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**Economic Reforms and Poverty Alleviation
in Tanzania**

By Samuel M. Wangwe

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ECONOMIC REFORMS AND POVERTY ALLEVIATION IN TANZANIA

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LIST OF ABBREVIATIONS

ACWA	- Pan African Christian Women's Association
BOT	- Bank of Tanzania
CBO	- Community-based organizations
CDTF	- Community Development Trust Fund
DANIDA	- Danish International Development Authority
DPP	- Data production programme
ERB	- Economic Research Bureau
ERP	- Economic recovery programmes
ESAP	- Economic and Social Action Programme
ESRF	- Economic Social Research Foundation
FAO	- Food and Agriculture Organization
FDI	- Foreign direct investment
HBS	- Household budget surveys
HESAWA	- Health, sanitation and water
HRDS	- Human resources development survey
IBRD	- International Bank for Reconstruction and Development
IFI	- International financial institutions
ILO	- International Labour Organization
LFS	- Labour force survey
NGO	- Non-government organization
NIGP	- National Income-Generating Programme
NISS	- National informal sector survey
NMC	- National Milling Corporation
NORAD	- Norwegian Agency for Development Cooperation
NTE	- Non-traditional exports
O&M	- Operations and management
OTTU	- Organisation of Tanzanian Trade Unions
PRIDE	- Promotion of Rural Initiatives and Development Enterprises Ltd. (T)
PTF	- Presidential Trust Fund
REPOA	- Research on poverty alleviation
ROAPE	- Review of African Political Economy
RPED	- Regional Programme for Enterprise Development
RPSP	- Research and policy studies programme
SAP	- Structural adjustment programmes
SDA	- Social dimensions of adjustment
SIDA	- Swedish International Development Agency
SIDO	- Small Industries Development Organization
SPCB	- Socio-economic planning capacity building
TANEXA	- Tanzania Exporters Association
TCCIA	- Tanzania Chamber of Commerce, Industries and Agriculture
TGNP	- Tanzania Gender Networking Project
TNC	- Transnational corporation
TYDEF	- Tanzania Youth Development and Employment Fund
U5MR	- Under-5 mortality rates
UNDP	- United Nations Development Programme
UNICEF	- United Nations Children's Fund
UNRISD	- United Nations Research Institute for Social Development
URT	- United Republic of Tanzania

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Any errors and omissions are my personal responsibility.

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1. INTRODUCTION

Tanzania has an area of 945,090 square kilometres and a population of 27.5 million people, of whom 26.7 million live in the mainland and 0.76 million live in Zanzibar. A large part of Tanzania's land area is covered by woodlands, bushlands and wooded grassland. Arable land occupies some 40 million hectares, of which 6 million are under cultivation.

Tanzania is a least-developed country with a low gross domestic product (GDP) per capita of some US\$120 per annum and a real GDP per capita purchasing power parity of US\$570 per annum in 1992. Tanzania has a human development index of 0.306, ranking 148th out of 173 countries (UNDO, 1994). (Refer to Appendix A for income and expenditure summaries.)

The socio-economic situation in Tanzania is characterized by a large subsistence sector (agriculture, fishing and livestock keeping) in rural areas where the majority of the population live, and industry (mainly import-substitution) that is largely based in urban areas. Agriculture is the main activity in the economic structure of the country, contributing 49% to the GDP (1992-1994) and employing about 85% of the labour force (90% women and 78% men). Major export crops (coffee, cotton, tea, sugar, cashew nuts, tobacco and sisal) contribute over 60% of the country's foreign exchange earnings. The industrial sector contributes 18% to the GDP, of which 7.6% is accounted for by manufacturing sector activities (URT, 1995). The rest of the GDP (33%) consists of the services sector.

With the promulgation of the Arusha Declaration in 1967 Tanzania adopted a philosophy of socialism and self-reliance. One form the implementation of this philosophy took was nationalization of what were regarded then as the "commanding heights" of the economy. The public sector played a leading role in the economy from that time until the 1980s. Following the economic crisis of the 1980s, economic reforms were introduced that represented a shift from a public sector led, administratively controlled economy towards economic liberalization and encouragement of private sector development. This transition is not yet completed as indicated by some of the ongoing debates on particular adjustment policies (e.g., cost-sharing in social services, civil service reform especially the retrenchment aspects, and speed and pattern of privatization).

Starting from a very low initial level in the 1960s Tanzania made steady progress in economic growth and in meeting basic needs of the population. However, gains in standards of living

and achievements of the initial period were under serious threat by the end of the 1970s. The situation was aggravated by various basic macroeconomic imbalances in the economy, which were manifested by budgetary deficits, balance of payments deficits, growing debt burden, increasing inflationary pressures and weakening productive sectors. The capacity of the economy to support delivery of basic social services came under strain. Some of the achievements and gains that had been made in the delivery of basic social services (education, health and water supply) in the previous two decades began to be reversed, and that affected the quality of delivery of these services.

The effectiveness of the growth performance on poverty alleviation has been challenged and questions are being raised as to whether living conditions have improved.

By the end of the 1970s the level of national earnings had gone out of balance with the level of consumption, an indication that Tanzanian society was living beyond its means. In the early 1980s various initiatives were taken to solve the crisis. The introduction of economic reforms in the mid 1980s brought about fundamental changes in the approach to management of the economy.

In some respects economic performance has responded favourably to the reform effort. For example, the rate of economic growth recovered from an average of 2% during 1980–1985 to an average of 4% during 1986–1994. However, this growth recovery has not benefitted all people equally. The effectiveness of the growth performance on poverty alleviation has been challenged and questions are being raised as to whether living conditions have improved generally. As shown in Section 4, about half of the population still lives in poverty, the majority of them in the rural areas. Since independence, the government has been committed to reducing poverty and improving equity. The basic goal of the Economic Recovery Programme (1986–1989) was to reduce poverty through encouraging more rapid growth. Although better growth performance was achieved during this period, concern was raised about the social dimensions of adjustment. In response, the subsequent Economic and Social Action Programme (1989–1992) took on board some of these concerns. (Per capita incomes for 1969, 1976/77 and 1991 are shown in Table 1.)

The literature on this subject indicates that so far there is little basis for any generalization about losers and winners in the adjustment process, and little evidence on the impact of economic reforms on the poor. A survey of the literature on this subject suggests that the impact of reforms on poverty has not proved to be as clear cut as was earlier thought. While some writers conclude that the economic reform policies have benefitted the poor (e.g., World Bank, 1993), others suggest that so far the reform policies have not done so (e.g., Kigoda, 1994). That the outcome is not obvious suggests a complex relationship between economic reforms and poverty alleviation, a relationship that deserves more cautious analysis. Using existing literature and other secondary sources of information, this study intends to contribute to a better understanding of the relationship.

Economic reform policies can affect poverty in two ways. First, economic reforms can release market forces that drive redistribution of real income. Second, they can influence the pattern of provision of public goods by the state. These impacts on the poor need to be understood by policy makers and other designers of economic reforms. A clearer understanding of the impacts of economic reforms on poverty alleviation would enhance the chances of putting in place an appropriate environment for maximizing the positive aspects of the reform programmes while minimizing the negative aspects. At the same time, the reform programmes need to be internalized by the poor to enable them to improve their economic response to the challenges of the new and emerging conditions.

The aim of this study is to identify and analyse the impacts of economic reform programmes and policies on poverty alleviation. The study examines this issue in rural and urban settings of Tanzania to the extent allowed by data availability. The direct impacts are associated with influences on the profitability of the activities undertaken by the poor, while the indirect impacts are associated with shifting the poor into activities that yield a higher or lower level of profitability than their previous activities. The reform policies reviewed in the study include trade liberalization, price reforms, financial sector reform, public sector reform, fiscal reform and labour market deregulation.

The study presents some conceptual and methodological issues in Chapter 2 and proceeds, in Chapter 3, to review the reform steps that have been taken in Tanzania in order to assess them in the light of their own objectives. In Chapter 4 the study constructs a poverty profile identifying the economic sectors in which the poor are active and describing their socio-economic characteristics. The extent to which reform policies may have influenced factors that have a direct and indirect impact on poverty levels is addressed in Chapter 5. Chapter 6 provides the conclusions and recommendations.

Table 1. Per capita income in Tanzania 1969–1991 (Tsh, at 1991 prices)

	1969	1976/77	1991
Rural	6,620	6,860	36,250
Urban	74,980	23,890	100,222
Urban/rural (urban incomes as a factor of rural income)	11.33	3.48	2.76

Figures in the last row are estimated from the data in Table 2.1 of the World Bank (1993) study.

Source: World Bank (1993).

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informal sectors as employees or self-employed, and access to credit facilities and to land have been alluded to on the basis of rather scattered information.

Policies adopted in economic reforms affect poverty at several levels: individuals, households, firms and other micro level agents; particular sectors or groups in society; and macro level categories (see for example, Streeten, 1994). Reference will be made to these levels at various stages in this study to the extent availability of data permits.

This study is largely based on secondary sources of information. Various documents and reports on economic reforms and poverty in Tanzania were reviewed as a basis for making an assessment of the impact of economic reforms on poverty.

3. ECONOMIC REFORMS: OBJECTIVES AND ASSESSMENT

Economic reforms in Tanzania date back to 1981 and cover four main programmes: the National Economic Survival Programme (NESP, 1981/82); the Structural Adjustment Programme (SAP, 1982/83–1984/85); the Economic Recovery Programme (ERP, 1986/87–1988/89); and the Economic and Social Action Programme (ESAP, 1989/90–1991/92). Since 1993/94 the three-year rolling plan and forward budget (RPFb) approach has replaced the five-year plans of the 1960s and 1970s and three-year economic recovery programmes as the principal programming instrument of the government. Since the RPFb was introduced progress has been made towards articulating sector objectives, policies, strategies and priorities within the overall macroeconomic policy framework.

Attempts at reform started with the National Economic Survival Programme of 1981 and 1982. This was a national initiative to effect economic recovery. Although the programme appealed to patriotism following the breakdown of negotiations between the government and the IMF, it failed to achieve its own targets largely because it was based more on exhortations and the wish for self-reliance than on articulation of any policy reforms to realize its ambitious targets.

Structural adjustment aimed to get the prices right, to reduce the role of government in the economy and to promote growth with equity.

With the hope of gaining support from the international financial institutions (IFIs), a World Bank financed Tanzania Advisory Group (TAG) was commissioned in 1981/82 to formulate a structural adjustment programme (1982–1985). The TAG prepared a much more comprehensive programme than the NESP and suggested many policy options. However, the government was not ready to make drastic policy reforms at that time so the document was diluted in a way that blunted the proposed policy reforms. The diluted version of the SAP proposals was presented to the IFIs, which had the opinion that the proposed programme did

not go far enough in articulating economic reform especially in terms of reducing distortions in the markets for goods and for factors of production. The failure of negotiations with the IFIs meant that many other donors also withheld aid. The programme could therefore not be fully implemented because the external resource inflow it had assumed did not materialize.

The infrastructure, such as telecommunications, power and water, and the legal framework that support private sector development are not yet in place.

The capacity to produce goods and services was reduced as imports of intermediate inputs were curtailed. The response of the government was to tighten further administrative controls and allocation of scarce resources. It is in this context that during 1983 the government and the ruling party launched campaigns against traders, who were labelled as saboteurs of the economy and the main cause of shortages of goods (by hoarding). By early 1984 the campaign had lost steam, however, as the problem of shortages and the economic crisis in general continued to worsen. Presumably it became apparent that traders were not the source of the shortages.

The 1984/85 budget represented a moderate response to some of the demands of IFIs although it was posited as a spontaneous national initiative. This budget was the first significant step towards economic reforms and economic liberalization in particular. The budget included devaluation of the Tanzania shilling by 26%, removed subsidies on maize meal and fertilizer, and introduced partial import liberalization whereby those who had their own funds (foreign exchange not obtained from the Bank of Tanzania) could import goods without inhibitions. Cost sharing was introduced in the financing of basic social services; parents were supposed to contribute to secondary education, and a development levy was re-introduced for all those who were eligible (18 years old and above).

Measures towards economic liberalization and reform continued during 1985, culminating in the 1986 economic recovery programme (1986–1989), which represented an agreement between the government and the IFIs on the kind of economic reforms that would be adopted. The structural adjustment policies contained at least four components. First, there was a concern to “get prices right”, whereby prices of foreign exchange, capital, and domestic goods and services would be allowed to reflect their relative scarcities. Second, the perceived over-extension of the state in production and finance was countered by reducing the role of the state in the economy. Emphasis on public sector reforms and financial liberalization was part of this programme. Third, echoing the 1970s’ concern for “growth with equity”, the structural adjustment programmes (this time founded on a new political economy) adopted the theory of urban bias and hoped to erode the urban bias as one way of improving equity in the economy. Fourth, the assumption of a malevolent state buttressed by entrenched interest groups favoured the adoption of a shock-treatment approach to adjustment to minimize chances of organized resistance from groups who perceived substantial erosion of their economic positions.

The main objective of the economic reforms was to restore internal and external balance in the economy. More specifically, the objectives of ERP (1986–1989), as stated in 1986, were:

- To increase food and cash crop output by providing appropriate incentives for production; improving marketing structures; and increasing resources available to agriculture.
- To support directly productive activities by rehabilitating the badly eroded physical infrastructure.
- To increase capacity utilization of industries from 20%–30% to 60%–70% by allocating scarce foreign exchange to priority sectors and firms.
- To restore internal and external balances by pursuing prudent fiscal, monetary and trade policies.

It was expected that all these efforts would raise the rate of economic growth from the average 2% per year during 1980–1985 to 5% per year and reduce inflation to 10% from 30%.

The Economic and Social Action Programme (1989–1992) maintained basically the same objectives as ERP (1986–1989), but added explicit recognition of the social dimensions of adjustment. The inclusion of measures to reverse the erosion of social services and pay attention to the vulnerable groups in society became a feature of ESAP.

Tanzania has made major progress in putting in place a policy environment that is favourable to private sector expansion. The challenge is that the changes are in the context of an embryonic private sector and the weakened capacity of the state to manage economic reform.

Since 1986 economic reforms have been carried out in various areas. In the area of price reform the guiding principle has been to “get prices right” by reducing distortions in the factor and goods markets through actions related to the exchange rate, interest rates and price controls. The exchange rate action has been substantial over the reform period; the shilling was devalued from Tsh17 to the US dollar in March 1986 to about Tsh570–Tsh600 to the dollar in December 1995. The inter-bank foreign exchange market was introduced in June 1994 to establish a more realistic market-determined exchange rate. The premium in the parallel market has been reduced to insignificant levels (less than 5%). The price of capital has been raised, with real interest rates rising from negative levels in the 1980s to positive levels in the 1990s. Prices of other goods and services have been decontrolled and distribution has been liberalized. The practice of distributing certain goods only through stipulated institutions has been replaced by a more liberalized marketing and distribution system.

Tanzania has made major progress towards putting in place a general policy environment that is more favourable to private sector expansion and growth. Most restrictive regulations and controls have been removed. The country is moving from its previous reliance on control mechanisms toward a predominantly market-oriented environment. There is an attempt to reduce government involvement in direct productive activities. A major challenge is that these changes are taking place in the context of an embryonic private sector and a reduced and weakened capacity of the state to formulate and manage major economic reforms.

The rate of investment has been high in Tanzania at about 20% even during the crisis years of 1980–1985 and increasing to an average of 34.6% during 1986–1992 (World Bank, 1995). The fact that the import content of investment is high may have exaggerated the increase in the investment rate after 1986 when the exchange rate was being actively adjusted. A most notable feature of the investment behaviour is the shift in favour of private sector investment. The share of private investment in total investment increased from about 50% in the mid 1970s to 60% in 1986 and further to 70% in the early 1990s. This shift reflects partly the slowdown of investment in the parastatal sector and partly the private sector response to economic liberalization and improved attitude by the government towards the private sector. However, it is also notable that the structure of investment has shifted towards quick-yielding investment in trading activities, suggesting that the private sector is still perceiving uncertainty in the investment climate. In addition, in many respects, the infrastructure, such as telecommunications, power and water, and the legal framework that support private sector development are not quite in place although many initiatives are being taken in that direction. For similar reasons, there has been little success in attracting foreign direct investment.

Consistent with the high rate of investment, the rate of growth of the economy recovered in the post 1986 period. Growth of GDP increased from an average of 2% per year during 1980–1985 to an average of 4% per year during 1986–1994. Productivity of investment also increased during this period, although it remains significantly lower than levels achieved by typical adjusting African countries (Bigsten et al., 1994). Growth performance in the key sectors has been encouraging. Annual growth in agriculture increased from 0.6% during 1980–1985 to about 5% during 1986–1994. Industrial sector growth increased from a –4.5% per annum during 1980–1985 (i.e., it was declining) to about 4%–5% per annum during 1986–1994 (Economic Surveys).

While there has been an improvement in macroeconomic stability and in growth performance, further improvements in these areas or even sustainability of the current achievements is threatened largely by institutional and structural constraints. The most challenging constraints are manifested in the continuing budget deficits, persistent balance of payments deficit (official exports meet only one-third of the import bill), the low level of domestic savings and continuing inflationary pressures. The ongoing institutional reforms include financial sector reform, civil service reform, parastatal sector reform, and planning and budgeting reforms. These reforms are complicated both by the constituent interests they touch upon and by the administrative capacity of the state that they require.

During the period of socio-economic crisis the administrative and managerial capacity of the state deteriorated. Yet even as the capacity to plan and manage the economy has eroded, demands for that capacity to manage economic reforms and formulate development programmes that can lead to sustainable human development are greater than ever. A major

constraint to effective coordination and implementation of the intended reforms is the weak capacity of the state itself and its related institutions. Evidence of this is the series of institutional changes and economic reforms being introduced without effective strategic long-term priorities and without effective coordination among the different components of reforms. One consequence of this phenomenon is that the coordinating role has often been directed from outside the country and the influence of the IFIs and leading donors in the respective sectors has been allowed to grow to very high levels. These actors have also played a leading role in policy making. The challenge to be faced is how to build a strong local capacity to manage the social, political and economic reforms currently under way and in the future.

One way in which the objective of restoring the internal balance was expected to be realized was by abiding with ceilings on government expenditure and reducing the budget deficit. Despite reform, however, the overall budget deficit has not been eliminated, as shown in Table 2. Between July 1986 and June 1993, total expenditure in real terms increased by about two-thirds, discretionary recurrent expenditure increased by just under 40%, and development expenditure nearly doubled (Doriye, 1995). Tax revenue declined by 2.3% per annum during 1980–1986, but increased by 15.1% during 1986–1992. However, this increase slowed thereafter. More details on government expenditure and taxation can be seen in Table 3.

Table 2. Fiscal policy performance (1985/86–1993/94) in Tsh millions

Year	Total expenditure	Recurrent revenue	CIS	Loans & grants	Domestic borrowing	NCPI (deflator)
1985/86	4,430	3,078	157	1,498	864	715.8
1986/87	4,306	3,094	646	658	476	949.7
1987/88	6,078	3,833	1,042	555	399	1,238.8
1988/89	6,287	4,173	1,238	629	-80	1,687.5
1989/90	6,322	4,392	1,395	250	543	2,228.2
1990/91	6,998	4,628	1,538	209	314	2,962.2
1991/92	7,370	4,900	2,042	339	-60	3,542.3
1992/93	7,204	3,518	1,040	1,281	946	4,664.0
1993/94	6,800	3,392	668	3,415	668	6,074.0

Notes:

1. All figures have been deflated using the national consumer price index.
2. Total expenditure includes debt service.
3. Expenditure and financing items do not balance because of omission of other items and tax reserve certificates from the table.

Source: Adapted from Doriye (1995).

Borrowing from the banking system was reduced during this period but this has been replaced by increased dependence on foreign financing of the budget deficit. When growth of revenue and external budgetary support weakened after July 1992, renewed bank borrowing emerged.

This partly reflects the failure to control government expenditure and partly the failure to widen the tax base and strengthen the administrative capacity for collecting government revenue. Tougher tax policies and a prudent expenditure mix and priorities are issues that deserve urgent attention.

Table 3. Trends in central government finance: 1985–1993 (in millions of Tsh)

	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/12	1992/93	1993/94
Recurrent revenue	22,031.5	29,321.0	47,479.4	70,417.4	97,866.9	137,092.9	173,565.5	164,110	42,444.0
Tax revenue	21,781.8	27,406.6	42,556.7	63,038.1	81,470.7	118,257.2	153,355.6	146,200	220,358.0
Custom/ex-cise duties	1,468.4	4,019.7	5,585.6	8,478.2	25,987.2	56,319.8	51,638.6	36,706	57,363
Income tax	6,175.5	7,017.7	10,897.7	16,610.7	20,195.0	32,413.0	40,143.2	45,455	58,505.0
Sales tax	10,633.7	16,094.0	22,745.0	33,237.5	28,571.0	20,171.6	44,862.2	41,047.7	63,254.0
Other taxes	3,504.2	275.2	3,328.3	4,758.7	6,717.5	9,352.8	16,711.6	23,211.3	41,236.0
Non tax revenue	249.9	1,944.4	4,922.7	7,332.3	13,184.1	18,835.7	20,209.9	17,689.8	22,086.0
Total expenditure	31,710.0	47,870.4	75,296.9	106,097.9	140,870.4	207,292.4	261,051.7	336,015	413,053.0
Recurrent expenditure	23,871.4	34,531.5	56,151.2	81,949.3	111,785.8	162,294.4	204,905.4	235,906	33,8364
Current payment	20,209.9	28,320.2	50,250.9	48,389.3	111,785.8	117,046.3	171,487.9	194,322	256,248.0
Development expenditure	7,838.6	6,228.0	9,325.7	13,062.3	12,023.7	21,640.0	31,199.2	60,343.2	74,689.0

Source: BOT, Economic and Operation Report (1994).

The growth of the money supply has not been effectively controlled. Between June 1986 and June 1993, overall annual credit growth averaged 30.5%. While net claims on government increased at an average annual rate of 21.3%, credit to other sectors grew at a much faster rate—averaging 44.2% per annum (Doriye, 1995). The magnitude of credit to government varied with the external financial inflows, particularly counterpart revenues.¹ Recourse to bank borrowing every time there is a shortfall in external financial support indicates that internal balance has not yet been achieved; the budget deficit would have been worse if the degree of dependence on foreign financing had not been so high.

¹Counterpart revenue (also counterpart funds) refers to that proportion of project/programme financing by foreign sources that should be contributed by the recipient country or government in question. It is rather a condition by the donor to fund a particular project/programme that the recipient country or government has to contribute a portion of the fund, short of which funds cannot be released.

The growth in credit is even higher considering that part of the credit was given in indirect forms. For example, under the commodity import support a large number of recipients are believed not to have paid the cash cover. Estimates suggest that up to about Tsh60 billion in cash cover payments are still in arrears (Doriye, 1995). The government has been making attempts to collect these arrears but the record of success has not been good so far.

Borrowing from the banking system has been reduced, but dependence on foreign financing of the budget deficit has increased. The growth of the money supply has not yet been effectively controlled, and internal balance has not yet been achieved.

The requirement under the financial sector reform programme that non-credit-worthy parastatals would not be granted credit meant a drop in credit to state sector entities and an increase in the volume of credit to the private sector. For example, between June 1991 and June 1994 commercial bank credit to state sector entities declined from Tsh106.9 billion to Tsh97.1 billion, while credit to the private sector increased from Tsh41.0 billion to Tsh158.9 billion (Bank of Tanzania, 1995). The consequence of this distribution of credit is that public manufacturing enterprises faced a shortage of working capital while private sector activities received an increased allocation of credit for working capital. Most of the credit to the private sector went to finance trade and other commercial activities, however, rather than directly productive activities. Credit contraction went hand in hand with other reform policies to reduce employment in the public sector. For example, the share of parastatal employment in total employment declined from 28% in 1984 to 23% in 1993.

Parastatal sector reforms have been implemented through the Parastatal Sector Reform Commission (1993) and the Loans Advances and Realization Trust (1991). A number of public enterprises have been restructured either through commercialization, privatization, divestiture or liquidation. Many parastatals that have not yet been restructured face operational problems such as capacity under-utilization, illiquidity and shortage of working capital, and problems of management. In the parastatal sector reform, efforts to limit borrowing have generally succeeded but there has been very little progress in restructuring the parastatals to increase productivity. The reform of parastatals has experienced some problems such as inability to pay terminal benefits to deserving employees and at times failing to contribute to pension funds. By December 1994 the government had earned Tsh4.4 billion and US\$29.2 million from the privatization exercise. Some of this revenue is being used to pay terminal benefits and commercial debts that the parastatals had incurred (URT, 1995b).

Inflation was reduced from 30% in 1985 to 24% in 1993. This is an improvement, although it is rather far from the target of 10%. However, the problems of power supply that necessitated country-wide power rationing in the last quarter of 1994 resulted not only in deceleration of growth of the economy, but also in higher inflation in 1994. There are

indications that the economy grew at 3% during 1994, down from 4.2% in 1993, while the rate of inflation increased to 35.3% in 1994, up from 24% in 1993 (URT, 1995a).² The rate of inflation has also been fueled by budgetary over-expenditure leading to government borrowing from banks to the tune of Tsh38.1 billion (i.e., about 12% of the recurrent revenue). Total internal public debt is estimated at Tsh181.7 billion in June 1995, which is about 55% of recurrent revenue (URT, 1995a).

Import liberalization has threatened the survival of domestic industry even though it improves access to imported inputs and capital goods. At the same time, liberalization of domestic trade has reduced prices of manufactured goods.

The budget deficit has been financed through bank borrowing, auctioning of treasury bills and foreign aid. Bank borrowing had an inflationary effect on money supply. Auctioning of treasury bills has tended to deny credit to the productive sectors of investment and its upward push on interest rates has diverted resources from productive investments to speculative activities and other quick-yielding investments in activities such as trade. Financing the budget deficit through foreign aid reflects dependence, which puts to question the attainment of sustainability in the budget. Foreign aid is given on the basis of conditionality and releases are contingent on many factors. This introduces an element of uncertainty in the budget.

Trade liberalization measures include removal of quantitative restrictions, permitting holders of own funds to import goods that are not on the negative list. These measures have also resulted in reduction of tariffs and rationalization of the tariff system. Import liberalization has threatened the survival of domestic industry even though it improves access to imported intermediate inputs and capital goods. Liberalization of domestic trade has promoted trading activities and reduced prices of manufactured goods as a result of the stiff competition accompanying these policies. Real devaluation has raised prices of exports, a factor that has increased returns to producers of exports in shilling terms.

In agriculture, trade liberalization took the form of liberalizing the marketing and distribution of inputs. Bottlenecks to internal trade (e.g., road blocks restricting trade between different regions in Tanzania) were removed. Private traders could transport more than 500kg after March 1987 and were allowed to trade freely in food. The trend towards eliminating consumer subsidies on maize flour, reducing transport subsidies and eliminating the fertilizer subsidy, and reducing the role of the National Milling Corporation (NMC) to buyer of last resort continued, while legalizing the already important role of private traders.

²Subsequent estimates have revised the inflation rate for 1994 down to around 27%.

These trade liberalization measures effectively ended the monopoly position of the NMC. At the same time, the monopoly of marketing boards in agricultural marketing was reduced considerably and the boards were restructured to suit the new competitive environment. However, the objective of raising producer prices of export crops to 60%–70% of the export price or realizing real increase of 5% per year could not be achieved, although considerable improvement has been made in this area. This suggests that the improvement in the efficiency of the marketing functions has at best been modest. Domestic crop prices have not increased to the same extent as have export prices, but they generally remain reasonable. The rise in the prices of foodstuffs has been checked somewhat by liberalization of food markets. This is significant because food expenditure is a large proportion of the consumption basket of the urban population. (Refer to Appendix B for a summary of average producer prices and Appendix C for farm-gate prices for selected export crops.)

The poor state of road networks, especially in rural areas, has inhibited movement of surplus agricultural products in some areas to the markets. This, coupled with the failure of private traders to move in fast and fill gaps left by the retreating marketing boards, has been associated with agricultural marketing difficulties in some areas.³

The pattern of imports and the implicit pattern of investments suggest that there are doubts that the structural adjustment measures have resulted in an expenditure switch to long-term sustainable growth activities.

The external balance has not been attained as was envisaged. The trade deficit has not been eliminated as export earnings finance only about 40% of the import bill. Real depreciation of the exchange rate notwithstanding, imports have continued to grow. Nevertheless, the composition of imports has changed in favour of consumer goods. Within the category of capital goods imports there has been a shift towards imports of transport equipment, mostly light commercial vehicles. This is a reflection of the preference for quick-yielding investments. The pattern of imports and the implicit pattern of investments suggests that there are doubts that the structural adjustment measures have resulted in an expenditure switch to long-term sustainable growth generating activities.

Total debt increased from US\$4.3 billion in 1986 to US\$7.5 billion in 1993. By 1995 it had been reduced to US\$6.8 billion. As a share of the GDP, debt increased from 103% in 1986 to 285% in 1992. The debt service ratio has remained low (12%–16% exports), largely due

³ Agricultural marketing problems referred here are, in particular, poor infrastructural facilities that have limited the access of private traders to farms to buy farm products. The problem became more important when the role of the agricultural marketing boards was reduced by the reforms. The boards had collected farm produce from the farms and transported it to the market or the regional centres for export or domestic consumption.

to rescheduling arrangements in the Paris Club regulations. This measure is not sustainable, however, as limits to rescheduling could soon be reached.

Building capacity and strengthening of the civil service do not seem to have been scrutinized from a gender perspective.

The major components of financial sector reform as proposed by the report of the Presidential Banking Commission (1990) are: enactment of new banking and financial institutions legislation; increased autonomy of banks; and enhanced competition and free entry into the financial sector. Major institutional changes to Tanzania's financial landscape include the establishment of the Capital Markets and Securities Authority (CMSA) in 1994 and of private sector banks and other financial institutions. The institutions for capital market development are still in their infancy. The securities market is still confined to government securities. The high minimum deposits required by the new banks and their exclusive location in Dar es Salaam suggests that these banks have so far targeted corporate deposits and deposits from high-income groups in urban areas rather than catering for the needs of low-income earners in urban and rural areas.

The present size of the civil service is 330,000, of whom 39% work in central government, 8% in regional government and 53% in local government.⁴ The Civil Service Reform Programme seeks to reorganize ministries to fit a redefined role of government; to reform staff pay based on performance; to introduce new personnel management systems to provide better control and information; to introduce training programmes to enhance work capacity; to retrench 50,000 civil servants; and to reform local government in order to strengthen its capacity and reorient its functions. It is too early to make any firm assessment of this programme. So far, some 50,000 persons have been removed from the payroll, including 14,600 "ghost workers". However, the wage bill has increased over the period of retrenchment due to high compensation rates (Therkildsen, 1995).

In assessing the civil service reforms from a gender perspective, it appears that many women have been retrenched relative to their share before retrenchment largely because many women were within the last-in-first-out (LIFO) formula used. Building capacity and strengthening of the civil service do not seem to have been scrutinized from a gender perspective.

Nor has the civil service reform been done within the framework of an integrated approach to addressing various reform components. A second problem relates to the reliance of the civil service reform on foreign financing. It is not certain that such a reform programme is sustainable.

⁴These figures exclude 50,000 people working in national institutions such as Muhimbili Medical Centre, the universities, training institutions, etc.

In industry, improvements have been made in relaxing foreign exchange allocation and in improved investment incentives. However, improvement in efficiency and capacity utilization has been slow and some sub-sectors have faced new constraints largely arising from devaluation, financial reforms and import liberalization, as will be discussed in Chapter 5.

Aid flows declined in the early 1980s as a result of disagreement with the IFIs. Following the agreement between the government and the IFIs, many donors unlocked aid resources and aid inflows resumed in 1986. The resumption of aid flows was accompanied by a shift from project aid to import support mainly directed towards maintenance and rehabilitation with a view to increasing the level of capacity utilization in the economy. Indeed, the inflow of foreign aid was resumed during the period of economic reforms. This has contributed to greater capacity utilization and rehabilitation, which have in turn contributed to output recovery. However, increased macro conditionality coupled with the shift from project to programme aid is associated with the challenge of greater demands for aid coordination among donors and between government and donors.

Employment figures are grim. The rate at which the labour force is growing exceeds the rate at which new jobs are being created. This situation is leading to social tensions and could be a major source of social exclusion in Tanzania, threatening to break the social fabric. The need to create more job opportunities and generate more broad-based employment has to be seen as a major challenge in the reduction of poverty and enhancement of social integration.

The rate at which the labour force is growing exceeds the rate at which new jobs are being created. This situation threatens to break the social fabric.

According to figures released by the Ministry of Labour and Youth Development, there are about 700,000 people looking for employment each year (Monji et al., 1994). This compares unfavourably with the 30,000 jobs created in the formal wage sector per year in the mid 1980s. The numbers of new jobs created have fallen further in the early 1990s (ILO, 1991).

The formal labour market has always been dominated by the public sector; its share has been declining since 1984, although its absolute number of workers increased during 1984–1991. The share of public sector employment fell from 76% in 1984 to 67% in 1992 (the civil service 41% and parastatal sector 26%) (Bol, 1995).

Private sector employment has been growing at 10% annually, facilitated by increased investments in that sector, most of which have been labour intensive and employment creating (Bol, 1995). Private sector employment increased from 150,000 in 1984 to 300,000 in 1991. According to the 1991 labour force survey, the share of private sector employment in total employment rose from 23% in 1984 to 35% in 1991 (URT, 1993).

Real wages and salaries especially of government and public sector employees have fallen over time and have remained low. In 1986 the real minimum wage and the real value of the average top bracket civil service wage were only 46% and 27.8%, respectively, of the real wages prevailing in 1980. Between 1980 and 1990 real wages had on average fallen more rapidly than per capita income, suggesting that a heavy burden of the recent economic crisis has been borne by wage and salary earners.

There have been increases in allowances and fringe benefits for all wage recipients from time to time, although these have been small. Benefits include rent allowance for officers living in their own quarters and in privately rented accommodation, as well as transport allowance (payable monthly) for some government employees working in Dar es Salaam. However, these fringe benefits are unevenly distributed and access to government housing and other benefits is only available to a minority of civil servants (mainly those at the top levels).

More important, the effectiveness of the growth performance on poverty alleviation is being put to question. Concern is raised about the adequacy of the level and quality of growth. There are concerns that the growth itself may not be sufficiently broad-based. The experience with these programmes has continued to raise new concerns. First, their social impact and, in particular, their effectiveness in alleviating poverty has been put to serious question. The issue of the social dimensions of adjustment and their effect on poverty alleviation has therefore surfaced as a subject of policy debate in recent years. The debate is not conclusive, although it has led to the design of policies aimed at countering the negative consequences. Living conditions have improved generally, but the evidence on the incidence of poverty and the nature of the poverty profile needs to be understood better if the poverty problem is to be addressed adequately. The next section presents the poverty profile for Tanzania.

4. POVERTY PROFILE AND POVERTY ALLEVIATION

Poverty in Tanzania

This section addresses the extent of poverty in Tanzania, throws some light on where the poor are located and examines the characteristics of households associated with poverty. Furthermore, trends in income distribution are examined and the status and role of social services and access to these services are addressed.

Extent of Poverty

Tanzania is one of the poorest countries in the world according to various World Bank reports. The latest of these puts Tanzania's GDP per capita in 1993 at US\$90 (World Development Report, 1995), tying only with Mozambique for the lowest in the world. Income per capita in dollar terms, however, should be interpreted with caution as alternative estimates vary considerably. In 1982, income per capita for Tanzania was \$280 (World Bank, 1984); it increased to \$290 in 1985 (WDR, 1985). Following a large devaluation the income per capita declined to \$160 in 1988 (WDR, 1990) and to \$100 in 1991 (World Bank, 1993). In 1993 it fell even further, to \$90 (World Bank, 1995).

The same document, however, indicates that real income per capita for Tanzania grew at an annual rate of 0.1% during 1980–1993 (WDR, 1995). Average GDP growth was around 4% in real terms between 1986 and 1994, implying income per capita growth of above 1% in real terms over the period in which income per capita is supposed to have been declining in dollar terms.

Dollar estimates of the GDP are likely to be problematic in the context of a large devaluation. In addition, the size of the second economy is large with estimates ranging from 30% to 66% (Bagachwa and Naho, 1994). Alternative estimates by the United Nations international comparison project registered Tanzania's per capita purchasing-power-parity equivalent GDP for 1990 as \$540. Estimates of the Poverty Profile Study have put per capita GDP at \$280 (World Bank, 1993). The variations in these dollar estimates of GDP per capita indicate that the estimates are not reliable. In spite of all these cautions, however, it is generally agreed that Tanzania is a poor country—even if it is not necessarily the poorest in the world.

In 1985 the share of private final consumption expenditure in total expenditure on GDP was 77.5%, while that of government expenditure was 15.4%. In 1988 these shares were 92.5% and 10.8%, and in 1990 they were 77.4% and 10.4%. They changed to 85% and 10.5% in 1992. The share of gross fixed capital formation was 14% in 1985, 30.9% in 1988, 43.7% in 1990 and 37.3% in 1992 (URT, 1992). These shares seem to be overestimated partly because of the effects of a large devaluation that raised the value of capital formation in shilling terms. The high import context of capital formation explains the overestimation.

Information on household socio-economic conditions can be found in a series of household surveys. The first large-scale household budget survey (HBS) was carried out by the Government of Tanzania (Bureau of Statistics) in 1969 followed by another one in 1976/77. Two smaller sample-based surveys were carried out in 1980 by the ILO (Collier et al., 1986) and in 1983 by Bevan et al. (1989). Finally, in 1990–1993, no fewer than four studies were produced, one based on a new sample by a team from Cornell University and the Economic Research Bureau of the University of Dar es Salaam (Tinios et al., 1993; Ferreira, 1993) and three by different Tanzanian government departments. The Bureau of Statistics produced a further round of a large-scale household budget survey (HBS) (URT, 1994a), while other departments produced a labour force survey (URT, 1993) and a human resource development survey (Gibbon and Raikes, 1995). The four studies carried out in 1990–1993 came up with the measures of household income or consumption/expenditure that are presented in Table 4.

Table 4. Household surveys, 1990–1992 (Tsh, current prices)

Survey	Date	Sample size (# house- holds)	Average h/h consumption (inc. subsist)	Average p/c ex- penditures	Average h/h income
ERB/Cornell	1991	1,046	225,382 (61,954)	36,988	n.s.
Household budget survey	1991/92	5,328	262,934 (67,267)		n.s.
Human resources development survey	1993	n.s.	n.s.	113,480*	n.s.
Labour force survey	1990–91	7,762 (urban)	n.s.	n.s.	167,280

Notes: Average h/h consumption (including subsistence): value of average household consumption (monetary and non-monetary); n.s.: not stated.

Source: Gibbon and Raikes (1995).

Construction of the poverty profile in Tanzania is based on sample surveys. The most recent household survey that has addressed poverty in Tanzania is the Cornell-ERB study of 1991. Data from that study have not been fully analysed as yet, but preliminary results have been presented in Tinios et al. (1993) and World Bank (1993). Both of these findings have been referred to by Cooksey (1994) and the construction of the poverty profile in this study largely draws from those results. The Cornell-ERB study was based on a household budget survey sample of 1,046 households (out of 4.3 million) in rural and urban areas of Tanzania drawn from the national master sample of the Bureau of Statistics. The poverty profile quantitatively describes the poor in Tanzania: who they are, where they live, what they consume and where their incomes come from. It analyses the depth and nature of poverty, providing detailed information on the standards of living of poor households in terms of income, expenditures and fulfillment of basic needs.

Measurement of poverty has been made using a relative poverty line and an absolute poverty line. According to the relative poverty line measure, households with less than 50% of the mean adult equivalent expenditure were classified as poor. The poverty line was drawn at Tsh46,173 per adult equivalent. On the basis of this relative measure, 50% of all Tanzanians were found to be living in households classified as poor (World Bank, 1993b). Per capita household expenditure in 1991 averaged Tsh61,564, ranging from Tsh10,937 for very poor households to Tsh103,454 for better off households. Per capita household expenditure is higher in urban areas (Tsh78,542) than in rural areas (Tsh49,620) as shown in Table 5.

Table 5. Yearly expenditure by type of household in 1991

	Per capita household expenditure (in Tsh)	Adult equivalent household expenditure (in Tsh)
All Tanzania	61,564	91,509
Rural	49,620	77,246
Urban	78,542	108,989
Better off	103,454	152,449
Poor	15,223	24,093
Very poor	10,937	17,173

Source: World Bank (1993).

Alternative calorically defined poverty lines have been constructed by Tinios et al. (1993) with cut-off points at 1,900, 2,000, and 2,100 calories (Table 6). Data from the ERB/Cornell survey show that the daily intake of 1,900 calories needed to sustain the average person in a minimally healthy state would require annual per capita expenditure of Tsh50,866 in Dar es Salaam, Tsh28,969 in urban areas other than Dar es Salaam and Tsh25,613 in rural areas. On this basis, 43.6% of households would not be self-sustaining (i.e., they consume fewer than 1,900 calories per person per day), while 12% would be severely under-nourished (i.e.,

consuming fewer than 1,200 calories per person per day). If the cut-off point is raised to 2,100 calories/person, the proportion of households who could not sustain themselves increases to 51.4%.

Tinios et al. (1993) preferred the use of calorie consumption because a categorization based on the consumption pattern may be distorted by price influences. Interpretation of the minimum calorie consumption per equivalent adult in monetary terms permits construction of different cut-off points in the different regions given the variation in prices in these regions. Implicitly, as suggested by Table 6, prices in Dar es Salaam are double those of the rural areas. This observation is supported by other sources such as World Bank (1993) and Ferreira (1993). Generally, in income terms, Tinios et al. (1993) suggest that the poverty line in Dar es Salaam (DSM) is twice that of the rural sector and that calories seem to cost over twice as much in Dar es Salaam as in rural areas. From Table 6, the proportion of poor households in rural areas seems to be three times as big as in DSM. On this count, it can be concluded that price differences between rural and urban areas support the use of different cut-off points for each household category in each region.

Table 6. Alternative calorically defined poverty lines

	All Tanzania	Rural	Urban non- DSM	DSM
a. 1,900 calories (Tsh/capita)	...	25,613	28,969	50,866
Poor as				
– % of population	50.5%	55.6%	28.9%	23.0%
– % of households	43.6%	50.1%	21.2%	16.2%
b. 2,000 calories (Tsh/capita)	...	27,721	33,186	54,950
Poor as				
– % of population	54.4%	59.3%	34.6%	26.5%
– % of households	47.6%	54.1%	26.4%	18.3%
c. 2,100 calories (Tsh/capita)	...	29,831	37,777	59,139
Poor as				
– % of population	58.1%	63.2%	37.1%	29.7%
– % of households	51.4%	58.2%	29.2%	20.4%

Source: Tinios et al. (1993).

About 70% of Tanzanians live in rural villages, 20% in urban non-DSM and about 10% in DSM. For the poor, average per capita and adult equivalent expenditure was Tsh15,223 and Tsh24,093, respectively, while for the “very poor” it was Tsh10,937 and Tsh17,173, respectively. Urban people (in and outside DSM) are about twice as rich as their rural counterparts, even when the difference in family composition has been taken into account.

The per capita expenditure of households living in DSM has been estimated to be 1.5 times higher than that of households in other urban areas and 2.3 times higher than in rural areas. One basic finding by Tinios et al. (1993) to be discussed in later sections is that inequality

is largely inter- rather than intra-regional. Implicitly, then, a description of poverty incidence based on household differences within each region may not be as important as when based on regional differences.

The absolute poverty line was determined by the cost of essential foods and non-food items recognized as necessary by society. Some 36% of households are very poor.

Ferreira (1993) draws the poverty line in terms of an adult equivalent per capita income of Tsh15,030 per annum (1991 prices), on the basis of which 51% of households were defined as poor, and a "hard-core poverty line" of Tsh11,171 per annum according to which 42% were found to be hard-core poor.⁵ Further categorization of the poor into "very poor" or "hard-core poor", as emphasized in the literature, characterize the absolute poverty line. This line was also computed by the ILO study in 1982, and set (using 1991 prices) at monetary value of Tsh31,000 or US\$152 per adult to meet the basic needs (World Bank, 1993). In this case, households with expenditures of less than this amount were rendered "the very poor".

When calorie intake is used as a basis for the cut off, the minimum calories required per person for the relative poverty line (which forms the basis for the two groups of 50% each) was 1,900 calories, and for the "very poor" the cut off point was set at 1,200 calories. In monetary terms, these correspond to Tsh46,173 and Tsh31,000, respectively, using 1991 prices. In addition, Tinios et al. (1993) suggest that overall the poor consume only 1,654 calories per adult per day, compared with 4,500 calories for the non-poor and under 1,500 calories for the "very poor".

The absolute line was determined by the cost of basic needs—essential food diet and necessary non-food items as recognized by society. The cost of these basic needs was Tsh31,000 in 1991. It was found that 36% of households were very poor (or hard-core poor). The poor were found to be poorer in the rural areas.

Information on the poverty profile in Tanzania was also compiled using data from the 1988 population census for Tanzania, and the picture obtained is not very different from the sample results.

When the depth of poverty was addressed it was found that to raise all the poor to the soft-core poverty line would require Tsh11,497 annually per person, while to raise all people above the hard-core poverty line would require Tsh4,867 annually per person. The total transfers required come to Tsh306 billion and Tsh130 billion, respectively.

⁵The term "hard core poor" is used to mean "the very poor", i.e., those who fall below the absolute poverty line, as distinct from the terms "poor" or the "soft poor", defined as those who fall below the relative poverty line.

Location of the Poor

Poverty in Tanzania is mainly a rural phenomenon, with 59% of the rural population being poor compared with 39% in urban areas excluding Dar es Salaam and 9% in Dar es Salaam. This means that 85% of all the poor and 90% of all the very poor (hard-core poor) live in the rural areas (World Bank, 1993). Information on the poverty profile for Tanzania from the 1988 census shows a similar picture.

Poverty in Tanzania is mainly a rural phenomenon. There are more poor people in rural areas and the poor in rural areas are poorer than their urban counterparts. They have little access to productive resources; as farmers, they have little or no land of their own for agriculture.

The incidence of poverty in the regions is associated with low productivity in agriculture. The regions with a high incidence of poverty are characterized by low rainfall, poor soils, long distance from markets and minimal infrastructure. This introduces another dimension of poverty in Tanzania, that is, environmental degradation. The majority of the rural poor are clustered in ecologically fragile lands (URT, 1995c). The degradation of the environment is often accentuated by population pressure on land and other natural resources in the absence of alternative means of making a living. The phenomena of poverty, environmental degradation and population pressure are closely related. In this context, poverty eradication may have to be approached in coordination and even integration with environmental and demographic concerns.

Socio-economic surveys investigating rural poverty indicate a strong link between poverty and limited access to productive resources such as good land, modern farming equipment, agricultural inputs and availability of extension services. Nonetheless, it is evident that to assume there is a direct correlation between farm size and income may be arguable. For example, a study of basic needs in danger conducted by ILO in Kilimanjaro observed that the difference between the "very high" and "very low" farmers in terms of acreage was less than three times, but the difference in terms of income was nearly nine times (ILO, 1982). Equally important is that accessibility to productive land is not the best unit of measurement in identifying the rural poor. One has to consider the crops grown on the farm and, more particularly, whether they are export crops.

Given the kind of social-economic differentiation found in rural Tanzania, it seems that access to good and productive land is not easy for the majority of the rural poor. The FAO/IBRD sample survey carried out in 1975 showed that there was a small group of distinctly richer farmers in each region who had access to larger areas of productive land. The

1971/72 agricultural census showed that over 82% of the rural farmers had land holdings of fewer than 2 hectares (Kahama et al., 1986). A study carried out recently has revealed that the situation of differentiation has not changed significantly (Lugalla, 1993). Evidence from Arusha, Dodoma and Mbeya regions reveals that rural socio-economic differentiation has continued to influence access to the major means of livelihood like land (Lugalla, 1993).

Within the rural areas, the poor are farmers with either no land at all or little land for agricultural activities, and are further constrained by the use of low-level technologies (like the hand hoe) that are not conducive to raising agricultural productivity substantially. The rural poor in Tanzania are concentrated in underdeveloped or vulnerable regions like Dodoma, Kigoma, Rukwa, Lindi and Mtwara. None of these regions are major growers of export crops. One can argue that in Tanzania rural poverty is rampant in non-export crop producing areas. It has been revealed in the study that farm households constitute the bulk of poverty in Tanzania, and self-employed households living in urban areas are also prone to poverty. It has also been observed that rural households engaging predominantly in their own businesses are very likely to be poor.

Poverty and Household Characteristics

There is a relationship between poverty and household size or dependency ratio. The poor tend to have big households. The very poor were found to have an average household size of 7.2 compared with 6.97 for the poor and 5.32 for the non-poor, as shown in Table 7. Average size of households in rural areas are larger than those in urban areas except Dar es Salaam where the poor tend to have bigger households. The poor also tend to be associated with higher dependency ratios. The number of children under 13 is 2.97 for the very poor, 2.93 for the poor and 1.9 for the non-poor (Table 7). Hard-core poor households have 4.03 children under the age of 18 compared with 3.04 and 3.88 for the better-off and poor households, respectively (World Bank, 1993).

The poor tend to have big households and higher dependency ratios, and to have a higher proportion of family consumption in their total incomes.

Existing studies have shown that several factors tend to compel families to have many children: the need for child labour in order to supplement household incomes, the cultural value of children of a specific sex and the belief that children are an investment to care for parents during old age. Indeed, the first and last factors seem to be associated with poverty.

Relating various sources of income to poverty indicates that the poor tend to have a higher proportion of own consumption in their total income. While own consumption accounts for 31% among the very poor, it accounts for 22.1% for the non-poor. These proportions are higher in the rural areas (43% for the very poor, 39.3% for the poor and 31.9% for the non-

Table 7. Household characteristics in 1991

	All Tanzania			Rural			Urban non-DSM			Dar es Salaam		
	Very Poor	Poor	Non Poor	Very Poor	Poor	Non Poor	Very Poor	Poor	Non Poor	Very Poor	Poor	Non Poor
Sex of head (% female)	11.2	9.5	10.3	11.7	8.6	5.7	8.4	18.2	24.1	12.4	15.9	14.5
Age of head	50.9	48.5	42.5	51.2	48.6	44.3	51.5	49.2	38.2	43.6	43.9	38.5
% illiterate	43.5	38.1	18	46.4	39.3	20.6	33.1	29.8	12.7	29.2	20.3	11.7
% can read only	6.9	5.7	3.7	7.5	5.7	4.5	5.2	8.2	2.3	3.2	1.7	1.2
% can read and write	49.5	56.2	78.3	46.1	55	74.9	61.8	62	85	67.6	78	87.1
Education of head (years)	2.51	3.01	5.37	2.12	2.96	4.57	3.91	3.81	6.36	4.57	4.81	8.6
Household size	7.2	6.97	5.32	7.22	6.98	5.64	6.79	6.52	4.43	8.06	7.78	4.85
- after caloric connection	5.91	5.65	4.4	5.92	5.66	4.64	5.58	5.28	3.71	6.61	6.41	4.18
Equivalent adults	4.59	4.41	3.57	4.6	4.42	3.73	4.38	4.17	3.07	5.02	4.91	3.4
No. of children under 13	2.97	2.93	1.9	2.98	2.94	2.11	2.78	2.73	1.44	3.45	3.13	1.43
% children 6-12 at school	30.9	37.4	45.8	31.3	37.8	44.3	26.5	32.5	46.6	36.3	38.3	58.1
% children 13-18 at school	45.4	55.6	52.2	44.3	55.7	54.4	53.6	58.1	45.1	41.9	47.2	49.2
% of 55	5.8	7.1	6.3	6.4	7.4	6.9	4.5	7	5.4	1.1	1.2	3.5
Percent renting	2.5	1.7	20	0	0	3.1	8.4	9.2	56.9	23	34	59.6

Source: Tinios (1993).

poor as shown in Table 8. This suggests that the poor have less surplus over and above what they produce. The major component of own consumption is cereals and other staples.

The poor were found to have a higher share of their income originating from crops (74.7% for the poor compared with 49.5% for the non-poor), and 71.2% of crop income of the poor was for own consumption compared with 35.3% for the non-poor (Collier et al., 1986). It has been suggested that this is an indication that rural poverty stems from lack of integration into the marketing processes (e.g., by Collier et al., 1986). Since liberalization, marketing processes have improved considerably in many regions except in the very remote areas. However, it seems that the major cause of poverty in rural Tanzania is not so much lack of markets for agricultural products as the nature of social organization of the production process itself. Poverty is directly attributable to the lack of extension services, use of low and rudimentary technology, limited access to credit facilities, and poor infrastructure.

The very poor also seem to have less access to off-farm (also non-agriculture) income earning opportunities probably because of their lower level of education. The share of off-farm income in total income is lower among the poor, reflecting the influence of different levels of education on alternative income-generating opportunities. The share of non-agriculture income in total income in 1993 was 44% for all Tanzanians, 46.8% for the better-off category, 28.3% for the poor, and 25.6% and 19.1% for the very poor and rural poor, respectively. This share is 70.7% for urban non-DSM and 99.1% for DSM (computed from World Bank, 1993).

Housing conditions of the majority are still in a poor state. The percentage distribution of sample households living in houses with earth floors by monthly expenditure group and by area shows that a greater proportion of the rural population live in this type of house, and for urban centres, low income earners are the majority. The 1991/92 household budget survey shows that 84% of households in rural areas and 10% in Dar es Salaam have poor floors. About 34% of households in Dar es Salaam have no electricity and 40% of the urban population live in overcrowded houses. Only 41% of the population in Dar es Salaam have piped water in their houses and 83.1% of the whole population in the country use pit-latrines (Lugalla 1995a).

Tinios et al. (1993) make their comparison with the 1976/77 HBS data in which they show impressive increases in real consumption expenditure ranging from 35%/person in rural areas to 125%/person in urban areas. These results are used to show that stabilization and adjustment programmes in Tanzania have had a positive effect on the poor. However, when a Laspeyres-type base weight deflator is used instead of the national consumer price index (NCPI), the authors generate figures showing that average household per capita monetary consumption in rural areas actually fell slightly and that of urban areas increased by 67.3%. Moreover, what remains unknown is what may have happened to the households that remained in the "poor" category during this period (Gibbon and Raikes, 1995).

A comparison of the same 1991 data with that from Bevan et al.'s 1983 study, using the implicit GNP deflator on the income side, shows that the number of households below the poverty line declined from 65% to 51% of households (Ferreira, 1993).

Table 8. Composition of expenditure in 1991 (Tsh per household per annum)

	All Tanzania			Rural			Urban non-DSM			Dar es Salaam		
	V/ Poor	Poor	Non Poor	V/ Poor	Poor	Non Poor	V/ Poor	Poor	Non Poor	V/ Poor	Poor	Non Poor
Total purchases	50,006	74,316	24,5648	30,716	64,963	184,097	91,471	110,245	312,463	225,804	277260	510,305
Own production	21,291	41,473	71,843	24,414	43,243	87,099	22,972	32,404	47,785	7,424	9573	19,628
Cereal grains	21,744	28,809	30,443	20,847	28,900	34,939	29,035	31,683	21,516	15,510	17625	18,331
Cereal products	5,877	7,069	25,922	2,318	5,085	13,822	10,088	11,880	36,446	47,562	58147	82,606
Other staples	8,203	15,384	31,797	6,992	15,150	35,040	10,843	17,106	22,960	19,140	18098	27,343
Other food grains	4,661	4,767	13,556	2,837	3,910	9,153	10,097	9,892	17,103	17,207	18117	34,690
Livestock	5,956	12,135	41,512	4,909	11,531	39,870	7,575	14,552	38,571	17,195	24991	56,995
Mfg food	4,070	7,386	20,004	2,580	67,654	17,124	83,295	10,175	25,504	14,866	197126	28,146
Beer	1,321	2,282	10,481	1,522	2,488	9,095	620	536	12,740	210	545	15,094
Unclassified food	4,439	11,210	39,446	2,720	10,176	35,978	8,357	10,621	36,892	19,679	46,640	65,629
Housing	4,900	5,599	19,712	2,498	4,199	9,309	7,832	9,568	40,665	31,694	40,024	52,056
Clothing	4,605	7,879	20,007	4,060	7,742	18,602	5,403	9,088	22,068	10,584	8,889	25,098
Personal	4,188	6,133	21,185	2,692	5,562	17,060	8,369	10,114	27,139	15,241	13,393	36,354
Education	704	949	5,533	333	802	2,568	1,903	1,448	10,493	3,000	4,321	15,175
Transport	1,722	2,412	11,373	561	2,036	9,442	2,466	2,744	12,416	17,004	13,730	21,554
Durable	692	1,937	8,317	444	1,952	7,063	1,637	1,458	8,320	1,836	2,823	16,135
Smoking	1,022	1,587	4,527	96	1,546	4,022	857	880	4,065	4,832	4,930	8,505
Other non food	1,093	2,359	20,693	82	2,152	9,670	2,544	3,126	39,008	3,360	6,960	51,900
Total h/h consumption	75,181	117,888	324,507	56,791	109,997	272,746	115,768	144,754	375,904	239,949	298,936	555,618

Source: Tinios et al. (1993).

One feature of both Tinios et al.'s and Ferreira's use of the ERB/Cornell data is that they have focused almost exclusively on the consumption side, neglecting questions of individual incomes and changing levels of contributions by various individuals within the households. There are indications that in response to falling real incomes in the formal sector more household members (especially women and children) engage in informal sector activities in order to contribute to the aggregate household budget. The returns to labour in these activities may also have fallen as a result of overcrowding and intense competition. This is an aspect of poverty that should be taken into account (Gibbon and Raikes, 1995). This aspect is discussed further in Chapter 5.

Income Distribution

Though the data in Table 6 are not conclusive on the proportion of households in each of the nine household categories, sources other than Tinios et al. (1993), such as World Bank (1993), show that the average expenditure per capita and the per adult expenditure for the better-off household is 6 to 7 times higher than those of the poor and 8 to 10 times higher than those of the "very poor". The percentage of the poor and the very poor households in the rural areas is 85% and 90%, respectively. These are indications of a high degree of inequality. It will be useful to understand how this inequality has changed over time.

Despite the overall reduction in the proportion of the population who are poor, the gap between the better-off and the poor widened considerably during the adjustment period, and while the poor got less poor, the very poor got poorer.

Inequality increased between 1969 and 1991, with the Gini coefficient increasing from 0.39 in 1969 to 0.44 in 1976/77 and 0.57 in 1991. Rural inequality increased quite substantially especially after 1976/77, while urban inequality declined somewhat during 1969–1991. The decline in urban inequality was more than offset by the increase in rural inequality. The urban–rural ratio of income declined from 11.33 in 1969 to 3.48 in 1976/77 and to 2.76 in 1991. All the studies point to a considerable polarization of consumption/expenditure and incomes. Despite the overall reduction in the proportion of the population who are poor, both Tinios et al. (1993) and Ferreira (1993) conclude that the gap between the better-off and the poor widened considerably during the adjustment period. Ferreira, for example, found that while the average real per capita income of the better-off increased from Tsh27,100/year to Tsh70,069/year (1991 prices) between 1983 and 1991, the average real per capita income of the bottom half of the population fell from Tsh4,053/year to Tsh3,925 and of the lowest 40% from Tsh3,326 to Tsh2,366.

These findings suggest that the poor in general got less poor and the "very poor" got more poor. While this trend opens another area of investigation, a few explanatory facts can be alluded to here. The impact of the economic reforms on rural incomes included diversification

of income sources to include informal sources of income generation such as petty business. Diversification of income sources of various kinds may have contributed to emerging positive developments that worked in favour of the poor and against the “very poor”. As noted by Ferreira (1993), it is likely that following decline in the real formal sector income, there are more household members contributing to the aggregate household budget during economic reforms than before.

Such decline in real incomes could reflect a fall in real returns to the factors of production, particularly labour due to increased competition. The “hard-core” poor are considerably more affected by changes in income inequality than by changes in mean income. Thus if inequality deteriorates with income, there is the potential for growth offsetting poverty levels. For instance, measured by the Gini coefficient, inequality increased from 0.39 in the 1960s to 0.44 in the 1970s according to the household budget survey, and continued to rise to 0.57 in 1993 (World Bank, 1993). However, the 1993 human resources development survey found a reduction in the Gini coefficient to 0.41, which was attributed to the reduction in the rural Gini coefficient from that found in 1991.

Other authors have suggested that another strategy for increasing rural incomes may be to encourage alternative employment opportunities for poor households. Thus even if the poor became casual workers, implicitly it may not have been a result of losing their land. This is so since access to land is not shown to be a sufficient condition to reduce income inequality. In this context, it is the size and quality of land that seem to matter. The size of land also varied with the size of household. The larger the household size the bigger the land. In addition to this, the fact that quality of land differs from place to place tends to blur the relationship between land and income. The percentage of the rural population with land is high, averaging 99.7% in 1983 and 93% in 1993.

The conclusion implicit in the observation that the poor became less poor and the very poor became poorer is also reflected in the trend in consumption levels. Tinios et al. (1993) made their comparison with 1976/77 HBS data in which they used the NCPI to show that there was impressive increase in real consumption expenditure ranging from 35% per person in rural areas to 125% per person in urban areas. These results suggest that economic reform policies in Tanzania have had a positive effect on the poor. Similar observations have been made by Booth et al. (1993), but as noted earlier, a Laspeyres-type base weight (instead of the NCPI) computation indicates that in rural areas the average household per capita monetary consumption fell slightly and in urban areas it increased by 67.3%.

As noted by Gibbon and Raikes (1995), the authors could not determine what had happened to the households that remained in the poor category during the period. Ferreira (1993), meanwhile, compared the same 1991 data with that from Bevan et al. (1983) and used a GNP deflator to show that the number of poor households declined from 65% to 51% during the 1983–1991 period. Over the same period, the number of people with income above the poverty line rose from 5.7 million to 9.5 million. Since 1983, rural incomes have also increased substantially, at a rate of 14.6% yearly. People who were poor in 1991 had an average per capita income greater than that of the poor in 1983. Nevertheless, despite poverty levels falling with economic growth, the impact of economic growth on total poverty varies widely with location.

Female headed households are also of interest in the analysis of poverty in that they might have a bearing on the differential impact of economic reforms on poverty reduction. It is important to note some observations on this. Ferreira (1993) points out that female headed households are disproportionately poor. While this remains to be a general observation, the World Bank (1993) study on the poverty profile in Tanzania indicated that female headed households are not necessarily too poor in Tanzania. There are few such headships in Tanzania—according to the HBS of 1994 they constituted about 15% of all households in 1991, compared with 11% in 1976. As shown in Table 7 female headed households constitute 11.2% of all very poor households, 9.5% of all poor households and 10.3% of the non-poor households.

Female headed households are more likely to be found in urban areas than in rural areas. In the urban areas the proportion of non-poor female headed households is 14.5% in Dar es Salaam and 24.1% in urban non-Dar es Salaam. The relatively higher share of female headed households among non-poor urban households may reflect the fact that in urban areas some females are household heads by their own choice and this choice is likely to be made when they are not poor. One of the implications of female headship for welfare is that women in their households have more autonomy in decision making. The 1993 HRDS survey indicated that female headed households worked more hours on productive activities.

The per capita GDP figures by region, obtained from the National Accounts of Tanzania during 1976–1992 as compiled and published by the Central Bureau of Statistics, show that regions like Iringa, Dar es Salaam, Ruvuma, Tabora and Arusha, which have high per capita GDP in absolute terms, have also experienced high growth rates in current prices. If, however, the per capita GDP figures are converted into constant values (1985=100), some of the regions that had very positive growth rates, like Dar es Salaam, end up with negative growth rates. This suggests that relative price changes have affected different regions in different ways and to varying degrees of intensity.

Although inter-regional differences are important, intra-regional differences also matter. There seems to be no agreement as to whether intra- or inter-regional differences are more dominant, however. Some researchers have suggested that intra-village differences account for the bulk of inequalities (e.g., Collier et al., 1986), but others have found that inequality is primarily inter-regional (e.g., Tinios, 1993).

All those working from the ERB/Cornell study also note an apparent increase in differentiation in rural areas to varying degrees. At least two sources, Ferreira and the Presidential Commission of Inquiry into Land Matters, noted a polarization in land ownership. The Land Commission found evidence of very extensive commercialization of land (farm, range and peri-urban) following liberalization policies. This has resulted in some degree of land alienation in Morogoro, Arusha, Tanga, Coast, Lindi, Mtwara, Kilimanjaro and Dar es Salaam regions, often to small numbers of highly-placed officials. At the village level income inequality has been associated with land ownership,⁶ cattle ownership, use of hired rather than family labour, technology used (e.g., hoe, plough or tractor), marketing opportunities and off-farm income-generating opportunities.

⁶In particular, with good quality arable land, which is highly variable in the face of population growth and environmental degradation.

Social Services

Tanzania has put high priority on the development of the social sectors to meet basic needs of people. The speed of progress made in the provision of basic social services in the 1960s and 1970s came under stress by the end of the 1970s. The capacity of the economy to support the delivery of these services was strained to the extent of threatening reversal of some of the achievements that had been made. In spite of the setback arising from deterioration of the economy, however, the provision of basic social services is quite considerable given the low level of development of Tanzania. Nevertheless, in addition to difference in income and expenditure the poor have more limited access to education, health, water and sanitation (World Bank, 1993).

For the more basic services (e.g., primary education and health care), higher subsidy from the government is anticipated although cost sharing has been introduced to complement government efforts. The user charges for the more basic services are supposed to be applied to those who can afford to pay without denying access to those who are unable to pay. In practice, however, implementation difficulties have sometimes failed to guarantee access by those who are too poor to pay.

Tanzania puts a high priority of the development of the social sectors to meet basic needs. The share of public expenditure on social services has remained quite stable over time. This suggests that the expenditure effects of policy changes on social services are temporary.

The issue of allocation of resources to the provision of social services has been addressed by several authors. Some have suggested that government expenditure on social services has been reduced, while others state the contrary. Those who have argued that the share of expenditure on basic social services declined have used data on central government expenditure only at the exclusion of local government expenditures. A more comprehensive analysis of both central and local government expenditures has shown that over time the share of public expenditure on basic social services has remained quite stable (Semboja, 1995). The study examined social services financing (by central and local government) and delivery, and suggests that over the past two decades the government has had a "normal" pattern of expenditure on social services, determined mainly by economic performance, government's ability to mobilize domestic resources and the size of government (Semboja, 1995). This suggests that the expenditure effects of policy changes on social services are temporary.

Education

The regional profiles from the 1988 population census show that the level of literacy is higher in urban areas than in rural areas and that males in both rural and urban areas are more

literate than females, and urban males and females are more literate than their counterparts in rural areas. In urban areas the literacy level in males and females is not different, though perhaps the quality of education is different. In rural areas males are more literate than females.

According to a more recent sample survey the literacy rate was found to be 68% on average (World Bank, 1993). Among the poor and the very poor the literacy rate was lower at 41% and 43.5%, respectively. The percentage of illiteracy is higher among the very poor (43.5%) than among the poor (38.1%) and the non-poor (18%). These rates are worse in rural areas at 46.4%, 39.3% and 20.6%, respectively (Tinios et al., 1993). The head of household in very poor groups has fewer years of schooling (2.51) compared with 3.01 for the poor and 5.37 for non-poor households (Cooksey, 1994). In general, the poor had a lower stock of human capital.

Official policy on access to primary education is that of universal primary education for all schoolage children. In practice, however, enrolment declined from 90% in the 1980s to 70% in 1994 (URT, 1995c). It was suggested in the same report that the quality of education also declined and this decline may have contributed to increasing drop-outs as children lost interest. It is also likely that the increasing demand for children's labour in hard-hit families may have contributed to the decline in the enrolment ratios.

In the case of public primary school enrolment for 1991, there seems to be a one-to-one ratio between boys and girls across regions. However, girls tend to lose ground at successively higher levels. The male-female gap at higher levels is greater in the science subjects and science-based professions. Such a drop is cause for alarm, especially with regard to skills and knowledge development.

The pattern of government expenditure on education has remained broadly constant, with primary, secondary, and university and other tertiary education accounting for about 50%, 13% and 19% of expenditure, respectively. Teacher remuneration accounts for 81% and O&M and materials together account for only 5% of the primary recurrent budget, indicating no significant improvement in educational facilities under adjustment. The problem of falling real wages has not spared the social sectors. According to a 1991 World Bank study, at least three quarters of all teachers had other occupations. In addition, teachers regularly undertake private paid tuition. Fees were introduced for public sector schools in the 1984/85 budget and today stand at Tsh200/pupil/year for primary school and Tsh2,500/pupil/year for secondary schools. These are very low, but they are only a small part of what parents have to pay in practice (e.g., for uniforms, books, stationery, desks and other school facilities).

Health

The adjustment period has seen a considerable rise in the importance of non-government providers of hospital facilities, health centres and dispensaries in 1990, to the tune of 44%, 96% and 74%, respectively (Gibbon and Raikes, 1995). More recent work in 1993 in nine regions gives proportions of 57%, 76% and 63%, respectively, and reports major growth in non-government provision (NGO and commercial) in Dar es Salaam (Kiondo, 1995). Official figures meanwhile also show an increase in government-provided medical facilities during the adjustment period. The number of health centres rose from 183 in 1979 to 267 in 1992,

while that of dispensaries rose from 2,282 to 2,392 over the same period. Mortality rates per 1,000 decreased from 137 in 1978 to 115 in 1988 and further to 99 in 1991–1992, while the mortality rate for children under five (U5MR) declined from 231 in 1978 to 177 in 1988 and further to 154 in 1991–1992 (Cooksey, 1994).

Some differences exist in the distribution of health facilities in the country by regions. Some regions, such as Tanga, Morogoro, Iringa, Kilimanjaro, Arusha, Mwanza, Kagera and Dar es Salaam, have more than ten health centres each. But the number of people served per health centre in some of the regions with fewer than ten health centres (Lindi, Coast and Ruvuma) is lower. Nonetheless, people in the regions with mostly rural population might still have to walk long distances to the nearest hospital. Over 82% of the rural population stay more than 6km from the nearest hospital, and almost 50% are over 4km from the nearest health centre. Shortages of drugs and other essential supplies oblige some people to cover even longer distances in search of better medical services.

A central problem of health provision in Tanzania is the inadequate quality of the services, caused by shortages of qualified staff at all levels, run-down facilities and inadequate supply of drugs and other medical necessities. Gibbon and Raikes (1995) have cited Munishi (1995) for detailing the sorry state of the public health sector in Kagera region, the epicentre of the AIDS epidemic in Tanzania, where only 12% of rural dispensaries surveyed were headed as recommended by a rural medical aide and only 32% had an employee qualified to use a microscope. Only 20% of total diagnostic instruments at all dispensaries surveyed were in working order.

Water and Sanitation

As far as sanitation is concerned, the reality is that the lack of financial resources has had a very negative impact on urban sanitation in Tanzania. For example, in 1985 and 1986 Dar es Salaam city generated 1,200 tons of solid waste daily but had the capacity to collect only 10% of the garbage. In order to be able to remove all waste water, the city needed 150 cesspit emptiers during this period. However, until March 1988, the city had a total of only 23 cesspit emptiers. The continuation of squeezed budgets means that city and town councils are unable to maintain city cleanliness. SAPs have not helped the situation. Uncollected garbage is widespread in urban areas, and overflowing pit latrines are common features in squatter areas and/or settlements occupied by the poor. This kind of situation is making the urban environment an unsafe place for good health. The situation has worsened as these are the same areas where informal economic activities have been concentrated in recent years. The deteriorated capacity of the state institutions at the level of local administration and community based organization in the cities, especially Dar es Salaam, aggravates the situation even further.

Economic Sectors in which the Poor Are Active

Households in Tanzania derive their livelihood mainly from self-employment in farm and non-farm activities. In 1991 there were 8.4 million self-employed people (of whom 7.7 million were in rural areas) and 1.3 million people in wage employment (of whom 0.8 million were employed in the formal sector) as shown in Table 9.

Among rural households 54% derive their incomes from agricultural activities, 20% from non-agricultural activities, 8% from wage employment and 18% from other sources (URT, 1995c). About 28% of urban households earn their incomes from agricultural activities, 28% from self-employment in non-agricultural activities, 18% from wage employment, 2% from rent and 26% from other sources (URT, 1995c).

Table 9. Types of employment in Tanzania (1978–1991)

	Employment in millions		
	1978	1988	1991
Wage employment	0.8	1.1	1.3
Formal urban	0.3	0.5	0.6
Informal urban	0.1	0.2	0.2
Formal rural	0.2	0.2	0.2
Informal rural	0.2	0.2	0.2
Self-employed	6.9	8.6	8.4
Urban	0.5	0.8	0.7
Rural	6.4	7.8	7.7

Source: Population Census 1978 & 1988; Labour Force Survey 1990/91 (Adapted from Bol, 1995).

On average, 55.2% of incomes are earned in agriculture, the bulk of which comes from crop production (about 90%). Business income accounts for 34.7%, while wage labour accounts for 7.8%. For the poor and the very poor, agricultural income accounts for 71.6% and 74.4% of their average total income, respectively, while the better-off earn 37.3% of their income from business the poor and the very poor earn only 14.3% and 12.4% of their incomes from business activities. Urban incomes are largely derived from business (83.2% in Dar es Salaam and 47.5% in other urban centres), followed by income from wage employment (13.5% in Dar es Salaam and 18.4% in other urban centres). As expected, 92.5% of rural income originates from agriculture, of which 90.3% comes from crop production (World Bank, 1993).

As to where the poor are active, the World Bank study found that 83% are primarily engaged in agriculture, and of these households 59% are poor. In the urban areas, 34% of all the households who describe themselves as self-employed are poor.

The importance of agricultural activities among sources of income for urban households is a phenomenon of the 1980s. It has come about as one survival strategy to cope with falling real wages and the slow expansion of formal employment. Within wage employment in the 1980s the importance of public sector wage employment in total wage employment has declined while employment in the private sector and in the informal sectors has increased. The shift of the importance of these sources of employment is largely an outcome of economic reforms as indicated in Chapter 3.

The 1991 national informal sector survey (NISS) revealed that there were 1,801,543 informal enterprises employing a total of 2,369,380 persons (about 20% of the total labour force) (URT, 1993b). The informal sector provides employment to about 34% of the urban labour force and 12% of the rural labour force (URT, 1993b). Out of the total establishments, 1,154,136 (about 64%) were located in rural areas where they employed 1,419,277 persons (about 60% of informal sector employees). The survey also showed that about 65% of the total informal employment was male and 35% female. The extent of full-time engagement is rather limited in that about 53% derive their main employment from informal sector employment. In the urban areas informal sector employment is a main source of employment for 81.2% of all those who are employed in this sector (URT, 1993b).

The bulk of informal sector employment consists of people who have been deprived of their first choice of employment, such as migrants from rural areas who fail to find jobs in urban centres. Others are persons whose level of formal education and formal training is too low to help them secure employment in the formal sector; disadvantaged groups such as women, the landless, children; formal sector employees forced to operate informal activities in order to supplement their formal incomes; retrenched public servants; or those dismissed from private sector employment. Informal sector employment is found mainly in trade, restaurants and hotels (51.2%), and manufacturing (22%), as shown in Table 10.

Table 10. Employment categories in the informal sector

Industry group	Dar es Salaam	Other urban	Rural	Total	% total employment
Ag & fishing	21,835	104,490	110,052	26,377	9.9
Mining & quarry	0	17,400	4,321	21,721	0.9
Manufacture	44,219	77,529	40,450	526,249	22.2
Construction	22,327	28,785	112,326	163,438	6.8
Trade/restaurant/hotel	203,200	359,325	652,275	1,213,700	51.2
Trans & communication	4,419	7,758	65,893	78,070	3.2
Personal services	19,958	38,858	71,009	129,825	5.4
Total	315,958	634,145	1,420,377	2,370,480	100*

* Rounded up.

Source: Extracted from National Informal Sector Survey, 1991; percentage column added by Bol (1995).

Informal sector employment of this type can be regarded as a survival strategy to cope with failures elsewhere. However, recently there has been a tendency for even highly skilled and educated persons to quit formal sector jobs and start informal business that offers relative independence or better remuneration (Bagachwa, 1995b, citing Tripp, 1988, and ILO, 1991).

During the economic reform period the volume of informal sector activities has grown. For example, a 1989 survey by the Bureau of Statistics revealed that in Dar es Salaam city, the

number of micro enterprises was at least three times the level of the mid 1980s. Evidence gathered by the World Bank during its 1990 survey of 20 informal sector establishments in Dar es Salaam showed that these micro enterprises had on average doubled their employment levels between 1984 and 1990 (Bagachwa, 1995b). The number of licenses issued to establishments in the informal sector had doubled since 1986. Results from the 1990/1991 informal sector surveys showed that most firms were young, having been established only recently.

A provisional report of the World Bank study on enterprise development has suggested that there is more potential growth among small firms than among their large rivals (CIBR, 1994). Employment growth is reported to be inversely related to firm size (Parker et al. (1995). Some small and micro enterprises were found to have taken advantage of aspects of economic reform: better access to inputs following removal of import controls and liberalization of trade; devaluation, which favours users of local inputs; and reduction of state monopolies and price decontrol, which improves access to resources and markets (Parker et al., 1995). Other small enterprises, however, were constrained by some aspects of economic reform policies. For example, competition from imports and overcrowding in informal sector activities intensified while access to financing and inputs became more difficult largely on grounds of higher cost.

Private activities in trade were restricted by confinement and other policies in much of the 1970s and early 1980s. The shortage of incentive and investment goods inhibited an increase in agricultural output. A survey of 12 villages in 1992 (Booth et al., 1993) suggested that the types of retail trade that expanded fastest in rural areas have been in second-hand clothing, bicycles and ploughs. In addition, liberalization has been associated with the improved availability of consumer goods and other incentive goods, which has been beneficial to some vulnerable groups in the villages (Booth et al., 1993).

According to Bryceson (1993), a 1971 NUMEIST survey had shown that street trading stood out as an occupational category most closely resembling a marginal economic activity. It was largely composed of less educated and young people with low earnings. These people engaged in the activity for a relatively short period while looking for another job. By 1988 this occupation was less marginal and the traders showed greater commitment, specialization and competitiveness. In general, however, this occupation was found to be associated with a low degree of trader capitalization. The dismantling of restrictions on grain trade has given rise to a thriving open market trade (dominated by small traders) whose volume increased sevenfold between 1981 and 1988 (Gordon, 1989).

The rapid growth of Tanzania's informal sector in recent years can be explained by the erosion and compression of formal wages and salaries, the stagnation in formal wage employment, and the changing attitude of the government towards informal sector development resulting in loosened constraints to the development of this sector.

The labour force survey indicated that the majority of those whose main activities are in the informal sector tend to be young and to have no previous experience. Older people tend to be engaged in the informal sector as a secondary activity. This suggests that the older people resort to informal sector activities as a way of supplementing household income and preparing for retirement (URT, 1993b).

The changing survival strategies of wage and salary earners also marks changing characteristics of the informal sector. These wage and salary earners have become the new poor. In response to their new "status" they have devised coping mechanisms including invading the informal sector. Many people working physically in the informal sector are employees rather than owners of the enterprises. Some of their employers are the salary and wage earners in the formal sector. Some of the poor in the rural and urban areas may have survived the crisis because of the high share of own consumption in their total income and because many of them had been operating in parallel markets in the pre-adjustment period. Without understanding these dynamics of the informal sector, policies aimed at supporting the sector may end up supporting some unintended social groups.

While some people have designed legal and socially approved ways of generating extra income, others have resorted to illegal or illegitimate means of supplementing their incomes. For example, it is widely believed that the prevalence of corruption and drug trafficking has increased.

There is a large overlap between poverty and small-scale employment. Many of the goods produced in the small-scale sector are consumed by the poor. The informal sector comprises a variety of heterogeneous groups who are self-employed on a regular basis in small-scale, labour-intensive activities. The challenge to policy makers is to make small-scale enterprises complementary to large firms.

Women are an important element of the informal sector, and it is generally accepted that women are a disadvantaged group in Tanzanian society. They are less educated. They work for longer hours than men, i.e., caring for children, fetching water, collecting firewood, undertaking farming activities. They have little access to family wealth and little say in household decision making. According to the labour force survey of 1991, female labour force participation is 82% for non-educated, 85% for primary school leavers, and 67% for secondary education and above. In the urban areas, these rates are 67%, 72% and 64% compared with 83%, 89% and 74% in rural areas, respectively (URT, 1993a).

Another vulnerable group is the rank and file of unskilled, underemployed and unemployed youths. This is a serious and growing social problem in Tanzanian society considering that the formal sector employs 1 million people out of a labour force of about 12 million. To make it worse, the number of new jobs created has dwindled from 30,000 per annum in the mid 1980s to only 10,000 in the 1990s. This compares unfavourably with 450,000 new entrants into the labour market every year.⁷ The government has allocated some funds for programmes supporting employment creation for the youth and entrepreneurs in the informal sector, but only half of those resources were actually released (URT, 1995b).

Wages and salaries in formal and informal sector employment are not sufficient to cover the necessities of life. A recent estimate by the labour union, OTTU, has suggested that the minimum wage should be Tsh84,000 to correspond to a living wage. This is in big contrast to the actual minimum wage of Tsh10,000 per month, which was revised upward to Tsh17,500 in July 1995. The minimum wage in 1976 prices declined from Tsh236 per month

⁷Some estimates of new entrants to the labour force are as high as 600,000 per annum (World Bank, 1995).

in 1985/86 to a low of Tsh158 per month in 1988/89. With the upward revision in 1992/93 it recovered to Tsh219 per month, but declined again to Tsh180 in 1993/94. The revisions of the minimum wage in 1994/95 and 1995/96 raised it again to Tsh282 and Tsh391, respectively, as shown in Table 11. However, it is evident that incomes have not kept pace with the rising cost of living.

Table 11. Minimum and top salaries of the public sector (1984/85–1995/1996)

Year	Minimum wages (Tsh/month)		Top salaries Tsh/month	
	Nominal	Real at 1976 constant prices	Nominal	Real at 1976 constant prices
1984/85	810	238	N/A	N/A
1985/86	1,050	236	N/A	N/A
1986/87	1,200	223	N/A	N/A
1987/88	1,370	180	8,165	1,074
1988/89	1,645	158	8,980	865
1989/90	2,075	176	18,535	1,574
1990/91	2,500	182	22,930	1,670
1991/92	3,500	189	26,370	1,423
1992/93	5,000	219	26,370	1,157
1993/94	5,000	180	30,325	1,091
1994/95	10,000	282	NA	NA
1995/96	17,500	391	NA	NA

Source: Civil Service Department (CSD).

Wage employment is apparently retained not so much for the value of wage incomes but for the regularity of pay and for the usefulness of the workplace as a source of other benefits (allowance and fringe benefits, employer property and contacts for other economic projects). This suggests that the improvement in urban living standards reported by various household budget surveys is likely to be explained by greater involvement of household members in other “business”, largely in the informal sector.

Various activities help bridge the gap between income and expenditure. According to studies carried out in 1988 and 1992, respondents indicated their sources of extra income as informal sector operations and urban farming. The response in urban areas is summarized in Table 12.

A study of small-scale economic activities of the poor in Moshi municipality made a distinction between registered and unregistered business activities in which the poor are active (Chambo, 1994). First, there are the units that are licensed and able to pay tax annually, though with difficulty. These activities are largely found in trade (retailing), food centres and tailoring. Second is a more general group described as doing business activities that are not captured by the tax net. They are not registered and yet this is where most of the poor are

very active. The activities include fishing, paddy and maize retail, and agricultural activities producing all kinds of crops that can be accepted by the market.

Table 12. Income-generating activity in urban areas (1988–1992)

No	Type of income-generating activity	1988	1992
1.	Informal sector operations	87	100
2.	Small-scale urban farming	85	93
3.	Poultry keeping	17	3
4.	Dairy cattle keeping	10	4
5.	Others	7	12
No. of respondents 1988: 280; 1992: 428			

Source: Lugalla (1995a).

The study analysed both licensed and non-licensed economic activities and observed the following general features of economic activities where the poor are engaged:

- The poor are active in trade, industrial and agricultural sectors.
- They invest in activities that have shorter pay-back periods because they cannot afford the risk and generally lack the capital for longer gestation periods.
- More than 80% of production and trade activities performed by the poor are consumer related. The reason for this was that such activities would meet subsistence needs of the owners.

A close observation of economic activities performed by the poor in Dar es Salaam, Moshi and Shirimungani revealed substantial differences in the range and type of activities, initial capital requirements and donor involvement.

The range of activities in which the poor are active was found to be much wider in urban areas than in rural areas. Dar es Salaam women's groups take up a wider range of activities such as retail shops, groceries, food centres, gardening and poultry. In Moshi, the poor are engaged in a lesser range of activities though they replicate those found in Dar es Salaam. Business units in Dar es Salaam are more stable than those in Moshi. The difference in quantum and mobility is indicative of market stability in Dar es Salaam as opposed to more fragile markets in the regions.

The range of economic activities in the rural areas is more limited. The crop variety is strained by acute land shortage in Shirimungani where poor family landholding is 0.5 hectare, usually intercropped with coffee, bananas and vegetables (Chambo, 1994). Maize cultivation would usually claim more land outside the coffee and banana plots. Pressure on labour, limited land and other productive assets leaves the poor in rural areas with very limited options for investment and economic survival.

Off-farm income generating through trade, casual employment and mining reflect more locational advantages than land resources as would be expected of agriculture-based recovery. As in many other Kilimanjaro villages, poor farmers in Shirimunguni are engaged in agriculture and agro-related off-farm activities (Kibwana, 1994). Coffee, bananas, vegetables, maize and paddy are common crops in Shirimunguni. Off-farm activities include livestock zero-grazing, poultry and retail kiosks.

Average initial capital investment for household economic activities in Dar es Salaam ranges from Tsh5,000 to Tsh150,000. In Moshi it ranges from Tsh500 to Tsh50,000. The difference shows how a more competitive market calls for relatively higher levels of investment. On the other hand, the low level of capital investment requirement in Moshi indicates greater ease of entry into economic activities than in Dar es Salaam.

Targeting and Some Direct Interventions to Alleviate Poverty

Targeting implies concentration of resources on the most needy. This could take two forms: reallocation of existing social expenditure to increase efficiency and equity (e.g., shifting education funds from higher education to primary education) or supplementary programmes designed specifically to reach the target group.

Notable efforts by government to promote employment in the informal sector and activities dominated by vulnerable groups in society are: establishment of SIDO for the promotion of small industries (1973); the Human Resources Deployment Act (1983); National Entrepreneurs Development Fund (1993); Presidential Trust Fund; Tanzania Development and Employment Fund; Community Development Trust Fund.

The Human Resources Deployment Act required that every able bodied person must work but did not put in place mechanisms and supportive policies to facilitate its implementation. It interpreted work very narrowly to mean farming whereby the urban unemployed were repatriated to rural areas presumably to engage in farming activities. It did not articulate ways of developing small enterprise activities in urban areas themselves. The recent draft Government Policy Paper on Micro Enterprise and Informal Sector Promotion (April 1995) is intended to improve the policy environment in which this sector operates and explicitly to promote the sector.

During the period of economic reforms, the most comprehensive initiative directed at poverty is the social dimensions of adjustment (SDA) programme. Initially the SDA was supposed to enhance the government's capacity to formulate and implement policies that could mitigate the adverse effects of the economic recovery programme. Lately the programme has been redefined and reoriented to deal with poverty more comprehensively.

The SDA programme has four major components:

- ***Socio-economic planning capacity building programme (SPCB)***: This component intends to upgrade the ability of central and local governments and other development agencies, including NGOs, in both Tanzania mainland and Zanzibar, to begin social planning and poverty alleviation policy measures and action programmes; and routinely integrate them

into the socio-economic policy framework of the country. SPCB focuses on institution building through short courses, training seminars, workshops, fellowships and study tours.

- **Data production programme (DPP):** This component endeavours to assist the statistical agencies in both Tanzania mainland and Zanzibar to produce statistics required in monitoring changes in the welfare situation of the people.
- **Research and policy studies programme (RPSP):** The objective of this component derives directly from the core problem of the SDA project, which is to integrate social concerns into the design and implementation of macroeconomic and sectoral policies. It carries out studies of the socio-economic situation to provide a foundation for rapid policy responses to changing economic circumstances. It is therefore expected to enhance the ability of planners to advise policy makers.
- **Social action programme (SAP):** This component provides technical support for project design and addresses the most urgent social problems arising from or exacerbated by the adjustment process.

The SPCB was the first component to be funded. The major preoccupation of the project under this component has been training for capacity building in the Planning Commission, planning units of the key line ministries, regional and district administrations, managers and administrators, and field level workers of NGOs and CBOs. Capacity building for social planning under the SDA programme is also directed to local training institutions. Among other things, the SDA training programme comprises a staff development programme and a programme to strengthen the management and administration of NGOs and CBOs in the delivery of social services. These programmes are being executed through a series of training seminars, workshops, short courses and fellowships.

While the SDA programmes in other sub-Saharan African countries emphasize the social action programme component, the Tanzanian SDA programme has been biased towards socio-economic planning capacity building. The capacity-building approach was seen to be more sustainable because it addresses the root of the poverty alleviation initiative, i.e., an increased ability to formulate policies that address the welfare situation of the poor and vulnerable groups of the society.

The data production programme works to strengthen the capacity of the Bureau of Statistics to generate poverty related socio-economic data. Indeed this capacity has been enhanced appreciably as shown in a recent SIDA evaluation (Bigsten et al., 1994). The design of household surveys and collection of other data has been oriented towards poverty concerns. The reorientation of statistics to reflect poverty concerns is a useful tool for designing policies to deal with poverty.

The SDA component on research and policy studies has been implemented and many studies on poverty have been produced. Some of these research outputs have been presented in several conferences and workshops. However, a major weakness is the failure to use the results of research to formulate policies that integrate poverty concerns in development. This suggests that the link between research studies and the policy-making process has not been established.

Other initiatives intend to address the poverty problem in Tanzania by targeting the poor more directly. The Ministry of Community Development, Women's Affairs and Children has started a number of women's empowerment projects: Tanga Credit Scheme; Women's Development Fund; Promotion of Rural Initiatives and Development Enterprises, Ltd. (PRIDE); Training Fund for Tanzanian Women; Water, Health and Sanitation (HESAWA); Safe Motherhood; and the National Income Generation Programme (NIGP). These projects and others are summarized in Table 13.

Table 13. Poverty Alleviation Projects

Project name	Beneficiaries	Donor Funding	Executing Agencies	Remarks
1. National Enterprises Development Fund	Small entrepreneurs/ training	Treasury provided seed capital	SIDO	Passed by Parliament in 1993/94; funding started in 1994/95
2. Women's Empowerment Projects:				
Tanga Credit Scheme	Groups of women in Tanga	Denmark & UNIFEM	District Committees	Initiated by the Min. of Community Dev.
Women's Development Fund	Groups of at least 5 women; covers the following regions: Lindi, Kilgoma, Tabora, Dodoma, DSM, Pwani, Arusha	Treasury provided seed capital	District Committees	Before collecting funds, women undergo training
Training Fund for Tanzanian Women	Scholarships for short- and medium-term training of women	Canada	Min. of Community Dev, Women's Affairs and Children	Candidates must come from women's groups
Health, Sanitation and Water	Women in Mara, Mwanza and Shinyanga		Business Care Services (private)	HESAWA concept is being repeated in Lindi, Mtwara and Iringa
3. Small-scale industries	Small-scale manufacturing projects	Originally SIDA now SWEDCORP	SIDO	Bureaucratic and low loans recovery rate
4. Presidential Trust Fund (PTF)	Informal sector groups	General public	President's Office	Operate a Grameen type credit model; started in 1992
5. The Rural Youth Training and Employment Programme	Rural youths	ILO-RYTE	National Bank of Commerce (NBC)	Has made few loans and the loan recovery rate is very low

6. The Presidential Trust Fund for Self-reliance	Informal sector groups	General Public	President's Office	Started in 1989; high operating costs but low volume. Changed to Gra-meen in 1992
7. The Tanzania Youth Dev. and Employment Foundation	Informal sector groups	- Government - Dutch Embassy - USAID	NBC	Started in 1987. Recovery rate has improved from 60% to 100%.
8. Women's Economic Activities (WEA)	Women	UNICEF	NBC	
9. Rural Women's Increased Economic Participation (RWIEP)	Rural Women	Government and ILO	NBC	
10. Loan scheme for women	Women	DANIDA	NBC	
11. Women in development	Women	NBC	NBC	It has stopped.
12. ILO/AGIFUND	Youth/women in rural areas	ILO	CRBD	CRBD provides normal banking services
13. Australian Special Fund for Women in Development	Women micro entrepreneurs	Australia	CRBD	" "
14. UN/World Bank food programmes smallholder credit	Dairy farmers in rural areas	Un/World Bank	CRBD	" "
15. The Tanzania National Programme for Sustainable Income Generation (NIGP)	Informal and small business sectors in infrastructure agriculture and micro enterprises	UNDP and other donors	Private sector for management & implementation	A five-year programme; training is an important component
16. PRIDE. Ltd.	Informal sector micro enterprises (50% women)	NORAD & other donors	Private sector	Provides short-term mostly working capital loans
17. Skills training/loans for women and youth	Marginalized women/youth	World Vision, DANIDA, NORAD, PACWA.	Mission to the Needy	Started in 1988

Source: Data compiled from ESRF field work (1994).

Table 14 shows investment profiles for women's economic groups supported by DANIDA and UNICEF in Dar es Salaam (CEC, 1994). Three observations can be drawn from Table 14 on donor involvement and poverty alleviation: First, donors supported women's groups on the

assumption that women are a vulnerable group in society (Bagachwa, 1994). The assistance therefore was given to provide a cushion (Verhagen, 1987) against the high cost of capital. Second, the assistance was on the input side of economic activities. The output side was to be dealt with by the women themselves. Hence, at the level of the market, the women should compete and face the challenges of a liberalized competitive market. Third, it is clear from the table that activities appear randomly at each level of capital category and that there are many overlaps. This could indicate the informal nature of women's economic groups (Cooksey, 1994) in that they are not informed about market opportunities, or it could be a result of the imposition of donor priorities during project identification and selection.

Table 14. Investment profile of women's economic groups in Dar es Salaam

Initial capital investment	Type of economic activity
<10,000	N/A
10,000 – 50,000	Food service centres, retail food stores
50,000 – 100,000	Charcoal, restaurant, gardening
100,000 – 500,000	Grocery, food, tailoring, firewood
500,000 >	Grocery, retail shops, milling machines, local brewing

Source: Cooperative Education Centre WEG File 1994.

The most comprehensive of the projects targeting poverty is probably the National Income-Generating Programme (NIGP). Employment creation through the NIGP (targeting sectors with the highest potential for income generation) is carried out by using the private sector and NGOs for project formulation and implementation. In its first two-year phase it will be implemented as a pilot project, concentrating on only four locations, Arusha, Mwanza and Dar es Salaam regions and Zanzibar. In the second phase, to last for three years, implementation will be nationwide. A few projects have started implementation. The programme is nationally executed, with NIGP registered as an independent trust with a board of directors to oversee its management. The NIGP uses the private sector for project formulation and implementation. The day-to-day management of the programme is under the office of programme management (OPM) headed by an executive director. UNDP's assistance has been used to establish the OPM, which is now fully operational and fully staffed with national experts.

UNDP funding of the OPM will be for a period of two years; thereafter, the OPM will be expected to be self-financing through management fees charged on individual projects. The initial funding indicated for the projects is supposed to be seed money, able to attract other complementary funding from donors. The rationale for setting up the OPM and making it independent of government is that it will serve as a conduit for donor resources intended for the private sector.

The establishment of NIGP can be considered the most systematic response to the issue of financial sustainability, by specifically incorporating sustainability provisions in the design

of projects to be supported. However, some projects terminated in anticipation of their being included in NIGP, after having been transformed into NGOs, have so far failed to meet conditions for receiving assistance from NIGP. One indicator of the effectiveness of NIGP will be how well it can help these projects to be sustainable and how well it can transform itself from donor financing at the end of the programme period.

A number of projects implemented with vulnerable target populations, such as micro entrepreneurs, apprentices and people with disabilities, later became non-government organizations. At the same level the country programme, among other things, fostered support structures for the provision of training and skills for private sector entrepreneurs and managers; strengthened rural entrepreneurship through credit and management training; and enhanced labour force capacity in specific sectors such as tourism and hotel management.

In many of the projects that target the poor there seems to be a problem of sustainability. Sustainability was not in-built in the projects (right from the preparation stage—a factor that would have helped in designing less costly projects). Many of the projects have become donor driven. The government, on the other hand, accepted projects without ensuring budgetary allocations for their sustainability. It is for this reason that a number of projects that were transformed into NGOs in order to be part of NIGP have failed to meet the conditions for receiving NIGP assistance.

Employment creation projects have had an impact on institutions involved in the programmes (government departments, training institutions and financial institutions) and beneficiaries (direct and indirect) in the pilot areas. It is difficult to ascertain the number of people who have benefitted from the programmes, although the number of beneficiaries is certainly small relative to the problem. The pilot phase of the projects/programmes was used to develop the methodologies used, with the objective of replicating the projects.

Donor financed programmes have reinforced the international and government institutions that conduct research on labour market structures and processes to generate awareness about conditions that hinder or promote employment creation. In addition, some of these programmes intend to strengthen the representative capacity of professional organizations in the private sector (such as the Tanzania Chamber of Commerce, Industry and Agriculture—TCCIA—and the Tanzania Exporters Association—TANEXA) to stimulate their participation in the policy dialogue. It is hoped that support to private sector associations such as TCCIA and TANEXA will enhance the capacity of the private sector to affect policy and create employment.

Overall, however, the donor support to government in the form of poverty retreats and formulation of national poverty alleviation programmes has brought a new impetus to the government and donor community to place poverty alleviation high on the development agenda. For example, in his speech at a seminar for Tanzanian women leaders preparing for the Fourth UN World Conference on Women scheduled for Beijing, the President of Tanzania reiterated the government's commitment to fight poverty. He also said Tanzania is committed to the implementation of the Copenhagen Declaration on poverty reduction (*Daily News*, 17 July 1995). The President has directed all government functionaries down to district levels to prepare strategies to reduce poverty. He added that the focus of efforts at all levels must be to increase household income, to expand access to basic social services and to take proper care of the environment (*Daily News*, 17 July 1995).

5. DIRECT AND INDIRECT IMPACT OF ECONOMIC REFORMS ON POVERTY ALLEVIATION

Poverty alleviation occurs when the poor, through their economic activities, enhance and stabilize their income through widening markets for their produce, diversification of output and increased efficiency so that there is a direct and indirect expansion of productive assets, and capital accumulation in general. The period of economic reforms has been associated with many developments to which individuals, households, families, firms and other actors have had to respond with various coping mechanisms. These developments and responses are examined in this section, which concludes with a discussion of some global perspectives on poverty.

Weakening of Family Ties

The crisis period has induced responses at various levels. Families have been weakened by the processes of fragmentation and have become more dispersed and heterogeneous. The capacity of extended families to function as social safety nets has been eroded. Changing personal and family relationships are a response to the social and economic changes that are taking place.

Female headed households are usually identified because of poverty concerns. In Tanzania the number of female headed households has increased from 11% in 1976/77 to 15% in 1991/92 (URT, 1994a). In recent years many women have entered the labour force. Women and children engage in various income-generating activities as one survival strategy for households. For households the process of intensification of labour has occurred while the function of the extended family as a social safety net has been eroded considerably. One implication of these developments is that there is need to design alternative social safety nets to assist vulnerable groups to cope with changing conditions in society.

Coping Mechanisms by Individuals and Households

While the debate continues about the need to design appropriate policies for poverty alleviation, some groups of the poor have been actively devising various survival strategies

and coping mechanisms. Others have been less successful in dealing with the situation. The challenge is whether government intervention can help to enhance and consolidate those strategies and mechanisms.

People have adopted several coping strategies, many of which were not anticipated at the time economic reforms were designed. Unable to survive on single incomes, individuals and households sought to diversify their income-generating activities. Moonlighting by public officials and setting up of informal activities by employees became common ways of supplementing the falling real salaries and wages. Those workers who lost their jobs or faced declines in real wages turned to the informal sector.

The identification of winners and losers in the adjustment process is complex. The flexibility and capacity of the private sector were over-estimated, and the reduced intervention by the state was not matched by responses from the private sector.

Increasing competition in the informal sector has reduced profit margins and induced further diversification into new activities. In some areas population pressure on the land and ecological degradation are pushing peasants into off-farm activities. Households straddle both formal and informal sectors and across sectors (e.g., trading, farming) in ways that were never experienced before. One effect of these coping mechanisms has been to blur the traditional rural-urban divide as both rural and urban populations engage in many of the same kinds of activities and produce similar kinds of goods and services. For example, vegetable production in the suburbs of urban centres has become an increasingly important source of secondary income for many urban dwellers.

The pursuit of multiple income-generating activities as coping mechanisms has several implications. First, these developments make it harder to identify the winners and losers in the adjustment process. Second, the character of the informal sector has changed, with control shifting in favour of middle and upper classes of participating public officials who have better access to capital, skills and political connections. Better access to these resources may put them in a better position to exploit new market opportunities. Third, the authority and effectiveness of some institutions have been weakened by the erosion of wages and salaries, as employees spend fewer hours on the job and are less enthusiastic about performing their official duties. Fourth, divisions and inequalities are opening up between and within various groups in society as some individuals exploit new opportunities in the market, in the weakened state apparatus, and in international connections and related networks. Such polarization is likely to make it more difficult to construct national institutions that command loyalty and support from all groups in society. Fifth, when resources are diverted from their original purpose, distortions may occur. For example, in recent years public servants have discovered that travelling and subsistence allowance is a useful source of income to offset eroding wages and salaries. Many public servants seek compensation by taking all available

opportunities for domestic and foreign travel to attend seminars or conferences (particularly if they are donor sponsored or related to donor funded projects) where per diem and other allowances are used to supplement falling incomes indirectly. It is quite possible that some of these travels are made at the expense of other demanding duties. The extent to which this accentuates distortions cannot be negligible and could hasten the degeneration of the capacity of the institutions in which these individuals are employed.

Erosion of the Capacity of Institutions

The economic reform policies assumed the existence of institutions sufficiently robust to administer the reforms and cushion their impacts. Institutions find it difficult to command the loyalty of workers when a large portion of their income derives from activities outside the institutions or outside the official remuneration derived from the institutions (e.g., when the bulk of incomes is derived from corrupt activities within the institutions).

The private sector was expected to take up some of the activities of the state institutions, but has so far not responded as readily as was anticipated. It is becoming apparent that the flexibility (ease with which the sector would respond to policy change) and capacity of the private sector were overestimated. The kind of private sector that prevailed in Tanzania in the era of public sector led development had special characteristics. It was a private sector that had largely survived by actively engaging in activities the state could not perform adequately, and it may have been effective in filling those gaps. However, the capabilities of such a private sector are not necessarily well suited to handling the new activities emerging as a result of reduced state activity. Indeed, in many cases the withdrawal or erosion of the capacity of the state were not matched by responses from the private sector, which tended to lag behind the fast retreating public sector in many activities.

Impact on Farmers' Incomes

The producers of export crops have fetched higher prices following a large devaluation of the Tanzanian shilling. For most of these crops the shilling price has increased, making the activities more profitable. Most of the export crops (except tea and sisal) are largely produced by small farmers. All of them engage in many labour-intensive activities. Favourable effects on export production are likely to have positive effects on incomes of the producers of these crops and on employment. However, it may also be pointed out that devaluation has raised the prices of imported inputs. To the extent that the import content of inputs is high, the increase in real incomes is likely to be dampened.

The removal of fertilizer subsidies had the effect of raising the price of fertilizers and therefore reducing profitability of the fertilizer-using agricultural activities. The largest share of fertilizer was used in the production of export crops such as tobacco and by medium- and large-scale growers of maize in the southern regions of Iringa, Mbeya and Ruvuma. For example, among the "big four" maize surplus regions, price escalation caused fertilizer sales to fall between 1987/88 and 1989/90 in Ruvuma and Rukwa, which are farther from the main deficit areas and hence more affected by high transport costs (Booth, 1991). In 1989, tractors, lorries, farm machinery and branded spare parts were becoming available on the open market,

but the commercial farmers and transporters with whom Booth spoke argued that increased availability of these items scarcely compensated for the steep rise in local currency operating costs (TADREG, 1991). However, it is more likely that the big users of fertilizers were among the richer farmers rather than among the poor in the rural areas.

Producer prices of export crops have fetched higher prices as a result of the devaluation of the shilling. Removal of fertilizer subsidies raised the price of fertilizers and reduced the profits of fertilizer-using agriculture. Liberalization has both increased real incomes from the sale of maize and rice and improved availability.

The removal of subsidies on maize meal is likely to have negatively affected urban consumers of maize, but two factors may have reduced that impact. First, the subsidized maize meal, which had also been price controlled, was sold at higher unofficial prices even before the subsidy was removed due to the ineffectiveness of price controls. Access to price controlled maize meal at NMC was increasingly easier for people with the right contacts—and these were not necessarily the poorest. Many purchases of maize meal were therefore made outside the price-controlled sales by NMC. A proportion of the poor were already purchasing some of their maize meal from the free market. To that extent the negative effect of the removal of the subsidy on maize meal was not as great as it would have been under an effective price control regime. Second, liberalization of the grain markets ended the monopoly of NMC and allowed competition among many suppliers of grain to the urban centres. This helped to prevent grain prices from rising following liberalization.

As for non-traditional crops, export prices have improved considerably, as has total production. Liberalization has both increased real incomes from sale of maize and rice and improved their availability. Rural and urban consumers alike have benefitted from increased consumption at relatively lower prices because of greater availability of consumer items (Bevan et al., 1989, 1990; Booth et al., 1993; Mans, 1994). The new export drive has been particularly successful in promoting non-traditional exports (NTE). The share of NTE in total exports earnings increased twofold between 1986 and 1989. After 1990 the increase in NTE lost steam, presumably a reflection of lack of institutional support and investments in export sector and related support activities.

Tight credit is a common phenomenon of financial sector reform, with the squeeze being tightest for parastatals and agricultural marketing cooperatives. Small rural farmers who depended on their cooperatives for credit are likely to have become worse off in terms of access to credit. The dismantling of grain trade restrictions has given room for open market trade in which small traders (in both urban and rural areas) have been active, especially in the assembling, wholesaling and milling of maize in urban centres. However, the lack of formal credit to cope with increasing activity in this area has led to the emergence of a new class of informal money-lenders who provide short-term financing for grain purchasing and

processing. The policy of extending banking services to remote rural areas has faced difficulties. In fact, there have been some reversals in implementation of this policy as the National Bank has closed some unprofitable branches in remote areas, while new banks have only been operative in Dar es Salaam. The government is now encouraging the establishment of urban and rural based savings and credit schemes among the poor, but implementation has not yielded any appreciable results.

The impact of monetary, credit and financial reforms on the informal sector does not seem to be directly positive. High interest rates have shifted the structure of credit in favour of speculative activities rather than production. Financial sector reform has focused on the survival of existing institutions and entry of new foreign banks with little attention to the promotion of formal and informal credit institutions that could allow the poor, who often lack collateral, to access credit. As shown in Table 15, many small enterprises find it harder to get credit. The credit squeeze in the formal financial markets has driven some borrowers to informal money markets. In response to this increased demand for informal credit, deposit mobilization in the informal financial markets has expanded faster than that in the formal financial system (Bagachwa, 1995a).

Table 15. Impact of ERP on informal sector access to resources and degree of competition (1986-1991)

	Easier to obtain		Harder to	Greater	Purchase of	Change in
	Imported inputs	Domestic inputs	get credit	competition	new equipment	product mix
Ag & mining	72	59	91	83	39	28
Mining & quarry	87	60	82	78	47	15
Manufacturing	82	71	89	87	66	54
Construction	65	63	76	62	32	20
Trade/restaurants/hotels	78	87	90	91	50	62
Transport	69	56	75	75	55	15
C&P services	81	75	80	69	60	25

Source: Bagachwa (1995b).

Grain market liberalization may have released prices of grains by ending the monopoly of NMC. This relief has particularly been felt by urban dwellers who are supplied readily by many traders in the free grain markets. However, because remote areas have been more difficult to reach by private traders, the prices offered in those areas have generally not improved. The positive effect of grain market liberalization seems to be in areas with good transport networks. One implication is that rural dwellers could be better off if transport networks were improved so as to facilitate the supply of marketing services. The economic reforms appear to have facilitated the de-agrarianization process in two ways. First, the relatively low but rising rural incomes constitute an essential incentive for raising non-agricultural production (i.e., through increased demand and hence expanded markets). Second,

the greater availability of raw materials and spares has supported expansion of non-farm rural activities. Anecdotal evidence shows a boom in such forward-linkage rural industries as grain mills, oil presses, coffee and cashew nut processing, and saw mills ((Bagachwa, 1995b).

Impact on Enterprises and Informal Sector Activities

The structural reforms implemented since the mid 1980s have shifted the emphasis from direct control and rationed access towards greater reliance on market allocation and enhancement of private sector development. This shift has reduced the earlier bias of resource allocation (foreign exchange and credit) in favour of large firms. Import liberalization, especially through own funds import, has resulted in improved supply of intermediate industrial inputs and spare parts, enabling a number of small firms to diversify their production. While economic reforms have assisted some small firms to recover from low levels of output they have penalized other activities. Over two-thirds of the firms that responded in a recent study referred to by Bagachwa (1995b) reported that it was easier to obtain imported inputs and over half found it easier to obtain domestic inputs during the period of economic reforms. In some cases, however, excessive competition among small firms has reduced profit margins and lowered their sales volumes as suggested by the information in Table 15.

The impact of economic reforms on output and employment has been mixed and differs by sub-sector, as shown in Table 16. Firms reporting increased output were in trade/restaurants/hotels (69%), community and personnel services (65%), and manufacturing (57%). Stagnation in output was reported to be highest in mining and quarrying (68%) and construction (57%). In all firms, the increase in employment lagged behind the increase in output, an indication of rising labour productivity most likely through higher rates of capacity utilization.

Table 16. Impact of ERP on employment and output in the informal sector 1986-1991 (% of enterprises)

	Change in output			Change in employment		
	Increase	No change	Decrease	Increase	No change	Decrease
Ag & mining	37	52	11	14	83	3
Mining & quarry	24	68	8	10	79	11
Manufacturing	57	13	30	22	18	18
Construction	33	59	8	30	42	28
Trade/restaurants/hotels	69	15	16	19	55	26
Transport	41	35	24	22	65	13
C&P services	65	21	14	17	68	15

Source: Bagachwa (1995b).

some small rural artisans, such as shoemakers, blacksmiths, cloth-makers (e.g., tie and dye activities), have been negatively affected by import liberalization from the output side and by devaluation from the input side. Their activities have been exposed to stiff competition from imports, while the shilling price of imported inputs has increased following devaluation. Considering that their products are largely consumed by low-income earners in rural areas, there are limits to which prices of their output could be raised without undermining sales. Some of them have had to close down, resulting in collapse of their incomes. The availability of cheap imported shoes has had a detrimental effect on the traditional leather and tyre sandal (*kubazi*) making industry, which thrived during the pre-import liberalization period. The lift on restrictions on imports of second-hand clothes has created expanded employment opportunities for small-scale retail traders, but at the same time diminished the work of tailors who make garments.

Some Global Perspectives on Poverty

World-wide transformations of recent years have been characterized by sometimes troubling trends that have shaped institutional change from the grassroots village to the "global village". At the international level, social institutions have been overtaken by transnational institutions and international financial institutions. At the national level many institutions have been eroded, and at local levels communities and families have been undermined by the imperatives of market forces and globalization (UNRISD, 1995).

The number and activities of transnational corporations have increased, as has the number of their home bases. One consequence of this increase has been the growing role of TNCs in exporting capital in the form of foreign direct investment. During the second half of the 1980s, foreign direct investment world-wide increased by 29% annually, nearly three times the growth of international trade. Further evidence suggests that alliances are prevalent in global oligopolies, serving as vehicles for transferring technology between firms, achieving economies of scale, building technical standards, and accessing markets, skills and resources (Yoffie, 1993). The international character of their operations makes it increasingly difficult to bring TNCs under the control of any single government. While countries like Tanzania have experienced increasing influence of conditionality from the international financial institutions, the TNCs enjoy freedom from any form of international regulation. In the Uruguay Round negotiations TNCs essentially eschewed any institutionalization of international regulations or code of conduct. The South Centre has rightly called for the creation of a global mechanism within the UN to deal with policy issues concerning transnational corporations (South Centre, 1995b).

On the socio-political front, the spread of liberal democracy favouring open expression has also led to new social divisions and loosening of controls that impede criminal activities. The dominance of market forces has facilitated gains in production efficiency while strengthening the already powerful and weakening the position of workers by failing to create ample employment opportunities and to arrest the decline in real wages. The integration of the global economy has unleashed fierce international competition, transforming production systems and labour markets with shifts from mass production systems to more flexible systems in ways that have weakened the potential of organized labour.

Furthermore, the media revolution and escalating consumerism are eroding national cultures and traditional values (UNRISD, 1995). National confidence has been sapped by the debt crisis, which subjects economic management to conditionalities of the IFIs and other sections of the donor community. To a considerable extent ownership of the development programmes that were adopted became questionable.

Globalization is making crime more transnational. The increasing incidence of drug trafficking is one such form of spreading criminal activity. Social corrosion that results from consumption of drugs is becoming a threat especially among the youth who perceive reduced chances of making a living through reliable employment opportunities.

The United Nations system should be reformed to allow for greater participation in the management of global economic affairs, and the structures of the Bretton Woods institutions should be made democratic.

At the global level there are some encouraging developments arising from the Copenhagen Declaration, which was adopted by the world leaders attending the 1995 UN Conference on Social Development—the Social Summit. The world leaders made commitments to eradicate poverty, promote full and productive employment, and foster social integration. For Africa and least developed countries in particular, the world leaders expressed commitment to accelerate economic, social and human resource development. They expressed commitment to ensure the inclusion of social development goals in economic reforms. The Summit also committed itself to improving and strengthening the framework for international, regional and sub-regional cooperation for social development, in a spirit of partnership, through the United Nations and other multilateral institutions (South Centre, 1995b). In this context, the call for reforming the United Nations system to allow for greater participation and greater cooperation in the management of world economic affairs deserves support (South Centre, 1995a). The South Centre has proposed that the UN play a central role, embracing the Bretton Woods institutions, whose decision-making structures must be made democratic and whose roles should be redefined.

6. CONCLUSIONS AND RECOMMENDATIONS

This study collected basic information on the status of poverty in Tanzania and surveyed the impact of economic reforms on poverty alleviation. It found that the extent of poverty is considerable. On the basis of a poverty line defined by calorie consumption, 44% of households are poor (consuming fewer than 1,900 calories per person per day), while 12% are severely undernourished. About 36% of Tanzanian households are categorized as very poor in that they cannot afford basic needs—essential food diet and necessary non-food items. Poverty is mainly a rural phenomenon, with 59% of the rural population categorized as poor, compared with 39% in urban areas other than Dar es Salaam and 9% in Dar es Salaam. Poverty is found to be related to household size and the dependency ratio.

We also surveyed the sectors where the poor are most active, and looked at the direct and indirect impact of the reform programmes on poverty alleviation. The direct impacts are associated with influences on the profitability of activities in which the poor operate, while indirect impacts relate to shifts by the poor into new activities in response to reform policies.

Market-friendly policies should be accompanied by people-friendly markets—participatory institutions, investment in social services and labour intensive technologies.

Our conclusion is that economic reforms have had both positive and negative impacts on poverty alleviation. The impact depends on where the poor are and the kinds of activities in which they are engaged. These have been changing, however, as different responses have been exhibited by different groups. The process of adjustment and responding to changing situations has itself been dynamic. In redressing the negative impacts we have called on the government and the population in general to work for an institutional framework that monitors and intervenes appropriately to maximize the gains of economic reform programmes and policies. (Refer to Appendix E for a summary of Tanzania's existing policies that relate to poverty issues.)

It is therefore pertinent to point out that any meaningful economic reform programmes and policies on poverty alleviation need to consider seriously conditions of ownership of productive assets and the socio-economic and institutional environment of the poor, in the economic sectors where they are most active. There is need to contribute to institutional capacity building. Market-friendly policies should be accompanied by people-friendly markets—for example, participatory institutions, investment in social services and labour intensive technologies. To fulfil this very broad social and economic goal we proffer the following 12-point agenda.

1. *Increase the number of jobs in the economy by ensuring that growth is labour-intensive.*

If the lesson of the 1970s is that sustainability of basic needs and other socio-economic objectives was limited by the neglect of macro structural adjustment considerations, then the lesson of economic reforms of the 1980s is that focus on the latter is equally perilous if it is not matched by a concern for basic needs and the plight of vulnerable groups in society. During the period of economic reforms the rate of growth increased. The resulting rise in the national income was distributed in ways that reduced poverty for some groups and worsened it for others. A number of sources in the literature have indicated that the higher growth of the economy reduced overall poverty and others suggest that poverty increased. On balance, it seems reasonable to suggest that poverty declined overall, but some of the poor emerged worse off while the rich got richer. The net effect was an increase in income inequality.

There is increasing evidence to indicate that while sustainable growth is necessary for elimination of poverty, some patterns of growth have greater impact on poverty alleviation than others. Economic growth is essential for poverty reduction to the extent it increases the number of jobs available in the economy and increases the size of the market for goods and services produced by the poor. A higher rate of growth (7%–10%) that is also labour intensive is more likely to achieve these objectives. Poverty reduction may be approached through stimulating labour intensive growth, investing in human capital and putting in place a system of safety nets for the poor.

2. *Restore and enhance social services.* Alleviation of poverty will also crucially depend on the government's ability to finance services for the poor, especially health, education and public infrastructure, which have an important effect on labour productivity, agricultural output and the adoption of new technology. Healthy and educated workers are more likely to engage successfully in high productivity activities and high income employment. Rapid restoration of quantity and quality of social services is an integral element of any employment strategy. This can be achieved by increasing health and education budgets and by shifting resources within each sector to increase the effectiveness of the resources (e.g., by favouring primary health care).

3. *Incorporate poverty research into the policy process.* When it became apparent that the first phase of economic reforms produced some adverse social consequences on some vulnerable groups, a special social dimensions of adjustment programme was introduced. The SDA programme tried to improve incomes of the poor separately rather than as part of the reform process. Participation of the poor has been limited and there are deficiencies in the

formulation and implementation of public policy. In addition, the different levels of efforts to alleviate poverty (local community, national and international) have not been coordinated to achieve complementarity. The SDA component on research and policy studies has been implemented and many studies on poverty have been produced, but the results of research have not yet been used to formulate policies that integrate poverty concerns into development priorities. This suggests that the link between research studies and the policy-making process has yet to be put into operation.

4. *Sustain programmes that support income-generation activities for the poor.* Targeting the poor has been implemented through donor supported projects. The efforts that have been made to articulate a comprehensive and coordinated income-generation policy are commendable and in the right direction. Employment creation through the NIGP (targeting sectors with the highest potential for income generation) is carried out by using the private sector and NGOs for project formulation and implementation. The initial funding indicated for the projects is supposed to be seed money to attract complementary funding from donors. The rationale for setting up the office of project management and making it independent from government is that it will serve as a conduit for donor resources intended for the private sector. The question remains as to whether the programme will be able to develop the capacity to be sustainable in the event that donor assistance ends. In order to ensure the sustainability of the programme, arrangements should be made to ensure that in addition to donor resources, the programme serves as a conduit for local resources (government, public institutions and other sources) intended for support for income-generating activities.

5. *Focus on the informal sector and on skill development opportunities.* The labour market is an important intermediating institution in the period of adjustment, but here the record of job creation has been poor. Economic reforms have been associated more with retrenchment of workers from the public sector and the declining import substituting industries. Employment creation in the formal sector has not grown enough to absorb those who are retrenched from the public sector—to say nothing of the 450,000 new entrants into the labour market every year. This situation breeds social tensions and plants seeds of social exclusion, ills that could break the social fabric. The need to create more job opportunities and generate more broad-based employment is a major challenge if poverty is to be reduced and social integration enhanced.

Real wages and salaries in the formal sector declined to low levels. In response, many public officials sought additional sources of income in order to survive. Under these conditions informal sector activities grew in importance and became one of the most dynamic parts of the economy, as formal sector activities went through difficult phases in the course of adjustment. Informal sector employment (self-employment and wage employment) has provided an important fall-back position for those who exit the formal sector or diversify their sources of income in response to declines in real wages.

The informal sector has played this important role in spite of public policy rather than facilitated by it. It is only recently that the government has begun to formulate policy for developing the informal sector, a policy that has yet to be finalized. What is not certain, however, is the extent to which the informal sector activities are dynamic and if the sector

is capable of transforming the economy. The challenge is whether government policy can enhance and consolidate the positive survival strategies many individuals and households have devised to cope with the crisis conditions.

In the process of diversifying income sources and increasing labour participation, the function of the extended family as a social safety net has been eroded considerably. This implies that there is need to design alternative social safety nets for vulnerable groups in order to help them cope with the changing conditions in society.

Human resource development is a priority area in Tanzania. National policies on skills and knowledge development and improvements in formal education have been formulated. A new education policy (1995) has been adopted by the government that stresses vocational and polytechnic training with gender equity in mind. Based on the new education policy, provision of education and training has been reformed to include broad participation by the government, the private sector, NGOs, religious institutions and individuals.

6. *Eliminate gender inequities.* Recognition of the importance of women in development is demonstrated by the establishment of a ministry responsible for the welfare of women and children. The position of government on women in development is presented in the National Women in Development Policy issued in March 1992. The policy gives direction to efforts by government, donors, NGOs and other actors in gender issues in the country. The policy clearly brought into focus the issues of women's heavy workload, labour productivity, health status, education and skill, and access to financial resources, as well as the need for mainstreaming gender issues into national plans and programmes. The main objective is to achieve women's economic, social and political empowerment.

7. *Establish an enabling policy environment for private sector development.* In order to create an enabling environment for future private sector led economic development, some critical issues regarding industrial and trade policies need to be addressed. However, this issue cuts across all sectors of the economy. The Planning Commission should work out the most appropriate institutional arrangements for facilitating private sector development. It is therefore recommended that the government continue to be given further support to refocus its policies in line with the new economic environment in which private sector development is given a new impetus.

8. *Get the most from the agricultural sector.* Given that poverty is primarily a rural phenomenon, one focus of an attack on poverty should be on increasing returns to agriculture and other supportive rural activities. These could include increasing agricultural prices, investing in rural primary and secondary education, improving extension work to increase productivity through the dissemination and adoption of new agricultural techniques, developing agricultural markets, and encouraging alternative employment opportunities.

Domestic crop prices could only be raised by market forces rather than government intervention following the market biased reform options in question. However, this fact bears the further implication that the efficient and desirable market operation to raise domestic crop

prices depends largely on the availability and reliability of efficient infrastructure and facilities. Thus, the government's role in this is rather indirect. There is great potential for improvements in agriculture in terms of farmers' diversification into more remunerative non-traditional produce like milk, simsim, pulses, beans, fruits and other horticultural crops, in all of which Tanzania has a comparative advantage. There is still a large and untapped potential for labour intensive, high productivity activities such as horticulture, forestry, dairying and rural services. Irrigation, especially for upgraded traditional and small-scale agriculture to the extent it is efficient, deserves greater attention. However, the institutional mechanisms to support the development of such activities must be put in place.

9. *Analyse and monitor poverty and income distribution trends.* One implication of the findings of this study is that poverty analysis should take into consideration the circumstances and conditions that bring about poverty in the first place. The state can play a key role in reducing poverty by supporting research activities in public and private institutions and in the NGO sector to generate information about causes, extent and severity of poverty and to provide an enabling environment for the poor to generate income or more generally to pursue their livelihood strategies successively. The Central Statistical Bureau should generate the necessary data for analysing and monitoring trends in poverty and income distribution on a continuous basis.

10. *Adopt a broad-based rural development strategy.* It is clear that there is need to create an appropriate environment for the poor to increase their productivity and incomes, which could be achieved through improved access to resources and supportive public investments. This suggests that the design of development strategies in future should be people-centred to ensure sustainability of the development process, equity and provision of adequate resources for human resources development. People-centred development will require the adoption of a broad-based rural development strategy that stimulates productivity and generates employment and incomes in both agricultural and non-agricultural activities. Support for small and medium-size enterprises in agriculture and industry may be more effective in improving food security, generating employment, and raising the level of productivity and incomes among the bulk of the population. The support given to small and medium-scale enterprises should among others include access to credit and training opportunities. Supportive public investment in infrastructure, technology and marketing will be required.

11. *Make poverty alleviation a concern at all levels of government.* Poverty alleviation has been identified as top priority by the government. The recent creation of a special ministry of environment and poverty eradication under the vice president is a symbol of recognition of the importance that the government is attaching to the poverty problem. For it to be more than a symbol, the new role of the Planning Commission should be to assess the poverty problem and design relevant programmes, while the sectoral ministries facilitate the process. Local and community based agencies will be the implementers. The new approach intends to be more demand driven. Efforts to integrate poverty alleviation concerns into the development strategy are noted and appreciated. These concerns have yet to be put into operation, however, and further capacity-building programmes are needed to speed up the realization of a

comprehensive development strategy. In the medium to long term, the country needs a higher growth rate, but in the framework of a development strategy that integrates poverty alleviation concerns. Government has expressed its intentions to pursue this end, but the actual design and formulation of such a development strategy have not been worked out.

12. *React carefully to global influences.* The international environment may influence prospects for poverty reduction. The transmission mechanisms may be through trade (i.e., the trading environment), debt (e.g., through debt relief) or aid (e.g., better targeted aid programmes). The debt crisis subjected national economic management to conditionalities of the IFIs and other sections of the donor community, and the ownership of the development programmes that were adopted became questionable. What is needed now is to work out strategies to enhance national ownership of the donor-assisted programmes and to build the necessary national capacity to ensure sustainability of these development programmes with special attention to those programmes that could alleviate poverty.

To the extent that some activities are global it may be necessary to invoke global approaches to the solution of some poverty problems. For example, globalization is making crime more transnational. The increasing incidence of drug trafficking is one such form of spreading criminal activity. Social corrosion that results from consumption of drugs is becoming a threat, especially among the youth who perceive reduced chances of making a living through reliable employment opportunities. The solution to this problem can best be sought through global action. One implication is that the development strategy adopted at national level must permit consideration of international developments more explicitly than ever before.

At the global level there are some encouraging developments arising from the Copenhagen Declaration adopted by the world leaders attending the 1995 UN Conference on Social Development—the Social Summit. The world leaders made commitments to eradicate poverty, promote full and productive employment, and foster social integration. The challenge now is to follow up to ensure that mechanisms for implementing the commitments are put into place.

APPENDIX A

SUPPLEMENTARY TABLES

Table A1. Household economic position (%)

No. Associated	183
Very poor	2.2
Moderately poor	17.5
Lower and middle	29
Middle	24
Upper middle	16.9
Wealthy	9.8
Very wealthy	0.5

Note: The survey was made in five urban areas (Dar, Mwanza, Arusha, Mbeya and Songea). The rating was made on a seven-point socio-economic scale.

Source: Bryceson (1993), Table VII.3, p. 275.

Table A2. Income sources by income group (percentages in parentheses)

Type of income	All Tanzania (Tsh)	Income Groups			
		Better off	Poor	Very poor	Rural poor
Agricultural income:	158,893 (55.2)	258,906 (53.2)	48,253 (71.6)	46,860 (74.4)	54,904 (80.8)
Crop production	143,575	239,587	37,361	35,848	42,181
Livestock	9,377	13,758	4,530	3,758	5,336
Other	5,941	5,561	6,362	71,154	7,387
Non-agricultural income:	128,891 (44.8)	228,152 (46.8)	19,092 (28.4)	16,150 (25.6)	13,029 (19.2)
Wage labour	22,525 (7.8)	37,851 (2.8)	5,570 (8.3)	5,048 (8.0)	3,431 (5.1)
Business income	99,827 (34.7)	181,369 (37.3)	9,620 (14.3)	7,824 (12.4)	6,074
Transfer income	2,920	3,272	2,531	2,726	2,388
Other income	3,619	5,660	1,361	552	1,137
TOTAL	287,784	487,058	67,335	63,012	67,933

Source: World Bank (1993).

Table A3. Characteristics of the very poor, the poor and the non poor – all Tanzania and the three areas in 1991

	All Tanzania			Rural			Urban non-DSM			Dar es Salaam		
	Very poor	Poor	Non poor	Very poor	Poor	Non poor	Very poor	Poor	Non poor	Very poor	Poor	Non poor
Consumption per capita (Tsh)	10,144	17,383	71,332	7,554	16,270	51,306	17,261	22,699	106,276	29,589	39,557	133,875
Consumption per adult equivalent (Tsh)	15,725	26,815	97,039	11,739	25,090	73,255	26,140	34,912	136,441	47,084	60,037	175,070
Coefficient of variation:												
– Consumption per capita	139.7	100.8	142.2	100.3	102.6	132.1	44.2	44.1	93.1	25.1	27.7	65.9
– Cons/adult equivalent	146.3	102.5	121.7	112.1	103.3	123.2	47.0	47.7	78.6	30.3	32.0	56.4
Calories/head/day	1,085	1,691	3,240	976	1,567	3,159	1593	1,833	3,239	1,320	1,671	3,742
Calories/equiv. adult	1,654	2,435	4,500	1,500	2,403	4,475	2339	2,728	4,339	2,117	2,617	4,940
% of households with less than 2,000 cal per capita	91.5	75.4	20.3	93	75.5	23	82.4	73.3	16.2	94.5	75.8	10.4
– under 2,000C/adult equiv	67.6	42.3	6.2	74.5	44	6.1	35.6	25.6	7.3	50.7	32.3	4.4
– under 1,500C/adult equiv	48.2	21.6	2.7	56.1	22.4	2.6	13.3	12.9	2.9	25.6	17.9	2.7
Total calories per household	7,783	10,642	15,799	7,182	10,546	16,516	10,024	10,903	12,990	10,707	13,030	16,339

Source: Tinios et al. (1993).

Table A4. Composition of expenditure (percent of total expenditure) in 1991

	All Tanzania			Rural			Urban non-DSM			Dar es Salaam		
	V / poor	Poor	Non poor	V / poor	Poor	Non poor	V / poor	Poor	Non poor	V / poor	Poor	Non poor
Total purchases	66.5	63	75.7	54.1	59.1	67.5	79.0	76.2	83.1	94.1	92.7	91.8
Own production	31.0	35.2	22.1	43.0	39.3	31.9	19.8	22.4	12.7	3.1	3.2	3.5
Cereal grains	28.9	24.4	9.4	36.7	26.3	12.8	25.1	21.9	5.7	6.5	5.9	3.3
Cereal products	7.8	6.0	8.0	4.1	4.6	5.1	8.7	8.2	9.7	19.8	19.5	14.9
Other staples	10.9	13.0	9.8	12.3	13.8	12.8	9.4	11.8	6.1	8.0	6.1	4.9
Other food grains	6.2	4.0	4.2	5.0	3.6	3.4	8.7	6.8	4.5	7.2	6.1	6.2
Livestock	7.9	10.3	12.8	8.6	10.5	14.6	6.5	10.1	10.3	7.2	8.4	10.3
Mfg food	5.4	6.3	6.2	4.5	6.1	6.3	7.2	7.0	6.8	6.2	6.6	5.1
Beer	1.8	1.9	3.2	2.7	2.3	3.3	0.5	0.4	3.4	0.1	0.2	2.7
Unclassified food	5.9	9.5	12.2	4.8	9.3	13.2	7.2	7.3	9.8	8.2	15.6	11.8
Total food	74.8	75.5	65.7	78.8	76.4	71.5	73.4	73.5	56.3	63.1	68.2	59.2
Housing	6.5	4.7	6.1	4.4	3.8	3.4	6.8	6.6	10.8	13.2	13.4	9.4
Clothing	6.1	6.7	6.2	7.1	7.0	6.8	4.7	6.3	5.9	4.4	3.0	4.5
Personal	5.6	5.2	6.5	4.7	5.1	6.3	7.2	7.0	7.2	6.4	4.5	6.5
Education	0.9	0.8	1.7	0.6	0.7	0.9	1.6	1.0	2.8	1.3	1.4	2.7
Transport	2.3	2.0	3.5	1	1.9	3.5	2.1	1.9	3.3	7.1	4.6	3.9
Durables	0.9	1.6	2.6	0.8	1.8	2.6	1.4	1.0	2.2	0.8	0.9	2.9
Smoking	1.4	1.3	1.4	1.4	1.4	1.5	0.7	0.6	1.1	2.0	1.6	1.5
Other non-food	1.5	2.0	6.4	1.2	2.0	3.5	2.2	2.2	10.4	1.4	2.3	9.4
Total consumption	75,161	117,888	324,507	56,791	109,997	272,746	115,768	144,754	375,904	239,949	298,936	555,618

Source: Tinios et al. (1993).

APPENDIX B

SUMMARY OF NATIONAL AVERAGE PRODUCER PRICES

	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Perennial crops:									
Mild Arabica	28.20	50.75	66.0	90.00	126.00	155.00	230.00	250.00	400.00
Robusta	16.00	29.00	37.70	51.00	55.00	60.50	70.00	100.00	90.00
Hard Arabica						66.50	70.00	110.00	90.00
Cashew nut sg	11.75	18.20	30.00	40.00	84.00	110.00	137.00	125.00	270.00
Ug	8.30	12.85	20.00	27.00	56.00	73.00	89.00	100.00	110.00
Tea	4.90	7.60	9.90	13.40	17.00	28.00	40.00	40.00	45.00
Pyrethrum gr v	21.10	29.50	35.40	47.80	60.00	120.00	230.00	230.00	230.00
Cardamom gr iii	96.00	155.00	185.00	240.00	240.00	D	n/a	n/a	n/a
Cocoa	28.20	45.10	63.00	81.90	90.00	D	n/a	n/a	n/a
Grapes gr a	16.50	21.50	26.90	35.00	38.50	D	n/a	n/a	n/a
gr b	14.30	18.60	23.25	30.20	33.20	D	n/a	n/a	n/a
gr c	11.00	14.30	17.90	23.25	25.55	D			
Sugarcane (10.5%)	356.10	463.00	600.00	750.00	920.00	D	n/a	n/a	
Annual crops:									
Cotton Ar	13.00	16.90	19.45	22.35	28.00	41.00	70.00	60.00	80.00
Br	7.00	9.10	9.10	1.00	11.00	14.00	22.00	17.00	35.00
Flue tobacco	37.90	49.25	63.00	75.60	90.00	117.00	245.00	295.00	365.00

Fire tobacco	23.30	30.30	39.00	48.75	70.00	91.00	168.00	220.00	243.00
Burley tobacco	20.30	26.40	34.00	39.10	47.00	61.00	97.00	123.00	n/a
Maize grade 1	5.25	6.30	8.20	9.00	11.00	13.00	15.40	n/a	n/a
grade 2					8.80	10.40	n/a	n/a	n/a
Paddy	8.00	9.60	14.40	17.30	19.00	26.00	31.40	n/a	n/a
Wheat	6.00	7.20	9.00	10.35	13.00	32.00	38.40	n/a	n/a
Cassava i	3.00	3.60	4.50	4.95	5.45	6.00	D	n/a	n/a
Sorghum/millet	4.00	4.80	6.00	6.60	7.25	8.00	D	n/a	n/a
Beans grade a	12.00	14.40	21.60	24.85	27.30	35.00	D	n/a	n/a
grade b						28.50	D	n/a	n/a
Sunflower black	8.40	10.10	12.65	13.90	D	n/a	n/a	n/a	n/a
jupiter	7.40	8.90	11.15	12.25	D	n/a	n/a	n/a	n/a
mixed	6.70	8.00	10.00	11.00	D	n/a	n/a	n/a	n/a
Sesame	14.70	17.65	22.10	24.30	D	n/a	n/a	n/a	n/a
Groundnuts	17.90	21.50	26.90	29.60	D	n/a	n/a	n/a	n/a
Copra	12.60	15.10	18.90	20.80	D	n/a	n/a	n/a	n/a
Soybeans	9.40	11.30	14.15	17.00	D	n/a	n/a	n/a	n/a
Castor seeds	4.90	5.90	7.40	8.15	20.00	25.00	D	n/a	n/a

Source: Marketing Development Bureau, Ministry of Agriculture, Livestock and Cooperatives (various years).

APPENDIX C

FARM-GATE PRICES OF SELECTED EXPORT CROPS 1981/82-1993/94

Year	Coffee (Robusta)			Coffee (Arabica)			Cotton			Tobacco			Pyrethrum			Cashew nuts		
	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3	1	2	3
1981/82	5.57	8.7	63.0	13.9	18.1	77	11.1	13.3	83.1	12.6	15.63	81	9	14.78	61	43	7.43	62
1982/83	10.35	11.3	93.0	15.1	21.3	71	14.1	15.1	92.9	18.0	17.7	101	9	15.68	57	4.63	7.33	63
1983/84	16.35	21.2	77.0	22.8	33.04	69	17.9	21.04	85.3	18.0	30.0	60	12.6	16.86	75	6.48	13.80	47
1984/85	15.07	23.2	65.0	29.7	44.3	67	25.2	30.5	82.3	25.2	35.9	70	17.6	21.91	80	9.65	13.65	71
1985/86	18.3	27.7	66.0	45.8	61.1	75	38.9	23.5	165.5	37.9	29.7	128	21.1		73	11.58	31.47	37
1986/87	32.5	65.0	50.0	60.8	126.7	48	50.6	45.4	111.4	43.9	75.4	65	29.5	29.07	32	17.93	72.89	25
1987/88	37.7		50.0	97.3	167.7	58	58.1	112.05	51.9	63.0	96.8	65	33.4	145.95	23	29.50	96.60	31
1988/89	51.0	108.5	47.0	90.0	236.8	38	66.9	173.0	38.7	75.0	176	43	47.8	272.34	18	39.35	109.86	36
1989/90	55.0	73.3	75.0	126.0	153.6	82	83.8	287.8	29.1	90.0	264	34	60.6	420	14	82.6	111.91	74
1990/91	60.5	80.7	75.0	155.0	242.2	64	122.7	342.5	35.8	117.0	330.2	35	120.0	497.3	24	108.2	145.39	74
1991/92	70.0	84.3	83	230.0	237.1	97	209.6	364	57.6	245.0	544.4	45	230	501.4	46	134.6	184.69	73
1992/93	113	173.8	65	231	679	34	179.6	427	42.1	195.0	802.4	37	230	874.5	26	123.8	202.2	61
1993/94	90.0	375.0	24	333.0	1009.1	33	-	-	-	365.0	569.1	64	-	-	-	-	-	-

KEY: 1 = Producer prices (Tsh/kg) 2 = Export (f.o.b.) prices 3 = Producer prices as percentage of export/world prices

Source: Marketing Development Bureau, Ministry of Agriculture, Livestock and Cooperatives (various years).

POVERTY ALLEVIATION PROJECT REVIEWS: NATIONAL PROGRAMME OF ACTION FOR SUSTAINABLE INCOME GENERATION (IGP)

The IGP is a five-year, two-phased US\$100 million programme of action to create and expand sustainable income-generation projects in the agriculture, infrastructure and informal sectors. The programme is designed to carry out the government's National Employment Policy using the private sector for project execution, programme management and training.

Programme Objectives

The objectives of the IGP are:

- To strengthen private Tanzanian companies' ability to execute infrastructure rehabilitation and development projects.
- To strengthen non-government organizations' ability to implement income-generating activities in targeted sectors.
- To redesign and/or expand existing activities to increase their income-generation potential.
- To encourage greater private sector participation in the delivery of services whenever there is a comparative advantage in doing so (e.g., contracting out equipment maintenance).

Initial funding will come from UNDP and other donors, management fees of 2%–4%, and interest earned on donor resource balances. It is estimated that in Phase One approximately 20 to 30 projects will be financed by the IGP. An estimated 3 million individuals are expected to benefit either directly as they experience increases in cash income or indirectly with better access to services and improved infrastructure.

The basic rationale for the IGP is to ensure a comprehensive and coordinated national programme of action for the sustainability of income-generating activities in both rural and urban areas with special emphasis on the needs of women, youth and disabled. The IGP strategy is centred on seven principles: simplicity, transparency, independence, efficiency, cost effectiveness, sustainability and skills transfer. In Phase I (24 months) the programme will cover Dar es Salaam, Zanzibar, Mwanza and Arusha regions. Phase II will move rapidly into southern regions and the rest of the country.

Participating Projects

PRIDE/Tanzania:

PRIDE/Tanzania, which is to be registered as a Tanzania NGO and strengthened under a five-year management agreement with the Council for International Development/Kenya, will

establish three PRIDE branches in the country over a period of two years (one branch in year 1 and two branches in year 2). Each PRIDE branch will extend loans to 1,000 small and micro enterprises over a period of two years. Initially, the following areas will be covered by the project: Manzese (Dar es Salaam), Ngamiani (Tanga), Chanika (Handeni) and Them (Arusha).

Given the short-term nature of the loans, which will be repayable over 50 weeks, repeat loans for clients are projected. It is estimated that each branch will extend 620 loans in its first year and 1,450 loans in its second year of operation.

Client loan insurance fund (LIF) or mandatory savings was estimated to reach a value of US\$109,565 (US\$1.0 = Tsh600) per branch after two years. The project is expected to result in the creation of 1,130 productive jobs per branch at an estimated cost per job place of US\$30. The clients will be those individuals who are self-employed and/or who operate micro enterprises in the informal sector, and about 50% of them will be women.

The range of economic activities to enjoy funding from this programme include manufacturing, service and trading sectors, of which over 50% will be in trading sector.

The PRIDE credit model is designed to incorporate mechanisms that lead to financial self-sustainability from the outset. The model requires external funding during its first year of operation. By the beginning of the second year, all recurrent costs are covered by income earned from loan interest and fees paid by client. Similarly, all principal repayments on loans are revolved and re-lent, thus offsetting the total loan fund requirements.

Rural Youth Training and Employment (RYTE):

This is a micro credit scheme for rural youths sponsored by UNDP through ILO. It makes uncollateralized loans to youths. Its loan recovery rate is not high.

Presidential Trust Fund for Self-Reliance (PTF):

PTF was established in 1989 to extend credit in the form of soft loans to facilitate business start-ups and self-employment for unemployed youths and women in micro enterprises in the informal sector.

Initially, short-term loans of Tsh50,000 – Tsh300,000 at subsidized rates of interest were extended in the form of cash, materials and equipment to qualifying borrowers. However, the scheme was crippled with bureaucratic controls and loan arrears to the tune of Tsh16 million. Consequently PTF re-oriented itself along the Grameen Bank model of uncollateralized, multi-sector, short-term loans to informal sector groups. Loans are extended to members of groups and range between Tsh20,000 and Tsh88,000. Interest is 20% per annum. Loan disbursements and collections are handled directly by PTF staff with no linkage to commercial banks. The loans are repayable over one year on a weekly basis. The results have been very encouraging and the loan recovery rate is over 90%.

Tanzania Youth Development and Employment Foundation (TYDEF):

TYDEF was founded in 1987 to promote employment for youth and women by assisting them to start or expand their own micro enterprises. Loans are advanced through groups of 5–10 persons and are uncollateralized. Loan sizes range from Tsh5,000 to Tsh100,000 in the form

of cash, materials or equipment and are repayable over one year on weekly basis. Interest is 20% per annum. Funding comes from government and donor agencies. At present TYDEF covers Dar es Salaam only.

Mission to the Needy:

Established in Tanzania in 1988, this programme targets marginalized women and youths. It provides skills training and loans of US\$100 – US\$500. The loans are short-term, repayable over six months with a maximum grace period of three months. No interest is charged and repayment rate is above 90%. Sources of funding include World Vision, DANIDA, NORAD, Pan African Christian Women's Association (PACWA) and private individuals.

National Enterprises Development Fund:

This is a government funded project for providing assistance and entrepreneurship training to small enterprises (traders, farmers, manufacturers, etc.). The 1994/95 government budget allocation is Tsh1,000 million. However, only Tsh500 million has been disbursed. The fund is being managed by SIDO. Its repayment period is 21 months with a grace period of three months and an interest rate of 20% per annum.

Women's Development Fund:

The government voted Tsh500 million to establish the fund in the 1994/95 financial year. Some Tsh25 million have already been disbursed. The fund is being administered by the Ministry of Community Development, Women Affairs and Children. It is extended to groups of five or more women and covers seven regions, Lindi, Kigoma, Tabora, Dodoma, Dar es Salaam, Pwani and Arusha. Group members are trained in business skills before funds are disbursed.

Community Development Trust Fund (CDTF):

CDTF started as a social welfare fund but now it is diversified into a credit fund for assisting micro enterprises.

Oxfam:

It started operating as a social welfare fund but now it has re-oriented itself into a credit fund as well.

Women in Development:

This fund was started by National Bank of Commerce to extend uncollateralized loans to women all over Tanzania, but due to repayment problems the scheme has collapsed.

Other NGO credit funds:

Other NGO credit funds worth mentioning include:

- UNIFEM Fund (Women)
- Enterprise Development Fund (Dar es Salaam only)
- Skills Development for Self-Reliance
- Ford Foundation (focuses on women)
- Women's Economic Activities (sponsored by UNICEF)
- Rural Women's Increased Economic Participation (sponsored by ILO/government)
- Loan scheme for women (sponsored by DANIDA)
- ILO/AGIFUND credit scheme for youth and women in rural areas

- Australian Special Fund for Women in Development, providing individual loans of between Tsh100,000 and Tsh500,000
- Credit Shops – established by Poverty Africa in collaboration with Plan International
- Entrepreneurial Development Fund – started by IPP to provide credit to youths in Dar es Salaam

Most of the NGOs are reorienting themselves into credit schemes for the poor, and their traditional role of social welfare function is not very popular with new NGOs. Tanzania has over 200 NGOs, most of which are small and inexperienced or too ill equipped to undertake the tasks for which they were formed.

POLICIES WITH DIRECT OR INDIRECT IMPACT ON POVERTY IN TANZANIA

The following is a summary of the government policies since 1967 that have affected in one way or another the poverty condition in Tanzania.

Policy	Impact on Poverty
1967 – Nationalization of major means of production	The eventual inefficiency and fall in production in nationalized farms and industries meant fewer resources to the poor because the government had to heavily subsidize some of these companies.
1974 – Villagization policy	People took time to adapt to the new situation and more time was spent shuttling between farms and homesteads, which are wide apart, and hence less time was available for farm work.
1976 – Abolition of cooperatives and establishment of state-run crop authorities	Farmers became more alienated from the Crop Authorities, which were less responsive to farmers' problems, inefficient and bureaucratic. The result was stagnation in agricultural production.
1985/86 – Re-establishment of cooperatives; Crop Authorities became Crop Marketing Boards	This move increased the burden on the farmer or rather reduced farmers' revenue because they did not benefit from currency devaluations; the benefits went into offsetting operating losses in the crop institutions.
1991/92 – Legalization of private business in crop buying	This has created some degree of competition although the free market prices are not necessarily higher than the last government fixed prices. Hence in some cases the farmer might experience a fall in income because of competition. In such cases urban dwellers benefit from low food prices.
1981/82 – NESP 82/83–84/85 – SAP 85/86–88/89 – ERP I 89/90–91/92 – ERP II 92/93–95/96 – RPFB	In a nutshell the structural adjustment programmes have addressed the problems facing the agricultural sectors, among others: transport, storage, incentive prices, input supply and extension services; this has led to increased agricultural production and perhaps an increase in farmers' income.
1992 National Employment Policy	The NEP recommends the coordination of employment promotion through an inter-ministerial national employment programme committee, that is, the National Employment Council, which has initiated the National Programme of Action for Sustainable Income-Generation (or Income Generation Programme – IGP). The IGP has highlighted infrastructure as a sector with great short- and medium-term income-generating potential, especially in rural development and urban renewal. The manufacturing subsector identified as

	having highest income-generation potential is food processing (dairy, infant foods, edible oil processing). Agriculture and informal sector (micro enterprises) have also been targeted as sectors with highest income generation potential.
The National Informal Sector Policy (under preparation), Ministry of Labour and Youth	This policy addresses constraints to micro and small business development by streamlining official regulations and providing investment incentives, e.g., taxation privileges.
Education and Training Policies	Policies address the problem of many young, unskilled, underemployed and unemployed people with little access to non-salary income, through practical education and training to employer rather than launch of new income-generating activities.
Health policies	A healthy population is generally productive. Hence, initiatives to promote family planning, prevent illness and provide primary health care can stimulate economic growth and raise family incomes.

Economic Recovery Programme (ERP-I) 1986/87-1988/89

The key policies envisaged under this programme include increased producer prices, exchange rate and interest rates adjustment, fiscal and monetary policies, and marketing reforms. An increase in producer prices of agricultural products had a positive impact on the rural poor, who are mostly small farmers. At the same time, however, the increase raised the cost of living for urban poor and wage-earners.

The Tanzanian shilling was devalued during the period and interest rates were raised. The devaluation meant that the prices of imports had to increase. The range of goods included incentive goods like radios and bicycles and agricultural inputs like chemicals and fertilizers, which increased farmers' production costs or reduced profit margins or net incomes. In the case of interest rates rises, savers could benefit but the majority of Tanzanians are poor and hence have no saving; instead they would like to borrow money for their working capital needs. Any increase in interest rate is a burden on them because with a liberalized market they have little flexibility in raising the price of their products.

The fiscal and monetary measures included reduced government spending and a credit squeeze. So the government had to shelve a lot of projects that could have provided employment and hence income during construction and operation phases. The government also stopped employment and embarked on worker retrenchment. All of this meant more hardship to the poor and jobless youth.

The market reforms included decontrolling crop buying and selling. Private individuals were now allowed to buy crops from farmers in competition with the cooperatives and crop marketing boards. This has a beneficial effect for farmers but it can lead to high food prices in urban areas because of the difficulties of getting commodities from rural areas to urban areas.

The ERP-I (1986/87–1988/89) was mainly aimed at arresting the downturn of the overall economic performance. Hence, a greater proportion of government expenditures was allocated to the directly productive sectors of the economy, resulting in a reduced share for the social sectors, such as education, health and rural water supply. This contributed to increased hardships for the most vulnerable groups of the economy, i.e., the poor, women and children.

Second Economic Recovery Programme (ERP-II) 1989/90–1991/92

The main objective of ERP II was to consolidate the achievements made in ERP I and to continue with further economic restructuring and liberalization measures, while taking into account the social dimensions of the adjustment measures. However, because of the realities of budgetary constraints, the government was unable to forestall the deterioration of social services (thanks to the liberalization of health and education sectors). A lot of private health clinics have mushroomed in the country especially urban areas, coupled with medical shops, and more private schools are being established. Besides liberalizing these sectors, the government has introduced cost-sharing in hospitals and schools. The totality of all these measures means that people have to dig deeper into their pockets. For most of Tanzanians, however, the pockets are either empty or have developed big holes (deficit).

National Employment Policy (NEP)

The National Employment Policy (NEP), which is now at an advanced stage of preparation, has the following objectives:

- To provide an institutional framework for effective coordination of employment promotion.
- To identify sectors of high employment potential and propose ways to increase employment in those areas.
- To develop human resource and training policies.
- To define the roles of the government, private sector, NGOs and the donor community in employment creation.

The NEP recommends that the coordination of employment promotion be assured through an interministerial national employment programme committee, i.e., the National Employment Council. The National Employment Council is actually in place and is behind the formation of the National Programme of Action for Sustainable Income Generation (or Income-Generation Programme—IGP).

The NEP identifies the three sectors with the highest employment generation potential as agriculture, the informal sector (micro-enterprises) and manufacturing. It also recognizes the importance of infrastructure for income generation for the target beneficiaries, e.g., direct employment creation schemes such as labour intensive programmes in simple infrastructure and construction in urban development.

The NEP stresses the need for training if the supply of labour is to meet the demands of the new market economy. It also takes explicit notice of target groups, i.e., youth, women, retrenched workers and the disabled. It further notes that the various donor efforts in employment creation have not been coordinated, nor have they been systematic in their approach of geographic coverage.

Other Policies

Other policies aimed at alleviating poverty in Tanzania are generally related to the National Employment Policy; that is, they are either income-generating or empower people to undertake income-generating projects. Some of the policies in different stages of preparation are:

- micro and small enterprise policies
- education and training policies
- health policies
- national population policy

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