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Tanzania's Second Five Year Development Plan 2016/17–2020/21: Summary and key action points¹

TANZANIA'S SECOND FIVE YEAR DEVELOPMENT PLAN IN SUMMARY

- Tanzania's FYDP II entitled *Nurturing Industrialisation for Economic Transformation and Human Development* has a dual focus on **growth and transformation** and **poverty reduction**.
- There are **four priority areas** for action: (i) fostering economic growth and industrialisation; (ii) fostering human development and social transformation; (iii) improving the environment for business and enterprise development; and (iv) strengthening implementation effectiveness.
- It highlights a number of **flagship projects**, focusing on revising the national air carrier, skills development and developing the Central, North-West and Mtwara Development Corridors.
- The Plan emphasises interventions to promote **industrialisation**, including establishing special economic zones (SEZs)/export processing zones (EPZs) and industrial parks, strengthening research and development (R&D), promoting local content and developing capacity.
- The **priority sectors** include automotives; petrol, gas and chemicals; pharmaceuticals; building and construction; agriculture and agro-processing (cotton to clothing, textiles and garments, leather); coal; and iron and steel. The Plan also supports value addition and beneficiation in metal and minerals industries, and looks to improve agricultural productivity and deepen agricultural value chains.
- Interventions for **human development and social transformation** focus on education and skills development; health delivery systems; water supply and sanitation; urban planning, housing and human settlements; food security and nutrition; social protection; and good governance.
- The Plan embodies a '**business unusual**' spirit, targeting more effective **implementation** (to be led by the Ministry of Finance and Planning), and embracing and promoting strategic partnerships with the **private sector**.
- The FYDP II envisages an important role for the **private sector** in leading investments to drive industrialisation. In turn, the Government of Tanzania is expected to provide a conducive policy and regulatory framework, as well as land and supportive infrastructure for industrial development.
- The estimated cost of implementing the FYDP II is TZS 107 trillion, of which it is envisaged the private sector will contribute TZS 48 trillion. Financing the Plan requires the **mobilisation of domestic revenues**, new financing options such as public–private partnerships (PPPs) and non-governmental resources, as well as policies to ensure the **effective use of finance**.
- The Plan includes a **monitoring and evaluation framework** – an important step towards ensuring effective implementation. This includes both general and specific indicators and targets for tracking progress and demonstrating results.

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SUMMARY OF THE FYDP II

Background policy context and focus

Tanzania's Second Five Year Development Plan 2016/17–2020/21 (FYDP II) is the second of three five-year plans for sequenced implementation of the Long Term Perspective Plan 2011/12–2025/26. The FYDP II has a dual focus of growth and transformation and poverty reduction and thus includes both (i) *growth-focused interventions* geared towards transforming Tanzania into a middle-income country through industrialisation; and (ii) *human development-focused interventions*, which target poverty alleviation. The theme of the FYDP II is *Nurturing Industrialisation for Economic Transformation and Human Development*. It contains seven chapters, explained further in Box 1.

Box 1: Chapters in the FYDP II

- **Chapter 1 – Introduction:** Provides background context to the policy frameworks underpinning the FYDP II and presents the Plan's key objectives.
- **Chapter 2 – Situation Analysis and Assessment of FYDP I and MKUKUTA II Implementation:** Assesses recent socioeconomic developments in Tanzania and outlines FYDP I and MKUKUTA II achievements and challenges. Important insights are drawn to inform FYDP II strategic interventions.
- **Chapter 3 – Strategic Repositioning for Implementation of FYDP II:** Looks back at Tanzania's past record of structural transformation and social development, and delineates a strategy for shaping the FYDP II implementation framework. Outlines key criteria to underpin the selection of priority areas for industrial and social interventions in the FYDP II.
- **Chapter 4 – Strategic Interventions for Industrialisation and Human Development:** Presents specific strategic interventions – including a number of flagship projects – and sets performance targets for effective implementation, monitoring and evaluation and reporting.
- **Chapter 5 – Financing Strategy:** Presents estimates of the total cost of implementing the FYDP II and outlines ways to mobilise financial resources and use them effectively. Outlines new approaches to augmenting finance from traditional sources (e.g. through encouraging increased private sector participation, including through PPPs).
- **Chapter 6 – Implementation Strategy:** Outlines reform measures to address the key challenges that have inhibited the implementation of Tanzania's past development plans and strengthen implementation effectiveness.
- **Chapter 7 – Monitoring and Evaluation:** Outlines a monitoring and evaluation framework and accompanying institutional arrangements to support FYDP II implementation.

Objectives and broad targets

The FYDP II has several core objectives, which centre on three pillars of transformation:

- (i) **Industrialisation** (semi-industrialised nation by 2025; develop sustainable productive and export capacities; regional production, trade and logistics hub; promote industrial skills).
- (ii) **Human development** (broad-based and inclusive economic growth; improved quality of life and human well-being).
- (iii) **Implementation effectiveness** (prioritisation, sequencing, integration and alignment of interventions; stronger role of local actors in planning and implementation; global and regional agreements mainstreamed into national development planning and implementation frameworks).

In attaining these objectives, the FYDP II seeks to boost annual real growth in gross domestic product, reduce the poverty rate, increase flows of foreign direct investment (FDI), boost electricity generation and support manufacturing growth and exports. It also aims to reduce infant and maternal mortality rates, enhance access to clean and safe water and raise the national human development index.

Strategic interventions and focus areas

The FYDP II interventions emphasise **industrialisation**. This includes a range of action points to support manufacturing through the provision of an enabling environment for manufacturing activity (SEZs/EPZs, industrial parks, logistics centres, promotion of local content and productive capacity). The Plan also looks to facilitate **resource-based industrialisation**, particularly through interventions in the **mining** sector to support value addition and beneficiation.

The Plan's strategic interventions related to **trade** focus on intensifying production and trade in intermediate and final consumer products; developing national, regional and global value chains; and raising the share of trade in services.

The Plan emphasises improved **agricultural productivity**, deeper agricultural value chains and better supporting infrastructure. Specific strategic interventions include plans to increase production and productivity of food and cash crops, develop irrigation schemes and support the livestock, forestry and fisheries industries.

There is strong emphasis on the importance of **infrastructure** as a supporting factor for industrialisation and economic transformation. Infrastructure development will boost productivity across all sectors and provide a building block from which to attract manufacturing activity and investment.

Interventions in the FYDP II to foster **human development and social transformation** centre on strategic actions to consolidate gains in education and facilitate capability development; improve the quantity and quality of specialised skills; improve health delivery systems; enhance availability and access to safe water and sanitation; promote urban planning, housing and human settlements development; ensure food security and nutrition; enhance social protection; and promote good governance.

The FYDP II envisages an important role for the **private sector** to lead investments to drive industrialisation. The Government of Tanzania expects to play a facilitative role, providing a conducive policy and regulatory framework, alongside land and supportive infrastructure for industrial development.

Implementation, monitoring and evaluation

The FYDP II sets out an institutional framework for implementing the FYDP II and lists a variety of reforms required to facilitate effective implementation (including to eradicate corruption, promote strong leadership, entrench an implementation culture, improve the business environment, implement specific flagship projects, enable better land use planning and management for productive activity, facilitate formalisation, improve government effectiveness and strengthen local participation through a local economic development approach). Implementation of the Plan will be led by the Ministry of Finance and Planning, which will host a fully fledged FYDP II Delivery Unit.

The Plan also includes a monitoring and evaluation framework, documenting both general and specific indicators and targets for tracking progress and demonstrating results. This is a significant step towards ensuring effective implementation and can help avoid the challenges that have beset Tanzania's past development plans.

Financing

The private sector is expected to contribute nearly half (TZS 48 trillion) of the estimated TZS 107 trillion cost of implementing the FYDP II by financing commercially viable projects. The public sector – including through official development assistance (ODA) and official borrowing – will finance the rest. The Plan introduces a range of new financing policies and strategies with the intention of:

- Scaling up domestic revenue mobilisation;
- Increasing private sector participation, singularly or in partnership with the public sector;
- Ensuring priority investments secure smooth and full funding;
- Developing the domestic financial market and in particular long-term development financing syndication and mutual financing/funding;

- Leveraging public sector resources to entice private sector participation in financing priority development projects;
- Building strong debt management and negotiation capacity within government.

Various potential sources of finance are listed and key measures designed to strengthen revenue collections from these sources. These span **government revenues** (tax, non-tax revenue, domestic borrowing, innovative domestic sources, ODA, other official flows and other external resources), possible **new sources of finance** (foundations/philanthropies, foreign market bonds, national climate fund, debt-to-health swaps, diaspora bonds, regional economic arrangements and South–South cooperation), the use of **PPPs** and **non-governmental resources** (debt instruments, venture capital, FDI and other private sector financial flows). The Plan also emphasises the importance of strengthening domestic development finance institutions (e.g. through recapitalisation and capacity-building).

KEY ACTION POINTS FOR THE FYDP II

FYDP II strategic interventions are grouped into the four broad priority areas outlined in Table 1.

Table 1. FYDP II strategic priority interventions

Interventions to foster economic growth and industrialisation	Interventions for fostering human development and social transformation	Interventions for improving the environment for business and enterprise development	Interventions for strengthening implementation effectiveness
<ul style="list-style-type: none"> ○ Create an enabling environment to support manufacturing ○ Promote micro, small and medium enterprises and local content ○ Develop productive capacities in priority industries ○ Promote mineral beneficiation and value addition ○ Strengthen participation of Tanzanians in construction ○ Enable greater use of modern technologies, value chain development, skills development and improved infrastructure for agriculture ○ Foster effective trade-induced industrialisation ○ Strengthen natural resource management, prevent environmental degradation, combat climate change ○ Promote tourism ○ Increase R&D expenditure and government support to R&D, universities and research centres ○ Promote investments in creative industries 	<ul style="list-style-type: none"> ○ Education, capability and skills development ○ Strengthening health service delivery systems ○ Interventions in water supply and sanitation ○ Urban planning, housing and human settlements development ○ Food security and nutrition ○ Social protection ○ Good governance 	<ul style="list-style-type: none"> ○ Macroeconomic stability ○ Provision of adequate infrastructure and services ○ Ease of doing business 	<ul style="list-style-type: none"> ○ Enhance mobilisation of financial resources required for FYDP II implementation ○ Enhance efficiency, effectiveness and transparency in policies ○ Ensure effective institutional organisation and coordination ○ Eradicate corruption and ensure good leadership, governance, accountability and transparency ○ Ensure effective strategies for implementation of FYDP II flagship projects ○ Re-activate the developmental role of the state in economic management and governance

Within these broad intervention areas, the FYDP II singles out a selection of **flagship projects** that are deemed to be of critical importance and/or whose implementation is likely to yield large positive multiplier effects for the rest of the economy. These projects focus on revising the national air carrier, skills development and developing the Central, North-West and Mtwara Development Corridors.