



UNITED REPUBLIC OF TANZANIA

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# POVERTY AND HUMAN DEVELOPMENT REPORT 2007

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Research and Analysis Working Group  
MKUKUTA Monitoring System  
Ministry of Planning, Economy and Empowerment  
December 2007

Further information and further copies of this report can be obtained from:

**MKUKUTA Secretariat, Poverty Eradication Division,  
Ministry of Planning, Economy and Empowerment**

P.O. Box 9242, Dar es Salaam Tanzania

Tel: +255(22) 2113856 / 2124107

Email: mkukutamonitoring@gmail.com

Website: www.povertymonitoring.go.tz

And from the secretariat for the Research and Analysis Working Group:

**Research on Poverty Alleviation (REPOA)**

Plot 157 Mgombani Street, Regent Estate

P.O. Box 33223, Dar es Salaam, Tanzania

Tel: +255 (22) 2700083 / 0784 555 655

Email: reposit@reposit.or.tz

Website: www.reposit.or.tz

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# Executive Summary

The purpose of the Poverty and Human Development Report (PHDR) is to provide a consolidated national analysis of trends and outcomes in development in Tanzania. A new report is produced every two years as a key output of the national poverty monitoring system. PHDR 2007 is the fourth in the series since 2000, and the overall theme of this year's analysis is growth. The report seeks to stimulate discussion on the need for a clear, coherent and prioritised growth strategy without losing sight of the national vision to build strong basic social services.

Analysis begins with examination of the most recent data for the national set of indicators used to monitor Tanzania's National Strategy for Growth and Reduction of Poverty (MKUKUTA). MKUKUTA's three major clusters of desired outcomes for poverty reduction: growth, social well-being and governance, are used as the framework for presentation of data in the status chapter. These findings are complemented with information, relevant to MKUKUTA's indicators, on public perceptions of the performance of public institutions and actors gathered during the Views of the People Survey 2007 (VoP 2007). A total of 7,879 people aged from 7 to 90 years from ten regions of mainland Tanzania participated in VoP 2007.

Three thematic chapters follow the status chapters. Chapters 4 to 8 provide a summary of key findings from VoP 2007. Chapter 9 then discusses key issues in developing a strategic direction for growth in Tanzania, and Chapter 10 examines management of the nation's abundant water resources to better enable economic growth.

The report's analysis of growth and reduction of income poverty reveals that growth has increased steadily since 1993, but its slow trajectory is cause for concern. Consistent with the overall growth trend, sectoral growth rates have been slow with only slight fluctuations indicating modest structural change. Trends in key macroeconomic indicators present a mixed picture. Inflation rates, fiscal deficits, and the trade balance have suffered since 2002/03. In addition, while credit to the private sector has increased, finance remains limited to a small number of firms and a large portion of bank liquidity is invested in government securities. The spread between lending and savings rates also remains high, reflecting the continued high cost of borrowing from commercial banks in Tanzania as well as the low incentives for saving. In addition, there has been a significant slowdown in foreign direct investment (FDI) since 2000, and most investment remains heavily concentrated in the natural resource sector, particularly mining and tourism, with minimum spillover to other parts of the economy. Overall, the foundation of growth in sustained macroeconomic stability through sound fiscal and monetary policies is well understood, but the degree of stability and its knock-on effect to private sector-led growth requires further examination.

How have current trends in the economy impacted upon poverty levels? A simulation exercise was undertaken to provide preliminary indications on the trend in poverty since 2000/01 while awaiting new household income and consumption data (expected in 2008) from the Household Budget Survey (HBS) 2007. The findings from the simulation exercise indicate that the incidence of poverty has slightly but smoothly declined since 2000/01. At the same time, however, the share of government consumption in GDP has rapidly increased, and government investment has been growing faster than household consumption. This implies that household consumption may be being

crowded out not only by the relatively modest increase in private investment but more so by government activities. With respect to the domestic labour market, unemployment rates have reduced slightly in both rural and urban areas. The share of public sector in total employment has increased slightly, while employment in agriculture has declined. Informal sector employment has expanded in both rural and urban areas. Gender disparities in employment persist particularly in urban areas. Analysis of food self sufficiency since the 1999/2000 season indicates improvement in recent years, although national aggregates hide significant variations between regions and districts. Periodic droughts and floods highlight the need for specific interventions to assist families practicing rain-fed agriculture in high-risk areas.

National growth strategies, including the Poverty Reduction Strategy (2000-2004) and MKUKUTA, have contributed to the overall growth path, yet growth performance has been slower and more limited than is needed to substantially reduce poverty. To accelerate and sustain growth with strong impact upon poverty and employment, a more focused growth strategy is necessary. Alignment of national and sectoral policies, a focus upon a select number of growth drivers and accompanying interventions, and the promotion of the local private sector are required. The identification and selection of potential growth drivers must be based on a comprehensive analysis of each driver's comparative and competitive advantage for Tanzania within the global context. Once the drivers are decided, investments in these priority areas - including essential investments in human and capital resources as well as physical, administrative and technological infrastructure - will need to be increased.

Despite the need for faster growth, have advances in the provision of basic social services during recent years improved the quality of life and well-being of Tanzanians? National educational indicators reveal largely positive trends at all levels, although quality of education remains a major concern. Additionally, ongoing challenges exist in achieving geographic equity in educational outcomes and in meeting the needs of vulnerable children. In health, sharp reductions in infant and under-five mortality have been recorded, with rates approaching the MKUKUTA target and on trajectory to meet the targets set by the Millennium Development Goals (MDGs). However, enormous disparities in mortality rates persist between regions. Maternal health is the notable exception to positive health trends in Tanzania, with no indication of any improvement in maternal mortality. Moreover, neonatal mortality, which is closely linked to poor maternal outcomes, remains stubbornly high and now accounts for nearly half of all infant deaths. Concerted efforts at all levels are required to address the very high levels of maternal and neonatal mortality and morbidity, focused upon raising the proportion of births attended by skilled personnel and ensuring the widespread availability of emergency obstetric care to treat complications arising during pregnancy and delivery.

Governance issues also concern most Tanzanians. Improvements are reported in some areas including gender equity in the civil service and compliance with public procurement regulations, but the number of cases reported of official corruption nationally has increased significantly. Positively, recent survey findings also indicate public confidence in the government's fight against corruption, as well as a high level of confidence in the capacity of the current national leadership to develop and implement policies in the public interest. Many more Tanzanians reported improvement in the provision of social services than reported a deterioration, yet in rural areas in particular, they reported that the condition of the roads, shortages of drinking water, and the cost of medical treatment were 'major problems'. One serious failure in health services is the limited implementation

of the policy that young children and adults over 60 years of age are eligible for free health care in government health facilities.

Any perceived gains in social services, however, do not seem to have impacted the overall perceptions of Tanzanians on their quality of life. Generally, fewer adult Tanzanians think they are enjoying the fruits of economic growth compared with those who see their livelihoods getting worse. In all income groups, including the least poor, more people perceive falling rather than rising living standards. There is popular appreciation of public investment in education, yet a majority of Tanzanians surveyed in VoP 2007 believed that civil servants rather than the public were the main beneficiaries of development aid. Although the Government is committed to private sector led growth, the VoP 2007 findings suggest that the public expects the state to provide economic assistance.

Overall, therefore, the analysis in this year's PHDR indicates the need to reassert efforts towards macroeconomic stability while enabling faster paced growth. This may require new policy approaches. The prioritisation of interventions and investments, including public spending, will be critical, and growth needs to provide the context for future social service development. As a starting point, analysis is required that re-positions and re-conceptualises social sectors, and views them in conjunction with, not in isolation from, economic growth. Discovering and harnessing the potential for mutual reinforcement and symbiosis between the national growth agenda and the provision of social services will be central to development and the reduction of poverty in Tanzania.