

Poverty and development in Tanzania: A discussion note

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1 Introduction¹

In this discussion note we will identify and focus on some of the major policy issues confronting Tanzania today as the country aims at achieving a substantial reduction in the overall level of poverty in the next decades. The purpose is not to review in detail trends and policies of the past, since these are covered in many other publications. We will rather confront the ambiguities and uncertainties in existing knowledge, as well as the policy choices and trade-offs that have to be made in the near future. We believe that these issues are important for policy makers in Tanzania, as well as for donors wishing to contribute to poverty reducing development policies.

This note reveals the many uncertainties about the level and trends in poverty in Tanzania, especially when measured by income or consumption levels, but also when applying a broader concept of poverty. Some basic characteristics are nevertheless known, and we argue that this basic knowledge should be utilised while making a stronger effort to improve data and analysis of the various facets of poverty. Even more important, however, is to generate a better understanding of the causes and social dynamics of poverty, and to monitor the effects of various policy initiatives.

It is now realised that poverty reduction is not only about social policies, basic social services and safety nets – nor is it only about economic growth. This paper therefore proposes to analyse five dimensions of policies for poverty reduction: the patterns and levels of economic growth policies; empowerment and participation of the poor in improving their living conditions; basic social sectors and investments in human resources (education and health); safety nets and equity; and the international dimension as reflected in donor policies and debt relief. Though it is not possible to give all issues adequate treatment in this discussion note, we strongly urge decision-makers in Tanzania to incorporate these five dimensions into the further design of policies for poverty reduction.

¹ This report has been commissioned by the Norwegian Embassy in Tanzania/ NORAD to review recent trends and outline the issues for a poverty reduction policy in Tanzania. It is intended as a background document for the policy dialogue between Tanzania and the donors in preparation for the “Tanzanian Assistance Strategy” (TAS) – and for the new framework for Tanzania-Norwegian cooperation.

2 Development vision and poverty reduction

The Tanzania Development Vision 2025, which was issued in 1999, reflects in broad terms the development paradigms underpinning policies of the Mkapa government. Besides furthering the present condition of peace, stability and national unity, the Vision visualises high quality livelihoods and eradication of extreme poverty as the main goals. The main modality of the Vision is economic growth: “The quality of livelihood should be raised by increasing the level of productivity in all sectors” (p.23). Unless the Tanzanian economy becomes more productive and competitive in an increasingly global and liberalised market, the vision of “high quality livelihood” is not tenable. The target is framed as 8 per cent GDP growth per annum. The Vision’s examination of the current state of affairs draws a picture of a deeply entrenched dependency syndrome – dependency on foreign aid and dependency on the state, an inefficient public sector, and failures in governance. A transformed educational system is seen as the number one agent that will change this picture.

Although it is a goal by 2025 to eradicate “abject poverty”, the concept of poverty has no central place in the Vision. There is no mention of any particular social policies needed to achieve this. The concept of equality is discussed primarily in the context of gender and race. Although it is mentioned that “distribution in society must be equitable” (p.3), it is fair to read this political manifest as a confirmation of the major shift which has taken place over the years from the ideological position of the Arusha Declaration of 1967, which placed egalitarianism and social development at the forefront. It is noteworthy that the Vision does not use the concept of citizens’ rights, although it reiterates the International Development Targets formulated for basic needs fulfilment. There is little emphasis, however, on what policies may be required to safeguard against a deepening of poverty among those who fail to benefit from new opportunities. This is, in other words, not a welfare state manifesto – the goal is first and foremost to create opportunities. The challenge is how to translate opportunities into a poverty reduction strategy.

This liberal vision of current Tanzanian politics can be seen as a pragmatic adjustment to new realities. The state can no longer aspire to have the role implied by the vision from Arusha, for three main reasons: (1) it has lost much of its legitimacy in the general public; (2) it does not have and is not likely to get the financial resources required; and (3) global deregulation curtails the possibilities of the state to control the economy.

Nonetheless, a political strategy for reducing poverty requires addressing *minimum rights and safeguards* as well as *opportunities*, and often the policy-making process gets torn between these two concerns. Too many rights may inhibit opportunities, and maximising opportunities may take place at the expense of basic rights. The *National Poverty Eradication Strategy* (see below) adopted in early 1998 did not solve this contradiction, and the more recent *Interim Poverty Reduction Strategy Paper* (March 2000) is clearly putting more emphasis on creating opportunities than safeguarding minimum basic rights.

Below we shall attempt to identify these dimensions when assessing the poverty-dimension of key public policy areas. But first of all, what is known about poverty in Tanzania?

3 Patterns and trends in poverty: Many uncertainties

For the first time, an official poverty line is about to be established in Tanzania, while previous studies reveal great uncertainty as to where and how to set the appropriate cut-off point. Poverty is clearly widespread, including about half the population, but trends are uncertain. It is mainly a rural problem, although rapid urbanisation may soon change this picture. A very high proportion of the population lives just below or just above the poverty line. Inter-regional disparities are pronounced, and so are differences within villages. There has never been massive human suffering and relatively few are considered in abject destitution. But rural Tanzania is not the egalitarian society the ideology of the past led one to believe, and studies indicate that inequalities have been increasing during the liberalisation period of the 1990s.

To start with, a brief note on definitions is warranted. Poverty research deals with both *measurements* of poverty – based on markers that enable a distinction between poor and non-poor – and *causes and dynamics* of poverty. For measurements there are absolute and relative definitions. The most commonly used *absolute* definition, is based on the cost of a basket of local foodstuff providing the minimum required intake of calories for a person. Those who cannot afford this are poor – or invariably referred to as the absolute, abject, ultra or hardcore poor. Absolute definitions usually include other essential consumption items such as shelter and clothing, and may include minimum satisfaction level with respect to social conditions or services (e.g. rates of malnutrition and school attendance). There are two kinds of *relative* definitions: One defines the poor as the people having an income (or living standard) at a mathematical fraction of the whole population (e.g. below 50 percent of the national median income). The other defines poverty on the basis of people's own perceptions; normally perceptions of what it means to be a destitute, and expressions of the feeling of being deprived relative to some other people.

In Tanzania, poverty research has focused on absolute measurements. According to Cooksey (1994) there has been very little research on poor people's own views, and causes and dynamics of poverty are also under-researched. Despite increased efforts since mid-1990s, the following statement still generally holds true:

Although Tanzanian policy makers have been concerned with poverty and its eradication for many years, remarkably little is known about the nature, causes, incidence, and trajectory of poverty in the country. Far too much of the poverty literature consists of policy-oriented reviews and summaries of previous research, far too little consists of original empirical (especially micro level) studies (Cooksey 1994:58).

Not surprisingly, all studies find that poverty in Tanzania is widespread. However, a very high proportion of the households has incomes just below or

just above the poverty line and relatively few are found in deep abject poverty. Livelihood surveys also confirm that poverty is overwhelmingly a rural problem. But beyond these general dimensions it is difficult to draw firm conclusions. Partly as a consequence of sketchy data and methodological discrepancies, it is found that different researchers on a number of questions have reached diametrically opposed conclusions.

Slow decline in rate of poverty, but increasing inequalities?

Recent analyses of poverty in Tanzania do not present a coherent picture on whether poverty is on the decline or increasing. As referred by Eele et al (2000) and looking at studies that apply a monetary definition of poverty related to household income/ expenditures, there seems to have been a decline in the percentage of poor in the population (i.e. the poverty headcount ratio) from early 1980s to today, from around 65 per cent in 1983, to 51 per cent in 1991 and 43 per cent in 1998. This reduction in the proportion of poor is more or less matching the population growth so that the absolute number of poor has remained much the same – and today make up close to half of the 30 million Tanzanians. This estimate is based on the one-dollar a day (per adult equivalent) definition, and is the benchmark, although not officially, for what is labelled “abject poverty” in the Vision 2025.² Furthermore, some studies seem to indicate that *income inequalities* (measured by the Gini-coefficient) also improved during the 1980s from 0.52 (1983) to 0.41 (1991), but have been widening again in the 1990s to 0.46 (1998). Starting from a situation in the 1980s that many describe as widely shared poverty, it is plausible that inequality has increased as the economy started to grow again under the influence of reform and structural change (Eele et al 2000: 73).

The effects of the structural adjustment period (beginning in the early 1980s and accelerated by the IMF agreement in 1986) are a topic of more disagreement. Whereas some estimate a 50 per cent increase in consumption during this period,³ others claim that rural incomes fell by 50 per cent.⁴ A study published in 1993 argues that the benefits to rural smallholders of economic liberation have been negligible (Booth et al 1993). Unfortunately, several of these studies were methodologically weak and partly influenced by the expectations of the research teams. The time horizon may also have been too short for some of these studies.

Important rural variations, but evidence and data are weak

A figure of 90 per cent of the poor living in rural areas is often cited, but this will most likely have to be adjusted downwards when new national statistics capture the recent trend of escalating urban growth – and urban poverty. Rural poverty exhibits a certain pattern of concentration geographically. The poverty rate is higher in the regions of Dodoma, Kigoma, Rukwa, Lindi and Mtwara, which is corroborated by statistics on malnutrition, placing the regions of Mtwara, Lindi and Pwani (Coast) at the bottom. This pattern corresponds to a large extent with the non-cash crop producing areas of the country. For climatic and historical reasons these regions have not enjoyed the

² Using REPOA's slightly higher poverty line, 56 per cent are poor in 1998.

³ Sarris and Tinios 1993, taken from Cooksey 1994, p.72.

⁴ Wagao and Kigoda 1993 (p.16), taken from Cooksey 1994, p.72

same level of official investments in infrastructure and services. But some studies advocate that intra-village inequalities (e.g. between the village elite and village poor) are greater than that between villages and regions (Collier et al. 1990:129). And yet other researchers claim that rates of malnutrition are not correlated with agricultural production. At the moment the literature on these more specific patterns of inequality in Tanzania is inconclusive.

It is important to note, however, that *Tanzania has never been a country of massive human suffering*. A very important factor is that most rural Tanzanians have access to land or land-based resources. Even during periods of severe drought, individuals, communities and government have been able to fend off famine-like conditions. This indicates that Tanzania will score relatively well (i.e. low) on an index for socio-economic vulnerability. This picture is further strengthened by the comparatively low rate of urban slum development so far.

Still, there are those who warn against a trend of increasing *landlessness*, especially in districts with the highest population density. This is exacerbated by changes in the land laws that have spurred land grabbing by private investors. There are, however, no comprehensive studies of trends in rural labour markets and the extent of proletarianisation of landless and marginal farmers. A modernisation of agriculture, envisaged in the Vision 2025 as the engine of economic growth, will inevitably lead to more effective utilisation of land and concentration of land on fewer hands. More research is needed to monitor effects of commercialisation of agriculture on opportunities and conditions for agricultural labour, availability of land as safety net, and on rural to urban migration.

An important element of households' economic strategies, which is not easily captured in national surveys, is the *rural-urban linkage*. Many families, also among the so-called rural poor, keep a foot in both settings. Households, in the sense of kinship-based economic units, are often found to have both a village and a town "branch". The rural branch, by itself, may easily appear in surveys as below the poverty line, whereas the sum-total of the family concern will jump the line.

The issue of *women and poverty*, and the position of female-headed households in particular, can only be understood in the context of relationships between and within households. Again, there is no clear picture emerging. Surveys do not support the commonly held hypothesis that the incidence of poverty is higher among female-headed households. Although women's access to land is severely constrained, there is evidence that women, on average, are more effective producers and manage better in the off-farm informal sector. Female-headed households do not exist in a social vacuum, rather to the contrary. They establish strong social networks, in addition to family relationships.

Difficult to agree on a "poverty line" and definition of poverty

Unfortunately, poverty measurement can easily become more of an exercise in mathematics than social science. The concept of a poverty line is nevertheless useful for bringing the attention of policy makers to the extent of the problem and changes in poverty. It must be recognised, however, that there are many subjectively made assumption built-into these measurements. The very question of where the line ought to be set, in terms of living standard, is in

most countries a highly political question. The outcome will effect the later measurement of development success, as implied by the following observation:

In other words, with a relatively low line, many people's incomes are fairly close to this level [US\$1 per day] and it only requires a fairly limited increase in income to take them above it. With a higher poverty line, such as the local line derived by REPOA, however, more people are classed as poor, the incomes of more people are substantially below this level and a much higher rate of growth in incomes is needed to meet the target. The choice of an appropriate line is, therefore, crucial (Eele et al. 1990:10).

Poverty measurement is fraud with methodological problems, and great care has to be taken in comparing old and new surveys. They differ substantially with respect to sample size, what is included in household budgets, and in the monetisation of non-tradable assets and commodities. There is also the obvious fact that what is income (or consumption) poverty according to the researcher, often do not correspond to peoples' own notions of poverty and destitution, especially among people leading a more traditional way of life.

A recent participatory poverty assessment found that the term 'poor' in local languages generally imbued a sense of sympathy: someone hardworking, having to sell his labour, but whatever he does, he loses. The 'very poor', on the other hand, are characterised in very negative terms: someone who has to depend on others, and someone whom to employ is a threat. It includes the lazy and irresponsible ones, but also disabled people (Narayan 1997).

The assessment also found that poverty is first and foremost associated with the inability to farm productively. Landlessness is a growing problem in parts of Tanzania, and the costs of agricultural input are prohibitive to many farmers. As a number two cause of poverty comes health. Poor health was seen as a quick way to descend into poverty. Surprisingly, social problems (including drunkenness) are ranked higher than lack of education as cause of poverty, and the author concludes:

When social problems appear nationally as the third most frequent mentioned cause of rural poverty by rural people themselves, a social crisis is brewing. Once the social fabric of a society is ruptured, economic development cannot proceed (Narayan 1997:17).

Other definitions of poverty and poverty lines will generate different patterns of poverty. The Human Poverty Index (HPI) as developed by the Human Development Report (UNDP 2000) concentrates on "deprivations" rather than money incomes. The HPI defines poverty in terms of proportion of people who do not survive to the age of 40, who are illiterate, who lack of access to health services and to safe water and proportion of children who are underweight. A combination of monetary and social indicators is likely to provide more nuanced pictures.

These are important political choices as Tanzania is about to establish its official poverty line and set targets for poverty indicators as part of the ongoing PRSP exercise.

Policies have been based on theories, rather than a national learning process.

It can be concluded that far too little is known about the dynamics of poverty in Tanzania. The picture on incidence and trends of poverty is vague and inconclusive, which of course makes it difficult to root policy prescriptions in empirically based research, even if there is the will to do it. Even though public policy has not been greatly informed by empirical research, there has been a profound impact from development theory. This holds for the Arusha Declaration, the structural adjustment programmes, and the current economic growth agenda. Although implementation has been weak and more gradual, the tendency at policy level has been to approach development through wholesale reforms, rather than a more pragmatic – piecemeal and learning-based – process of change. The mere belief in certain theories, by politicians and donors alike, has been a major driving force. This seems to hold also for the poverty reducing impact of public policy.

- In conclusion, Tanzania needs to develop a stronger national capacity for monitoring social and economic changes, relating to the various dimensions of poverty. National government institutions and academic institutions need to take a lead role, to be supplemented by private and independent institutions following transparent methodologies.
- Tanzania should also consider establishing a National Commission, composed of independent experts and professional people working with the poor, to be responsible for establishing (one or several) national poverty lines; promoting further studies on the causes, dynamics and dimensions of poverty; and promoting the national discourse on programmes and policies for poverty reduction.

4 Five dimensions of policy against poverty

Typically, poverty related public policy has been divided into three main types: broad-based growth, social service provision and safety nets. These are the elements of the three-prong strategy formulated by the World Bank in 1990. This has been criticised, however, for lacking the international dimension and disregarding internal power relations. From the point of view of national policy-making, therefore, a fourth type of policy has to be given attention, namely empowerment – i.e. the poor people’s ability to influence decisions that has direct impacts on their living conditions. This is part of a broader agenda of good governance and the role of the state, involving the rule of law, public accountability and transparency, but also local power relations. As a fifth dimension, the global economy and the government’s debt burden as well as the policies and practices of aid donors have repercussions on the standard of living and income opportunities.

Tanzania’s *National Poverty Eradication Strategy* categorises policy interventions into three groups: “Creation of enabling environment” is built around the principles of good governance, effective coordination and people’s participation. “Creating capacity” refers primarily to economic capacity with a focus on enhancing economic growth and equity. And thirdly, “sectoral policies and strategies” refers primarily to basic social services and the environment. Surprisingly, there is little mention of the international dimension in the government’s strategy. Less surprising is the emphasis on improved governance and enabling policies for economic growth, and on provision of basic services. Participation and equity concerns are included, but less pronounced. According to the interim report on the new Poverty Reduction Strategy Paper (PRSP), the poverty eradication objective will be pursued through a long term strategy with four main elements: higher economic growth; improving economic opportunities for the poor; building human capital; and empowering the poor to participate in the development strategy (URT 2000.)

We believe it is important to broaden this perspective, and will link our discussion of poverty and development policy to the five dimensions mentioned above. This entails issues relating to:

- The poverty-reducing effects of economic growth strategies. What does it mean to promote pro-poor growth in the Tanzania context?
- The effects of democratisation and public sector reform on the abilities of poor to have a voice. What steps may have to be taken to broaden participation in decision-making?
- The effects of social policy in improving the human capabilities of the poor. How far does policies go in the direction of securing basic education and health services to all?
- The redistributive mechanisms of public policy. This is sometimes referred to as safety nets, and is linked to notions of basic social and economic rights. What public policies may include measures that increase the security of vulnerable groups?

- The effects of public debt and donor policies on government spending and sectoral prioritisation. What are the likely benefits of debt relief in terms of pro-poor investments?

5 Economic growth strategies and potential impacts on poverty reduction

The most important contribution towards achieving a substantial reduction in absolute poverty is a sustained and broad-based economic growth. This is absolutely necessary to create the basis for the high quality livelihood and eradication of abject poverty as envisaged in Tanzania Vision 2025. There are reasons to doubt, however, whether achieving a sufficiently high rate of growth is possible in the near or medium future. For impact on poverty reduction, there is also ample evidence that equal attention has to be paid to the patterns of growth and the overall income distribution.

5.1 Overall policies and performance

Vision 2025 outlines a situation 25 years from now, where “the economy will have been transformed from a low productivity agricultural economy to a semi-industrialized one led by modernized and highly productive agricultural activities which are effectively integrated and buttressed by supportive industrial and service activities in the rural and urban areas.” By that time, “Tanzania will have graduated from a least developed country to a middle income country (...) with a high level of human development.” There is a strong emphasis in Vision 2025 on establishing a strong and competitive economy, which by then is expected to have achieved an annual growth rate of at least 8 per cent per annum.

This would represent a drastic transformation from the experiences of the past 30 years. Tanzania has today a slow-growth economy, dominated by low-productivity agriculture. Agriculture employs some 75 to 80 per cent of the total work force, and accounts for more than 50 per cent of GDP. Between 1985 and 1999 the per capita GDP only increased at an average rate of 0.4 per cent, even though most recent years have seen an increase to around 4 per cent overall growth, which implies a per capita growth slightly above 1 per cent per year.

Given the structure and pattern of poverty as described above, a large majority of the population – perhaps some 70 per cent – live just below the poverty line or just above it, while relatively few fall into the category of extreme deprivation. A policy for poverty reduction through economic improvements must therefore have the twin objectives:

- a) reduce, if possible, the (small) number of people in abject deprivation, and avoid that more people fall into such conditions; and
- b) improve income and living conditions for the large majority of people that live just below or just above the poverty line.

The factors that stop people from falling into the abject deprivation include availability of land, access to basic health care, and various community safety nets. It is therefore crucial to safeguard such existing safety nets, as well as introduce additional mechanisms that reduce vulnerability and insecurity.

These issues are discussed in more detail below in the section on safety nets and equity.

The greatest challenge is to improve income and living conditions for the majority of the rural population. We have noted above that there are substantial income disparities within the rural communities even within villages. We will nevertheless argue that it is not feasible to target those who are today under a poverty line (however this may be defined). Any exact dividing line will be arbitrary, and those slightly above are equally vulnerable to fall below it, unless there is an overall improvement in their conditions. It is important to be aware, however, that the growth pattern for the rural sector may aggravate the internal differentiation and more targeted policies may have to be considered in the future.

5.2 Economic growth rate, income distribution and poverty reduction

Eele at al (1999, 2000) has made a number of econometric calculations on the relationship between overall economic growth, income distribution, and reduction of poverty. Due to the weak data material, especially on the extent of poverty and income distribution, these calculations are primarily illustrative. They find, nevertheless, that higher economic growth will have a stronger positive effect on poverty reduction, than an equal rate of improvement in income distribution. A combination of the two – economic growth together with an improved income distribution – will naturally have the highest effect. Their rough calculations indicate the need for a GDP growth close to 5 per cent annually (given the population increase of 2.8 per cent) and improvement in income distribution by a 1 per cent annual reduction in the Gini coefficient, in order to reduce absolute poverty from around 55 per cent in 1998, to 30 per cent by 2015.

However, since the economy inadvertently is vulnerable to various forms of negative exogenous shocks due to changes in world market prices, poor weather conditions, conflicts in neighbouring countries etc, it will be necessary to achieve a growth rate of at least 6 per cent in “normal” years in order to obtain a long-term average growth rate of 5 per cent. All of these calculations are uncertain, however. Using another elasticity coefficient results in a slower reduction in poverty. Also, with no change, or worsening, income distribution, a higher growth rate will be necessary to achieve the same reduction on poverty levels. Estimating the present economic growth rate is also uncertain, as substantial parts of the economy is not well captured, such as subsistence production, the informal sector and the parallel economy.

Despite of all these uncertainties, the clear conclusion is that it will be very difficult – if not impossible – for Tanzania to achieve the International Development Target (IDT) of reducing absolute income poverty by 50 per cent by year 2015. First, it will be difficult to achieve the required minimum of a sustained growth rate of 5 to 6 per cent annually for the coming 15 year-period. And even if this is achieved, it is not likely that the income distribution will noticeably improve over the next 15 years – given expected growth patterns and policies, it is perhaps more likely that it will worsen.

Taking a longer time-perspective such as Vision 2025 looking into the next 25 years, uncertainties are even greater, but so are the opportunities. It is

then at least theoretically possible for Tanzania to achieve an accelerated growth rate – if policies and conditions are conducive. Such a time perspective will most probably be necessary for the overall economy to generate more than 50 per cent higher per capita incomes, and enable a substantial number of households to cross the poverty line on a sustainable basis. Experience from other developing countries indicate that around 20 to 30 per cent may still remain under the poverty line by year 2025, but most of these will hopefully be found just below the poverty line.

The preconditions for increasing the rate of growth in the Tanzanian economy are often discussed elsewhere. Important factors include increasing the rate of savings and investments, stable and conducive conditions under competent governance, increased investments in quality education and infrastructure, research and extension network for agriculture, and development of a competitive oriented class of entrepreneurs. Even though not all of these are necessary immediately to accelerate the economy from the present weak conditions, all of them are missing or inadequately addressed in Tanzania today.

The general conclusion is difficult to avoid; Tanzania will probably not achieve the IDT objective of reducing the incidence of poverty by a half by 2015. The Vision 2025 objective of eradication of abject poverty is also unrealistic. Reducing poverty by one half, to around 20 to 30 per cent, may be possible by 2025, but it requires a consistent policy that stimulates much higher economic growth and persistent attention to the pattern of growth and its distributional effects.

5.3 Patterns of growth: agriculture as “lead” sector?

According to Vision 2025, modernisation of agriculture is expected to lead the transformation towards a semi-industrialised economy. This is an important shift from previous policies which assumed that surplus from the non-modernised agriculture should generate resources for industrialisation, with manufacturing playing the role as “lead” sector. The new approach is more realistic for several reasons. Even today, agriculture is the backbone and basis for the Tanzanian economy. Only mining is a fast-growing – but still relatively small – sector, while industry and tourism have stagnated. Stimulating agriculture has a substantial multiplier effect through increased demand for consumer goods and services. Furthermore, the large bulk of the poor are primarily engaged in agriculture.

What sectors in agriculture have strongest impact on poverty reduction?

The first major question is how agriculture, including fishing and forestry, can be stimulated and enabled to take a lead role, while at the same time improving the conditions for the majority of the farming population. This has not been answered satisfactorily in Vision 2025 and the National Poverty Eradication Strategy (NPES).

Agricultural statistics are also inconsistent and disputed, but a recent IFPRI study (Delgado and Minot, 1999) summarising various findings estimated that agricultural GDP has grown at an overall rate of 3.3 per cent annually since 1985, which is around 0.5 per cent more than the population

growth. Maize production has increased only at 2.4 per cent, while rice and wheat production have increased substantially, and other food crops such as sorghum, cassava, beans and bananas more or less at the level of population growth. In the same period, export crops expanded slowly in the late 1980s but much faster in the 1990s, giving a growth rate of 5.4 per cent over the whole period. Cashew nuts and tobacco production increased strongly, which offset the decline for coffee. Other export items include tea, sisal, cotton and cloves, while livestock, fisheries, wildlife and forest products are also important.

Knowledge about the relationship between agricultural sectors and poverty, food security and malnutrition is even more sketchy. According to the IFPRI study, farmers are generally poorer than non-farmers in rural areas. However, families growing cash crops, whether for exports or national markets, have higher incomes than those who do not. And increasing incomes from export crops are normally associated with increased food consumption because incomes are used to buy food. The Tanzanian demographic and health surveys in 1991 and 1996 indicated a decline in the rate of stunting (a measure of chronic malnutrition), but a slight increase in the rate of wasting (indicating recent or acute malnutrition). (Delgado and Minot, 1999: 252-6)

What are then the potentials for development of various crops and agricultural produce, and the main constraints for further development? According to IFPRI and other studies, policies will have to counteract the recent appreciation of the currency in order to maintain Tanzania's competitive edge, further liberalise trade in agriculture, make credits more easily available in a sustainable manner, but also invest heavily in research and extension services; in veterinary services; and in rural road infrastructure.

Given resource constraints, it will be impossible for Tanzania to invest and expand all of these programmes simultaneously, and priorities chosen will be crucial for future performance. For agriculture to have a lead role in the economy, at least some sectors within agriculture must grow faster than average, create multiplier effects, and generate a surplus that will eventually also benefit other sectors. This is the argument behind focusing on products with greatest potential for further growth; whether those are traditional or non-traditional export items, the livestock sector (considered to have major potential), or the staple food items (to cater for increasing urban demands).

As argued above, however, far too little is known today about the impact of these policies on income distribution and poverty reduction. In order to combine agricultural growth with poverty reduction, it will therefore be necessary to clarify policy options and implications of the relationship between investment priorities and policies in terms of stimulating various parts of agriculture, expected growth patterns, and their distributional effects within rural areas.

Need for growth in other sectors with high employment generation potential

The second major question is how to stimulate sufficient off-farm rural and urban employment generation, to absorb surplus labour from agriculture. Even with a heavy emphasis on agricultural development, there is no way that agriculture will continue to absorb some 75 per cent of the work force. Without expansion of land area, improved productivity will necessarily have

to be accompanied by reduction in the labour force. If the surplus labour end up as landless casual labour or unemployed, poverty will just have changed character, and not be reduced. – Agricultural development will therefore not be sufficient to reduce poverty.

Mining and quarrying, light industry, and tourism are the most likely growth sectors with a high employment generation to supplement agricultural development for an impact on poverty reduction in the short and medium future. However, with the fast changing global economy, other sectors and opportunities may well appear. Vision 2025 therefore underlines the importance of creativity, innovation, and an emphasis on education as a strategic change agent. However, even though economic expansion and investments in these sectors can no longer be planned and directed by the state, public policies will still be required to stimulate opportunities, support relevant vocational and technical training and research, and develop infrastructure. Public policies and priorities will be crucial for allocating support to individual sectors, which again will have different impact on employment generation, incomes, and poverty reduction. These issues also need to be further studied and highlighted in public debates and policy papers.

There is no mention in the policy papers of the need to maintain a regionally balanced development. As some regions are better endowed with resources such as agricultural land and good climatic conditions, good transport and communication facilities and valuable minerals, development of these resources will easily strengthen regional imbalance. This will hamper efforts to reduce poverty in the more marginal or remote regions. Migration will necessarily continue to take place, from rural areas to urban centres and between districts. However, strong inequalities between regions and districts, as well as fast migration, may also lead to potential conflicts and unrest; growth in urban slums; and loss of social and community security networks. The new decentralisation policy will probably not be sufficient to create local growth centres and otherwise contribute to a more balanced regional growth pattern. Additional mechanisms and policies will therefore be required.

In summary;

- Poverty reduction will require a substantial and sustainable improvement of the standard of living of the majority of the population, mostly engaged in agriculture and living in rural areas.
- The economic rate of growth will have to be accelerated to at least 5 or 6 per cent annual growth in GDP, in order to reduce poverty by around one half by year 2025 at the earliest. It is not realistic to expect a faster reduction in absolute income poverty, and even this goal requires consistent policies that promote a broad-based economic growth.
- Growth in agriculture including livestock and fisheries is the *sine qua non* for promoting growth with poverty reduction. The biggest challenge with limited resources is how to balance and prioritise between the high potential areas within agriculture, and the more remote and marginal areas.
- Agriculture cannot possibly absorb the growth in the labour force, and new employment has to be generated in mining and quarrying, light industry, tourism and other new labour intensive industries in order to avoid growth in urban poverty.

- Greater attention and more studies are needed on the implication of various patterns of growth and sectoral priorities for overall growth, income distribution and poverty reduction.
- Some growth patterns may easily strengthen regional imbalances, and new initiatives beyond the decentralisation policy will be necessary to strengthen local growth centres and contribute to a more balanced regional growth pattern.
- Access to land as well as new policies for public works and employment guarantee schemes are important to provide safety nets.

6 Empowerment and participation

Important changes in the direction of multi-party democracy, transparency and establishment of an independent press have taken place in recent years, allowing for a broad participation by organised interest groups as well as the population at large – as voters – to influence policies. This provides opportunities for empowering the poor, for protecting their rights and promoting their interests. However, questions remain how the policies of empowerment will become genuine. The local government reform will only partially contribute to this process. Institutionalised corruption remains a major impediment to better governance. In the medium term the role of the media, quality reforms in the education sector, and more active awareness building by the activist interest groups, are crucial for enhancing empowerment of the poor.

6.1 Complex processes of change from elite and external dominance

Tanzania has a long tradition of encouraging popular participation in decision making at local village levels and through the party system at national levels, with the intention that the voice and the opinions of all – including the poor – should be heard and influence policies. In practice, over the years this system did not provide adequate opportunities for participation as critical voices were silenced and policies were directed by the top leaders in government and the leading party. Increasingly, policies have also been heavily influenced by external forces, especially the dominant donors at the national level, and various donors and organisations controlling external resources at the local levels.

Broad participation in governance, open and transparent decision making, an independent media, and opportunities for interest groups to influence parties and policies are part of the democratic system that is now being promoted. This also provides opportunities for the poor to influence development through elections (voting power), but even more when they organise and make use of other channels available. Enlightened and engaged leaders of various organisations and parties may be quite capable of mobilising followers and promoting the interests of the poor. But direct mobilisation and participation of the poor themselves as a movement has a stronger and more sustainable impact, and is often a prerequisite for effective protection and promotion of their interests.

Empowering people also means enabling them through education, training, and confidence building to take responsibility for their own well being and development, take initiatives, acquire resources, and thus increase their possibilities for moving out of poverty.

Tanzania's Development Vision 2025 strongly underlines these points, and argues that realising the Vision requires democratisation and popular participation; governance and the rule of law; and an "empowering culture". It stresses the need for effective ownership of the development agenda coupled with the spirit of self-reliance at all societal levels; fostering self confidence and

self esteem among individuals; developing a community spirit with a culture of sharing ideas, and facilities for pooling resources for the good of all.

Good governance requires public participation and a culture of accountability, as well as mechanisms for promoting dialogue, consultations and networks of various actors in development. According to the Vision, deliberate efforts must be made to “empower the people” and “catalyse their democratic and popular participation”. The strategy should “empower local governments and communities”, and “promote broad-based grassroots participation”. And finally there is a need to create “an active and participatory civil society in the articulation of its needs”.

Semboja and Chaligha (1999) have commented on some of these issues, and find that the present policies of decentralisation and local government reforms may be trends in the right direction, but they question important elements in the reform package in their (inadequate) orientation to growth and poverty reduction. They also find that the growth of NGOs is not always a pro-poor phenomenon, and suggest that only NGOs that promote growth with equity and/or invest in broad based social services should be considered pro-poor.

The change towards political pluralism and the efforts to separate power between the ruling party, the legislature and the executive, are both considered important and positive moves to show that change is possible – and inevitable. The independent press is considered an even more important factor in promoting transparency, democracy, human rights and poverty issues. In their opinion, the press has up until today been the *de facto* political opponent of the ruling party. The private press is nevertheless a new concept, several reporters are inexperienced, and freedom of the press is still limited. In the medium term, however, the potential role of the independent press for promoting growth and poverty reduction is high.

Finally, they point to the serious problems of corruption in the bureaucracy as well as in the private sector, which has become an impediment to both justice and development. Unfortunately, corruption is institutionalised and cannot be successfully fought by just focusing on individuals. A lot has to be done, and the institutional fight has yet to start, according to Semboja and Chaligha.

6.2 Local traditions, NGOs and patronage systems

Few other policy documents and studies discuss real options for mobilising and organising the poor that may effectively challenge and influence policies, beyond the general rhetoric of “empowering” the grassroots and promoting “popular participation” especially at the local levels. According to a recent study by Havnevik and Hårsmar (1999) the crisis and liberalisation of the late 1980s and early 1990s triggered the emergence of local NGOs, most particularly active in the area of health provision and secondary education. Many of these are linked to prominent persons in the state and the ruling party, and often strongly dependent on funding by external donors. Havnevik and Hårsmar quote Kelsall (1998) who concludes that “there is no evidence that informal sector operators have a reflective awareness of themselves as a group with interests defined against the state”.

Lange *et al* (2000) provide a broader outline of today’s fast-expanding civil society. They make an important distinction between organisations active

in social service delivery such as district development trusts and religious organisations, and interest organisations. Social service delivery organisations are those described above by Havnevik and Hårsmar (1999). They are also strongest in the more developed regions, and thus may contribute to increasing regional imbalance. Organisations that work for the interest of their own members include health organisations, farmers unions and cooperatives, and professional trade unions. These are still relatively weak, especially in rural areas and among the poor. The elite-based advocacy groups that act on behalf of the interest of others are more vocal and visible and do have an influence, but have extremely weak links to the poor themselves.

It may be surprising, given the strong lack of confidence in the state and state institutions, that more organisations and movements are not emerging to provide an organised outlet for the interests of the poor majority. The cooperative movement did perform such a function in the early phase of Tanzania's independence, but was undermined and dissolved by the ruling party. The cooperative movement has later been allowed to re-emerge, but its role is hardly mentioned in any discussions about poverty reduction and empowerment.

Many observers point to the strong traditions of leader-follower patronage ties and patron-client relationships that act as an impediment against independent organisations. The majority still expects the state, their leaders and politicians, or the new external agencies, to deliver goods and services in return for political and popular support. And most leading actors respond in the same tradition, without expecting or demanding any other reciprocity and contributions from their constituencies. There is a long way to go before the visions of empowerment becomes a reality in rural Tanzania.

7 Social policy and poverty

Despite previous efforts to deliver basic social services to all Tanzanians, the country's human welfare indicators are among the worst in the world. One in six children die before the age of five and almost one-third of the population are expected to die before the age of forty. Around one third of the population is illiterate.

7.1 National and international targets

The notion of poverty that is used in the National Poverty Eradication Strategy is clearly anchored in the need to satisfy basic needs. According to the Strategy poverty is “a state of deprivation prohibitive of decent human life” (URT 1998:1). To live a decent life includes having access to affordable basic social services, such as primary education, basic health care, reproductive health facilities, safe drinking water and sanitary facilities that ensure a healthy environment. But in as much as there is not yet an official poverty line based on income or consumption levels, there are also no official threshold levels with respect to social service provision, which would define in more technical terms what is understood by a ‘decent’ life.

Tanzania has stated, however, that it subscribes to aspirations formulated through international summits and summarised in what is called the International Development Targets (IDT). In addition to the general target on economic well-being of reducing by half the proportion of people living under extreme poverty (understood as less than “one USD a day”) by the year 2015, the IDT specify a number of targets for social development:

Universal primary education: To be reached by 2015.

Gender equality: Eliminate gender disparity in primary and secondary education by 2005.

Infant and child mortality: The death rate of infants and children under five years to be reduced by two-thirds the 1990 level by 2015.

Maternal mortality: To be reduced by three-fourths the 1990 level by 2015.

Reproductive health: Services to be available through the primary health care system to all who need them by 2015.⁵

HIV/AIDS: Achieve a reduction of 25% in HIV infection rate among 15-24 years-old by 2005.

⁵ OECD 1996. These are the original IDT, including also the requirement to have a national environmental strategy in place by 2005. HIV/AIDS was added later. OECD/DAC is in the process of adding more targets to the list.

In a recent study, Eele et al. (1999) have compared developments in Tanzania with the IDT. They conclude that the targets for infant and child mortality, primary education, and maternal mortality are not likely to be met. It is only the gender equality goal in education that is within reach. From being heralded in the 1970s as a frontrunner in social development among the least developed countries, Tanzania has lost much of its relative position over the last two decades. Its ranking on the Human Development Index (UNDP) has consistently been higher than on the GDP per capita list, but its position has dropped on both lists during the 1990s: from 126th to 156th position between 1992 and 1998 on the HDI; and from 158th to 173rd position on the GDP per capita. In other words, Tanzania faces the challenge of reversing major development trends in social development, which is not made easier amidst severe budget constraints and slow economic growth.

7.2 Which way is education moving?

Primary school enrolment declined during the economic crisis of the 1980s, affecting both boys and girls. Recent statistics suggest that enrolment has been picking up slowly in recent years, with an annual growth rate of about 2 per cent. Nearly half of the pupils are girls. In fact, in the first years of schooling, girls out-number boys. There is, however, still a wide gender gap to be closed when it comes to adult literacy (1994 figures are 79 per cent for men and 54 for women).

In the absence of recent population census data, figures on enrolment rates are mere estimates. In 1997 the gross enrolment rate is estimated at 77 per cent. With a school age population growing at the pace of 2 to 3 percent per year, however, the growth in intake of new pupils is nowhere near what is needed to reach universal primary education within 15 years. For this to happen, Eele et al. estimates that the gross enrolment rate will have to grow by 5.3 percent annually. This is substantially higher than what was achieved during the past 20 years.

The situation at the secondary school level has also been improving, but starting from a base categorised by the World Bank as one of the lowest in the world. Still only 5.5 per cent of the age group attend secondary school. The proportion of girls has risen rapidly, and reached 46 per cent of Form IV leavers in 1998, but there are concerns about gender imbalances in school performance. Examination results show that there are twice as many boys achieving high marks.

Although there are districts reporting primary-enrolment as low as 31 per cent (i.e. Rufiji District in Pwani region), the main concern is with quality of education. Functional illiteracy among primary school leavers is a problem. There has been a rapid growth in private schools, especially at the secondary level, but only better-off people can afford the level of school fees they charge.

New policies but unclear lessons learned

In 1992 a national task force produced a strategy on education and training. It emphasised both quantitative and qualitative aspects, and introduced cost sharing and efforts at decentralising management of services. Although the share of total education expenditures in the discretionary (development) budget has increased from 17 per cent in 1992/93 to 28 percent in 1997/98,

the level of funding is not adequate for meeting the IDT. With recurrent expenditures the picture is similar (with an increase from 14 to 20 percent), which at least seems to have stopped the trend of further deterioration of services. Furthermore, there are indications that the primary level is the loser in the scramble for funds within the education sector.

The key objective of the new local government reform is to improve service delivery, including education. The devolution of responsibility to district councils for building and running schools shall be accompanied by increased levels of funding through block grant from central government. Many fear, however, especially among teachers, that the reduced role of the Ministry of Education and Culture will worsen the situation. It is far too early to pass a judgement on the reform, and in any case it will take time build more responsive and responsible local governments. The big question mark is how local politics will come to mirror the interests of local elites and the aspiring middle class, and what concern they will show for the average person and the most marginalised poor. Will district councillors vote for a new secondary school at the expense of classrooms in the remotest villages? This will have a tremendous impact on whether the goal of universal primary education can be reached or not.

In a review of poverty orientation of the Danish-Tanzanian development cooperation Semboja and Chaliga (1999) draw the conclusion that the Danish support for primary education “is poverty reducing”. A basic criterion for this judgement is that the support is broad based. They raise pertinent questions, however, about the level of community involvement and recurrent cost implications. There is lack of evidence whether the projects are able to mobilise enough local participation, in terms of management, as well as in the form of cash and labour contributions. In the foreseeable future the revenue situation of the country will only improve gradually, and at local government level not much at all. Expansion and improvement of quality of local level social services, therefore, depends mainly on community and private resource mobilisation.

Development assistance can play an important supplementing role, but only if it is possible to combine a high level of aid with a high level of local participation. If the aid dependency syndrome, highlighted as one of the main impediments to development in Vision 2025, is further entrenched, the conclusion of Semboja and Chaligha above will have to be reversed.

Further research is needed on the impact of aid modalities on community participation. Is it the foreign origin of the funds that by itself creates dependency? Or is it a problem with the public administration in general, irrespective of the source of the funds, and its interaction with communities and civil society? A better understanding of these dynamics would help guiding the introduction of block grants. There is a wealth of experience on aid financed community development programmes in Tanzania, but little has been systematised about the lessons learned. With the fall of the belief in the omnipotent socialist state, and the rise of a make-it-yourself ideology requiring a different type of state, such lessons may prove to be extremely valuable.

7.3 Basic health services under pressure

Basic health has long been recognised as a fundamental human right. It is well documented that the relationship between health and poverty is one of a

viscous circle. Ill health is not simply a consequence of poverty. There is a growing body of evidence which shows that better health contributes directly to greater economic security and growth. As mentioned above, most Tanzanians see health problems as a major cause of poverty, in particular through the often abrupt shocks produced by sickness and death on the family economy. The costs of treatment are escalating, and the loss of any able-body member of the family reduces incomes. The AIDS pandemic is of course a major factor today.

Between 1967 and 1996, a period of almost 30 years, infant mortality declined from 155 to 88 (per 1,000 live births), a fall of 43 percent. The IDT in the case of Tanzania represents an infant mortality rate of 31 by the year 2015. Simple mathematics shows that the past rate of reduction will not be sufficient – it needs to be doubled. The same holds for under-five mortality. With the current projections of further swelling of the HIV/AIDS pandemic the IDT is made even less realistic.

As regards the target for maternal mortality there is problem of data. There are no time series available to estimate current trends, and therefore not possible to project what is a reasonable achievement by 2015.

Reproductive health services generally refer to access to contraceptives, treatment for sexually transmitted diseases, ante and postnatal health care, and care for delivery. Eele et al. (1999) conclude that the demands for contraceptive advice and facilities should be met well before 2015, but that the situation for mother and child care is more alarming. There seems not to have been any improvement in the proportion of women receiving professional assistance during delivery, from 1991 to 1996.

Danish assistance to the health sector is also deserving of the label ‘poverty reducing’ since it targets broad based primary services, according to Semboja and Chaliga. Looking at the progress of implementation of the ten main components of the health sector programme, a certain pattern is emerging. Delays are most common in activities dependent on ministerial decisions and allocation of manpower resources. This includes the government’s back peddling on the introduction of the policy of cost sharing. There are also problems with operations at regional and district level, which points to the urgent issue of linking sectoral reform programmes and the local government reform programme. There are all reasons to believe that health personnel will resist making the District Council their new master, and try to keep alive the established vertical links of the line ministry.

Studies show that the percentage of the population with access to health care rose from 72 percent in 1980 to 93 percent in 1993. This is major achievement in a poor country, but serious questions are being raised about deteriorating quality and escalating costs of services. In this respect, the health sector experiences much of the same problems as education. Primary health care is also to be made a local government responsibility, and the same uncertainty exists whether the block grant mechanism and district council priority setting will turn the negative trends. In recent years there has been a rapid growth in private services, especially in urban areas. Coupled with the escalating corruption in the public sector, access to services has improved, but only for those with money.

8 Safety nets and equity

8.1 Concern over increasing inequality

Although existing data on economic inequality do not support any firm conclusions, there are many indications that the gap between the rich and poor is widening. Recent figures suggest a moderate reduction in the poverty headcount, but we do not know to what extent there is a deepening of poverty at the bottom end. Besides having the rich and the middle classes becoming richer, we know little about what is happening to those “in the middle”, and even less about social mobility, upwards and downwards.

From global studies we know that there is a positive correlation between economic growth and low levels of income inequality. The direction of the causality is debated; whether high growth reduces inequality or low inequality promotes higher growth, and there is probably an effect both ways. The “poverty elasticity” is the percentage change in the proportion of a population in poverty associated with a one percent increase in real GDP per capita. A recent study confirmed that this varies systematically with inequality, measured by the Gini-coefficient. Countries with a low Gini-coefficient (below 0.43) have a poverty elasticity that is nearly three times as large as for those where there is more inequality. It is also found that, in sub-Saharan Africa, growth is more effective for poverty reduction in countries where the pattern of growth favours agriculture (Hanmer et al. 2000).⁶

It is not only income differentials that are an equity concern in Tanzania. There are major discrepancies between geographical areas, and the urban bias in development is reinforced in recent years. Although urban Tanzania has developed a national culture based on Kiswahili as the first language, ethnicity and tribal culture is still the major identity in rural areas. Poverty is clearly more prevalent among certain ethnic groups, who are in the danger of being more marginalised. Hence, poverty reduction policy has to do with ethnic minority policy as well.

8.2 Policy measures required

The global comparisons, referred to above, underscore the importance of a development strategy, as depicted in Vision 2025, that aims at eliminating abject poverty as well as promoting agriculture. Furthermore, these aims must lead to separate policy measures, which at the same time are essential means to achieve economic growth. This perspective is different from the classical trickle-down theory, that many argue is the essence of current liberal economic policies when it comes to poverty reduction. It implies policy measures that directly prevent further impoverishment of certain groups and regions.

The National Poverty Eradication Strategy underscores this perspective when it states as priorities for government to promote broad based growth *where poverty is concentrated*; and improved access to essential basic goods to

⁶ These findings are taken from <http://www.oneworld.org/odi/speeches/hanmer.html>

the most marginalised sections of the population.⁷ These are priorities that entail *targeting* of public expenditure. It is not evident from reading current government policies, however, what approaches to targeting will be used. As mentioned above, in Vision 2025 there are neither explicit references to the need for establishing social safety nets, nor statements on how to prevent further deterioration of existing social mechanisms that helps reducing the vulnerability of poor people.

In a comprehensive poverty reduction strategy the following policy intervention areas, where equity dimensions and a social safety net become major issues, will have to be addressed:

Cost sharing and user fees. The introduction of various fees and costs in the educational sector has directly contributed to a drop in enrolment. The level varies from one school to the other, and may include a national enrolment fee, registration fee, building fee, sports fee, watchman's fee, school uniforms, and exercise books. The Basic Education Master Plan 1997-2002 sets ambitious targets for improving primary education, both quantity and quality. It does not, however, endorse the principle of *free* universal primary education, and the equity problems associated with parental contributions are basically unresolved.

Access to land. Many have argued that the previous land tenure system, combining state ownership and various forms of communal tenure systems, provided a safety net for poor people. It ensured the right to land for all rural Tanzanians (at least all male Tanzanians) through the empowerment of village governments to reallocate land. Although there was no uniform practice across the country, and better-off families were able to retain inherited rights, it constrained the sloughing-off and proletarianisation of marginal farmers. The new land policy promises secure individual tenure, which is to the benefit of the farmers, but there are alarming signs of land being concentrated on fewer hands, and urban investors buying up land limiting further expansion of village based smallholder farming. One major concern is whether access to land as a safety measure for poor families will be safeguarded?

Decentralisation. The Local Government Reform may run the danger of further polarising regional differences. It is the objective of the reform to improve the quality and access to public services, and gradually ensure that national minimum standards are met. Today, central government transfers are determined mainly by capacity rather than need, and this may be further reinforced. The new block grant mechanism for disbursement of central government subventions to district councils earmarks funds to the four sectors; education, health, agriculture extension, and transport infrastructure. This is consistent with poverty reduction, but there are dilemmas related to inter-district inequalities. The key determining factor for efficient use of the funds will be existing capacity, not least in the civil society and the private sector, which are intended to play major roles. There is clearly a danger that this factor will take precedence over any needs-based approaches in determining actual transfers. It is premature to determine who are the winners and losers in the reform, and this equity concern needs to be closely monitored.

⁷ Statement by representative of Vice President's Office. Taken from a report summarising the Workshop on "Poverty Reduction in Swedish-Tanzania Partnership, 22-26 November 1999, by Ruth Meena.

Targeting. Several observers argue that targeting social policies based on income or other social indicators is not going to work in Tanzania (cf. Semboja and Chaligha 1999), given the current state of affairs in public administration, with inefficiency and corruption. There are other means however, which have not been systematically applied in Tanzania, but are well-established in poverty programmes for instance in Asia. This may include targeting of poor areas (districts) and more extensive use of self-targeting approaches. The latter may involve school-feeding programmes, labour intensive public works, and group-based savings and credit schemes.

Choice of technology. Tanzania is not a densely populated country, and there is not much labour surplus in rural areas with the technologies generally used by smallholders today. There should be a greater focus on labour saving technologies affordable to poor farmers. This includes also technologies saving women's time used on domestic chores. Government may play an increased role in supporting private sector initiatives in this field. In areas where manual labour is available, for instance during the non-farming season, the use of labour-intensive methods in public works should be promoted.

Rights and standards. Tanzania government seems to have given up the old rhetoric of promulgating economic and social rights. The detailed setting of standards on public services is also played down. This is a sensible adjustment to realities, which hopefully will prevent waste of resources. A case in point is the adoption of the WHO-standard on water quality as a planning criterion for village water supply. This led to a wasteful search for pure water sources or the erection of too sophisticated purification technologies, at the expense of bringing less clean, but still acceptable, water to more people. This experience notwithstanding, there is a need to keep the debate on rights and standards alive, since this will be an important reference point for determining what pro-poor public policy really means.

9 Debt relief and donor policies

In the international debate, it is often claimed that the debt burden for the heavily indebted countries such as Tanzania is hampering the efforts and capability of the government to improve the living conditions and social services for the poor.⁸

According to available figures Tanzania's total external debt was around USD 6.4 billion in 1999, which shows a slight decrease from USD 7.2 billion in 1997 and 7.1 billion in 1998.⁹ Total external debt service amounted to around USD 160 million annually during 1997-98, of which approx. USD 56 million to IMF and the World Bank. This represents only around 10 per cent of the government budget, which had total expenditures in 1997/98 at around USD 1,600 million. In earlier years, debt servicing has accounted for almost 1/3 of total expenditures, according to other sources, but this may have included internal debts. Since 1998 seven donors have contributed more than USD 80 million annually to a Multilateral Debt Relief Fund (MDRF), to assist in servicing debt to the World Bank, IMF and the African Development Bank. (URT 2000)

There is no doubt that a debt relief agreement that reduces debt services will allow the Tanzanian government to increase its expenditures on a number of under-funded items, including primary education and basic health, agricultural extension and rural roads, as well as increasing the wage level for underpaid civil servants. However, the government may also increase other budget items, depending on its priorities and pressure from internal and external forces. The effects on poverty reduction will therefore totally depend on government policies and priorities.

Many donors and creditors are therefore reluctant to agree to a general debt relief, without a sense of guarantee that the government will give priority to poverty reduction and sustainable economic developments, and that the government improves its own revenue generation and generally improves transparency and accountability. This is the basic thinking behind the present work *inter alia* on a Tanzania Assistance Strategy and in the Poverty Reduction Strategy Paper.

At the same time Tanzania has been receiving new development assistance amounting to around USD 900 million per year (1995-97). This aid is generally not channelled through the government budget, and is primarily financing new investments and equipment, and technical assistance including training. Some of these aid-funded programmes continue to generate long term expenses for the recurrent government budgets, rather than generate new incomes and revenues. Some of the present aid programmes are even today used to partly cover debt servicing, directly through the MDRF or indirectly.

⁸ In this discussion note we do not discuss other dimensions of the relationship between the global economy and poverty reduction. This would have included how Tanzanian products meet the global competition for its export items; how its domestic production competes with imports in a less protected trade environment; how globally mobile international finance and investment capital are affecting Tanzania; and how opportunities are created or curtailed for migration and employment abroad.

⁹ World Bank documents for HIPC negotiations and World Bank "Tanzania at a glance".

The volume of new aid may therefore be somewhat reduced, if Tanzania enters into a debt relief agreement with its creditors.

It is nevertheless true that debt relief, even if it leads to a parallel reduction in new aid programmes, will allow Tanzania to expand some of the high priority poverty reduction programmes. Aid funds for new investments and programmes outside the government may be reduced, but the government may increase its own recurrent expenditures as well as some high priority investments. Perhaps most important, it will give the government and national institutions greater control and ownership over its policies and priorities, and thus reduce its donor dependency.

The crucial issue is whether the net effect of aid-funded programmes on poverty reduction is greater than the government's own efforts. There are no studies showing that this is necessarily true. A government budget will necessarily include items that are not directly poverty reducing, including recurrent costs of government services, debt servicing, security and defence, and a number of regular government expenditures. In Tanzania, the government budget has been used to subsidise a number of inefficient parastatals, and "leakages" and corruption are still major issues. However, the whole purpose of the economic reform programmes that have been implemented since the 1980s is to improve government financial balance and control, accountability and transparency, and create the economic and institutional conditions for a sustainable economic growth.

The donors have traditionally funded investment projects and not running costs for operation and maintenance. During the 1970s the donor emphasis was on industry and energy, while transport re-emerged as an important aid recipient during the late 1980s and early 1990s. As summarised by Voipio and Hoebink (1998), statistics contradict the widely shared perception that lots of donor money has been invested in rural development, education and health projects. On the contrary, the predominant development strategy seems to have over-emphasised physical capital and neglected the role of agriculture and human capital. Three important shifts have taken place during the 1990s, however. First, the shift in emphasis from project aid to programme aid. Second, the shift towards financing in the form of recurrent budget support. And third, the enhanced donor interest in macroeconomic policy and policy conditionality.

The donors do not agree, however, on the best policies for promoting poverty reduction. Voipio and Hoebink thus identified five "frames of thinking" among the European and multilateral donors: (1) the "Tanzania in the driver's seat"-narrative, (2) the neo-liberal narrative, (3) the participation narrative, (4) the social capital narrative, and (5) the trade and debt relief narrative. For an aid-dependent country as Tanzania, the government has therefore generally tried to accommodate all donor policies simultaneously.

Since the mid-1990s it has nevertheless been realised by donors and the government alike, that all development programmes – whether funded by governments or donors – will only be successful and effective if the institutional and policy environment are conducive.¹⁰ Likewise, a positive and sustainable outcome is dependent on a real partnership between the donor and the recipient institution. In particular since 1997 there has been a growing

¹⁰ More recently, this is also the essence of the World Bank report "Assessing Aid" (1998).

donor-government collaboration on practically all major policy issues in Tanzania. The question is, whether the time has come for donors to place this much of trust in their partnership with the Tanzanian government, and whether either partner is willing to find the mechanisms that will combine debt relief with a reduction in aid volumes?

10 Summary of main issues

Tanzania has always set high ambitions in designing a development path that improves the living conditions for all of its citizens, but the realisation of these ambitions has always fell far behind. The policies of the present Mkapa government are no less ambitious in *Tanzania Development Vision 2025*, which foresees high quality livelihoods and eradication of extreme poverty as the main goals along with the objectives of furthering peace, stability and national unity. In this Discussion Note we have reviewed and discussed some of the major policy issues and choices facing decision makers in realising the objectives of poverty reduction.

The overall development policies – and the poverty reduction strategy – are based on a growth-oriented liberal vision with emphasis on stimulating economic opportunities, while maintaining and expanding basic social services. The main challenge is how to translate these opportunities into a poverty reduction strategy which also requires a concern for minimum rights and safeguards, and how to balance between facilitating opportunities and protecting minimum basic rights. This challenge is particularly tough for a weakened state still suffering from a dependency syndrome under the major aid donors.

It is illustrative that the government in 1998 formulated its own national poverty eradication, but is now in the process of revising it because a Poverty Reduction Strategy Paper is required by IMF and the donors for Tanzania to benefit from the HIPC debt relief initiative. Both of these documents fully realise, however, that poverty reduction can never be one-dimensional: Effective poverty reduction requires a long term strategy which also includes improved governance and empowerment of the poor to participate in the development process.

We argue that the poverty discourse in Tanzania should be carried along five dimensions of strategic importance: (a) the patterns of economic growth; (b) opportunities for the poor to participate and influence policies; (c) social policies and investments in human resources; (d) safeguards, equity and minimum rights; and (e) the international dimension relating to debt relief and donor policies. However, we find that in all policy areas there is inadequate understanding of potential effects of policies, which hampers the formulation of concrete pro-poor measures. Continued policy debate as well as more research is therefore important to encourage a learning process and policies based on experience rather than ideology.

In summary, we believe the following issues are central for policy makers in government as well as among the donor agencies:

What are the social dynamics of poverty? There is still much uncertainty about trends and patterns of poverty in Tanzania. There are indications of a slow decline in the rate of income poverty, but poverty is still widespread and primarily a rural phenomenon. Since the large majority of the population has incomes very close to the suggested poverty line, the decision on where to establish the official line will have important political implications. Since other poverty measures yield different results and poverty is multi-dimensional, we strongly recommend the establishment of several poverty lines and indicators,

rather than just one money-based indicator. Equally important, is to undertake further research and increase the knowledge about the social dynamics, causes and trends in poverty: Are some poor groups being further marginalised? What social groups are benefiting and moving out of poverty, and who remain? Is poverty becoming urbanised? What differentiation is taking place in rural villages? What is the impact on future poverty of HIV/AIDS? Today far too little is known about these processes.

What patterns of economic growth should be stimulated? Estimates suggest that Tanzania requires a minimum sustained growth rate of 5 to 6 per cent annually over the next 25 years to bring down poverty to 20-30 per cent, or half of what it is today, provided that income distribution does not worsen. The international development target of attaining this earlier by 2015 is not realistic, and neither is the government's own target of eradicating abject poverty totally by 2025. However, the pattern of growth will strongly impact on these results, directly in terms of broad employment and income generation, and indirectly through high growth and incomes that may generate new demands and fund social services. The government has indicated agriculture as the "lead" sector, and growth in agriculture is essential for poverty reduction. But agriculture needs a conducive policy environment and investments in research, extension services and rural infrastructure, and various crops may have different impact on poverty and income generation. Equally important is employment generation outside of agriculture, where light industry, mining and tourism are most promising at present, but new industries may soon become more relevant. A weak government with a liberal ideology will nevertheless have to make choices on how to apply its limited resources in encouraging the most effective poverty reducing growth pattern.

How can real participation and empowerment be encouraged? Important changes in the direction of multi-party democracy, transparency and establishment of an independent press have taken place in recent years, allowing for a broad participation by organised interest groups, as well as by the population at large as voters. This provides opportunities for empowering the poor, protecting their rights and promoting their interests. However, strong traditions of leader-follower patronage ties and patron-client relationships act as impediment against independent organisations of the poor. Many elite-based NGOs are not necessarily pro-poor. The local government reform will only partially contribute to this process, and institutionalised corruption is still a major impediment to better governance. In the medium term the role of the media, quality reforms in the education sector, and more active awareness raising by the activist interest groups are crucial for empowering the poor, but existing and traditional power structures will be hard to overcome.

How to broaden social services with present resource limits? Tanzania subscribes to the international social development targets. Official statistics indicate that there have been slight improvements in access to social services during the 1990s, but not yet at a pace compensating for the deterioration that have taken place since the 1970s. In addition, the HIV/AIDS epidemic is already overburdening the health services. Escalating cost of services introduces a growing problem for the poor to have access to services. With limited public resources, improvements in education and health depend on community and private initiatives. There is much uncertainty, however, to

what extent the local government reform lays the foundation for a more dynamic relationship between the public and the private, and ultimately how the net effect will be on services to poor and marginal groups.

What safeguards and minimum rights can be maintained? Previous policies lay emphasis on minimum rights and standards for public services, while public ownership laws at least provided access to land as a safety measure. With the crisis in the state and deteriorating public services since the 1970s, and the new liberal policies of the 1990s, these safeguards are no longer in place. The question is whether new policies are required to reduce vulnerability among the poor. This may imply reconsideration of various cost sharing and user fees in the education sector, targeting specific marginal areas or groups, and the introduction of labour-intensive public works programmes. Most important, however, is the availability of land for poor rural household as a minimum safety net for able-bodied families, and whether this will be provided under the new land policies.

How can debt relief and donor policies contribute to more effective poverty reduction? Contrary to common belief in the international debate, external debt servicing only accounts for some 10 per cent of total government expenditures, and represents some 20 per cent of new donor funding. Total debt is nevertheless heavy and Tanzania therefore qualifies for the HIPC debt relief initiative. Donors previously funded mainly projects in industry, energy and transport sectors, many of these were costly to maintain and not cost-efficient. Major shifts have been implemented during the 1990s, and increasingly the government and donors agree on the required policy environment for sustainable growth and poverty reduction. A debt relief agreement, even if funded by a reduction in new donor funding, may therefore contribute to increased government responsibility and capacity to maintain basic social services and other poverty reducing measures. The question is whether the donors are willing to place that much of trust in their partnership with the Tanzanian government.

How can poverty reduction be “mainstreamed” in overall policy-making? Our review of recent policy documents reveals that poverty reduction remains a concern at a fairly abstract level of policy, and is viewed as a long-term aggregate effect of development, rather than a criterion that may dictate short-term priorities. In order to improve this situation the knowledge base and the quality of the political discourse on poverty need to be improved. Tanzania needs to develop a stronger national capacity for monitoring of social and economic changes, relating to the various dimensions of poverty, and useful step for monitoring national policies would be to establish a National Commission, composed of independent experts and professional people working with the poor.

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Summary

This brief discussion note is focusing on major policy issues confronting Tanzania when aiming at a substantial reduction in poverty level over the next decades. The government has high ambitions for creating high quality livelihoods and eradication of extreme poverty by year 2025, within a liberal growth-oriented development framework. The starting point is most challenging with widespread poverty and a relatively weak state highly dependent on international donors. It is therefore not realistic that Tanzania will achieve the International Development Target in reducing the poverty level.

The paper proposes to analyse five dimensions of policies for poverty reduction. The government will have to make a number of policy choices and trade-offs when attempting to combine economic opportunities with protection of safeguards and minimum rights. The paper reveals many uncertainties about the level and trends in poverty, and a stronger effort should be made to improve data and analysis. Most important is to generate a better understanding of the causes and social dynamics of poverty, and to monitor the effects of various policy initiatives.

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