Poverty Profile
United Republic of Tanzania

Executive Summary

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Chapter 1 Poverty in Tanzania

Tanzania is a country fronting the Indian Ocean, and located in East Africa. The area is 942,000km² with a population of 37 million. 80% of the population inhabit rural areas and most of them are engaged in traditional agriculture. Since the late 1960s, the government of Tanzania has aspired to nation building based on a socialistic economy, which focused on the collectivization of agricultural production and the improvement of social services. Those policies, however, did not reflect the reality of rural areas and they brought about stagnation in agricultural production. In the 1970s, the Tanzanian economy was damaged by frequent droughts as well as by external factors, including the Uganda-Tanzania War and the oil crises. Furthermore, the country was hit by an economic crisis in the 1980s. Eventually, since the late 1980s, the government has introduced structural adjustment policies, which have promoted economic and trade liberalization, including the liberalization of agricultural production and distribution. In the 1990s, the government succeeded in stabilising the macro economy and started to address poverty reduction.

Based on existing literature and information, Chapter 1 will review the situation of poverty and inequality in Tanzania as well as the key factors in poverty.

1.1. Measuring of Poverty and Inequality

For measuring and monitoring poverty and inequality in Tanzania, data from two main surveys are available: the Household Budget Surveys and the Integrated Labour Force Surveys. The government of Tanzania, in cooperation with donors, is carrying out analysis of economic poverty and inequality based on the data in these surveys. Accordingly, this poverty profile primarily reviews analysis on those surveys.

1.1.1. Poverty Line

The government of Tanzania defined two poverty lines: the food poverty line and the Cost-Basic-Needs (CBN) poverty line. The food poverty line is based on the minimum expenditure to intake of minimum calories for survival. The CBN poverty line includes not only the minimum food expenditure but also non-food expenditure for subsistence. It is noted that the national food poverty line is not appropriate to measure poverty at a regional level since the food basket used to obtain the national poverty line is deprived from the median of the HBS data, which cannot be reflected in the regional characteristics of food consumption. It is also noted that the poverty lines, which are adjusted by price indexes in order to compare the level of expenditure between the two surveys, HBS1991/92 and HBS2000/01, would include small differences over and under estimation.

The food poverty lines for 1991/92 and 2000/01 are 2,083 TShs and 5,295 TShs, respectively. The CBN poverty lines are 2,777 TShs for 1991/92 and 7,253 TShs for 2000/01.

1.1.2. Poverty

From 1991/92 to 2000/01, the poverty indicators improved. The food poverty headcount ratio declined from 22% to 19% while the CBN poverty headcount ratio went down from 39% to 36%. The poverty gap ratio also slightly decreased from 12% to 11%. However, considering the bias implied in calculation and price adjustment for the poverty lines, the progress of poverty reduction was not remarkable. In terms of the size of the population of the poor, the population below the food poverty line and the CBS poverty line in fact increased.

Breaking down the population of the poor into regional levels, Dar es Salaam, other urban areas
and rural areas, the population of rural poor in the total accounted for approximately 90%. This indicates that rural poverty is the main issue of Tanzania. In addition, although the poverty ratio in Dar es Salaam considerably reduced during the period, the decline in the poverty ratio in other areas was limited. As a result, there is an obvious gap between Dar es Salaam and other areas in terms of poverty reduction. Furthermore, the larger poverty gap ratio in rural areas shows more severe poverty in those areas.

The data of HBS 2000/01 could include a bias or distortion since the population data of Census 2002 was not available for the sample design. Therefore, the sample design does not reflect the actual population distribution by region at the time of the survey. The dataset of HBS 2000/01 is therefore effective for household level analysis, but poverty analysis at regional level includes a high level of error. Therefore, the Poverty and Human Development Report 2005 (PHDR 2005) estimated the percentage of households below the poverty lines at regional level by using a poverty mapping technique which combined the HBS data with the Census 2002 information. Comparing the poverty headcount ratios by region using only HBS data, the poverty estimation by poverty mapping includes less error. Despite this, for most of the regions, the error of the poverty estimate is more than 2.0, which is not ignorable. The range of poverty estimate with an error of more than 2.0 is plus or minus 4 points or more on either side of the estimated poverty ratio. Therefore, it is difficult to analyze the poverty situation at regional level based on the HBS 2000/01 data. For reference, the regions with a higher poverty ratio are Mara (50%) and Singida (49%), while the regions with a lower poverty ratio are Dar es Salaam (19%) and Arusha (21%).

The poverty mapping technique, however, is effective in estimating poverty within more limited areas, such as at district level. According to PHDR 2005, there is a tendency that the districts with a lower percentage of households below poverty line are scattered amongst urban centers and their surrounding areas, while the ones with a high poverty ratio are concentrated within adjacent areas.

1.1.3. **Inequality**

In Tanzania, inequality in the distribution of consumption expenditure deteriorated for the decade of the 1990s. In particular, it could be presumed that the gap between Dar es Salaam and the rural areas would be widened: while Dar es Salaam experienced a high growth of consumption, the rural areas, including traditional rural villages, had only a lower growth of consumption. At the national level, the Gini coefficient increased from 0.34 in 1991/92 to 0.37 in 2000/01. The Lorenz curve also departed more from the 45° line which shows perfect equality.

In addition, inequality at regional level, within Dar es Salaam and the rural areas expanded. The Gini coefficient in the rural areas rose from 0.33 to 0.36 during the same period. In Dar es Salaam, the deterioration in inequality was the worst: the Gini coefficient went up by 6 points during the last 10 years. The main reason for the expanding inequality in rural areas can be attributed to the growing gap of agricultural income between low productive, traditional agriculture in which most of the rural population is engaged and modern agriculture with a higher productivity within limited areas. It is assumed that the worsening inequality in Dar es Salaam is caused by the income gap between the high income groups engaged in the private sector, including the financial sector, and the low income groups who migrated from the rural areas to seek employment opportunities.

1.2. **Poverty in Non-economic Dimensions**

For poverty monitoring, the government of Tanzania defines six elements of non-income poverty: education, survival, nutrition, safe water, social satisfaction and vulnerability.
1.2.1. Access to Basic Infrastructure

In terms of piped water, in both urban and rural areas, the proportion of the poor with access was lower than the proportion of the non-poor with access in 2000/01. There are also regional differences among the poor in terms of access to piped water. While 75.4% of the extreme poor and 69% of the poor have access to piped water in Dar es Salaam, the share of the households with access to piped water is 23.4% for the extreme poor, 24% for the poor, and 30.3% for the non-poor in the rural areas. Improvement in the utilization of piped water also differed by region. While the share of poor and extreme poor households with access to piped water in other urban areas increased, it decreased in Dar es Salaam and the rural areas.

In terms of sanitation, there is a smaller gap between the non-poor and poor and among regions in the percentage of households with any type of toilet. Although there is no data on the treatment of sewage in HBS2000/01, according to DHS 2004/2005, the share of households using traditional pit latrines is the largest both in the urban and rural areas: 77% in the urban areas and 82% in the rural areas. On the other hand, the percentage of households with access to flush toilets is only 0.4% in the rural areas and 9% even in the urban areas. The data indicates that only a limited percentage of households have adequate sanitation in the country. The households with assured access to sanitation are limited in both urban and rural areas, and, in particular, sanitation access in rural area is quite severe.

There is a huge regional gap and gap between the poor and the non-poor in terms of access to electricity. In Dar es Salaam, 60.5% of the non-poor had access to electricity while figures for the poor and the extreme poor were 44.4% and 49.7%, respectively. In the other urban areas, however, only 33.6% of the non-poor and 10% of the extreme poor had access to electricity. In rural areas, only 2.1% of the non-poor had access to electricity and for the extreme poor this number is 0.7%. According to DHS 2004/05, the share of households with access to electricity is 38% in the urban areas and 1.3% in the rural areas. This shows that areas besides Dar es Salaam have only limited access to electricity. Therefore, even for the non-poor, percentage of households with access to electricity is low, and is even worse for poor households.

1.2.2. Employment

Looking at the poverty ratios by the main activity of the head of household, the percentage of households below the poverty line is significantly high in cases where the head of household does not earn any income. According to HBS 2000/01, the highest poverty headcount ratio is 57.4% for households headed by unpaid family helpers in business and the second highest is 45.1% in cases where the heads of households are not economically active because of studying, illness and other reasons.

Among the households with a head of household earning any income, the poverty ratio for the households depending on farming, livestock and fishing is the highest, accounting for more than 40%. According to ILFS 2000/01, the average monthly income for agricultural workers is 21,291 TShs for self-employed, 15,234 TShs for wage workers, and 13,468 TShs for traditional farmers, which is the lowest level of income. The poverty ratio for households engaged in the private sector is 20% which is higher than those with employees in the government or parastatal sector. For households depending on self-employed workers, the percentage of households below the poverty line is approximately 20%. In Tanzania, the country’s economy used to be based on the socialistic system for a long time and the main economic activities are controlled by the public sector. As a result, private sector development is still limited at present. Since the private sector has a weak foundation based on small and medium enterprises including retailing and cottage industries, the poverty ratio for households engaged in private sector business is higher than for those depending on the public sector.
1.2.3. Education

As a whole country, adult educational attainment has improved during the period between 1991/92 and 2000/01: the percentage of adults who completed upper primary education increased from 51% to 54%. However, a deterioration in the educational attainment of the poor, in particular the extreme poor, brought about a larger gap between the poor and the non-poor in educational level. The primary education enrolment rate for the country was 66.3% for the non-poor, 59.2% for the poor and 50.1% for the extreme poor in 2000/01. The completion rate for primary education of the poor is very low since more or less 90% of poor students drop out from schools. In terms of secondary education, the net attendance ratio is low in the country. The majority of attendees of secondary education are from urban and from the upper 20% income group while more or less 1% of poor students attend. This fact indicates that, in Tanzania, limited numbers of students have access to secondary school. Despite of the introduction of free primary education, education costs are still a considerable burden for poor households. In the areas where the poor live, the insufficient number of schools means large distances for poor children to travel to school and this limits their access to primary education. Also, there is another constraint for the poor on access to education. Economic reasons make children important workers for poor households. They have no choice but to be engaged in economic activities in order to earn money for their family. Regarding the outreach of secondary education, the secondary enrolment rate is affected by not only physical access but also by the completion of primary education. Therefore, it is essential to consider improvement of the quality of primary education in order to increase the completion rate of primary education, in addition to an increase in the construction of secondary schools.

There is a significant disparity in adult literacy among the income groups: the adult literacy rate for the poor is lower than for others. While 95.2% of male adults and 89.2% of female adults are literate in the highest income group, the adult literacy rates of the lowest income group are 59.4% for males and 43.1% for females. In addition, a larger gender gap in literacy can be observed in the lower income groups though males have a generally higher literacy rate than females. These facts illustrate that the poor have lower a literacy rate which is largely disparate by gender since poor women are much less literate.

1.2.4. Health

According to the Demographic and Health Survey 2004/0005 (DHS 2004/05), in terms of infant and child mortality rates by income quintile, the rate for lower quintiles is higher than those for the upper quintile. In particular, the second lowest quintile has the highest infant and under-5 mortality rates, which are 97 and 156 per 1000 live birth, respectively. Since the first and the second quintiles represent poor households and the third quintile is also considered as a low income group near the poverty line, the poor suffer from a higher infant and child mortality rate than the non-poor. There is a significant difference in infant mortality according to the level of the mothers’ educational attainment: while the infant mortality rate is 101 per 1000 live births in the case of mothers without primary education, the rate is 56 per 1000 live births in the case of mothers with secondary education or higher. It can be assumed that education attainment affects the level of household income, and the higher infant mortality rate can be attributed to a lack of appropriate knowledge of delivery and child care in the case of mothers without education.

In terms of maternal mortality, according to PHDR 2005, it is difficult to measure the actual situation due to limitations in data collection. Therefore, it is not possible to make comparative analyses of the poor and the non-poor or by region because no data in maternal morality by income quintile and by region is available. According to DHS 2004/05, the estimated maternal mortality rate, based on data for the 10 years from 1995 to 2004, is 578 per 100,000 live births at the national level, which shows no significant change in comparison with
the rate for the late 1980s. Regarding the average life expectancy at birth, there is no up-to-date available data by income quintile and by region. However, according to the estimation based on the Census 2001, this is 51.04 years for males and 52.95 years for females. It is assumed that in the entire country, people suffer from severe living conditions.

## 1.3. Determinants of Poverty in Tanzania

### 1.3.1. Key Factors of Poverty at Household Level

The average households have a surplus in the balance of per capita income and expenditure in all the areas of Dar es Salaam, the other urban areas and the rural areas. However, while the average per capita income and expenditure in Dar es Salaam and in the other urban areas is far above the national poverty line, the average amounts for rural households are balanced below the poverty line. This can be attributed to the higher poverty headcount ratio in the rural areas than in other areas.

In terms of poverty incidence by occupation of head of household, the poverty headcount ratio for households engaged in agriculture, livestock and fishery is 39.9%, and more than 80% of poor households are engaged in those activities. In other words, the heads of the poor households are mostly engaged in agriculture and the households depending on agricultural income have a higher poverty incidence. In addition, in spite of the limited share amongst poor households, 57.4% of the households where the head is an unpaid family worker and 45.1% of households with a non-economically active head are below the poverty line. Thus, the households which cannot ensure an income source also have a high poverty ratio. In addition, the poverty ratio of households depending on unstable income, such as remittance, is more than 30%.

Regarding the size of households, the larger households have a higher poverty incidence. The poverty headcount ratio for households with five family members is 28.1% which is below the national poverty ratio. The poverty incidence for households with 6 members is 35.2%, which is almost the same as the national poverty incidence. More than 40% of households with more than 6 members are below the poverty line.

There is also a relation between poverty and the educational attainment of the head of household: a higher educational attainment of the head leads to a lower poverty incidence. The poverty headcount ratio for the heads of household with a higher level than primary education is only 12% while more than 50% of those without education, 46% of those with only adult education and 30% of those with only primary education suffer from poverty. More than 97% of poor households have heads of household with primary education or below.

### 1.3.2. Key Factors of Poverty at District Level

In terms of the correlation between educational indicators and poverty incidence, the net primary enrollment ratio has a negative correlation with the poverty headcount ratio at the district level. The correlation coefficient, however, decreased from 2002 to 2004. Thus, the improvement of the enrolment ratio for primary education had a limited impact on income poverty reduction.

Besides the educational indicators, the variables having a negative correlation with the district poverty ratios based on poverty mapping are as follows: piped water or protected water source; flush toilet or ventilated improved pit latrine; electricity; and ownership of phone. On the other hand, the following variables have a positive correlation with the poverty incidence at the district level; flooring (earth); poor quality of material used for roof construction; ownership of a bicycle. This means that the poor live in low quality dwellings and have limited mobility.
As a result of analyzing economic and non-economic inequalities and their variation at the district level based on the poverty mapping, it is found that the inter-district gaps are significant as well as the intra-district gaps. Therefore, diminishing inequality requires not only intervention at the district level but also approaches at the regional or area level. Inequality in access to safe water and under-5 mortality rates can be attributed to common factors among the districts rather than the district-specific factors. Therefore, it is indispensable to identify obstacles to reduce inequality in broader areas.

1.3.3. Key Factors of Poverty at Regional Level

The profile also attempts to analyse the regional level of socio-economic development status measured by the Human Development Index (HDI) as well as the relationship between income and non-income poverty measured by the Human Poverty Index (HPI).

Mara has the highest poverty headcount ratio in the country at 50% in FY 2000/01. The HDI and HPI of the region are 0.477 and 40.4, respectively. Since it ranks 13th in HDI among the regions and 15th in HPI, the region has a relatively lower level of socio-economic development and serious non-income poverty. In particular, the income and health parameters, which are components of HDI, and the health and sanitation parameters for HPI are lower than the national standards. Therefore, in addition to income poverty, underdevelopment of health and sanitation presumably affects non-income poverty in Mara.

In Singida, which has 49% of the population below the national poverty line, HDI is 0.468, which ranks 9th. Except for the parameters of income and expenditure, all the parameters for HDI are equal or above the national standard. The HPI of the region is 30.3 which is 5th. Therefore, although Singida confronts serious income poverty, the degree of non-economic poverty is relatively low since the socio-economic development status of the region is not below the country level.

Rukwa, which is ranked at the bottom by HDI, does not suffer excessively from poverty in spite of backwardness in socio-economic development. While the poverty incidence of the region is 36%, which is almost same level as the national poverty incidence, all the parameters for HDI are below the national standards. The HPI of the region, however, is 39.3, ranking 13th in the country. Also all parameters of HPI are below the country level. In particular, the region has a high percentage of population without access to safe water, at 65%. Non-income poverty, in particular in sanitation, is rather more severe than income poverty in the region.

Mwanza and Shinyanga, where the poverty incidence is over 40%, face underdevelopment and serious non-income poverty. Those regions are ranked 19th and 17th in the HDI ranking while their HPI is also low level. All elements of HPI in Mwanza are below the national standards, and Shinyanga has an extremely low level of development in education and health.

1.3.4. Key Factors of Poverty at National Level

(1) Determinants of Chronic Poverty

Determinants of chronic poverty are fundamental factors in causing and prolonging poverty. These factors entrench the poor and cannot be eliminated in the short-term.

In the rural areas of Tanzania, the structural issues in agriculture can be attributed to rural chronic poverty. The majority of farmers own small plots of land and apply traditional farming techniques of rain-fed cultivation. These farmers cannot make use of methods including fertilizer, in order to increase land productivity and to stabilize the yield of crops. Behind this, there are two main factors: the insufficient and unstable income of farmers and the underdevelopment of agricultural credit. The volatility of the yield of crops and sales prices of
agricultural products leads to instability of the farmer’s income and his ability to purchase goods for investment in the land. Furthermore, the increase in prices has caused a decrease in real income from the modern farming that requires this investment, leading to even negative earnings. Under this situation, the government is hardly able to sustain incentives for farmers to expand agricultural output, and the tendency for farmers to prefer traditional farming rather than modern farming has increased.

In addition to those structural issues in agriculture, there is another challenge in the socio-economic development affecting chronic poverty. Underdevelopment in the rural areas can be caused by the relatively expensive unit costs for basic infrastructure development and the provision of social services due to the low population density and the scattered communities in the vast areas. The level of education is also presumed to affect rural poverty since lower educational attainments hinder farmers, not only in their access to information and knowledge about technology, market and credit, but also in utilising these in order to increase agricultural productivity.

The main factor affecting urban chronic poverty is the entrenched slums and informal sectors in the urban areas. In the background to this, there has been a massive migration from rural areas to urban areas where economic activities have been stimulated by trade liberalization. On the other hand, urban areas have not been able to absorb these migrants due to the slow development of urban infrastructure, including housing, as well as the limited labour market. In the urban areas, the broad unemployment rate including that of marginal temporary workers is more than 30%. In Dar es Salaam, 47% of the working population is unemployed under the same definition. In general, unemployment is considered as a determinant or risk of temporary poverty. In the urban areas of Tanzania, however, 47% of the unemployed are in long-term unemployment of more than 2 years. Therefore, it can be assumed that such chronic unemployment brought about chronic poverty in the urban areas.

(2) Determinants of Transient Poverty: Risks and Vulnerability

Determinants of transient poverty are defined as factors for shock poverty or adverse poverty on a more temporary basis.

In rural areas, the risks for deterioration in the livelihoods of poor and low income families have been increasing because of massive serious damage through natural disasters, including floods and droughts. The following are the adverse impacts of floods: i) damage of agricultural production; ii) destruction of physical assets including dwellings; iii) prevalence of disease; iv) destruction of infrastructure and the isolation of communities. The negative impacts of droughts are as follows: i) death of livestock and loss of agricultural production; ii) changes in terms of trade (decreasing sales prices of livestock, increasing food prices and so forth); iii) depletion of water sources; iv) increase in illness; v) increase in wildfire and bush fire. All these adverse impacts severely hit rural households. In particular, the tendency to drought is increasing. According to the Ministry of Agriculture and Food Security, it is estimated that in 2004, the food production and the cash crop production declined in many areas of the country due to below average rainfall.

It has been pointed out that HIV/AIDS also adversely affect poverty. According to the Tanzania Participatory Poverty Assessment (TzPPA), in cases where a male head of household who is the main earner dies of HIV/AIDS, 68% of the total household agricultural production will be lost. In the case of an AIDS death of a female head of household, grain production, which ensures household food security, will drop considerably. It is noted that the HIV/AIDS infection of men and women who are very productive leads to lower productivity and less job opportunities in non-agricultural economic activities. Furthermore, there is concern that HIV/AIDS can bring about a substantial loss in the macro-economy. According to the official estimation by the government, there are approximately 1.07 million of HIV/AIDS carriers and
patients aged between 15 and 59.

In PRSP formulated in 2000, orphans and those with disabilities were the centre of focus as the socially vulnerable with the highest risk. In particular, orphans who lost their parents or guardians by diseases including HIV/AIDS are exposed to the risk of poverty in the long-term. Those with disabilities, caused by diseases, malnutrition, accidents, alcohol and drug abuse, are also at high risk of falling into poverty: the estimated number of people with disabilities is 3.456 million which accounts for 10% of the total population of the country.

(3) External Factor of Poverty: Poverty in Refugee-Hosting Areas

Since the 1950s, Tanzania has received refugees escaping from neighbouring countries due to conflicts, and it currently hosts approximately 1 million in refugee camps located near the western border. Recently those refugees have become a burden to the government due to their prolonged stay in the camps. In particular, Kigoma and Kagera have had a heavy burden imposed on them through the hosting of refugees even though they have a vulnerable social infrastructure. While assistance to the refugees has been implemented, local poor residents cannot receive sufficient support. Such a situation has brought about a gap between the refugees with assistance and the local people without assistance in social services.
Chapter 2  Poverty Reduction Efforts and Performance by the Government of Tanzania

Since the late 1990s, the government of Tanzania has been addressing poverty reduction, which is the main political challenge in cooperation with international donors. This chapter presents an overview of the poverty reduction efforts by the government and reviews the overall accomplishment of the government with the reference to the achievements of MDGs and the impact on poverty of economic growth and infrastructure development.

2.1. Policy Framework for Poverty Reduction

2.1.1. General Conditions
The socialistic economic management of Tanzania, which was initiated in the late 1960s, led to the stagnation of the macro economy in the 1970s and then to economic crisis in the 1980s. In the late 1980s, the government introduced a structural adjustment policy to stabilize the macro economy. Poverty reduction efforts by the government started in the late 1990s with the cooperation of international donors. Nearly half of the GDP of the country comes from the agricultural sector. Even though, the mining sector sustains a growth rate of more than 10%, which is the highest rates among other sectors, it accounts only for 3% of GDP. The Tanzanian economy, therefore, did not achieve the target economic growth rate of 6% per annum. The main obstacle to achieve the macroeconomic target is the instability of the agricultural sector, which is the largest economic sector in the country. Since more than 80% of the population inhabits rural areas and most of them are engaged in agriculture, it can be presumed that problems in the agricultural sector considerably affect poverty in the country.

2.1.2. Development Plans and Poverty Reduction Strategies
The government formulated the first Poverty Reduction Strategy (PRS) in 1997, and then announced the Vision 2025 in 1999. In 1998, Tanzania was adopted for debt relief by the Heavily Indebt Poor Country (HPIC) Initiative and prepared the Poverty Reduction Strategy Paper (PRSP). The PRSP for the three years from 2000/01 to 2002/03, focused on income poverty and development of the education and health sectors.

For the period between 2005/2006 and 2009/2010, the government has formulated the National Strategy for Growth and Reduction of Poverty (MKUKUTA/NSGRP) which is seen as the second phase of PRSP. It has been noted that the responsibility of the Tanzanian government for poverty reduction was strengthened through the formulation process of MKUKUTA. The “cluster approach” was introduced into MKUKUTA, which was to categorise prioritised issues not by sectors but by clusters, and in this point MKUKUTA differs from PRSP. There are three clusters categorised in MKUKUTA: Cluster I for growth of the economy and reduction in income poverty; Cluster II for improvement of quality of life and social well-being; and Cluster III for governance and accountability. Each cluster has specific goals and target indicators. However, it is not clear yet how to implement the cluster approach. Therefore, the implementation arrangements of MKUKUTA are regarded as key for poverty reduction.

2.1.3. Sector Strategies
In Tanzania, agricultural development is critical for poverty reduction since the majority of the poor inhabit rural areas and their livelihoods depend on agriculture. The sectors of education and health are the focus of PRS and MKUKUTA. For these priority sectors, the government
introduced SWAps and has formulated sector development programs by sector.

**Agricultural Sector**

In 2000 the government of Tanzania drew up the Agricultural Sector Development Strategy (ASDS) aimed at development of the environment to increase the profitability of the agricultural sector, in order to increase agricultural revenues and reduce rural poverty in the mid and long term. For the implementation of ASDS, the Agricultural Sector Development Programme was prepared in 2003. Since the actual responsibility to implement ASDP is delegated to district governments, the District Agricultural Development Programmes (DADPs) were formulated and implemented by the districts. In MKUKUTA, a growth rate of 10% per annum by 2010 is required for the agricultural sector, which is included in Cluster I, in order to contribute to the following targets: i) promoting sustainable and broad-based growth; ii) improving food availability and accessibility; iii) reducing income poverty of both men and women in rural areas. It is planned that 15,000km of rural roads will be repaired annually by 2010, as one of the operational targets of Cluster I. As an operational target for Cluster II, the improvement of passable rural roads is aimed to reach at least 75% by 2010.

**Water Sector**

Although the government has implemented a huge amount of public investment in the rural water supply since the 1970s, the percentage of the rural population with access to safe water accounts for only for 50%. In addition, more than 30% of water supply facilities in rural areas are not properly functioning because of poor operation and maintenance. According to the Department of Water and Livestock Development, the gap in the water supply at the district level can be attributed to geographical and technical reasons related to the position and distance from the source of water as well as whether or not the implementation of projects is supported by donors. In 2002, the National Water Policy was formulated. MKUKUTA also includes operational targets concerning water supply. In terms of rural water supply, the target is to increase the proportion of the rural population with access to clean and safe water to 65% by 2009/10. The operational targets for 2009/10 to improve living conditions of the urban population are as follows: the percentage of the urban population with safe water to 65%; the percentage of the urban population with sewerage facilities to 30%; the percentage of the urban population with basic sanitation to 95%.

**Education**

In the education sector, after SWAps was introduced in 1997, the government developed the Education Sector Development Programme (ESDP) in 1999 and the Primary Education Development Plan (PEDP) in 2001. In the first PRS, the education sector was one of the highly prioritised sectors and the government allocated an extensive budget for the improvement of indicators concerning primary education. The operational targets specified in MKUKUTA by 2009/10 are as follows: increasing the gross primary enrolment ratio, including those with disabilities to 99%; increasing the proportion of orphans and other vulnerable children enrolled, attending and completing primary education to 30%; increasing the secondary enrolment ratio for both boys and girls to 50%; increasing the percentage of those with disabilities to be qualified to enter and complete secondary education. In addition, the reduction of the illiterate population and the improvement of the rural literacy rate, in particular for women through non-formal education, are also targeted in Cluster II.
Health

The health sector is another priority sector in the first PRS together with education and has been continuously a focus of MKUKUTA. After the development of the National Health Policy in 1990, health sector reform was initiated in 1994 in order to upgrade health care services. Furthermore, SWAs has been in effect since 1997 and the local government-oriented reform of medical and health care has been ongoing in accordance with the decentralisation process. Review of health policies brought about the new National Health Policy in 2003 for the actualization of Vision 2025 and poverty reduction. In MKUKUTA, the operational targets for the health sector included in Cluster II are the infant mortality rate, the infant mortality rate through malaria, maternal mortality, delivery attended by trained personnel, and HIV prevalence.

2.1.4. Fiscal Framework and Public Expenditure for Poverty Reduction

The government of Tanzania has prepared a Mid-Term Expenditure Framework (MTEF) a 3-years rolling plan as a budget guideline for the implementation of PRS. The government also reviews plans and budget allocation by Public Expense Research (PER). Working groups by sector have been established in order to enhance the process of public expenditure review at the sector level with the participation of experts from donor agencies. Moreover, for the implementation of MKUKUTA, the government has introduced the Strategic Budget Allocation System (SBAS) and the Performance Assessment Framework (PAF). SBAS is for the allocation of budgets in the Clusters while PAF aims at monitoring and evaluating the achievement of operational targets for each Cluster. As a part of decentralisation, the government has articulated the policy to transfer development budgets from central government to local governments in a lump sum through the introduction of the Local Government Capital Development Grant (LGCDG). The Tanzanian government requested that donors clarify their priority sectors and size of assistance as the national budget of Tanzania is not viable without ODA from donors. On the other hand, donors strongly requested that the government ensures adequacy and transparency for budgeting and implementation. Therefore, institutional and capacity enhancement is a critical challenge for both central and local government.

The fiscal deficit of the country has been declining and has been mostly covered by external assistance. Although the government debt had decreased by 2002/03, it increased again in 2003/04. While development expenditure has been expanding, the share of external funds in development expenditure declined. More than 70% of funds for development expenditure, however, still depend on ODA. This requires the government to increase the fiscal capacity.

The government allocates annually more than 50% of the total budget to the seven priority sectors: education, health, water, agriculture, roads, legal affairs and HIV/AIDS, which are the priorities of PRS and MKUKUTA. In these sectors, the ratio between the current budget and the development budget is approximately 2 to 1.

Among these sectors, the largest share of the total government expenditure, 20%, is allocated to education. The health sector has the second largest share of the government expenditure, accounting for 10%. In terms of public spending on infrastructure development, the share of expenditure on roads is the largest at 8-10%. Public spending in water sector has an increasing tendency. Since more than half of population has no access to safe water, most of the government expenditure is appropriated for development expenditure to provide water supply facilities. The share of public expenditure on the agricultural sector is increasing since the agricultural sector is a priority in the economic sector. 4.5% of public spending went to the agricultural sector in 2005/06. At the same time, expenditure on HIV/AIDS control which is a cross-cutting issue also expanded from 0% in 2000/01 to 2.7% in 2005/06. Although sectors including education, agriculture and water, secure the budgets necessary for priority programs, the budgets available for sectors, such as health, HIV/AIDS control, and roads, are far below
what is required.

As the government has focused on education and health in budgeting and carried out sector strategies, the targets of PRS have been generally attained. However, the level of attainment widely differs by region and is comparatively lower in rural areas. Thus, it is essential to review the regional balance of budget allocation and the benefits of public expenditure on the poor, and to improve the effectiveness of budget allocation for poverty reduction. In addition, a reconsideration is also critical regarding whether or not public expenditure is sufficient for agricultural growth and the improvement of living standards by the expansion of the water supply which is indispensable to income and linked with social poverty in rural areas.

### 2.2. Capacity for Poverty Reduction

The government of Tanzania has made efforts to clarify the role and responsibility of central government in the process of decentralization, which is a part of the restructuring of government, along with the capacity building of central government. At the central level, two programs have been implemented: the Public Service Reform Programme and the Public Financial Management Reform Programme. The main functions of central government in poverty reduction efforts by sector are policy planning, the setting of guidelines, advice for local government, and the monitoring of implementation by local government. In addition, the Ministry of Local Government, which provides local government with support, has been established. In terms of local development, the Ministry of Community Development, Gender and Children dispatches community development officers and community development assistants to the districts in order to facilitate participatory planning in district development plans.

At the local level, capacity building of local government for decentralization is ongoing through the Local Government Reform Programme (LGRP). Performance-based fiscal transfer to local governments has caused unequal budget transfer and support from central government since the amount of fiscal transfer to each local government is determined by their implementation capacity. Therefore, the government of Tanzania has introduced the Local Government Capacity Development Grant (LGCDG) and provides local government with grants through the Ministry of Local Government. There are three fiscal resources for the grants: i) budget allocation from the general budget, including GBS; ii) the basket fund for LGRP; iii) sector basket funds.

### 2.3. Progress of Poverty Reduction

#### 2.3.1. Achievement of MDGs

The Millennium Development Goals (MDGs) set eight goals: the eradication of poverty and hunger, education, health, gender, environment, and global development partnership.

The economy of Tanzania was slowing down in the 1980s but gradually recovered in the 1990s. Since the late 1990s, a stable economic growth rate of around 5% led to a decline in the percentage of the population suffering from extreme poverty and hunger. Nonetheless, given the fact that the agricultural growth rate has not reached its target due to recent droughts, it may not be easy to achieve the target level of macro economic growth, which is a precondition for the accomplishment of poverty reduction by 2010.

For the targets in education, the target indicators showed improvement in primary education, which can be attributed to government intervention focusing on primary education? Despite that, there remains a challenge in improving the quality of education. In terms of gender
inequality in educational opportunity, although MKUKUTA addresses the issue, monitoring has not adequately been conducted so far. Similarly, targets concerning other gender issues, including employment opportunity and the participation in political activities of women have not been monitored either.

In terms of health, the reduction of infant mortality is a priority issue in poverty reduction in Tanzania. Despite better levels of immunisation of children in comparison with other Sub-Saharan African countries, the infant mortality rate itself has not improved significantly. Also the reduction of the maternal mortality rate and the prevention of infectious diseases have not shown much progress. The government therefore needs to take more pragmatic measures.

The living environment is not properly monitored to date. Access to safe water is one of the priority sectors in MKUKUTA and is also addressed by the National Water Policy. Through these interventions, accessibility to safe water has improved, but there is still a significant regional gap.

Regarding the global development partnership, the amount of foreign aid to Tanzania dropped in the early 1990s because of the opaqueness of the aid receiving system. Later, donors’ aid to the country increased because of structural adjustment and public sector reform as well as aid harmonization.

2.3.2. Economic Growth and Poverty

PHDR 2005 examines the elasticity of poverty to economic growth, which shows the degree of change in the poverty headcount ratio through economic growth. The change can be broken down into the three factors: the growth impact, the inequality impact and the residual. During the period from 1991 to 2001, poverty incidence decreased by 3.2%. Although the total positive impact meant that poverty was reduced by 8.6%, (this was composed of growth impact of 8.4% and residual impact of 0.2%), the inequality impact of 5.5% offset this positive impact.

Economic growth, which greatly affects poverty reduction, can also be broken down according to growth by sector. According to the estimation in PHDR2005, for the last 15 years since 1990, the industry and service sectors have had significant growth and have expanded their contribution to the total economic growth of the country. Although having made the largest contribution to the total growth, agricultural growth has only had a limited impact on the rural population as the agriculture per capita growth rate is quite low at 0.3% for 1990-94 and 0.8% for 1995-1999, while the annual population growth is 2.8%. On the other hand, higher economic growth rates in rural areas can increase the poverty reduction effect. The analysis concluded that the agricultural growth rate is the key factor in poverty reduction in the country.

2.3.3. Infrastructure Development and Poverty

It is pointed out by Tanzanian government and donors, that, in Tanzania, underdevelopment of basic infrastructure hampers the spread of economic growth over the whole country as well as constraining poverty reduction in rural areas. The road networks, in particular, have a significant impact on poverty reduction, so that access to the road networks is one of the key factors in improving access to economic activities and social services. Most parts of this vast country are sparsely populated, and only limited areas along main roads are urbanized with concentrations of population. The population density and accessibility to roads have a strong relationship with other development indicators. For example, in the populated areas and the areas close to roads, the life and health indicators tend to be high.

According to the poverty mapping in PHDR 2005, the regional gap in access to socio-economic services should be eliminated in order to reduce poverty since less developed districts with a
lower level of social development indicators are relatively concentrated in the north and the southeast regions of the country. Tanzania, however, faces the issue of efficiency in national development: when an infrastructure development project targets the poor, the unit cost can be relatively expensive due to the small size of the target population of the investment. There are tough questions relating to how to make decisions on budget allocation, investment and prioritization for development in order to improve access to socio-economic services within budgetary and human resource constraints. It is indispensable that consideration is made of the dilemma that there is trade-off between the cost-benefits and the coverage of a project when the infrastructure development project targets the poor who live widely scattered in vast areas.
Chapter 3  Partnership for Poverty Reduction

3.1  International Donors

For Official Development Assistance to Tanzania, the major donors since the 1990s are the World Bank, the United Kingdom and Japan. In the early 1990s, the amount of ODA decreased because the relationship between the government of Tanzania and the donors suffered due to scandals over suspicions of corruption. In 1995, when the new administration led by President Mkapa launched and implemented administration reform. The government also started structural adjustment programs. These efforts led an increase in the amount of ODA from international donors. In Tanzania, “the Helleiner’s Report” proved a turning point for aid harmonization. Since then both sides, the government and donors, emphasize ownership on the part of the government and aid harmonization, and they proactively address these issues. Aid harmonization is also essential from the viewpoint of debt management because the Heavily-Indebted Poor Country Initiative (HIPC)s was applied to the country even though the government had already achieved the Completion Point.

As of April 2006, the Joint Assistance Strategy, which is a framework for harmonization, is under preparation through the joint efforts of the government and the international donors in Tanzania. Most donors have been implementing their assistance to Tanzania in deference to aid harmonization through the following aid modalities: the General Budget Support (GBS), the Sector-Wide Approaches (SWAps), the Common Basket Funds, and the Sector Budget Support (SBS).

Many donors prioritize HIV/AIDS control as one of the most critical issues in the Tanzanian ODA particularly since the recent dramatic increase in HIV/AIDS infection has become a serious social problem in the country. In particular, the United States has been proactively addressing the issue and has allocated most of their aid to HIV/AIDS related support through NGOs and the private sector.

Multilateral Donors

UN organizations, in close coordination, have implemented their interventions in Tanzania in accordance with the United Nations Development Assistance Framework (UNDAF). As of March 2006, the UNDAF coming into effect from 2007 is under preparation. All UN organizations are going to develop their own country assistance strategy or program which will be consistent with the coming UNDAF. The United Nations Development Programme (UNDP), which did not provide a limited amount of aid, implemented concentrated support for the enhancement of aid harmonization, including areas such as the national budget, local government reform, poverty monitoring, and so forth. The United Nations Children’s Fund (UNICEF) undertakes intervention in the sectors of health, HIV/AIDS and education.

Among the multilateral donors, WB provided the largest amount of aid and has disbursed Poverty Reduction Support Credits (PRSC), which are a modality of GBS, since 2003. In the process of aid harmonization in Tanzania, however, WB has not played a substantial role so far. Besides UN organizations, the African Development Bank (AfDB) actively provided their support to the sectors of education and transportation. However, AfDB does not participate in the aid harmonization process but in co-financing with other donors. The European Commission mainly provided grants for transportation infrastructure development as well as GBS in order to support the poverty reduction efforts of the government of Tanzania together with other donors.
Bilateral Donors

The main bilateral donors have clear priorities. The United States focuses on the health sector while Netherlands and Sweden concentrate their assistance on education. The priority sector for Germany is water and sanitation. For the transport sector and the agricultural sector, Denmark and Japan are the main donors.

Most of the bilateral donors positively support aid harmonization and provide their assistance through modalities such as SWAps. The United States, however, does not provide budget support because of their legislative limitations and the fiscal ambiguity of Tanzania. The Department for International Development (DFID), UK, is the key bilateral donor, allocating 70% of ODA in Tanzania to GBS. Also, Netherlands, Germany and Scandinavian countries provide their assistance through GBS. It is notable that the Scandinavian countries have shifted their ODA approach in Tanzania from a project approach to a program approach and have refined their priority sectors. At the same time, they have increased their presence in aid harmonization in spite of the fact that the amount of their ODA is limited compared to other donors. Japan has also provided grants for GBS since 2001 and for the Common Basket Funds since 2003, in addition to project-type assistance.

3.2. NGO and Community-Based Organization

Since Tanzania once promoted socialistic policies, NGOs and community organizations remain very weak. However, the government of Tanzania shows the inclination to reflect the voice of the people in development policies through the channels of NGOs and community organizations. Therefore, attention should be given to the activities of those organizations.

The Directorate of NGO, under the Vice President’ Office, is responsible for the supervision of both international and local NGOs operating in Tanzania. The government of Tanzania enacted a new NGO policy and established an NGO Coordination Board and the Registrar of NGOs. The Tanzania Association of NGO (TANGO), a non-governmental organization for NGO networking, has 620 registered member NGOs. Among local NGOs, some NGOs have influence on national policies through participation in government working groups, including working groups for the Public Expenditure Review (PER) and the Mid-term Expenditure Framework (MTEF). As of 2002, the three NGOs, TGNP, TASOET and Haki Elimu, were participating in these working groups. Most of the NGOs operate in urban areas while fewer NGOs are in the poorer rural areas.

In urban areas, NGOs support income generating groups can be found, including those for women. In these areas, NGOs can be considered as a representative of the poor. On the other hand, in the poor rural areas, very few NGOs operate. In such poor areas, there is even a lack of a community organization which deals with the issues of community life through the broad participation of community members. However, in rural areas, there are groups categorized by gender, age, role, occupation and so forth. Therefore, it is better that these groups are considered for the development of rural community organizations. Although the types of such rural community groups vary from village to village, groups based on blood relations and voluntary-based mutual aid groups are typical.

In terms of alliances between donors and NGOs, USAID proactively cooperates with local NGOs for HIV/AIDS control.

For participatory development, the government of Tanzania encouranges the poor to participate in the process of development through cooperation with NGOs. There is variety of participatory tools utilized in the country, including participation in development projects by facilitators, Participatory Poverty Assessment conducted by WB and UNDP, the Opportunities and Obstacles for Development methods concerning decentralization, and so forth.
3.3. Private Sector

Poverty reduction efforts in Tanzania require the participation of the private sector.

Although the government of Tanzania is considering the outsourcing of public services to the private sector, private sector development has been limited due to the socialistic policies of the past. In spite of this participation of the private sector in the water sector is relatively active. In the National Water Policy 2002, the importance of private sector participation was recognized; together with the fact that the role of government should be shifted from service provider to policy maker and coordinator. In addition, the policy emphasizes water supply to vulnerable people, including the poor, as well as cost recovery of water supply. In the power sector, although private sector participation in power generation has been permitted since 1992, there has been no impact on power supply to households.

In terms of the movement to encourage private sector participation in the process of development policies, groups representing the private sector, such as the Tanzania National Business Council (TNBC) and the Investor Round Table (IRT) have been promoting private sector participation in development. These groups lobby the government in order that their voices are heard in the policy making of MKUKUTA (NGRSP) in cooperation with the United Nations of Industrial Development Organization (UNIDO).

In Tanzania, where socialist policy used to be promoted, most of the large-scale companies are state owned or joint ventures, and few domestic private companies have not come to maturity. Corporate social responsibility (CSR) activities, therefore, are still limited.