

ECONOMIC AND SOCIAL RESEARCH FOUNDATION

**TOWARDS A RESEARCH FRAMEWORK FOR POVERTY
MONITORING IN TANZANIA**

FINAL DRAFT

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LIST OF ABBREVIATIONS

AIDS	Acquired Immuno Deficiency Syndrome
ATTP	African Trade and Poverty Programme
CGE	Computable General Equilibrium
CSO	Civil Society Organisation
CWIQ	Core Welfare Indicators Questionnaire
DFID	Department for International Development
ESRF	Economic and Social Research Foundation
GDP	Gross Domestic Product
HH	Household
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IDS	Institute of Development Studies
IFPRI	International Food Policy Research Institute
ILO	International Labour Organisation
IMF	International Monetary Fund
IPRE	Investment for Poverty Reducing Employment
JICA	Japanese International Cooperation Agency
MCDWAC	Ministry of Community Development, Women's Affairs and Children
NGO	Non Governmental Organisation
NPES	National Poverty Eradication Strategy
PPA	Participatory Poverty Assessment
PRSP	Poverty Reduction Strategy Paper
REPOA	Research on Poverty Alleviation
Sida	Swedish International Development Agency
TAS	Tanzania Assistance Strategy
TRA	Tax Revenue Authority
UDSM	University of Dar es Salaam
UNICEF	United Nations Children's Fund
VPO	Vice President's Office

TOWARDS A RESEARCH FRAMEWORK FOR POVERTY MONITORING IN TANZANIA

BACKGROUND

The Research and Analysis Working Group is one of four working groups established by the Government of Tanzania to co-ordinate efforts on national poverty monitoring. The Planning Commission chairs the group, while its secretariat functions are carried out by Research on Poverty Alleviation (REPOA) – a policy research institute. The membership of the group, which comprises fifteen persons, includes Government, research organisations, civil society and development partners.

One of the initial tasks of the working group was to formulate a plan for research and capacity building in research. This plan will serve as input into the National Poverty Monitoring Master Plan, which is to be compiled by the four working groups engaged in poverty monitoring by mid-2001. This report is intended to help clarify the plan for research by identifying priority areas and gaps in research. The main objective is to develop a framework of research questions to guide the focus of research and analysis relating to the Poverty Reduction Strategy.

A consultative process was followed to solicit views from various stakeholders. Three workshops were held in Mid May-2001 with academics and the private sector, policy makers and civil society. A complete list of participants in the workshop may be found in Annex 1. The exchange of views in these workshops was informal and frank. We thank the participants for their insights and hope that we have captured the salient points made in the workshops.

Information gaps on the HIPC initiative have been noted that require immediate attention, including the actual amount of debt owed, as well as debt repayment schedules during recent years. This information is available, and ought to be disseminated to the public on a regular basis as government policy.

The report is organised around seven main themes as follows:

- A. Poverty and Poverty Monitoring;
- B. Political Economy, Institutions and the Social Context;
- C. Macroeconomic Policies and Poverty Reduction;
- D. Growth Strategies and Poverty Reduction;
- E. Social Sectors;
- F. Cross-Cutting Issues; and

G. Measuring the Impact of Poverty Reduction Initiatives.

These are discussed below. In each case, we have attempted to motivate the issues and avoid duplication of existing work.

A. POVERTY AND POVERTY MONITORING

1. *Survey of Literature on Poverty-Related Research*

Despite increasing interest in poverty eradication on several fronts in Tanzania, very little updated empirical analysis has been carried out on who the poor are, what their characteristics are and so on. In part, this was due to the absence of good data (no recent household budget survey). With the expected completion of the household budget survey in 2001, this should afford an opportunity for some more analytical work on poverty.

- A starting point for research thus in this area would be a review of the literature on poverty-related research in Tanzania, more than was possible in this consultancy. Updating the Bagwacha (1994) review of poverty-related work would cover this.
- Who are the critical actors (government, international organisations, and research institutions/academia, NGOs, grassroots communities)? What have been their main areas of focus? What are major research pieces and what are their key findings?

2. *Poverty and Inequality Correlates*

Identifying the correlates of poverty empirically is an important input into poverty reduction strategies and into the monitoring of progress with poverty reduction. In the past, analysis on this issue has been hampered by the lack of a frequent household budget survey and weaknesses in analytical capacity. The soon-to-be-completed household budget survey offers opportunities to rectify both of these problems. For sustainability purposes, it will be important to actively involve academics and private research institutes in the analysis (as opposed to data collection) aspects of this work.

At the request of the Research and Analysis Working Group, the Office of the Prime Minister is currently reviewing the Household Budget Survey data sets to determine poverty status and expenditure predictors to identify “predictors” that could be used in the Census questionnaire. In addition, a small poverty mapping exercise is underway, which should prepare the ground for the much bigger poverty mapping exercise based on the 2002 Census.

The questions below should thus be re-visited once the above exercises are completed to avoid duplication.

- What are the main indicators that correlate well with (or serve as good proxies of) household welfare? Studies from other countries indicate that there are a number that could play the role, but the answer is really determined empirically. For example one could explore:

- 1) Location of residence (region, district)
- 2) Housing attributes (roof, wall, toilet, water source)
- 3) Age, composition and schooling attainment of HH members*
- 4) Ownership of consumer durable goods (vehicle, electrical goods)
- 5) Ownership of productive assets (land, livestock)
- 6) Employment status and sector of employment of HH members
- 7) Gender and marital status of HH head
- 8) Type and number of private establishments in the village/ward
- 9) Type and number of public institutions in the village/ward/district

*(3) – (6) broken down by gender.

- What is the structure of inequality? What does decomposing changes in inequality between the 1992 Household Survey and the 2001 Household Budget Survey tell us about its determinants?
- Another angle is to look at education more closely. Education poverty can be defined as failure to reach an agreed upon grade level. What are its determinants? How does it differ across the country? What are the returns to different types of education?

3. *Children and Adolescent Youth*

Recent studies indicate that the most vulnerable to poverty in Tanzania are children in poor families, orphaned children (especially in poor families), street children and families who have nearly exhausted their resources (UNICEF 2001a). Many of these families have had to contend with HIV/AIDS, which has dramatically increased the number of orphans and street children. Child abuse has also increased, along with child employment, making children ever more vulnerable to HIV/AIDS, as well as other health and emotional damage. A growing number are denied their basic human right to family care, basic education and health services, safety and freedom to learn and to play. Authoritarian systems of child-rearing also deny children and adolescents voice in decision-making and space to organise themselves freely. Corporal punishment remains the main form of sanction in the home, community and school. The judiciary system is unable or unwilling to provide children and adolescents with appropriate measures; countless numbers of youth are incarcerated in adult prisons, thereby vulnerable to abuse, rape and HIV/AIDS.

- What scope do children and adolescents have to organise themselves and articulate their specific needs, for example in the PRSP and other policy-formulation processes?
- How can access to the judiciary system be enhanced for vulnerable children and adolescents?

Another concern is child employment, which grew steadily during the late 1980s and 1990s as a result of market demand in the private sector, low incomes and employment in the majority of Tanzanian families, and a breakdown in family support systems. The growing cost of education combined with poor quality and oppressive conditions also push children out of schooling into the labour market. According to the first quarter of the recent Labour Force Survey, 28% of children in Tanzania work with little gender difference. A higher percentage appear to work in rural areas (33% versus 15% in urban areas) (ILO 2001). The majority works in family farming (71%). However, in Dar es Salaam, an equal number are in paid employment (40%) as in self-employment (41%).

Two thirds of working children in Dar es Salaam explain their motive as one of helping to supplement household income. Hence, child employment reflects family poverty. Similarly, many of the working children in rural areas are members of poor migrant families, who work together on large farms and plantations. Strategies to reduce child labour need to address the problem of rural and urban poverty, landlessness and the decline in smallholder agriculture.

Child employees work for little or no pay – hence their attractiveness to their employers. A large number of young girls work as house servants, bar girls and prostitutes, or else they are employed as cheap labour in petty trade, food processing and preparation, textile manufacture and so on. Young boys work in the mines or petty trade, and both boys and girls are employed in smallholder and commercial agriculture.

Many young women and men are expected to earn their own livelihood upon reaching puberty. For girls, this usually means a choice between early marriage, concubinage and commercial sex work. Young men have many more (self) employment options in the informal sector, but the vast majority of both male and female youth lack independent access to key productive assets such as land and livestock. This forces male youth into criminal activities and/or low paid work in the informal sector, with little hope for a better future.

- What are the determinants of school attendance of children? What are the determinants of labour force participation? What does a joint model tell us about the allocation of time of school-age children between school and work? How do policy variables such as income, wage rates, education prices and quality of education affect the decision?
- What measures can be adopted which target child employment and family poverty at the same time?

- What measures are needed to enforce child labour laws?
- What strategies would be most effective to reduce the market for child prostitutes?
- What alternative strategies exist to provide out-of-school education opportunities and/or (self) employment opportunities specifically for adolescent girls and boys?

Finally, a number of health and education issues as far as children and adolescents are concerned are covered in Section E.

4. *Household food security and sustainable livelihoods*

One of the major elements of impoverishment is the decline in household food security, through an inability of households to produce enough food for consumption and to access enough cash income to purchase food on the market. Rural households are less food secure than those in urban areas, even in areas that are largely devoted to grain production. This partly reflects the general decline in smallholder agriculture and livestock-keeping, which is highly associated with the lack of reliable competitive markets and the collapse of public support systems. Grassroots-based studies also emphasise growing insecurity in access to land and other natural resources due to the growing power of large commercial interests in tourism, agriculture and mining (Mbilinyi et al 1999). Hence, food security and sustainable livelihoods are integrally bound. There is only an indirect link between crop failure and starvation.

Household economy approach (hereafter HEA) has been adopted by several actors in Tanzania to provide a better picture of the household economy and its relationship to markets and employment opportunities (Save the Children 2001). Using participatory methodology, HEA explores the different elements in the household economy that contribute to food consumption, ranks them in terms of their importance to the food basket as determined by average caloric needs in the household, and provides in the end a holistic analysis of how people provide a living for themselves. HEA can do the following:

- Produce a coherent picture about how people live and the options open to them in a normal year
- Give an estimate of the likely effect of ‘shocks’ on household income
- Give an estimate of the likely effectiveness of the coping strategies open to them
- Identify who/where people are most at risk of not coping with change, and
- Allow us to study the likely impact of a range of intervention options.

Given the close connection between food security, livelihoods and poverty, HEA is a potentially powerful tool for analysis of household poverty and livelihoods.

- What strategies can be used to adapt HEA to analysis of household poverty?

- How can capacity to carry out HEA be strengthened at national and institutional level – thus far it remains largely dependent on foreign technical assistance?
- How can HEA be incorporated in participatory action research programmes, which would enable grassroots communities to make use of the information acquired?
- What impact has the decline in rural livelihoods had on household food security, child malnutrition and child mortality? On the decline in formal sector employment and the growing significance of informal sector employment?

B. POLITICAL ECONOMY, INSTITUTIONS AND THE SOCIAL CONTEXT

1. Political Economy of Pro-Poor Policies

- What are possibly negative reactions from different stakeholders such as elements in the private sector to an increased emphasis on poverty reduction? Especially in cases where resource redistribution occurs? What is the relative strength of political constituencies that support poverty reduction strategies? How can they be strengthened even more? What steps have been taken in anticipation to support pro-poor organisations and pro-poor strategies in the face of resistance? In other words, what kind of political will has been shown and how can it be enhanced? What role can be played here by pro-poor civil society organisations to support the poverty reduction strategy? How has government encouraged their contribution *and their voice*, so as to counteract resistant pressures from other stakeholders? What are lessons from other countries of building pro-poor coalitions?

A review of safety net programs (see Subbarao et al 1997) shows the importance of domestic political economy considerations. In many of the programs, very uneven results were obtained – a consequence of the chronic problem of poor targeting, administrative hurdles and the political context in which the programs were often introduced. Designing the optimal safety net takes time – to compile information about the poor, their characteristics, location and so on. Since many of these programs are introduced during emergencies or in crises, taking the technically correct approach is often sacrificed to expediency (political or otherwise) which drives the speed of implementation. Often, there is pressure to show that the government is responding to the crisis and doing something about it. In addition, the pressure is often to help the most vocal, who are not necessarily the neediest. Thus, public work programs or credit schemes are often improperly targeted.

- What underlies the political economy of safety nets? Which are the major interest groups in Tanzania and what are their interests? How has this changed over time? How have politically actors and institutions (including development partners) influenced decisions related to social protection?

2. *The Decision-making and Policy Formulation Process*

Institutional structures and cultures are expected to have an impact on processes of social accumulation and mobilisation of resources for development, and on the broad dimensions of development and democracy. Of particular importance are efforts to enhance the organising capacity and voice of grassroots communities and the poor, so that they may act as pressure groups on their own behalf. Social capital has been recognised to have a positive relationship with development and growth objectives. Of less certainty are the forms of government and institutional mechanisms that enhance participation and civil society organisations at all levels, and contribute to a democratic politics. The nature and politics of civil society in Tanzania is also little understood, particularly as they relate to policy goals of enhanced civil society participation in policy formulation, implementation and monitoring.

As non-governmental organisations get more opportunity to participate in policy-making forum, they face important questions of accountability and representation. The same may be said for local government institutions, which are expected to have greater voice and control over resources in conjunction with local government reform. A wide assortment of issues arises concerning internal dynamics within each organisation and institution, as well as how they interact with central government, the community, and the poor.

- What kinds of structures of power exist at international, national and local level? What institutional mechanisms and cultures sustain and reproduce them? Examine the degree to which they enhance or limit ownership at national and local level, and provide recommendations for change. In the analysis, include multilateral and bilateral organisations, government (central, local), civil society organisations (CSOs) of different kinds, the private sector, and the grassroots/ 'poor'.
- What kinds of initiatives have emerged at the grassroots level to promote development and democracy and reduce if not eradicate poverty and the income gap? Who has taken the lead, i.e. are these examples of self-organisation led by the poor? Organisations who work *with* the poor or *on behalf of* the poor? Include specific consideration of economic literacy, human rights, land rights, environmental groups, gender transformation groups.
- What institutional mechanisms will lead to increased real participation of the grassroots in policy formulation, implementation and monitoring? This refers to policy in general, as well as PRSP in particular. Take into consideration the nature and kind of representation at all levels; the quality of the consultation process in terms of partnership (advance provision of information, debriefing, arrangements for follow up partnerships); the timing of consultation and/or participation so results are fully integrated into the poverty strategy; the influence of the consultation process in terms of involvement of civil society partners in setting indicators and benchmarks; influencing the content of the PRSP and its later revisions.

- Analyse different kinds of CSOs at each level as they relate to Tanzania: grassroots, district, regional, national, sub-regional (African), international. What kind of institutional structures and institutional cultures do they have? What kind of institutional mechanisms ensure accountability of CSO leaders to organisational members and the organisation itself? What forms of reporting and feedback systems exist to ensure that information flows up and down and laterally? How successfully do they engage with policy-formulation processes and with social action? What capacity exists to engage in macro-policy debates? How can this capacity be enhanced? How can civil society organisations be strengthened without losing their autonomy?
- Similar questions need to be explored for elected government positions at local and community level, including village government leaders, district councils.
- What are potential entry points for enhanced ‘real’ participation of civil society organisations in policy formulation as well as implementation and monitoring. Explore institutional constraints that block participation and possible strategies to overcome them. What strategies would enhance informed participation in policy formulation and action, for example, economic literacy programmes that strengthened people’s understanding of the link between macro and micro policy.
- What mechanisms would enhance the learning process within institutions at all levels, which enhance flexibility, participation and country/local ownership?
- What kind of information structures and systems exist at different levels, in the context of ‘the right to information’ for all citizens, women and men alike, rich and poor. Clarify ‘really useful’ information needed by working people and the poor to enhance their lives, livelihoods and voice. What institutional mechanisms would enhance participation of the grassroots and CSOs in research generation and management?
- What is the role of a free media in poverty reduction and eradication? How can the freedom of the media be enhanced and the capacity of journalists to carry out honest, investigative journalism?
- What kind of additional resources are needed to enhance the participation and voice of grassroots organisations and other CSOs in policy formulation/implementation/monitoring, and in social action on their own behalf? Which stakeholders are prepared to provide these resources, without strings, so as to facilitate the engagement of the people and their organisations in action/policy processes?
- In what ways do existing local government reform processes enhance grassroots voice and power? How can the gap between the district and the community be reduced, so as to ensure greater power and responsibility of individuals and groups in

the community? In particular, how can the roles and responsibilities of the village assembly be enhanced? What specific steps are needed to empower the disempowered within the community and ensure that they have a voice, including women, youth, the very poor, the landless?

- How can resource management be made more participatory at national and local level, with specific attention to issues of land, natural resources in general, and wildlife management; along with greater participation and accountability of budget authority?

3. *The Role of Culture*

During the PRSP Zonal Workshops, culture was identified as an important constraint to poverty reduction initiatives. Women were more likely than men to identify the “cultural constraint” as an issue. The PRSP did not explore this issue in depth, however, and the logical framework was silent on this issue. Yet, in order for poverty reduction initiatives to be fully effective, they must take culture into account. Culture is defined here in the broadest sense – “the social structures, norms, values and practices that underpin social identities and behaviours, creative activities, and cultivation of imagination”.

Culture affects how individuals, communities, informal and formal institutions respond to developmental changes, so knowledge of culture(s) is a means to effective poverty reduction. Culture also determines what individuals (including the poor) consider valuable and informs the end-objective of development. The role of culture can be looked at through the broad lens of how culture influences household behaviour. Two additional and more specific angles are also presented for illustration: the impact of culture on education choices, the effect of culture on and the role of culture in helping to determine more effective and appropriate mechanisms.

Household behaviour and poverty reduction

- How can more accurate assumptions regarding cultural behaviour improve public distribution systems? Public distribution systems regularly underperform because some of their assumptions about the relationship between culture in the broadest sense and household behaviour are mistaken. Empirical analyses of household behaviour can provide policy guidance and improve the effectiveness of priority poverty reduction programs such as health, education, natural resource management, or HIV/AIDS. For example, how can health interventions at the national level be improved by studying how economic and cultural institutions (culturally specific taboos, sexual practices, socio-economic status, and fostering arrangements) affect the risk of HIV/AIDS?
- How can greater appreciation of cultural barriers improve public distribution systems?

- How can cultural understanding inform more effective interventions to promote well-being for women?
- What specific forms of policy intervention can create an enabling environment for cultural transformation, community mobilisation and successful development outcomes?

Impact of culture on education

- What is social status? How is education valued? In what ways do families adjust to allow children the means to attend school and to study at home? Based on this work, a qualitative questionnaire could be developed to elicit some of the cultural and ethnic determinants of the demand for education.
- Another series of questions could use a quantitative survey that would permit statistical tests, and shed light on belief systems, norms, institutional rigidity and transparency, demonstration effects, effort, lock-in, and effect of education on cultural functioning. The data could be analysed so as to address the following questions:
 - How do belief systems and social norms affect school attendance and investment of children's time in learning?
 - Are answers to these questions specific to religion, ethnic background, parental background, gender, regional location and wealth?
 - Does the perception of institutional rigidity (the receptiveness of social and political organisations to penetration from below) or lack of transparency (e.g. perception of openness of rules and procedures and dispute resolution mechanisms) influence school attendance and the investment of children's time in learning?

Adapting educational approaches

Pastoralists in Tanzania are mostly concentrated in the northern regions (e.g. Kilimanjaro, Arusha). The pastoralists include some of the poorest and most vulnerable of Tanzania's population (see NPES). Reaching them with formal schooling has become a major challenge, and many nomadic pastoral children remain outside the education system.

Research in adjacent areas of northern Uganda and Kenya (Karimoja in Uganda and Turkana in Kenya) (see Rao and Walton forthcoming) examines the impact of formal education on livelihood security and poverty alleviation within pastoral society, and the alternatives to it. The research focuses on and identifies the conditions under which more effective schooling can be facilitated.

The initial hypothesis is that the system of knowledge taught in current schools, and the social and economic frameworks which support it, are antithetical to the nomadic pastoral livelihood system itself. Three questions structure research to evaluate this hypothesis:

- How is indigenous knowledge embedded within social organisation?
- What are the real outcomes of formal education for nomadic pastoralists, and particularly its impact on social capital?
- What educational alternatives are available to better equip pastoralists to fight poverty?

The anticipated results are a better understanding of how indigenous knowledge is linked to social structure and economic expectations, a better idea of how to integrate indigenous knowledge and formal education in preparing nomadic pastoralists for a future either within or outside the pastoral economy, and practical policies and project orientations through which governments and other development partners might accomplish this.

4. *Understanding Alternative Realities*

In Tanzania, as in many other adjusting countries, there seems to be a tension or disconnect between the perceptions of policymakers (and some development partners) on reform outcomes as measured by national statistics and those of grassroots organisations. This tension or divergence can be a significant basis for distrust and poor communication between the various groups. Understanding the determinants of this “alternative realities” phenomena can facilitate the policymaking process and provide policymakers with more qualitative information as input into the decision-making process.

Research (that could conceivably be carried out under the Participatory Poverty Assessment) could be structured around the following series of questions:

- What are the most common sources of divergence in perceptions? At what level does the divergence emerge? Is there a pattern to these divergences? What role do institutions, the political economy and ideology play in the differences? What policy interventions could facilitate better communication and understanding of each side’s views?

C. MACROECONOMIC POLICIES AND POVERTY REDUCTION

With respect to the key macroeconomic targets under the PRSP, Hamner et al (2001) anticipates few problems achieving them. Based on Tanzania's historical performance and planned future strategy, they feel the prospects for meeting the inflation target and maintaining fiscal balances are good. It should be noted that the PRSP explicitly allows for a fiscal deterioration.

There is a whole range of issues related to the budget and the poor. Specifically, whether budgets are pro-poor (in terms of allocation and processes), how poverty reducing expenditures are captured and protected in the budget, and what are the links between the PRSP targets and priorities and the allocation of budget resources.

A series of papers (existing and forthcoming) address these issues. In a review carried out for the *Country Financial Accountability Assessment*, Naschold and Fozzard (2001) investigates financial management at central and local government levels and assesses the fiduciary risk. They also look at whether the current systems adequately afford reassurance on whether resources are properly accounted for and are being used for the intended purposes. Naschold, Fozzard, and Tsikata (forthcoming) examine the question of whether budgets are pro-poor by looking at the allocation process, the role of the MTEF in linking sector priorities to poverty reduction objectives, the monitoring process and who it incorporates, the role of gender in all of the above and the institutional framework for poverty monitoring.

Another upcoming report, *A Review of Macro and Sectoral Policies* (ESRF/REPOA) commissioned by the Vice President's Office and financed by UNDP reviews *inter alia* the Budget Guidelines and assesses their links with resource allocation and poverty reduction. The report also looks at the determination of block grants to the districts. Finally, Evans and Nglawa (2000) review the institutionalisation of the PRSP and assess its links with other Government processes.

All these papers are to be finalised by the end of the third quarter of 2001. These papers may provide useful information for the gender budgeting exercise and, depending on their coverage may generate additional research questions as far as gender is concerned. They may also generate a further round of research questions on pro-poor budgeting, especially on the issue of incentives for line ministries and local governments and their staff to pursue a pro-poor orientation in their work.

1. *Pro-poor Macroeconomic Policies*

A popular perception persists that macroeconomic policies (especially those implemented by African countries over the past two decades) are incompatible with poverty alleviation. The reason is partially that while sound macroeconomic policies and growth-enhancing reforms are both pro-growth and pro-poor in the long-run, in the short run, some macroeconomic adjustments can adversely affect some poor and vulnerable groups.

Existing reviews of empirical data and country experience suggest that macroeconomic adjustment has had mixed results. Poverty has fallen *and* risen in countries undertaking macroeconomic adjustment. The nature, sequencing, and speed of macroeconomic reforms are relevant in achieving a “good” result – but the trend in consumption is equally important (Tsikata 2000b). In the case of macroeconomic crises, the *response* to those crises can help determine the extent to which the poor are protected or irreversibly damaged by macroeconomic shocks. What the various studies suggest in addition, however, is that “pure” macroeconomic policies are not by themselves sufficient to address poverty issues. Equally important are carefully designed social safety nets that can complement ongoing macroeconomic reform and mitigate possible adverse effects on the poor through compensating measures.

Rapid sustainable economic growth is a prerequisite for achieving poverty reduction. But growth is not enough. Targeted policies - anti-poverty policies - that enable the poor to contribute to (and share in the benefits from) growth, to increase their capabilities, and to reduce their vulnerabilities to risks are vital complements.

Structural adjustment policies have been marked by fiscal adjustment, measures to improve the trade balance and creating an enabling environment for private sector development. The impacts of these policies on the poor will vary depending on the specific measures taken, how (and how consistently) they are implemented, the structure of the economy, the concomitant effect of external shocks and so on.

- In view of all this, what are specific pro-poor macroeconomic policies and strategies?
- How can the microeconomic impacts of macroeconomic policy be captured more systematically?
- How can macroeconomic policy issues be integrated with social development goals?
- What is the profile of the current taxation system in terms of regressivity and progressivity?
- How has financial sector liberalisation affected the poor? What has been the differential impact for men and women? Children and adolescents? The elderly?
- What are the links and trade-offs among the following macroeconomic variables: inflation, interest rates, output and employment? In other words, what are the empirical links between the monetary and real sides of the Tanzanian economy? How do these results differ by economic sector?
- How can revenue mobilisation be enhanced and how does this affect future expenditure trends?
- What are the effects of public sector retrenchment in both urban and rural areas?

2. *Microeconomic Impact of Macroeconomic Policy-A Gender Perspective*

Much of traditional macroeconomic analysis focuses on economy-wide aggregates. Understanding the micro-foundations of growth and the microeconomic impacts of macroeconomic policy is an important element in evaluating the economy's response to reforms. From the point of view of gender analysis, disentangling how the costs of adjustment are distributed between males and females can also be better understood by shifting the focus from macro to micro impacts. Of course, gender inequality predates the introduction of economic reforms, but it has been argued that it has been exacerbated by them (Tsikata and Kerr 2000). Work on the gender dimensions of macroeconomic reform is relatively new, having really just taken off in the early nineties (see Bakker 1994 and Elson 1994).

In the context of the PRSP, tracking what is happening to women and gender relations under a few key reforms would provide useful insights for policymakers. Following an innovative study carried out by the Gender and Economic Reforms in Africa (GERA) Program, suggested areas could include financial sector liberalisation, and broader economic liberalisation and the formal manufacturing and informal sectors.

Gender analysis has also been considered an essential input into the overall monitoring and evaluation process of PRSP (MCDWAC 2001a, 2001b). This calls for mainstreaming gender-disaggregated data into all key instruments, including the household budget survey. Gender issues that may block achievement of poverty reduction targets for each of the key areas, such as education, health, agriculture and the judiciary need to be examined.

The lack of a clear gender perspective in the PRSP is symptomatic of the need to strengthen gender analysis and gender planning within all levels and sectors of government, with particular attention to the Ministry of Finance, the Planning Commission and the Vice-President's Office. Much progress has already been made, as the Ministry of Finance works closely with MCDWAC and the Tanzania Gender Networking Project to mainstream gender in the PRSP.

- How do existing gender relations act as opportunities or constraints in achieving poverty reduction goals in each of the key sectors? What steps will be necessary to overcome the constraints? (see detailed issues in MCDWAC 2001a)
- What are specific training needs for gender analysis and planning within the central and line ministries most concerned with poverty reduction? How can the institutional mechanisms for gender mainstreaming within the government (central, local) be strengthened?

- Which policy interventions and strategies would most enhance gender equity in education, health, agriculture and employment in general? How can these be either established, or strengthened? What additional resources will be necessary?

The PRSP envisages continued financial sector liberalisation as an important component of stimulating private sector development. Key research questions related to the gender dimensions of changes in financial services and markets could include:

- How is financial sector liberalisation affecting men and women's access to financial services?
- What impact has the increased availability and reliance on informal finance institutions and more formal microfinance institutions had on women?
- What are specific obstacles that women and youth face in mobilising resources?
- Are there any policies and institutional changes related to the financial sector needed to improve the livelihoods of men and women?
- What is the assessment of women's financial institutions or those that serve mainly women?

D. GROWTH STRATEGIES AND POVERTY REDUCTION

Economic growth is the basic source of poverty reduction and an important source of financing for targeted social expenditure. For instance, in Chile during the 1990s, four-fifths of the achieved 50% increase in real per capita social expenditure was accounted for by accelerated growth. In a recent paper by Dollar and Kraay (2000) that uses econometric techniques for a sample of 80 countries over four decades, the authors find that the growth of income of the poor and overall economic growth is one-to-one. Economic growth is necessary but not sufficient, however, to reduce poverty.

Clearly, the pattern of growth (i.e. the source of the growth) can have differential impacts on the poor. The poor can be expected to benefit if the pattern of growth boosts agriculture and promotes domestic demand for low skilled workers. Economic growth in the Asian Newly Industrialising Countries (NICs) was exceptional because of the equitable nature of the growth. Specifically, growth in Hong Kong, Korea and Taiwan was characterised by a rapid rise in rural productivity, which raised agricultural incomes, and productive absorption in the urban sector. These outcomes were the result of *inter alia*:

- (i) Rapid growth of labour intensive manufacturing mostly directed to exports;
- (ii) Within labour intensive sectors appropriate wages encouraged labour-intensive techniques;

- (iii) Adapted and improved foreign equipment and production methods; and
- (iv) Improved rural infrastructure and extension services as well as adaptive local research.

Most of these underlying conditions do not yet appear to be in place in Tanzania to replicate the East Asian model – growth has been respectable but not rapid, agricultural productivity remains low, marginal productivity in manufacturing has fallen making it difficult to absorb rural in-migrants and small enterprise sectors are weak. All of this will have to change if growth is to be pro-poor.

In general, the elasticity of poverty, as measured by the change in headcount index with respect to changes in per capita income is estimated to be between –1.5 and –3.5 world-wide. The elasticity of poverty helps determine how pro-poor economic growth is. In Tanzania, the elasticity has been estimated to historically lie between –0.7% and –2.5% (Jones and Mbelle 2000). Meeting the PRSP poverty reduction target given 6% growth will therefore require the elasticity to lie on the higher end – not impossible but challenging.

Assessment of the PRSP assumptions, the feasibility of the PRSP growth targets and their implications for poverty reduction were identified in the Terms of Reference as an important area of work. A recent paper (still in draft form) commissioned by DFID and carried out by the Overseas Development Institute (ODI) covers much of that ground (Hamner et al 2001). With respect to economic growth, Hamner et al begin by noting that the growth and performance of the agricultural and informal sectors are especially important as the majority of the poor earn their living in them. Agricultural reform is thus an important component in any poverty reduction strategy. In their opinion, however, the slow pace of reform in agriculture and in complementary areas (for example, microfinance) make it “unlikely that growth will be pro-poor at least in the short-run”. They also note that economic growth is currently strongest in mining and tourism, both of which have limited direct effects on poverty and which tend to be geographically concentrated.

Gaps in knowledge related to growth strategies revolve around the rural development strategy and modeling (both macroeconomic and CGE) to better understand the Tanzanian economy. Both of these gaps are currently being addressed by ongoing research. Other important areas of research related to economic growth that are important to monitor poverty are presented below.

1. The Impact of Agricultural Policy

Agriculture remains the main source of income and employment for the rural poor, for up to 80% of Tanzanians. It also has large forward linkages to agro-processing and consumption and thence to the rest of the economy. Agriculture also accounts for half of Tanzania’s exports. Indications are that traditional export crops may have larger employment and multiplier effects than non-traditional crops, though the latter may be

profitable niche activities. As indicated in the National Poverty Eradication Strategy, Vision 2025 and the Poverty Reduction Strategy Paper, a growing agriculture sector is essential to reduce poverty.

Agricultural policy is thus a linchpin of a good rural development strategy aimed at reducing poverty. A significant body of work has been carried out by IFPRI as input into the World Bank's Country Economic Memorandum (World Bank and IFPRI 2001). Agricultural policies will tend to affect some or all of the following: (i) composition of agricultural output; (ii) agricultural technologies; and (iii) the structure of agricultural assets (for example, the distribution of land). All of these transmission mechanisms have differential impacts for the poor.

Much work is needed to further extend the body of work carried out by IFPRI and by Tanzanian researchers to understand the linkages between agricultural policies, agricultural growth and the poor.

- What is the impact on the poor of policies that reform state marketing boards, altering price policy, correcting for rural bias in service provision, removal of subsidies and so on? How does this impact differ for men and women? Old and young? How has it affected the employment of children?
- What types of strategies have smallholder cultivators adopted and does this differ by region or type of crop produced? What have the implications been (if any) on intra-household dynamics?
- What are the employment multiplier effects associated with smallholder versus large-scale farm production?
- What are the links between different economic activities in the household economy? For example, through case studies, can we track what has happened to nutrition as households switch from food crops to cash crops and what are the implications for policy? The Household Economy Approach can be drawn on here.

The agriculture sector strategy in the PRSP currently focuses primarily on research and extension, access to inputs and improved rural roads.¹

- To what extent does this strategy address the bottlenecks in agriculture, including weak or nonexistent markets; inadequate government support systems; the gender division of labour in smallholder agriculture and livestock-keeping, as well as in the large-scale sector; a problematic cooperative union history and the lack of strong farmer and livestock-keeper associations led by smallholder producers themselves?

¹ As indicated, this will be expanded following completion of the Agricultural Sector Development and the Rural Development Strategies.

A crisis in the marketing system for both crops and livestock has been documented by in-depth studies by the Rural Food Security Policy and Development Group in Njombe, Shinyanga Rural and Ngorongoro Districts (Mbilinyi et al 1999, Mbilinyi and Nyoni 2000, Mung'ong'o 2001) and by Tanzania Agriculture Situation Analysis in Mtwara and Lindi (Chachage and Nyoni 2001). Cotton growers in Shinyanga in Njombe emphasised the need for both reliable and competitive markets, and deplored the monopsonistic practices of private company buyers. Cotton buyers from different companies had acted together as a buyer cartel so as to maintain artificially low prices, and usually purchased crops on a credit basis, against the interests of the producers. Maize prices had fallen drastically in Njombe, causing maize growers to consider alternative crops. Livestock-keepers in Ngorongoro emphasised the absence of viable markets for livestock and veterinary inputs, and the prevalence of corruption at every step in the marketing structure.

Cashew nut growers complained about the lack of a sure, reliable market, and the drastic fall in producer prices this season compared to last. Their refusal to sell their harvest in protest at the low prices is one measure of the seriousness of the situation. A separate issue is linked to possible collusion between cashew nut industrialists in India and the Cashew Nut Board to promote export of raw cashew nuts as cheap raw materials for Indian factories. The wide range of alternative markets for processed cashew nuts has been ignored, along with the possibility of rehabilitating local cashew nut processing.

The crisis in incomes and marketing among agricultural producers has contributed to their shift into non-farm activities, and/or into alternative food crops with brighter market prospects. Smallholder producers have experienced falling rates of return in production of many crops, though there is disagreement as to the causes – the withdrawal of subsidies and trade liberalisation (Market Development Bureau studies and other references cited in Mbilinyi 1997, 1999) or real exchange rate appreciation and weakening reform (World Bank 2001). A survival strategy adopted by growers of tobacco, coffee and sugar cane is to reduce wage costs by substituting unpaid family labour for waged farm workers, with unknown consequences for household gender relations.

- What is the state of competition in the agricultural sector? To what extent is the evidence of anti-competitive behaviour in the districts and crops above replicated more widely? If they are, what policies can help to rectify the situation? How can the proposed Competition Policy be strengthened to ensure that it covers these types of situations?
- Research is needed to explore the dynamics of household production in more detail, and to examine the degree to which family members comply with demands for unpaid family labour. The high level of non-farm work carried out by women and youth in rural households is suggestive of resistance at the household level, which may provide a partial explanation for declining output in export crops.

Greater analysis is needed on the potential conflict between commercialisation and modernisation of agriculture on the one hand, and the status and income of smallholder producers on the other.

- What specific measures are needed to support poor smallholder cultivators and livestock-keepers so that they benefit from the modernisation/commercialisation process, and their livelihoods are ensured?

2. *The Role and Impact of Non-Farm Policies*

The majority of Tanzania's people who live in poverty live in rural areas. As indicated above, subsistence agriculture is an important source of livelihood for them. Despite agriculture's importance, an increasing number of the poor are also turning to the rural non-farm sector as an alternative source of income and employment. Since agricultural production depends greatly on the vagaries of nature, employment and incomes in rural areas often fluctuate greatly during the year. This seasonal variation in income and consumption often leads to the poorest households experiencing acute deprivation during lean times, which may have adverse long-term consequences for babies and young children.

In order to reduce risk of low household income and consumption during periods of natural disaster or bad harvests, non-farm economic activities are seen as opportunities to diversify and reduce the risk that marginal rural households will fall back into poverty. Non-farm economic activities in rural areas can be concentrated in mining, the service sector (including tourism) and manufacturing industries. Gender patterns are discernible, with women concentrating on food preparation and sale and in the food trade, including home-brewed beer (Mbilinyi 2000).

- More information² is needed on the nature and importance (simple quantitative and qualitative descriptions) of non-farm activities in rural areas, how this differs geographically, how different income groups are affected and the characteristics of those involved in non-farm activities (women, youth, children).
- Another important question relates to the interaction between non-farm activities on the one hand, and agriculture and other economic sectors on the other. To what extent does the existence of non-farm income affect the choice of agricultural strategies? For example, households could choose higher risk (and higher expected return) cropping strategies.
- Finally, what are the most important policies to stimulate this segment of the rural economy, both directly and indirectly through complementary policies? To take one example: adequate rural infrastructure is generally accepted to be critical in stimulating rural non-farm activities. The question is what constitutes an adequate

² This exercise will have to assess the results coming out of the rural development strategy and the rural development policy to avoid duplication.

minimum package of infrastructure and how does one finance it? The trend in infrastructure provision nationally is towards private sector involvement. Does this hold true in rural areas, where the unit costs of provision tends to be higher and the willingness to pay is lowest?

- How can the institutional framework consider these policies as typically those policies affecting the non-farm sector cut across sector ministries? Most interventions have concentrated on micro-credit, with mixed results. More information is needed about the right package of interventions, with emphasis on strengthening marketing institutions and information flows.

3. *Understanding the Informal Economy*

The Dar es Salaam Informal Sector Survey (DISS) of 1995 and the National Informal Sector Survey (NISS) of 1991 established some benchmark information on the informal sector. A review of the two surveys found that while credit was an important constraint, access to land for business purposes and licensing regulations were considered even more onerous (Wangwe and Tsikata 1999). Much of the information from the surveys may be outdated, however, considering the reforms that have taken place during that period and given the dynamic nature of the informal sector. Moreover, analysis of the sector needs to be related more directly to poverty than in the earlier surveys. Anecdotal evidence suggests that informal sector activity is an increasingly important source of income for the poor as well as a means of survival. It can also serve as a launch pad for entrepreneurship. The NISS estimated that the sector contributed 22% of employment and 32% of GDP.³

The most prevalent form of intervention and support for the informal sector has been provision of micro-credit, with mixed results (Mbilinyi 2000). Operators have expressed dissatisfaction with loan conditions, including high interest rates and weekly meetings, and suggested greater attention to training, infrastructure and market support. Taxation policies were considered especially detrimental to the poor, in particular the imposition of tax on loans and/or business licenses before the start of an enterprise, in contrast to five year tax holidays for larger investors.

A recent study highlighted gender patterns in micro and small enterprises in both rural and urban areas, and the extent to which rural households have become dependent on the informal economy to cushion the effects of poverty (Mbilinyi 2000). Rural women were attracted to alternative activities as a means of securing independent cash, which was under their direct control, in contrast to unpaid family labour in farming crops under male control. As male employment and incomes declined in both the formal and informal sector, women were compelled to increase their participation in market-oriented activities in both rural and urban areas. Micro-level studies suggest that this has led to mixed

³ These estimates have to be considered and revisited given the significant upward revision of GDP figures for Tanzania.

outcomes: increased female voice and power in household negotiation, along with a male backlash and increased domestic violence in some cases.

- Thus, information that is more current is needed on the informal sector in Tanzania, along with greater capacity in its utilisation. There is a huge task of simple description required in order to gain an overall sense of the quantitative and qualitative significance of the sector. How homogenous is the informal sector in different parts of the country in terms of the most important activities? An essential dimension of the descriptive effort will be to document the distributional impact of the informal sector, its sub-sectoral composition, its interaction with other sectors, its contribution to economic growth and a profile (gender and age) of the individuals engaged in the sector.
- Aside from the descriptive task, another series of questions relate the informal sector directly to poverty concerns. Informal sector activities can be either residual activities, helping to keep the poor from falling deeper into poverty or routes of upward mobility helping to lift the poor above the poverty line. What is the quantitative significance of the different roles in Tanzania?
- How sustainable are the activities, bearing in mind that they fulfil a myriad of roles? Is there a pattern that could help determine which types of activities to support in order to lift the poor out of poverty?
- What factors determine entry and exit into the sector? If the informal sector has indeed been expanding over time, to what extent can this expansion be viewed as a result of the population being “pushed out” of smallholder agriculture (including livestock keeping) due to the collapse of the rural economy, and secondly, their expulsion from formal sector activities (for example through civil service reform or divestiture in parastatals) as opposed to being “pulled in” as a result of opportunities? What is the influence of the growing marginalisation of youth (male and female) in the rural economy, as evidenced by the lack of independent access to land and other productive assets? For most rural and urban youth, the informal sector represents their only viable opportunity to access independent cash incomes, however insecure a livelihood it may be. The same is true for most women of all ages, and for similar reasons.
- Are households/individuals that are involved in informal sector activities simultaneously involved in formal sector activities? How important is the income-smoothing objective for them?
- What changes have occurred in male-dominant gender relations at household level, as women’s cash incomes have become increasingly important in the household budget? Have women acquired more control over productive assets and wealth, as well as income? How have men adjusted to the growing economic power of women?

- Economic reforms (of which those contained in the PRSP are no exception) tend to focus on the formal sector. In view of all of the above, what are the most important policy interventions including tax policies and regulatory mechanisms for the informal sector and what are their resource implications? What are specific interventions to assist those informal sector activities headed by the very poor, especially women and youth?

4. *Trade and poverty*

Tanzania's Poverty Reduction Strategy assumes that export-led development will be the other pillar of accelerated economic growth. Aside from agriculture, the Strategy assumes that mining, tourism and manufacturing will expand from their present low levels. However, both mining and tourism are in a sense "enclave" activities with weak linkages with the rest of the economy. Thus, accelerated growth in these sectors will not necessarily reduce poverty dramatically unless the resource gains from their growth are properly distributed, with implications for the efficacy of social transfers. With respect to manufacturing, a plethora of studies have reviewed the legal and regulatory framework and made recommendations on how to improve it. In any event, in the short to medium-term, Tanzania is likely to continue being vulnerable to exogenous shocks in commodity prices due to its primary good dependence.

The Export Development Strategy of 1996 took a comprehensive look at export competitiveness and the path for accelerated export-led growth. While it was slow to be implemented because of institutional weaknesses, the Ministry of Industry and Trade has recently decided to take it forward. With the support of Sida, the Ministry is writing a Government White Paper on Trade Policy. Finally, DFID is financing a major body of research under the "African Trade and Poverty Programme" (ATTP) on the multilateral trading system and how Tanzania can best be helped to cope with some of the potentially adverse effects. ATTP aims to *inter alia* enhance government's capacity to analyse the impact of trade reforms on trade and on different groups of poor people, enhance government capacity to formulate and implement trade negotiation strategies which reflect the poverty reduction and environmental opportunities and threats posed by trade liberalisation, establish mechanisms to facilitate reshaping of central budgetary and economic reform processes to better reflect the poverty and threats posed by trade liberalisation and the need for complementary policies. Tanzania is one of the first countries that will be carrying out this analysis.

Key research issues entail gaining a better understanding of the existing and potential export subsectors.

- What are the labour intensities in the various export subsectors? Is there a regional pattern? What is the differential participation of men and women in the export subsectors?

- Which exports are most vulnerable to global price fluctuations? What has the experience been with commodity price fluctuations and poverty and income inequality?
- Does the export diversification strategy have explicit short-term strategies to deal with commodity price shocks?

The need to expand the domestic market in consonance with agriculture growth and development has also been noted (Mbilinyi et al 1999). The expansion of agriculture processing industry, for example, will increase the local market for agriculture goods and services, while providing more employment and reducing the need for foreign exchange to access imported products. More generally, a better understanding is needed on internal trade (see Tsikata and Madete 2000 for a brief review of the internal trade sector).

- What is the magnitude of internal trade? What are constraints that the sector faces? What are essential policy interventions to encourage internal trade?

E. SOCIAL SECTORS

In addition to economic growth, the expansion of social services reduces poverty and social inequality as well when tied to specific redistribution measures. Social service delivery has declined in the public sector during the 1980s through the 2000s, and inequality appears to have risen sharply in access to quality health and education. This partly reflects the growth of private systems of health and education, which favour those with higher income levels. The HIV/AIDS epidemic has also undermined the capacity of the public health system to deliver, while reducing people's quality of life, increasing poverty and causing a crisis for children and youth. Research topics related to these and related areas of human development are considered below.

1. Education Policy

There has been a tremendous decline in the quality and availability of public education services at all levels in Tanzania.

- What has been the impact of the decline in public education and increased education inequities on differential incomes and economic opportunities for different income, rural-urban, gender and cultural groups?
- What are alternative financing strategies which could provide the needed resources for 'education for all', excluding user fees?

The PRS education strategy focuses on mapping of education facilities at district level, and the abolition of user fees at primary school level.

- To what extent do these strategies address the bottlenecks to quality and equitable education for all? What are additional strategies and measures to ensure access to quality education for all at primary and secondary level?

Only slightly more than half of school aged children are enrolled in primary school, representing a major decline compared to near 100% enrolment in the early 1980s. A large number of children drop out of school because of school costs and the need of poor families for the earnings of child labour and/or unpaid family labour. According to UNICEF data of 1997, out of every 100 children of primary school age, only 56 enrolled in school (cited in Kuleana 1999). Out of those 56 children enrolled in school, only 38 completed primary school. Of the 38 who completed primary school, only 6 proceeded to secondary school, one of the lowest ratios in Africa.

The main determinants of school enrolment and advancement are family income, rural-urban location, gender, ethnicity and disability. On the latter point, there are only 16 special primary schools for children with disabilities – only 3% of children with disabilities receive any form of basic education (Kuleana 1999: 14).

- What strategies have poor families, communities and the children themselves adopted to overcome barriers to their children's schooling?
- What specific measures are needed to open education to children with disabilities in rural and urban areas, especially those living in poverty?

2. *Health Policy*

Health sector reform has helped to identify key problems in health delivery to all, and to women and children in particular.

- What has been the impact of health reform processes on provision of quality and equitable health care to people in rural and urban areas? To different income groups? Children? Adolescents? Women? Poor men?

The Poverty Reduction Strategy focuses on increasing immunisation rates, which is laudable but represents a continuation of already existing policy objectives, and completely ignores HIV/AIDS.

- To what extent do the proposed strategies address the real bottlenecks in provision of quality health care for all?

Child mortality rates provide one measure of vulnerability. Recent data confirm that after a steady decline in infant and under five mortality rates during the period from 1960 and 1985 (i.e. post-independence period), there has been an abrupt rise, beginning in 1985 (UNICEF 2001b). Infant and under-five mortality rates are estimated to be 100

and 160 respectively. This has been attributed in part to the negative effects of structural adjustment and economic reforms, including the rising costs of health care due to user fees and privatisation policies in health service delivery, weak economic growth and impoverishment of households.

The fall in malnutrition rates in children under five during the 1980s has now halted (MCDWAC and UNICEF 2001). However, about one-third of all children are underweight and 40% are stunted. The negative impact of malnutrition on vulnerability to HIV/AIDS infection and other illnesses is well-known, as well as the long-term reduction in mental capacity.

- In which groups are children more vulnerable to malnutrition, illness and death? How do causal factors interact: that is, incomes, occupation, urban-rural location, gender of household head, monogamous-polygamous household, culture?

3. *Water Policy*

Lack of clean potable water systems remains a major cause of morbidity and mortality, especially among children. It also adds to the labour burden of women and girls, largely unpaid, thus diverting their labour from other economic activities that would provide needed income. Existing water policies have failed to meet domestic and production needs at household and community level in both rural and urban areas, with an especially negative impact in semi-arid areas.

- What are the specific bottlenecks to provision of clean potable water to all in rural and urban areas, with a focus on people living in poverty?
- What would be appropriate strategies to address these bottlenecks?
- What resource mobilisation strategies could provide the needed support, without user fees, which have been shown to have negative consequences for many poor communities?

F. CROSS-CUTTING ISSUES

1. *Environment*

The interaction between poverty and environment has been overlooked in the Poverty Reduction Strategy, and requires specific attention. Possible questions are as follows:

- To what extent are environmental factors a constraint to rapid agricultural growth and equitable development? Specific issues to be considered here include low soil fertility; soil degradation due to over-cultivation and over-reliance on petrochemical farm inputs; and drought-prone and semi-arid conditions.
- What is the interaction between high population density, environmental degradation and equitable agriculture growth?
- What forms of indigenous knowledge and practices can be tapped which relate to conservation and pro-environmental growth in different locations?
- What has been the impact of large-scale industrial production in mining, agriculture, timber and tourism on the environment? On local economies?
- How can the needs of smallholder and large-scale producers be balanced to achieve positive environmental balance and equitable growth?

2. *HIV/AIDS*

The HIV/AIDS pandemic in Tanzania poses a serious challenge to an already over-burdened and struggling health care system. However, HIV/AIDS is far from simply a health problem. It is closely intertwined with economic and social crisis. HIV/AIDS increases poverty levels at household and community level, and reduces economic growth by withdrawal of human resources, lower productivity and rising costs of health care. Key issues to examine include:

- What would be the economic impact (on revenue, growth, incomes) of reducing HIV/AIDS transmission by half?
- What is the present cost of HIV/AIDS in terms of actual revenue allocation, for example to health care and orphan support systems at the national level? Household and extended family level? In terms of opportunity costs associated with lost human resources, including the education and other costs attached?

In recent micro-studies carried out in Tanzania and Zambia, a strong relationship was found between gender, age and income level in terms of vulnerability to HIV/AIDS infection (Baylies and Bujra 2000). Poor young girls are the most likely to become infected, because of their vulnerability to unsafe sex, and their entry into the sex market in order to acquire necessary income. A major contributory factor is the lack of viable (self) employment opportunity for young women and men in both rural and urban areas, and the existence of a large and growing market for sex work. Another is the disempowerment of women and children in sexual relationships, which makes them prone to unsafe sex. Yet, PRS lacks specific strategies to address HIV/AIDS, employment and gender issues.

- What additional strategies are needed to reduce the HIV/AIDS infection rate and transmission, given the limited success of education programmes?
- What are the financial implications of providing adequate drug treatment for all those infected with HIV/AIDS, including pregnant women as first priority? What strategies could provide the needed resources?
- What informal and formal safety nets exist for people infected with HIV/AIDS? Do they extend to children and adolescents?
- How can people infected with HIV/AIDS be assisted to develop and lead civil society organisations that act as a more effective pressure group? How can male and female adolescents and children also be assisted to organise themselves to access needed resources, including education, while articulating their specific needs?

G. MEASURING THE IMPACT OF POVERTY REDUCTION INITIATIVES

1. Expenditure Tracking

An important part of monitoring the impact of various poverty eradication initiatives is to measure whether the allocated resources actually reach their intended targets. From both a development and fiduciary perspective, expenditure tracking provides assurances to government, citizens, and the Parliament and development partners that funds are being used for the allocated purposes.

In Tanzania, attempts at expenditure tracking are quite recent and there is still a significant learning process ahead. The first tracking study was carried out for the PER '99. The PER '00 included expenditure tracking for the Road Fund as a background paper. The PER '01 commissioned a background study on expenditure tracking in two priority sectors – education and health. These studies all found significant diverting of “other charges” resources and non-disbursement of development expenditures, leading to a divergence between budgeted and allocated expenditures.

- There is a need to establish a clear methodological framework that would provide guidance to those carrying out expenditure tracking, which includes both quantitative and qualitative dimensions. The intention would be to broaden the group of individuals who can carry out this kind of analysis. An important question would be whether Tanzania’s public expenditure management is in shape to meet the challenges of tracking expenditures intended for the poor.

A recent joint World Bank/IMF paper by the joint World Bank-IMF Public Expenditure Working Group assessed the public expenditure management systems of several HIPC-eligible countries (including Tanzania) (World Bank and IMF 2001). The

paper concludes that for the majority of countries, systems require improvements before one could be confident that they are up to the task.

Two other approaches should also be considered in tracking public expenditures. The first is benefit incidence. More than the simple level of social spending, who benefits from such spending is often a more relevant question. Benefit incidence analysis, which examines the efficacy of targeting and the level of progressivity, does precisely that. Some definitions are in order. Following Castro-Leal et al (1999), government spending is considered to be well (poorly) targeted if the share of benefits to the poorest quintile from such spending exceeds (falls below) that of the richest quintile. Government spending is considered to be progressive (regressive) if the benefits to the poorest quintile exceed (are less than) the benefits to the richest quintile relative to their income or expenditure. Thus under progressive (regressive) spending, benefits are a smaller (larger) share of income or expenditure at higher levels of income. Demery (2000) provides a more extended exposition. This approach is even more powerful if gender is incorporated within it, so as to explore differential benefits for women and men within each quintile.

Previous benefit incidence analysis for Tanzania, that is now almost a decade old was not encouraging. It suggested that social sector spending is poorly targeted and often regressive. The poor are therefore benefiting much less than the level of social expenditures would suggest. Improving the benefit incidence of government health and education spending would thus help reduce inequality. With the new household budget survey coming out, this is an important area in which to update the analysis in order to gain a better sense of equity.

A second useful approach, which is more “quick and dirty” but equally useful is trying to map geographic pattern of expenditures with regional income distribution (obtained through poverty maps for example). This can give a quick picture of the incidence of spending (see Devarajan and Hossein 1998).

Specific questions could thus include:

- What is the benefit incidence of spending in health and education in Tanzania? What are the gender differentials?
- How do public expenditures match up with the geographic pattern of poverty and income distribution?

2. *Safety Nets in Tanzania and Targeting*

The term safety nets covers various transfer programs designed to play both a redistributive and risk reduction role in poverty reduction. The redistributive role aims to reduce the impact of poverty while the risk reduction role aims to protect households and communities against uninsured income and consumption risks. The balance between the

two roles is determined by country-specific conditions. Social safety nets can take two main forms: income support or transfers. Income generation schemes are intended to provide income support to the vulnerable during a time of emergency by providing jobs. Under an income generation program, the recipient is obliged to work in exchange for the income received. Examples include labor-intensive public works programs or credit-based self-employment schemes. Safety net transfers can be in the form of cash or income transfers (pensions, child allowances) or in-kind (energy subsidies, feeding programs, food subsidies, housing subsidies). Unlike income generation schemes, this carries no obligation from the recipient.

Social funds help finance small projects identified and implemented by poor communities which often (though not always) provide co-financing. Social funds address a wide range of risk reduction objectives and often comprise both income generation and transfer aspects. For example, they include infrastructure building and public works, child and maternal feeding and nutrition programs, support for the setting up of microenterprises, support to small farmers, miners and fishermen, strengthening the social capital of communities, and immunization and other health care programs.

Social safety nets are an important component of reducing the vulnerability of the poor to economic shocks and crises. In Tanzania, while safety nets are scattered here and there, for example, some public works programs, there has been no comprehensive attempt to assess existing safety nets (Tsikata and Madete 2000 review Tanzania's experience with public works programs). Over the PRSP period, safety nets will be especially important as many of the structural changes needed to accelerate economic growth will probably only take off in the medium-term. The PRSP is relatively silent, however, on a working definition of the vulnerable and on the status of safety nets.⁴

In all countries, at least three main types of vulnerable groups can be identified:

- (i) the chronically poor whose income falls below the country's poverty line (or other acceptable minimum) even during periods of economic growth;
- (ii) the temporarily poor, whose income levels fluctuate above and below an acceptable minimum during periods of natural and exogenous shocks; and
- (iii) those groups (transient poor or not), directly affected by adjustment or shocks in the economy (for example workers who have lost their jobs because of a bankrupt government owned or operated business/enterprise).

For policy purposes, it is important to distinguish between those poor people with the potential to move out (for example those of working age, in good health) and those who cannot do so in the short-term and will need longer-term help (i.e. the disabled, children, the infirm and the elderly) because of limited capacity to generate income.

⁴ It is expected that the Participatory Poverty Assessment (PPA) will address at least some of these issues on vulnerability. Further questions should not duplicate the work of the PPA.

- Who are the vulnerable, what is the source of their vulnerability and what are good indicators to help identify them?
- What aspects of the existing institutional framework can be used to facilitate this process?
- Who is best placed to take the lead on collecting and maintaining a database on the vulnerable?

An assessment of existing safety nets that specifically addresses the targeting issue is critical. To the extent possible, this should address both formal and informal safety nets.

- What safety nets exist on paper and in practice? What is the take-up rate or how many people are they reaching? What kind of viable and sustainable welfare services (including HIV/AIDS counseling) can be provided to vulnerable children and adolescents at community level, especially in poor rural and urban communities? How have safety nets been affected by HIV/AIDS?
- Who are they reaching, in terms of geographic location, gender, age and income? If that information is not available what kinds of changes need to be made in the information system to allow that assessment to be made?
- What roles can communities and local governments play in the assessment of government programs intended to target the poor?
- How effective is the targeting mechanism? How is this linked with the varying administrative complexity of the different programs? How much does it cost to administer these programs and how does it compare internationally?
- Overall, which are the most effective programs? Are any vulnerable groups not being addressed by the current set of safety nets?
- What does all of this imply for the design of safety net programs in Tanzania?

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ANNEX 1

Participants in the Consultative Workshops Held May 14, 16 and 18 2001

Facilitators: Marjorie Mbilinyi (IDS) and Yvonne Tsikata (ESRF).

<i>Participant</i>	<i>Affiliation</i>
<i>May 14 – Academics/Experts</i>	
Professor J. Semboja	REPOA
Dr. D. Mushi	REPOA
Professor S. Wangwe	ESRF
Professor H. K. Amani	ESRF
Dr. F. Musonda	ESRF
Ms. M. Manyanda	ESRF
Dr. Rutasitara	UDSM
Prof. S.L.S. Chachage	UDSM
Prof. A. Mascarenhas	IRA
Prof. O. Mascarenhas	University Library
Professor B. Ndulu	World Bank
Mr. A. Mufuruki	Info-Tech/CEO Roundtable
Mr. A.A. Zuki	CTI
Mr. J. Biswaro	JICA
<i>May 16 – Civil Society</i>	
Ms. Mary Rusimbi	TGNP
Mr. R. Rajani	HakiElimu
Ms. L. Just	TANGO
Ms. W. Shariff	DFID
<i>May 18 – Policymakers</i>	
Dr. G.M. Kamugisha	TRA
Mr. F.W. Magere	Ministry of Science, Technology and Higher Education
Mr. A.B. Nnunduma	Ministry of Water and Livestock Development
Mr. R. Musingi	President's Office, RALG
Mr. A.R. Ndyalusa	MCDWAC