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2015-2019

# COUNTRY DEVELOPMENT COOPERATION STRATEGY

Tanzania's Socio-Economic Transformation  
toward Middle-Income Status by 2025 Advanced



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## Introduction

Tanzania has one of Africa's fastest growing economies. According to the World Bank, the per capita gross domestic product (GDP) has increased from \$350 in 2004 to \$998 in 2014. Yet, widespread poverty persists, with 44 percent (2012) of Tanzania's population living below the extreme poverty line of \$1.25 per day. Tanzania's nearly 7 percent annual national GDP growth since 2000 has been imperceptible among the country's predominantly rural (73 percent) population. Inclusive broad-based growth is stymied by:

- **Low productivity growth in labor-intensive sectors** (agriculture accounts for 77 percent of total national employment, but the sector grew just 4 percent per year over the past decade).
- **An unchanging and high population growth rate** (forty-four percent of Tanzania's current population of 45 million is under 15 years of age). At the current growth rate, Tanzania's population is projected to reach 70 million by 2025.

Finally, women make up more than 50 percent of the population, yet gender inequities persist: salaries paid to women are on average 63 percent lower than those paid to men, and when women own businesses, they make 2.4 times less profit.

Tanzania has an opportunity in the five-year period of this Country Development Cooperation Strategy (CDCS) to enact policies and promote investments that reduce extreme poverty and advance the country's socio-economic transformation toward middle-income status. By empowering women and youth; sustaining inclusive broad-based economic growth; and improving democratic governance, Tanzania stands to make huge gains toward the goals articulated in its Development Vision 2025 and other national strategies. This CDCS supports Tanzania's efforts to improve the standard of living and social welfare of Tanzanians; accelerate economic growth and reduce poverty; and promote good governance and accountability.

**Tanzania has one of Africa's fastest growing economies.**

## Tanzania stands to make huge gains toward the goals articulated in its Development Vision 2025.

Tanzania is a frontline state and a key partner in President Obama's U.S. Strategy Toward Sub-Saharan Africa. Strong partners for over five decades, Tanzania and the United States (U.S.) are working toward a shared vision of improving the quality of life for all Tanzanians. The U.S. Government's priorities in Tanzania focus on:

- **Promoting a transparent and democratic government** that respects the full scope of human rights;

- **Fostering sustainable and inclusive socio-economic development**, including positive health outcomes; and
- **Advancing regional peace and security.**

USAID/Tanzania, as the lead foreign affairs agency under U.S. Embassy Dar es Salaam authority, will advance U.S. strategic priorities in Tanzania through this CDCS.

This strategy's hypothesis is: If Tanzania empowers its women and youth, sustains inclusive broad-based economic growth, and makes governance more effective, its socio-economic transformation toward middle-income status by 2025 will be significantly advanced. In fact, reducing extreme poverty can best be achieved by capitalizing on Tanzania's most marginalized, untapped resources, its women and youth, and by investing in key sectors of the economy, namely agriculture, natural resources, and energy. If the CDCS hypothesis is realized, Tanzania will advance toward "one of the greatest moral aspirations," answering President Obama's historic call "to end extreme poverty in the next two decades."



## Development Context

Tanzania's political stability and historically low levels of ethnic tension, coupled with sustained economic growth over the last several years, make it a favored recipient of support from the U.S. and other donors. Since the institution of multi-party democracy in 1992, Tanzania has demonstrated steady progress in democratization and respect for human rights. Recent and current Tanzanian administrations have pursued a growth agenda. The Government of Tanzania, however, faces persistent challenges of widespread poverty, inadequate infrastructure, and endemic corruption, which constrain inclusive economic growth.

Over the past decade, impressive improvements have been made in the health status of Tanzania's people. For example, there has been significant progress in reducing infant and under-five mortality rates. This has been largely due to investments in malaria control and improved access to safe drinking water. Although the HIV/AIDS prevalence rate varies by region, nationally it stands at 5.1 percent – down from 5.7 percent five years ago. While these successes are laudable, chronic under-nutrition (stunting) and maternal mortality rates remain high, and women in Tanzania are particularly affected by HIV/AIDS, comprising nearly 60 percent of people living with HIV.

While Tanzania has made good progress in creating policies and strategies to advance women's empowerment and gender equality, it still has a long way to go toward operationalizing them. Tanzania is ranked 47 out of 86 in the 2012 Social Institutions and Gender Index. The 2011 United Nations Development Program (UNDP) Human Development Index rating for Tanzania placed it at 152 out of 187 countries. Tanzania is ranked in 119th place in the UNDP Gender Inequality Index out of 146 countries and 59th place in the 2011 Global Gender Gap Index. There is a high incidence of early marriage in Tanzania, with the legal age for female marriage at 15 years (and even as low as 14 with "special permission"), whereas it is 18 for males. Early marriage translates into high rates of early pregnancy and hinders girls' ability to complete school and find meaningful employment. Primary school enrollment for males and females is almost equivalent, but when it comes to secondary school completion rates the picture is less ideal. Secondary school completion rates for the 20-to-24 age bracket were 19.5 percent for females and 32.7 percent for males. Tanzania Demographic Health Survey data for 2010 indicate that 20 percent of women age 20-24 had no education at all, compared to 9.6 percent of men. While women occupy 36 percent of parliamentary seats, they represent only 10 percent of the political elite at the district level and below.



## Tanzania has attracted substantial foreign direct investment.

On the economic front, Tanzania began macroeconomic reforms in the 1980s and today continues the slow transition from socialism toward a free-market system. Over the past decade, Tanzania has attracted substantial foreign direct investment and recent natural gas discoveries off the coast hold the potential to significantly increase growth rates once reserves come on line in the next seven to ten years. The business climate, however, remains challenging. To achieve its middle-income goal by 2025, Tanzania must fast-track the implementation of policy and regulatory reforms that promote private investment in key productive sectors, curb corruption, produce skilled labor, and improve infrastructure, particularly in roads and energy. Furthermore, inadequate wildlife security and recent increases in poaching of keystone species, such as elephants, threaten to undermine the economically important

tourism sector and destroy Tanzania's precious global biodiversity legacy. Meanwhile, climate change has already led to a one degree Centigrade increase in temperatures, changes in rainfall patterns, an increase in extreme weather events, and sea-level rise. Without significant global reductions in greenhouse gas emissions, these changes are projected to continue in Tanzania, with varied impacts on human health, agriculture, livestock, water, and ecosystems (especially coastal and marine, woodland, and grassland). Development strategies will need to account for and help strengthen resilience to these anticipated climate change vulnerabilities.

To fully harness its economic potential and reduce extreme poverty, Tanzania must increase regional economic integration. Within the East African Community and beyond, Tanzania must expand markets, create economies of scale, and reduce transaction costs for local, regional, and global trade. USAID, in coordination with other U.S. Government and donor stakeholders, will focus on reducing barriers to trade and investment and promoting exports within the region in select value chains. This CDCS will alleviate poverty by empowering women and youth, sustaining inclusive broad-based growth, and improving effective governance.

	Tanzania's Recent Progress	Ongoing Challenges
<b>Health Status</b>	<ul style="list-style-type: none"> <li>• Infant and under-five mortality rates have declined</li> <li>• National HIV/AIDS prevalence down from 5.7 percent to 5.1 percent</li> </ul>	<ul style="list-style-type: none"> <li>• High rates of chronic under-nutrition and maternal mortality</li> <li>• 60 percent of Tanzanians living with HIV are women</li> </ul>
<b>Empowering Women</b>	<ul style="list-style-type: none"> <li>• National policies and strategies in place to advance gender equality</li> <li>• Primary school enrollment for males and females almost equivalent</li> </ul>	<ul style="list-style-type: none"> <li>• High incidence of early marriage</li> <li>• Less than 20 percent of women age 20-24 have completed secondary school and 20 percent have had no education at all</li> </ul>
<b>Economic Growth</b>	<ul style="list-style-type: none"> <li>• Tanzania has attracted substantial foreign direct investment</li> <li>• Natural gas discoveries off Tanzania's coast could increase growth rates</li> </ul>	<ul style="list-style-type: none"> <li>• Policy and regulatory reforms needed</li> <li>• Biodiversity and tourism sector threatened by poaching and inadequate wildlife security</li> </ul>

# CDCS Results Framework

The Development Hypothesis of the USAID/Tanzania CDCS, shown in the Results Framework figure on page nine and expanded upon in subsequent sections, posits that USAID will partner with Tanzanian stakeholders in government, civil society, and the private sector, as well as U.S. Government agencies and other U.S. and international stakeholders, to assist Tanzania to move toward a broad socio-economic transformation. To elaborate, in order to achieve the CDCS goal of supporting Tanzania's socio-economic transformation toward middle-income status by 2025, three things need to happen:

## **Empowering women and youth**

First, to reduce extreme poverty, build healthy communities, and promote inclusive growth, Tanzanian women and youth (who are the most marginalized and underutilized citizens) must have greater access to and control of key resources and opportunities. When women are empowered to realize their full potential to contribute to economic growth and social progress, the individual woman, her children, and the community benefit and thrive.

## **Achieving inclusive broad-based economic growth**

Second, in order to achieve and sustain inclusive broad-based economic growth, key labor-intensive sectors of the economy must grow at a faster pace (namely the agriculture and natural resources/tourism sectors). Moreover, the binding constraints to private sector investment in these labor-intensive sectors must be overcome, particularly the lack of access to reliable sources of electricity and the lack of rural "farm-to-market" roads. These interventions and investments are the keys to alleviating extreme poverty for the vast majority (68 percent) of the country's population.

## **Improving governance**

Third, improving government's ability to deliver quality services and improving citizen engagement with government are critical to achieving transparent, accountable, democratic governance, controlling corruption, and mitigating conflict.

Together, these three Development Objectives (DOs) with their respective Intermediate Results (IRs) will contribute significantly to the achievement of the CDCS Goal: Tanzania's socio-economic transformation toward middle-income status by 2025 advanced.



## Goal

Tanzania's socio-economic transformation toward middle-income status by 2025 advanced

### DO 1

Tanzanian women and youth empowered

- IR 1.1 Gender equality and youth inclusion increased
- IR 1.2 Health status improved
- IR 1.3 Lifelong learning skills improved

### DO 2

Inclusive broad-based economic growth sustained

- IR 2.1 Binding constraints to private sector investment reduced
- IR 2.2 Agricultural productivity and profitability increased in targeted value chains
- IR 2.3 Stewardship of natural resources improved
- IR 2.4 Unmet needs for family planning reduced

### DO 3

Effective democratic governance improved

- IR 3.1 Citizen engagement made more effective
- IR 3.2 Government delivery of services improved
- IR 3.3 Government accountability increased

**Cross-Cutting IR:** Data-driven decision-making, planning, and implementation improved

# Development Objective I

## Tanzanian women and youth empowered

The Development Hypothesis under DO I states that if women and youth are empowered, they will build healthy families and communities, contribute to economic growth, and reduce poverty. Compared to men, women spend more of the income they control on food, health care, home improvement, and schooling for their families, which improves outcomes for children and contributes to long-term economic development and vibrant societies. With higher incomes and more secure livelihoods, women's investments in their families will result in better-educated and healthier citizens able to contribute actively to Tanzania's economy. Youth must be supported with opportunities to advance Tanzania's socio-economic transition. Global experience shows that investments in health, nutrition, education, and job skills, especially for women and youth, can motivate more informed family planning choices.

In Tanzania, when women participate in household and political decisions and have access to quality education and to broader earning opportunities, they raise healthier and better-educated children. Likewise, empowering youth strengthens young people's abilities to meet their own economic needs and contribute to the economy. On the other hand, the costs of disempowerment are immense and include school dropout, poor health outcomes, economic instability, and weaker social cohesion, which result in lower productivity and slower economic growth. Because women and youth are potentially the most productive segments of the population, yet suffer the most vulnerability, empowering women and youth is critical to improving Tanzania's socio-economic status. However, most Tanzanian women and youth have limited access to health care, water, nutrition, education, and broader economic opportunities, including access to productive resources such as

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water, land, and credit. In addition, the impact of climate change on socio-economic vulnerability and adaptation affects women more given that they form a disproportionate share of the rural poor, have fewer coping mechanisms, and play a greater role in production and reproduction. For example, when water sources become depleted or decline in quality, it is women and children who are most affected.

Women and youth are also disempowered by legal and traditional practices, which sanction inequitable treatment. For example, the maternal mortality rate in Tanzania is high and the secondary and higher education enrollment rates for women are low. Given that education level has the greatest effect on the age at which a woman gives birth for the first time, and adolescent mothers are more likely to die in childbirth, education both empowers young people directly and affects family planning choices and labor force

participation. Tanzania is also a country with elevated fertility. At the same time, more children under five are surviving compared to ten years ago.

Research has also shown, almost universally, that education is a prerequisite to poverty alleviation. Access to education is not sufficient if the quality and relevance of the education are poor or the health status of children is low. For example, stunting can limit cognitive function, HIV/AIDS in the household may be a barrier to class attendance, and gender inequality may decrease girls' ability to attend class and, as a result, to productively contribute to economic growth. The poorest, most marginalized people are most vulnerable and often never realize their full potential to contribute to society and the economy.



## Development Objective 2

### Inclusive broad-based economic growth sustained

The Development Hypothesis under DO 2 posits that if the private sector invests in energy as well as labor-intensive sectors such as agriculture and natural resources/tourism, and if women and youth are given access to resources and knowledge to take advantage of opportunities in these sectors and to exercise their choice related to family size, it will be possible to reduce extreme poverty and sustain inclusive broad-based economic growth in Tanzania. DO 2 will accelerate growth in rural-based, job-creating sectors (e.g., agriculture/food production and processing and natural resource-based tourism), unbind constraints to private sector investment in these areas, and strive to position Tanzania to reduce unmet need for family planning to create a robust positive cycle of economic opportunity that outpaces population growth.

Agriculture and agribusiness continue to be the mainstay of Tanzania's economy, contributing close to 28 percent of GDP and employing 77 percent of the total national population. Tanzania's rich natural resource endowment, if sustainably managed, provides a basis for productive agriculture. However, current crop yields are only 20-30 percent of their potential. Through targeted assistance, policies, and investments that enhance land and resource tenure security (especially for women), improve input supply and value chains, link smallholder producers to markets, and create a favorable investment climate, Tanzania can achieve dramatic improvements in rural incomes, particularly for women and young

farmers. Increasing the productivity and profitability of agriculture is fundamental to achieving poverty alleviation and economic growth in Tanzania.

Tanzania's rich, globally significant biodiversity and wildlife, which drive a thriving tourism sector and create jobs for both youth and women, are threatened by an escalating poaching crisis (including keystone species such as elephant and rhino) and undermined by ineffective management and conservation of key biodiversity areas. Better stewardship of the country's renewable natural resource base and the services it provides, including through community-based, economically sustainable Wildlife Management Areas, can sustain and grow the tourism sector.

Finally, Tanzania's deep-seated poverty can be explained by the fact that the economy has not kept pace with the country's rapidly expanding population. At the 2010 fertility rate of 5.4 children per woman, Tanzania's population is projected to reach 70 million by 2025. The unmet need for family planning in Tanzania is currently 25 percent and is likely to grow as women and youth become more empowered (DO 1) and productive (DO 2). Meeting Tanzanians' growing desire for family planning will help the country achieve its goal of reaching middle-income status by alleviating the inevitable pressures an expanding population will place on Tanzania's service delivery systems and natural resource base.

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## Development Objective 3

Effective democratic governance improved

The Development Hypothesis under DO 3 targets underlying obstacles to effective governance and public service delivery. It postulates that when citizens hold their own government accountable, they are more confident that their needs will be effectively met and are more inclined to actively participate and mobilize their own resources to collaborate. Also, development partners can focus resources on socio-economic development with greater confidence in country systems. The focus of DO 3 will be to ensure that women and youth have a voice and participate effectively in shaping development, reforms, and governance. USAID will promote accountable, transparent, and responsive governance.

USAID will support national and local government institutions that promote accountability and strengthen public service deliv-

ery. USAID will also invest at the district (and possibly the regional) government level to help strengthen government's ability to plan and deliver services to constituents. In close cooperation with the World Bank and the Government of Tanzania, USAID will support the Government of Tanzania's ability to finance health services for its constituents through a Domestic Resource Mobilization approach. This includes using metrics to measure effectiveness of service delivery at the facility level, where higher-performing health centers are rewarded with greater funding under a Results-Based Financing approach. USAID will also support civil society organizations and community-based organizations to become full-fledged and self-sustaining agents of change. Women and youth will be specifically targeted as beneficiaries. USAID will assess and monitor flashpoints of real and potential conflict to help Tanzania maintain stability.



## Cross-Cutting Intermediate Result

Data-driven decision-making, planning, and implementation improved

In line with USAID's mandate to underpin business processes with an evidence-based approach to development, USAID/Tanzania will bolster efforts externally and internally to collect, share, analyze, and apply data to inform and guide development results. This effort applies to USAID/Tanzania and its implementing partners and, more importantly, to Government of Tanzania partner agencies and civil society groups. The provision of quality and open data in Tanzania has significant constraints including: data gaps on socio-economic indicators required for monitoring the achievement of results of development policies and initiatives; insufficient statistical coordination in the country; and low awareness, use, and prioritization of statistics among decision-makers. In response to these challenges, the Government of Tanzania produced the National Plan for Development of Statistics, also known as the Tanzania Statistical Master Plan (TSMP; 2009/2010-2013/2014). Since the Government of Tanzania, private sector, civil society

organizations, and development partner stakeholders require clear, unambiguous, and systematic measurement and reporting on achievement of results, the TSMP is focused on informing evidence-based policy and decision-making, which requires that stakeholder decisions are informed by credible and quality statistics. USAID/Tanzania's ongoing programs are increasingly driven by evidence-based results. However, we can do even better.

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more inclined to actively participate.**

## CDCS Management

The CDCS is based on cooperative engagement between USAID/Tanzania, Government of Tanzania counterparts, members of Tanzanian civil society and the private sector, and other donor partners who are actively engaged in Tanzania. The CDCS was developed over the course of two years through dialogue and analysis. Analyses that informed the Strategy include research conducted by local and international experts who examined opportunities and threats for development programming in Tanzania through gender, environmental, and sustainability lenses.

USAID implements its CDCS largely through grants and contracts to implementing partners including international and Tanzanian firms, NGOs, and government institutions. Increasingly, USAID strives to provide funding directly to Tanzanian host country institutions (both governmental and non-governmental) to achieve results, strengthen local capacity, and increase the sustainability of development results and institutions.

In order to know if we have achieved our goals, USAID and its implementing partners established metrics and developed clear

criteria for assessing progress against those metrics. Under the CDCS, there are indicators for each DO and IR that are clearly defined, measurement methodologies that are transparent, and targets that are established under the CDCS Performance Monitoring Plan (PMP). Progress and reporting on that plan tracks results against stated targets and informs decisions on implementation.

In addition to the PMP, for the first time in its more than 50 years of cooperation with Tanzania, USAID/Tanzania established a panel of Tanzanian experts to help inform the design and track the progress of this CDCS. This body, called the CDCS Consultative Group, is constituted by leading Tanzanian development experts from government, civil society, donor agencies, and the private sector. The CDCS Consultative Group will provide USAID with their views and advice on USAID's progress in achieving its CDCS results. The Consultative Group will be intimately familiar with USAID's work throughout Tanzania in all aspects of the CDCS Results Framework and will meet at least once a year to review progress and advise USAID on how best to accelerate and improve results achievements and strengthen collaboration.





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