Chapter 9

Institutionalising the PRSP approach in Tanzania

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<td>Chama cha Mapinduzi</td>
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<tr>
<td>CUF</td>
<td>Civic United Front</td>
</tr>
<tr>
<td>CFAA</td>
<td>Country Financial Accountability Assessment</td>
</tr>
<tr>
<td>GoT</td>
<td>Government of Tanzania</td>
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<tr>
<td>HIPC</td>
<td>Highly Indebted Poor Countries initiative</td>
</tr>
<tr>
<td>IFI(s)</td>
<td>international financial institution(s)</td>
</tr>
<tr>
<td>IFMS</td>
<td>Integrated Financial Management System</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
</tr>
<tr>
<td>NPES</td>
<td>National Poverty Eradication Strategy</td>
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<td>PMMP</td>
<td>Poverty Monitoring Master Plan</td>
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<tr>
<td>PSRP</td>
<td>Public Service Reform Programme</td>
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<tr>
<td>PRBS</td>
<td>Poverty Reduction Budget Support facility</td>
</tr>
<tr>
<td>PRSC</td>
<td>Poverty Reduction Support Credit (World Bank)</td>
</tr>
<tr>
<td>PRGF</td>
<td>Poverty Reduction and Growth Facility (IMF)</td>
</tr>
<tr>
<td>RPFB</td>
<td>Rolling Plan and Forward Budget</td>
</tr>
<tr>
<td>TAS</td>
<td>Tanzania Assistance Strategy</td>
</tr>
<tr>
<td>TANU</td>
<td>Tanganyika African National Union/Tanzania African National Union</td>
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<td>Vision</td>
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Summary

1. The report examines Tanzania’s experience in preparing a PRSP and assesses the prospects for further embedding the PRSP and related monitoring systems in Tanzanian institutions and public policy.

Country background

2. Tanzania is one of the poorest countries in Africa. In recent years, Tanzania has managed to combine macroeconomic stability with an increasing poverty focus in public spending. Continuing weaknesses can be found in public expenditure management, local government reform, tax administration and the environment for private sector growth. In this context the PRSP provides a potentially important bridge between the priority of poverty reduction on the one hand, and the need for continuing improvements in the macro and fiscal framework on the other.

3. Politically, Tanzania is something of an ‘exception’. Unlike other African countries, independent Tanzania has been marked by considerable political stability evidenced by the absence of internal political conflict of the kind seen in Rwanda or Uganda (although tensions over Zanzibar should not be underestimated), and the political dominance of a single party (CCM) and its political leadership. Significant is the fact that even though Tanzania passed through multiparty elections in 1995, very little of the political complexion of government has changed, or CCM dominance of its political institutions.

4. In recent years the Government of Tanzania has shown itself to be a serious reformer on a number of fronts, but the political transition in Tanzania is far from complete. Liberalisation of the economy has provided a crucial boost but it has also opened the way for a more overtly patrimonial style of politics. The distance between Government and people remains large. Corruption and patronage affect much of what Government does, particularly at the local level. This is the backdrop against which current efforts to create an inclusive and publicly accountable PRS process (and other reform efforts) must be assessed.

PRSP Process

5. PRSP preparation began in March 2000 with the submission of the I-PRSP to the Washington Boards. A hastily prepared consultative process involving zonal workshops with local authorities, community groups and a selection of NGOs was then implemented in May. A preliminary report on the process was prepared for the CG meeting in May and a first draft was discussed in a 2 hour session with Members of Parliament in July. A national workshop on the draft was held in August, receiving Cabinet approval in September. The final draft was submitted to the Washington Boards in October 2000, just seven months after the start of the exercise.

6. Significant in the preparation of the PRSP was the coordinating role of the Ministry of Finance, a shift from the earlier coordinating role of the less powerful
Vice President’s Office. Preparation of the document was supported at the highest level of political authority (Presidential level) and the link with HIPC funds was a major reason given by senior government officials for preparing the PRSP as quickly as possible.

**Stakeholder responses**

7. The rushed consultative exercise has been widely criticized in Tanzania. NGOs felt short changed in the process and have complained that little real policy debate took place. Nevertheless the process did give at least some NGOs an opportunity to engage in public debate at a national level, unlike other consultative exercises that have tended to engage them at the sector level. It may be that the second-round effects are more important than the consultations themselves. Nonetheless, NGOs continue to worry that their role is seen mainly in institutional terms around the preparation of a document rather than in institutional terms, such as establishing repeat dialogue with Government on key policy issues.

8. At least one issue arising out of consultations with local stakeholders – the cost of education – did however lead to a policy commitment in the PRSP to eliminate primary school fees. This policy change was not consistent with the current policy in education of providing financially sustainable services, and it is not entirely clear at what point it was added to the PRSP document, nevertheless the change has crucial implications for reversing the decline in primary school enrolments in Tanzania, as it has in neighbouring Uganda.

9. Responses within Government to the new PRSP framework have been mixed. Knowledge and understanding about the document and the process has been limited to fairly senior officials within the Ministry of Finance and the planning departments of sector Ministries. There is much less familiarity within administrative departments and next to no knowledge of the document or process at district level.

It may be that the limited consultative process around the PRSP has been at the cost of the depth of understanding within Government itself.

10. Donor responses to the PRSP are also mixed. Concerns have been expressed about the degree of IFI ‘lead’ on the process, and the mechanical and formulaic nature of the consultative process. But there was also praise for the Government in guiding the process through so effectively and for a document that is more focused and actionable than earlier strategies. While the content of the PRSP could have been improved upon, the fact that the document was prepared largely by Tanzanian nationals (within and outside of Government) and with a process largely managed by the Government was considered to be of crucial value-added over the PFP.

11. Since PRSP endorsement, an increasing number of donors are seeing the PRSP as the broad policy framework against which they will match their support to the Government of Tanzania. A core set of donors are pushing ahead with changing the way they do business by contributing to a Poverty Reduction Budget Support facility that will channel funds directly to the Government’s
budget with a performance assessment framework linked to the PRSP. Significant here is the fact that this group of 8 donors are ‘making the first move’ to support PRSP implementation, on the agreement that Government will continue to focus its efforts on reforming fiduciary arrangements and improving the overall quality of public financial management. Other donors are as yet unwilling to make this move, insisting instead that key changes in fiduciary arrangements should happen before budget support is an option. These donors are seeking to align existing project and sector support with the sectoral priorities of the PRSP.

**Fiscal framework**

11. The bridge between the PRSP and the fiscal framework laid out in the MTEF is critical for making progress against poverty reduction targets. The pre-existence of an MTEF, albeit incomplete, was critical to the speed with which Government picked up on the PRSP approach and the speed with which it was able to align the budgetary process with the PRSP. The budgetary process has improved significantly in recent years, however there are still important weaknesses, not least in translating budget allocations into disbursements. Cash rationing also continues to places severe limits on the ability of sector Ministries to forward plan, although there has been an attempt to relax this constraint in recent months.

12. There are still insufficient links between the MTEF/PER process and the policy framework of the PRSP. Besides the endemic gaps between the policy and practice of budgeting and planning, there is a need to ensure consistency between the monitoring targets included in budget submissions and the PRSP targets and intermediate indicators. There is also a need to improve the costing of strategies, tracking expenditures and the effectiveness of service delivery. But changes within the budgetary process alone are insufficient. There is also a need for synchronisation with the wider public sector reform process, and more consistent efforts on the part of donors and Government to improve reporting of external assistance.

**Information and monitoring**

12. Plans for the collection and analysis of poverty data relating to the PRSP are contained within the Government’s *Poverty Monitoring Master Plan*. Preparation of the Plan is mentioned in general terms in the HIPC completion conditions and more specifically as a target for the first annual review of PRSP implementation.

13. The PMMP sets out the key elements of a poverty monitoring system that includes, but is not limited to, monitoring progress against the PRSP targets. The Plan content reflects a number of past and current initiatives directed towards the establishment of an integrated monitoring system, including the Poverty and Welfare Monitoring Indicators prepared as part of the NPES exercise, preparatory work on monitoring for the TAS, various PERs and the MTEF.
14. Whereas the PRSP made no firm decisions on the institutional framework for monitoring, the PMMP opts for a ‘broad stakeholder approach’ with a National Poverty Monitoring Steering Committee and a smaller number of working groups to deal with specific information and data needs of the system. The PMMP is an impressive document with a strong sense of ownership from those involved in preparing it. However, the Plan is ambitious, and the institutional framework, while built around the concept of broad membership, has complex lines of accountability and responsibility. It is not clear where the political commitment to monitoring rests or what part of the system will take final responsibility for mobilising data and analysis, particularly at short notice for PRSP monitoring.

15. The Plan centres around a multi-year census and survey programme, improved routine data production, qualitative research and dissemination. The core set of monitoring indicators draws heavily on poverty outcome information. There is limited discussion of the new range of data gathering techniques that use poverty correlates to generate information on trends quickly and cheaply. Faith is placed in the synchronisation of survey and administrative data for short term monitoring, despite neither being particularly flexible or focused on the implementation questions faced by the PRSP. It is early days, but it is possible that the optimum plan for nationwide poverty monitoring may yet prove cumbersome for monitoring short term progress against PRSP and other reform targets.

Conclusions and policy messages

16. It is difficult to generalise from the Tanzania experience. Nevertheless the PRSP has represented something new in Tanzania to the extent that it has forged a closer link between poverty strategy and the budget; it as translated broad strategy intentions into areas for action as well as targets; and it has fostered a more multidimensional approach to poverty reduction. As a document the PRSP is really only a reformulation of existing Government strategy and policy, and as such commits the Government to very little that is new (this is probably a good thing). As a process, the PRSP was rushed and the depth of understanding within Government about the PRSP approach remains relatively superficial even after 6 months of implementation. Nevertheless, the principles of the PRSP approach have taken root in the Tanzanian context, the question now is how effectively they can be sustained after HIPC completion point is reached sometime in December 01.

18. The PRSP has not involved major shifts in Government priority, but it is crucially dependent on other elements of the reform programme for its success, especially progress in local government reform, public service reform and continuing improvements in public financial and expenditure control. As yet it is not clear how these reform efforts are being synchronised and whether or not the PRSP provides enough of an added incentive to ensure that they continue to make progress. The preparation of a comprehensive poverty monitoring plan to underpin PRSP implementation is a key sign of progress, but there are still questions about the location of institutional responsibility and the production of quick-turn around data for short term monitoring implementation of the PRSP.
19. Four policy messages emerge from the report. First, it is important to manage expectations about the PRSP process. Growth targets, final outcome targets, even the volume of HIPC financing linked to the PRSP are all subject to unrealistic expectations. To make the PRSP process credible (and sustainable) these need to be carefully managed. Second, the PRSP is not the only show in town. Demands on institutional capacity need to be carefully balanced with the demands made by other reform initiatives. The international community needs to be aware of potentially conflicting demands on Government and to work on aligning their review processes with the larger PRSP review process. Third, politics matter in poverty reduction and there is a need to continue to support long term governance and political reforms in support of embedding the PRSP paper and process. Finally, ownership of the rhetoric of PRSPs is not the same as political commitment to the PRSP approach. In Tanzania, political commitment exists at the very top but it dilutes as one goes down the political hierarchy. Building that commitment from the bottom is as important as securing it at the top. In the end the test for the PRSP may not be the quality of the strategy per se, but the degree to which it becomes a platform for doing things differently.
1 Introduction

This report builds directly on the *Phase 1 Report* on the PRSP process in Tanzania prepared by the consultants in November 2000. In that report, which was written before the full PRSP was endorsed by the Boards of the World Bank and IMF, various observations were made about the significance of the PRSP process compared to previous poverty plans. Among these were:

- the strengthening the link between the strategy and the budget;
- translating broad strategy into concrete actions and targets;
- moving to a higher plane – taking poverty beyond a sectoral focus.

This report re-considers some of these early observations in the light of almost 6 months of PRSP implementation. It also tackles the main questions about the prospects for institutionalising the PRSP and related monitoring systems that were raised by the first report. In particular:

- To what extent are formal institutional changes e.g. the passing of essential legislation, progress on the MTEF and changes in the formal arrangements of donor funding, helping to embed the goals and principles of the PRSP within government and beyond?

- To what extent is change in the ‘informal’ institutional environment conducive to furthering the principles of the PRSP? Such as, increased depth of understanding about the PRSP amongst government officers at central and local levels, commitment by key stakeholders, such as Parliament, to the core principles of the PRSP, and changes in donor attitudes and behaviour.

These remain demanding questions, even after six months of PRSP implementation. This report attempts to address them as far as possible by drawing on material about Tanzania’s political and institutional history. This then forms the backdrop to a discussion of the last 6 months of PRSP implementation and a further assessment of the prospects for institutionalisation over time.

It is worth repeating at the outset that while it is essential to place the PRSP process under close scrutiny, it is also a somewhat dangerous exercise. With so much donor attention, not including the attention from domestic and international pressure groups and NGOs, there is an enormous pressure on Governments to make this process work. However, the PRSP is not the only show in town. In Tanzania, the Government is currently engaged in a major Public Service Reform Programme (PSRP), a complex process of Local Government Reform, Public Financial Management Reform and a host of lesser reform initiatives that place major demands on institutional capacity. Any judgement of the Government’s progress in implementing the PRSP must be considered in the light of this broader reform effort, while any assessment of the prospects for institutionalisation must be set against what is (or is not) realistically achievable within this broader reform context.
One thing that is clear is that Tanzania’s recent reform success preceded the PRSP, and much of what now constitutes Tanzania’s poverty strategy is to a significant extent a reformulation of government policies that have been underway for some time. In this respect the ‘additionality’ of the PRSP is actually quite modest, although it has undoubtedly helped to sharpen the Government’s focus and mobilise donor effort in a more concerted manner.

The report was prepared by Alison Evans with the assistance of Erasto Nglawea a consultant from REPOA (Research on Poverty Alleviation) an independent research institute based in Dar es Salaam. The joint work involved identifying relevant stakeholders, reviewing documents and reports from the national press and interviewing government officials, this time with a bias towards local government departments. The report also benefited from a seminar discussion organised by REPOA on the theme of institutionalising the PRSP in April 2001.

Once again the author would specifically like to thank Professor Joseph Semboja, Executive Director of REPOA for his support and Ms.Alana Albee, Social Development Adviser, DFID Tanzania for her insights and her assistance in gathering information. Useful discussions were also held with other DFID Tanzania team members during the field visits.
2 The country context

Recent macroeconomic performance

According to recent IFI briefs, Tanzania’s economy continues to perform well. The IMF’s second review of Tanzania’s performance under the PRGF arrangement in March 2001 concluded that “...real GDP growth increased and inflation further declined, even against a backdrop of higher oil prices. By end-2000, gross official reserves had reached the equivalent of 5.3 months of imports of goods and nonfactor services. Tax revenue rose significantly in the first half of 2000/01 and despite unforeseen election costs in October 2000, spending was contained. However, continuing weaknesses in public spending control led to some new arrears” (IMF News Brief, March 14, 2001).

The IMF has estimated that real GDP will grow by 5.4 percent in 2001; well below the 8% p.a. advocated by Government in its most recent budget statement, but a consistent improvement over recent years. 2001 heralds a continuation of recent macroeconomic policies, with renewed focus on tax reform, strengthening tax administration and improving public expenditure control. Reforms will also continue to address difficulties in the power sector, to improve the environment for private sector investors and to raise the efficiency and accessibility to the population of the financial sector.

Debt relief and HIPC

The required assistance at decision point to bring Tanzania’s external debt to a sustainable level (as defined by the threshold of NPV of debt-to-exports of 150 percent) amounts to roughly US$2 billion in NPV terms (Table 1). This implies a percentage reduction on outstanding debt as of June 1999 of 54 percent and nominal debt service relief of some US$3 billion.

The total relief committed by the IMF in NPV is US$119.8 million of which US$18 million has already been provided in interim relief between March 2000 and April 2001 and a further US$17 million was committed in March 2001. IDA assistance of US$694.5 million is to be delivered over the next 20 years, amounting to roughly 69 percent relief of Tanzania’s debt service falling due to IDA on disbursed and outstanding credits as of end-June 1999. The total amount of interim HIPC relief received by the Government up to April 2001 is estimated at US$54.6 million (some Tshs 46, 062 million). Tanzania expects to reach the

1 The three-year PRGF was approved in March 2000 for a total amount of SDR135 million (US$174 million). So far SDR40 million (about US$51 million) have been disbursed.
2 In the view of one recent study a more conservative 3.5 – 3.8 percent growth rate for the next two to three years would have been a more realistic target however, given the record of the 1990s (Wangwe and Van Arkadie 2000).
3 A multi-donor financial sector review was completed during the first half of 2001 with a view to guiding future action in the sector.
4 Minister of Finance’s Budget Speech to the National Assembly, June 2001.
HIPC completion point before December 2001, although as discussed in Section 3 there has been some confusion about the precise timing of the completion point.

Table 1: HIPC initiative: status of country cases considered under the initiative, June 2001

<table>
<thead>
<tr>
<th>Countries that have reached decision point</th>
<th>Decision Point (EHIPC)</th>
<th>Reduction in NPV Terms (EHIPC)</th>
<th>Percentage Reduction in NPV of Debt (EHIPC)</th>
<th>Nominal Debt Service Relief (EHIPC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanzania</td>
<td>April 2000</td>
<td>2,026</td>
<td>54</td>
<td>3,000</td>
</tr>
<tr>
<td>Uganda†</td>
<td>February 2000</td>
<td>656</td>
<td>37</td>
<td>1,300</td>
</tr>
<tr>
<td>Malawi</td>
<td>December 2000</td>
<td>643</td>
<td>44</td>
<td>1,000</td>
</tr>
<tr>
<td>Mozambique†</td>
<td>April 2000</td>
<td>254</td>
<td>9</td>
<td>600</td>
</tr>
<tr>
<td>Rwanda</td>
<td>December 2000</td>
<td>453</td>
<td>71</td>
<td>810</td>
</tr>
<tr>
<td>Zambia</td>
<td>December 2000</td>
<td>2,499</td>
<td>63</td>
<td>3,820</td>
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</tbody>
</table>

† Uganda and particularly Mozambique received significant relief under the original HIPC framework.


Poverty trends

Tanzania’s per capita income is among the lowest in the world and poverty is widespread. Recent efforts to construct a poverty line for Tanzania put the number of Tanzanians living in extreme poverty between 36 and 40 percent. Over 60 percent of the rural population are living below the poverty line.

The most recent data on poverty levels from the latest Integrated Household Budget Survey was not available at the time of writing, but early indications are that following a period of declining poverty in the mid to late 1980s, poverty levels in the 1990s have stagnated, with some evidence of growing inequality of incomes and capabilities. Progress in improving health and education outcomes continues to be slow, with poor Tanzanians continuing to experience inadequate health and education services, made worse by the rapid spread and impact of HIV/AIDS.

Political and policy context

Tanzania is viewed by many observers of politics and political change in Africa in somewhat exceptional terms (Gibbon, Bates, Landau). This ‘exceptionalism’ is

Completion of which was a condition for the first annual review of the PRSP and HIPC completion.
often characterised in terms of a set of ‘presences’ and ‘absences’. The presences include a strong sense of nationhood, relating to the legitimacy acquired by the ruling party during the Independence struggle, the charismatic authority of Julius Nyerere who became the country’s undisputed nationalist symbol and, although discredited now, the distinctive ideology of ujamaa – socialism and self-reliance.

There is also a set of absences, including the absence of a clearly dominant ethnic group, and an absence of national leaders with strong local followings. As Kelsall notes “Promotion to national office or high office at Regional level in both party and government was strongly conditioned by loyalty to Nyerere, fluency in the ideological language of ujamaa, and administrative competence” (2000:547).

The consequence of these ‘presences’ and ‘absences’ has been a long period of political stability in Tanzania, particularly in the countryside, and the creation of a strong national identity and a national politics that, at least for the 15 years immediately following Independence, was barely tested.

Underpinning this national politics was the early fusion of party and state, and the ideology that the state would provide for basic human needs. Central was the state provision of public goods and services, especially in rural areas. As a result Nyerere and his followers were able to achieve high levels of ‘participation’ while avoiding fundamental challenges to the regime. Support also flooded in from external partners with many donor relationships, especially between northern European donors and Tanzania, rapidly becoming ‘institutionalised’ as they sought to support the ujamaa philosophy.

Over time, however, the structures created to support the party-state system came under economic stress and came to be seen as increasingly non-participatory and coercive. The test for Tanzanian national politics came in the 1980s when economic collapse brought down the parastatals and led to the growth of the informal economy. Early reform efforts, instituted without IFI support, produced little positive effect and failed to halt worsening economic conditions. With Nyerere’s 1985 retirement and the ascendancy of Ali Hassan Mwinyi, Tanzania formally abandoned many of its socialist principles and in 1986, an IFI Economic Recovery Plan was launched.

With both the economic collapse and attempts at reform, the institutions that had been used to build Tanzanian politics faltered. Public spending, particularly in key areas of social provision, collapsed. Living costs rose and the parallel market in currency and commodities expanded enormously. Whereas under Nyerere, party leaders were required to forsake private enterprise, under Mwinyi many senior

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6 See Kelsall (2000).
7 TANU (the Tanganyika Africa National Union, and later the Tanzania African National Union). TANU joined with the Zanzibari Afro-Shiraz Party in 1977 to form the Chama cha Mapinduzi (CCM) party that remains in power today.
8 Tanzania has a diverse and dispersed ethnic population, none of which found favour under colonial rule and none of which were well placed at Independence to dominate the others.
9 The National Economic Survival Plan (NESP).
10 Although many party luminaries did sit on the boards of parastatal enterprises securing allowances and inevitably some rent-seeking opportunities.
party members acquired substantial property and entered into elaborate deals with local and foreign investors. As Landau observes “Government officials, once almost universally respected, were seen as, and indeed became, increasingly corrupt and self-interested” (1998:21).

As the urban middle classes were forced to rely heavily on the parallel economy, so in rural areas a whole new breed of associations emerged to meet demands for goods and services no longer fulfilled by the state. Many of these ‘associations’ were among the first non-governmental organisations to register in Tanzania. This process of ‘informalisation’ was also accompanied by what some observers have termed ‘departicipation’ or what might be better described in contemporary terms as ‘exit’ from formal economic and political life. This was a period in which both party and the institutions of the state suffered a major crisis of legitimacy, an important factor in the eventual push for political reforms in the mid 1990s.

In 1995 Tanzania held its first multi-party elections. The transition to multi-party democracy was not due to a sudden upsurge of grassroots opposition, or demanded by an organized, if latent, civil society. Nor was it entirely down to external (donor) pressure, although this was undoubtedly important. Rather, given the trajectory of the party-state system in the years following Nyerere’s retirement it seems more likely that “the process of reform ...[was] a way to restore legitimacy and popular support to the CCM” (Landau:24).

In line with the analysis of political transitions in Africa by Chabal and Daloz (1999), Landau notes that the shift to multi-party elections in Tanzania, while significant in itself, made relatively little impact on the complexion of political relations between the governors and the governed. “Political liberalisation was intended to re-establish the party’s effective dominance of politics at both the national and local level” (Landau:24). A key symbol of this is the continuity of personnel in both the ruling party and the newly formed opposition.

While the introduction of multi-partyism did not bring about a political renaissance in Tanzania it did, somewhat unusually in Africa, manage to retain much of the national nature of Tanzanian politics and the emphasis on improving the lot of the poor. Again down to Nyerere’s influence, campaign and electoral laws were created with the explicit purpose of maintaining a commitment to the country as a whole. While these rules came under strain during both the elections in 1995 when anti-Asian/Muslim sentiments ran high, and most recently in 2000 when the issue of Tanzania’s union with Zanzibar and the administration of elections there came to a head, there is still a remarkable absence of the kind of deeply

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11 For example, the District Development Trusts providing basic social services outside the framework of local government and based in the ‘home area’ of political leaders or prominent business figures (Landau 1998, Kelsall 2000).
12 A term coined by Nelson Kasfir in relation to Ugandan politics and meaning the decline in political involvement as a consequence of choice, apathy or coercion (Kasfir 1976).
13 The collapse of socialist experiments elsewhere in the world certainly forced the hand of many donors in their dealings with Tanzania.
14 Clashes between the leadership of the main opposition party (CUF) on Zanzibar and the Government following the October elections deteriorated into street violence following detention in January of the CUF leader. Further clashes between CUF followers and police
divisive politics – whether ethnic or religious - that shapes political competition elsewhere in the Region.

This said, the political transition in Tanzania is still incomplete. The immediate crisis of legitimacy faced by the CCM may have been stemmed, but the crisis of legitimacy in state institutions – basically in their ability to deliver even the most basic public services – is a much deeper and thorny problem.

Gradually the state is trying to rebuild its core capability. The Ministry of Finance and Central Bank are managing the macro-economy in line with IFI expectations, based on strong ownership of the macroeconomic agenda. A long-term programme of Public Service Reform is underway and Government has already taken the painful step of downsizing itself to more sustainable levels. Some of the central spending Ministries have embarked on major programmes of reform (Health, Roads and Local Government). The Government has embarked on several national strategy processes intended to bring about a clearer policy vision for the country, including Vision 2020 and a National Poverty Eradication Strategy (Box 1). In addition, following a low point in Government-donor relations in 1994/5, there has been a gradual improvement in the aid climate with improved performance from donors both individually and collectively. Nevertheless, concerns remain.

While the collapse of government control of the economy and the de-facto privatisation of some areas of social service provision, helped to create a vibrant and entrepreneurial business class that is now the most vocal pressure group for economic and political liberalisation, the largely poor, rural population has became disengaged from formal institutions and formal (national) politics. This has opened the way for a more overt patrimonial style of politics in Tanzania.15 In addition, the widespread use of the ‘exit’ rather than the ‘voice’ option by the rural

resulted in numerous injuries and a number of dead. Repeat clashes on the islands of Unguja and Pemba led to further deaths and a Government imposed curfew. The Government’s, and more especially the Police’s, handling of the events was judged in both the domestic and international press as unnecessarily ‘heavy handed’, a criticism that the President has emphatically denied.

15 Relationships between politicians and business leaders, particularly within the Asian community, are frequently the focus of comment and derision in the Tanzanian press.
population,\textsuperscript{16} while possibly preventing a deterioration into factional politics, has also weakened the prospects for a coherent opposition and, perhaps most salient now, the emergence of a coherent civil society.\textsuperscript{17}

Given the continued dominance of CCM in Tanzanian politics, the critical question now is how these disengaged elements of society, particularly the poorest, will be brought back into politics. While many argue that the key to this is through the creation of a strong civil society, the problem in Tanzania, as elsewhere in Africa, is that of a partially institutionalised state.\textsuperscript{18} It is hard to imagine how the poor will organise themselves where the state lacks capability. As Moore and Putzel (2000) argue “where States are ineffective improving their capacity may be the best way to stimulate effective organisations of the poor” (2000:9).

Tanzania is now facing the challenge of improving the structures of formal governance (and hence those of formal accountability) in order to deliver effective services to poor people, while also needing to deliver benefits quickly to rebuild peoples’ faith in the structures of formal governance. This is the context in which current efforts to create a participatory and publicly accountable process around the PRSP (and other reform efforts) must be understood.

\textsuperscript{16} Although this was not universally true, as illustrated by the tax revolt in Arumeru district in 1998 (Kelsall 2000).

\textsuperscript{17} While there is now a flourishing NGO sector in Tanzania, as Chabal (2000) notes, this does not necessarily equate with a flowering of civil society.

\textsuperscript{18} Chabal et al (1999) define the process of institutionalisation as one in which the realm of politics is gradually emancipated from society and constituted into increasingly autonomous political institutions. A key stage is the establishment of a truly independent bureaucracy. The emergence of the fully institutionalised state is therefore marked by the end of patrimonialism.
3 The PRSP in Tanzania: the process and the response

PRSP process update

Elections

National elections were held in October 2000 with another landslide majority for the ruling party CCM, and the President Benjamin Mkapa. Although relatively little was made of the PRSP itself during the elections, CCM members were able to make political capital out of the Government’s HIPC signing in March 2000 and the fact that Tanzania is one of the ‘fast-track’ PRSP countries. The elections resulted in some political fallout, as noted above, which led some donors to worry about the consequences for the HIPC completion/PRSP process. But overall the elections were marked by strong continuity in the Government’s reform programme.

Some important personnel changes took place during the President’s reshuffle, specifically a new Minister of Finance (Mr. Mramba) and new faces heading up agriculture (now the Ministry of Agriculture and Food Security), education and health. A new Minister of State post was created for Regional Administration and Local Government, placing it for the first time within the President’s Office. The Minister of State for Poverty Eradication and Environment in the VP’s office was split into two posts, with the post for Poverty Eradication taken up by the former Minister of Finance (Mr Yona). A new Ministry for Cooperatives and Marketing was also created, contrary to the hopes of many donors, but a signal that the Government continues to hold the role of cooperatives important in its vision for Tanzanian growth and development. For the most part officials (mainly at PS level) engaged with the PRSP process remained in post.

PRSP document and dissemination

The full PRSP document was discussed at the Washington Boards at the end of November, early December and received broad endorsement. The Joint Staff Assessment was generally upbeat about the Tanzanian document and process, although it did point to a number of areas of concern:

- The institutional framework and responsibilities for monitoring poverty and the PRSP are insufficiently articulated.
- The need for more detailed discussion of the planned structural reforms and their link to achieving poverty reduction targets.
- Insufficient detail on governance reforms and the local government reform programme in the context of poverty reduction targets.
- Insufficient details on institutional arrangements and costing for priority public actions.
- Inadequate links between budget inputs, outputs and final outcomes
While these areas of concern point to some core weaknesses in the PRSP document, the JSA (and the ensuing Board discussion) is keen not to exaggerate the risks they might engender. In fact the JSA is almost ‘bullish’ about the Tanzanian document: “The strategy provides solid foundations for attacking poverty and it represents a major advance on previous poverty alleviation efforts”. It is also rather bullish about the preparatory process, stating that it was “... characterised by strong country ownership and the broad-based participation of civil society”. (JSA 2000).

Interviews back in October/November 2000 and again in April 2001 revealed that while many government officials and donors were cautiously optimistic about the PRSP process, neither group could be characterised as ‘bullish’, and representatives of some NGOs were downright critical of such IFI platitudes, regarding the process as opportunistic and tokenistic.

The Board discussion was split between Directors who felt that the rush to complete the document and progress towards HIPC completion was largely justified, and those who felt that the document contained significant gaps and wanted strict adherence to the requirement that the completion point be reached only after one year of satisfactory implementation of the PRSP and the preparation of a progress report addressing the weaknesses of the PRSP document. In the end most Directors appeared satisfied that because the PRSP was built on strategy documents (such as the NPES) and an ongoing program of reforms that had been in the public domain for some time, the document was an adequate representation of the views of society at large.

Following endorsement of the PRSP in Washington, the document has been translated into Kiswahili and into a plain language version by a local NGO Hakikazi Catalyst. The plain language version Tanzania without Poverty published in June is being distributed to Central and District government officials and to civil society organisations in an effort to ‘popularise’ the strategy and policy content of the PRSP, and to invite comment. The text was also reproduced as a supplement in the English daily paper, Daily News, and the Kiswahili daily, Majira. The full text of the PRSP is currently available on-line at www.tzonline.org

**PRGF**

In late 2000 the IMF began its second review of its three-year PRGF arrangement. The review found that on the whole the GoT was ‘on track’ with its macro reforms, despite some sticking points mainly on progress with parastatal reform. The PRGF review team took some time to debrief the donor community on the main findings of the review, although some leading bilaterals were unhappy with the general lack of openness and transparency during the PRGF

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19 The JSA is quite explicit about the brevity of the PRSP process, but is clear that “One factor behind the speed with which the paper was prepared was the authorities’ wish to move as quickly as possible to the HIPC completion point.”
mission, and the limited willingness of IMF mission members to engage on questions of the macro framework.20

An additional worry was the GoT’s rather hasty production of the budget guidelines for 2001/2 following the PRGF review mission.21 Contrary to past practice, the Guidelines were prepared with minimal consultation and limited discussion of alternatives within the macroeconomic framework.22 Some donor representatives regarded this as a departure from the consultative practices established under the PER process, and were somewhat suspicious of the close link with the PRGF review mission.

Other strategy documents

The Government’s Tanzanian Assistance Strategy (TAS) continues to be an important focal point for discussion about the evolving development assistance environment in Tanzania. Initially produced just before the I-PRSP went to the World Bank and IMF Boards, Government decided to stall any reworking of it until the full PRSP was complete. A revised draft was subsequently prepared in March 2001.23 The draft was widely considered to be an improvement on the earlier draft and reflected well the advent of the PRSP. However, many observers continue to express concern that the document fails to clarify its role as an assistance framework built around the PRSP, as distinct from yet another development strategy. Nevertheless, bilateral donors and UN organisations continue to view the TAS as an important ‘government-owned and government-led’ strategy and are keen to support its completion ahead of the Consultative Group meeting scheduled for September 2001.

Other key strategy documents include the Ministry of Finance’s Medium-Term Strategy Plan 2000-04, the Public Sector Reform Programme (PSRP), and the forthcoming Rural Development Strategy and Agricultural Development Strategy. Each is crucial to enhancing Government’s capability to deliver public services and to stimulate pro-poor growth, but it remains unclear how they will be aligned with the goals and targets of the PRSP or the TAS. On this point, the latest Budget Guidelines (BGs) regard the Vision 2020 as the overarching strategy but, in the absence of a medium term plan, sees the NPES, PRSP and TAS as the key strategy documents. While the sectoral targets set out in the BGs overlap with those set out in the PRSP, they are not directly aligned. Interestingly there is no sense in the BGs that the PRSP is any more significant to defining budget priorities than the other two strategy documents.

20 There are different views prevailing about the restrictiveness of the Government’s current fiscal stance, and some desire for discussion. A report prepared for DFID by David Bevan in April ’00 indicated some room for manoeuvre on the fiscal side, although the MoF is reported to be cautious about any significant loosening of the fiscal stance, as is the Fund. Nevertheless the latest Budget Speech by Government (June 2001) suggests a more generous deficit for financial year 2001/2 of 3.1 percent of GDP compared to 1.2 percent in the 2000/1.
21 Prepared over the Christmas break when most donor representatives were out of Dar es Salaam.
22 One donor representative acknowledged that this might have something to do with current weaknesses in the PER macro group as much as anything else.
23 Contrary to the information provided in the JSA, the TAS was not completed prior to submission of the full PRSP. In fact work has continued on it well into 2001.
During the financial year 2000/01 a number of key pieces of legislation crucial to HIPC completion were also passed, including the Public Finance Act and the Public Procurement Act. The Acts, which became operational in July 2001, aim at improving supervision, control and auditing of public funds and the acquisition of goods and services by Government. Their passage, despite some important amendments, illustrates the GoT’s preference for reaching the HIPC completion point sooner rather than later.

**HIPC completion and PRSP review process**

One area of confusion that has emerged in the PRSP process is the timing/sequencing of the floating HIPC completion point and the management of the PRSP review process. There was at least some initial expectation that Tanzania would reach its completion point as early as June 2001, roughly one year after the decision point but only six months after Board endorsement of the PRSP. The HIPC Decision point document states that “The government intends to accelerate the implementation of its reform program, and aims to complete the list of structural and poverty reduction reforms by June 2001; it believes that the completion point should follow immediately thereafter”. However, a JSA review in June did not result in a recommendation to complete. Instead the completion point was rescheduled first for September and then later for “before December 2001”.

Given the range of completion point conditions, particularly in the structural area, and the clear message from at least some World Bank Directors that Tanzania should adhere to the requirement that completion be reached after one year of PRSP implementation, it is not surprising that GoT failed to satisfy the Joint Staffs’ Team that it had reached the completion point in June. Yet, there are a number of reasons to believe that the Government was not given the full facts about how it would know when it had reached the completion point, and how it should conduct the review process accordingly.

The Joint Staffs mission has been criticised, particularly by some lead donors, for the opaque way it went about its review and its focus on details that the GoT was unprepared for e.g. questioning the sample size underlying the preliminary poverty estimates from the household budget survey. Government staff were also under the impression that because many of the conditions for HIPC completion were actions already taken by Government or covered by the PRGF review, that it was closer to reaching the completion point than Bank or Fund staff indicated.

At the review meeting in June a number of donors took the opportunity to stand by the Government’s view by openly supporting, in the face of the Bank-Fund’s critique, the Government’s progress report. This action may reflect growing frustration amongst some members of the donor community at the rather tight-fisted way in which the Bank and Fund share crucial information, not only with them but with GoT also.
The Government now remains on track for a completion point of ‘before December 01’, but as the discussion in Section 4 shows, concerns remain about how much momentum will be lost once Government reaches HIPC completion. Concern is focusing on the absence to date of a clearly defined review process for monitoring PRS implementation. A number of donors are keen for Government to put itself in the driving seat of a comprehensive PRS review process that will not only monitor progress against PRS targets but will also seek to harmonise some of the multiple review processes Government is already (or will be) engaged with – PSAC, PRBS, TAS, PRSP, SWApS, PRSC etc. While the proposal is sound, the capacity available to GoT to coordinate in this way is limited, so whatever process emerges is bound to be a compromise between what is optimal and what is actually feasible.

**NGO responses**

On the NGO side, there has been active engagement by the Tanzania Gender Network (TNGP) on the gender content of the PRSP document. Weaknesses in the gender content were widely noted during preparation of the PRSP, including in the Board discussion in Washington. Based on very effective mobilisation and lobbying by gender advocacy groups it was agreed with GoT that new text would be prepared for inclusion in the PRSP document either as an annex or as a revision of the main text itself. At the time of writing it was not clear which option had been chosen. A number of observers in Dar es Salaam noted during discussions in April that this process signalled a growing maturity in NGO-GoT relations, at least on the gender issue.

Other NGOs, on the other hand, have found that, following the frenzied activity of PRSP preparation, funds are drying up and some donors, “are less interested in them”. Government and donors, it is argued, have tended to see the role of CSOs in the PRSP process as ‘instrumental’ rather than as ‘institutional’, a point that is picked up in more detail in Section IV.

**Donor responses**

Donor responses continued to be varied, although there is some evidence that an increasing number are now seeing the PRSP as the broad policy framework through which they will engage with GoT. Not all donors, however, are prepared to radically change the way they are delivering their assistance, seeing their role more as funding a small slice of the PRSP log frame which, they argue, fits almost exactly with what they have been doing up to now. It is interesting to speculate to what extent this perspective is a product of the long ‘institutionalised’ relationship many bilateral donors have with Tanzania and, more specifically, with their long standing relationships with certain sectors and projects.

A core set of donors are however continuing to change the way they do business. Following the modest successes of the MDF, a group of eight donors (seven bilaterals and the EU) are now contributing to a Poverty Reduction Budget Support facility that will channel funds directly to the Government’s budget with a
performance assessment framework linked to the PRSP (and to a lesser extent the PRGF). It is expected that eventually (as in Uganda) this facility will complement a Bank PRSC which is due to be in place sometime in 2002.24

Significant is the fact that the PRBS is being introduced before some of the required changes in the Government’s fiduciary framework have been implemented.25 It is also being introduced in a context where there is continuing uncertainty about the progress of civil service reform, especially pay reform, worries about the Government’s commitment to its anti-corruption strategy and about the political situation with Zanzibar. However, without donors taking such risks it is not clear how the changes being asked for by the donor community could be funded or mainstreamed. The PRBS is a good example of donors making the first move. What will be crucial now is for the Government to respond in a way builds the confidence of the rest of the donor community in Tanzania.

Other examples of moves toward donor coordination include the joint donor statement at the decision point, and another being prepared for the completion point. Several donors have also participated in JSA review processes, although there is still a widespread feeling that missions from Washington continue to arrive at short notice, without agreed terms of reference and with little lead time for donors to prepare. There is also continued support by some for the establishment of an Independent Monitoring Group on donor coordination that was agreed at the CG 2000 but so far not implemented.

To improve coordination some donor representatives argue that more effort is required at HQ level where the messages are not always clear or consistent. Country offices are often reluctant or fearful to move in the direction of more coordinated and joint action because of the lack of direction from HQs.

24 Although this commitment is by no means clear on the part of the Bank.
25 The CFAA carried out in early 2001 points to some areas of high fiduciary risk, although the report is also complementary about the steps GoT has taken so far to improve the quality of the budget process.
4 The potential for institutionalisation

As indicated in the introduction, the PRSP process may not be viewed in isolation from the wider process of reform that has gradually shifted the policy agenda and the aid climate in Tanzania. This reform process has nevertheless taken place within a political context that, despite the shift to multi-partyism, has barely changed its complexion in over three decades, raising some important questions about the prospects for ‘institutionalisation’ of the PRSP process itself.

In this section the prospects for institutionalisation – understood in the narrow sense of embedding critical policy agendas, such as poverty reduction, in the formal and informal rules that shape government behaviour – are assessed in three ways: first, by assessing the depth of understanding about the PRSP process within central and local government. Second by reviewing formal changes in the fiscal and budgetary framework and its evolving relationship with the PRSP; and third, by reviewing trends within the participatory/ governance context related to the PRSP process.

Depth of understanding

Interviews with central government staff, particularly within the MoF and the main spending Ministries in October 2000, revealed a high level of awareness about the PRSP process and its link to HIPC. Most officers interviewed were aware of the decision and completion points (although only superficially). Some had participated in Bank-run workshops and seminars on PRSPs locally or in the Africa Region. Several had a copy of the PRSP draft to hand.

A study by KK Consulting for DFID in March 2001 investigated the depth of understanding about the PRSP amongst Government personnel. It confirmed these preliminary observations. Senior staff, who were the most likely to have directly participated in the PRSP preparatory process, were generally well informed about the PRSP and positive in their evaluation of the process. The active participation of twelve ministers in the committee that steered the PRSP was also significant.

The work of broadening the debate about the PRSP has continued. In March 2001 the President convened and presided over a three-day seminar for Regional and District Commissioners and Executive Directors of local government councils. Poverty reduction was a key theme and the MoF made available copies of the PRSP to all seminar participants. In the latest Budget Speech by the new Minister of Finance, direct reference is made to the completion of the PRSP, to its link with HIPC relief and to the broader policy context of the NPES and the Vision. While these events are to be expected they do demonstrate a fairly high level of political engagement with the process.

The DFID study also confirmed that it was central government officers located in planning departments that were most likely to have engaged with, or have
knowledge about, the PRSP process. Although, even here, many respondents were not sure or able to determine how the PRSP was related to their respective organisation’s policy framework or strategic planning requirements. There was virtually no engagement with, and very little understanding about the PRSP, amongst officers in administrative departments and very little reference to the document in the day-to-day operation of these Ministries.

Interviews with local government staff at district level during April revealed an almost universal lack of awareness about the PRSP; its goals or its targets. In meetings with staff in three district councils, one city council and one municipal council, no one was able to explain the PRSP process or recall any direct engagement in its preparation. Although staff had been engaged in various ‘poverty planning’ exercises in recent years, none were able to link any of these to the more recent consultative exercise for the PRSP.

Some staff, on the other hand, were able to recall the consultation process for preparing the NPES and the Vision 2025, and were somewhat at pains to understand why the Government now needed another national poverty reduction strategy. In the meeting in the municipal council it was mentioned that councils had recently been asked by the President’s Office to prepare plans for the Vision targets for 2000-4. These targets are different, although consistent with the PRSP targets, but officers were completely in the dark about how they relate to one-another or how the PRSP may now affect their planning processes in the short to medium term.

Part of this lack of understanding stems from weak ‘joined-up’ working across Government, particularly between the VP’s Office (which is mandated with the responsibility of disseminating the PRSP) and other parts of Government. It also stems from the historically weak communication (and overlapping responsibility for communication) between central and local government, and within the layers of local government itself. The legacy of a highly centralised system of government in which information is shared on a ‘need to know’ basis and in which decision-making, and the responsibility for executing decisions, are severely disjointed, is only now being addressed in the context of the LGRP.

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26 One of the main areas for taking forward the PRSP framework is in the context of sector strategies. This has happened to some extent in roads and to a lesser extent in health.

27 This is not unusual, however. Low-ranking (low paid) officers may be exposed to national planning processes, but they often face little incentive to see the relevance of such processes for their day-to-day work. This is only likely to change if the appropriate pecuniary and non-pecuniary incentives are in place.

28 The PRSP targets were taken from and adjusted to a 5-10 year framework from the Vision 2025, the NPES and in some cases the relevant sectoral strategy paper.

29 The VP’s Office is the institutional home of the NPES. It is also has the mandate to distribute and disseminate the PRSP. Vision 2025 resides with the President’s Office. In the last 6 months a few more staff have been recruited into VPO in an attempt to bolster its capacity to manage and implement its poverty eradication mandate.

30 A good example of this disjointedness is the fact that while the VP’s Office is responsible for disseminating knowledge about poverty reduction and supporting capacity to address poverty concerns within central and regional government, it is the Ministry of Regional and Local Government that is responsible for much of the planning and some of the spending that takes place at local government level. Major spending Ministries such as Health and Education also
Although district staff were largely unaware of the PRSP, on hearing about it most were enthusiastic, seeing both debt relief and the link between poverty reduction targets and resource allocation as critical. Nevertheless, staff were hesitant about the likelihood that districts would see any additional resources given their experience with the slow roll-out of the LGRP and major difficulties with the flow of funds (and materials) from central spending departments (see Box 2 further on).

On balance, the evidence suggests that while there is a gradual broadening of awareness about the PRSP across Government, the depth of understanding about the PRSP and its targets continues to be modest. Senior officers working within key ministries and planning departments are the most informed, but further down the hierarchy there is little trace of the ‘new’ language of the PRSP.

Disseminating the PRSP at these levels continues to be a challenge, but there is reason to be hopeful given the extent to which staff are aware of the NPES and the Vision documents. It is also promising that the PRSP is to be adopted as the overarching framework for the LGRP as part of its initiative to introduce participatory poverty planning at district level. How effective this turns out to be will depend heavily on the impact of the larger process of decentralisation, in particular its effectiveness in supporting participatory democracy and decision-making at local levels. But as the discussion of the political climate in Tanzania indicates, the endemic weaknesses within local government combined with the ‘departicipation’ of large sections of the population, are likely to make this a slow and difficult transition.

**Fiscal framework and budgetary processes**

The link to the budget and, in particular, the Medium Term Expenditure Framework (MTEF), is crucial for making progress towards PRSP targets and there is no doubt that the MTEF process has been instrumental in facilitating a reallocation of resources between priority and non-priority sectors in Tanzania (even if this predates the PRS itself). For example the combined share of expenditure to education, health and water rose from 34 percent in 1999/00 to 40 percent in 2000/1.

Commitment to poverty reducing expenditures is further underlined by government’s plans to increase the allocations for Other Charges (OC) and development expenditures in priority sectors. In 2000/1 priority sectors are

__engage local government in planning exercises while transferring some of their resources directly and some through the MRALG._

31 A few thought they had seen something in the national newspapers about the PRSP and the link with debt relief.

32 A tracking study of pro-poor expenditure by REPOA in 2001 finds significant weaknesses in the flow of funds and the flow of materials and supplies between central and local government. Some of the key findings are reviewed in the next section on the fiscal framework.

33 This is significant but in practice the MTEF only programs allocations of a small part of discretionary expenditures. Personal Emoluments and external financing of the Development Budget are not allocated amongst sectors. This means that managers cannot prioritise
budgeted to receive 84 percent of the recurrent OC and development expenditure required in their Sector Strategies, rising to 89 percent at the end of the current MTEF. Allocations are still lower than requirements but are increasing as a share of total allocation to priority sectors and as a proportion of total discretionary recurrent expenditure for priority sectors.

Yet to make an impact on PRSP targets, budget allocations have to be translated into disbursements. Here the record is less impressive, with an expected budget outturn for 1999/00 of only 54 percent overall (that is outturn as a percentage of requirement) and as low as 37 percent in education (Budget Estimates 2000). It is impossible to say what this figure is at local level because the data is held by different local authorities, but as the study cited in Box 2 would suggest, it is likely that budget outturns at sub-national levels are even poorer than this.

As a recent background paper for the Country Financial Accountability Assessment (CFAA) notes, the accuracy of resource envelope forecasts is critical to the effectiveness of the budget process. At present forecasts tend to be over-optimistic, as regards both revenues and external financing. This raises a number of concerns about accountability, since adjustments to lower than anticipated revenue yields are made administratively by cash rationing rather than through formal budget revisions. Since the criteria for cash rationing are not published or approved by Parliament the resulting budget outturns can have a very different impact from the allocations approved as part of the Budget. To improve predictability, the GoT has since January introduced quarterly indicative cash allocations for non-wage expenditures while continuing with monthly cash releases. This is intended to enable priority sectors to plan their expenditures more effectively. It is too soon to assess whether or not it is working.

Despite considerable improvements in recent years, weaknesses in the budgetary process persist. Recent studies have identified insufficient links between the MTEF/PER process and the policy framework of the PRSP (Hanmer and Naschold 2001, Fozzard and Naschold 2001). In some sectors budgeting and planning are disjointed, with sector strategies delinked from resources and the MTEF. There is also an endemic gap between policy and the practice of budgeting and planning. Finally weaknesses within the PRSP document itself, particularly the lack of a clear relationship between actions, intermediate indicators and targets, compound the problem of prioritising poverty reducing expenditures and tracking the effectiveness of these expenditures over time.

Recommendations on how to improve the links between the PRSP and the budget and to further institutionalise operational instruments such as the MTEF include (i) ensuring consistency between the monitoring targets included in the budget submissions and the PRSP targets and intermediate indicators, (ii) improving the costing of strategies and assessment of the feasibility of the 2010 targets, and if necessary revising these targets downwards as the PRSP is

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34 Budget outturns for basic education, basic health, rural roads etc. are the responsibility of local authorities and are currently not aggregated to national level.

between expenditure categories; development expenditures are determined on an individual needs basis rather than on a strategic basis taking into account the overall balance of priority expenditures (Fozzard and Naschold 2001).
reviewed, (iii) tracking expenditures and the effectiveness of service delivery, and (iv) focusing on the MTEF as a government tool and reducing the amount of external intervention in its preparation.

**Box 2: Budget execution**

A draft report recently prepared for Government assessed the efficacy of budget execution in a number of priority areas, in particular primary education and health. The main observations are:

- The cash budget system has relegated OC to a residual position. Lack of predictability on the disbursement of OC has resulted in leakages, especially at sub-national level.
- The existing system of disbursing funds is appropriate, but it does assume adequate transparency in information sharing and transmission. However, in situations of scarce resources, ownership of information is critical and resource distribution has consequently been skewed in favour of those having access to information. IFMS has helped somewhat but because it is not yet present at local authority level problems persist.
- Sectoral heads have tended to re-allocate OC in favour of activities that benefit council staff and not service units.
- Financial reporting requirements allow for too much aggregation.
- Materials and supplies originate from sector ministries, lack of predictability is a major problem especially in the supply of school materials.

*Source: Pro-Poor Expenditure Tracking (REPOA DRAFT 2001)*

Perhaps the most complex part of the Government’s programme for strengthening the budget process is the move towards performance-based budgeting. At the best of times this is a technically complex process, and given the limited capacity of the MoF and agencies, implementation is likely to be extremely slow. While Government insists that it is already implementing performance budgeting, practice is lagging well behind. At the very least there is going to have be a radical improvement in reporting and monitoring arrangements between the MoF and government departments and a move towards a comprehensive system of expenditure programming that includes personnel, OC and development expenditures. It is unlikely it will be fully operational before the end of this first PRSP phase.

Improving the budget process and embedding the Government’s poverty reduction targets in the fiscal framework is now a key part of the MoF’s Medium Term Strategic Plan 2000-4. The recent CFAA found the Plan to be a coherent and effective way to build on the successful reforms of the 1990s, but noted that the introduction of planning mechanisms such as the MTEF had presupposed existing capacity in strategic planning techniques that had not been entirely forthcoming; hence the limited benefits of MTEF planning so far in some of the weaker spending Ministries (such as agriculture).

Risks to the effective implementation of the Strategic Plan include a lack of synchronisation with the wider public sector reform process being managed by the Civil Service Department, and continuing shortfalls in the reporting of external assistance that undermines Government’s concerted efforts at resource prioritisation and the development of a performance oriented budgeting system.
Responsibility for these shortfalls lie both with the bilateral donors and with the Government’s own (ineffective) mechanisms for registering and tracking aid projects.

Consultation and participation

At the time of the PRSP consultations, Government and the IFIs were widely criticised by international and Tanzanian NGOs for presiding over a rushed and essentially exclusive process. Views on the superficiality of the consultative process have not really changed, but there is acknowledgement, even from within the NGO community, that the process served the purpose of bringing some of the more organised advocacy groups into a national debate about poverty reduction; it galvanised the thinking of these groups on issues of debt relief and poverty reduction, and exposed some of the organisational weaknesses in their own networks that need to be addressed if they are to engage effectively with national policy debates. The view of at least one local representative of an international NGO was that the process was definitely ‘value-adding’: “We found the Government was willing to listen”.

The follow-up to the consultative process has been mixed. On the one hand, local NGOs and the media have been engaged in a strategy of ‘popularising’ the PRSP, a strategy that is likely to be emulated in other PRSP countries. Local research institutes and NGOs have also been part of the working groups established to create a new poverty monitoring framework. On the other hand, participation seems to remain something of a contested terrain.

In a seminar given in Dar es Salaam on the first progress report on the SPA/PRSP study, participants, mainly from academia, questioned the view implicit in the PRSP documentation that unbridled participation is a ‘good thing’. Others argued that participation was only being sought on matters that didn’t strike at the heart of Government policy i.e. there was no public discussion of the GoT’s macro framework. While representatives of some Dar es Salaam based NGOs argued that the participatory process surrounding the PRSP had not amounted to true participation anyway, and that Government and the IFIs were actually more interested in using NGOs to rubber stamp decisions already made.

What is clear is that the shift towards a more participatory approach to policy debate in Tanzania, needs to be viewed within a longer historical time frame than just the PRSP. The Government of Tanzania has been engaged in a gradually evolving process of consultation since the economic reform programmes of the 1980s and 1990s. During that time Government evolved a ‘method’ for consultation that was top-down and tightly orchestrated (along corporatist lines) by the ruling party. Gradually there has been an opening-up of this approach to include a wider range of actors and less well-rehearsed views and opinions. But as one seminar participant put it “Government is only now getting used to civic groups as partners”.

The PRSP has added some positive momentum to this – take for example the progress in dialogue made by certain gender advocacy groups following the
publication of the PRSP. But there are now real concerns that the new ‘climate’ is one in which Government and donors are more concerned about the professionalisation of NGOs than the institutionalisation of participation in public policy debate, a worry that appears supported by the lack of a clear framework for dialogue between Government and NGOs on key issues in PRSP implementation and review (except perhaps on some areas of M&E).  

As several participants in the seminar on the SPA study noted, Government is keen to associate with professional bodies that represent the organised private sector but are less keen to work alongside advocacy groups, such as those representing informal sector workers, who have interests that may be at variance with current Government policy.
5 PRSP monitoring and information

Poverty Monitoring Master Plan

One area where there has been significant joint Government-donor (and to a lesser extent NGO) activity since the endorsement of the PRSP is in the preparation of the Poverty Monitoring Framework, or Poverty Monitoring Master Plan (PMMP). Preparation of such a Plan is mentioned in general terms in the HIPC completion conditions, and more specifically as a target for the first annual progress report on PRSP implementation.

In the rush to complete the PRSP, poverty monitoring issues were given only limited exposure in the final document, although background work had already started on some of the eventual components of an integrated monitoring system. Since then a core group of Government staff, donor representatives and researchers/academics have worked to flesh out a more comprehensive plan for poverty monitoring. The aim has been to ensure the availability of timely and reliable evidence on poverty to enable policy makers (at all levels) to assess progress under the PRS and to take appropriate action on that basis. The system is also intended to improve access to information on poverty more generally, with the intention of contributing to fuller participation of citizens in the national dialogue on poverty reduction.

The PMMP sets out the key elements of the monitoring system with an estimated total cost in the region of $10 million for 2001/2-2003/4. The structure of the PMMP reflects a number of past and current initiatives directed towards the establishment of an integrated poverty monitoring system. These include the Poverty and Welfare Monitoring Indicators prepared in 1998/9 as part of the NPES exercise; preparatory work on monitoring undertaken for the TAS, various PERs and the MTEF and, more recently work on poverty targets and indicators for the PRSP.

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Box 3: Setting the PRSP medium-term targets

In part due to Tanzania’s recent history of preparing national strategy documents and because of the rush to access HIPC funds, the PRSP represents a reformulation – and to an extent a reprioritisation – of existing government strategy. No new strategies were developed on the basis of what would be needed to meet the targets and the targets themselves were set through a process of simple extrapolation:

- Targets were taken from the relevant long-term strategy papers, Vision 2025 or NPES, and the respective sector strategy papers
- The targets were set for the period 2000-10 with reference to the long-term goals which government regards as non-negotiable
- Medium term targets were then set on the basis of reductions needed to achieve the 10 year targets.

The targets are based on inflated expectations about the projected rate of economic growth and improvements in service delivery capacity. They urgently need to be revised downwards if they are to be achieved by 2010.

Source: Review of the PRSP Medium Term Targets (DFIDEA Draft Report March 2001)

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36 The language in the HIPC Decision Point document is “Agree a monitoring system for tracking changes in (i) income poverty (ii) social indicators and (iii) community needs.”
**Information needs**

The information needs for monitoring the PRSP are varied. The PMMP identifies, as a minimum, the importance of regular national and sub-national data on progress against PRSP poverty targets by gender, location, administrative area and age group. Drawing from the Poverty and Welfare Monitoring Indicators and the PRSP, the PMMP identifies a ‘core minimum set’ of 40 quantitative indicators (9 address income poverty, 11 focus on human capabilities, 9 address survival issues, 2 social well being, 3 nutrition, 5 extreme vulnerability and 1 is a general indicator for conducive development environment). The Tanzania Socio-Economic Database (TSED), an electronic database pulling together a range of socio-economic data with a special focus on poverty-related indicators, will serve as a repository for data generated by the poverty monitoring system.

The PMMP acknowledges that not all aspects of poverty can be captured using quantitative indicators and therefore points also to the importance of qualitative and research work to build up knowledge about key areas that fall outside this core set such as: environment-poverty linkages, causal relationships and poverty dynamics and the impact of different public actions on different groups of poor people.

**Institutional framework**

The PRSP document made no firm decisions on the institutional framework for poverty monitoring. At a workshop in October 2000, agreement was reached between key stakeholders (Government, donors and NGOs) on the appropriate institutional design which included a National Poverty Monitoring Steering Committee inclusive in its membership and representative of all relevant parts of government, civil society, academia and the private sector, and a number of smaller working groups to deal with the specific information and data needs of the system. These are:

- **Surveys and Census** chaired by the NBS.
- **Routine Data** coordinated by the President’s Office and MRALG.
- **Research and Analysis** led by the President’s Office in close collaboration with REPOA.
- **Dissemination and Sensitisation** coordinated by the VP’s Office.

These working groups formed the main technical groups for drafting the PMMP, and following its preparation, will now be responsible for its implementation and coordination in their respective areas. Appendix 2 contains an overview of the institutional framework for poverty monitoring as envisaged in the PMMP.
Data collection

The main data collection instruments for the poverty monitoring system are defined as surveys and censuses and routine/administrative data systems. The two instruments for data collection are expected to complement one another, providing opportunities to compare estimates for key poverty indicators from different sources over different time periods (e.g. annual and disaggregated versus five-yearly and national). Methodological differences across the different data sources are acknowledged to be a potentially important area of weakness.

Significant in the discussion of data collection instruments is the decision by the Survey and Census Working Group to rely primarily on the synchronisation of surveys and routine data to provide short-term information on PRSP indicators. To minimise the potential gaps left by surveys and censuses conducted only every 5 or 10 years, the NBS has purposively spaced its survey program over the next decade. Nevertheless there is still likely to be a problem in the short term when attempting to measure progress towards the 2003 PRSP targets. Only in the absence of full funding for the multi-year survey program 37 will the simpler and cheaper option of CWIQ be used.

Routine administrative data is potentially a valuable source of information, as they enable triangulation of survey data. However, quality and quantity is an issue in the short run and nowhere does the PMMP mention other rapid appraisal techniques or citizen feedback mechanisms for gathering short term monitoring data, particularly on service delivery outcomes.

Research Priorities

The Research and Analysis Working Group is intended to coordinate research work related to the PRSP on behalf of the Government but will do so with the involvement of a wide range of stakeholders in setting research priorities and in the assessing the quality of outputs. Based on a report commissioned by the Group during the drafting of the PMMP a number of research priorities have been identified relating to the PRSP and poverty. These include assessment of:

- the poverty profile – is the situation of the poor changing?
- structural causes of poverty – has the PRSP identified the right causes?
- impact of strategies – is the PRS having the desired impact?

A key building block of the research element of the poverty monitoring system will be the implementation of a series of PPAs. The first PPA is scheduled for completion by December 2002, with a focus on extreme vulnerability. PPAs and other research tools will then be used to interrogate the main research themes above and produce various outputs, including an Annual Poverty Status Report, various briefing notes for policy makers and seminars and workshops.

37 The total cost for the multi-year survey programme for the years 2001/02-2004/5 is estimated to be Tshs 29bn or around US$39m. The share to be raised through the PMMP is estimated to be Tshs 2bn or around US$3m.
**Dissemination and advocacy**

The aim of this key element of the poverty monitoring system is to facilitate the flow of information on poverty that is both relevant and responsive to the needs of different user groups. An assessment of the different information needs of different user groups, ranging from different Government departments to the media, external development partners and the general public – was prepared for the draft PMMP. The main dissemination channels to these different groups are identified as the Annual Poverty Status Report, the TSED and Tanzania Online.

**PMMP strengths and weaknesses**

The PMMP is an impressive document in the Tanzanian context. It represents the culmination of almost nine months of close cooperation between the members of the different working groups. The PMMP has many of the qualities of a country-led and country-owned process, supported by some strategic donor money and technical assistance. Although some of the more outspoken NGOs in Dar es Salaam have felt somewhat marginalized from the core business of drafting the PMMP, in particular, from the process of defining data priorities and data collection needs, the process appears to have been both comprehensive and inclusive.

The institutional framework is the result of decisions taken locally and reflects the desire for a broad based ‘stakeholder approach’ that not only draws on many individual actors but also apportions responsibility for poverty monitoring across a wide group of both government and non-government institutions. The institutional arrangements underpinning the framework for poverty monitoring build on arrangements that have been tested, in part, during preparation of the TAS, the PRSP and the PMMP itself.

The Plan is nevertheless ambitious and full implementation of the Plan is going to depend heavily on sustained donor contributions. Some such contributions have already been provided or offered, particularly to help fund the HBS and the census, but still the Plan remains only partially funded. It is not clear whether or how much support will be available as part of the Paris21 exercise, although it might be expected that the Plan would be ripe for such support.

The institutional framework has been carefully drawn up to embrace a broad membership, but it may also run into some potentially complex and overlapping accountability arrangements. The *Poverty Monitoring Steering Committee*, for example, has an estimated 30 members. Like any committee, it contains within it potentially competing and/or vested interests. An obvious tangle might be between the VPO, which has had, and continues to have the mandate on poverty

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38 The Government’s budget currently allows for strengthening and production of core statistics critical to planning and policy analysis, such as semi-annual GDP, national accounts, employment and pricing.
eradication and monitoring, and the more recent role of the MoF in the PRSP.\textsuperscript{39} And there is, of course, the vested interest in data gathering of the NBS itself. While these interests can, and perhaps have been, successfully negotiated, valuable time can often be spent reconciling differences rather than overseeing the effectiveness of the system as a whole.

With so many players on the Steering Committee it may also be hard to get an independent check on how well the system is serving its clients – after all most of the system’s institutional clients will be represented on the Steering Committee. And as the chart in Annex 2 shows, some of the lines of responsibility and accountability are unclear, which may end up either creating a conflict of responsibility or a vacuum of responsibility where it is needed most.

The decision not to identify a single institutional home or lead agency for the Monitoring System could be seen as a bold alternative to the Uganda model, where all responsibility is housed within the Ministry of Finance, but the current Plan is not altogether clear on who will take final responsibility for ensuring that the relevant monitoring data is collected, analysed, reported to the relevant persons/teams and used to chart progress and take corrective action.

As in many (I)PRSPs the minimum set of indicators for poverty monitoring in the Tanzanian strategy focuses heavily on poverty and social outcomes that require medium to long term monitoring, and tends to ignore those intermediate indicators that can generate information on trends and correlates in the short to medium term. The Plan doesn’t really correct this, with a major emphasis on tracking poverty trends rather than other intermediate variables. It also places heavy reliance on survey and administrative data gathering instruments that, amongst other things, are notoriously slow in generating data.

Considerable faith is being placed in the synchronisation of these instruments to produce short-term data on the 2003 PRS targets. With the system of routine data collection functioning very unevenly (if at all) at present, and the capacity to reconcile data and information across administrative departments scarce at best, it is hard to imagine how this will happen. The decision not to draw on ‘lighter’ tools for short and medium term monitoring is noteworthy in this context.

PPAs are to be used primarily as research tools, not as monitoring instruments, and the CWIQ is only mentioned as a contingency if the multi-year survey program is not fully funded. Overall, there is almost no mention of the new range of data-gathering techniques that use poverty correlates to generate information on trends quickly and relatively cheaply.

It is clearly early days, and it would be unhelpful to be too critical before the Plan has had a chance to get into motion. In fact, some of the elements of the Plan are already operational. However, it is still possible that the optimal framework from an ownership point of view may yet become the enemy of the most workable framework from a monitoring point of view. It’s a case of wait and see.

\textsuperscript{39} It will be interesting to see whether the Minister of State for Poverty Eradication and former Minister of Finance, and the current Minister of Finance, see eye to eye on these issues.
6 Conclusions and policy messages

There are a number of aspects of the Tanzanian context that are pretty much *sui generis*. These are the long-standing political commitment of the ruling party to the poor, albeit drawing on rather different strategies in the past compared to now. The national nature of politics in Tanzania, which although challenged has not changed significantly since the early days of independence. The consistent reform effort since the mid to late 1990s and the preparation of a number of key strategy documents leading up to the PRSP. And finally, attempts by donors and Government to address the deteriorating aid climate in the mid 1990s in the light of more recent development practice.

Poverty reduction remains, however, the biggest of challenges. Social indicators are some of the worst in the region and income poverty levels are higher than would be predicted based on Tanzania’s resource endowment. The reasons for this are inevitably complex, but lie in part in the endemic weakness of the agricultural sector (and of agricultural sector policy) and the true extent of erosion in basic service delivery following the economic collapse of the 1980s. The question is whether the PRSP can make any difference.

The PRSP does represent something potentially important in the Tanzanian context. It has shown the importance of bringing poverty reduction strategy in line with the fiscal framework. It has translated broad strategy intentions into specific actions and targets, albeit without a clear idea of cost yet. It has also promoted a multi-dimensional approach to poverty reduction. There are also a few areas of positive policy influence arising out of the PRS consultations. The most notable is the decision by Government to phase out school fees for primary education – a decision that actually overrides the current stance of the Ministry of Education.

Yet the PRS *paper* is a relatively modest document. It commits the Government to very little that is new. This may be a good thing. But there is also a nagging concern that the focus on the PRSP (and more immediately the HIPC Completion Point) is detracting attention from more radical measures necessary to achieve poverty reduction in Tanzania, including deep-seated political and governance reform and a radical change of stance on the agricultural sector.

A broad policy agenda for reform already exists including the LGRP, the Public Service Reform Programme and the Strategic Plan. Legislation has also been passed that seeks to strengthen accountability and audit rules within Government. The question is whether these formal institutional changes are sufficient to embed the goals and principles of the PRSP, and ultimately to make progress on poverty reduction goals. On the one hand, the answer is yes. Delivering on the PRSP depends on progress in local government reform, on improvement in the quality of public sector performance and on improved budgetary accountability. On the other hand, these reforms may not deliver the kind of qualitative institutional change that is required to make poverty reduction the overriding goal of public policy, or support the kind of political change that is required to restore the link between Government and people.
What is clear is that the PRSP is not a magic bullet. As a paper it is of moderate quality, as a process it is potentially more significant, but even here the GoT has had to make radical changes to meet the IFIs criteria. At an informal level, understanding about the PRSP has broadened but not deepened considerably (although the response to the plain language version may change this). The focus for most of those in the ‘know’ is the link between the PRSP and HIPC funds, and not the value of the principles driving it. Parliament is still not clearly in the picture and non-governmental organisations are still struggling to find a way of formalising their own structures and institutionalising their dialogue with Government. Donors are making some important shifts, and it may be that the PRSP is in the end notable because of the extent to which donors have internalised its core principles.

When all is said and done, the process continues to be an important one. Even incremental shifts are important and the fact that the PRSP is now given prominence in Budget Statements alongside the Vision and NPES is evidence that it is gradually being mainstreamed. The gradual alignment of the LGRP and the PRSP is crucial; ultimately it is at local government level that the credibility of the PRS will be tested. A comprehensive poverty-monitoring plan has been put together, and despite potential shortcomings, is evidence that the Government is taking the process seriously. It is too easy to be cynical about these efforts; it is much harder to be constructive about what needs to be done differently.

Policy messages

The uniqueness of country circumstances makes it hard, if not dangerous, to come up with general policy messages. Nevertheless there are a few that may be of use to countries only now entering into the PRSP phase.

1. It is important to keep a lid on expectations about the PRSP process. It is not a panacea and is likely to have the greatest prospect of working if it builds on ongoing strategy and policy processes (however imperfect), if it identifies modest goals and targets and acknowledges difficulties and uncertainties in reaching them. In the case of Tanzania it is very likely that the medium term targets set out in the PRSP will need to be revised downwards in order to ensure some progress before the 2003 target date. The projected rate of economic growth underpinning the PRS is also considered to be out of step with both domestic and international trends, while the ‘additional’ resources available at HIPC completion will be modest to say the least. The PRS process has created expectations. It is now up to the IFIs, donors and Government to manage them in order to bolster the credibility of the process during implementation.

2. The PRSP is not the only show in town and the extent of institutional capacity being taken up by other major reform processes (and Government priorities) needs to be brought more forcefully into the field of vision. The international donor community needs to be aware of the potential conflicts between their own non-PRSP reform and review processes and the demands of
the processes surrounding the PRSP. That is why alignment of processes is so critical.

3. Politics matter and while political and governance issues may enter onto the PRSP agenda, the response (at least from the IFIs) is generally technocratic. In the case of Tanzania much will revolve around progress on the LGRP and the Public Sector Reform Programme, but their links with the PRSP agenda are still weakly articulated and their approach to the more ‘qualitative’ aspects of institutional change is still unclear. This may be an area where bilateral donors have a comparative advantage, particularly in supporting longer-term governance/political reforms in support of the embedding of the PRS paper and process.

4. It is not possible to judge ownership in monolithic terms. In the Tanzanian case, it is possible to identify ownership in spaces within the wider system. These spaces are created by a coming together of people and events – the PER, TAS and PRSP processes within the MoF for example - backed up by a political commitment to reform (in this case macroeconomic reform). However this political commitment wavers noticeably beyond the MoF, hence the concern of some observers that crucial measures necessary to implement the PRSP effectively and build donor confidence (on anti-corruption for example) will not be taken. It is possible that the coming together of key reform processes around the PRSP – the LGRP, the PSRP and the key sector strategies and programmes already underway - will help to lock-in the necessary political commitment to reform. Whether this happens will depend less on the detail of the PRSP document and more on its significance as a platform for doing things differently.
References


Annex 1: Highlights of recent strategy processes and aid instruments

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Annex 2: Institutional framework for poverty monitoring