1.8 Under-5 Stunted (%) (height-for-age below -2SD)	46.6%	38.9% (2009)	23.3%	Not achievable
<b>GOAL 2 ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>				
2.1 Net enrolment ratio in primary education (%)	54.2%	95.4% (2010)	100%	Achievable
2.2 Gross enrolment ratio in primary education (%)		112.7%	100%	Achievable
<b>GOAL 3 PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</b>				
3.1 Ratio of girls to boys in primary school (%)	98%	101%	100%	Achievable
3.2 Ratio of girls to boys in secondary school (%)		105%	100%	Achievable
3.3 Ratio of females to males in tertiary education (%)		68.0%	100%	Achievement probable
3.4 Proportion of women among members of Parliament (%)		30.3%	50%	Achievement probable
<b>GOAL 4 REDUCE CHILD MORTALITY</b>				
4.1 Under-five mortality rate (per 1,000 live births)	191	81 (2010)	64	Achievable
4.2 Infant mortality rate (per 1,000 live births)	115	51 (2010)	38	Achievable
4.3 Proportion of children vaccinated against measles (%)		85%	90%	Achievement probable

5. The income, which is needed for a person to be able to consume 2,200 kcal a day, if that person consumes the same food as the poorest 50% of the population in average. The limit is set local geographically and time wise.



INDICATORS	Baseline 1990	Current level	MDG objectives 2015	Progress
<b>GOAL 5 IMPROVE MATERNAL HEALTH</b>				
5.1 Maternal Mortality Ratio (per 100,000 live births)	529	454 (2010)	133	Not achievable
5.2 Proportion of births attended by skilled health personnel (%)	43.9%	50.5% (2010 DHS)	90%	Not achievable
<b>GOAL 6 COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES</b>				
6.1 HIV prevalence, 15-24 years (%)	6 %	2.5% (2008)	< 6%	Achievable
HIV prevalence, 15-49 years (%)		5.7% (2008)	< 5.5%	
<b>GOAL 7 ENSURE ENVIRONMENTAL SUSTAINABILITY</b>				
7.8 Proportion of population using an improved drinking water source (% of rural population)	51%	57.1% (2009)	74%	Not achievable
7.8 Proportion of population using an improved drinking water source (% of urban population)	68%	83% (2009)	84%	Achievable
7.9 Proportion of people with access to improved sanitation (Rural/Urban)		13.3% (2010 DHS)		Not achievable
<b>GOAL 8 DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT</b>			Achievement probable	

Source: Country Report on the Millennium Development Goals 2010, <http://www.povertymonitoring.go.tz/>



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