

RESEARCH ON POVERTY ALLEVIATION

Summary of Conclusions from Recent Research and Synthesis of Key Issues on Poverty in Tanzania

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Summary of Key Issues

This report reviews the key findings from four recent studies: *The Poverty and Human Development Reports* (PHDR, 2002 and 2003), *Tanzania Participatory Poverty Assessment* (TzPPA, 2002-03), and the *Policy and Service Satisfaction Survey* (PSSS, 2003-04). These studies were commissioned by the Research and Analysis Working Group (R&AWG). R&AWG is part of the Poverty Monitoring System (PMS) set up by the Government of Tanzania to monitor the implementation of the Poverty Reduction Strategy (PRS). PRS is currently being revised for a second phase (2004-2009). Along with these four studies, we also review findings from other recent research on poverty in Tanzania.

Tanzania was one of the first countries to benefit from Heavily Indebted Poor Country (HIPC) debt relief, following the preparation of the Poverty Reduction Strategy Paper (PRSP). Debt relief and enhanced donor support helped finance the first phase of the PRS (2000-2003), which saw a considerable increase in social sector funding. We review the major trends in service provision since the beginning of the PRS, including service users' views. Most of the available data on poverty trends reviewed here cover the 1990s, and thus predate PRS.

In this summary, we present information on overall trends in human development, starting with child health, infant mortality and nutritional status, adding the distributional dimension (impact on the poor and non-poor) where information exists, and paying special attention to the most vulnerable groups of children. We then consider gender inequalities and the impact of HIV/AIDS, both of which threaten to further undermine already low levels of social development and welfare. Trends in basic education, health services, domestic water and sanitation, and roads round off the discussion of key non-income poverty issues. The summary concludes with a review of recent trends in income poverty and inequality and some of the main underlying causes, including access to natural resources, internal and external terms of trade, and broadly defined governance issues: budgeting, taxation, corruption and regulation. First, we summarise the main messages from our review concerning key income and non-income poverty issues.

Key Non-income Poverty Issues

- Except for school enrolments, Tanzania's human development indicators are mostly showing stagnant or deteriorating situation;
- Despite major efforts to increase 'pro-poor' social sector expenditure under PRS, there is little evidence outside primary education that additional resources mean more or better services;
- The disparities between rich and poor, and between urban and rural citizens in access to and use of social services are large and show little sign of improvement;
- The cost of treatment and failure of exemption mechanisms prevent many poor people from accessing formal health services;
- The most vulnerable and needy groups are not being adequately targeted or reached. The impact of HIV/AIDS is felt particularly by women and children, who bear more than their share of the burden of caring for the sick and looking after the growing numbers of AIDS orphans.
- With regards to HIV/AIDS, gender, children, youth, people with disabilities and the elderly, activities remain largely uncoordinated at the national level, and where policies

exist they have not been effectively implemented. Programmes at the community level are limited in scope, uncoordinated and poorly documented.

- Additional funding for road repair and maintenance has had mixed results, with some improvements in local communications in Dar es Salaam, but little evidence that much of the Road Fund revenues are being used for rural road maintenances in up-country districts.
- Domestic water supply seems to have improved in a number of towns, but in Dar es Salaam and rural areas there is little evidence of progress towards achieving Millennium Development Goals. There are large disparities between urban and rural areas and across regions, largely reflecting donor investments.
- Local government authorities lack planning and delivery capacity for effective pro-poor service provision in the sectors described above. Effective decentralisation of local government administration needs to be accompanied by more transparency and accountability if it is to serve the needs of the poor.

Key Income Poverty Issues

- Despite low inflation and unprecedented investment and GDP growth in recent years, the majority of Tanzanians feel their living standards have been declining. According to HBS, poverty has fallen significantly in Dar es Salaam, but this is not reflected in survey results.
- Officially, income inequality has risen slightly overall, more significantly in Dar es Salaam, yet survey results suggest a rapid rise in income inequality. The overpowering public perception - shared by the better-off - is that only a small minority of Tanzanians are benefiting from reform and economic growth.
- While some observers see potential for rapid poverty reduction in globalisation and trade liberalisation, others stress the negative impact of declining terms of trade and unfair competition between Tanzania and its trading partners.
- Agriculture and livestock policy consists of formal commitment to the market economy backed up with major state investment initiatives, mostly financed by foreign aid, to address market failures. Opinions are divided on the likely poverty reduction outcomes of such initiatives. Some observers argue that tax and regulatory regimes continue to discriminate against producers, private traders and potential investors.
- Survey results suggest that efforts to reduce the incidence of official corruption have not yielded significant results. While corruption and lack of transparency in both central and local government undermine efforts to improve pro-poor service provision, they also serve as major barriers to reducing income poverty inequalities and promoting broad-based growth.

Non-income Poverty: Incidence and Trends

With the exception of primary school enrolments, Tanzania's social development indicators show little or no progress over the last decade, and it is unlikely that Tanzania will achieve more than one or two of its Millennium Development Goals (MDGs). We begin with priority social development policy issues: the situation of children; the effects of gender inequalities and discrimination; and the impact of HIV/AIDS. Growing numbers of children are vulnerable to the shocks and stresses occasioned by poor living conditions, malnutrition and ill-health. The effects of AIDS and gender discrimination are particularly challenging to the lives and future prospects of young girls. AIDs orphans, youths and old people (particularly women), and the handicapped constitute particularly vulnerable groups, for whom extreme poverty is frequently compounded by exclusion and discrimination.

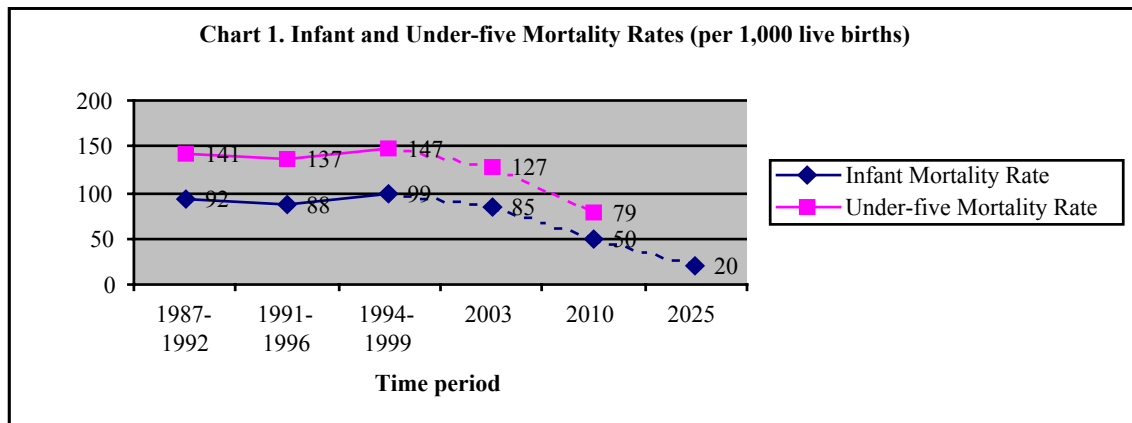
Children and adult women are the most vulnerable to the multiple effects of poverty, particularly in rural areas. The most vulnerable children are: the *under-fives* (vulnerable to diseases, malnutrition and inadequate care), *child prostitutes*, *working children* engaged in risky and low paying jobs, *street children*, *unpaid child domestic workers*, children whose parents are *sick and dying of AIDS*, *orphaned children*, *child mothers*, and children with *disabilities*. Among

women, vulnerable groups include *the old, commercial sex workers, AIDs victims and carers, widows, and the handicapped*. The risks attached to pregnancy and childbirth are highest for under-age mothers and their children.

The Situation of Children

Infant and child mortality

Chart 1 shows a slightly upward trend in infant and child mortality rates from 1987 to 1999, and a growing gap between recent rates and PRS targets. About one Tanzanian child out of ten dies in infancy and fifteen per cent of children die before reaching their fifth birthday. The increase in mortality rates shown in the chart may be partly the result of HIV/AIDS. It is estimated that 72,000 infants will be infected annually through mother to child transmission.

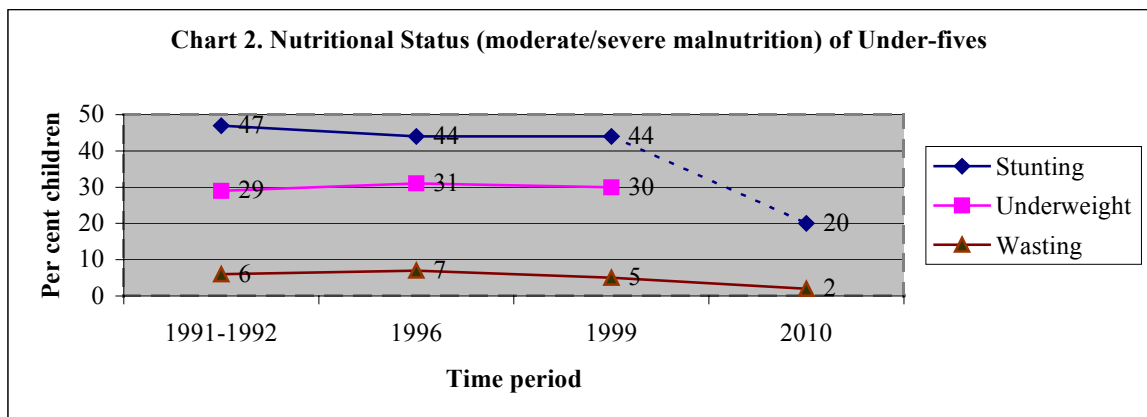


Source: DHS 1991/92, DHS 1996, TRCHS 1999 quoted in P&HDR 2003: 31, 32

Note: Broken lines indicate PRS targets

Nutrition

The nutritional status of the under-fives did not improve significantly during the 1990s, as shown by trends in the incidence of stunting, underweight and wasting (**Chart 2**).



Source: DHS 1991/92, 1996 & TRCHS1999, quoted in P&HDR 2003: 31, 38

Note: Broken lines indicate PRS targets

Throughout the 1990s, one out of three Tanzanian children was underweight for his/her age. Fifteen per cent of urban and rural household heads in the PSSS survey experienced difficulties in obtaining enough food in the year prior to the survey (September 2002-03), and almost a third (29 per cent) of the poorest quintile.

Immunisation

Table 1 summarises trends in immunisation during the 1990s. Tanzania's immunisation coverage rates are high by regional standards, though trends are disputed (different sources give different figures for 1991 coverage) and there are large disparities between urban and rural areas, and between districts.

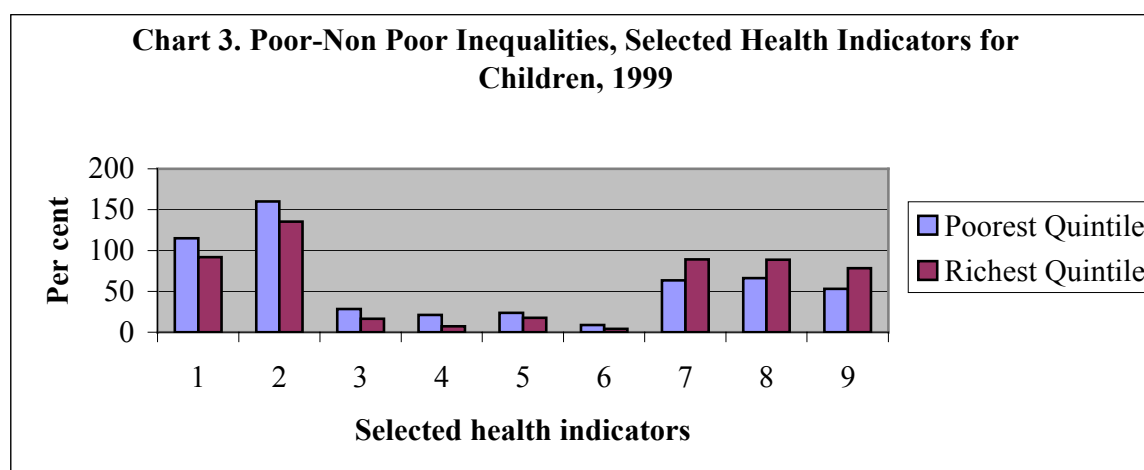
Table 1: Immunisation Coverage of the Under-fives (per cent)

	1991	1996	1999	2002
BCG	93	96	93	88
DPT 3	73	85	81	89
Measles	69	81	78	89

Source: TDHS 1992; TDHS 1996; TRCHS 1999; Unicef 2001, MOH 2003

The most recent data on inequalities in mortality, nutrition and immunization status between poor and non-poor infants and children under five are reported in **Chart 3**. The chart shows significant inequalities between poor and non-poor children in the incidence of these three sets of indicators. There are large differences in immunization coverage rates between children in the poorest and richest poverty quintiles.

Infants born to poorest mothers had a *25 per cent higher* probability of dying in the first year of life, compared to infants of mothers from the richest quintile. Compared to infants in the urban areas, those in the rural areas had a *30 per cent higher probability of dying* before their first birthday.



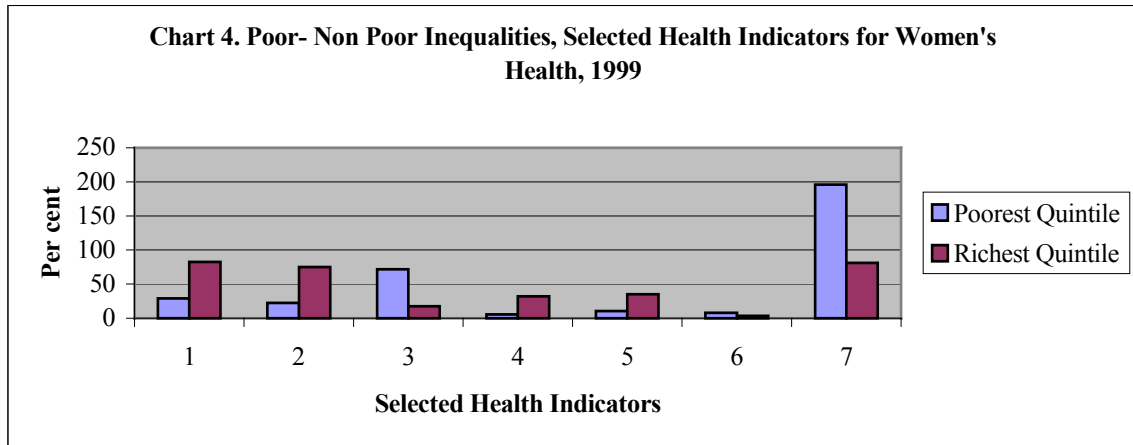
Source: TRCHS 1999 data analysed by income quintiles (Gwatkin Data), World Bank 2003

Note: 1-Infant mortality rate per 1,000 live births; 2-Under-five mortality rate per 1,000 live births; 3-Moderate stunting in children under five; 4-Severe stunting in children under five; 5-Moderate underweight (children under five); 6-Severe underweight (children under five); 7-Measles coverage (children 12-23 months); 8-DPT coverage (children 12-23 months); 9-Full basic coverage (Measles, DPT, BCG) (children 12-23 months).

Gender Inequalities and Poverty

- *Continued gender-based inequalities in all aspects of social and economic life constitute major constraints on long-term development.*
- *Women's health status, particularly among the rural poor, is still compromised by early and repeated pregnancies and inadequate family planning and maternal healthcare services.*
- *Progress towards gender equity in economic, social and political spheres is essential for reversing the deepening poverty, rising HIV/AIDS infections and economic deprivation which affect more women than men in Tanzania.*

- TzPPA (2002/03) finds that the vulnerability of girls and women in the household is related to male control of productive resources and decision-making, backed by the threat on practice of physical abuse and violence.
- Food insecurity, limited access to health and education, and a heavy workload increase women's vulnerability to poverty.



Source: TRCHS 1999 data analysed by income quintiles (Gwatkin Data), World Bank 2003.

Note: 1- per cent births assisted by a medically trained person; 2- per cent births at a public facility; 3- per cent births at home; 4- per cent married women (15-49 years) who use a modern method of contraception; 5- per cent married men (15-54 years) who use a modern method of contraception; 6- Total fertility rate (births/women aged 15-49 years); 7- Adolescent fertility rate (births per 1,000 women aged 15-19 years).

Total fertility rate fell by 11 per cent, from 6.3 live births per woman in 1991 to 5.6 in 1999. In 1999, live births were 6.5 per woman in rural areas compared to only 3.2 in urban areas, and 7.8 in the poorest quintile compared to 3.4 in the richest (Chart 4, column 6). 60 per cent of women had their first birth or were pregnant before their 20th birthday. Early pregnancies and illness as well as poor nutritional status of pregnant women result in low birth-weight and contribute to the stunting of infants and young children, especially in rural areas.

In 1999, one child out of six suffered from low birth weight, and more than two out of five under-fives were moderately stunted, with those in rural areas twice as likely to be stunted compared to their counterparts in urban areas. The proportion of women using modern contraceptive methods rose from 6 per cent in 1991-92 to 16 per cent in 1999-2000, but the increase is mainly among better off, married, urban women, who are almost three times more likely to use contraceptives than rural women. Women in the richest quintile are over five times more likely to use a modern contraceptive method than women from the poorest quintile (Chart 4, column 4). There is a large unmet demand for family planning services.

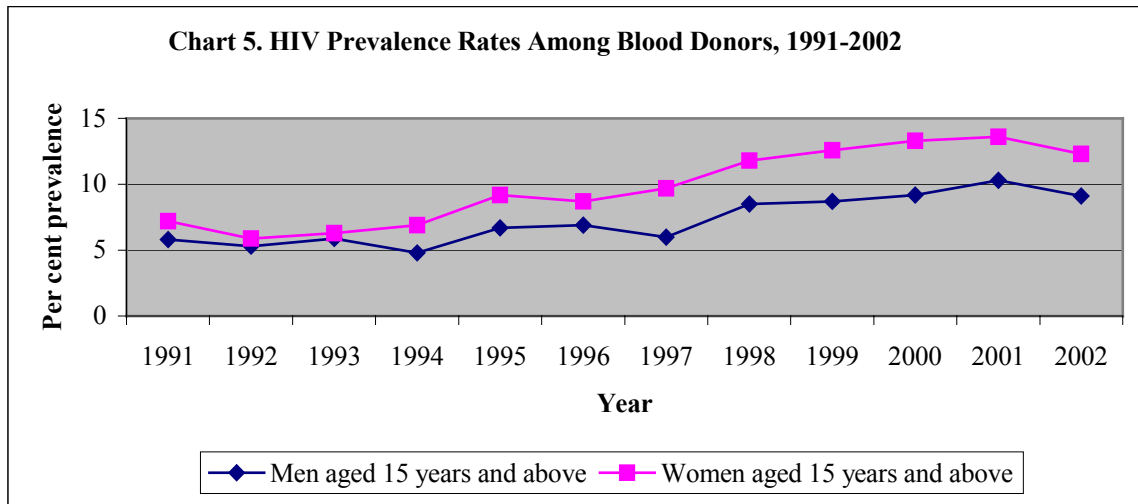
The proportion of births attended by a doctor, nurse or midwife fell from 44 per cent in 1991 to 36 per cent in 1999 and the proportion of all births that occurred at a government health facility went down from 53 to 44 per cent. There are large urban-rural disparities regarding the presence of a skilled attendant at birth (77 versus 26 per cent) and between the poorest and richest quintiles (27 versus 81 per cent) as portrayed in Chart 4 (column 1). It is unlikely that Tanzania will meet the PRS target of having 80 per cent of births attended by skilled medical personnel by 2010.

Maternal mortality rate for the period from 1987 to 1996 was 529 per 100,000 live births, approximately 8,700 maternal deaths per year. Facility based data are underestimates as many maternal deaths occur outside of health facilities and many women die without their pregnancy being known, including abortions. Community-based studies suggest an under-reporting of maternal deaths of up to 60 per cent

HIV/AIDS

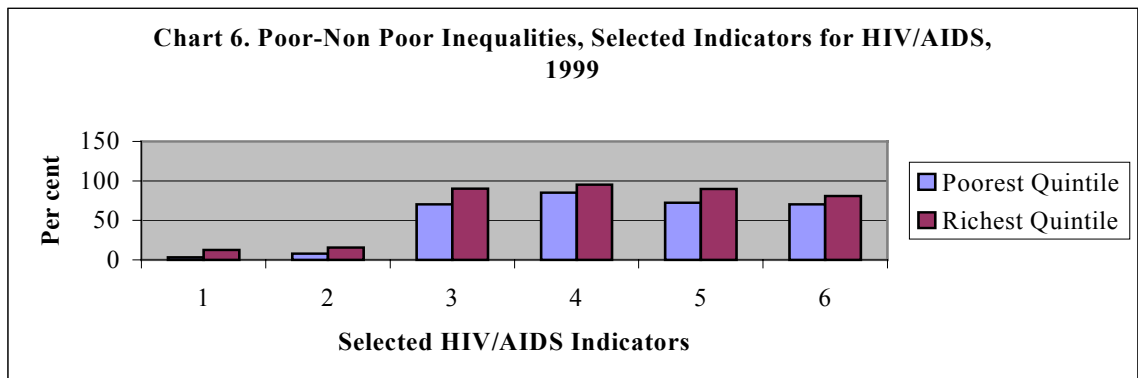
Tanzania has one of the *higher HIV/AIDS prevalence rates in the world*. Coping with the devastating social and economic impact of the HIV/AIDS pandemic is a major long-term obstacle to reducing both income and non-income poverty. **Chart 5** shows trends in HIV prevalence among blood donors between 1991 and 2002. Infection rates rose from 5.3 and 5.9 per cent for men and women in 1992 to 10.4 and 13.7 per cent a decade later in the year 2001, with the increase of 96 and 132 per cent respectively. The most recent data for 2002 show a decrease in infection rates for both men (9.1 per cent) and women (12.3 per cent). This requires confirmation.

HIV/AIDS is the single most devastating and impoverishing force facing Tanzanians. The country's future social and economic progress is threatened by the impact of HIV/AIDS. More than 700,000 Tanzanians are currently suffering from AIDS. By 2001, about 2.2 million Tanzanians above the age of 15 were HIV-positive. By 2002, about 1.9 million Tanzanians above the age of 15 were HIV-positive. The infection rate does not appear to have peaked. However, health facilities are overstretched, and not adequately stocked with essential drugs to cater for HIV/AIDS patients. HIV infected patients occupy more than 50 per cent of all beds in urban hospitals.



Source: NACP HIV/AIDS/STI Surveillance Report No. 17, December 2003

AIDS undermines all sectors of the economy and is gradually draining the work force. According to one estimate, GDP will be 15-20 per cent lower in 2010 than it would have been without AIDS. Employers are losing many of their more experienced personnel and facing shortages of skilled workers. Work performance and productivity are undermined. Industries and communities that attract large numbers of migrant workers such as mines are particularly vulnerable to the spread of HIV. **Chart 6** highlights rich-poor gaps in a number of HIV/AIDS knowledge and practice indicators for men and women.



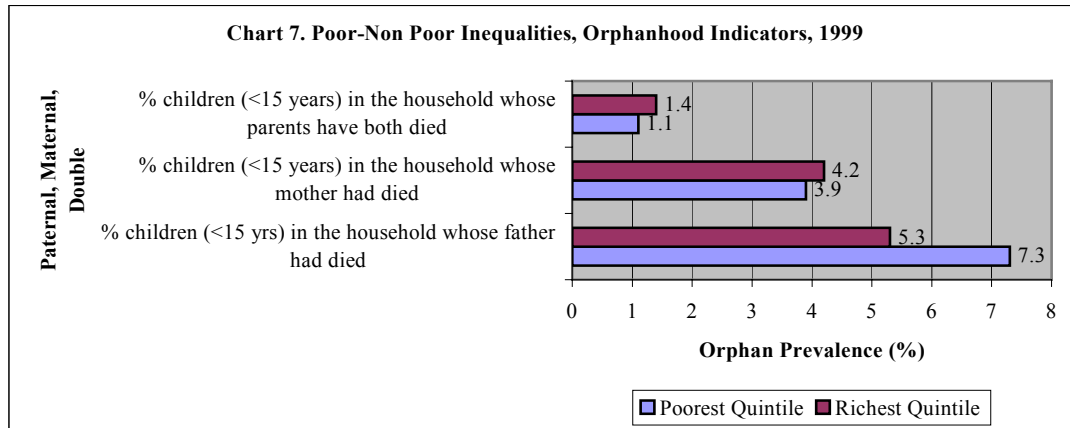
Source: TRCHS 1999 data analysed by income quintiles (Gwatkin Data), World Bank 2003.

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Note:1- per cent women (15-49 yrs) ever tested for HIV/AIDS; **2-** per cent men (15-54 yrs) ever tested for HIV/AIDS; **3-** per cent women (15-49 yrs) who know at least one way to avoid sexual transmission of HIV/AIDS; **4-** per cent men (15-54 yrs) who know at least one way to avoid sexual transmission of HIV/AIDS; **5-** per cent women (15-49 yrs) who know at least one way that HIV/AIDS can be transmitted from mother to child; **6-** per cent men (15-54 yrs) who know at least one way that HIV/AIDS can be transmitted from mother to child.

Chart 7 summarises relationships between poverty status and orphanhood.



Source: TRCHS 1999 data analysed by income quintiles (Gwatkin Data), World Bank 2003.

By the year 2000, 1.1 per cent of children under 15 in Tanzania had reportedly lost both parents, 6.4 per cent had no father and 3.5 per cent had no mother. According to *Children on the Brink*, the number of AIDS orphans is increasing rapidly: 271,000 in 1995, 815,000 in 2001, and will exceed 1 million in 2005, constituting 51 per cent of all orphans.

Youth

Increasing numbers of young people face the perils of mass poverty. These include inadequate education, severely limited opportunities for employment, and exposure to HIV/AIDS, particularly among young women. Youths are commonly excluded from the decision-making processes which directly affect their lives at household, community and higher levels.

The poor quality of primary education, limited capacity of non-formal education centres to absorb many of the out-of-school children and youths, and limited opportunities for vocational training have left young people ill-equipped to earn a living. The existing school curriculum does not prepare students for self-employment and entrepreneurship.

Sexual activity among adolescents is high, leading to a range of health risks, including HIV/AIDS. In a survey of over 9,000 young people, 50 per cent of 15 year-olds reported being sexually active and HIV prevalence among 19 year olds was 5 and 1 per cent among females and males respectively. Knowledge regarding sexuality and reproductive health in adolescents is limited whereas access to information and family planning services is minimal.

Formal Healthcare Services

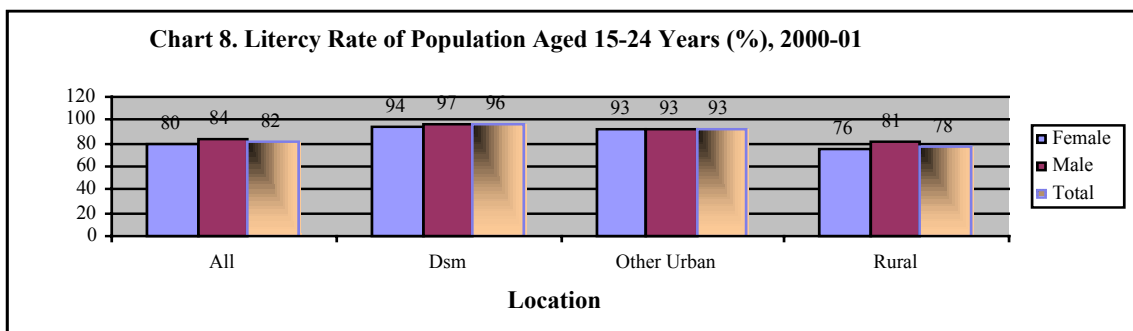
Health services show little improvement despite the injection of additional funding in recent years. Spending on healthcare increased from 7.5 per cent of the total government budget in FY2000 to 8.7 per cent in FY2003, and spending on primary and preventive services rose from 35 per cent in FY1999 to 54 per cent in FY2001. There was also a significant increase in spending on drugs and supplies (34 per cent of FY2001 budget). These efforts do not seem to lead to greater service user satisfaction. The cost of treatment is a serious barrier to care for poor people, women in particular. Health insurance schemes such as the Community Health Fund (CHF) regularly fail to help the very poor because too few can afford the annual premium. The exemption and waivers procedures do not work to the advantage of the poor. To find money for

treatment, the poor resort to coping mechanisms that may drive them further into poverty. Frequently, they are forced to seek ineffective alternatives, or report much too late for care, often with fatal consequences. Information on official health charges is not readily available. Effective mechanisms are not in place for people to air their grievances or lodge appeals.

The cost of healthcare was the third most serious household problem identified by PSSS. Nearly three-quarters of respondents thought healthcare had become less affordable during the last five years. Many respondents know people who have been denied services through inability to pay. Many observers fear that extending cost-sharing to the dispensary level will only serve to further exclude the poor from access to government health services. Revenue generated by cost sharing has not necessarily impacted positively on quality of health care.

Literacy and Basic Education

According to the 2000 HBS, nearly a third (29 per cent) of Tanzanians cannot read and write in any language. The figure is 36 and 20 per cent for women and men respectively. **Chart 8** summarises literacy rates among 15-24 year olds by sex and locality.

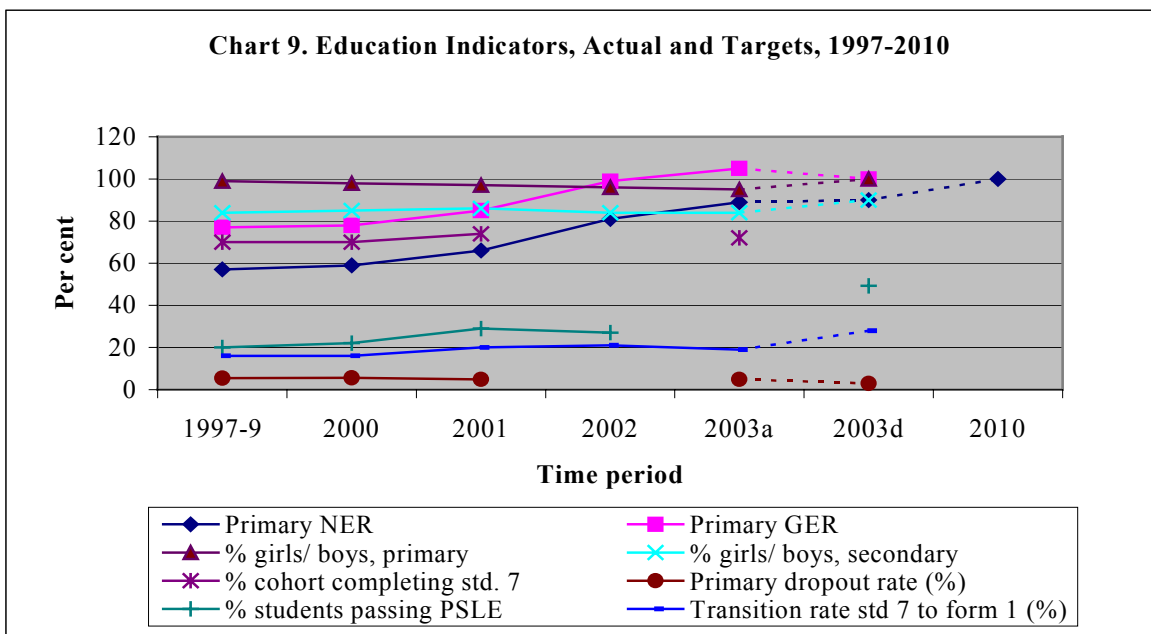


Source: HBS 2000-01, quoted in PHDR 2003: 27.

Though no reliable trend data are available, it is thought unlikely that the PRS target of universal literacy can be met by the year 2010.

Primary School Enrolment Trends

As a result of the Primary Education Development Plan (PEDP), primary enrolments grew by 50 per cent from 2000 to 2003 (**Chart 9**).



Source: MoEC Basic Statistics Education, quoted in P&HDR 2003: 20, 21, 24, 26.

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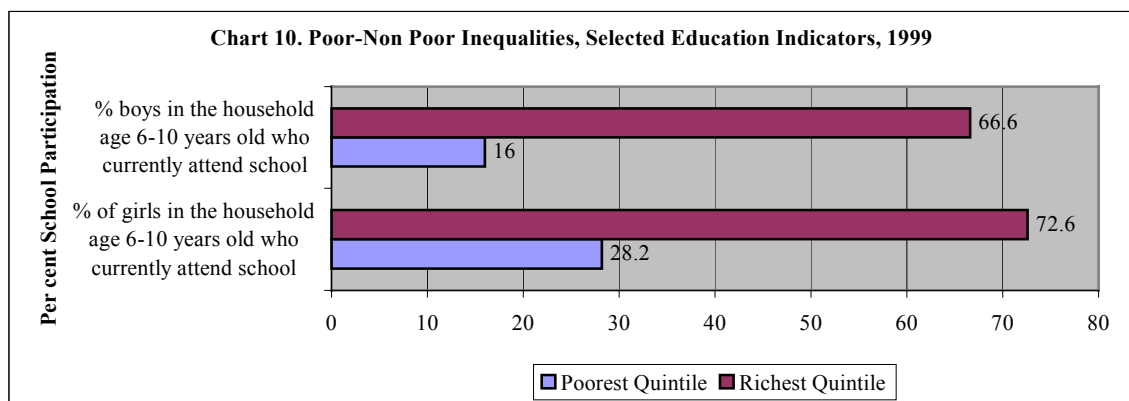
Note: 2003a-actual status in 2003; 2003d-PRS target for 2003

School fees were abolished in 2000 and the government initiated a major investment programme in classrooms and teachers' houses, funded largely by a USD 150 million World Bank loan. Net and gross enrolment rates have increased by about 30 per cent points, surpassing the PRS target. Children are entering school at an earlier age.

But quality and performance issues have become more acute. Poor examination results, teacher shortages, class size, and lack of textbooks were cited as major problems by between 40 and 47 per cent of PSSS respondents. Cohort analysis shows that, in recent years, more than one third of those who started primary school failed to complete Standard Seven.

Following the abolition of primary school fees, USD 10 per child is earmarked to help finance non-salary expenditures, but PHDR (2002) reports that the actual amount disbursed is only around USD 1. REPOA's *Pro-Poor Expenditure Tracking Study* suggests widespread leakages of non-salary funds allocated to district councils. PSSS respondents are quite concerned about the lack of transparency in the use of PEDP money.

Chart 10 below summarises enrolment rates among children from poor and non-poor households in the pre-PEDP period. Non-poor boys aged 6-10 were more than four times as likely to be enrolled compared poor boys, and non-poor girls more than one and a half times than their poor counterparts. According to the 2000/01 HBS, only 50 per cent of the 7 to 13 year olds from the poorest households were in school compared to 66 per cent from better off households. Over a quarter of the PSSS respondents knew of people who could not afford to send their children to school, but it is a third of the poorest quintile compared to a quarter of the least poor.



Source: TRCHS 1999 data analysed by income quintiles (Gwatkin Data), World Bank 2003.

Water and Sanitation.

According to PHDR (2002), nearly half the mainland population (44 per cent) use drinking water from unsafe sources, and more than half the rural population (54 per cent). During the 1990s there was an overall improvement (+22 per cent) in the use of improved sources of drinking water, but a slight deterioration in Dar es Salaam (-3 per cent).

Two out of five PSSS respondents named breakdowns in water supply as a major problem, a third complained that their supply is not clean or treated, and 28 per cent complained about the time taken to reach the nearest source. Only 12 per cent complained about price, but two-fifths in Dar es Salaam did.

Roads

Despite ‘pro-poor’ policies in road maintenance and repair, rural areas seem to be slipping further behind the towns in terms of reliable communication and transport. PRS proposed the rehabilitation of 4,500 km of rural roads in 12, poor regions by 2003, with an emphasis on community-based routine maintenance, but this did not happen. PSSS found insignificant levels of community involvement in road maintenance. TANROADS figures show that trunk roads enjoy better routine maintenance than regional and local authority roads, and paved more than unpaved. Periodic maintenance (more substantial repairs) is insignificant.

Over a third of PSSS respondents (35 per cent) said local roads were improving in quality and a quarter noted a deterioration. Dar es Salaam residents were most likely to identify an improvement (46 per cent) and rural respondents were the least likely (33 per cent). Over two-fifths of Dar es Salaam respondents noted improvements in ease of reaching the nearest market, health facility and primary school compared to only 24-26 per cent in rural areas.

Income Poverty

The PHDR 2002 shows little change in the overall incidence of poverty between 1990 and 2000, with a marked reduction only in the case of Dar es Salaam, as shown in **Figure 1**.

Figure 1: Trends in Poverty and Inequality 1991-2000 (per cent change)

	Dar es Salaam	Other urban areas	Rural areas	Tanzania mainland
Food poverty	-43	-13	-13	-14
Basic needs poverty	-36	-10	-5	-8
Inequality	+17	+3	no change	+3

Source: Household budget surveys 1991/92-2000/01, P&HDR 2002, page 68

The years 2000-03 have seen low levels of inflation and unprecedented growth in GDP. Yet the majority of respondents in recent surveys perceive increasing levels of poverty during the same period, and are convinced that inflation is rising, not falling. According to HBS figures, income inequality increased only modestly during the 1990s (**Figure 1**), while the popular perception is of rapid divergence between the incomes of rich and poor. 70 per cent of PSSS respondents say the gap between rich and poor is widening, with little variation in opinions across urban and rural research sites. **Table 2** presents the public view on the distribution of benefits of government economic reforms.

Table 2: Who Benefits from Government Economic Reforms?	Per cent
A minority of Tanzanians have benefited, for most people life is harder than before	48
A minority of Tanzanians have benefited, for most people life is the same as before	42
All Tanzanians have benefited more or less equally	10

Source: PSSS. Question ‘Opinions differ on who benefits from government economic reforms. Which statement corresponds closest to your own view?’

Employment and Unemployment

The Integrated Labour Force Survey (ILFS 2002) found that just over 6 per cent of the population aged 15 and above were unemployed in 2000. During the 1990s, unemployment increased from 22 to 26 per cent in Dar es Salaam, from 6 to 10 per cent in other urban areas, and remained constant in rural areas, at around 2 per cent (though the figure would be much higher if seasonal underemployment were included). Unemployment was a major concern for TzPPA and PSSS

rural respondents, suggesting a higher level of unemployment in rural areas than what is captured in official statistics.

There are no reliable data on employment and income trends, particularly in the informal sector. According to official statistics, employment in farming, livestock and fishing declined from 73 per cent of total employment in 1991 to only 63 per cent in 2000. The formal industrial sector accounted for 9.1 per cent of GDP in 1986 and 8.4 per cent in 2002. Employment in government and parastatals fell from 5.2 per cent of total employment in 1990 to 2.5 per cent in 2000, whereas private sector employment rose from 2.0 to 4.1 per cent.

Despite the establishment of the National Micro-Finance Bank (NMB) and various NGOs specialising in small-scale loans, most small enterprises are frustrated in their efforts to grow and perhaps 'formalise' through lack of affordable credit, training, tax incentives and a conducive regulatory environment. The 1995 Dar es Salaam Informal Sector Survey found that 95 per cent of financing for small enterprises came from personal resources, family and friends. Sub-contracting linkages between larger and smaller manufacturers are weakly developed. There is no coherent body of public policy or programmes to promote small- and micro-businesses.

Mining, particularly gold, is becoming an important contributor to GDP, export earnings and tax revenue. Minerals accounted for over half of total exports of goods in 2002. Though job creation in the modern mining sector has been modest, informal mining has been hardly hit by the big mining companies removing artisanal miners from their sites. Artisanal mining and processing are undercapitalised and dangerous activities. Tourism is also expanding rapidly, though employment trends are not known and the contribution of tourism to exports is not clearly reflected in official balance of payments figures.

Environment and Natural Resources

More than three-quarters of the resources used by the rural poor in Tanzania come from 'freely' available natural resources. Most analyses focus on how the rural poor degrade forest, land and water resources through destructive farming practices, overgrazing and over-harvesting forests for fuel wood, charcoal-making, tobacco curing and house construction. In many instances 'the rural poor see no reason to conserve or ... manage this seemingly endless resource.' There is much less discussion in the literature on how much environmental degradation is the result of the actions and inactions of influential individuals, and public and private institutions.

TzPPA identify 'the environment' as a major source of shocks and vulnerability for the poor. Unpredictable and unreliable rains are a major source of shocks in areas dependent on rain-fed agriculture. Most rural PSSS respondents (72 per cent) identified lack of water for irrigation purposes as a major problem, and 63 per cent considered pests, crop and animal diseases and wild animals major problems.

In Tanzania, land shortages for cropping are a phenomenon of densely-populated, fertile areas. PSSS found that a third of poor and non-poor rural respondents considered land shortages a 'major problem'. There is a growing number of conflicts over land access and use between farmers and pastoralists in different parts of the country. The government is in the process of divesting ownership of its estates and ranches. Granting 'radical title' to own and use land as loan security are very controversial policies, particularly when they involve foreign investors. Individual and communal land rights are insecure as long as the President, in the name of the state, is the final arbiter of land allocation and use.

15 per cent of farming households suffered from *food insecurity* during the year prior to the PSSS survey, as did similar proportion of Dar es Salaam and other urban households. The shocks caused by last year's drought on domestic water supply, crops and livestock constitute two of the five major problems faced by households. In many districts hit by the drought, the authorities have continued to ban inter-district trade in maize, thus rendering the market ineffective as a means of balancing food surpluses and deficits. The middleman is seen as exploiting shortages rather than helping to solve the problem. The Ministry of Agriculture and Food Security controls the food aid and the allocation of import licences. Commercial imports and food aid make up the food deficit. Another government response has been to invest in the 'rehabilitation' of a large number of small-scale irrigation schemes. The poor past record of such

schemes does not encourage optimism. Local governments continue to pass by-laws obliging farmers to grow certain drought-resistant crops. At the same time, farmers are under pressure to continue growing export crops even when they consider this a waste of time.

Despite Tanzania's largely agrarian economy, the majority of Tanzanians will soon be living in urban slums. Health risks related to poor water quality, unsanitary living conditions and inefficient domestic waste disposal will become acute if not addressed through public investment, including aid, private contracting where appropriate, and community mobilisation. Pollution related to solid waste disposal and sanitation was a major problem for 38 per cent of Dar es Salaam PSSS interviewees, compared to a national average of 20 per cent. Theft and crime were also 'major problems' for 38 per cent of Dar es Salaam respondents. If not addressed through public policy, motor vehicle and industrial air pollution will constitute a growing health hazard. Industrial waste disposal and air pollution will become public policy issues in proportion to the nature and rate of industrial development.

Globalisation, Trade and Aid

Trade-poverty linkages have been relatively ignored until recently, yet they are arguably among the most important keys to poverty reduction in Tanzania. Opinions are divided on the relative costs and benefits of Tanzania's international trade position. According to President Mka: 'We cannot ... blame globalisation for all our difficulties and our poverty. The solution to the impact of globalisation begins at home.' TzPPA argues that 'global terms of trade punish Tanzanian producers by consistently degrading the value of their outputs and raising the cost of inputs.'

Trends in the terms of trade for 'traditional' agricultural exports show short-term volatility and long-term deterioration. Agricultural terms of trade dropped by half between 1987 and 2001. During this period, exports of Tanzania's main cash crops grew on average by 3.6 per cent per annum, while the purchasing power of these exports fell by 1 per cent per annum.

Can increasing agricultural exports reduce rural poverty in a context of volatile and deteriorating terms of trade? According to the Ministry of Industry and Trade '...the opportunities created by existing reciprocal and preferential trade agreements are running well ahead of the country's ability to take advantage of them.' According to this view, efforts to reduce rural poverty are constrained by internal factors, including taxation and regulation practices that discriminate against the private sector and reduce incentives to producers.

Improving rural livelihoods emerges as perhaps the most critical challenge for poverty reduction efforts in coming years. Different surveys find large numbers of farmers complaining about the cost and availability of farm inputs, the non-availability of credit, prices received for cash crops, and drought. At the same time, local taxes and cesses on cash crops account for a significant proportion - often 15-20 per cent - of farm gate prices.

Rural respondents see declining quality of services provided by cooperative unions, local government, extension officers, crop boards and the private sector. While a quarter of farmers interviewed by PSSS preferred cooperatives to market their crops, a third preferred private buyers, and a further third preferred a cooperative/private mix. Poor farmers were more in favour of the private market option than the better off.

Despite their poor past record, some surviving cooperative unions continue to borrow from commercial banks under an Export Credit Guarantee Scheme. Recent legislation empowers crop boards to regulate their respective markets, but also to undertake any commercial activity they choose. The boards are effectively under the control of the Minister of Agriculture, who can bypass them entirely if they do not perform to his satisfaction. 45 per cent of rural respondents said the performance of crop boards was getting worse, compared to 3 per cent who said it was improving. For cooperative unions, the respective figures were 45 and 6 per cent.

Future agricultural growth and poverty reduction are premised on increased government spending on research and extension, small-scale irrigation, subsidised fertiliser and other agricultural services. Strategies for agricultural and rural development stress state-managed over private sector investments. Various donor-funded projects are designed to empower farmers and develop markets. The private sector, including agro-processors, complains about the level and unpredictability of taxation and lack of a conducive business environment.

Aid plays an increasingly central role in total spending as aid agencies move away from stand-alone projects towards budget support. At around USD 1 billion per annum, aid covers the balance of payments trade gap. Although aid yields positive results in terms of building infrastructure and boosting government spending, too much dependency on aid has a number of serious consequences. In general, aid crowds out investment, substitutes for local taxes, provides perverse incentives to governments not to reform, undermines local accountability, carries heavy transaction costs, distorts public sector incentives, encourages corruption and craves foreign debt. Although poverty reduction is the guiding principle behind the aid relationship, the above list of problems associated with aid dependency, suggests that on balance aid may not contribute much to the reduction of poverty. Policies to reduce aid dependency are not yet in place, and are not part of the public policy debate.

Governance and Accountability

The documents under review emphasise the importance of improving governance and accountability as means of addressing both income and non-income dimensions of poverty. Collecting and spending tax revenues effectively and efficiently are therefore key components of ‘good governance.’ Misuse of public resources for personal or group gain - corruption - undermines the government’s contract with tax payers. TzPPA identified ‘inappropriate taxation and corruption as the most important ‘governance-related’ impoverishing forces.

Taxation

At about 12 per cent of GNP, Tanzania’s tax-GDP ratio is relatively low by regional standards. Yet businesses and participants in focus groups regularly complain about the punitive nature of the tax regime. A number of recent studies are highly critical of the impact of taxes, fees, and levies on incentives and income in the rural economy.

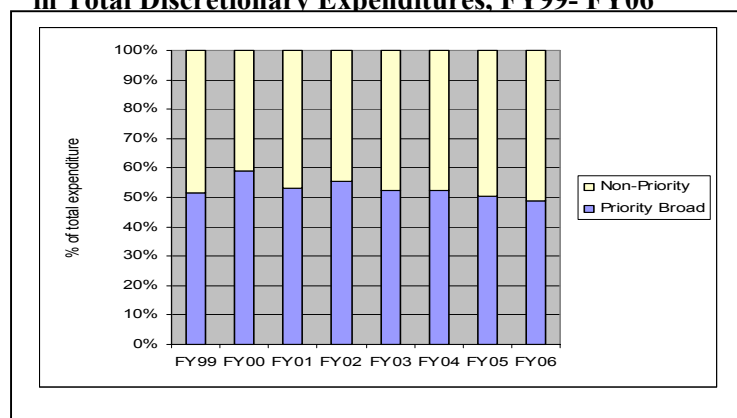
Although the government has attempted to reign in punitive local government revenue collection practices, it has not solved the problem of overtaxing commercial agriculture and livestock keeping. Despite abolishing the Development Levy and other ‘nuisance’ taxes in the 2003/04 budget, many rural taxes remain and some of those abolished are still collected by some local authorities.

PSSS found that cesses, taxes and deductions constituted a ‘major problem’ for one female headed household out of five in the rural sub-sample, and 17 per cent of male household heads. There is general agreement that taxes on export crop are excessive and the tax regime inefficient. For example, taxes on cotton and cashew amount to over 20 per cent of producer prices, leading to widespread evasion. The role of the newly empowered crop boards has come under critical scrutiny.

Budgets and Expenditure

The Tanzanian government and donor agencies have put a lot of effort into improving the efficiency of budgetary planning and finance in order to refocus spending towards the ‘pro-poor’ sectors, discussed above. Yet there is worrying evidence that, although ‘pro-poor’ spending has increased significantly under the PRS, ‘non-pro-poor’ spending has increased just as much (Figure 2).

Figure 2: Share of Priority and Non-priority Expenditures in Total Discretionary Expenditures, FY99- FY06



This was the conclusion of the External Review of the 2003 Public Expenditure Review by DANIDA and the World Bank. The projection of this trend to FY06 threatens to undermine the Medium Term Expenditure Framework (MTEF) which guides

both PER and PRS. Moreover, money budgeted often does not reach the intended beneficiaries, which is one reason why PSSS

found little evidence that services were improving under PRS.

An expenditure tracking study undertaken by REPOA and ESRF found that *more than half* non-salary expenditure in the health sector did not reach the intended facilities. This and other tracking exercises have not led to a great deal of public mobilisation on the 'demand' side of services, as happened for example in Uganda, where major improvements in efficiency have occurred as a result of publishing evidence of abuse in local government service delivery. The annual report of the Controller and Auditor General (CAG) documents unauthorised and improper expenditure on a huge scale. For example, the Report for FY2001/02 reports 'unvouched and improperly vouched expenditure' by the central government of TShs 49 billion, more than USD 50 million, of which TShs 20 billion was 'wholly unvouched.' (page 9). Rarely do these reports lead to the return of monies misused or disciplining the officials responsible. Translating social sector spending into more and better social services for the majority poor presupposes more transparency in budgeting and finance and much more downward accountability at the local level.

Corruption

Corruption in public administration undermines confidence in government and takes basic services away from the poor who need them most. While Tanzania's ranking in Transparency International's annual Corruption Perception Index has improved in recent years, the majority popular perception is that corruption continues unabated. Half the PSSS sample (51 per cent) agreed with the statement 'there is not much proof that the government is serious about fighting corruption, whereas four out of ten respondents thought the government was 'really doing its best to fight corruption.' For Dar es Salaam respondents, the figures were 56 and 39 per cent respectively. Whereas, half (52 per cent) of all respondents thought the level of corruption was increasing, less than a third (30 per cent) thought that it was declining. Over half (59 per cent) of the respondents in the highest income quintile gave the first answer, and 43 per cent of the poorest.

PSSS found that one sample household out of five in Dar es Salaam had been asked to pay a bribe by a police officer in the previous year. The wealthiest group was also the most vulnerable to police bribery. Nationwide, 7 per cent of households had been asked to pay a bribe by a health worker or legal officer in the previous year.

TzPPA highlights corruption as a major violation of 'good governance' and source of vulnerability among poor people (**Box 2**).

Box 2: TzPPA on Corruption

‘the publicly advocated theoretical ideals of ‘good governance’ ... are violated in practice. Non-democratic systems of governance, lack of participation by local communities in making decisions that affect their lives, and the scourge of corruption continue to challenge governance processes at local level.’

‘With regard to corruption, it was noted that the priority issues in the current PRS have little direct relevance for people’s lives. The forms of corruption that impoverish them most are (a.) extortion to access critical social services/entitlements and (b.) the abuse of power by police. The corruption most frequently mentioned by participants in the TzPPA was that in the health sector.’

‘One of the biggest impediments people experience to improving their lives is a continuing lack of Government transparency and accountability – in other words, the ‘powerlessness’ of ordinary people. Public participation in governance is largely limited to workshops and consultative meetings in rubberstamp preordained decisions.’

Sources: TzPPA, ESRF’s Poverty Policy Week Workshop on Vulnerability

Finally, the 2002 Human Rights Report maintains that ‘corruption among public officials has increased and is adversely affecting the economy. Instead of improving social service standards the government has entered into some very costly projects of benefit to only a small fraction of Tanzanians.’