

## **POVERTY REDUCTION STRATEGY AND PARTICIPATORY PUBLIC EXPENDITURE REVIEW PER: A NOTE**

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#### **Background to where we are**

To have a comprehensive understanding as to where we are today and the rationale for adopting the PRSP approach requires a thorough review of the efforts and struggles the country has gone through over the years, taking note of the achievements and acknowledging challenges still ahead of us. Just to recall that Tanzania's struggle against poverty has a long history spanning from the time of independence in 1961. The fight was to be waged also against two other related enemies, i.e., ignorance and disease.

A number of policy initiatives were attempted during the 1970s and 1980s with poverty eradication embraced then as the main goal of development.

The major strategy was to achieve:

- A more equitable distribution of income
- Thus major means of production were to be in public hands through nationalization
- The public sector was to play a dominant role in terms of production, distribution and expansion of social services.
- Manpower development emphasized to create a critical mass of expertise to take over the management of the economy

Achievements and downsides to note:

- The strategy achieved significant gains in terms of raising life expectancy from 35 years in 1961 to 52 by late 1980s, and raising literacy rates from 25 percent to 95 percent.
- The strategy did not, however, give enough emphasis to growth,
- Responsibility on resource mobilization and capital expansion (investment) was heavily rested in the hands of the public sector
- Achievements were shortlived: poverty levels were unbearably still high, especially in rural areas, disturbingly encroaching also urban areas
- Gains in the social sector could not be sustained on account of a narrow resource base, were largely foreign-funded and thus capacity expanded by far exceeded the growth in own resource base, causing a strain on maintenance and operational capacity.

## Lessons

- Too much reliance on the public sector?
- Little emphasis on growth?
- Too much reliance of foreign funding?
- Blurred targets, ambitious objectives, no clear focus?
- Weak institutional set up and capacity to implement and monitor?

## **Economic crisis and Reforms**

We recall the economic crisis, which beset Tanzania beginning late seventies to mid eighties. Briefly this was seen in the following:

- Stalled economic growth, growth rates down to negative rates
- Rates of inflation high, to above 30%,
- Access to goods and services problematic: shortages, poor quality
- Social service delivery infrastructure and network negatively affected – poor roads, poor communication.

This necessitated reforms beginning mid-eighties, aimed at:

- Restoring growth
- Reducing inflation to acceptable levels
- Restoring macroeconomic stability
- Need to entice confidence, credibility, in the management of the economy with emphasis on good governance – economy liberalized, political field opened up (including slow recognition of role of CSOs), civil/public service reforms, financial sector reforms, encouraging private sector growth, etc

## **Results of the Reforms**

- Recovery of growth,
- Reversal in the declining trend of per capita real income
- Price stability,
- Improvement in the choice of consumer goods and services
- Improved civil liberties – multipartism, CSO involvement, etc.

## **What about the poverty situation?**

- Poverty levels still high with fears of poverty worsening, especially in rural areas and distressed urban areas
- Concern about the worsening social conditions and life of the majority poor.
- The poor and vulnerable groups not integrated into the development process.

## Lessons:

- Likelihood to further stall economic development if the poor are not solidly integrated into the country's economic mainstream?
- Need clear linkage between efforts at macro level and activities at the micro level?
- Need to ensure people (the poor) become part and parcel of the growth process

- through investment in areas that absorb the majority of the population and provision of low cost credit to the economically active poor and SMEs?
- Important to invest in social services – education, health, water, etc?
  - Need, therefore, to revisit the whole package defining the country's development agenda?

### **Emergent policy initiatives/strategies**

Renewed commitment to the goal of eradicating absolute poverty as spelt out at the WSSD held in Copenhagen Denmark in 1995.

Following this the third phase Government renewed its commitment to combat poverty in the country and designated the Vice Presidents Office to be the national focal point for poverty eradication, since November 1995.

The policy context to the problem was considered essential and has been carried out through the following policy documents and processes:

- The National Poverty Eradication Strategy (NPES)
- National Vision2025
- Tanzania Assistance Strategy (TAS)
- PER/MTEF processes
- PRSP

The goal is to reduce abject poverty by 50% by the year 2010, and complete eradication of absolute poverty by the year 2025. The idea then is to:

- Creating an enabling environment
- Building capacity through ensuring presence of a strong economic base
- Promoting the social services sector with focus on human development

### **The Poverty Reduction Strategy Paper**

Tanzania prepared the Poverty Reduction Strategy Paper (PRSP) to guide the country in the medium term in its efforts to attack poverty.

The PRSP was prepared under the Highly Indebted Poor Countries (HIPC) initiative to channel debt relief funds to priority sectors (basic education, primary health care, water and sanitation, rural roads, research and extension in agriculture, HIV/AIDS, and good governance (Judiciary) and related activities for poverty eradication.

It was prepared through a consultative/participatory process that involved different stakeholders at different levels.

It is also based on the Vision 2025 and National Poverty Eradication Strategy, looked at as an instrument for implementation with a 3-year targets updated annually. It focuses on the following three critical dimensions of poverty:

- Reducing income poverty,
- Improving human capabilities, survival and social well-being, and
- Containing extreme vulnerability among the poor in the sense of managing risk to shocks, stress, etc.

### **The PRS in Context**

The adoption of the PRSPs came partly due to:

- (i) The realization of the fact that the traditional approach to development aid did not seem to be working
- (ii) The implementation of policies that were neither good for growth or for poverty reduction.
- (iii) Pressure in the North for debt relief.
- (iv) Criticism of conditionality, of structural adjustment as not pro poor.
- (v) Criticism of lack of effectiveness of foreign aid, and
- (vi) At the intellectual level increasing broad conception of welfare and what constitutes development beyond issues of growth and income to now addressing issues of security, opportunity, empowerment, human capabilities and entitlements, peace, human rights, etc.

Thus PRSPs represent a radical approach in tackling problems of poverty and the need for involvement of all stakeholders, including:

- Government
- Civil society
- Private Sector, and
- Development partners

There is emphasis, however, on:

- Country ownership
- Results orientation
- Comprehensive view of poverty
- Development oriented, addressing a country's long-term development goals (Vision 2025)

### **PRSP Principles**

The process of preparing the PRSP has, therefore, to follow at least five principles; these are:

- (i) Country-driven process, with broad participation of civil society,
- (ii) Results-orientation, with stated goals, targets and indicators to assess progress,
- (iii) Taking a long-term perspective – Development Vision,
- (iv) Comprehensive – capable of addressing the multidimensional nature of poverty and how to reduce it, and
- (v) Partnerships – bringing together all stakeholders.

In addition, the PRSP have to develop:

- (i) Realistic objectives, policies and intermediate outcomes (monitoring and evaluation).
- (ii) Enhance understanding of links between policy actions and poverty reduction outcomes (See PSIA).
- (iii) Set priorities for and deepen consultations with civil society.

### **Poverty Monitoring System: Institutional set up**

- *A Poverty Monitoring Steering Committee*, which has a broad membership
- *The PRS Technical Committee*, whose work is supported by four TWGs:
  - *Surveys and Census*
  - *Routine Data Systems Technical*
  - *Research and Analysis*
  - *Dissemination, Sensitization and Advocacy*
  - *Secretariat composed of VPO (poverty mandate), MoF (budget management) and PO-PP (macro policy mandate)*

We have also a Pooled Fund Facility to facilitate implementation of monitoring activities operationalized through a MoU between the Government and Pooled Fund partners.

A number of outputs are generated through the PMS, these include:

- PRS Progress reports, with simplified versions to establish the level of success in meeting the PRS targets
- Annual Report on Poverty and Human Development to provide a critical review of what is on the ground and provide pointers on the way forward
- Popular versions of various reports including the Annual Report on Poverty and Human Development to ensure wider reach
- Reports on surveys, studies, analyses in publications and electronically
- Updates of TSED (Tanzania Socio-Economic Database) and a vehicle for tracking achievements with regard to PRS targets, and online Library – Tanzania Online
- Policy briefs – specific issue papers.
- Participatory Poverty Assessments (PPA) main report and policy briefs
- Seminars and workshops

### **The Public Expenditure Review (PER) Process**

- Related processes that feed into the PMS are the PER/MTEF.
- These are used for monitoring of inputs – budget issues.
- The Public Expenditure Review (PER) and Medium Term Expenditure Framework (MTEF) guide the government in improving budget management and accountability.
- The two processes serve as coordinating frameworks in the budget planning process to ensure that all the necessary inputs are strategically taken on board in a manner that coordinates all the sectors, in line with the available resource envelop with focus on the priority sectors.

The MTEF enables:

- Strategic prioritization
- Integration of donor support to government budget frame
- Easy shift of donor finance towards more flexible budget support, through the Poverty Reduction Budget Support (PRBS) for bilateral donors, Poverty Reduction Support Credit (PRSC) for World Bank
- Mainstreaming poverty reduction strategy (PRS) financing as evidenced by higher expenditure shares now going to PRS priority sectors.

The PER process:

- Evolves around a continuous dialogue between the GOT and donors on budget issues,
- Serves as an external assessment of the government's fiscal performance
- Provides an advisory forum involving other stakeholders (donors, CSO, sector ministries) to improve budget management, through the PER Working Group (main and sectoral) and annual Consultative Group meeting
- Serves also as a monitoring mechanism of government expenditure in a transparent manner.

**Status on the ground:**

Results from HBS00/01 show the following:

- The proportion of the population *below the food poverty line* to have declined from 21.6 percent in 1991/92 to 17.7 percent in 2000/01, a fall of 18 percent over the decade
- The proportion of the population below the *basic needs poverty line* declined from 38.6 to 35.3 percent (a decline of 8 percent) over the same period.
- Inequality levels seem to have risen slightly, with a *Gini coefficient* of 0.37 compared to 0.34 in 1991/92.
- This is at a time of improved economic performance in terms of macroeconomic stability and higher growth rates (5.6%), and low rates of inflation (now down to 4.7 percent per annum).
- There are observations that achievements at the macro level are not translating into improvement of the lives of the poor majority, especially in rural areas - the problem of macro-micro linkages.
- With regard to non-income poverty results show that there are improvements in:
  - The quality and access to drinking water in rural areas,
  - A relatively sharp rise in the use of modern construction materials for housing (urban and rural),
  - Increased access to electricity, markets, and public transport.
  - There has also been a rise in asset holding, mostly consumer durables.

But there are still some critical areas of concern, these include the fact that:

- Poverty incidence still not at acceptable levels thus need to be much more focused
- Rural poverty appears to exert a strong influence on overall poverty levels

- More than a third of Tanzanians cannot satisfy their basic needs
- Nearly 18 percent cannot afford the food required for a healthy living by Tanzania standards
- About 53 percent of the rural population still do not have access to protected water
- More than 50 percent have to fetch water more than a kilometer or so away
- Ninety percent of Tanzanians do not have access to electricity or gas
- Twenty five percent still have to travel more than 6 kilometers to a health center or dispensary
- There seems to be a steady increase of the prevalence of HIV/AIDS, rising from an average of 5.5 percent of adults in 1992 to 9.4 percent in 1999 (8.7 percent male and 12.6 percent female)
- Estimates show that about 12 percent of the country's adult population is HIV positive, the infection rate is highest among young adults, aged 19 and 25
- This spells disaster on the productive labour force, on economic growth, with the potential to divert resources away from supporting economic progress and improved livelihoods.
- Achievements at macro level not quite appreciated at micro/grassroots level
- More to be done for crosscutting issues and vulnerable groups including children, youth, the old, disabled
- Issues of employment creation, private sector development
- etc

#### **Achievements and challenges in brief:**

##### ***Achievements***

- More and sustained focus on poverty
- Results-orientation
- Broad participation and enhanced national ownership
- Donor coordination: joint PAF
- Harmonisation of processes: PRS/PER
- Costing of priorities

##### ***Challenges***

- Keep focus on poverty reduction, pro poor growth – macro-micro linkages
- Capacity to manage, effective engagement
- Holding the institutional set up together, including much more effective sector participation
- Participation and consultative process has own costs: how to ensure value added
- Reaching out to the grassroots level and keep them engaged

#### **Time to Review the PRS**

- The current PRSP was finalized in October 2000.
- Progress reports have been prepared for 2000/01, 2001/02 with the third being finalized – to close the 3 year implementation cycle.
- There was initial agreement/commitment to review PRS every 3 years.

- Thus preparations made:
  - June 2003 retreat on PRS Review, harmonization of processes and addressing capacity issues.
  - August 2003 PRS Technical Committee meeting on outputs of the retreat.
  - September 2003 High-Level meeting to endorse the plan.
  - October 2003 Launch of PRS Review during Poverty Policy Week.

#### **Why PRS Review is necessary**

- Commitment made being honored.
- Assess how well the PRS objective of reducing poverty is being met, identify gaps and suggest measures to address them.
- Strengthen awareness and ownership of the PRS across all levels and sectors of government.
- Increase the participation of the public and grassroots organizations in the PRS.
- Address the capacity and institutional constraints to the PRS in the current set up.
- Gather views on how to make the PRS more comprehensive and pro poor.

#### **Issues for Review**

- Increased focus on growth (pro poor), examine linkages between growth and poverty reduction.
- Determination of priority sectors and more impact on “non-priority” sectors for more pro poor growth.
- Strengthen the PMS institutional framework.
- Greater attention and better handling of crosscutting issues.
- Sufficient attention to governance, security and peace.
- Harmonization of processes: PRS, PER
- Further integration of MDGs into PRS.

#### **Future Practical Steps – Guide for PRS Review**

- As noted review process already launched.
- October-December 2003: consultations on scope, identification of knowledge gaps, resource requirements.
- January-September 2004: Studies on gaps, analysis of data, drafting of PRS, extensive public consultations and preparation of final draft.
- October-December 2004: Submission to IMTC and Cabinet for approval, awareness raising and dissemination of new PRSP.

#### **Role of Stakeholders**

- To lead own consultations.
- Undertake internal stakeholder analysis to:
  - Allow for discussions on specific stakeholder needs
  - Identify specific constraints and how to address them, establishment of



networks

- Stakeholder analysis should consider the following:
  - Scope of the PRS formulation process (phases and issues)
  - Identify, classify and match the stakeholders with key poverty issues
  - Establish channels of communication and information flow
  - Recommend a detailed design and action plan for the participatory process
    - including resource requirements and potential sources.
- Consultations should be at all levels:
  - National
  - Regional
  - District
  - Community/village/ward

### **Box 1: The Poverty Reduction Strategy Paper (PRSP) in Tanzania**

The process of putting together the PRSP had to follow at least five principles:

- *A country-driven process*, with broad participation of civil society and other stakeholders;
- *Results-oriented*, with targets and indicators to measure progress;
- *Taking a long-term perspective*, in line with the country's development vision;
- *Comprehensive*: capable of addressing the multi-dimensional nature of poverty and how to reduce it); *and*
- *Partnership* – bringing together all stakeholders including development partners.

Preparations of Tanzania's PRSP began towards the end of 1999, with a committee of 12 ministers and the Governor of Bank of Tanzania formulated to guide the PRSP process. A Technical Committee was formed to prepare a consultative process, an interim PRSP prospectus, propose organization of the zonal workshops and later the National Workshop and the Draft PRSP. In February 2000 the Interim PRSP was presented to Cabinet and forwarded to the IMF and the World Bank. The I-PRSP indicated the proposed process of preparing the PRSP and the contents of the Paper. The final PRSP was ready by November 2000, thus Tanzania reached the completion point then and qualified for debt relief under the enhance HIPC Initiative.

The PRSP in Tanzania is viewed as:

- A national action plan, a crucial organizing framework for putting the policy and resource focus on poverty reduction.
- It is implemented to achieve the goals and objectives set out in Vision 2025, TAS and NPES.
- The strategy is viewed as an instrument for channeling and concentrating national efforts towards broadly agreed long term objectives of halving absolute poverty by 2010 and eradicating it by 2025.
- It is also an important tool for achieving the Millennium Development Goals (MDGs) which are a set of numerical and time-bound targets that express key elements of human development, progress now reported in the PRS progress reports
- The current priority areas are education, health, water and sanitation, rural roads, agriculture, HIV/AIDS and good governance (judiciary).
- It is living document thus subjected to annual and periodic updates/reviews to take on board emerging developments on the ground.
- It is to a large extent, an integral part of ongoing macroeconomic and structural reforms that are being supported by Tanzania's multilateral and bilateral partners.