

PROSPECTS FOR IMPLEMENTATION OF THE 20/20 INITIATIVE ON  
BUDGET AND AID RESTRUCTURING IN FAVOUR OF BASIC  
SOCIAL SERVICES IN ZANZIBAR

REVOLUTIONARY GOVERNMENT OF ZANZIBAR

**Supported by:**  
**UNICEF and UNDP**  
Dar es Salaam

**Consultants:**  
**Dr. A.V.Y. Mbelle**  
**Dr. A.A.L. Kilindo**

**December, 1998**

<b>CHAPTER 2:</b>	<b>GENERAL OVERVIEW OF PUBLIC FINANCE . . . .</b>	<b>23</b>
2.0	Preamble . . . . .	23
2.1	Government Revenue Structure . . . . .	23
2.2	Structure of government expenditure . . . . .	24
2.3	Fiscal deficit . . . . .	25
2.4	Recent Developments in Public Finance and the role played by Structural Adjustment Programmes . . . . .	26
2.5	Assessing the Potency of fiscal policies . . . . .	26
2.5.1	Taxation system as a source of increasing revenue . . . . .	27
2.5.2	The Government Budget, Reforms and Potential Benefits . . . . .	28
<b>CHAPTER 3:</b>	<b>ANALYSIS OF BUDGET EXPENDITURE . . . . .</b>	<b>31</b>
3.0	Brief Overview . . . . .	31
3.1	Recurrent expenditure . . . . .	32
3.2	Development expenditure . . . . .	34
3.3	Budget Balance . . . . .	35
<b>CHAPTER 4:</b>	<b>ANALYSIS OF SOCIAL EXPENDITURE IN ZANZIBAR</b>	<b>36</b>
4.0	Preamble and Overview . . . . .	36
4.2	Social Expenditure Trends . . . . .	37
4.2.1	Education . . . . .	37
4.2.2	Health . . . . .	40
4.2.3	Expenditure on Family Planning . . . . .	41
4.2.4	Expenditure on the Water Sector . . . . .	42
4.2.5	Sanitation . . . . .	43
4.2.6	Housing . . . . .	44
4.3	Impact of trends on Social Spending . . . . .	45
4.4	The Role of Aid in Education . . . . .	46
<b>CHAPTER 5:</b>	<b>SCOPE FOR ADDITIONAL RESOURCE MOBILIZATION AND IMPROVING COST EFFECTIVENESS IN BASIC SERVICES IN ZANZIBAR</b>	<b>49</b>
5.1	Preamble and overview . . . . .	49
5.2	Intersectoral restructuring . . . . .	52
5.3	Intra-Sectoral restructuring . . . . .	55
5.4	Further areas for improving efficiency . . . . .	59

**PROSPECTS FOR IMPLEMENTATION OF THE 20/20 INITIATIVE  
ON BUDGET AND AID RESTRUCTURING IN FAVOUR OF  
BASIC SOCIAL SERVICES IN ZANZIBAR**

**TABLE OF CONTENTS**

	Page
Contents .....	i
List of Tables .....	iv
List of Figures .....	ix
Acronyms .....	x
<b>EXECUTIVE SUMMARY .....</b>	<b>xi</b>
<b>O. INTRODUCTION: THE 20/20 COMPACT AND RELEVANCE TO ZANZIBAR .....</b>	<b>1</b>
0.1 Genesis .....	1
0.2 Zanzibar .....	2
0.3 Study objective .....	3
0.4 Hypotheses .....	4
0.5 Methodology .....	4
0.6 Organization of the Study .....	4
<b>CHAPTER 1: POLICY ACCOUNTS, ECONOMIC AND SOCIAL TRENDS .....</b>	<b>5</b>
1.1 Country background .....	5
1.2 Economic Features and Trends .....	5
1.3 Social Trends .....	10
1.3.1 Education .....	10
1.3.2 Health .....	12
1.3.3 Family Planning .....	13
1.3.4 Nutrition .....	15
1.3.5 Water .....	16
1.3.6 Sanitation .....	18
1.3.7 Housing .....	20

5.5	Monetary implications of the 2020 initiative for Zanzibar . . . . .	62
5.5.1	Estimating the financial "burden" . . . . .	62
5.5.2	Mobilization of resources through internal generation . . . . .	62
<b>CHAPTER 6:</b>	<b>CONCLUSION . . . . .</b>	<b>64</b>
	References . . . . .	65

## LIST OF TABLES

		Page
Table 1.1:	Selected Economic Indicators: Zanzibar 1980-1997 Selected Years . . . . .	9
Table 1.2:	Nutritional Status of Under Fives, Zanzibar, 1990-1993 . . . . .	16
Table 1.3:	Population with access to Piped Water in Zanzibar (1996) . . . . .	18
Table 2.1:	Zanzibar: Revenue Structure (% of Total Revenue) for Selected Years 1985-1997 . . . . .	23
Table 2.2:	Zanzibar: Total Revenue and Tax to GDP Ratio 1986/7 - 1997/98 Selected Years . . . . .	24
Table 2.3:	Key Indicators of Public Finance in Zanzibar 1989/90 - 97/98 Selected Years . . . . .	25
Table 3.1:	Sectoral Financial Allocation in Zanzibar 1990/91 - 96/97 . . . . .	33
Table 3.2:	Composition of capital expenditure by Source and Purpose (%) Zanzibar 1990-96 Selected Years . . . . .	34
Table 3.3:	Aid Development Expenditure by Sector (%) Zanzibar 1991 and 1995 . . . . .	35
Table 3.4:	Sources of Financing Government Budget (Mill.T.shs.) Zanzibar 1990/91 - 97/98 . . . . .	35
Table 4.1:	Government Expenditure and Recurrent Unit Cost per Student in Zanzibar 1990-1991 . . . . .	38

Table 4.2:	Education Expenditure by Purpose in Zanzibar: 1990-1998 . . . . .	38
Table 4.3:	Trends in Pupil-Teacher ratio 1990-1998. Zanzibar . . . . .	39
Table 4.4:	Health Sector expenditure (Mill. T.shs.) and % of Government Expenditure: Zanzibar. 1990-1998 . . . . .	41
Table 4.5:	Details on Existing Water Supply Projects in Zanzibar 1998 . . . . .	42
Table 4.6:	Actual Government Contribution to the Sewerage and Sanitation Project in Zanzibar. 1994/5 - 1996/7 . . . . .	44
Table 4.7:	Estimated and Actual Expenditure for Housing Sector in Zanzibar 1992/93-1996/97 (T.Shs. Mill.) . . . . .	44
Table 4.8:	Zanzibar: Health and Education Expenditure in real terms (T.Shs. Mill.) 1986/87-1997 . . . . .	46
Table 4.9:	Donor Funding for Education in Zanzibar . . . . .	47
Table 5.1:	Allocation of Expenditure by Programme within BSS in Zanzibar. Selected Years 1991/92-1995/96 . . . . .	57
Table 5.2	Expenditure by purpose within BSS in Zanzibar for Selected Years 1991/92-1995/96 . . . . .	58
Appendix Table 1:	Basic Economic Indicators: Zanzibar. 1980-1996 . . . . .	67
Appendix Table 2:	Zanzibar: Social Indicators . . . . .	68

Appendix Table 3:	Zanzibar: Government Expenditure. Revenue and Deficit % of GDP. 1980-1997 . . . . .	69
Appendix Table 4:	Zanzibar: Revenue and GDP (Mill. T.Shs.) 1983-1996 . . . . .	70
Appendix Table 5:	Zanzibar: Structure of Government Revenue 1986-1997 . . . . .	71
Appendix Table 6:	Structure of Government Expenditure by Purpose (%) Zanzibar 1986-1997 . . . . .	72
Appendix Table 7:	Zanzibar: Expenditure in Social Sectors in the National Budget 1986-1996 . . . . .	73
Appendix Table 8:	Zanzibar: Current and Capital Expenditure 1981-1996 . . . . .	74
Appendix Table 9:	Zanzibar: Education Expenditure by Purpose (Mill. T.Shs.) 1986-1996 . . . . .	75
Appendix Table 10:	Zanzibar: Share of salaries in Central Government Expenditure. 1986-1996 . . . . .	76
Appendix Table 11:	Zanzibar: Domestic and External Debt Obligations (Mill. T.Shs.) 1986-1977 . . . . .	77
Appendix Table 12:	Zanzibar: Basic and Non-Basic Expenditure in Health (Mill. T.Shs.) 1986- 1996 . . . . .	78
Appendix Table 13:	Zanzibar: Health Expenditure per capita and real terms (Mill. T.Shs.) 1986/7 - 1996/7 . . . . .	79
Appendix Table 14:	Zanzibar: Education Expenditure per capita and in real terms (Mill. T.Shs.) 1986/7 - 1996/97 . . . . .	80

Appendix Table 15:	Zanzibar: Basic Social Services Expenditure by Programme (%) 1986/7 - 1996/97 . . . . .	81
Appendix Table 16:	Zanzibar: Education Expenditure by level (Mill. T.Shs.) 1990-1994 . . . . .	82
Appendix Table 17:	Zanzibar: Social Services Share of Development Expenditure (%) 1987-1994 . . . . .	83
Appendix Table 18:	Zanzibar: Structure of BSS Expenditure 1989-1995 . . . . .	84



## LIST OF FIGURES

Figure		Page
Figure 4.1:	Zanzibar Government expenditure within BSS (%) . . . . .	85
Figure 4.2:	Zanzibar: Social Services expenditure (Shares) . . . . .	86

## ACRONYMS

ADB	-	African Development Bank
AIDS	-	Acquired Immunity Deficiency Syndrome
BOT	-	Bank of Tanzania.
BSS	-	Basic Social Services
CPI	-	Consumer Price Index
DANIDA	-	Danish International Development Authority.
ERP	-	Economic Recovery Programme.
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
GOZ	-	Government of Zanzibar.
MCH	-	Maternal and Child Health
MOE	-	Ministry of Education
MOH	-	Ministry of Health
NGO	-	Non-Governmental Organization
ODA	-	Official Development Assistance
PER	-	Public Expenditure Review
PHCU	-	Primary Health Care Unit
SIDA	-	Swedish International Development Authority
STD	-	Sexually Transmitted Diseases.

TRA	-	Tanzania Revenue Authority.
UNAIDS	-	Joint United Nations Programme on HIV/AIDS.
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organization.
UNFPA	-	United Nations Population Fund
UNICEF	-	United Nations Children's Fund
URT	-	United Republic of Tanzania
VAT	-	Value Added Tax
WHO	-	World Health Organization.
ZJNSP	-	Zanzibar Joint Nutrition Support Programme.

## TABLE OF CONTENTS

	Page
Contents.....	i
<b>EXECUTIVE SUMMARY .....</b>	<b>xii</b>
<b>O. INTRODUCTION: THE 20/20 COMPACT AND RELEVANCE TO ZANZIBAR .....</b>	<b>1</b>
0.1 Genesis .....	1
0.2 Zanzibar .....	3
0.3 Study objective.....	3
0.4 Hypotheses .....	4
0.5 Methodology.....	4
0.6 Organization of the Study .....	4
<b>CHAPTER 1: POLICY ACCOUNTS, ECONOMIC AND SOCIAL TRENDS.....</b>	<b>5</b>
1.1 Country background.....	6
1.2 Economic Features and Trends.....	6
1.3 Social Trends .....	11
1.3.1 Education .....	11
1.3.2 Health.....	13
1.3.3 Family Planning.....	14
1.3.4 Nutrition .....	16
1.3.5 Water .....	17
1.3.6 Sanitation .....	19
1.3.7 Housing .....	21

<b>CHAPTER 2:</b>	<b>GENERAL OVERVIEW OF PUBLIC FINANCE .....</b>	<b>24</b>
2.0	Preamble.....	24
2.1	Government Revenue Structure .....	24
2.2	Structure of government expenditure .....	25
2.3	Fiscal deficit.....	26
2.4	Recent Developments in Public Finance and the role played by Structural Adjustment Programmes .....	27
2.5	Assessing the Potency of fiscal policies .....	28
2.5.1	Taxation system as a source of increasing revenue.....	28
2.5.2	The Government Budget, Reforms and Potential Benefits .....	29
<b>CHAPTER 3:</b>	<b>ANALYSIS OF BUDGET EXPENDITURE.....</b>	<b>32</b>
3.0	Brief Overview.....	32
3.1	Recurrent expenditure.....	33
3.2	Development expenditure .....	35
3.3	Budget Balance.....	36
<b>CHAPTER 4:</b>	<b>ANALYSIS OF SOCIAL EXPENDITURE IN ZANZIBAR.....</b>	<b>36</b>
4.0	Preamble and Overview.....	38
4.2	Social Expenditure Trends.....	39
4.2.1	Education .....	39
4.2.2	Health .....	43
4.2.3	Expenditure on Family Planning .....	44
4.2.4	Expenditure on the Water Sector.....	45
4.2.5	Sanitation .....	46
4.2.6	Housing.....	47
4.3	Impact of trends on Social Spending.....	49
4.4	The Role of Aid in Education .....	51

**CHAPTER 5: SCOPE FOR ADDITIONAL RESOURCE**

**MOBILIZATION AND IMPROVING COST**

**EFFECTIVENESS IN BASIC SERVICES IN ZANZIBAR.....53**

5.1 Preamble and overview .....53

5.2 Intersectoral restructuring .....57

5.3 Intra-Sectoral restructuring.....59

5.4 Further areas for improving efficiency.....64

5.5 Monetary implications of the 20/20  
initiative for Zanzibar .....67

5.5.1 Estimating the financial "burden" .....67

5.5.2 Mobilization of resources through  
internal generation .....67

**CHAPTER 6: CONCLUSION.....69**

References .....71

## LIST OF TABLES

	Page
Table 1.1: Selected Economic Indicators: Zanzibar 1980-1997 Selected Years .....	9
Table 1.2: Nutritional Status of Under Fives, Zanzibar, 1990-1993 .....	17
Table 1.3: Population with access to Piped Water in Zanzibar (1996) ..... p-1X.....	19.....
Table 2.1: Zanzibar: Revenue Structure (% of Total Revenue) for Selected p-1X Years 1985-1997.....	24
Table 2.2: Zanzibar: Total Revenue and Tax to GDP Ratio 1986/7 - 1997/98 Selected Years.....	25
Table 2.3: Key Indicators of Public Finance in Zanzibar 1989/90 - 97/98 Selected Years .....	26
Table 3.1: Sectoral Financial Allocation in Zanzibar 1990/91 - 96/97 .....	35
Table 3.2: Composition of capital expenditure by Source and Purpose (%) Zanzibar 1990-96 Selected Years.....	36

Table 3.3:	Aid Development Expenditure by Sector (%) Zanzibar 1991 and 1995 .....	36
Table 3.4:	Sources of Financing Government Budget (Mill.T.shs.) Zanzibar 1990/91 - 97/98 .....	36
Table 4.1:	Government Expenditure and Recurrent Unit Cost per Student in Zanzibar 1990-1991 .....	40
Table 4.2:	Education Expenditure by Purpose in Zanzibar: 1990-1998 .....	41
Table 4.3:	Trends in Pupil-Teacher ratio 1990-1998, Zanzibar .....	41
Table 4.4:	Health Sector expenditure (Mill. T.shs.) and % of Government Expenditure: Zanzibar, 1990-1998 .....	44
Table 4.5:	Details on Existing Water Supply Projects in Zanzibar 1998 .....	46
Table 4.6:	Actual Government Contribution to the Sewerage and Sanitation Project in Zanzibar, 1994/5 - 1996/7 .....	47
Table 4.7:	Estimated and Actual Expenditure for Housing Sector in Zanzibar 1992/93-1996/97 (T.Shs. Mill.) .....	49



Table 4.8:	Zanzibar: Health and Education Expenditure in real terms (T.Shs. Mill.) 1986/87-1997 .....	50
Table 4.9:	Donor Funding for Education in Zanzibar .....	52
Table 5.1:	Allocation of Expenditure by Programme within BSS in Zanzibar, Selected Years 1991/92-1995/96 .....	62
Table 5.2	Expenditure by purpose within BSS in Zanzibar for Selected Years 1991/92-1995/96 .....	63
Appendix Table 1:	Basic Economic Indicators: Zanzibar, 1980-1996 .....	73
Appendix Table 2:	Zanzibar: Social Indicators .....	74
Appendix Table 3:	Zanzibar: Government Expenditure/ Revenue and Deficit % of GDP, 1980-1997 .....	75
Appendix Table 4:	Zanzibar: Revenue and GDP (Mill. T.Shs.) 1983-1996 .....	76
Appendix Table 5:	Zanzibar: Structure of Government Revenue 1986-1997 .....	77

Appendix Table 6: Structure of Government Expenditure by Purpose (%) Zanzibar 1986-1997.....	78
Appendix Table 7: Zanzibar: Expenditure in Social Sectors in the National Budget 1986-1996.....	79
Appendix Table 8: Zanzibar: Current and Capital Expenditure 1981-1996 .....	80
Appendix Table 9: Zanzibar: Education Expenditure by Purpose (Mill. T.Shs.) 1986-1996 .....	81
Appendix Table 10: Zanzibar: Share of salaries in Central Government Expenditure, 1986-1996.....	82
Appendix Table 11: Zanzibar: Domestic and External Debt Obligations (Mill. T.Shs.) 1986-1977 .....	83
Appendix Table 12: Zanzibar: Basic and Non-Basic Expenditure in Health (Mill. T.Shs.) 1986-	84
Appendix Table 13: Zanzibar: Health Expenditure per capita and-real terms (Mill. T.Shs.) 1986/7 - 1996/7 .....	85
Appendix Table 14: Zanzibar: Education Expenditure per capita and in real terms (Mill. T.Shs.) 1986/7 - 1996/97 .....	86

Appendix Table 15: Zanzibar: Basic Social Services Expenditure by Programme (%) 1986/7 - 1996/97 .....	87
Appendix Table 16: Zanzibar: Education Expenditure by level (Mill. T.Shs.) 1990-1994.....	88
Appendix Table 17: Zanzibar: Social Services Share of Development Expenditure (%) 1987-1994 .....	89
Appendix Table 18: Zanzibar: Structure of BSS Expenditure 1989-1995 .....	90

## LIST OF FIGURES

Figure	Page
Figure 4.1: Zanzibar Government expenditure within BSS (%) .....	91
Figure 4.2: Zanzibar: Social Services expenditure (Shares).....	92

## ACRONYMS

ADB	-	African Development Bank
AIDS	-	Acquired Immunity Deficiency Syndrome
BOT	-	Bank of Tanzania.
BSS	-	Basic Social Services
CPI	-	Consumer Price Index
DANIDA	-	Danish International Development Authority.
ERP	-	Economic Recovery Programme.
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
GOZ	-	Government of Zanzibar.
MCH	-	Maternal and Child Health
MOE	-	Ministry of Education
MOH	-	Ministry of Health
NGO	-	Non-Governmental Organization
ODA	-	Official Development Assistance
PER	-	Public Expenditure Review
PHCU	-	Primary Health Care Unit
SIDA	-	Swedish International Development Authority
STD	-	Sexually Transmitted Diseases.
TRA	-	Tanzania Revenue Authority
UNAIDS	-	Joint United Nations Programme on HIV/AIDS.
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organization.
UNFPA	-	United Nations Population Fund
UNICEF	-	United Nations Children's Fund
URT	-	United Republic of Tanzania
VAT	-	Value Added Tax
WHO	-	World Health Organization.
ZJNSP	-	Zanzibar Joint Nutrition Support Programme.

## EXECUTIVE SUMMARY

The 20/20 initiative is a proposal that national governments should allocate at least 20% of their budgets and donors 20% of their aid budgets to basic social services (BSS) sufficient for universal coverage (UNDP 1997). Current levels are at around 13% and 10% respectively based on (few) observations. Expected revenue generation is globally additional US \$ 60 billion in resources for BSS. The initiative can be traced to UNDP's Human Development Report of 1991.

The basic social services are defined as follows:

Health:	primary care, nutrition, immunization family planning.
Education:	primary education, adult education, human skills development.
Water:	rural and peri-urban supply (safe drinking water).
Sanitation:	sanitary means of waste disposal.
Housing:	Provision of shelter to the disadvantaged in urban and rural areas (specific to Zanzibar).

The 20/20 initiative provides one of the most cost effective, cost efficient and sustainable ways of combating the worst manifestations of poverty, in low per capita income countries. Further, arguments based on "trickle down effect" (of high GDP growth rates) usually take too long to reach the poorest and most deprived sections of the society. In deed, countries like Uganda with a growth rate of 10% are far from eradicating poverty.

Zanzibar as part of the United Republic of Tanzania is among four countries chosen for an in-depth study (others are Guinea, Nepal and Philippines), the basis for choice being that social indicators are poor and existence of prima facie evidence of the need for restructuring expenditures and improving the efficiency levels (A Proposal on Monitoring the 20/20 Compact). The 20/20 initiative is currently being monitored in close to 30 countries.

Revisiting the funding of social services in Zanzibar is very relevant for two reasons: one, following restructuring of economic activities and down-sizing government role, a "vacuum" in the funding of social services has ensued. Addressing this issue through alternative funding mechanism (user charges, private sector etc) have yielded unsatisfactory results. Secondly there is widespread evidence of reversals in past achievements in the delivery of social services (e.g. in health and education). In addition, the overriding importance of investing in human capital is fully appreciated. Zanzibar has participated actively and fully in the genesis of the 20/20 initiative through the World Summit for Social Development in Copenhagen (1995), the International Meeting in Oslo (1996) where the United Republic of Tanzania was privileged to deliver key note address, the Regional technical Workshop in Pretoria, South Africa, in February 1998, the Quagoudougou meeting in September 1998 and the Hanoi meeting in October 1998.

Despite reaffirming its commitment to the 20/20 initiative, Zanzibar has not yet reached full implementation of the initiative.

Traditionally Zanzibar has been placing social services provision at the top of the agenda. As much as over 30% of government expenditure in the 1970s and early 1980s went to social spending. Social sector development is part of the overall economic planning of the country.

Social sector development in Zanzibar addresses government objectives of improving the welfare of all Zanzibaris and human resource development. The Government has decided to withdraw from most directly productive activities, so as to be able to provide greater resources to the social sector programme. The Government recognises that it cannot meet all costs of providing the necessary services. Thus greater emphasis is placed on community involvement in the provision and management of infrastructure as well as the introduction of cost sharing arrangement. The Government has also invited the private sector to participate fully in the provision of social services such as health, education and environment.

The delivery of social services is on a 3 tier system: primary, secondary and tertiary. One feature common to the services is the wide varying costs across levels as well as low per capita expenditures against recommended levels.

For example the annual cost per student in a primary school is estimated at US \$ 35.4 while per University student is US\$ 1,000. The recommended per capita expenditure in health is US \$12 against actual of US\$ 3-4 in Zanzibar.

All in all the government of Zanzibar recognizes the deterioration in social services delivery and is determined to correct although its hands are folded in terms of finances. Annex Figure 4.1 depicts the allocation in relation to the 20/20 target. The allocation is quite low, at about 6%.

The financial resources needed to maintain and develop the education system are mainly originating from central government budgets or external sources through grants and loans received from multilateral or bilateral arrangements. The central government is the major source of financing public education, though of recent the contribution by private sources through household expenditures incurred by the beneficiaries (students/ parents) of education and voluntary contribution have been on the increase and have brought a significant impact especially on construction of classrooms. External sources have formed a significant portion of financing of capital expenditure.

The increase in education expenditure for the last seven years has mostly favoured the salary items leaving only a small portion for non-salary items.

Health, Zanzibar, presently, is very dependant on one major source of funding i.e. Central government. Although the government is committed to increasing the proportion of the budget (recurrent and development) the health sector is always facing financial constraints.



Family Planning services in Zanzibar have been and are still being financed by the Government in collaboration with donors, mainly UNFPA.

The Government provides office accommodation for the programme in both islands and takes care of running costs for the programme. The government also provides for all other costs related to the infrastructure such as electricity, water and part of the telecommunication costs.

HIV/AIDS control activities in Zanzibar are co-financed by government and donors (WHO/GPA/UNDP under UNAIDS). Other avenues of increasing basic expenditure are the involvement of communities, NGOs and private organisations in HIV/AIDS/STD's prevention and control activities.

The growth of water supply sector in Zanzibar seems to be dependent on external donors. The allocation for Ministry of Water, Construction, Energy, Lands and Environment in the 1998/99 budget was T.Shs. 8,593.872 million. Only T.Shs. 670.00 million which is about 8% was allocated to rural and sub-urban water sector. Actual expenses for rural water supply incurred in 1997/98 was T.Shs. 30 million compared to the budgeted amount of T.Shs. 100 million. This gives a disbursement ratio of 30% of budgeted amount which can be obtained for rural water supply.

Drainage, sewerage and sanitation facilities are mainly served by the Zanzibar Municipality as the local authority but due to limited revenue available, the operation and maintenance of the sanitation and sewerage in the Municipality areas are inadequate. Sanitation services in the urban areas have been given low priority in the annual budgets of the Ministry of State Regional Administration and Local government and the general budget.

The control of public expenditure which resulted in budget cuts affected very much the housing sector. The sector has become stagnant because of shortage of raw materials and unavailability of foreign exchange to purchase the required construction materials. Due to high prices of imported building materials, especially cement and steel, the Zanzibar Revolutionary

Government could hardly continue with the construction of housing schemes established soon after the 1964 Revolution.

A better reflection of government expenditure on BSS is arrived at by analysing the allocation to basic expenditure within social expenditure. This analysis requires identification of time trends in health allocation to primary health care, education allocation to primary education and water and sanitation allocation to rural and peri-urban water as discussed earlier. Percentage allocation to these sub-sectors in relation to respective sectors and to the government budget is very low.

Aid plays a major role in development expenditure in the isles. In comparison to previous years, donor support currently is at its lowest ebb. For example, total assistance was 1.64 mill US\$, 2.2. mill US\$ and 1.92 US\$ for the years 1991, 1992, and 1993 respectively (Ministry of Health, Zanzibar). The share of donor development expenditure in the health sector has been declining (7.4% in 1991/92 to 2.3% in 1995/96).

Since the early 1980s Zanzibar has not been able to contain its recurrent expenditure at the level of its domestic revenues. Recurrent expenditure has readily risen from T.Shs. 3.872 billion in 1990/91 to around T.shs. 22.908 billion by 1996/97 (including debt repayment). This has almost been aggravated by an increase in the wage bill which claims more than 55 percent of the government recurrent expenditure. From early 70s to mid 80s when the government was forced to borrow from abroad for various development undertakings, the government was able to honour payments. Although it allocates financial resources annually for debt and interest payment, for the third year running now, the government has failed to meet fully both external and domestic debt obligations.

The total annual debt service payments are currently over T.Shs. 15.5 billion (36.4% of total recurrent expenditure (1997/98). There is scope for releasing substantial resources for financing priority social sector activities from debt restructuring. A payment not exceeding 20% would be more comfortable.

An examination of various categories of public spending made above indicates existence of a substantial scope for inter-sectoral restructuring. This covers actions in both internal and external components of the budget.

In the external component debt obligations take a large share of recurrent expenditure, and this is also true for the case of domestic debt. Reduction of debt payment would obviously release resources for basic social sectors. Apart from debt payments, there is a wide scope for inter-sectoral public expenditure restructuring on military and security spending.

In the wake of privatisation, savings from grants and subventions that were earlier channeled to public enterprises can be used to finance basic social services.

In analysing intra-sectoral restructuring we look at the scope that exists to improve efficiency and the level and coverage of services within the available resources. This can be achieved by focusing expenditures in areas with the highest rates of return. Another approach is to restructure expenditure in order to improve the relevance (appropriateness) of services. In the case of education one would give priority on the basis of needs.

There is also need to reduce expenditure waste. This entails designing a proper mix of expenditure between recurrent and development components, with the aim of ensuring that the recurrent cost component is capable of coping with the development component.

In the education sector, there is not only need to increase resource allocations to the sector but also to ensure that the little which is channelled to the sector is equitably and efficiently allocated between programmes.

For the health sector there is scope for budget restructuring in favour of preventive services while in education there is need for restructuring between salary and non-salary expenditure.

## PROSPECTS FOR IMPLEMENTATION OF THE 20/20 INITIATIVE ON BUDGET AND AID RESTRUCTURING IN FAVOUR OF BASIC SOCIAL SERVICES IN ZANZIBAR

### 0. INTRODUCTION: THE 20/20 COMPACT AND ITS RELEVANCE TO ZANZIBAR

#### 0.1 Genesis

The 20/20 initiative is a proposal that national governments should allocate at least 20% of their budgets and donors 20% of their aid budgets to basic social services (BSS) sufficient for universal coverage (UNDP 1997). Current levels are at around 13% and 10% respectively. Expected revenue generation is globally an additional US \$ 60 billion in resources for BSS. The initiative can be traced to UNDP's Human Development Report of 1991.

The basic social services are defined as follows:

- Health: primary care, nutrition, immunization family planning.
- Education: primary education, adult education, human skills development.
- Water: rural and peri-urban supply (safe drinking water).
- Sanitation: sanitary means of waste disposal.
- Housing: Provision of shelter to the disadvantaged in urban and rural areas (specific to Zanzibar).

The 20/20 initiative provides one of the most cost effective, cost efficient and sustainable ways of combating the worst manifestations of poverty, in low per capita income countries.

The goals that were set to be achieved by the year 2000 include:

- (a) universal access to, and completion of, primary education.
- (b) Halving of 1990 adult illiteracy levels with emphasis on reducing the disparity between male and female illiteracy rates.
- (c) Reduction of severe, as well as moderate, malnutrition among under five children to half of 1990 levels.
- (d) Halving the 1990 maternal mortality rate.

- (e) Reduction of 1990 infant and under-five child mortality rates by one third or to 50 and 70 per 1000 live births respectively, whichever is less.
- (f) Making reproductive health care, including family planning information and services, available to all individuals and couples.
- (g) Universal access to safe drinking water and to sanitary means of excreta disposal.

In March 1995 the initiative was endorsed at the World Summit for Social Development, Copenhagen which emphasized inter alia increased and/or efficient utilization of resources allocated to social development as well as debt relief agreements and fulfillment of target of 0.7% of GNP for overall ODA.

The biggest "push" for the initiative was provided by the "Oslo Consensus" in April 1996, where invitations from Norway and the Netherlands, were extended to 22 developing countries, 16 donor countries, 10 multilateral donor agencies and 14 NGOs. This was the first international meeting fully dedicated to the 20/20 initiative, and as a follow-up to the Copenhagen World Summit for social development. Ways to implement the initiative were considered.

In Africa, a follow up of the Oslo consensus was done through the Workshop on Economic and Social Policy in West and Central Africa, held in Accra, Ghana, 21-25 April 1997, and a Regional technical workshop on the implementation of the 20/20 initiative in Eastern and Southern Africa, held in Pretoria, south Africa, in February 1998. In September 1998 a high level workshop was held in Ouagadougou, Burkina Faso to curve a consensus for Africa.

## 0.2 Zanzibar

Zanzibar as part of the United Republic of Tanzania is among four countries chosen for an in-depth study (others are Guinea, Nepal and Philippines). The basis for selecting those countries was that the social indicators are poor and as such, the existence of prima facie evidence of the need for restructuring expenditures and improving the efficiency levels (A Proposal on

Monitoring the 20/20 Compact). The 20/20 initiative is currently being monitored in close to 30 countries.

Revisiting the funding of social services in Zanzibar is very relevant for two reasons: one, following restructuring of economic activities and down-sizing government role, a "vacuum" in the funding of social services has ensued. Addressing this issue through alternative funding mechanism (user charges, private sector etc) have yielded unsatisfactory results. Secondly there is widespread evidence of reversals in past achievements in the delivery of social services (e.g. in health and education). In addition, the overriding importance of investing in human capital is fully appreciated. Zanzibar has participated actively and fully in the genesis of the 20/20 initiative through the World Summit for Social Development in Copenhagen (1995), the International Meeting in Oslo (1996) where the United Republic of Tanzania was privileged to deliver key note address and the Regional technical Workshop in Pretoria, in February 1998; the high level meeting in Ouagadougou, Burkina Faso in September 1998 and the meeting in Hanoi, Vietnam in October 1998.

Despite reaffirming its commitment to the 20/20 initiative, Zanzibar has not yet reached full implementation of the initiative.

### **O.3 Study Objective**

The main objectives of the study are:

- (a) To determine the magnitudes of national budget and international aid flows expenditure on basic social services.
- (b) To estimate the financial implications of the 20/20 initiative.
- (c) To explore the scope for budget restructuring in favour of basic social services.
- (d) To suggest improvements that can be made with respect to efficiency in the delivery of basic social services.
- (e) To initiate a discussion on the monitoring framework for implementing the initiative.

#### **O.4 Hypotheses**

The guiding hypotheses are:

- (a) that a wider scope for restructuring of expenditure in favour of basic social services exists,
- (b) that the 20/20 target is achievable,
- (c) that there is ample room for improving efficiency (cost effectiveness) in the delivery of basic social services.
- (d) that the national component of the initiative can be achieved in a relatively short period of time.

#### **O.5 Methodology**

In carrying out the analysis expenditures were disaggregated to activity level. This is important in identifying basic and non basic expenditures. Only actual expenditures have been analyzed. All relevant sources of data were consulted - government departments as well as UN agencies, bilateral donors etc. All the sections of great relevance to this study were further consulted to review all the relevant issues in their sections.

#### **O.6 Organization of the study**

Apart from the brief background just concluded, the study has six more chapters.

In chapter 1 we present a brief of the policy accounts as well as highlights on the major economic and social trends since 1980.

Chapter 2 provides a general overview of public finance while the analysis of budget expenditure is carried out in chapter 3. Chapter 4 is devoted to the analysis of social expenditure. The potential sources of mobilizing additional resources and improving efficiency are the subjects of chapter 5. The final chapter is devoted to concluding remarks.

## CHAPTER 1

### ZANZIBAR: POLICY ACCOUNTS, ECONOMIC AND SOCIAL TRENDS

#### 1.1 Country Background

Zanzibar consists of two main islands of Unguja and Pemba, both of which are surrounded by other smaller and sparsely populated islets. Unguja is the largest island and is commonly referred to as Zanzibar. The capital bears the same name Zanzibar Town. Unguja has a total surface area of 1464 sq. km, while Pemba covers some 864 sq. km. Amongst important islets within this Indian ocean archipelago are Tumbatu and Uzi in Unguja, and Kojani and Fundo in Pemba. In all of these, artisanal fishing is the most popular economic preoccupation of the inhabitants.

Zanzibar adopted political pluralism in 1995 in which the ruling party CCM emerged victorious.

Some geological investigations conducted in Zanzibar in the early part of this century revealed the occurrence of such minerals as gypsum, iron and titanium. However, the proportions of these metals are too insufficient to warrant any economic exploitation. As for deposits of petroleum, gold and other precious elements, prospects are said to be remote.

#### 1.2 Economic Features and Trends

The economy of Zanzibar is predominantly agricultural, relying on only one major export crop - cloves. The clove economy provides the main employment opportunity (about 70% of total labour force) and the bulk of GDP (about 50%).

Annual exports of cloves account for much of the total foreign exchange earnings from export trade. Other crops which are gradually gaining significance are copra and its by-products (oil and cake) and seaweed, Spices which include chilies, cardamon, cinnamon,



vanilla, blackpepers, gingers and nutmeg. Manufactured goods as re-exports are also growing in importance.

Among the important local food crops are rice, cassava, bananas, maize, legumes, sorghum and millet. Other food and industrial products from agriculture are mainly from animal husbandry (cattle, goats and poultry) and artisanal fishing. Deep sea fishing is gradually gaining in importance, thanks mainly to purposefull government policies and the introduction of new technologies.

For many centuries Zanzibar was a major trading centre, linking Europe, Asia and Africa. Major commercial links exist today and are due to expand more as a result of general global trends towards more liberal trading regimes. The country's strategic location as an entreport of trade in Eastern Africa has been used to good advantage in the past.

Trading and openness are also matters of necessity for Zanzibar, owing mainly to a weak natural resource base, poor mineral endowment and rudimentary industrialization.

Among the major imports are food items (rice, maize, sugar and wheat flour), textiles (some "re-exported" to the Mainland) medicines industrial chemicals and raw materials; machinery and spares; electrical appliances and electronics; and construction and building materials.

Agriculture constitutes the large part of GDP, followed by wholesale and Retail Trade, Hotels and Restaurants. For instance in 1976, 1988 and 1990, the shares of this component in constant 1976 prices were respectively 13.2%, 15.8% and 30.9% (agriculture, which included forestry, fishing and hunting accounted for 58.8%, 57.7% and 35.4%). The remainder belonged to combined contributions of industry, utilities, construction, Transport and Communications, Finance and Insurance, and Public Administration and other services (GoZ).

Following the decline of the world market prices of cloves in the eighties, the economy of Zanzibar did not perform well. In the second half of the decade, total GDP increased at an average annual rate of about 2.7 percent at 1976 prices. This increase was below the average annual growth rate of population, estimated at 3 percent. Consequently, the per capita GDP growth dropped in real terms during that period. The country's average real income was about T.Shs. 1,348 in 1980 falling T.Shs. 1,253 in 1987. The lowest level reached was Shs. 1,195 in 1989. By 1996 it had risen to Shillings 1,361. See Appendix Table 1. The annual average increase in the general price-level measured by consumer price index (CPI), has been ranging from 32.1 percent in 1986 to a record level 40.3 percent in 1988. From this mark, it fell slightly to 38.1 percent in 1989 and more drastic to 17.6 percent by 1997. The purchasing power of personal incomes has been eroded by the double digit inflation. The salary earners and pensioners have been hit most.

The central government's budget has also been affected by the increases in prices. The budgetary constraint can be felt in almost every sector of the economy through under-financing of all economic activities both of recurrent and capital nature.

As pointed out earlier, cloves are the main actor of Zanzibar's foreign trade. Economic performance is therefore heavily dependent on clove harvests and their access to the already over supplied world market. With falling prices in the World market from over \$9,000 per tonne in the early eighties to a value of less than \$1,500 at present, the performance of Zanzibar's foreign trade has been adversely affected. Domestically, the situation was aggravated by low production. As a result, the impressive performance recorded in the external sector in the late sixties and early seventies has lost steam. A persistent negative balance of trade has been experienced for most of the eighties. By 1984 for example the trade deficit reached T.Shs. 392 million. By 1995 the trade balance recorded a deficit of T.Shs. 49.4 million. It rose further to (-) T.Shs. 71.6 million in 1997.

Further, clove exports have continued to face a very strong competition in an uncertain and inaccessible world market at a critical time when the Isles' import requirements keep on multiplying as its population grows and the economy expands. Foreign reserves have been shrinking as a result of repeated negative balance of payments position. External assistance has always been called for to augment the insufficient domestic resources. Since 1995, however the volume of external assistance has been declining, due to "political issues".

Having recognized the ailing situation, the Government of Zanzibar designed development policies and strategies to arrest the situation. In early 1984, the Government declared a "Trade Liberalization Policy" and latter in 1986, the "Investment Protection Act" was passed. More for reaching policy reforms to revamp the economy were spelled out in the Economic Recovery Program (ERP) adopted in 1988, by which various macroeconomic and sectoral policy deficiencies were addressed.

The purpose of the Investment Protection Act of 1986 was mainly to protect private investments in the country, be they by Zanzibaris or by foreign investors. In 1989, the Act was amended and detailed guidelines for prospective investors were issued. The guidelines enumerate some of the possible areas of investment as well as spelling out the modalities for foreign investment in Zanzibar. A great incentive scheme for the investors by way of tax holidays, repatriation of profit and guaranteed protection against confiscation or nationalization was given. A special investment promotion centre was also established to facilitate activities, streamline and speed up decision-making processes.

Zanzibar offers a very wide spectrum of choices for investments to accommodate a broad range of interests. These range from agriculture, fisheries and tourism to manufacturing, construction and transport. Given the rapidly growing demand owing to fast population increase and booming investment activities, both the services sector and the general import-export trade have bright prospects.

The strategic position of Zanzibar vis-a-vis the rest of East Africa still constitutes an economic potential, while anticipated growth of economic activity could reinstate Zanzibar to its earlier prestigious position of being an important commercial centre for East Africa.

### Major economic trends

#### GDP and growth

Zanzibar has a population of about 800,000 inhabitants (1997 estimates), with agriculture being the mainstay of the economy, since attaining independence in January 1964. Agricultural GDP, in real terms, has always been over 40% of GDP except in 1996 when it recorded 38.4% of GDP, though still the dominant sector.

Vigorous implementation of economic reform programmes in the 1990s enabled the economy to record high growth rates e.g. (+) 6.3% in 1996 compared to, for example, minus 1.3% in 1980.

#### Inflation

The rate of inflation in 1981 was 14.3% shooting to 33.9% by 1990. Concerted efforts to contain inflation resulted in a decline to 17.6% by end of 1997.

**Table 1.1: Selected Economic Indicators: Zanzibar: Selected Years 1980-1997**

	1980	1984	1995	1997
GDP Mill Tshs 1976 prices	677.3	710.9	997	1038
Population (000)	502	559	790	800
Balance of Trade (Mill. Tshs)	+12.4	-392.0	-49.428	-71.6
Clove exports %	79.9	79.8	62.3	61.9
Inflation	14.30	38.6	28.9	17.6

- Sources: 1. GOZ: Selected Economic Indicators, 1980-1995.  
2. BOT: Economic Bulletin, June 1998.

### 1.3 Social trends

#### 1.3.1 Education

After the 1964 Revolution, Zanzibar opted for a policy of economic and social development with education as one of its primary components. The Government took the responsibility for provision of education to its entire population. All racial and religious affiliated schools were nationalised in July 1964. Since then, the declaration has provided the policy framework for provision of education in Zanzibar. In the past three decades the school system has expanded considerably and is geared mainly towards achieving the target of universal basic education and producing the skilled manpower. The number of public schools offering primary and secondary education has increased from 66 (62 primary and 4 secondary schools) in 1962 to 190 by 1998. Similarly enrolment of students in primary and secondary schools has increased from 19,106 and 734 to 134,695 and 34,450 respectively (MOE). The establishment of new schools and expansion of the old ones are intended to provide for the largest possible portion of the population and distribute education facilities both in urban and rural areas.

The Zanzibar education system has undergone various changes since 1964. Between 1964 and 1967, the structure of the education system, followed the inherited colonial 8-4-2 system (eight years of primary education, four years of lower secondary education and two years of advanced secondary education). Between the levels, the students were required to sit for entrance examinations before being promoted to the next level. A major policy change occurred in 1968, when the government announced the system of compulsory basic education for nine years, seven years being of primary and two years of lower secondary education. Promotion to lower secondary education was almost automatic and entrance examination at the end of primary education was abolished. The structure of education was adjusted twice before the present 7-3-2-2 system (seven years of primary education, 3 years of first cycle lower secondary education, 2 years of second cycle lower secondary education and 2 years of advanced secondary education which was introduced). Unlike in many African Countries, Zanzibar provides compulsory basic education for 10 years, seven years being of primary education and three years of first

cycle lower secondary education. Promotion to second cycle lower primary education depends on passing selective examination and only about 35% of candidates qualify for the promotion.

The universalisation of basic education has resulted in a quantitative expansion within a relatively short span and with dwindling resources the system has experienced adverse affects on the quality of education. Gross enrolment rate has reached 82.17% and 73.19% at primary and basic education levels respectively. However the system is highly inefficient with drop-out rates exceeding 50%.

In addition to changes and reforms, the education policy which was released in 1991 was reviewed and revised in 1995 to accommodate the new education environment within and outside the country. Among the major highlights of the revised policy are:

- The government reaffirming its commitment to providing free education to all segments of the population. In this respect emphasis has been given to special education so as to ensure that disabled children and those with special education needs are not denied their right to receive education.
- Diversification of the sources of finance for education with a special focus on drawing the private sector into more involvement in educational financing through strategies such as:
  - Running private schools
  - Establishment of education trust funds at various administrative levels that will open to voluntary contributions from individuals NGOs, business enterprises, charity organisations.
  - Introduction of an education services levy to be charged on big business enterprises.

- Voluntary cost sharing arrangements like merging extra tuition classes and community self help initiatives etc.
- Soliciting international aid.

A notable result of this policy has been the establishment of the first private University in Zanzibar in 1998.

### Adult Education/Literacy

The provision of adult education in general and adult literacy in particular has been among the major agenda items of the government. Apart from functional literacy classes there has been a vocationalized curriculum for post literacy programmes. The adult education department has been offering vocational training, remedial, complementary and supplementary (continuing education) programmes for adults and out-of-school youths.

Between 1993 and 1995, a total of 12,165 adults were attending, in 277 classes. There was however a 58% drop-out by February 1994. In 1997 literacy rates stood at 20% for females and 41.5% for males. The country average is 30.8%.

### **1.3.2 Health**

The current Health infrastructure (facilities) focuses mainly on Primary Health Care and Services decentralisation. Currently the basic Unit in the health care system is the Primary Health Care Unit (PHCU) each catering for a population of 5,000-6,000. There are 137 PHC Units in Unguja and Pemba at present.

In general there is a very good network of health units, where more than 95% of all Zanzibar's live within 5 km walking distance to a health facility.

According to the 1996 TDHS, fertility has been declining, though the average fertility rate of 5.93 for Zanzibar is still one of the highest in the region. The infant mortality rate of 75.3 per 1,000 and maternal mortality rate of 529 per 1,000, remain unacceptably

The project is currently in Phase IV (1998-2001). The long term objective is to improve the health and quality of life of the population in general and of women and children in particular by contributing to the goals and objectives of the national population policy.

Raising contraceptive prevalence and reduction of the maternal mortality ratio by 50% from approximately 529/1,000 live births to 265/1,000 live births are among the immediate objectives of the project.

Although family planning began in Zanzibar way back in 1985 no policy existed by that time to guide such services. It was only in the early 1990s that the Government of Zanzibar introduced two health policies related to the provision of maternal and child health and Family Planning services. These are the Priority Plan for Health Services (1991/1992 - 1995/1996) and the MCG/FP policy drafted in December, 1990 and approved in 1992. The latter specifically outlines targets and strategies for improving maternal health and Family Planning Services. In addition a draft "Strategy to Improve Maternal Health" policy document was designed in 1993 through collaboration with other ministries. Overall, these policies reflect the Government's concern on the high maternal mortality and morbidity indices as one of the major health problems in Zanzibar.

Apart from the above, there is also a National Population Policy in which Zanzibar as part of the United Republic is included. Reducing maternal and infant mortality and morbidity and improving the health of mothers and children are among the stated objectives of the policy.

### **The HIV Spread**

Zanzibar became aware of the AIDS epidemic in 1986. A temporary aids committee was established and by 1987 a permanent AIDS Technical Committee was formed. Between 1986 and 1994 the number of aids patients multiplied more than hundred times from 3 to 317. Reports indicate that the growth rate declined to 90 patients in 1996. In the



Medium Term Plan III the budget initiatives for aids control envisage a budget line for AIDS control for all government ministries to be institutionalized within the regular government budget exercise. Funds allocated under the said budget line would support implementation of ministerial activities for AIDS control thereby reducing dependence on donor assistance.

#### 1.3.4 Nutrition

Before 1984, the magnitude of malnutrition among the Under Fives was not well defined and interpreted. Children were weighed during the routine growth monitoring activities at the MCH clinics, but report forms never indicated who among the children was moderately or severely under nourished, and to the implementers and policy makers such kind of information meant very little. Later, through CSD support, MCH clinic growth monitoring data were properly analysed and revealed that malnutrition among Under Fives was a problem. Nutritional studies followed, and all together put to light the nutritional problem prevalent among U5s. In 1990 the level of moderate malnutrition was 43% and severe malnutrition was 8%. The major causes of malnutrition, as observed were low food intake, diseases and lack of needed care to women and children which has been precipitated by ignorance and poverty. The Program was implemented for four years with moderate success. See Table 1.2.

Todate there is no specific policy on nutrition in Zanzibar. However there are some policies which incorporate nutritional activities. Such policies include the Priority Plan for Health Services 1991/92 - 1995/96, where it is emphasised that the Nutrition Unit of the Ministry of Health would work collaboratively with the Zanzibar Joint WHO/UNICEF Nutrition Program (ZJNSP) to improve child development and maternal nutrition in order to reduce child mortality and morbidity.

**Table 1.2: Nutritional Status of Under-Fives, Zanzibar, 1990-1993.**

Year	Moderate Malnutrition	Severe Malnutrition
1990	43%	8%
1991	37%	7%
1992	38%	5%
1993	36%	4%

Source: Ministry of Planning: Mid Term Review Program for Women and Children in Zanzibar.

Severe malnutrition dropped from 8% in 1990 to 4% in 1993 and moderate malnutrition from 43% in 1990 to 36% in 1993. Besides aiming at reduction of morbidity, mortality and improving nutritional status of the vulnerable groups (Women and children) ZJNSP also focussed on empowering people so that they could assess the problem, analyse and take appropriate action. Community based nutrition monitoring data were generated and disseminated to higher levels. Because of weak decentralisation policies, unsatisfactory government contribution, and lack of donor support, the whole system collapsed and since then it has not been possible to get nutrition data of under fives representing the whole country.

### **1.3.5 Water**

Providing adequate and safe water to all people has been one of the country's top priorities. Water was seen as a fundamental right of every citizen. Many rural water supply schemes were established for that purpose, in 1964.

Despite the good objectives until recently, there is no official national policy on development of the water sector in Zanzibar. According to the National Programme of Action for the Survival, Protection and Development of children in Zanzibar the government goal is to have piped water for all by the year 2000.

About 34% of the island's population of 800,000 people live in urban areas. These include Zanzibar Town in Unguja and the three other towns namely Wete, Chake Chake and Mkoani in Pemba. Water demand by this population is known to exceed the capacity of the supplied piped water.

The main water consumers in the rural areas are residential families. The present water demand in rural areas is estimated to grow from 28,500 m<sup>3</sup>/day at present to 47,000m<sup>3</sup>/day by the year 2015. These estimates are established from the population growth figure with overall per capita demand of 50 l/day. The increase in water demand is not only due to an increase of population, but also to the growth of tourism industry in Zanzibar.

Existing piped water supply covers about 45% of rural population. However, this coverage is only indicative, as most of the rural piped water schemes are not in good condition physically and are poorly planned and designed. Lack of regular maintenance is also a problem. This means that in effect a much lower number is served. Consequently, the majority of the rural population has to rely on the traditional hand-dug wells for water supply. The poorly constructed wells are in high risk of contamination and cannot therefore be considered safe. Further, during dry seasons most of the wells dry up, hence, forcing people to travel longer distances to fetch water.

In an effort to combat this unpleasant water supply condition, in the late 1980s Zanzibar was granted a loan from the African Development Bank to work out a Master Plan and also to undertake feasibility studies for 24 priority rural water supply schemes. To date, only 17 schemes are under implementation by the two major rural water supply projects.

**Table 1.3: Population with access to Piped Water in Zanzibar (1996)**

District	Chake	Wete	Mkoani	Miche-weni	Urban	West	North B	Central	North A	South
Percentage	28%	22%	12%	5%	100%	62%	58%	22%	8%	30%

**Source:** National Programme Action for the Survival, Protection and Development of Children in Zanzibar 1992-2000.

### 1.3.6 Sanitation

The rural and sub-urban areas located outside the boundary of Municipalities covers 6,600 hectares. In this area there are several traditional households engaged in agricultural and fishing activities. The majority of the people are low income earners. The existing on-site sanitation which is commonly used for sewage disposal is traditional pit latrines accommodated within the buildings. In other rural areas, depending on the cultures, the sewage disposal facilities are separately located. However, there are some huts and buildings that have no access to the sewage disposal facilities (pit latrine).

A household survey conducted in some rural areas (in 1996) indicated that 49% of the existing households have latrines. In some rural and urban areas where the government has constructed residential flats, it is estimated that not more than 10% of the existing buildings have the disposal system described above. Most of the existing sanitary network systems in the rural areas are inadequate and non-operative with occasional blockage.

Before and early after the Revolution of 1964 government policy for sanitation in the rural and sub urban areas was to subsidise the sanitary facilities for every one in the rural areas by considering that the majority of the people have limited ability to meet the costs for construction of sanitary facilities (at that time the simple pit latrines). Therefore the government had to subsidise the concrete squattin? slab and the rest of the expenses that mainly cover the local materials (i.e. stones and lime) were to be met by the household owner.

Since 1997, following a major outbreak of cholera, government policy has changed, towards more emphasis on Health Education Campaign to the community by mobilising the community leaders like Shahas, party leaders, councilors to promote public awareness towards the importance of environmental health.

In 1993 the government established a division under the umbrella of the Ministry of Health known as Environmental Health Unit responsible for Sanitation in Zanzibar in collaboration with internal and external donors, to enhance public awareness on Health Education by community participation in the physical implementation of the sewage disposal facilities in the specific pilot area. Recently the policy has now changed from reliance on government to community participation in meeting the cost of implementation of sanitation services. However there are no specific approved policy and guidelines for sanitation in Zanzibar. Communities in Zanzibar still believe that the operation and maintainance of the sanitation services is the responsibility of the central government or local authority.

#### **. Urban Sanitation**

The population resident in the urban areas is estimated at 250,000 (1998). The annual growth rate is about 3.8%. The average household size in Zanzibar Stone Town is about 6.9 members.

There is no centralised sewerage system in Zanzibar Town. The coastal area of Stone Town has a sanitary sewer system with many outfalls. Some of the other areas are served by a combination of main sewers and ditches with four main outfalls and two sewage pumping stations. The existing sewer system is 50-60 years old and serves about 30% of the population.

In some areas like Kwahani, Shaurimoyo, Jang'ombe, there is no sanitary sewer system: septic tank and soak pit systems serve separate houses which have sanitary fittings.

In the "New Town" approximately more than 80% of the households use pit latrines as the

means of sewage disposal. Industrial waste is discharged into the sea through ditches or drained into the ground through soak pits. The sanitary conditions are very poor.

The government of Zanzibar has approached the German government for financial and Technical support. So far the drainage and sanitary net work system in the old stone town has been improved in terms of solid waste collection and extension of more than 18 sea outfalls along the coastline.

### 1.3.7 Housing

Among the revolutionary government's political promises were the improvement and provision of better houses to the poor. At national level, the housing scheme was developed under the banner of "HOUSING FOR THE POOR". The main goal was to provide better and free housing for Zanzibaris, especially low income earners who were left with poor housing during the colonial period. As early as 1964, the housing scheme grew and took top priority in the national agenda and physical construction went through the tempo of national building by community participation. However, at present there is no existing policy document on the project.

To improve the housing situation therefore the Government made a series of efforts through its programmes in Zanzibar town such as Kikwajuni, Kilimani, Michenzani, Sebleni (home for elderly people), Mtemani, Madungu, Machomanne, Mkoani to mention a few and later all over the islands, with some in rural areas like Bambi, Makunduchi, Gamba, Mpapa, Kengeja, Micheweni, Chukwani, Kinduni, Mkokotoni etc.

The success of the housing schemes can be seen practically in various areas of towns and villages all over the islands of Unguja and Pemba. These include Kilimani, Michenzani, Kikwajuni, Wete (Mtemani), Chake chake (Machomanne & Madungu), Mkoani and Sebleni with a total of 2420 flats.

Five building blocks were constructed with the capacity to accommodate 180 elderly people, where all necessary services were provided freely.

By 1992/993, the low cost housing scheme was initiated which was a loan to the government of Zanzibar from the Peoples Republic of China. Eighty four flats were built at Mombasa (Zanzibar) for renting. The donor's contribution was Tshs. 845,000,000/= and 15,000,000/= came from the Government.

The flats were distributed to peasants and workers for renting, while some were compensations to people whose houses were demolished. The distribution system favoured the latter category.

The rent has been T.Shs. 1,875 per room (1993-1996) and currently (1997/98) 3,000/= per room, T.Shs. 7,000/= per 2 rooms, T.Shs. 10,000/= for 3 rooms and T.Shs. 15,000/= for 4 rooms while Sebleni flats are inhabited free of charge.

The strategies used during the implementation of these building programmes were to allow community participation which proved very successful. Due to this approach, the government succeed in saving the labour cost and was able to complete many of the housing schemes introduced soon after the Revolution.

The housing scheme appeared to be a very good step forward so long as the economy could provide the budget and through the assistance of community participation. The economic recession and difficulties of the early 1980s have, however, retarded the housing programmes introduced in Zanzibar soon after the Revolution. The scheme stopped when it was realised that the venture requires major financial input and manpower.

The introduction of adjustment policies and reforms in the 1980s have affected the implementation of Government housing programs introduced in the early years of the

Revolution. These policies did not include any statements or measures which were directly focused on addressing the housing programmes, despite mentioning that Government development resources will, among other things, be allocated towards the rehabilitation of existing social and physical infrastructure and the reactivation of existing capacities.

The department of Construction and Maintenance which is responsible to all issues related to housing development in Zanzibar suffered greatly because of lack of funds from the government which was its client. Its mission of development and ensuring that the islanders live in better houses by the year 2020 has become greatly jeopardized.



**CHAPTER 2**  
**GENERAL OVERVIEW OF PUBLIC FINANCE**

**2.0 Preamble**

In this section we briefly review overall availability of public resources, with the aim of assessing the government's ability to meet its obligations. Public spending is also discussed and related to policy changes but in very broad terms as this is the subject of chapter 3.

**2.1 Government revenue structure**

Traditionally public expenditure (recurrent) has relied mainly on domestic resource generation. The structure of government revenue is dominated by tax revenues (See Table 2.1). It is noted that the role of tax revenue has increased from 87.3% in 1986 to 92.7 in 1997. Notable is the growing importance of taxes from international trade.

**Table 2.1: Zanzibar: Revenue Structure (% of Total Revenue) for Selected Years, 1985-97**

	1986	1990	1995	1997
Tax Revenue of which	87.3	96.5	77.6	92.7
Income Tax	5.6	8.8	3.0	4.2
International Trade	23	32.0	65.3	60.9
Goods and services	58.4	55.0	4.9	6.3
Others	0.3	0.7	4.4	21.3
Non tax revenue	12.7	3.5	22.4	7.3

**Source:** GOZ: Budget Documents (various).

In relation to GDP government revenue was in the magnitude of 36.6% for the year 1986/87 while tax revenue as a share of GDP was 13.9%. The revenue/GDP ratio reached 39.6% in

1995/96 and 37.6% in 1997/98 while tax ratio rose to 18.3%, during 1995/96 and to a further 21% during 1996/97 and to 34.8% in 1997/98.

**Table 2.2: Zanzibar: Total Revenue and Tax to GDP Ratio, 1986/87 - 1997/8 Selected Years**

	1986/87	1990/91	1995/96	1996/97	1997/98
Zanzibar <sup>a</sup>	36.6	51.9	39.08	38.2	37.6
<sup>b</sup>	13.9	7.9	18.3	21	34.8

Notes: <sup>a</sup> Revenue/GDP  
<sup>b</sup> Tax Revenue/GDP

Sources: 1. Statistical Abstracts, 1991, 1995.  
 2. Government official documents for 1996/97 - 1997/98.  
 Percentages computed.

## **2.2 Structure of government expenditure**

The evolution of public expenditure in Zanzibar, indicates dominance of general public services after 1988/89 except for 1997/98. See Appendix Table 6.

An expenditure pattern in favour of general services (at the expense of productive and economic services) limits the capacity of an economy to generate more incomes.

### **Comparison with public revenue**

The size of public spending has generally been smaller than public revenue for much of the 80s and 90s, except for three years.

In 1980 for example, the ratio of government expenditure to GDP was 49.8% and revenue to GDP, 59.4%. In 1996 the respective ratios were 16% and 23% and in 1997 the respective ratios were 38.7% and 37.6%. See Appendix Table 3.

### 2.3 Fiscal deficit

Government budgetary deficits have been a permanent feature of government operations since 1993 (except for 1996). See Appendix Table 3.

**Table 2.3: Key indicators of Public Finance in Zanzibar 1989/90 - 1997/98 Selected Years**

	1989/90	1991/92	1996/97	1997/98
Govt. revenue/GDP	29.7	27.5	23.5	37.6
Govt. exp./GDP	28.9	25.2	23.5	38.7
Overall deficit/GDP	-0.8	-0.2	0.02	-1.1

**Sources:** Government of Zanzibar, App. Table 3 and Statistical Abstract 1996.

The main factor bringing about fiscal deficits has been fast growth of recurrent expenditure.

The consolidation of the budget of Zanzibar displays many irregularities. It would seem that for most of the period under discussion the country did not have fiscal disequilibrium. Earlier deficits were realized in a few years (1978/79, 1985/86, and 1986/87), but beginning the early 1990s deficits have been on the increase. However it is noted that the surplus from the recurrent budget was not adequate to meet the expenditure requirements.

What is surprising is that despite the conducive performance of the recurrent budget, the Zanzibar government has in recent years depended heavily on borrowing both domestically and externally. Tracking government expenditure over the years reveals that between fiscal year 1976/77 and 1980/81, government expenditure averaged 45% of GDP. The highest ratio of expenditure to GDP was reached in 1979/80 (60.7%)

(GOZ). From that fiscal year a decline is observed reaching 36.6% in 1982/83, with even lower ratios, 23.7%, 29.0.%, and 23% for the three fiscal years 1983/84 to 1985/86. Thereafter the trend has not been uniform.

The structure of expenditure shows dominance of recurrent expenditure. Starting with a level of slightly over 74% of total expenditure in 1980/81 it rose to over 81.8% during 1990/91. During much of the 1990s recurrent expenditure has averaged 90% of total expenditure (See Appendix Table 8).

#### **2.4 Recent Developments in Public Finance and the role played by structural adjustment programmes**

Since the adoption of "true" reforms in 1988 budgetary operations have had two strategic missions: fiscal discipline and revenue generation. With regard to fiscal discipline, control of government expenditure has been on the top of the agenda.

On the side of revenue generation various measures to increase revenue have been instituted e.g. the creation of a Revenue Authority and various reforms in the taxation system (See also chapter 3).

Despite concerted efforts to achieve the twin goals success has only been mild, partly because of unavoidable expenditures (e.g. on catastrophes). The government is making another move to introduce Value Added Tax (VAT) in the 1998/99 financial year, to take effect in January 1999.

#### **2.5 Assessing the potency of fiscal policies**

The task of promoting economic and social development in Zanzibar is vested in the government of Zanzibar. Direction of expenditure to the immediate improvement of people's welfare has been facilitated through development plans. Government expenditure requirements are financed through taxation and other sources like parastatal dividends, and whenever a gap is realized from the main source (i.e. budgeting

operations) savings, bank and non-bank borrowing had been resorted to. External loans and grants had in the past played an important role as a source of revenue for development expenditure. Following a donor hold-back since 1995, Zanzibar has been forced to substantially scale down development programmes.

### **2.5.1 Taxation System as a Source of increasing revenue**

A country's ability to mobilize resources through taxation is measured by trends in revenue to GDP ratio. This will reflect on the country's overall tax or revenue effort. See Tables 2.1 and 2.3.

Efforts to raise revenue/tax to GDP ratio have not succeeded much. Zanzibar experienced a downward trend between 1986 and 1992. Later on revenue/tax effort has slightly improved.

Factors responsible for the significant reductions in the tax efforts include the tax policies being pursued. Zanzibar reduced tariffs without accompanying removal of tax exemptions and strengthening of tax administration. This reduced revenues substantially. It is encouraging to note that the 1998/99 budget addressed these issues seriously.

The government implemented tax reforms in view of the several shortcomings of the tax structures. Over the years the government imposed additional taxes and surcharges to meet rising revenue needs while broadening the tax base.

Structural weaknesses distorted incentives and resource allocation and often combined with problems in tax administration in terms of poor pay, low work morale, inadequate facilities, inappropriate or non-enforced penalties and weak auditing.

The structure of revenue has been changing over the years. It is observed that there has been a decline in the share of non-tax revenue. This is due to declining size of the public sector in recent years and decline in profitability. Another salient feature of the tax

system before 1986 was insignificant reliance on international trade as a source of revenue relative to taxes on domestic transactions (GOZ). The compression of imports in the 1980s led to the decline in the contribution of international trade taxes. However starting in 1986 the relative importance of taxes on international transactions increased.

### **2.5.2 The Government Budget, Reforms and Potential benefits**

The government through revenue and expenditure measures has since 1964 resolved to enhance economic development of the island. In so doing the budget has been used for purposes of allocating, stabilization and distributive roles. The achievement of those goals however has been constrained. The allocative role shows some achievement in the past as basic services (education, health, transport and communications, water and energy) received substantial allocations. The stabilization role has been less modest as this depends on the impact of the budget on inflation, balance of payments and exchange rate movements, variables whose control is largely outside the control of the Zanzibar Government. Finally, earlier emphasis on welfare systems suggests that the budget favoured the poor, dependent and disadvantaged.

Emerging trends show shift to producers and entrepreneurs, typical of most adjustment programmes.

The main constraint facing the budget has been its dependence on foreign inflows i.e.; grants and loans. A scaling down of the foreign component brings difficulties in the budget. Resorting to domestic sources has largely resulted in explosion in the domestic debt. Since there are limits on the amount of borrowing, some services and projects had to stop abruptly due to lack of the domestic component of funds for running them (and, recently, also the donor freeze on new aid since the mid 1990s (on political grounds).

A short multisectoral study carried out in 1987 revealed the inherent structural weaknesses of the Zanzibar economy, namely: (a) large dependency on imports of staple food (b) absence of

food (b) absence of import substitutes in capital and consumer goods (c) inflation consequences of exogenous and domestic policies (d) weak and narrow revenue base (e) weak capital markets and (f) monocrop, island economy with undeveloped infrastructure.

The study indicated that Zanzibar's development strategy should aim at attracting trade and productive investment. An ERP was proposed and accepted for implementation by the Government. Among its major recommendations in the macro-frame were:

- improving government finances via revenue enhancement and expenditure prioritization (and reduction).
- improving foreign exchange allocation and enhancing food security via increased domestic production.
- Reviving productive capacity, through (a) encouraging private sector involvement in the economy (b) running retained parastatals on commercial lines and (c) increasing agricultural incentives and liberalizing marketing.
- Increasing resource allocation to infrastructure and social services.

These macro policies found their specific translation into sectoral policies. On the social services which are education, health, water, housing and other services of "social welfare" nature, the decline in the economy has meant that Zanzibar has not been able to sustain its welfare state system. This is evident from the general and overall dilapidation of all services over the years. Current efforts, mostly isolated and donor propelled, are yet to be consolidated as a package. Thus different donors support areas of their comparative advantage and interest.

The general ERP proposals for these sectors emphasized (a) the need to rehabilitate and improve the quality of existing social services even if this meant restricting their growth due to limited resources and (b) the need to explore user charges, cost sharing, joint ventures and privatization of certain services within some reasonable parameters of government controls and regulations to guarantee sustainability, efficiency and equity.



## CHAPTER 3

### ANALYSIS OF BUDGET EXPENDITURE

#### **3.0 Brief overview**

The purpose of this chapter is to examine briefly budget expenditure with the aim of highlighting the salient features and identifying the main avenues of expenditure.

Economic planning in Zanzibar usually takes place on a short-term basis, through the mechanism of annual Public Investment Programme (PIP) which is in turn reflected in what is called development budget.

The PIP constitutes a coherent set of projects supporting the development strategy, serves as a basis for the preparation of the annual capital budget, and represents a portfolio of projects requiring financing. As such it is useful as a tool for seeking assistance from bilateral, multilateral and other financing agencies.

Normally the PIP contains a number of development projects of all ministries, departments and public enterprises. Under this system PIP has a broader coverage ranging from small to big projects; village projects to national projects.

The size and structure of the current PIP is designed to sustain the development strategy of the country. This strategy which continues to rest on the diversification of the economy, aims at consolidating the infrastructure base and modernising the modes of production, while at the same time improving the social sector and dealing with any emerging social, economic and environmental problems.

The budgeting process in Zanzibar is based on the macro - economic policies consistent with the economic outlook detailed in the Medium - Term - Plan of the Rolling Plan and Forward Budget (RPF) of the country. The Budget Framework takes into account the

need to maintain consistency between budgetary policies and policies for economic growth, balance of payments, inflation levels, and other monetary and social indicators.

Under the RPFB principles, co-ordination is highly observed in order to establish and endure links among resource mobilization, resource allocation, policy formulation, policy execution and policy evaluation exercises. At any point in time, collaboration and co-ordination between these two institutions i.e Finance and Planning is maintained, hence smooth implementation is assured.

A common guideline is issued six months before the execution of any new budget, where all Ministries and Departments are required to budget for their recurrent and development activities and later submit them for discussions.

Government expenditure requirements are financed through taxation and other sources like parastatal dividends, and whenever a gap occurs, bank and non-bank borrowing is resorted to. All along the government through its corporations (parastatals) has played the role of entrepreneur and participated directly in production. This resulted into rapid expansion of the public sector and hence increased expenditure commitments of the government. When domestic sources of financing were insufficient, external loans and grants formed a major source of revenue for development expenditure.

### **3.1 Recurrent expenditure**

Between fiscal year 1991/92 and 1996/97 recurrent expenditure rose from 11507.6 mill. Tshs. to 19073.0 Mill-Tshs. (65.7%). In between these two periods there were two sharp declines. These are from 10537 mill Tshs in 1992/93 to 7978.2 mill Tshs. in fiscal year 1993/94 and from 30022 mill Tshs. in 1994/95 to 13004 mill. Tshs. in 1995/96 (GCZ: Statistical Abstract, 1996).

Recurrent expenditure share of total expenditure has risen from 59.6% in fiscal year 1991/93 to 96.7% in 1996/97 (GOZ: Statistical Abstract, 1996).

Increased recurrent expenditures in recent years can be explained by the commitment of the government to compensate workers by increasing salaries in the face of rising inflation. This was done by upward adjustment of salaries during the subsequent annual budgets.

Expenditure allocation among sectors shows an erratic trend. In all years Economic infrastructure has received a lion's share ranging from 32% to 52%. In some years, administration was allocated the next highest share followed by economic services, but in some social services ranked next. Table 3.1 summarizes actual sectoral financial allocations for financial year 1990/91 to 1996/97.

Recurrent expenditure accounted for a large part of total expenditure 59.6% in 1997/98. The main expenditure items are wages and salaries (15.3%), and other expenditures 83.0% in 1991/92. Debt servicing claimed about 7.6% of recurrent revenue in 1994/95 from lower levels of 1.7% in 1991/92.

**Table 3.1: Sectoral Financial Allocation in Zanzibar 1990/91-96/97**

Sector	1990/91	91/92	92/93	93/94	94/95	95/96	96/97
Economic Services	35	32	37	40	52	47	47
Social Services	15	23	25	29	32	34	39
Production	24	21	25	15	10	10	7
Adminis- tration	26	24	13	16	6	9	5
Total	100	100	100	100	100	100	100

Source: Ministry of Finance and Investments, 1998.

### 3.2 Development Expenditure

Development programmes are normally funded from domestic and foreign sources. Domestic sources that are expected to provide development expenditure are the recurrent budget surplus, bank borrowing and other revenues. Foreign sources are mainly inflows in the form of grants and loans. Over the years there has been increased dependence on foreign sources of revenue, caused by poor performance of the export sector. See Table 3.2. Whenever shortfalls occur in foreign inflows, the government has resorted to domestic borrowing from the Bank of Tanzania. Bank borrowing has featured prominently as one of the sources of development revenue next to foreign loans and grants (See Table 3.4).

Much of the capital budget is made up of external funds (about two thirds), being mainly spent on development programmes. Social services programmes have received less than 2% actual disbursement of the total capital budget (Table 3.2).

**Table 3.2: Composition of Capital Expenditure by Source and Purpose % Zanzibar 1990-1996: Selected Years**

	1990	1992	1994	1996
Government	9.3	5.2	6.8	3.6
Donor	90.7	94.6	93.5	96.4
Disbursement to Social Sectors (Actual)	1.9	0.6	1.4	0.9

**Table 3.3: Aid Development Expenditure by Sector (%) Zanzibar, 1991 and 1995**

	1991	1995
Direct Productive Sector	8.3	8.7
Economic Services	65.7	68.2
Social Services		
Education	2.3	4.1
Health	7.4	2.3
Housing	8.6	0
Other Services		
Finance and Planning	5.7	14.2
Administration	1.6	n.a.

Source: GOZ: Estimates Revenue and Expenditure, Various.

**Table 3.4: Sources of Financing Government Budget Mill. Tshs. Zanzibar 1990/91 - 1997/98 Selected Years**

	1990/91	1992/93	1994/95	1997/98
Grants and loans	8,572.5	17,906.3	18,218	0.0
Bank Borrowing	-	2,401.0	3,465	1823
Non Bank Borrowing	397.8	743.0	2020.4	

### 3.3 Budget Balance

Prior to 1990/91, the budget was generally balancing. Since 1990/91 fiscal year there have been persistent deficits in the budget. The overall deficit before grants was 137.1 mill. Tshs. in 1990/91 reaching a high 41,409 mill. Tshs. in 1995/96. During 1996/97 a surplus of T.Shs. 5173 million was recorded. See Appendix Table 3. The overall deficit after grants displays similar patterns. Figures from the Statistical Abstract, 1996 indicate the deficit before grants was 46% of GDP in 1992 and 73% of GDP in 1994.

CHAPTER 4  
ANALYSIS OF SOCIAL EXPENDITURE IN ZANZIBAR

**4.0 Preamble and Overview**

Traditionally Zanzibar has been placing social services provision at the top of the agenda. As much as 30% of government expenditure in the 1970s and early 1980s went to social spending. Social sector development is part of the overall economic planning of the country.

Social sector development in Zanzibar addresses government objectives of improving welfare and human resources development. The Government has decided to withdraw from most directly productive activities, so as to be able to provide greater resources to the social sector programme. The Government recognises that it cannot meet all costs of providing the necessary social services. Therefore greater emphasis is being placed on community involvement in the provision and management of infrastructure as well as the introduction of cost sharing arrangement. The Government has also invited the private sector to participate fully in the provision of social services such as health, education and in conserving the environment.

The delivery of social services is on a 3 tier system: primary, secondary and tertiary. One feature common to the services is the wide varying costs across levels as well as low per capita expenditures against recommended levels. For example the annual cost per student in a primary school is estimated at US \$ 35.4 while per University student it is US\$ 1,000. The recommended per capita expenditure in health is US \$12 against actual of US\$ 3-4 in Zanzibar.

All in all the government of Zanzibar recognizes the deterioration in social service delivery and is determined to correct although its hands are folded in terms of finances.

## 4.2 Social Expenditure Trends

### 4.2.1 Education

The financial resources needed to maintain and develop the education system are mainly originating from central government budgets or external sources through grants and loans received from multilateral or bilateral arrangements. The central government is the major source of financing public education, though of recent the contribution by private sources through household expenditures incurred by the beneficiaries (students/ parents) of education and voluntary contribution have been on the increase and have brought a significant impact especially on construction of classrooms. External sources have formed a significant portion of financing capital expenditure.

Table 4.1 below shows the growth of public expenditure on education in Zanzibar. As can be seen government contribution to education has been fluctuating between 8.5% and 14.3%. Compared to many other least developing countries with somewhat similar situation, this share is very small. For example, Burundi, Burkina Faso and Rwanda allocate respectively about 16, 20 and 25% of the budget to education. Because data on education expenditure are not available according to type and level of education, the enrolment and expenditure figures refer to all levels of education and the unit cost represents the average cost for all levels of education except higher education. Since students at primary education level account for more than 80% of the total student's enrolments, the trends shown in Tables 4.1 and 4.2 do also reflect the expenditure trends in primary education.

**Table 4.1: Government Expenditure and Recurrent Unit cost per student in Zanzibar 1990-1997**

Year	% share of Recurrent Government Expenditure on Education	Unit cost per pupil (Tshs) Current
1990	11.63	32,104.30
1991	8.47	93,137.50
1992	14.39	66,104.91
1993	14.12	67,853.18
1994	12.32	80,755.33
1995	14.36	119,415.8
1996	13.11	156,123.7
1997	13.06	176,221.2

**Source:** GOZ: Ministry of Education.

**Table 4.2: Education Expenditure By Purpose in Zanzibar: 1990-1998**

Year	Non Salary Expenditure (Percentage)	Salary Expenditure %
1990	50.42	49.57
1991	44.58	55.42
1992	22.03	77.97
1993	13.46	86.54
1994	19.31	80.55
1995	16.31	80.55
1996	16.45	83.55
1997	12.06	87.94
1998	3.07	86.93

**Source:** GOZ, Ministry of Education.



**Table 4.3: Trends in Pupil - Teacher Ratio 1990-1998, Zanzibar.**

Year	% of untrained teachers	Pupil - Teacher Ratios		
		Trained	Untrained	Total
1990	25.43	41.38	121.34	30.86
1991	21.26	41.20	152.57	32.44
1992	29.70	41.27	97.70	29.01
1993	28.16	40.04	102.15	28.76
1994	26.63	40.62	111.88	29.80
1995	27.94	41.15	106.14	29.65
1996	28.61	41.62	103.84	29.71
1997	28.03	42.98	110.37	30.93
1998	26.38	41.36	115.42	30.45

Source: GOZ, Ministry of Education

Looking at the unit costs per student, (Table 4.1) shows that there has been an increase in education expenditure per student from T.Shs. 32,104 in 1990/91 to Tshs. 176,221 in 1997/98 (current). However in real terms, after accounting for inflation and devaluation of the Tanzanian shilling, the expenditure has in fact been declining. It is also notable that over 80% of education budget in recent years is spent on salaries and other personnel emoluments (Tables 4.2). The proportion spent on other expenditures including purchase of teaching materials, maintenance of school buildings and furniture, in-services training of teachers, transportation of students, boarding and lodging and other recurring expenses is less than 20%. The non-salary expenditure per student is too little to cover even the purchase of a single textbook per student. A critical analysis of non salary expenditure for the year 1996/97 and 1997/98 reveals that the allocation for training was negligible. For example out of T.Shs. 10 million allocated in the budget for training for 2 years, the Ministry of education did not receive a single cent while the purchase of school materials textbooks, chalks etc. received only T.Shs.2.6 million for

2 years out of T.Shs. 150 million which was allocated. Hence one should not be surprised to find out that there are acute shortages of textbooks, furniture and well-maintained buildings. The low investments in education inputs have likely contributed to the gradual decline in the quality of education.

As has been observed in Table 4.2 the increase in education expenditure for the last seven years has mostly favoured the salary items leaving only a small portion for non-salary items. Besides the monthly salary, teachers received 25% of their basic salary as teaching allowance, 6% to 10% as housing allowance and refund of travelling expenses for teachers who are deployed four and half kilometres or more from their home. The spending on salaries and allowances is highest compared to other civil servants in Zanzibar. Despite these efforts the problem of insufficient compensation for teachers is apparent and is the cause of teachers involving themselves in supplementary income generating activities such as private tutoring and petty business. Nominal gains in salaries have been offset by the falling value in the purchasing power of the shilling to the extent that the starting salary of trained primary school teacher in 1998 is several times less than that of 1990.

One notable aspect of capital spending in education from the government source is that it became so small for the period after 1990. Throughout the 1990/91 - 1997/98 period capital spending from government sources in the entire education sector was Tshs. 287.36 million. For the period 1995/96 - 1997/98 the spending was down to Tshs. 45 million. Much of the funds were counter-part funds in foreign supported projects. The priority for capital spending has been in the construction of physical facilities such as classrooms, girls hostels and technical secondary schools.

#### **4.2.2 Health**

The Ministry of Health, is very much dependent on one major source of funding i.e. Central government. Although the government is committed to increasing the proportion of the budget (recurrent and development) the health sector is always facing financial

constraints. This is occurring when the demand for services for the growing population continues to grow.

The share of health expenditure is shown in Table 4.4 (See also Appendix Table 7).

**Table 4.4: Health sector expenditure (Mill Tshs) and % of government expenditure, Zanzibar 1990-1998.**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Health expenditure	683.7	906	678.6	757.6	948.2	1769.6	1976.2	945.0	140.6
as % of Government Expenditure	17.9	7.7	7.9	8.5	8.1	11.3	7.8	6.9	8.0

Source: GOZ, Statistical Abstracts, Various; Estimates of Revenue and Expenditure, 1998/1999.

The development budget of the Ministry of Health has been experiencing gaps when planned and actual disbursements are compared. This is also true for the recurrent budget. Between 1994/95 and 1997/98, for example less than 30% of the allocated expenses were actually funded.

#### **4.2.3 Expenditure on Family Planning**

As started earlier, family planning services in Zanzibar have been and are still being financed by the Government in collaboration with donors, mainly UNFPA.

The Government provides office accommodation for the programme in both islands and takes care of running costs for the programme. The government also provides for all other costs related to the infrastructure such as electricity, water and part of the telecommunication costs. It also maintains all the 110 MCH/FP clinic buildings.

Most of the 500 programme staff at the central, zonal, district and peripheral health units are remunerated by the Ministry of Health with the exception of very few e.g. only six

professional staff and four support staff based at the central office, in 1997.

The Ministry's average annual expenditure for the 500 programme staff is estimated at more than Tshs. 500 million, being salaries only.

The government also provides accommodation for 5 UNVs and exempts taxes for all equipment and supplies imported or bought for the project.

#### **Expenditure on HIV/AIDS**

HIV/AIDS control activities in Zanzibar are co-financed by government and donors (WHO/GPA/UNDP under UNAIDS). There have been problems of actual disbursements not reaching the levels allocated. Other avenues of increasing basic expenditure are the involvement of communities, NGOs and private organisations in HIV/AIDS/STD's prevention and control activities.

#### **4.2.4 Expenditure on Water Sector**

The allocation by the Ministry of Water, Construction, Energy, Lands and Environment to basic water services is quite small e.g. in the 1998/99 budget out of the T.Shs. 8,593.872 millions allocated to the Ministry, only T.Shs. 670.00 million which is about 8% was allocated to rural and sub-urban water sector. Actual expenses for rural water supply incurred in 1997/98 amounted to T.Shs. 30 million compared to the budgeted amount of T.Shs. 100 million (only 30%). The water supply sector in Zanzibar is dependent on external donors. Table 4.5 shows the contributions of the government and donors.

**Table 4.5: Details on Existing Water Supply Projects in Zanzibar, 1998.**

Project	Schemes (number)	Population served	GOZ Contribution	Donor	Total cost
			US \$ mill	US \$ mill	US \$ mill
ADB	9	140,000	1.270	10.545	11.81
Abu Dhabi	7	68,642	0	5.000	5.000
UNDP	1	14,920	0.015	0.13	0.145

The rural water supply project which is funded by the African Development Bank (ADB), runs nine (9) schemes and is estimated to serve a projected population of about 149,600 people. Another project will be under the Abu Dhabi Fund. This will include seven (7) schemes and is estimated to serve the rural population (about 68,642 people). Another project funded by UNDP will run one scheme. This is a small scale project.

As a supplement to the low cost technologies covering the rural population, introduction of the tubewell handpump and rainwater harvesting are worth encouraging. In this context, UNICEF is now supporting hand dug wells and handpump installation. This alternative can serve communities which are far away from the stand pipe.

At the completion of the mentioned major projects, access to piped water in the rural areas will improve significantly. However, the present institutional arrangement does not promise ability to sustain the existing water supply systems let alone the new installed ones.

#### **4.2.5 Sanitation**

Most of the major sanitation infrastructural services are provided by the central government though various relevant authorities.

Drainage, sewerage and sanitation facilities are mainly provided by the Zanzibar Municipality as the local authority. Due to limited revenue, the operation and maintenance of the sanitation and sewerage systems in the Municipality areas are quite inadequate. Sanitation services in the urban areas have been given low priority in the annual budgets of the Ministry of State Regional Administration and Local government and the general budget in general (Table 4.6). In this respect there is need for the government to accord high priority to the sanitation sector in urban areas in order to achieve better sanitation services within the Municipality and thereby improve the socio-economic aspect of the community.

**Table 4.6: Actual Government contribution to the sewerage and sanitation project in Zanzibar 1994/5 - 1996/7.**

No.	Annual Budget	Contribution in Tshs. Millions
1.	1994/95	5.00
2.	1995/96	6.350
3.	1996/97	8.064
Total		19.414

Source: GOZ, Ministry of Water.

#### 4.2.6 Housing

The control of public expenditure which resulted in budget cuts affected very much the housing sector. The sector has become stagnant because of the shortage of raw materials and unavailability of foreign exchange to purchase the required construction equipment. Due to high prices of imported building materials, especially cement and steel, the Zanzibar Revolutionary Government could hardly continue with the construction of housing schemes established soon after the 1964 Revolution. For instance, as of 1998 there are still some unfinished blocks at Michenzani. However, the Department proceeds with construction activities albeit at a very slow pace. Table 4.7 below indicates the estimated and actual expenditure of the sector for the past five years.

**Table 4.7: ESTIMATED AND ACTUAL EXPENDITURE FOR HOUSING SECTOR IN ZANZIBAR: 1992-96 (T.Shs. Mill.)**

Year	Estimated	Actual	%
1992/93	70	28.524	40
1993/94	45	11.021	24
1994/95	45	13.152	29
1995/96	20	63.400	317*
1996/97	45	29.300	65

Key: \* The House of Representatives released the amount over and above that authorized due to acute demand for housing.

Source: GOZ, Budget speeches: 1991-1998

### 4.3 Impact of trends on Social Spending

Recurrent expenditure by purpose depicts the following trend: between 1986 and 1989/90 allocation to Health and Education ranged between 9% and 11.7% and 10.7% to 14.9% respectively. After 1990/91, health expenditure as a proportion of total government expenditure reached a peak of 17.9% during 1990/91 only to decline by more than 100% to a low 7.7% in the subsequent fiscal year (1991/92).

The trends observed in the proportion of recurrent expenditure to health and education are similar to the development expenditure component where development expenditure has experienced a declining trend after adopting reform programmes. During 1987/88 7.1% and 21.1% of development expenditure went to education and health respectively. These shares declined to 3.6% and 9.0% during 1989/90 and further down to 4.4 and 4.0% during 1995/96 respectively. Again as mentioned earlier, most development expenditure is donor financed. These trends therefore reflect more on changing donor priorities rather than changes in government policy.

In real terms, expenditure in the basic social sectors has been declining. While health expenditure in real terms was T.Shs. 51.2 million in 1986/87 the amount declined to T.Shs. 36.2 million in 1994/95. Only in fiscal years 1989/90 and 1990/91 did government expenditure in real terms grow (4.3% and 9.5% respectively).

Real expenditure in education behaved in the same manner like that in health. Starting with 50.7% in 1986/87, real government expenditure in education declined by 3.4% in 1989/90 after a 7.3% growth between 1986/87 and 1987/88. All fiscal years that followed 1987/88 experienced a decline except fiscal years 1989/90 to 1990/91 (15%) and between fiscal year 1990/91 and 1991/92 (57%) 1992/93 to 1993/94 (11.0%).

**Table 4.8: Zanzibar: Health and Education Expenditure in real terms (T.Shs. Mill.) 1986-1997\***

	1986/87	88	89	90	91	92	93	94	95	96	97
Health	51.2	44.4	37.2	38.8	75.5	68.3	39.5	37.7	36.2	35.3	34.1
Educa-tion	50.7	54.4	51.0	33.4	33.9	53.2	46.2	51.3	49.4	47.3	46.8

**Source:** GOZ.

\* Structure of Government Expenditure Deflated by GDP deflator 1980=100.

### Basic Expenditure within social spending in Zanzibar

A better reflection of government expenditure on BSS is arrived at by analysing the allocation to basic expenditure within social expenditure. This analysis requires identification of time trends in health allocation to primary health care, education allocation to primary education, water and sanitation allocation to rural and peri-urban water etc. as discussed earlier. Percentage allocation to these sub-sectors in relation to respective sectors and to the government budget is shown in Appendix Table 15.

#### 4.4 The Role of aid in Education

Aid plays a major role in development expenditure in the isles. The greater part of the foreign aid that flows into the education system comes through official bilateral and multilateral arrangements. Most of the foreign aid that is directed towards education sector appears under the provisions for capital budget. The major sources of foreign aid to education in Zanzibar used to be DANIDA and SIDA who withdrew their support on political reasons after the 1995 elections. Among the multilateral agencies still operating in Zanzibar are UNICEF, UNESCO, UNFPA, Aga Khan foundation, OPEC fund, Islamic Development Bank and ADB. Most of the support is development-related providing for buildings, infrastructure, equipment and other capital items. Some of the support is recurrent in nature, such as procurement of exercise books, chalks, school furniture and some of the project operating costs. Swedish International Development Agency (SIDA) used to support Ministry of Education, Zanzibar recurrent budget through provision of school supplies. In general, donors support to education in Zanzibar is



mainly directed to programmes or projects and forms the great portion of capital expenditure. Table 4.8 shows donors contributions in education for the past 10 years.

It was not possible to identify structure of donor expenditure within BSS i.e. whether basic or non-basic but as Table 4.9 indicates there has been an increase in the allocation of aid to education from 2.3% in 1991/92 to 4.3% in 1995/96 before declining to 3.5% in 1996/97. Health received 7.4% of development assistance in 1991/92 falling to 2.3% in 1995/96. However in 1996/97 the health sector received 13.5% of development expenditure. Most development assistance was allocated to economic services 65.7% and 68.2% in fiscal years 1991/92 and 1995/96 respectively.

**Table 4.9: Donor funding for Education in Zanzibar**

Project/Programmes	Donor	FUNDS		Year
		US \$	Tshs (Mill)	
1. Primary Education Programmes	DANIDA	2.20		1992-1996
2. Primary school Furniture Project	OPEC FUND	1.20		1992-1996
3. National Teacher & Resources Centre	World Bank		127.60	1994-1997
4. Construction of Kungeja Technical Secondary School	IDB	1.32		1988-1994
5. Construction of Mcheweni Islamic College, Pemba	IDB	0.54		1994-1998
6. Construction of Commercial Secondary School	IDB	0.20		1994-1998
7. Secondary English Language Orientation Programme	Aga Khan	1.30		1995-1997
8. Moral Ethics and Environmental Studies (MEES)	UNFPA	0.39		1997-1998
9. Support to Basic Education	UNICEF	0.11		1997-1998
10. Support to Education Sector	SIDA		295.76	1995-1996
11. Education II Project	ADB	5.00		1998-2002
<b>Total</b>		<b>12.26</b>	<b>423.36</b>	

Source: Ministry of Education, Zanzibar.

## Health

Of recent (post-election 1995) Donor support has been limited. Only few countries and NGOs and other Institutions still operate. These include: WHO, UNICEF, GTZ, UNFPA, UNAIDS "SCF" Help Age Africa, Action Health, Individual Donors.

Other donors do support NGOs which deal with health services and other Primary Health Care activities. In comparison to the previous years donor support is at its lowest ebb. Total assistance was 1.64 mill US\$, 2.2. mill US\$ and 1.92 US\$ for the years 1991, 1992, and 1993 (Ministry of Health, Zanzibar). The share of donor development expenditure in the health sector has been declining (7.4% in 1991/92 to 2.3% in 1995/96 (MOH)).

mainly directed to programmes or projects and forms the great portion of capital expenditure. Table 4.8 shows donors contributions in education for the past 10 years.

It was not possible to identify structure of donor expenditure within BSS i.e. whether basic or non-basic but as Table 4.9 indicates there has been an increase in the allocation of aid to education from 2.3% in 1991/92 to 4.3% in 1995/96 before declining to 3.5% in 1996/97. Health received 7.4% of development assistance in 1991/92 falling to 2.3% in 1995/96. However in 1996/97 the health sector received 13.5% of development expenditure. Most development assistance was allocated to economic services 65.7% and 68.2% in fiscal years 1991/92 and 1995/96 respectively.

**Table 4.9: Donor funding for Education in Zanzibar**

Project/Programmes	Donor	FUNDS		Year
		US \$	Taka (Mill)	
1. Primary Education Programmes	DANIDA	2.20		1992-1996
2. Primary school Furniture Project	OPEC FUND	1.20		1992-1996
3. National Teacher Resources Centre	World Bank		127.60	1994-1997
4. Construction of Kungeja Technical Secondary School	IDB	1.32		1988-1994
5. Construction of M'cheweni Islamic College, Pemba	IDB	0.54		1994-1998
6. Construction of Commercial Secondary School	IDB	0.20		1994-1998
7. Secondary English Language Orientation Programme	Aga Khan	1.30		1995-1997
8. Moral Ethics and Environmental Studies (MEES)	UNEPA	0.39		1997-1998
9. Support to Basic Education	UNICEF	0.11		1997-1998
10. Support to Education Sector	SIDA		295.76	1995-1996
11. Education II Project	ADB	5.00		1998-2002
<b>Total</b>		<b>12.26</b>	<b>423.36</b>	

Source: Ministry of Education, Zanzibar.

---

## Health

Of recent (post-election: 1995) Donor support has been limited. Only few countries and NGOs and other Institutions still operate. These include: WHO, UNICEF, GTZ, UNFPA, UNAIDS "SCF" Help Age Africa, Action Health, Individual Donors.

Other donors do support NGOs which deal with health services and other Primary Health Care activities. In comparison to the previous years donor support is at its lowest ebb. Total assistance was 1.64 mill US\$, 2.2. mill US\$ and 1.92 US\$ for the years 1991, 1992, and 1993 (Ministry of Health, Zanzibar). The share of donor development expenditure in the health sector has been declining (7.4% in 1991/92 to 2.3% in 1995/96 (MOH)).

**CHAPTER 5**  
**SCOPE FOR ADDITIONAL RESOURCE MOBILIZATION AND IMPROVING**  
**COST EFFECTIVENESS IN BASIC SOCIAL SERVICES IN ZANZIBAR**

**5.1 Preamble and overview**

This section aims at highlighting on corrective measures and possible budgetary reallocations of existing resources so that the delivery of BSS is improved and is cost effective.

Our previous discussions indicate that due to inadequate budgetary allocations to BSS the state budget has been least successful in its role of bringing socio-economic development. Despite that, it is possible to re-examine the structure of inter and intra-sectoral allocations in order to propose changes that would benefit the social sectors. This applies to both government and donor budgets.

Zanzibar is in the process of finalizing her Long-Term Development Plan (Vision 2020) in 1998, which entails the future investment strategy and the final outlook to the year 2020. In this plan Zanzibar has categorically emphasised the need to develop and improve the social sector for the purpose of improving human development. Hence, the need for restructuring of other sectors in order to favour the social services sector is evident and prospects are high.

External finance should play a catalytic role in orienting budgetary allocations not only between sectors but also within sectors on priority basis. More finances should be channeled to support education reforms in order to achieve specific goals like improvement of the quality of basic education; rapid growth in the rate of schooling of school age children; equitable access to basic education of especially girls and the rural population. With regard to intra sectoral programs allocations could be done in such a manner that education expenditure per pupil is raised and takes an adequate proportion as against present high proportion on operational expenditure (on administrative staff). Other measures should aim at increasing the share of the basic education recurrent expenditure and expenditure on equipment, materials and operations. In addition there should be serious concern on the subdivision of education allocations by categories i.e. primary,

secondary, and higher education. The nature of expenditure (salaries, and non-salary expenditure) indicates bias towards the former. This is another area that needs to be revisited to achieve cost effectiveness.

In the health sector there is need to place emphasis on preventive and primary health care so that most cost-effective use of public resources is achieved. Curative care should focus on essential clinical services which are likely to have the largest impact on reducing morbidity and mortality. These services should comprise of pregnancy - related care; family planning; tuberculosis control; control of STD, AIDS, care for common illnesses like diarrhoea, acute respiratory infections, measles, malaria and acute malnutrition for young children.

#### Recurrent expenditure and debt servicing

The state has a heavy responsibility of debt payment. In order to allow the government to efficiently execute socio-economic development there is need for creditors to review repayment systems.

Since the early 1980s the spending trend and composition has proved rather problematic. Zanzibar has not been able to contain its recurrent expenditure at the level of its domestic revenues. Recurrent expenditure has readily risen from T.Shs. 3.872 billion in 1990/91 to around Tshs. 19.1 billion by 1996/97 (including debt repayment). This has almost been aggravated by an increase in wage bill which claims more than 55 percent of the government recurrent expenditure. There have almost been permanent budget deficits since 1990. From early 70s to mid 80s when the government was forced to borrow from abroad for various development undertakings, the government was able to honour its obligations. At least it was paying some of what it borrowed from internal and external sources. The government has now failed to honour these obligations. For the third year running now, the government has failed to honour even domestic debt obligations.

It is understood that many years after the 1964 Revolution, the Government of Zanzibar refrained from borrowing either for financing development programmes or for others purposes.

The restraint measure was taken on the basis of sound financial economic and social conditions prevalent in the country at that material time and the government coffers had enough funds both local and foreign to accommodate the domestic demand for goods and social services. As time passed, domestic aggregate demand increased at a higher pace, than that of resource flows. There were, since early 1980s, pressing demands for resources to finance economic and social activities, including a range of imports for industrial, agricultural and other sectors' development. The ability to satisfy all the demands started declining as years passed by.

The government will continue to implement social policies to achieve a substantial reduction in poverty through various policy measures. These policies will aim in particular at expanding education and training system, improving health services, controlling population growth, ensuring that the remaining 35 percent of the population gets access to pure and safe water in as short a period as possible, and undertaking all other social amenities for a prosperous society. In this respect the government is determined to see to it that the share of social service sector in the overall government resources is expanded in order to cover all remaining impediments and overcome any existing and arising constraints.

The total annual debt service payments are currently over T.Shs. 15.5 billion (36.4% of total recurrent expenditure (1997/98)). There is scope for releasing substantial resources for financing priority social sector activities from debt restructuring. A servicing rate not exceeding 20% would be more comfortable.

Apart from debt relief measures domestic revenue has the potential of being raised. On-going efforts in tax reforms, comprising of efficiency improvement by introduction of value Added Tax (VAT) and better tax administration are likely to increase revenue. This should be accompanied with correcting the budgetary structure and its anomalies. The anomalies are usually related to budgetary allocations and their translation into practical actions in the field. As the World Bank Public Expenditure Review (PIER) 1996 points out, a framework for budgetary reforms in the social sector needs to be put in place, with the main elements being the improvement of the central budgetary process which dictates the resource framework for sectoral operations; parallel

improvements in sectoral budgetary and planning processes; the creation of appropriate incentives for managerial and budgetary efficiency and the promotion of competition between social service providers.

We pointed out in earlier sections that there is scope for restructuring of budgetary allocation of the non-productive sectors. These are expenditures on parastatal subsidies, defence and internal security, and external debt obligations. As the World Bank PER 1996 suggests, the Rolling Plan and Forward Budget needs to include an assessment of the current total level of direct and indirect subsidies to the parastatal sector and a medium term plan for the reduction of total subsidies.

With respect to military spending, this is a Union matter. There is however need to reduce it and reallocate the resources to social services. Much of the capital expenditure for the military is in foreign currency and is unproductive. Despite military expenditure showing a declining trend in recent years, there is need to cut it further so that resources are released for BSS financing. We noted earlier that the debt service obligation is a serious handicap to the national budget which is the backbone of the socio-economic development strategy of the government. There is therefore need to reorganize the debt servicing mechanism and design scenarios for debt reduction or cancellation. The crucial question is setting up of a practical mechanism that would reduce debts and make savings in favour of social sectors.

## **5.2 Intersectoral restructuring**

In order to mobilize savings for BSS, intersectoral restructuring has been pointed out as a potential area. There are categories of spending that have been examined in an attempt to pinpoint possible savings that could be channelled to BSS. The categories of public expenditure examined are: external and domestic debt; military and police expenditure; untargeted subsidies; public enterprise losses; and other unproductive expenditure.

The discussion of expenditure on BSS above demonstrated briefly that allocation of government spending has for long been biased towards administration, defence and internal security and



public debt. It is in recent years (under ERP) that substantial resources have been provided for development of economic infrastructure. There is therefore scope for restructuring in favour of the social sectors so that human capital development complements economic infrastructure in fostering economic development.

(i) External Debt

Although the external debt is a Union matter, Zanzibar as part of the United Republic of Tanzania and like a number of African countries is able to meet only a small proportion of her debt service obligations. What is paid absorbs over a quarter of export earnings and is more than total expenditure in both education and health.

Despite debt relief measures recently dominating the handling of the debt crisis (e.g. the HIPC initiative) both the debt stock and debt service requirements have not been reduced. While the impact has been great on the export side, the domestic budget has continued to be pressurized.

The debt overhang has meant costs to the recipient country. These usually impact the economy in terms of;

- (a) reduced utilization of existing productive capacity in the private and public services;
- (b) reduced utilization of public services;
- (c) reduced maintenance of existing public and private human and physical capital stock; and
- (d) reduced prospects for future growth and development due to reduced private and public investment.

These costs have certainly inflicted a heavy blow on the economy due to the debt crisis facing the country.

Debt for development swaps operate in a way that a donor such as UNICEF buys debt at a discount on the secondary market and retires the debt in exchange for local currency at the face value of the debt. Such initiative are unfortunately not promoted much on account of the small size of the transactions.

(ii) Domestic Debt

In 1986/87 Zanzibar's domestic debt stood at T.Shs. 432.5 million, growing to T.Shs 720. million in 1992/93. In 1994/95 domestic debt reached Tshs. 94.4 million. Currently it stands at Tshs. 15.5 billion (1998).

Domestic debt servicing payment as percentage of government spending was 32.3% in 1986/87 and 1988/89 it declined to 7.5%. On average service on domestic debt was 11.9% of government expenditure for the nine fiscal years 1986/87 to 1994/95. The fiscal year 1986/87 was marked by the highest proportion of government spending on interest in domestic debt (32.3%). In the post fiscal year 1990/91 period; spending on domestic debt was 3.4% of recurrent expenditure on average.

A possible way of releasing resources for social services is by reducing domestic debt service. This can be achieved through improvement in tax collection so that less is borrowed by the government.

Summary

In summary an examination of various categories of public spending made above indicate existence of a substantial scope for inter-sectoral restructuring. This covers actions in both internal and external spending.

In the external component debt obligations take a large share of recurrent expenditure. Reduction of debt payment would obviously release resources for basic social sectors. Apart from debt payments, there is a wide scope for inter-sectoral public expenditure restructuring of military and security spending.

In the wake of privatisation, savings from grants and subventions that were earlier channeled to public enterprises can be used to finance basic social services.

## 5.2 Intra-sectoral restructuring

In analysing intra-sectoral restructuring we look at the scope that exists to improve efficiency and the level and coverage of services within the available resources. This can be achieved by focusing expenditures in areas with the highest rates of return. Basic or primary services which benefit the masses are the areas that need to receive much of the expenditure. Another approach is to restructure expenditure in order to improve the relevance (appropriateness) of services. In the case of education one would give priority on the basis of needs.

There is need to reduce expenditure waste. This entails designing a proper mix of expenditure between recurrent and development components, with the aim of ensuring that the recurrent cost component is capable of coping with the development component.

Before resource restructuring in the social sectors is undertaken there should be guidelines to be followed in order to achieve desired results. The principles used are "primary" priorities and "supportive" priorities, as spelt out in UNICEF (1996).

The primary human priorities are:

- primary health care comprising of preventive, promotive and basic curative care;
- basic education, i.e. pre-school primary literacy and life skills;
- low cost rural and peri-urban water, hygiene and sanitation;
- nutrition support in the form of community - based approaches, and supplementation of deficient micro nutrients.

Supportive priorities would cover initiatives for improved human welfare. The focus should be on:

- improving the levels of income, education and other resources of the home or family.
- improving the health of the poor through provision of better education, nutrition and safer water in a cost effective and sustainable manner.
- improving earnings of women.
- better education of girls.

### Intra sectoral Restructuring in Education

In judging the possibilities of intrasectoral restructuring, we look at how the expansion secondary, as well as tertiary education has occurred at the expense of improvements in basic education where the physical structures are of poor quality, teaching materials are sparse, teacher housing is inadequate and the quality of teachers low as indicated earlier.

In the education sector, there is not only need to increase resource allocations to the sector but the little which is channelled to the sector needs to be equitably and efficiently allocated between programmes within the sector. For example, while in 1991/92 12% of education expenditure was allocated to primary education the proportion declined to 3.8% in the 1992/93 fiscal year. This proportion then picked up to 42.4% in 1993/94. This is convincing but taking into account that salaries take the highest proportion the expected efficiency outcome might not be achieved.

In the health sector, curative services have been allocated more resources than preventive services. Table 5.1 evidences this:

**Table 5.1: Allocation of Expenditure by Program within BSS in Zanzibar Selected Years, 1991-96**

	1991/92	93/94	95/96
<b>1. Health</b>			
<b>(a) Preventive</b>			
% of Health Budget	14.7	19.3	12.3
% of Government	1.0	1.8	1.2
<b>(b) Curative</b>			
% of budget	39.4	49.9	45.0
% of Government expenditure	2.6	4.3	5.6
<b>2. Education</b>			
<b>(a) Primary</b>			
% of education budget	12.0	42.4	30.1
% of Government expenditure	9.0	6.6	3.0
<b>(b) Adult Education</b>			
% of education budget	1.0	1.3	1.4
% of Government expenditure	0.07	0.02	0.02

**Source:** GOZ, Appendix Table 5 and Budget Estimates, 1998/99.

It is seen that for the health sector there is scope for budget restructuring in favour of preventive services for the case of education there seems to be need for restructuring between salary and non-salary expenditure. The structure of expenditure between salary and non-salary items in health and education is depicted in Table 5.2.

**Table 5.2: Expenditure by purpose within BSS in Zanzibar for Selected Years 1991-9**

	1991/92	93/94	95/96
1. Health			
(a) Preventive			
Salary %	68.4	78.8	75.3
Non-salary	31.6	21.2	24.7
(b) Curative			
Salary	33.8	58.9	61.2
Non-salary	66.6	41.1	38.8
2. Education			
(a) Primary			
Salary	54.3	59.2	51.7
Non-salary	45.7	40.8	48.3
(b) Adult Education			
Salary	n.a.	39.2	27.0
Non-Salary	n.a.	60.8	63.0

**Source:** GOZ, Appendix Table 5 and Estimates of Revenue and Expenditure, 1998/99.

From Table 5.2 it is notable that salaries claim a high proportion. Note that in the case of education some expenditures go to untrained teachers.

#### **Intra-sectoral restructuring in Water**

Efficiency of provision of water is measured by the number of population served per staff. In developed countries the ratio ranges from 1,300 to 2,500 people per staff. In Zanzibar where 45% of the population live in rural areas the ratio is 1 to 700 inhabitants. As a result, there is inefficiency as the salary expenses are quite high. In the 1997/98 budget for example, 67% of the Ministry's budget was for salaries. Productivity can be improved by striking a better balance between the number of staff and users and in that way increase the allocation for operation and maintenance.

#### 5.4 Further areas for improving efficiency

In addition to the discussions above, cost effectiveness can be realized through additional measures in the respective sectors. These are discussed below.

##### Education

At present, the major source of funding education comes from the government. The possibility of any further increase in government resources is rather limited. Therefore optimal utilisation of existing resources apart from mobilisation of additional resources becomes very important for achieving efficiency in education in the coming years. In this context, in order to improve efficiency of the education system and effective utilisation of resources, the following are recommended: -

For equity among regions there is need to have a more equitable student - teacher ratio between the districts as well as schools.

Currently there is a high proportion of untrained teachers as evidenced in earlier sections. The Ministry should stop the recruitment of untrained teachers. There is also need for assessing teachers' performance in schools.

There is need to modernise and rationalise the ministerial administrative structure to avoid unnecessary delays in decision-making that could lead to wastage of resources.

Decentralization of power is needed. The Ministry of Education should devolve more power to Regional District Education Officers on the management of public schools.

Encouraging private and community participation should be emphasized. The Ministry should encourage the expansion of private and community supported education institutions throughout the country.

## Health

The government is unable to attain the policy (principle) of providing free health care at the point of delivery. This is due to inadequacy of finances. Being confronted with new and severe health problems the MoH needs to diversify its dependence on this single source to the area of cost-sharing. Equivocally a need to develop future health policies and strategies to a vastly changing health care system operating in Zanzibar is significantly inevitable. Furthermore resource scarcity, slow economic growth and increased demands for health care, point to the need for a direct new mechanism and new role of the stakeholders. Cost sharing is inevitable

A micro-study on cost-sharing in 1996 has shown that 77.33 per cent of those interviewed are willing to contribute to the public health care services provided there is an improvement in quality of care. The same study revealed that 76 per cent of people may be able to pay for health care services. Most of the interviewees are involved in the agricultural sector (73%) which is very much influenced by external factors. However the planning, design and implementation of cost sharing should involve the consumer from the very beginning.

Involvement of the masses can be achieved through such measures as encouraging and monitoring the establishment of health committees, establishment of pharmacy co-operative shops at the community level, promoting preventive care and re-introduction of health as well as empowerment of women.

There is need for examining other areas of financing health care such as a health development fund, health, insurance and private resources mobilisation measures. In the budgetary process there is need to develop accounting and budgetary systems which will bring about cost-efficiency.

The use of cost-sharing as a means of providing health care services should have an in-built mechanism for protecting the poor and the disadvantaged.



### Housing

In view of the amount of foreign exchange being spent on imported building materials, the government should explore the possibility of establishing or encouraging private establishment of small scale plants for manufacturing local construction materials. In so doing, the sector will be in a position to shelter the population by the year 2020.

### Nutrition

In the country there are enough data concerning nutrition. There is a great need, therefore to establish at National level unit (Early Warning Unit) which will co-ordinate data and disseminate same to the users (both local and international). The unit should keep a watch over the nutrition trends across the country. In so doing, it will be able to provide technical assistance and advice to the affected areas. The composition of the team should be multisectoral in nature.

The available data on micronutrient deficiencies are giving hope for formulation of certain policies which, when implemented, can considerably contribute in lowering morbidity and mortality among women and children. Iron deficiency anaemia is most prevalent in the country and thus it is necessary to establish strategies with which to combat the problem.

### Water

From the current trends on the management of the rural water supply in Zanzibar, there is need for the Government to provide major changes in the sector policy, with the basic aim of achieving sustainability of the water schemes. A good number of development options in the water sector exist and would provide economic returns on the investments, especially for the schemes with the possibility of serving tourist zones. This, however would have benefits if the tariffs are reviewed and an efficient revenue collection system is put in place.

Simple and cheap solutions such as handpumps and rainwater harvesting can be considered as alternatives. However, these alternatives are not sustainable for areas with large concentrations of people due to increased risk of pollution of the unconfined aquifers which are overlaid by shallow and permeable soils.

Water as a basic need, has its efficiency dependent upon other sectors such as electricity, health etc. The improvement of rural water supply should therefore, go hand in hand with improvement of sanitation and health education.

## **5.5 Monetary implications of the 20/20 initiative for Zanzibar**

### **5.5.1 Estimating the financial "burden"**

#### **Domestic finance**

Based on the financial year (1997/98) the 20/20 initiative implies approximately T.shillings 8.5 billion. Less what is currently provided for gives a gap of Tshs. 2 billion.

### **5.5.2 Mobilization of resources through internal generation**

In this sub-section we explore the potential sources of funds through domestic mobilization.

#### **(a) Debt Service (domestic)**

Given the government's strategy of limiting debt service to a manageable 20% there will be a saving of 16.4% from debt service. For the most recent year this translates to a saving of T.shillings 6.8 billion.

#### **Health**

The glaring saving that can be made from health is movement of emphasis from curative to preventive. Studies have shown that the factor of expenditure is 1:5 between preventive and curative. On average about 18.7% of government expenditure in health goes to curative services. If expenditure on curative services is restricted to 10%, a savings of T.Shs. 10 billion could be made.

Water as a basic need, has its efficiency dependent upon other sectors such as electricity, health etc. The improvement of rural water supply should therefore, go hand in hand with improvement of sanitation and health education.

## **5.5 Monetary implications of the 20/20 initiative for Zanzibar**

### **5.5.1 Estimating the financial "burden"**

#### **Domestic finance**

Based on the financial year (1997/98) the 20/20 initiative implies approximately T.shillings 8.5 billion. Less what is currently provided for gives a gap of Tshs. 2 billion.

### **5.5.2 Mobilization of resources through internal generation**

In this sub-section we explore the potential sources of funds through domestic mobilization.

#### **(a) Debt Service (domestic)**

Given the government's strategy of limiting debt service to a manageable 20% there will be a saving of 16.4% from debt service. For the most recent year this translates to a saving of T.shillings 6.8 billion.

#### **Health**

The glaring saving that can be made from health is movement of emphasis from curative to preventive. Studies have shown that the factor of expenditure is 1:5 between preventive and curative. On average about 18.7% of government expenditure in health goes to curative services. If expenditure on curative services is restricted to 10%, a savings of T.Shs. 10 billion could be made.

(c) Military Expenditure

For the case of Zanzibar there is little scope for mobilizing resources from this item. This is because military issues are a Union matter. What Zanzibar can get from the savings depends on the Union setting.

## CHAPTER 6

### CONCLUSION

In Zanzibar expenditure has declined mainly due to reduced flow of donor finances. In both cases however, funding of basic social services is far from the 20/20 target.

Allocation within basic social services still favours non primary services and urban areas. Priorities are hardly adhered to. Despite the seemingly bleak prospects for achieving the 20/20 target given the weak performance of revenue and unaffordable debt payment obligations deliberate and bold actions if taken can change this situation. The actions relate to domestic debt, intrasectoral and intersectoral restructuring as well as many measures aimed at improving efficiency. Greater involvement of other parties e.g. donors and international action are required. In addition constant monitoring mechanisms should be instituted.

It has been estimated that the total resource gap to meet the 20/20 target is T.shs. 2.0 billion annually.

Measures should be taken in the areas of strengthening the fiscal position by raising revenues and tightening aggregate spending; reducing government spending in some areas; permitting private delivery of some services and restructuring the expenditure program to provide adequate financing for critical areas.

Increased flow of resources should however not be taken as the only solution. Efficiency needs to be improved in the delivery system. For the case of education areas for improving efficiency include increased access, efficient use of available public resources, increasing the role of the private sector, emphasizing basic education provision by local communities and more support for school materials.

In the health sector private sector involvement should be encouraged. The state should focus on rural health service delivery. There is also need to allocate more resources to preventive care such as maternity and child health and increase focus on major killers.

## REFERENCES

- DANIDA (1995), "Donor, NGO and Other Assistance to the Health and Population Sector in Zanzibar.
- Follner, A. and N. Kessy, (1997), Tanzania Social Sector Expenditure Review 1997", Mimeo.
- Government of Zanzibar (GOZ) Rolling Plan and Forward Budget; 1994/95 - 1996/97; 1997/98 - 1999/2000.
- Government of Zanzibar: Estimates of Revenue and Expenditure. (Various).
- \_\_\_\_\_ : Statistical Abstract - 1991 and 1996.
- GOZ: Ministry of Education: Budget Speeches (Various).
- GOZ: Ministry of Health: Budget Speeches (Various).
- GOZ: Ministry Health, "Health Sector Policy and Strategies, 1994.
- GOZ: "Consumer Price Indices, 1995".
- GOZ: "Selected Economic Indicators of Zanzibar - 1980 - 1995".
- GOZ: "National Accounts, 1996".
- GOZ: Zanzibar Education Sector Review, 1995.
- GOZ: Health Sector Policy and Strategies (MOH), 1994.
- Jakin, C.H.N. (1996), "Cost-sharing in the Zanzibar Public Health Services: A Community Perspective. Mimeo.
- Metrotra, S. and A.T. Thet (1996), "Public Expenditure on Basic Social Services. The scope for Budget Restructuring in Selected Asian and African Economies. UNICEF Staff Working Papers No. 14.
- Mtatifikolo, F.P. and A. Kilindo (1993), "The Revenue and Expenditure System of Zanzibar. Tanzania Economic Trends Vol. 6.
- \_\_\_\_\_, (1977), Human Development Report 1997. New York

Mtatifikolo, F.P. and A. Kilindo, (1993) "The Revenue and Expenditure System of Zanzibar", Tanzania Economic Trends Vol. 6 No. 1 and 2, 1993.

UNICEF (1994), "Social Sectors and Budget Restructuring: A study prepared for UNICEF GUINEA.

UNICEF (1996), "Social Sectors and Budget Restructuring". Mimeo.

-----, (1997), Report of the Workshop of the Network on Economic and Social Policy in West and Central Africa, Accra Ghana 21-25 April, 1997.

UNICEF, (1997), "A Proposal on Monitoring the 20/20 Compact on Budget and Aid Restructuring", Division of Evaluation, Policy and Planning, New York, April.

United Republic of Tanzania (URT), "Estimates of Public Expenditure: Vols HV. Various.

\_\_\_\_\_, "Economic Surveys, (Various).

\_\_\_\_\_, "Budget Speech", (Various).

\_\_\_\_\_, Tanzania: Demographic and Health Survey 1996, Bureau of Statistics, Planning Commission Dar es Salaam and Macro International Inc. Maryland USA

Appendix Table 1: Basic Economic Indicators

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Population '000'	502.5	516.281	530.41	544.927	559.84	575.162	590.902	607.074	640.578	660.087	680.189	700.904
gdp mill tshs 1976	677.3	783.9	668.5	684.9	710.9	734.4	760.5	767.8	788.5	815.4	854.4	880.4
gdp mill shs. curr.	1431	1755.3	2228.9	2379.5	2870.1	3361.7	4767.4	6638.4	9412.1	12435.9	16920.5	25988.1
gdp 1976/capita	1348	1518	1479	1229	1225	1239	1243	1253	1199	1195	1199	1219
gdp/cap cur1	2848	3402	4206	4374	5134	6096	8927	12201	16421	20927	27903	40367

Source: GOZ Official documents



**Appendix Table 2: Social Indicators**

<b>Health</b>	
General Hospitals	4
Special Hospital	1
MCH/Fp Clinics	101
PHC Units	115
PHC Centres	4
Private Clinics	47
Infant Mortality rate /000	120 (1988)
Under 5 mortality rate /000	202
Life expectancy at birth (yrs)	47
Crude birth rate /000	49
Total Fertility rate	6.9
Mean Age at marriage (yrs)	19
<b>Education:</b>	
Enrollment in Standard 1 (1995)	105%
Female Literacy	34.8
Male Literacy	57.9
Literacy (both sexes)	58.8

Source: Zanzibar Regions Profile, "Social Indicators", 1995

**Appendix Table 3: Government Expenditure/Revenue and Deficit % of GDP**

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
GDP (Shs. Mill)	1430.8	1755.3	2228.9	2379.5	2870.1	3861.7	4767.4	6638.3	9412.1	12435.9	16920.5	25988.1	36698.5	43975.3
GVT EXP (Shs. Mill)	712.7	938	815.4	563.1	832.4	887.5	1600.9	1650.6	2063.6	2741.7	4895.1	13221.8	10709.5	11060.8
% OF GDP	49.8	53.4	36.6	23.7	29	23	33.6	24.9	21.9	22	28.9	50.9	29.2	25.2
GOVT REV (Shs. Mill)	850.2	971.2	781.4	588.3	835.9	855.1	1600.9	1705.5	2106.5	3714.3	5032.2	13483.2	10630.5	12107.5
% OF GDP	59.4	55.3	35.1	24.7	29.1	22.1	36.6	25.7	22.4	29.9	29.7	51.9	22.9	27.5
DEF/SUP(Shs. Mill)	137.5	33.2	-34	25.1	2.5	-32.4	0	54.9	42.9	972.6	-137.1	261.4	79	-1046.7
DEF% GDP	9.6	1.9	-1.5	1.1	0.1	-0.8	0	0.8	0.5	7.8	-0.8	1	0.2	-2.4

Source: GOZ official documents

**Appendix Table 4: Revenue and GDP: Zanzibar 1983-1996/7**

	1983	1985	1987	1988	1989	1990	1991/92	1992/93	1993/94	1994/95
GDP T.shs. mill	2362.2	3359.4	6848.8	6848.1	8473.4	25988.1	34698.5	43975.3	56536.6	65771.8
Recurrent Revenue T.shs.m	605.6	667.4	1392.1	1851.1	3256.9	4187	12149.1	9406	11326.4	208
% of GDP	25.6	19.9	30	27	38.6	16	35	21	20	
Tax revenue T,shs, mill	464.5	580.3	1241.2	1611.3	2115.4	3815	11964	9354.4	11272	168
% of GDP	19.7	17.3	26.5	23.5	25	15	34	21	19	

Source: GoZ, Statistical Abstract, Various

Appendix Table 5: Zanzibar Structure of Government Revenue (Mill. T.shs) 1

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Import duty	175	180	477.4	834.3	682	1541.9	1585.3	3194.1	5083.9	15398	149
sales tax	445	476.7	784.9	751.2	1181	2052.1	2062.1	2440.6	3256.2	1159	21
income tax	43	51	113.8	133.7	188.1	219.9	6613.1	7786.9	513.5	717	8
other taxes	2.5	3	3.7	4.5	4.8	6.8	3.4	2.8	31.3	1033	2
non-tax revenue	96.6	105.9	46.9	105.1	73.9	310.4	389.9	444.1	197.5	5281	9
Total											
FINANCING											
Grants and Loans	0	0	59.6	98.8	952.8	1031	852.3	270.8	15.3	968	0
non-bank borrowing	0	0	0	0	0	0	0	0	0	20251	7714
bank borrowing		0	0	0	0	0	0	0	0	3465	387

Source: 1. GOZ Statistical Abstract (various)

2. BOT Economic Bulletin June 1998

Appendix Table 6: Zanzibar Structure of Government Expenditure (by Purpose)

	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
General Public Services	7.7	7.5	18.5	11.6	17.8	25.6	39.3	
Social Security/welfare	1.3	0.8	0.9	1.12	0.6	0.4	0.6	
Housing			0.7	1.5	0.9	1.9	0.7	
Education	11.4	14.9	13.2	11.8	7.7	11.4	15.1	
Health	9.4	10.9	11.7	17.9	7.7	7.9	8.5	
Economic services	9.6	11.9		11.6	10.3	7.5	39.7	
Military and Internal Security	1.6	1.7	2.05	2.4	2.5	1.6	2.04	
Public Debt	32.3	30.5	7.5	11	12.5	0.5	8.4	

Source: GOZ Budget documents

**Table 7: Expenditure in Social Sectors in National**

	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Health	121.4	169.3	199.1	267	683.7	906	678.6	757.6	948.2	1769.
Education	143.5	207.1	272.7	302.5	450.2	914.6	975.1	1343.4	1443.9	2598.
Housing			12.8	33.5	35.4	228.7	56.8	44.8	50.6	63.
% Health	9.08	9.4	10.9	11.7	17.9	7.7	7.9	8.5	8.5	11.
% Education	10.7	11.4	14.9	13.2	11.8	7.7	11.4	15.1	12.3	16.
% Housing			0.7	1.5	0.9	1.9	0.7	0.5	0.4	0.
Real exp. Health*	51.2	44.4	37.2	38.8	75.5	68.3	39.5	37.7	36.2	35.
Real exp. Education*	50.7	54.4	51	33.4	33.9	53.2	46.2	51.3	49.4	47.

Notes: \* Deflated by GDP Deflator 1980 = 100 to 94/5

1991 = 100 for the rest

**Appendix Table 8: Current and Capital Expenditure**

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Current	698.7	550.1	406.8	616.8	705.9	933.8	1356.4	1772.9	2883.5	3872	11973.3	9385.6	1014
Capital	239.3	265.3	156.3	215.6	181.6	667.1	294.2	290.7	374.1	861.7	1248	1323.9	946

Appendix Table 9: EDUCATION EXPENDITURE BY PURPOSE (MILL TS)

	1986	1987	1988	1989	1990	1991	1992	1993
Salaries	106.5	157.3	199.2	223.5	304	433.7	718.2	740
Staff Training	0.666	0.666	0.439	0.707	3.3	9.5	5.9	
Student Boarding and Welfare	20.5	16.9	39.3	44.4	85.4	187.1	80.1	
Instruction Material	4.4	4.4	11.2	6	14.3	44.9	8.5	96
O & M	9.3	14.6	13.9	20.6	28.9	96.5	88.6	7
Total	143.5	207.1	272.7	302.5	450.2	914.6	975.1	1343



**Appendix Table 10: Share of Salaries in Central Government Expenditure**

	1986	1987	1988	1989	1990	1991	1992	1993
<b>Salaries</b>	455.5	599.1	682.2	813.5	1129.6	1256.9	2682.1	2647.2
<b>govt exp.</b>	1337.2	1809.5	1826.7	2283.5	3826.9	11837.2	8532.7	8911.1
<b>Salaries %</b>	34.1	33.1	37.4	35.6	29.5	10.6	31.4	29.7

**Appendix Table 11: Zanzibar Domestic and External Debt Obligations (Mill Tshs)**

		1986	1987	1988	1989	1990	1991	1992	1993	1994
Interest	Domestic	84.3	131.9	120.6	187.8	84.9	31.6	9.4	-	-
	Foreign	6	9.1	10	0	0	0	0	0	0
	Total	90.3	141	130.6	187.8	238.4	188.7	84.9	31.6	9.4
Principal	Domestic	349.7	474.7	126	250.7	435	566.9	10.5	0	0
	Foreign	82.8	77	11.2	0	44.2	0	625.5	0	0
	Total	432.5	551.7	137.2	250.7	479.2	566.9	636	0	0
Grand Total										

Source: GOZ Ministry of Finance

**Appendix Table.12: Health Basic and Non-Basic Expenditure (Mill Tshs)**

	1986	1987	1988	1989	1990	1991	1992	1993	1994
<b>Health</b>									
Preventive	0	13.9	199.1	267	683.6	134.3	156.4	146.1	33.
Curative	0.3	0.3	70.4	88.7	102.5	357.4	369.1	378.7	187.
Rural Water	517	69.6	22.4	24.9	30.9	169.2	46.9	45.7	4
<b>Total</b>	<b>121</b>	<b>169.3</b>	<b>199.1</b>	<b>344.2</b>	<b>683.6</b>	<b>906.7</b>	<b>678.6</b>	<b>757.6</b>	<b>948.</b>

**Table 13: Health Expenditure per capita and real terms (Mill Ts)**

	1986/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94
Health expenditure in Real Terms	51.2	44.4	37.2	38.8	75.5	68.3	39.5	3
Expenditure Capita (Tshs)	86.6	73.1	58.0	58.8	111	97.4	54.7	5

**Table 14: Education Expenditure per Capita and real terms (Mill. Tshs.)**

	1986/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95
Education Expenditure in real terms	50.7	54.4	51.0	33.4	33.9	53.2	46.2	51.3	49.1
Expenditure capita	85.8	89.6	79.6	77.3	49.8	75.9	63.9	68.9	64.1

Appendix Table 15: Basic Social Services expenditure by Program (%)

	1986/87	1987/88	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95
<b>1. Health</b>								
a) Preventive								
% of Health exp.		8.2			5.7	14.8	23.6	
% of govt. exp.		0.7			1	1.8	1.8	
b) Curative (Primary Health Care)								
% of Health exp.	1.9	1.3	35.4	23.7	14.7	26.3	54.4	
% of govt. exp.	0.2	0.1	3.8	3.6	2.6	2	4.3	
c) Rural peri-urban water								
% of water exp.			3.2	34.5	29.2	7.7	2.1	
% govt. exp.			0.1	1.1	0.8	1.4	0.5	
<b>2. Education</b>								
a) Primary								
% of Education Exp.					12	3.8	42.4	
% of govt. exp.					0.9	0.4	6.45	
c) Technical education								
% of Education Exp.				2.9	0	0.4	2.5	
% of govt. exp.				0.34	0.01	0.05	0.4	

Source: GOZ, Budget Documents

**Appendix Table 16: Education Expenditure by Level**

	1990	1991	1992	1993	1994
Primary		109.9	36.8	569.7	0
Secondary		9.1	0	16.8	0
Secondary (Technical)	13	0.2	4	34.5	0
Higher Education		174.1	100	208.5	290.3
Total Education	450.2	914.6	975.1	1343.4	1443.9
Total Government	3827	11837	8537	8912	11723

Appendix Table 17: Social Services Share of Development Expenditure

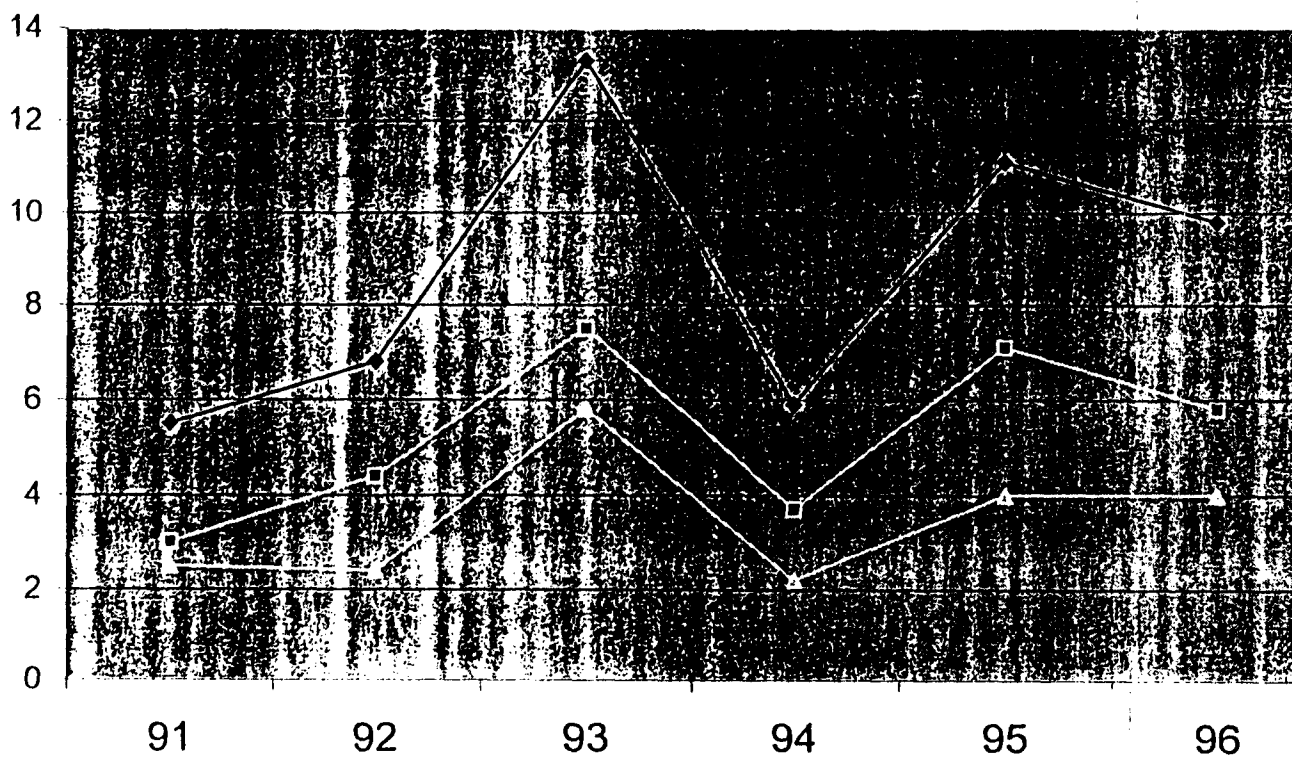
	1987	1988	1989	1990	1991	1994
Education		7.1	4.1	3.6	3.7	13.6
Health	21.1	13.1	9	6.8	2.6	4
Housing	1.2	1	1.1	8.1	5.2	5.5



Appendix Table 18: ZANZIBAR: Structure of Expenditure of BSS

			1989	1990	1991	1992
Health	Preve:	salaries	n.a.		91.8	114.3
		Non-salary	n.a.		42.5	42.1
	Curati	salaries	n.a.		120.8	217.4
		Non-salary	n.a.		236.5	151.6
		Rural water supply	17.8	24.2	22.7	33.8
		Non-salary	7.1	6.7	146.6	13.1
Education		Primary Salaries			14.1	
		Non-salary			95.8	
		Adult education: salaries				
		Non-salaries				

Annex Figure 4.1: Zanzibar : Government Expenditure within BSS (%)



**Annex Figure 4.2: Zanzibar: Expenditure on Services (%)**

