

# **Tanzania – The Darling of the Donor Community?**

**–a critical review of the failure of past  
development aid efforts**



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## Executive Summary

*“Men make their own history, but they do not make it just as they please; they do not make it in circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past. The tradition of all the dead generations weighs like a nightmare on the brain of the living”. (Marx, ‘The Eighteenth Brumaire of Bonaparte’)*

Tanzania remains one of the world’s poorest countries, with a per capita GNI of US\$400 and one third of the population (over 12 million people) living below the poverty line. Inequality is high and urban/rural income disparities are evident. Lack of access to health and education services, lack of agricultural inputs, lack of opportunities to diversify in to non-farm activities, dependency and powerlessness are the defining characteristics of the poor. Tanzania’s economy relies heavily on agriculture, employing 80 percent of the work force and accounting for half of GDP. Close to 40 percent of the current state budget is financed by outside donors and this reflects a dangerous aid dependency relationship. Due to economic reform and continued political stability, the economy has achieved annual growth rates above 5 percent since 2000.

However, Tanzania, especially rural Tanzania, has not seen a reduction in poverty even though the economy has stabilised and investment has grown. In this thesis, I argue that the Tanzanian government and the donors share responsibility for the failure of past policies to set in motion an initiative of pro-poor growth and poverty reduction, particularly in the rural economy. I review some of the constraints on growth and poverty reduction under the National Strategy for Growth and Reduction (Mkukuta), including the major role of foreign aid from especially the World Bank and the United Nations Development Programme. I argue that the programme of the World Bank should be reconsidered, as support is not focused around on pro-poor growth. Corruption issues, rising inequality between the elite and the poor and the lack of pro-poor growth are identified as main constraint on poverty reduction in Tanzania.

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## List of Abbreviations and Definitions

BFs	Basket Funds
BOT	Bank of Tanzania
CCM	Chama Cha Mapinduzi (Socialist political party)
EPA	External Payments Account
GBS	General Budget Support
GoT	Government of Tanzania
HBS	House Budget Survey
IMF	International Monetary Fund
JAST	Joint Assistance Strategy for Tanzania
LGA	Local Government Authorities
MDA	Ministries, Departments and Agencies
Mkukuta	Kiswahili for the National Strategy for Growth and Reduction of Poverty
NACSAP	National Anti-Corruption Strategy and Action Plan
NGO	Non-Governmental Organisation
NSGRP	National Strategy for Growth and Reduction of Poverty
PFs	Project Funds
SAP	Structural Adjustment Programme
TA	Technical Assistance
TAS	Tanzanian Assistance Strategy
UNDP	United Nations Development Programme
WB	World Bank
WBG	World Bank Group

*Donors* and *Development Partners* are used as synonyms throughout the thesis and are defined as developed countries and international organisations supplying Tanzania with Overseas Development Assistance in terms of aid and TA.

Mkukuta is Kiswahili for the National Strategy for Growth and Reduction of Poverty and both definitions are used as synonyms throughout the thesis.

## 1.0 Introduction

Since independence from Britain in 1961, Tanzania has been one of the primary recipients of multilateral and bilateral aid in Sub-Saharan Africa. During the 1960s and 1970s donors were more than willing to extend the amounts of aid to Tanzania due to the development policies it was pursuing in the period. During the 1970s aid was largely delivered in terms of project aid. However, due to the unsatisfactory performance of project aid, donors shifted emphasis from project to programme aid in the 1980s. After experiencing years of declining economic growth and the financial crisis in the early 1980s, Tanzania agreed to adopt an economic recovery programme. However, the programme and the conditionalities attached to it created tensions between Tanzania and its donors and thus forced donors into reconsidering their aid relationship.

In 1995 the groundbreaking Helleiner Report provided a catalyst for change in development cooperation between Tanzania and its aid donors. Before the Helleiner process there was little government capacity and initiative, leading government to rely on the World Bank's policies and directions. The report was highly critical of both government and donors and constructed the crisis as an issue of ownership from both sides. Helleiner suggested the need for a new approach including a stronger government leadership of development efforts.<sup>1</sup> This led to the developing of its first PRSP and in 2000 it became the second country to submit a PRSP to the Boards of the International Monetary Fund (IMF) and the World Bank (WB). Tanzania was furthermore one of the first developing countries to reach completion point and to benefit from the HIPC debt relief programme.

For many years the donor community has seen Tanzania as the “darling” of developing countries. Focus has been on the country's macroeconomic stability, good government and its continuing development. After all the initiatives made in Tanzania since 2000 in regards to aligning and harmonising aid efforts and thereby increasing poverty reduction, the Government of Tanzania (GoT), donors and NGOs were especially optimistic about the release of the Global Household Survey 2007. However, the 2007 Global Household Survey revealed choking news. The survey concluded that people living under the poverty line in Tanzania had actually only decreased by very little compared to the amount of aid the country had received and the efforts made to reduce poverty. If five decades and \$2.3 trillion in aid to developing countries have not shown amazing results in improving the lives of the extreme poor, then how are we going to do it now? “Why”, is the first word that comes to my mind when I see the result. Why has development aid in Tanzania failed to eliminate poverty throughout the past decades? Has it failed? Are bad donor policies and

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<sup>1</sup> Helleiner et al, 1995. Development Co-operation Issues Between Tanzania and its Aid Donors

conditions on aid to blame? Or is it bad governance in Tanzania? This leads me to the following research question:

### **1.1 Research Question**

Why has poverty reduction in Tanzania stagnated during the 21<sup>st</sup> century?

#### **1.1.2 Sub research questions**

- 1) How has poverty changed in Tanzania during the 21<sup>st</sup> century?
- 2) What are the results of the Tanzanian National Strategy for Growth and Poverty Reduction to date?
- 3) In what way is the international donor (WB and UNDP) community contributing to the objectives of National Strategy for Growth and Poverty Reduction?
- 4) How can Tanzania experience high rates of economic growth, while poverty reduction is stagnating?

### **1.2 Structure of the thesis**

This thesis is constructed of six main parts. The following figure serves as a visual overview of the thesis and consists of the following six parts:

- Chapter II consists of the methodological considerations for the thesis.
- Chapter III consists of a theoretical discussion. Four economists and their views, on how aid can be optimised in order to reduce poverty in developing countries, are discussed.
- Chapter IV consists of an analysis of how has poverty changed in Tanzania during the 21<sup>st</sup> century.
- Chapter V aims at analysing the GoTs different national strategies and answering the sub research question: what are the results of the Tanzanian National Strategy for Growth and Poverty Reduction to date?
- Chapter VI part aims at analysing two different country assistance strategies from the World Bank and the United Nations Development Programme and answering the following sub research questions: in what way is the international donor (WB and UNDP) community contributing to the objectives of National Strategy for Growth and Poverty Reduction?
- Chapter VII consists of the discussion. This part aims at applying theory and discussing current issues with the lack of satisfying poverty reduction results in Tanzania. In addition, I will discuss how Tanzania can experience high rates of economic growth, while poverty reduction is stagnating. Finally, the correlation between economic growth and poverty

reduction will be discussed in order to analyse why poverty reduction has stagnated in Tanzania during the 21<sup>st</sup> century.



## **2.0 Methodology**

The purpose of this section is to argue for all the methodological considerations in this thesis and to outline how data has been collected and applied. In addition, I argue for the quality and appropriateness of the different data sources. Finally, I will argue for delimitations of the thesis.

In this thesis I have chosen to follow the “retroductive” method in trying to answer the research question, indicating that I move back and forth between theory and data until I will reach a satisfactory explanation. The focus is on the level of poverty and aid in Tanzania, where I will analyse two special cases of aid organisations influencing the situation in the country and hereby being able to conclude more generally on why poverty reduction has stagnated in Tanzania during the 21<sup>st</sup> century.

I will be doing a mix of a desk study and case studies based on secondary data. The reason I chose the World Bank and The United Nations Development Programme as case studies is that I believe that they represent two very different approaches to poverty reduction and national ownership in Tanzania. The case studies are of explanatory art as it seeks to uncover the contextual conditions affecting the relationship with the GoT and other donors through a cause-and-effect-relationship in order to understand who is doing what and how and why poverty reduction has stagnated despite these efforts.

### **2.1 Data Collection Process**

I have chosen to make use of both qualitative and quantitative methods for data collection. The first method is the most complex one of the two since e.g. there can be a possibility of incompatibility between the actual research questions and the responses. Its purpose is to create a deeper understanding through qualitative approaches such as interviews. On the other hand, the quantitative method seeks to describe something more directly without any deeper understanding. This can be done through e.g. statistics.<sup>2</sup> In this thesis, I have chosen to combine the two methods. This choice has been made in regards to the research question, where I want to investigate why poverty has increased in Tanzania during the 21<sup>st</sup> century. The point of departure will be in the quantitative data in order to be able to analyse the current poverty situation in Tanzania and then trying to go in depth and verify these with help from the qualitative data in order to give a more credible and nuanced result.

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<sup>2</sup> Andersen, 2003, pp. 41-45

In the data collection process I have applied a “retroductive” methodology indicating that I move back and forth between already established scientific theory and literature.

The first step in the data collection process was to do a research trip to Tanzania. Here I set up meetings with KPMG and the Danish Embassy in order to better understand the current situation in the country. Both meetings were very helpful and gave me an overall overview of what was going on at the moment.

The second step in the data collection process was to read country specific reports on Tanzania such as The Household Budget Survey (HBS) 2000/2001 and 2007 and the government papers for the National Strategy for Growth and Reduction of Poverty (MKUKUTA), Vision 2025 and the National Poverty Eradication Strategy and furthermore the Poverty and Human Development Report (PHDR) 2007. I evaluate these data sources as being of high quality as national institutes and the government have developed them all. However, it is important to have in mind that the GoT might have an incentive to make things look worse than they are in order to attract foreign investors and donor money.

The third step was to read the books from Paul Collier “The Bottom Billion - Why the Poorest Countries are Failing and What Can Be Done about It”, Jeffrey Sachs “The End of Poverty: Economic Possibilities for Our Time”, William Easterly “The White Mans Burden – Why the West’s Efforts to Aid the Rest Have Done So Much Ill and So Little Good”, Klaus Winkel “Hvorfor er det så svært for Afrika?”, Knud Vilby “Uafhængig? – Afrikanske Udfordringer: Beretninger fra Tanzania, en andengenerations nation i en globaliseret verden” and finally Göran Hyden “Beyond Ujamaa in Tanzania: Underdevelopment and an uncaptured peasantry”. All of the books offer very subjective perspectives on how development aid should be used in terms of optimising results and on what has gone wrong with development in Tanzania. The three economists, Sachs, Easterly and Collier, all used to work for the World Bank and their works are highly respected, which is why I would evaluate these theories are very appropriate in trying to answer the research question of this thesis. They each represent very different views and can be placed at the left, the right and the middle of development politics.

Sachs	Collier	Easterly
Left	Middle	Right

The fourth step was to read the more donor specific reports on aid to Tanzania. These reports included the World Bank country brief for Tanzania 2008, World Bank country assistance strategy for Tanzania 2000, The United Nations Development Programme 2007-2010 and the United Nations Development Assessment Framework (UNDAF). Complementary reports included aid profiles on the World Bank and the United Nations developed by the Heavily Indebted Poor Countries Capacity Building Programme. To download profiles go to <http://www.hipc-cbp.org/> and Guide to Donors. I evaluate these data sources as being highly appropriate in trying to answer the research question of this thesis. However, it is important to have in mind the status of the World Bank and the United Nations as global agenda-setters and that their country assistance strategies for Tanzania may include “hidden” political agendas for own purposes.

Furthermore, reports on government and donor initiatives included the Tanzanian Assistance Strategy (TAS) and the Joint Assistance Strategy for Tanzania (JAST).

During the data collection process I made use of various websites in order to retrieve specific information about Tanzania and information about specific donor country programs for Tanzania. I keep in mind the degree of validity of the official websites containing information about Tanzania and donor programs for Tanzania. I have found that some tend to promote Tanzania extensively in favour of themselves in order to attract foreign investors and donor money.

## **2.2 Delimitations**

The primary emphasis is on poverty in Tanzania and as poverty is multi-dimensional and thus consists of multiple indicators; I have chosen to delimit the thesis to only include the PRSP's priority sectors and MKUKUTA cluster strategies. These include: education, health water, infrastructure, agriculture, HIV/AIDS, growth and reduction income poverty, improvement of quality of life and social well-being and governance and accountability.

Throughout the decades aid has been delivered through various channels and in different modalities. I have therefore chosen to delimit this thesis to focus on the three most popular aid modalities distinguished by the GoT. These include: General Budget Support (GBS), Basket Funds (BFs) and Project Funds (PFs).

### 3.0 Theory

The purpose of this section is to present the theories set fourth in the theoretical framework in this thesis. The section will present three very different views on how a developing country like Tanzania can optimise aid efforts in order to reduce poverty. Göran Hyden is presented as a sociologist view on development in Tanzania, whereas the other three theories are from an economist's point of view. Finally, Adrian Leftwich will be brought in to create a more nuanced and holistic debate.

**Göran Hyden** was a professor of Political Science at the University of Dar es Salaam from 1971 to 1977. In addition, Hyden was also a Social Science Research Advisor to the Ford Foundation in Nairobi. In his book, *Beyond Ujamaa in Tanzania*<sup>3</sup>, he argues that modern and especially Marxist perspectives on development have failed to understand the true nature of small holder producers in Tanzania. Hyden argues that by taking for granted that those who control the state also control the society, leads misleading picture of the power structure in Tanzania. Lack of understanding of the smallholder production system has led to difficulties in assessing and changing rural conditions in Tanzania. Hyden argues that the peasant livelihood in Tanzania is dependent upon a mode of production that is resource-based and very dependent on human labour primarily provided by the peasant family using only simple hand tools. This mode of production is at large independent of input from other classes and is enriched by communal linkages and a network of kinship in the rural villages. This is what Hyden terms as “the economy of affection”. Hyden further explains the economy of affection in Tanzania as an economy where officials are dependent on peasant surpluses to feed the cities and politicians are dependent on peasants for re-election. However, due to lack of government incentives for peasants, the peasants have been able to ignore demands made on them both by government and officials. Hyden argues that peasants are indeed reluctant to modernisation of the mode of production, as such a modernisation would result in a reduction of their autonomy. This autonomy, Hyden argues, is what has made the small peasants powerful of other social classes and the state. Finally, Hyden argues “the peasant mode of production will continue to serve as a barrier to socialist transformation” (p. 233) and the socialist cannot continue to dodge the issues of modernisation. Hyden emphasises that “development in a direction towards greater national self-reliance is improbable without a successful subordination of the peasantry to the demands of the ruling class, whether they are identified as “petty bourgeois” or “revolutionary” (p. 233). Hyden was in favour of a market economy in the country, but believed that the “economy of affection” was hindering the development, as it did not encourage savings and private investments among the peasants.

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3 Hyden, 1980. *Beyond Ujamaa in Tanzania: Underdevelopment and an Uncaptured Peasantry*

**Jeffrey Sachs** is special advisor to UN Secretary-General Ban Ki-moon and former UN Secretary-General Kofi Annan. Sachs is formerly Director of the UN Millennium Development Project. Furthermore, he is the President and Co-Founder of the Millennium Promise Alliance and Director of The Earth Institute. Sachs argues that the poor countries are caught in a poverty trap, which they can only escape if aid efforts are increased. Sachs believes that a big push strategy would be the best way to reduce poverty. The principle element in Sachs' theory is a doubling of foreign aid to about \$100 billion a year and again almost a doubling by 2015. This aid, Sachs argues, would fill the "financing gap" between what a country needs and what it can afford on its own. Meaning that if a country is given more aid, the public spending would be increased, which would result in a demand for more jobs, which then would create incomes for the poor and a minimum household consumption. This again creates a demand for more products and services (healthcare, schools), which result in more jobs, income and finally result in private savings, which would enable the poor to create their own security nets. Eventually the poor would be able to escape the vicious poverty trap and live a decent life. Like Collier, he believes that some countries are poorer than others due to culture, geography and governance reasons. They also agree on the idea that aid should be given as grants and not loans as was done under the Marshall Plan. However, Sachs presents a fifty-four-item checklist of barriers to development, which he believes should be overcome with the "big push". The only thing that is not clear is who the ones are to actually implement his comprehensive package. Sachs argues, "the claim that Africa's corruption is the basic source of the problem does not withstand practical experience or serious scrutiny" (Sachs 2006, p. 191). Nevertheless, a large literature<sup>4</sup> argues that bad governance and policies are part of the problem. Therefore, it seems foolish that Sachs simply dismiss corruption as a factor inhibiting growth. His very top-down planning approach does not take into account the social, economic and cultural differences between poor countries and it makes it impossible to translate it into a meaningful blueprint. The past failures of Big Pushes in foreign aid clearly suggest that mega reforms do not work out well in poor countries. In addition, one of the major critiques of Sachs is his way of doing things: fast, big, comprehensively and with a lot of Western money.

**William Easterly** is a professor of Economics at New York University and Co-Director of NYU's Development Research Institute. He is an associate editor of the *Journal of Economic Growth*, the *Journal of Development Economics* and the *Quarterly Journal of Economics*. In addition, Easterly maintains a blog called *Aid Watch*, where he debates about aid related issues. He also worked sixteen years as a Research Economist at the World Bank. In his book, *The White Man's Burden*<sup>5</sup>,

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<sup>4</sup> Clement, A. Michael, 2007. *Smart Samaritans* and Adrian Leftwich, 2009 among others

<sup>5</sup> Easterly, 2005

he sets forth a theory he calls the *planners vs. searchers*. He believes that big aid agencies such as the World Bank, United Nations and International Monetary Fund are placed in the category of planners. Planners apply a top-down approach and instead of identifying the needs of the poor, they tend to offer what they can in terms of e.g. technical assistance, infrastructure or health. These organisations have virtually no accountability for the results of their own programmes. Searchers on the other hand, work at the micro level and can come in the form of local NGOs. Searchers seek to find out what local communities need and then they go out and find somebody who can offer the service. Easterly argues that large international aid agencies giving aid to large national government is not getting the money to the poor. Conditions on aid will not change government behaviour. Only when individual aid agencies have the incentive to deliver tangible services for which they can be held accountable, will aid do good for the poor. Easterly furthermore argues that bad incentives created by top-down planners can be replaced by individual accountability based upon independent evaluation of aid outcomes that will motivate a search for what works for the poor under different circumstances of time and place. Easterly argues that the reason why aid has failed to alleviate poverty is due to economics e.g. corruption and extortion, and ineffective government services, lack of property rights, poor contract enforcement, all of which block opportunities for poor people to solve their own problems through their own specialised skills and knowledge. One of his more persuasive arguments in his book is when he shows that above-average recipients of aid have done no better than the below-average recipients of aid, and that poor economic performance is evidently linked to bad government, not sufficient aid, to the point that it is difficult to establish that aid raises growth even in countries pursuing sound economic policies.<sup>6</sup> Unfortunately his analysis somehow lacks resolution and he tends to rely on averages and not country-specific analysis. Furthermore, it seems that many of his observations lead him to advocate a more non-interventionist Laissez-Faire approach to development – an approach which critics might call Laissez-Mourir<sup>7</sup>. Easterly's hardheaded bombardment of aid can be read wrongly and many of his points are easy to misunderstand. Some readers might be led to believe that they should not support aid, because it is simply bad policy, inept of helping poor countries. Others might believe that international development assistance causes corruption and dependence, inevitably bringing more bad than good. Easterly is very much against Sachs idea of a big push and large-scale plans and believes that his top-down approach is bound to go awry. He argues that there is too much corruption in poor countries and lack of accountability in delivery mechanisms of aid.

Sachs criticises Easterly's book and argues that his main methodological error is a failure to

<sup>6</sup> William Easterly, Ross Levine and David Roodman, "New Data, New Doubts: A Comment on Burnside and Dollar's "Aid, Policies and Growth", 94 American Economic Review 2000

<sup>7</sup> Journal of International Economic Law 1-11. Book Review of *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*

distinguish across countries and different types of aid programmes. Sachs points out Easterly's total neglect of what has worked and what has failed in the past and is thereby not able to properly address the true nature of the massive problems he puts forth in his book.<sup>8</sup>

**Paul Collier** was formerly advisor to the British government's Commission on Africa and Director of Development Research at the World Bank. He is professor of Economics and Director of the Centre for the Study of African Economies at Oxford University. In his book, *The Bottom Billion*<sup>9</sup>, he explains why the poorest countries are failing, locked into different traps and how they can escape these traps. The four traps are: the conflict trap, the natural resource trap, landlocked with bad neighbours and bad governance in a small country. He argues that countries in the bottom billion oscillate between the traps and limbo, possibly switching in the process from one trap to another. Due to their slow growth they risk falling back into the traps before they are able to reach a level of income that would secure safety. As a solution to break free of the traps, Collier sets forth four different instruments: aid, security, laws and charters and trade. He argues that aid alone is not enough and it is not very effective in inducing a turnaround for a failing state. Aid agencies must wait for a political opportunity and when the opportunity arises, they should pour in technical assistance as quickly as possible to help implement reform. After a couple of years they should start pouring in money for the government to spend in terms of budget support. In addition, Collier argues that there are three ways for aid to bring about a turnaround; incentives, skills and reinforcement. However, aid agencies tend to apply a result-oriented approach with a focus on outcomes instead of inputs. Collier furthermore points out that aid agencies in general encourage low-risk and low-administration operations, which in fact is the exact opposite of what they should be doing in order to meet the current development challenges. Collier suggests that aid agencies adapt a more high-risk approach, where they focus more on supervision of projects in the early stages and tolerate larger expenditures on administration overhead. He argues that the challenge is to complement aid with other actions such as security, laws and trade. He furthermore emphasises that we cannot rescue the bottom billion. They can only be rescued from within the societies. Therefore, we should focus on helping the heroes within these societies that are actually fighting for reform and change. Collier emphasises that "growth is not a cure-all, but a lack of growth is a kill-all." Finally, Collier points out that the 58 countries in the bottom billion (58 countries that he himself through research studies has classified as the bottom billion) "basically need to be on international welfare for a long time". He furthermore argues that "for these countries the psychology of aid needs to recognise that it is not there as a temporary stimulus to development, it

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<sup>8</sup> How to help the poor: piecemeal progress or strategic plans? Retrieved at [http://www.nyu.edu/fas/institute/dri/Easterly/File/sachs\\_review\\_the\\_lancet.pdf](http://www.nyu.edu/fas/institute/dri/Easterly/File/sachs_review_the_lancet.pdf)

<sup>9</sup> Collier, 2006. *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*

is there to bring some minimal decency to standards of living.”

His book, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*, is meant to prevail the Sachs versus Easterly debate by remedying what Collier sees as the limitations of each view. Collier seeks to temper Easterly's aid scepticism and Sachs' grandiose claims by arguing, “rich countries must narrow the target and broaden the instruments.” Critiques<sup>10</sup> of his book point out that the effects of each of his four principal elements seem limited and uncertain and Collier's chosen approach does not seem to succeed in either addressing the heart of Easterly's critique or remedying the fatal problem of Sachs' grandiose plan.

**Adrian Leftwich** works as a professor for the Department of Politics at University of York. His work is focused on politics of economic growth and development with particular reference to developing countries. In addition, he is also a co-director of the international research on the *Leaders, Elites and Coalitions Research Programme* (LECRP). In his article<sup>11</sup> he present a theory on structure and agency in the new politics of development. The structure-agency theory concerns the key issue about how socio-economic and political behaviour is to be explained. Leftwich argues that the question is central to our understanding of how institutions affect political, economic and social outcomes and furthermore how institutions are established, change or decay and is therefore fundamental to our understanding of how to reduce poverty. He sets forth a central organising hypothesis<sup>12</sup>, which frames his work:

*Successful and sustained development depends crucially on whether, why and how various leaders and elites across the public and private domains are able to form sufficiently inclusive “developmental coalitions” (or growth coalitions), formal or informal, which:*

- 1) Establish, maintain and implement the locally appropriate, legitimate and feasible institutional arrangements, which promote and facilitate economic growth and (inclusive) social development.*
- 2) Contribute to building the core institutions of effective states.*
- 3) Cooperate – regionally, nationally, sub-nationally, sectorally or within and between organisations – to overcome major political, economic and social problems.*

Leftwich believes that poverty reduction is a matter of politics. He argues that where the politics are not suited for the task, it is donor's responsibility to identify, encourage, nurture and support those social and political forces, which are necessary for forming the kind of growth coalitions, which

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10 Clement, A. Michael, 2007. *Smart Samaritans*

11 Leftwich, 2009. Structure and agency in the new politics of development: Rethinking the role of leaders, elites and coalitions in this institutional formation of developmental states.

12 Leftwich, 2009. Structure and agency in the new politics of development: Rethinking the role of leaders, elites and coalitions in this institutional formation of developmental states.



will demand, design and implement the institutional arrangements which will deliver pro-poor growth and poverty reduction.<sup>13</sup> He emphasises the importance of understanding the politics which determine how the processes of growth and distribution are brought about or hindered. He argues that the dominance of economists in aid agencies and development research institutions, too little attention has been devoted to understanding the diverse political contexts, processes and practices, which frame developmental outcomes and thus determine poverty reduction outcomes. He encourages a redefinition of the general understanding of what politics is. He defines politics as the means of making binding collective decisions. More specifically it consists of *all the many activities of cooperation, conflict and negotiation involved in decisions about the use, production and distribution of resources*.<sup>14</sup> Like economics, he argues, politics is rather a universal and necessary process entailed in *all* collective human activity and it does not require or presuppose formal institutions of rule or governance. Therefore, the *politics of development* is both about changing how resources are produced, distributed and used and also about how decisions are made about such changes and in addition about the politics, which implement, sustain and extend them. Leftwich furthermore argues that the political processes and their outcomes are framed by, and help to shape, the structural environment, ideas, ideologies, balances of power, internal and external, interests and more importantly, the formal and informal institutions through which they all work. In sum, Leftwich defines poverty reduction as a function of *state formation and state capacity*, where it ends up being an *institutional matter*; and the design and maintenance of such institutions essentially is a *political matter*.

In his article, *Structure and agency in the new politics of development*, Leftwich criticizes Collier's approach by arguing that Collier evacuates political processes from the developmental process itself.<sup>15</sup> What is missing, in Collier's proposal about charters and rules, is *how* these arrangements get to be accepted, adopted and adapted and systematically implemented in e.g. Tanzania, and *how* indigenous political processes can absorb external ideas or devise and implement locally legitimate and appropriate institutional arrangements.<sup>16</sup> He furthermore criticizes Collier for only focusing on the explanation of failure in his book and thereby neglecting to include any success stories of countries that actually escaped many of the elements in his four "traps".

### 3.1 Theoretical Framework

The above-mentioned theories are meant to lead the discussion in chapter VII. The theories will

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13 Leftwich, 2008. Developmental states, effective states and poverty reduction: The primacy of politics.

14 Leftwich, 2008. Developmental states, effective states and poverty reduction: The primacy of politics, p. 6

15 Leftwich, 2009. p. 9

16 Leftwich, 2009. p. 9

both be discussed in relation to the current poverty situation in Tanzania and in relation to the national and international strategies for growth and poverty reduction. This is done in order to analyse which theory or theories can best be applied in the case of Tanzania and explain its current situation.

## 4.0 Poverty in Tanzania

The purpose of this chapter is related to the backward perspective of trying to understand the current status and in what way poverty has changed. This chapter is important, as it will lead in to the next chapter explaining the GoTs poverty reduction strategies. The aim is furthermore to answer the following sub research question: *How has poverty changed in Tanzania during the 21<sup>st</sup> century?*

### 4.1 History of Development Aid to Tanzania

Tanzania has for many years been characterised as the “darling” of the international donor community.<sup>17</sup> It is one of the African countries south of the Sahara that has received the most in development aid during the last 40 years, with close to 40 percent of the current 2008/09 budget being funded by outside donors. Tanzania has generally had warm relations with China and the Scandinavian countries as they gave considerable economic assistance during the 1960s and 1970s. The United Kingdom and Germany have also sustained relatively close ties with the country. However, since Tanzania implemented new economic reforms in the 1990s, it has become a favourite of especially the US and Japan.<sup>18</sup> During the 1970s aid flows rose from US\$ 2.3 billion to \$7 billion during the 1980s and to US\$ 7.8 billion during 1990-1997.<sup>19</sup> Aid in Tanzania finances debt relief, balance of payments support, direct budget support, project financing and sector basket funding. Out of these, project financing is declining while more emphasis is put on general budget support and basket funding.<sup>20</sup> Below are illustrated the numbers for total Overseas Development Assistance (ODA) for Tanzania by aid modality. All amounts are in USD.

Type of modality	2003/04	2004/05	2005/06	2006/07	2007/08
<b>General Budget</b>	279.04	458.61	393.01	501.28	698.83
<b>Support (GBS)</b>					
<b>Basket Funds</b>	168.44	80.96	320.88	253.51	136.76
<b>Project Funds</b>	385.86	269.06	604.60	421.79	526.87
<b>Total Disbursements</b>	833.34	808.62	1,318.49	1,176.58	1,362.46

Source: Ministry of Finance, 2008

Despite increasing aid efforts, the country is still one of the poorest in the world. Tanzania has been ranked 159 out of 177 nations in the United Nations Development Index. However, donors continue to give aid to Tanzania, because of its sound fiscal policies and political stability.<sup>21</sup> On the other hand, the high-profile corruption scandals in 2008 have led to more cautious donor support. I shall

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<sup>17</sup> Vilby, 2005

<sup>18</sup> EIU country profile 2008

<sup>19</sup> Cooksey 2004, "Tanzania: Can PRS succeed where SAP failed?"

<sup>20</sup> Cooksey 2004, "Tanzania: Can PRS succeed where SAP failed?"

<sup>21</sup> McGregor, 2008

return to this issue later in the section about the Tanzanian government.

## **4.2 Current Status of Poverty in Tanzania**

The purpose of this section is to give a retrospective overview of poverty levels in Tanzania today. The section will cover different dimensions of poverty and is aiming at emphasising that poverty is multi dimensional and cannot only be described in terms of income. Specific reference is made to income poverty, education, health, water, agriculture, infrastructure and HIV/AIDS in order to obtain a broader profile of the poverty situation.

### **4.2.1 Background**

Since Tanzania gained its independence in 1961, the government has been focussing on three main problems - ignorance, disease and poverty. National efforts were initiated through wide-ranging programmes related to poverty alleviation and the extensive programmes resulted in an improvement of access to education, health, water supply and an increase in the per capita income.<sup>22</sup> However, during the 1980s the early gains could not be sustained due to external shocks, economic difficulties and policy weaknesses. Despite the government's sustained efforts since the 1980s to tackle the country's social and economic problems, Tanzania is still faced with high levels of poverty and about one-third live in absolute poverty.<sup>23</sup> The impact of rising government spending is also evident. The country has a population of about 40 million and per capita income in 2006 was about \$350. Life expectancy at birth is 51 years.<sup>24</sup>

### **4.2.2 Definition of Poverty**

There exist many different definitions of poverty, but the UNDP, in its *Human Development Report 2000*, defines multiple dimensions of human poverty, including "deprivations in a long and healthy life, in knowledge, in a decent standard of living, in participation." The World Bank also adopts a broad definition of poverty: "Poverty is unacceptable human deprivation, encompassing not only low levels of income and consumption, but also low levels of education, health, and nutrition, as well as vulnerability and powerlessness."<sup>25</sup> In the World Bank report, *Voices of the Poor*, poor people define poverty as the following: "to be poor is to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled".<sup>26</sup> Poverty is caused by lack of resources and capabilities to acquire basic human needs. There exists two types of poverty:

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22 Bukagile, 2007 and The National Poverty Eradication Strategy, 1998

23 Bukagile, 2007 and The National Poverty Eradication Strategy, 1998

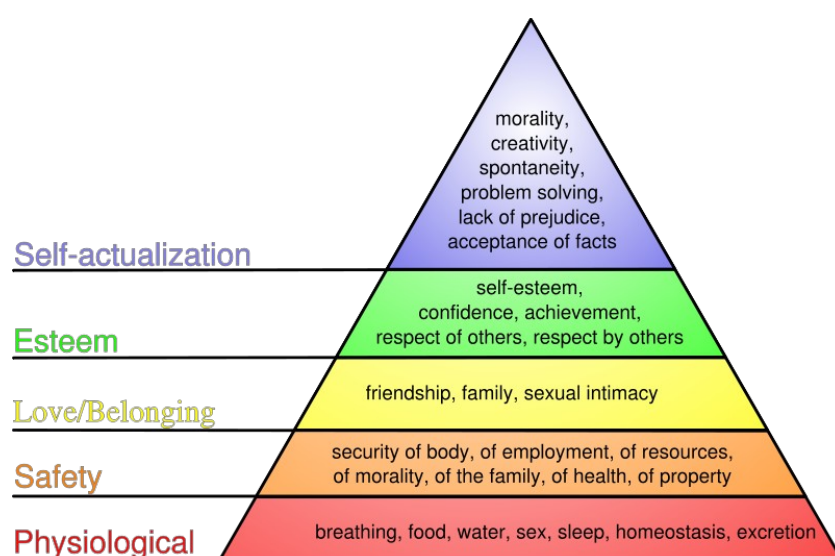
24 The World Factbook, Tanzania 2008

25 World Bank, 2000/01. World Development Report

26 World Bank, 2000. Voices of the Poor

- 1) *Absolute poverty*. This type refers to the lack of resources, which has reached a level where the people involved no longer live in a way suitable for human beings. This degree of poverty is extremely low and is defined by the World Bank to include people living on less than \$1 a day measured in terms of purchasing parity power (ppp).<sup>27</sup>
- 2) *Relative poverty*. This type refers to an economic situation, where the people involved have insufficient resources compared to other people in the society and are therefore less able to satisfy their basic human needs than others. When people are relative poor, their incomes are less than the average of the society.

If we are to place absolute and relative poverty within Maslow's hierarchy of needs, absolute poverty would be in the bottom of the hierarchy as part of the physiological needs, whereas relative poverty would be placed second from the bottom as part of the safety needs. This would be the order, as we cannot meet higher-order needs until the lower ones are met according to Maslow's model.<sup>28</sup>



### 4.2.3 Income Poverty

Income poverty in Tanzania is still high despite increasing efforts. Results from the Household Budget Survey (HBS) show the following results:

	2000/01	2007
Population living below food poverty line	19%	17%
Population living below basic needs poverty line	36%	34%

Source: Household Budget Survey in Tanzania 2000/01 and 2007

<sup>27</sup> Bukagile, 2007 and World Bank

<sup>28</sup> Illustration taken from [wordpress.com/2009/01/800px-maslows\\_hierarchy\\_of\\_needssvg.png](http://wordpress.com/2009/01/800px-maslows_hierarchy_of_needssvg.png)

When comparing the results from 2000/01 and 2007 there has been a decrease in the number of the population living below the food poverty line. The basic needs poverty has also decreased. However, in the last six years, the number of Tanzanians living on less than \$1 a day or less has risen to 12.7 million from 11.4 million in 2000/01, which illustrates an increase in the absolute number of people living in poverty and can primarily be explained by population growth.<sup>29</sup> Poverty levels continue to be very high in rural areas, where 87 percent of the poor live and poverty is still highest among households that depend on agriculture.<sup>30</sup> The disparity between rural and urban poverty is also growing, both for food and basic needs poverty. And since the population is growing, the number of people living in poverty raises concern within the government.<sup>31</sup> “We now have one million more people living in poverty, which shows we need to broaden growth and become more development focused” (Rakesh Rajani in McGregor 2008).

Inequality in Tanzania has remained the same since 2000/01 as measured by the Gini-coefficient as 0.35 in 2007. However, inequality has risen slightly since 1991/92, where it was measured to 0.34.<sup>32</sup> The measure shows a small fall in inequality in urban areas like Dar es Salaam. In his book<sup>33</sup> Knud Vilby furthermore argues that inequality has risen in many levels of society. He explains how the Tanzanian society is more and more stratified due to a more obvious split between the elite of society and the poor. The elite can afford to send their children to private schools, whereas the poor people are left with the public schools, where the level of education is very low compared to the private schools.<sup>34</sup> This is just one example among many of how Tanzania is experiencing rising inequality among its population.

#### **4.2.4 Rural Poverty**

Most poor people live in rural areas. They are dependent on small-scale agriculture owned by the family. In rural areas women's workload is higher than the men's, because they both work in the field and they are in charge of the household.<sup>35</sup> Furthermore, the rural poverty is more prevalent, because it is hard work to work in the field trying to prepare the rough soil when it is 30 to 40 degrees and you are suffering from lack of blood, are weakened by a series of malaria attacks, have a selection of parasites in your blood, have wounds on your feet due to attacks from small insects

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29 Tanzania Household Budget Survey, 2007

30 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

31 Household Budget Survey, 2007

32 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

33 Vilby, 2005

34 Vilby, 2005

35 Winkel, 2007

and furthermore have not eaten enough or eaten the wrong things – since you were a child.<sup>36</sup> The connection between illness and agriculture in Tanzania is not only a vicious circle; it is a steep downward spiral. An ill and weak farmer leads to low productivity, which essentially contributes to poverty, which in reality is the most common background for illness.<sup>37</sup>

#### **4.2.5 Perspective of Productive and Service Sectors**

Agriculture is still the lead sector in Tanzania, employing about 80 percent of the labour force and accounting for more than 40 percent of GDP and 85 percent of exports.<sup>38</sup> Despite several constraints, the sector has maintained an annual growth of over 4 percent the last decade.<sup>39</sup> Constraints in the agricultural sector include limited capital and access to financial services; inadequate agricultural technical support services; underdeveloped irrigation potential; erosion of natural resource base and environmental degradation; poor rural infrastructure hindering effective rural-urban linkages and low productivity of land, labour and production inputs. Further constraints include depressed prices for primary commodities in global markets, weak producers' organisations and gender relations.<sup>40</sup> Unfortunately, diversification into non-farm activities has not been very successful due to their small scale.

The industrial sector is still small in scale, despite a sector growth of about 7 percent in 2007. However, the growth has not been uniform across the sector. The constraints for the industrial sector include intense competition from imports, domestic supply-constraints and low technological capacity.<sup>41</sup>

Tourism is one of the most economically significant sectors in Tanzania accounting for 12 percent of GDP. The average annual growth has been about 6.7 percent the last couple of years and Tanzania has been ranked among the top five tourism income earners in Africa.<sup>42</sup> Especially Zanzibar and safari tours have contributed significantly to this growth. However, high growth and increasing revenues in the tourism sector has not led to a reduction of income poverty in Tanzania.

The mining sector is one of the most dynamic sectors in the country with an annual growth of 15 percent. A major constraint for the mining sector is detachment from local supply chains. The

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36 Winkel, 2007 p. 107

37 Winkel, 2007 p. 107

38 The World Factbook, Tanzania 2008

39 Ministry of Agriculture, Food & Cooperatives

40 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

41 Poverty and Human Development Report (PHDR), 2007

42 Poverty and Human Development Report (PHDR), 2007

existing linkages are not strong enough for local employment and value-addition.<sup>43</sup> This has raised serious poverty concerns in regards to tensions over land rights, labour relations and the impacts on environment in areas where mining activities have risen considerably.<sup>44</sup> Foreign investors for example primarily own gold mines.

Tanzania has a range of minerals that include gold, diamonds and various gemstones, which are considered as commercially exploitable. In addition, there are also large reserves of natural gas and prospects for oil looks promising. The country has 12 natural parks and 15 game reserves and these are profoundly supplied with many different floras and faunas.<sup>45</sup> However, most of these parks and reserves also remain underexploited. The natural resources sector accounts for about 5.7 percent of total GDP. Nevertheless, the present use of the natural resources is unsustainable e.g. bad fishing methods and bad farming methods that result in soil erosion, and there is a lot of potential for development.<sup>46</sup>

#### **4.2.6 Employment Status**

About 12.9 percent of the labour force is unemployed equivalent to 1.3 million women and 1.0 million men. The unemployment rate is highest in rural areas due to few economic opportunities.<sup>47</sup> Furthermore, the unemployment is more inferior among the youth and the educated youth (meaning the difference between the young people who has an education and the ones that do not). For people with disabilities employment opportunities are limited and there is a lack of special support for them in the work place. During the last decade about 650,000 new people have been entering the labour market each year. However, the wage and salary employment have been expanding at much lower rates. This means that most new entrants have entered through self-employment mainly in the informal and agricultural sector.<sup>48</sup> Results from the HBS shows that women still earn less than men and that this disparity increases with higher educational levels. Households have been trying to diversify their economic activities. However, opportunities to diversify and expand rural incomes from natural resources have been a challenge due to legal and bureaucratic obstacles.<sup>49</sup> In general, earnings and labour productivity are lower in rural areas than urban areas. Under-employment is especially evident in rural areas and has contributed to the unsustainable exploitation of natural resources e.g. fishing and mining as mentioned earlier.

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43 Poverty and Human Development Report (PHDR), 2007

44 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

45 EIU country profile 2008

46 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

47 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

48 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

49 EIU country profile 2008



#### **4.2.7 Infrastructure**

The levels and quality of infrastructure in Tanzania are still very poor and thus constraining growth. Especially rural areas lack basics such as road network, energy and telecommunication, which limit the creation of new opportunities for trade, markets and employment. This has been a clear result of the chronic underinvestment in infrastructure in the country the last decade. However, the government has recently recognised that poor transport and energy are key constraints on higher economic growth and investment and have thus increased expenditure on infrastructure with the help of donor funds.<sup>50</sup> Roads in Tanzania suffer a lot from overuse and investment is required for maintenance and upgrading. An integrated roads programme, which aims to build 3,000 km of new road and upgrade 70 percent of the country's main roads are under way.<sup>51</sup> Research has shown that the infrastructure in Tanzania is so poor, that it is cheaper to ship corn in large amounts by ship from Australia to Tanzania than it is to transport corn by truck from the Tanzanian midlands to the coast.<sup>52</sup>

About 90 percent of the country's energy needs are met by woodfuel. Electricity and petroleum account for 9 percent of energy consumption and other sources like coal account for less than 1 percent.<sup>53</sup> This distribution of energy consumption indicates that many economic activities are carried out using low-energy technologies. This is especially evident in rural areas where inefficient agricultural methods are the norm and transport is difficult. Access to energy is in general still low in Tanzania and the supply of energy often falls short of required levels and quality especially for production activities. Half of all power generated in Tanzania is utilised by industries and service sectors.<sup>54</sup> However, the unreliable and expensive power has driven away potential investors. The greatest access to electricity is in Dar es Salaam, where less than 50 percent of all households are connected. The low level of households connected to electricity, especially in rural areas, indicates continuing challenges in affordability and availability.

#### **4.2.8 Non-Income Poverty**

The below sections are considered as non-income poverty indicators.

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<sup>50</sup> EIU country profile 2008

<sup>51</sup> EIU country profile 2008

<sup>52</sup> Vilby, 2005 p. 240

<sup>53</sup> National Strategy for Growth and Poverty Reduction (Mkukuta) 2005

<sup>54</sup> Poverty and Human Development Report (PHDR), 2007

#### **4.2.9 Education and Illiteracy**

In 1975, Tanzania's president Julius Nyerere introduced Universal Primary Education (UPE), which was more or less perceived as free education for everyone and the number of children enrolled in primary school rose from around 50 percent to more than 90 percent. However, during the economic crisis of the 1980s the IMF forced Tanzania to cut back on public spending and primary school once again was too expensive for poor people to pay for, hence the number of children enrolled decreased dramatically.<sup>55</sup> Then again in 2001 a new Primary Education Development Plan (PEDP) was introduced and school fees were abandoned. Between 2000 and 2003 the number of children enrolled in primary school increased from 59 percent to 91 percent.<sup>56</sup> Furthermore, the Net Enrolment Rate (NER) for primary schooling for girls and boys increased from 51 percent 2000 to 98 percent in 2006.<sup>57</sup> Moreover, there has been a positive development in the number of girls enrolled in primary school. Today the majority of all children in primary schools in Tanzania are girls. This is mainly a key result of the Primary Education Development Programme (PEDP).<sup>58</sup> In addition, the government has increased its focus on enrolling more girls in primary school. Unfortunately, the percentage of children attending secondary school is still very low. In 2007 only 12 percent of all primary school children transitioned to secondary school.

It is worth mentioning that in Dar es Salaam 80 percent of students in elementary school are Muslims and only 20 percent are Christian, whereas in secondary school it is the complete opposite. In 1995 Tanzania got its first Muslim education minister. However, he was fired only a year later, because he apparently discovered how Muslims were discriminated against access to higher educations. When the students take their graduation exam, they use anonymous coded exam paper, but the special examination council somehow decoded the papers before they made their final list of who had qualified to higher education levels. When the Muslim education minister found out, he changed the system and stopped the cheating and 40 percent more Muslims were qualified for higher education. But only for one year, then Julius Nyerere fired him and everything returned to how it was. Muslims today are still underrepresented at higher levels of education in Tanzania.<sup>59</sup>

Illiteracy is still high in Tanzania. Close to 30 percent of the population cannot read or write. Illiteracy is highest among women, where the number is about 37 percent compared to only 22 percent among men.<sup>60</sup>

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<sup>55</sup> Vilby, 2005

<sup>56</sup> Vilby, 2005

<sup>57</sup> World Bank Country Brief 2008

<sup>58</sup> Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

<sup>59</sup> Vilby, 2005

<sup>60</sup> The World Factbook, Tanzania 2008

Evidence shows that school attendance itself is not enough; skills rather than years of school are what drive earnings in a country like Tanzania. Especially in rural areas the lack of practical knowledge in school about agriculture has kept away poor children, whose parents thought they would help the family more by working in the fields.<sup>61</sup> Nonetheless, there exists a link between literacy and years of schooling, where children who complete primary school are almost certain to be literate.<sup>62</sup>

#### **4.2.10 Health services**

Inadequate health services clearly show the extent of poverty in Tanzania, and many poor women and children die without ever having been to a health facility. Despite the huge effort in increasing access to health services with a special focus on the rural areas, about 90 percent of all child deaths are caused by preventable diseases such as malnutrition, diarrhea, malaria and HIV and AIDS.<sup>63</sup> Some of the more positive aspects of the efforts include immunization coverage of children, accessibility of contraceptives and treatment of tuberculosis. Infant mortality has dropped slightly from 88 in 2000 to 70 (per 1,000 live births) in 2008, compared to only 7 in the developed world.<sup>64</sup> The number of Tanzanians getting vaccinated has also increased to a striking coverage of about 90 percent. Key obstacles to the health services include long distances to health clinics, inadequate and expensive means of transport, lack of skilled personnel, and poor quality of care and a lack of accountability and governance mechanism.<sup>65</sup>

146 million children in the third world are underweight for their age and undernutrition remains a serious problem despite improvements in health services. Food quantity alone is as much of a problem as the poor nutritional quality. Under nutrition is a huge burden on poor societies as this leads to increased morbidity and mortality, which then results in reduced economic output and increased healthcare spending (for those who can afford it).<sup>66</sup> It should be noted that the high rate of infant and child mortality is due to the high frequency of malaria.<sup>67</sup> Furthermore, there are also disparities in levels of undernutrition between rural and urban children, finding that rural children are more malnourished. Almost 150,000 children die after their fifth birthday.<sup>68</sup>

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61 Vilby, 2005

62 Lomborg, Copenhagen Consensus Center, The 10 Challenges

63 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

64 World Bank Country Brief 2008

65 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

66 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

67 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

68 McGregor 2008

#### **4.2.11 HIV/AIDS**

The explicit effects of HIV/AIDS result in excess mortality in the following ways; life expectancy is low, infant mortality increases, death rates increases, and population growth rates are declining. Furthermore, it aggravates the future prospects of Tanzanians. Awareness and prevention campaigns are raising awareness about HIV/AIDS, however this has not resulted in better behaviour. In order to minimize risks of transmitting HIV/AIDS requires an improvement of young men and women's poor status in society and to make it easier to access good advice and services. The main challenge is to prevent the mother-to-child transmission of HIV to reduce infant and under-five mortality.<sup>69</sup> Especially important is it to promote the processing and utilisation of nutrient rich foods in rural areas, because in order for contraceptives to have an effect, it is crucial that patients have a constant and nutritious food intake.<sup>70</sup> The low life expectancy rate is also a direct result of the HIV/AIDS pandemic that prevails in the country.

#### **4.2.12 Water and health**

One of the basic indicators of human development is the availability of clean and safe water supply and sanitation services. Water supply is still a challenge in Tanzania and is worse during the dry season. People with improved access to water have increased from 46 percent in 1990 to 62 percent in 2004. Also, rural water supply coverage has increased slightly from 49 percent in 2000 to 53 percent in 2003. About 34 percent of the population have use of piped water. However, half of the households still use unprotected sources of water e.g. floods, rainwater etc.<sup>71</sup> Women and young girls are the most affected by the lack of water, because traditionally and culturally it is their responsibility to fetch water for the household.<sup>72</sup> Many families may spend more than 30 minutes or walk more than one kilometre to get to a source of water. The 2007 HBS shows that more than one quarter of rural households spend more than one hour collecting water.<sup>73</sup> Furthermore, in terms of sanitation about 93 percent of the population is now using a toilet (not a flushing toilet, but a hole in the ground with tiles around it), including rural areas.

Other factors affecting poverty in Tanzania are listed in the below section.

#### **4.2.13 Climate**

The climate in Tanzania has also had a huge influence on poverty and development. The winter that

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69 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

70 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

71 Mkukuta, 2005 (National Strategy for Growth and Poverty Reduction)

72 The National Poverty Eradication Strategy, 1998

73 Household Budget Survey, 2007

initiated the industrialisation in Europe has been absent in Tanzania. Europe was forced to plan i.e. in storage of food, solid houses, etc. This kind of future orientation, which is relatively weak in Africa, is believed to have been an important precondition for capitalism, whose core aim includes savings and investment for future use. Most Africans have lived mainly in tropical forests where it has been easy to gather food. They had no need to collect stores, since winter never came. They have never faced major challenges, as in Europe which led to the technological development and thereby helped to build the North European wealth. The average African is not lazy, but comparable to a rich man in Europe who does not need to work for food.<sup>74</sup>

#### **4.2.14 Gender equality**

Gender issues have become increasingly important in the last 30 years. Despite the fact that Tanzanian women are the major actors in productive and reproductive activities, they are still poorer than men. In addition, women in general have limited access to jobs in the formal sector. As a result many have sought opportunities in the informal sector. However, it is difficult for women to run a business due to lack of access to credit and the difficulties accessing land and other property. Men still have a higher income than women and they also continue to dominate decision making in households. Some decades ago girls did not have the same possibilities to go to school as the boys. Girls were expected to help their mother with the household. However, government has begun to focus more on girls' education and the enrolment rates for girls in primary schools have increased the last couple of years. Girls now dominate primary school enrolment.<sup>75</sup>

#### **4.2.15 Ethnic disparities**

There is a growing disparity between the Muslim and Christian society. The Christians have all the schools, universities and most minister posts in the government or other important places. The Muslims are underrepresented most places; universities, district commissions, and election commissions. This is also due to the fact that the majority of university students are Christians. According to Knud Vilby's observations<sup>76</sup>, many Muslims do not have the interest in pursuing a higher education, which is why they are underrepresented many places. In Dar es Salaam 80 percent of students in elementary school are Muslims and only 20 percent are Christian. However, in secondary school it is the complete opposite.

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<sup>74</sup> Winkel, 2007 p. 71

<sup>75</sup> Household Budget Survey, 2007

<sup>76</sup> Vilby, 2005

#### 4.2.16 Land rights

Law reform and land rights in Tanzania have changed back and forth since independence in 1961. The Land Act No. 4 clearly states in its Village Land Act No. 5 that “*all land in Tanzania is public land vested in the President as trustee for all citizens and all Tanzanians men and women above 18 years have rights to acquire and own land*”.<sup>77</sup> However, even though the law has been changed, the attitude of the people. This has meant that especially rural women are very dependent on men and cultural practices are still very dominant here.

#### 4.3 Summary

The purpose of this section is to sum up the findings in the above chapter and answer *how poverty has changed during the 21<sup>st</sup> century*.

People living above and below the poverty line has only decreased 2 percent points over a period of seven years despite the high levels of development aid. Furthermore, the number of children enrolled in primary school has risen and is close to 100 percent. However, the number of children moving on to secondary is only 12 percent. More efforts are needed in the education sector with emphasis on low-income families and rural areas. Health is also an area that needs more focus. Still many poor people die without ever having been to a health clinic and the majority die from preventable diseases such as malaria, malnutrition, diarrhea and HIV/AIDS. This is an especially important sector to focus on, as a healthy worker equals a productive worker. In order to bring about pro-poor growth, focus should be on rural sector development, accelerating growth of agriculture and improving access to financial services to create alternative economic opportunities in rural areas, where poverty is most pervasive. Small-scale agriculture families need to have the opportunities to sell their products in other villages than their own and if the demand is low, the families need to have opportunities to diversify its activities into non-farm activities. This is especially important as about 650,000 new people enter the workforce every year. As the majority of these people enter through self-employment, they need to have better access to credit, so they can start up a business. Especially women need to have better conditions for starting up a business. One important thing to note in this chapter is the aspect of Tanzanian culture. One can change the law, but not the attitude of the people. Therefore, women will always be considered to be weak without a man. The rising inequality between the elite and the poor in the country makes poverty reduction more difficult. According to the World Development Report 2006<sup>78</sup> inequality reduces the effectiveness of economic growth in reducing poverty. It furthermore argues that a reduction in

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<sup>77</sup> [http://www.athenanetwork.org/docs/LAW\\_REFORM\\_AND\\_LAND\\_RIGHTS\\_IN\\_TANZANIA.doc](http://www.athenanetwork.org/docs/LAW_REFORM_AND_LAND_RIGHTS_IN_TANZANIA.doc)

<sup>78</sup> World Development Report 2006. Chapter 4 by Francisco H. G. Ferreira, World Bank

income inequality is likely to contribute to a contemporaneous reduction in poverty and is further likely to make future growth reduce poverty faster. The below table shows how poverty has changed in Tanzania during the 21<sup>st</sup> century and the development diamond for Tanzania 2000 and 2007.

## Tanzania at a glance

### Poverty and Social

	Tanzania	Low-income	Tanzania	Low-income
	2000	2000	2007	2007
Population (milions)	33,7	2459	40,43	1296
GNI per capita (Atlas method, current USD)	270	420	400	578
GNI (billions)	9,1	1030	16,3	749
GDP growth (annual %)	5,1		7,1	
Average annual growth				
Population (%)	2,6	1,9	2,5	2,2
Labor force (%)	2,6	2,4	2,4	2,7
Urban population (% of total population)	33	32	25	32
Life expectancy at birth (years)	45	59	52	57
Infant mortality (per 1000 live births)	85	77	74	85
Access to an improved watersource (% of population)	54	NA	55	68
Illiteracy (% of population age +15)	24	38	69	61
Gross primary enrollment	67	96	112	94

Source: [http://devdata.worldbank.org/AAG/tza\\_aag.pdf](http://devdata.worldbank.org/AAG/tza_aag.pdf)



**Year 2007**

**Year 2000**

The above illustration of the development diamond for Tanzania<sup>79</sup> in the years 2000 and 2007 portrays four selected socioeconomic indicators compared to the corresponding average for the low-income group to which Tanzania belongs. The average for the low-income group forms a reference diamond, which is scaled in such a way that the average values of all four indicators are equal. Any point outside the reference diamond indicates Tanzania's position exceeding the low-income group average, whereas any point inside represents Tanzania's position below the low-income group

<sup>79</sup> <http://go.worldbank.org/3516WI4UM0> Link to the development diamond for Tanzania



average. In 2000 Tanzania's position was below the low-income group average in all four indicators. In 2007 Tanzania was still below the group average apart from the gross primary enrollment indicator. This is key result of the Primary Education Development Programme (PEDP), which the GoT introduced in 2001.

The group averages for access to safe water, GNI per capita, and gross primary enrolment are weighted by individual countries' population. The group average for life expectancy is weighted by the number of total live births. When looking at the group average it is clear that Tanzania is still lacking behind in crucial areas and further action is needed in order to reduce poverty.

## **5.0 Characteristics of the Tanzanian Government**

The purpose of this section is to show the characteristic of the Government of Tanzania (GoT). The section will cover aspects of politics, corruption and the national strategies for growth and reduction of poverty. The TAS and JAST strategies will also be covered in this section, as they are a mix of GoT and development partners' initiative.

### **5.1 GoT Characteristics**

The country achieved its independence from Britain in 1961 and the one-party rule officially<sup>80</sup> came to an end a little more than a decade ago. Until the mid 1990s the Chama Cha Mapinduzi (CCM) party had been ruling Tanzania as a one-party socialist country and dominated all aspects of political life. After abandoning socialism in the mid 1990s, the CCM still dominates and the party remains the strongest political force.<sup>81</sup> The latest presidential and legislative elections were held in December 2005, where the CCM candidate, Jakaya Kikwete, won the election with just over 80 percent of the votes.

From 1965 to 1985, Julius Nyerere was the president of Tanzania. He was re-elected every fifth year until he chose to step down in 1985. In 1967 Mr. Nyerere outlined his vision for the country in the Arusha Declaration. It was based on a socialist vision for Tanzania combining the Chinese model with African characteristics. The cornerstone of this policy was a series of collective agricultural ventures known as *ujamaa*<sup>82</sup> villages. The ujamaa aimed at establishing national unity (due to the country's two hundred different tribes) and it was supported by relocation of public

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80 Unofficially the CCM is still ruling the country as a one-party, since the opposition is too small to make any difference at the moment.

81 EIU country profile 2008

82 Ujamaa is Swahili for "community"

officials and the population around the country.<sup>83</sup> The majority of people loved Nyerere despite the failure of his Ujamaa politic and his Ujamaa politic became known to have split the country. People were moved away from villages with good soil and lots of water to new areas with less water and less good soil to cultivate. Therefore, many people moved back to where they came from, when Ujamaa was repealed. But what the people remember him the most for was that he introduced free education and health services for most Tanzanians despite race, religions and age. He managed to unite the people in a time of crisis, where most people had lost faith in development and progress. He was known to share the politics with the people. The population knew what the government was doing, how it would do it and why it would do it. When Nyerere stepped down as president in 1985, he passed on a market economy to the new president.<sup>84</sup>

When Nyerere was the president of Tanzania it was a period of nation building and this has become one of the lasting legacies of Ujamaa, as Tanzania has not undergone the same ethnic and religious divisions as most of its neighbouring countries. However, since the one-party state came to an end in the 1990s, the ties that held the country together has been frayed and greater divisions have become more evident between Christians and Muslims and between Asian and indigenous communities.<sup>85</sup> The discrimination of Muslims before *uhuru*<sup>86</sup> was based on a clear British strategy; 1) deny them education! 2) deny them employment! and 3) destroy their business opportunities.<sup>87</sup> Today Muslims are still underrepresented in most institutions; universities, district commissions and elective commissions. In Vilby's book, Othman Ntarru believes that because of strong Christian networks, the Tanzanian system has been infected by Christian nepotism and it has created negative effects in all corners of society.<sup>88</sup> Religion and politics should be disregarded from one another in Tanzania. However, one cannot disregard the fact that most national institutions are run primarily by Christians.<sup>89</sup>

Illustrated below is the division of votes from the 2005 election. It gives a very clear picture of how influential the CCM party is.

<b>Presidential election results 2005</b>	<b>% of votes</b>
Jakaya Kikwete	80.3
Ibrahim Lipumba	11.7
Freeman Mbowe	5.9

83 EIU country profile 2008

84 Vilby, 2005

85 EIU country profile 2008

86 Uruhu is Kiswahili for "independence"

87 Vilby, 2005 p. 199

88 Vilby, 2005 p. 203

89 Vilby, 2005 p. 200

John Cheyo	4.0
<i>Total</i>	<i>100.0</i>
<b>Legislative election results 2005</b>	<b>No. of seats</b>
CCM	206
CUF	19
Chadema	5
TLP	1
UDP	1
<i>Total</i>	<i>232</i>

Of the 232 seats, 48 seats are special seats for women.

The CCM used to dominate all aspects of life, workplace, controlling villages, military and civil law enforcement. However, since the country became a multiparty state, a formal independent trade union has been established and military and police have been depoliticised.<sup>90</sup> Despite its political dominance, the CCM is far from a unified party and there is an evident division between reformists and non-reformists. However, internal conflicts are never shared and a common front is always displayed towards the public.<sup>91</sup> As evident from the above table, the opposition parties have not been able to establish a united front and challenge the CCM party. The Civic United Front (CUF) remains the main opposition party and secured 19 compared to its 17 seats in the parliament during the 2005 elections. It is possible for the opposition parties to find a common platform and create a united front, however differences in party agendas make it unlikely for this to happen.<sup>92</sup> The victory by the CCM in 2005, clearly illustrates the lack of progress in developing a truly multiparty democracy.

The media in Tanzania is relatively free and there exist various newspapers both in Swahili and English. The majority of newspapers are owned by businessmen with close links to the CCM, however the government still owns a limited number of papers. President Kikwete has tried to improve the image of the government through the media and it has become evident that not everybody is comfortable with an entirely free press.<sup>93</sup> As in many other developing countries the radio is still the main medium of mass communication. However, the government closely controls the national radio station, Radio Tanzania. Fortunately, the country is experiencing a growing number of independent radio stations.<sup>94</sup> Since television became available in 1994, several television stations have been set up and they have become influential mostly in urban areas.

In January 2008 the BoT (Bank of Tanzania) governor, Daudi Ballali, was fired following

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90 EIU country profile 2008

91 EIU country profile 2008

92 EIU country profile 2008

93 EIU country profile 2008

94 EIU country profile 2008

corruption allegations over payments to 22 different companies from the External Payments Account (EPA) and several high-profile businessmen are being brought for a hearing. In February 2008 the prime minister, Edward Lowassa, and two other ministers chose to resign after “the Richmond affair”. A parliamentary investigation was able to link them to a controversial awarding of a contract to the US-based Richmond Development Company to supply power in 2006. Soon after this the president announced to trim cabinet size, cutting down to 26 from 29 cabinet ministers and to 21 from 31 deputies, thereby making a total of 47 ministers from originally 61. The new cabinet consists of both youths, middle aged and elderly ministers.<sup>95</sup> These high-profile corruption scandals have been perceived as a crackdown by the government and also as a warning of the ongoing power struggle within the CCM.<sup>96</sup> Already in 2000 the government launched Tanzania’s National Anti-Corruption Strategy and Action Plan (NACSAP). The first phase of the NACSAP was in the period of 2000 and 2005. The second phase was launched in 2006 and continues until 2010.<sup>97</sup> The second phase expanded its scope beyond national ministries, departments and agencies (MDAs) to include local government authorities (LGAs), civil society and the private sector. Both in 2003 and in 2006 two citizens’ surveys were conducted with a total of 1,260 residents from six different local councils in Tanzania. Especially two of the surveys findings I would like to highlight here. The first one is the percentage of respondents from the six councils, who think corruption is a serious problem. The second is the respondents’ rankings of the most corrupt. Below is shown the results.

<b>Respondent’s ranking of the most corrupt</b>		
<b>Ranking</b>	<b>2003</b>	<b>2006</b>
<b>1</b>	Police	Ordinary citizens
<b>2</b>	Ordinary citizens	Local government officials
<b>3</b>	Local government officials	Police
<b>4</b>	Health workers	Health workers
<b>5</b>	Business people	Village leaders

Source: Fjeldstad, Ngalewa & Katera 2008, “Citizens Demand Tougher Action on Corruption in Tanzania”

From 2003 to 2006 the percentage of people who think corruption is a serious problem has declined. In 2003, 27 percent of respondents believed that current levels of corruption were less than two years earlier. In 2006 the percentage had increased to 51. The data shown in the report suggests that the government may be achieving success in fighting corruption. However, the continuing of corruption in the country is mainly related to two things. 1) People do not know where to report cases of corruption and 2) those that do know are afraid of negative effects if they

<sup>95</sup> Navuri 2008, “JK trims down cabinet size”

<sup>96</sup> EIU country profile 2008

<sup>97</sup> Fjeldstad, Ngalewa & Katera 2008, “Citizens Demand Tougher Action on Corruption in Tanzania”

report official misconduct.<sup>98</sup> IPP Chairman Reginald Mengi believes that corruption is especially rampant in rural areas, saying lack of essential drugs and hospital beds, and a shortage of desks and textbooks in schools has been the result of the abominable practice.<sup>99</sup> This may partly explain the shift in perceiving ordinary citizens as being the most corrupt in Tanzania.

As mentioned earlier, these corruption scandals have resulted in more cautious donor support. However, an increasing part of development aid in Tanzania is still given as budget support directly to the government, which is an indication of trust in the Tanzanian government. For almost a decade, aid agencies have emphasised good governance and democracy and a commitment to fighting corruption as preconditions for aid.<sup>100</sup> Donors have tried to keep corruption conditionalities at a general level, instead of tying aid to actual impact. It seems like focus is on inputs and processes rather than outputs and impact i.e. corruption reports published, anti-corruption laws passed, budgets funded and staff recruited versus the number of corrupt officials prosecuted or corruptly acquired assets returned to the government. Most donors' conditions concerning corruption are simply formal, whereas the actual anti-corruption fighting is more informal.<sup>101</sup>

## **5.2 National Strategies**

The purpose of this section is to present some of the national strategies outlined by the Government of Tanzania (GoT), which are relevant to the poverty situation in the country. The aim is furthermore to answer the following sub research question; *what are the results of the Tanzanian National Strategy for Growth and Poverty Reduction to date?*

### **5.2.1 The Development Vision 2025**

The Development Vision 2025 arose in the mid-1980s as a response to the failure of past development policies and strategies, which were not reacting to the changing market conditions both at regional and international level. A new long-term development philosophy was needed to bring together the Tanzanian people and create hope for a more desirable future. It has been envisioned that by 2025 Tanzania will have gone from a least developed country to a middle-income country. "Abject poverty will be a thing of the past".<sup>102</sup> As a result of this vision, Tanzania should be a country characterised by five main attributes: (1) Peace, stability and unity, (2) good governance, (3) high quality livelihood, (4) a well educated and learning society, and (5) a competitive economy capable of producing sustainable growth and shared benefits. However, two

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98 Fjeldstad, Ngalewa & Katera 2008, "Citizens Demand Tougher Action on Corruption in Tanzania"

99 IPP Media, Mengi: Rampant corruption major reason for abject poverty

100 Cooksey 2004, "Tanzania: Can PRS succeed where SAP failed?"

101 Cooksey 2004, "Tanzania: Can PRS succeed where SAP failed?"

102 The Tanzania Development Vision, 1998

things hinges on the effective implementation of the vision and that is good governance and competitiveness of the economy. A successful implementation of the Vision 2025 should furthermore embody the following attributes; (a) Developmental mindset and competitiveness, (b) democratisation and popular participation, (c) monitoring, evaluating and review, and (d) governance and the rule of law. The formulation of the Vision 2025 has been developed through a national consensus consisting of interviews, meetings and workshops with different societal groups at different levels. The Vision will succeed only through a participatory process, where a people-centred and people-driven character represents the main foundation for motivating and obtaining the Tanzanian people's genuine commitment.

### 5.2.2 National Strategy for Growth and Reduction of Poverty (Mkukuta)

The National Strategy for Growth and Reduction of Poverty, also known as Mkukuta in Kiswahili, is the second national strategy (PRSP) to put focus on poverty reduction. It builds on the Poverty Reduction Strategy Paper (PRS) (2000/01-2002/03), the Tanzania Mini-Tiger Plan 2020, the one-year PRS Review and the Medium Term Plan for Growth and Poverty Reduction and is furthermore highly committed to the internationally agreed Millennium Development Goals (MDG's). Mkukuta is divided into three major clusters of desired outcomes for poverty reduction instead sectors of i.e. education, health etc. Below is listed the desired goals for each cluster.

Cluster	Goals	Expected Outcomes
Growth and Reduction of Income Poverty <sup>103</sup>	(a) promoting sustainable and broad-based growth, (b) ensuring sound economic management, (c) reducing income poverty of men and women in both rural and urban areas, (d) improving food availability and accessibility at household level in rural and urban areas and (e) provision of reliable and affordable energy to consumers	Achieved and sustained broad based and equitable growth
Improvement of quality of life	(a) improved survival, health and well-	Reduced inequalities in

<sup>103</sup> National Strategy for Growth and Reduction of Poverty, 2005, p. 35

and social well-being <sup>104</sup>	<p>being of all children and women and of especially vulnerable groups,</p> <p>(b) ensuring equitable access to quality primary and secondary education for boys and girls, universal literacy among men and women, and expansion of higher, technical and vocational education,</p> <p>(c) adequate social protection and rights of the vulnerable and needy groups with basic needs and services,</p> <p>(d) increased access to clean, affordable and safe water and sanitation, decent shelter and a safe and sustainable environment and thereby reduced vulnerability from environmental risk and</p> <p>(e) Systems in place to ensure effective universal access to quality public services that are affordable and available</p>	<p>outcomes (e.g. education, health and survival) across geographic, age, income, gender etc. and an improved quality of life and social well-being with particular focus on the poorest and most vulnerable groups</p>
Governance and Accountability <sup>105</sup>	<p>(a) Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive,</p> <p>(b) Effective public service framework is in place to provide foundation for service delivery improvements and poverty reductions,</p> <p>(c) Equitable allocation of public resources with corruption effectively addressed,</p> <p>(d) Reduction of political and social</p>	<p>Good governance and rule of law, democracy and political and social tolerance, accountability of leaders and public servants and a deepened peace, political stability, national unity and social cohesion</p>

<sup>104</sup> National Strategy for Growth and Reduction of Poverty, 2005, p. 35

<sup>105</sup> National Strategy for Growth and Reduction of Poverty, 2005, p. 35

	exclusion and intolerance, (e) Improved personal and material security, reduced crime, eliminate sexual abuse and domestic violence, (f) Rights of the poor and vulnerable groups are protected in the justice system and (g) National cultural identities enhanced and promoted	
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According to the 2006 Status Report for the NSGRP (Mkukuta), “Progress towards the goals for growth, social well-being and governance in Tanzania”<sup>106</sup>, clear progress is indicated in all three major clusters, however further action is still needed. In addition, linkages between clusters are crucial as both clusters and goals are mutually reinforcing. In the overall assessment of cluster I, the rate of growth needs to be increased and a more prioritised and strategic approach is needed in order to generate the broad-based growth, with special focus on agriculture.<sup>107</sup> In cluster II the overall assessment for education and health are generally positive. Nevertheless, periodic reporting still remains problematic through the information system and as a consequence making the assessment of health indicators limited. A similar situation is seen in relation to the assessment of goals for increased access to sanitation and safe water.<sup>108</sup> As access to safe water plays an essential role in improving health and thereby productivity, this needs to be prioritised. The overall assessment of cluster III shows modest improvements and the effort needs to be sustained and intensified in order to create better results.<sup>109</sup> The data collection process was furthermore very challenging for cluster three and stronger links between the local government monitoring and evaluation system and national level monitoring need to be established.<sup>110</sup>

### 5.2.3 Tanzanian Assistance Strategy (TAS)

TAS was developed in the 1990s in a time when corruption was rising and slippage in revenue collection was serious. As a result Tanzanian donor relations were strained and the government needed to set in motion the process of building a new relationship. The GoT and its development partners hired the Group of Independent Advisors led by Professor Gerard K. Helleiner to evaluate and come up with recommendations on how to improve development cooperation in the country and in 1997 the GoT and its partners jointly adapted the report’s recommendations, which consisted

<sup>106</sup> NSGRP Status Report, 2006

<sup>107</sup> NSGRP Status Report, 2006

<sup>108</sup> NSGRP Status Report, 2006

<sup>109</sup> NSGRP Status Report, 2006

<sup>110</sup> NSGRP Status Report, 2006



of an “Agreed Notes” list of 18 actions to be taken. However, an independent review of the implementation of the 18 actions in 1999 noted that important problems still remained. The problems included;

- Inadequate government capacity,
- Management and disbursement of resources outside the government system undermining accountability and transparency,
- Heavy dependence on consultants/TA in executing projects (which is very costly), Separate/parallel donor systems/procedures on procurement, staff recruitment, accounting, reporting etc.
- Fragmented and uncoordinated project support, which reduced effectiveness and efficiency.<sup>111</sup>

TAS was the first government initiative aimed at restoring local ownership and leadership and furthermore promoting partnership in planning and implementing development programmes. TAS was a process for change with focus on transparency, good governance, capacity building, accountability, and aid effectiveness.

TAS was formulated through a participatory approach coordinated by the Ministry of Finance and took its point of departure in already existing and relevant initiatives, which among others include; Vision 2025 (1998), National Poverty Eradication Strategy (1997), Poverty Reduction Strategy Paper (ongoing), and Country Assistance Strategies (ongoing). A TAS secretariat was established in the Ministry of Finance in order to provide technical support to a TAS Working Group, whose main task was to oversee the formulation process. The Working Group consisted of different stakeholders such as Government senior officials, donor institutions, NGOs, private sector, academic and research institutions. TAS provided a five-year strategic national framework, to be reviewed every five years, articulating the following elements:

- Basic elements for promoting local ownership and leadership and building partnerships
- Priority actions
- Policy framework
- National development agenda

After four years TAS was replaced by a new initiative, the Joint Assistance Strategy for Tanzania (JAST). The JAST was aimed at being more comprehensive compared to the TAS and has gone beyond the four priority areas of the TAS and furthermore covering all aspects of the development partnership between the GoT and development partners also including the role of non-state actors.

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111 Tanzanian Assistance Strategy, 10/26/00 Consultation draft 1

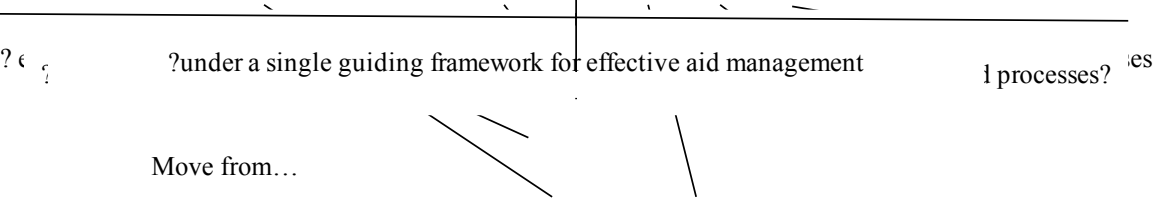
#### **5.2.4 Joint Assistance Strategy for Tanzania (JAST)**

The initiative to develop a JAST started in June 2003 and was finally launched in December 2006. As with the TAS, the JAST was formulated with reference to both national and international commitments and initiatives on aid effectiveness. Most notably is the following initiatives; the TAS (2002), the Monterrey Consensus (2002), the Rome Declaration on Aid Harmonisation (2003) and the Paris Declaration on Aid Effectiveness (2005). The main objective of the JAST is to contribute to an efficient and effective implementation of Tanzania's National Strategy for Growth and Reduction of Poverty (NSGRP), the fulfilment of the MDGs and other national policies and strategies, where the two key elements are harmonisation between development partners and alignment with government structures.<sup>112</sup> The JAST aims at integrating all external resources into the government budget, using general budget support (GBS) as the preferred method of aid modalities. In line with the outcome-oriented Mkukuta, the JAST is meant to bring together all 45 bilateral and multilateral development partners (donors) under a single strategic framework that guides their development assistance.<sup>113</sup> The following figure will illustrate the alignment of development partners' assistance with national development goals under the JAST.

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112 The Joint Assistance Strategy for Tanzania November 2006, United Republic of Tanzania

113 The Joint Assistance Strategy for Tanzania November 2006, United Republic of Tanzania



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*Source: Free from the Joint Assistance Strategy for Tanzania November 2006, United Republic of Tanzania*

The objectives of the JAST are to contribute to sustainable development and poverty reduction in line with other national strategies. Furthermore, it aims at building an effective development partnership, as mentioned above, with reference to national and international commitments to aid effectiveness by focusing on: Ensuring mutual accountability of the GoT and development partners, Strengthening accountability of the GoT to the citizens of Tanzania, Harmonising government and

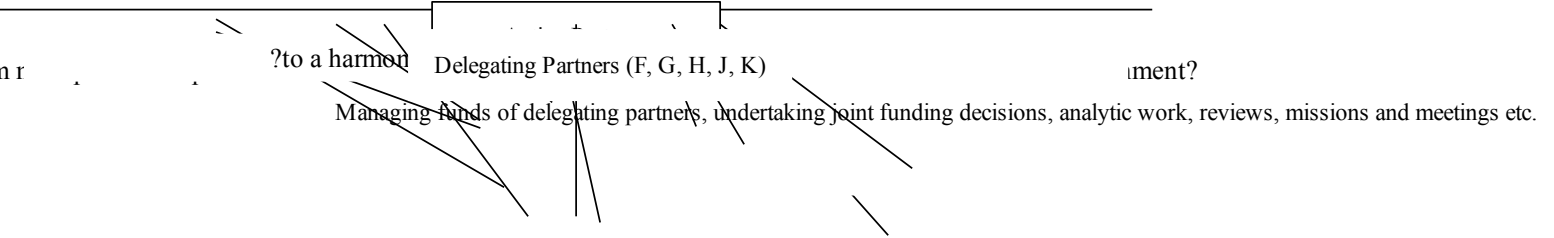
development partner processes, Strengthening national ownership and government leadership of the development process and aligning development partner support to government priorities, systems, structures and procedures.<sup>114</sup> The development partners have agreed to harmonise their processes around Mkukuta and the national budget and calendar. This also includes the period of “quiet time”, during which the workload on the government is to be minimised in order to allow the government sufficient time for budget preparation and approval.<sup>115</sup> Furthermore, the JAST has different levels of division of labour i.e. “lead”, “active” and “delegating” partners. “Lead partners” are appointed to lead and coordinate other partners’ work within a specific sector or thematic area. “Active partners” represent the views and concerns of partners that are outside a specific sector or thematic area in dialogue with the government. Development partners in JAST are harmonising their activities, requirements, missions, reviews etc. and are aligning them to match government strategies, processes and systems both within and across sectors and thematic areas.<sup>116</sup> The following figure illustrates this new division of labour among Development Partners under the JAST.

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114 The Joint Assistance Strategy for Tanzania November 2006, United Republic of Tanzania

115 The Joint Assistance Strategy for Tanzania November 2006, United Republic of Tanzania

116 The Joint Assistance Strategy for Tanzania November 2006, United Republic of Tanzania



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*Source: Free from the Joint Assistance Strategy for Tanzania November 2006, United Republic of Tanzania*

It is important to bear in mind that the JAST is an ongoing progress. The GoT and development partners are constantly monitoring and evaluating their performance relative to the mutually agreed upon targets, actions and indications in the JAST Action Plan and Monitoring Framework in order to optimise aid efforts.

### 5.3 Summary

Below is summarised the different objectives and expected outcomes of the different national strategies described in the above section.

<b>Strategy</b>	<b>Objectives/Focus</b>	<b>Expected outcomes</b>
Vision 2025	(1) Peace, stability and unity, (2) good governance, (3) high quality livelihood, (4) a well educated and learning society, and (5) a competitive economy capable of producing sustainable growth and shared benefits.	(a) Developmental mindset and competitiveness, (b) democratisation and popular participation, (c) monitoring, evaluating and review, and (d) governance and the rule of law.
National Strategy for Growth and Poverty Reduction (MKUKUTA)	See table on page 35	See table on page 35
Tanzanian Assistance Strategy (TAS)	(1) Transparency, (2) good governance, (3) capacity building, (4) accountability, (5) aid effectiveness	(a) Basic elements for promoting local ownership and leadership and building partnerships (b) priority actions (c) policy framework (d) national development agenda
Joint Assistance Strategy for Tanzania (JAST)	(1) To contribute to sustainable development, (2) poverty reduction	(a) Ensuring mutual accountability of the GoT and development partners, (b) strengthening accountability of the GoT to the citizens of Tanzania, (c) harmonising government and development partner processes,

		(d) strengthening national ownership and government leadership of the development process, (e) aligning development partner support to government priorities, systems, structures and procedures
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In answering the sub research question, *what are the results of the Tanzanian National Strategy for Growth and Poverty Reduction to date*, the above factors must be considered. Growth still remains inadequate to meet development and poverty reduction objectives of Mkukuta despite encouraging economic trends. Growth must be accelerated in order to achieve and sustain higher rates of growth, while trying to ensure that achievements at the macro level will translate into genuine economic benefits at the micro level. However, corruption scandals continue to be an issue making it more difficult for the public to trust in the government. Corruption scandals furthermore derail Tanzania's development as thus must be addressed if poverty reduction is to be increased.

## 6.0 Case Studies

The purpose of this section is to analyse two different country assistance strategies for Tanzania. The sections furthermore seek to answer the following sub research questions: *in what way is the international donor (WB and UNDP) community contributing to the objectives of National Strategy for Growth and Poverty Reduction?*

### 6.1 Case: World Bank Country Strategy

Tanzania joined the World Bank in 1962 and received its first credit in 1963 for education. Since then Tanzania has received more than USD 6,2 billion in credit and USD 274 million in grants from the World Bank. The current portfolio contains 23 active projects to date and recently improved projects and programs include:

- Sixth Poverty Reduction Support Credit \$160 million
- Second Central Transport Corridor Project \$190 million
- Science and Technology Higher Education Program Phase I \$100 million

The WB has a close collaboration with the International Monetary Fund and African Development Bank (AfDB) on the macroeconomic program in Tanzania.

The World Bank Institute focuses on three major areas: (i) Support to oversight institutions (media and parliament), (ii) Economic competitiveness (PPP and financial sector management), (iii) Support to enhance service delivery (water and nutrition).

The World Bank Country Assistance Strategy (CAS) is developed in correlation with Tanzania's National Strategy for Growth and Reduction of Poverty (Mkukuta)<sup>117</sup>. The World Bank Group<sup>118</sup> support is focused on three major clusters of Mkukuta;

- **Cluster I: Growth of the Economy and Reduction of Income Poverty.** The WBG support is focused on improving the investment climate with deepening reforms in the financial sector and thereby improving prospects for economic growth and enabling environment for private sector activities. This will be done through better information and financed programs in environment, agriculture, forestry and mining. In addition, infrastructure bottlenecks will be reduced in transport and energy. Finally, WBG will put stronger focus on improving

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<sup>117</sup> Also known as the country's second version of Poverty Reduction Strategy Papers

<sup>118</sup> Organisations in the World Bank Group include; the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID)



labour force skills and an increased regional integration.

- **Cluster II: Improvement of Quality of Life and Social Well-being.** WBG will focus on improving capacity at local government level to deliver services and support social protection with a focus on analysis and advice on how to better manage social risk through improved reporting and monitoring of the vulnerable members of the community. Furthermore, focus will be on strengthening technical, tertiary and secondary education, and on health financing and human resources.
- **Cluster III: Governance and Accountability.** WBG strategy will help improve governance at village, district and national levels, through both supply- and demand-side assistance and promote greater use of country systems and improve more effective use and strengthening of domestic capacity and accountability in key governance institutions such as financial management, accounting, auditing, and procurement.

The IBRD provides loans and development assistance, the IDA provides both concessional loans and grants, the IFC provides loans and equity finance for business ventures, the MIGA provides guarantees to foreign investors in Tanzania against loss caused by non-commercial risks, the ICSID provides facilities for settling investment disputes between foreign investors and Tanzania. In addition, the WB also administers a number of trust funds on behalf of donors. In Tanzania the WB is a member of the Donor Partner Group (DPG), which consists of 35 members (donors and organisations). The JAST, as mentioned earlier, has been developed jointly with all 35 members of the DPG with a whole chapter dedicated to the WB's strategic approach and proposed program, which includes ongoing and planned advice, analytic work and financing, and more than USD 2,3 billion in IDA lending over the four year period.<sup>119</sup> Tanzania is the 7<sup>th</sup> largest recipient country of IDA receiving 6 percent in gross disbursements representing about USD 499 million.<sup>120</sup>

IDA disburses most of its grants and credits (resources) as budget support, which indicates an increasing trust in the GoT.

### 6.1.1 Conditionalities

Since the mid-1990s the WB has tried to streamline conditions as most of its Board concluded that excessive conditions were undermining programme success. Tanzania is a good example of successful streamlining. Here the WB has, in coordination with the IMF, reduced its total conditionality and moved out of the financial sector and tax reform. The WB has set out a line of

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<sup>119</sup> World Bank Country Assistance Strategy Tanzania, updated March 2009

<sup>120</sup> World Bank Aid Profile 27/02/09

good practice principles for conditionality<sup>121</sup>:

- Harmonisation: Agree up-front with the government and other financial partners on a coordinated accountability framework (JAST)
- Customisation: Customise the accountability framework and modalities of WB support to country circumstances
- Ownership: Reinforce country ownership
- Criticality: Choose only actions critical for achieving results as conditions for disbursement
- Transparency and predictability: Conduct transparent progress reviews conducive to predictable and performance-based financial support

### 6.1.2. Predictability

The WB has a relatively predictable multiyear commitment process as the CAS covers the three-year period of the IDA replenishment period. The record of disbursements is relatively good, however some delays can be caused by burdensome procedures and excessive conditionality.<sup>122</sup>

## 6.2 Case: United Nations Development Programme (UNDP)

UNDP's assistance for Tanzania is outlined in a Country Program Action Plan (CPAP), formerly known as the Country Cooperation Framework (CCF). The CPAP works as an operational document and includes detailed activities and estimated costs. The CPAP is derived from the United Nations Development Assistance Framework (UNDAF), which lays out the guiding principles for development aid in Tanzania. The 2007-2010 UNDP country programme for Tanzania is closely aligned with two main policy and programming frameworks: The National Strategy for Growth and Reduction of Poverty (MKUKUTA) and the Joint Assistance Strategy (JAST). The strategy is furthermore influenced by UN reforms aimed at enhanced impact and greater coherence at the country level.<sup>123</sup>

Three pillars support the country programme in Tanzania and are contributing to the achievement of the proposed UNDAF outcomes and to the goals of Mkukuta. These three pillars are: (i) Enhancing pro-poor policy development and wealth creation, (ii) Strengthening democratic governance and development management and (iii) Scaling up mainstreaming of cross-cutting themes.<sup>124</sup>

- **Pillar I: Enhancing pro-poor policy development and wealth creation.** Support in this

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<sup>121</sup> Adapted from World Bank 2005 p. 2 "Review of Conditionality", Operations policy and Country Services

<sup>122</sup> World Bank Aid Profile 27/02/09

<sup>123</sup> UNDP country programme document for Tanzania (2007-2010), 14 July 2006

<sup>124</sup> UNDP country programme document for Tanzania (2007-2010), 14 July 2006

pillar will be provided to the following: private sector development, development of employment-driven growth strategies, new and sustainable business models in rural areas based on public-private partnerships, and pro-poor policy development and strengthening the monitoring of poverty, growth and equity. The key challenge in this pillar is how to empower and enable poor men and women to participate in and benefit from emerging economic opportunities in their local communities.<sup>125</sup>

- **Pillar II: Strengthening democratic governance and development management.** Support in this pillar will be focused on making democracy more robust by addressing the institutional deficiencies and enhancing the operational capacity of governance systems and processes. Enhanced governance will in addition contribute to the national priorities of good governance and the rule of law; enhanced public access to information; participation and empowerment of women and vulnerable groups and social cohesion; greater accountability through the effective reduction of corruption; deepening democracy, peace, political tolerance and stability.<sup>126</sup>
- **Pillar III: Scaling up mainstreaming of cross-cutting themes.** A number of issues are constraining the achievement of the targets of the UNDAF and the MKUKUTA. These issues are environmental management, energy, HIV/AIDS and gender and will be addressed through support for their mainstreaming.<sup>127</sup>

In all three pillars, programme strategy and emphasis will essentially be on policy advice and policy advocacy; capacity-building; using core resources to leverage non-core resources; strategic partnerships; where appropriate, strategic resource management in the context of multi-donor (basket) frameworks; embedding strategic communications in all programme work; and piloting downstream interventions to inform policy development.<sup>128</sup> The three outcomes to be achieved within the 2007-2010 UNDAF in Tanzania are as follows:

1. Increased access to sustainable income opportunities, productive employment and food security in the rural areas
2. Increased access to quality basic social services for all by focusing on the poor and most vulnerable
3. Democratic structures and systems of good governance and the application of human rights are strengthened.

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125 UNDP country programme document for Tanzania (2007-2010), 14 July, 2006

126 UNDP country programme document for Tanzania (2007-2010), 14 July 2006

127 UNDP country programme document for Tanzania (2007-2010), 14 July 2006

128 UNDP country programme document for Tanzania (2007-2010), 14 July 2006

More specific programme outcomes, outputs, output indicators; baselines, targets and role of partners are outlined in the United Nations Development Assistance Framework for Tanzania (UNDAF, 2007-2010).<sup>129</sup>

### **6.2.1 Conditionalities**

The UN has no macroeconomic or sectoral policy conditionality attached to aid and the UN is highly valued for its lack of conditionality, which results in no delays in aid disbursements.

### **6.2.2 Predictability**

Predictability varies with the UN's own resources, as the UN itself is dependent upon external funding. The country programme has a time-frame of five years, however its financial commitments are not predictable and the UN is forced to commit decisively on an annual basis.<sup>130</sup>

## **6.3 Accountability**

In terms of accountability, both organisations are now subject to more than one system in Tanzania. Since they became involved in the JAST there are systems of mutual accountability in place for all donors. The individual partners/donors involved in JAST are responsible for developing monitoring and evaluation systems within their country program framework that are to be anchored in the national poverty-monitoring framework – the Mkukuta Monitoring Master Plan (MMMP). This means that data and information collection will be carried out in accordance with existing national instruments and processes, such as the MMMP survey and census and routine data collection systems.

## **6.4 Risks**

For all development partners involved in Tanzania there are different risks associated with allocating aid all ranging from economic to political and management risks. First of all there is a risk of political instability, especially at Zanzibar. Donors and government are working hard to keep it at a minimum by increasing communication between parties involved and with efforts towards the strengthening of public participation in decision-making towards elections in 2010. Second, there is a risk of worse governance in the country based on a lack of support to the ongoing reform process. However, this risk is being considered limited as donors are already increasing efforts in good

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<sup>129</sup> <http://www.untanzania.org> or [http://www.unicef.org/about/execboard/files/Tanzania\\_results\\_matrix\\_FINAL\\_July\\_2006.pdf](http://www.unicef.org/about/execboard/files/Tanzania_results_matrix_FINAL_July_2006.pdf)

<sup>130</sup> United Nations Agencies Aid Profile, 10.02.2009

governance and modernisation of the legal system. Third, there is a real risk of the aid being misallocated. The risk is based on the weak administrative and institutional structures in Tanzania. This risk will be sought to be minimised through a strengthening of the public management capacity and a strengthening of the parliamentary committees' ability to analyse the National Audit Office reports.

## 6.5 Summary

The below section will summarise the findings in chapter VI and answer the sub research question: *in what way is the international donor (WB and UNDP) community contributing to the objectives of National Strategy for Growth and Poverty Reduction?*

Below are illustrated the support focus of each strategy:

Organisation	Strategy	Support focus
World Bank	Country Assistance Strategy	a) Growth of the economy and reduction of poverty b) Improvement of quality of life and social well-being c) Governance and Accountability
UNDP	Country Programme 2007-2010	a) Enhancing pro-poor policy development and wealth creation b) Strengthening democratic governance and development management c) Scaling up mainstreaming of cross-cutting themes

Both country assistance strategies are developed with reference to Tanzania's National Strategy for Growth and Reduction of Poverty (Mkukuta). The WB has chosen to focus support around the three clusters of Mkukuta, which are listed above. The reason why WB is so focused on Tanzania's national strategy is because that strategy was agreed upon and approved by the WB itself. So if we have this in mind, the WB is contributing directly to the objectives and results of Mkukuta. I would

argue that this is not optimal due to the known influence that the WB has a global agenda-setter. I would argue that there is a possibility that the WB is influencing more than just the national strategy for growth and reduction of poverty. I think that it would help Tanzania more if the WB began to be more explicit about political and social processes in development and perhaps focus more on how to assist Tanzania in creating a better framework for bringing about pro-poor growth. I would argue that the UNDP country programme is addressing the needs of Tanzania. The UNDP rightfully supports and assists in enhancing pro-poor policy and strengthening democratic governance. By addressing the institutional deficiencies, the UNDP is proactively addressing the high-profile scandals that Tanzania has experienced and is therefore contributing more to the objectives of the National Strategy for Growth and Poverty Reduction than is the WB.

## 6.6 Sub-Conclusion

When looking at the below table, it is obvious that Tanzania has experienced both progress and growth in different levels of society. Economic growth rates are high, poverty levels have decreased, access to health services have improved, the number of children enrolled in primary school is close to 100 percent, the life expectancy rate has increased, infant mortality has decreased etc.

### Tanzania at a glance

#### Poverty and Social

	Tanzania 2000	Tanzania 2007
Population (millions)	33,7	40,43
GNI per capita (Atlas method, current USD)	270	400
GNI (billions)	9,1	16,3
GDP growth (annual %)	5,1	7,1
Average annual growth		
Population (%)	2,6	2,5
Labor force (%)	2,6	2,4
Urban population (% of total population)	33	25
Life expectancy at birth (years)	45	52
Infant mortality (per 1000 live births)	85	74
Access to an improved watersource (% of population)	54	55
Illiteracy (% of population age +15)	24	69
Gross primary enrollment	67	112

Source: [http://devdata.worldbank.org/AAG/tza\\_aag.pdf](http://devdata.worldbank.org/AAG/tza_aag.pdf)

If we take a look at the current poverty situation in Tanzania, we can see that further action needs to be taken within the rural areas, as most poor people live there. Agriculture is still the lead sector in Tanzania, employing about 80 percent of the labour force and accounting for more than 40 percent of the GDP. However, the sector is still faced with major constraints for further development. Constraints in the agricultural sector include limited capital and access to financial services; inadequate agricultural technical support services; underdeveloped irrigation potential; erosion of natural resource base and environmental degradation; poor rural infrastructure hindering effective rural-urban linkages and low productivity of land, labour and production inputs. Infrastructure in Tanzania is so poor, that it is cheaper to ship corn in large amounts by ship from Australia to Tanzania than it is to transport corn by truck from the Tanzanian midlands to the coast. Furthermore, opportunities to diversify and expand rural incomes from natural resources have been

a challenge due to legal and bureaucratic obstacles. In general, earnings and labour productivity are lower in rural areas than urban areas. Tourism has been a primary engine of growth, accounting for 12 percent of GDP. However, high growth and increasing revenues in the tourism sector have not led to a reduction of income poverty in Tanzania. In order to change this situation, the GoT should focus more on pro-poor tourism (PPT) strategies, so net economic benefits of this important sector would also benefit the poor.

The connection between illness and agriculture in Tanzania is not only a vicious circle; it is a steep downward spiral. An ill and weak farmer leads to low productivity, which essentially contributes to poverty, which in reality is the most important background for illness. Further action is therefore also needed in the health sector and especially because about 90 percent of all child deaths are caused by preventable diseases such as malnutrition, diarrhoea, malaria and HIV and AIDS. Key obstacles to the health services include long distances to health clinics, inadequate and expensive means transport, lack of skilled personnel, and poor quality of care and a lack of accountability and governance mechanism. Water supply is furthermore a challenge in Tanzania and is worse during the dry season. This affects both households and businesses in mostly rural areas.

If we then match the current poverty situation with the current national strategies for growth and poverty reduction we can conclude that overall economic growth has been achieved, however the goals seem too broad and on an overall level. The goals for the first cluster of Mkukuta (which is focused on growth and poverty reduction) is as described earlier: (a) promoting sustainable and broad-based growth, (b) ensuring sound economic management, (c) reducing income poverty of men and women in both rural and urban areas, (d) improving food availability and accessibility at household level in rural and urban areas and (e) provision of reliable and affordable energy to consumers.

If we consider how poverty reduction has been acquired in its little form, the formulation of the JAST has played an important role. The JAST has helped harmonise aid efforts among donors in the country by creating a clear division of labour and appointing “lead”, “active” and “delegating” partners within a specific sector or thematic area. There has been an increasing need to harmonise donor efforts in the country in order to reduce the transaction costs for the GoT. This has involved a period of “quiet time” during the financial year, where the workload on the government is to be minimised in order to allow the government sufficient time for budget preparation and approval. The objective of the JAST is to contribute to an efficient and effective implementation of Tanzania’s National Strategy for Growth and Reduction of Poverty (Mkukuta) and as mentioned above



improvements have been made – though not in a sufficient manner. One could question the efficiency of JAST, since its objective has not been successful to date. However, I would argue that we need more time to evaluate the progress. The JAST was formulated in 2003 and therefore the strategy is still relatively new. It will take time and resources to harmonise and streamline all aid efforts in the country. I believe we will begin to see the fruits of this strategy in a couple of years from today.

The high-profile corruption scandals that Tanzania has witnessed the last couple of years have not helped the poverty situation in the country. When money starts to disappear from the External Payments Account, we have a serious problem. Already in 2000 the government launched Tanzania's National Anti-Corruption Strategy and Action Plan (NACSAP) and the second phase was launched in 2006. When the BoT (Bank of Tanzania) governor, Daudi Ballali, is fired due to corruption allegations in January 2008, I would argue that something is wrong with the system. Donors have tried to keep corruption conditionalities at a general level, instead of tying aid to actual impact. It seems like focus is on inputs and processes rather than outputs and impact i.e. corruption reports published, anti-corruption laws passed, budgets funded and staff recruited versus the number of corrupt officials prosecuted or corruptly acquired assets returned to the government. Most donors' conditions concerning corruption are simply formal, whereas the actual anti-corruption fighting is more informal. I argue that donors should start earmarking aid to fight corruption issues like the ones mentioned. As Mama Maria Nyerere said it "Colonialism hindered our development, but now corruption has interfered with our efforts".<sup>131</sup> Poverty reduction will be further hampered if corruption issues are not addressed at a higher level.

The most important question to be asked in this relation is why there has been no serious reduction of poverty, when economic growth rates in Tanzania are relatively high. Why economic growth and no serious poverty reduction? This question leads to the discussion in this thesis.

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131 IPP Media. Mama Maria Nyerere: Corruption derailing Tanzania's development. August 10th 2009

## **7.0 Discussion**

The purpose of this section is to discuss the four very different views on how a developing country like Tanzania can optimise aid efforts in order to reduce poverty. I will discuss the suitability of each view in relation to the current situation in Tanzania. Finally, the correlation between economic growth and poverty reduction will be discussed in order to move on to the conclusion of why poverty reduction has stagnated in Tanzania during the 21<sup>st</sup> century.

### **7.1 Theories versus national strategies and current situation**

On the one side we have Jeffrey Sachs' "big push" theory, where poor countries like Tanzania are trapped in a poverty trap and can only escape it if aid flows are increased. This aid would then fill the "finance gap", which Sachs characterises as the gap between what a country needs and what it can afford on its own. By filling the "finance gap", public spending would be increased, demand for more jobs would be increased, local incomes would be created and increased, and household consumption would be increased. According to Sachs this approach would help the poor escape the vicious poverty trap. On the other side, we have William Easterly, who believes that the world is divided into "planners" and "searchers". Planners are categorised as international aid agencies such as the WB, the UN and the IMF, whom apply a traditional top-down approach to growth and poverty reduction. Easterly argues that planners tend to offer what they can in terms of TA, education, health etc. instead of identifying the actual needs of the developing countries. Searchers are categorised as civil society organisations, local and international NGOs, etc. Compared to planners, they work at the grassroots level trying to identify the needs of local communities and then matching these needs with an organisation or company who can fulfil them. Easterly strongly believes that allocating aid through planners will not result in growth nor reduction of poverty until they can be held individually accountable for their own incentives. What we have here is a top-down approach versus a more bottom-up approach. If we apply and compare these two approaches to the WB and UNDP country assistance programs, we can conclude that they are still driven by a very top-down approach to aid delivery. A top-down approach may be useful in regards to some developing countries that have a less functioning state, less macroeconomic stability and fewer institutions in place of such a functioning legal system. However, in the case of Tanzania a bottom-up approach would be preferred, because a bottom-up approach would help the government to make use of public resources more efficiently by creating a mechanism for listening to the needs, concerns, expectations and plans of the people. Constructive dialogue is essential to help the government understand how its policies, regulations, and performance affect the people or impede their initiative. President Nyerere was known to share the politics with the people. President Jakaya

Kikwete has also been recognised for his determinacy to fight corruption and bring development to the people due to his open discussion of government policy and performance and the freedom of expression he has given the media.<sup>132</sup> This kind of transparency is an inherent requirement for consolidating democracy and securing human rights.

Sachs' theory would therefore not be suited in a developing country like Tanzania even though it still has the characteristics of a developing country in many other ways. I believe it is crucially important to remember that one model does not fit all. According to Joseph Stiglitz this was the mistake the World Bank and the International Monetary Fund made during the financial crisis in the 1980s and 1990s, when they forced developing countries into applying Structural Adjustment Programs (SAPs) in return for loans (also referred to as the Washington Consensus).<sup>133</sup> Cooksey furthermore points out a major downside of the SAPs in Tanzania "the large loans that helped finance adjustment contributed to a rapid increase in external debt and deepening dependence on continued aid flows to maintain macro-economic stability".<sup>134</sup>

If we take a step back and consider how growth and development was brought about in Tanzania, the Washington consensus has played a huge role. As with many other developing countries, Tanzania also experienced the financial crisis in the 1980s. However, at first Tanzania did not want to comply with WB and IMF rules and conditions, but was finally forced into the agreements. This resulted in Tanzania adapting an economic recovery program in 1986. As a result of better capacity utilisation in response to "first-generation" reforms, several years of rapid growth may arise in the early stages of an economic recovery program. Especially when the reforms are supported by a large increase in foreign financing. The basic reforms in an economic recovery program include liberalization of various controls that are especially damaging to growth, improved macroeconomic management and new institutional and structural reforms, which will lead to an improvement in the investment climate.<sup>135</sup> Tanzania experienced an annual GDP growth of 4,2 percent in the post 1986 period, reversing income per capita decline and thereby leading to a considerable decline in poverty levels. However, the decline in poverty levels was most rapid in urban areas, such as Dar es Salaam. Rural areas have experienced a much slower pace of poverty reduction.

The disagreement between President Nyerere and the IMF in the 1980s on the policy stance was considered as a sign of the GoT's assertion of ownership, sovereignty and space for internal

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132 IPP Media. Mama Maria Nyerere: Corruption derailing Tanzania's development. By Peter Felister. August 10th 2009.

133 Stiglitz, 2002. Globalization and its discontents. Chapter 5, Who lost Russia?

134 Cooksey, 2004

135 Tanzania's Economic Reforms and Lessons Learned. May 2004

dialogue. Conditioning aid on policy measures in the 1980s was seen as a strong source of tension. It was perceived as undermining the GoT's ownership of economic management and it created tension between the donors and the government, thereby suggesting that donors to reconsider their aid approaches in aid relations.<sup>136</sup> The direct dialogue that the GoT has had with development partners, since the 1994 Helleiner Report, has been an important catalyst in Tanzania's economic reform process. The findings of the report triggered the need to focus more on aid effectiveness and to evaluate and improve aid delivery mechanisms. This has, among other things, resulted in the formulation of the MKUKUTA and the JAST. Tanzania has made significant achievements since it began the recovery program; macroeconomic stability and a wide range of structural reforms have been completed.

According to Paul Collier's "traps" theory, poor countries are locked into different traps of conflict, bad governance, natural resources and landlocked with bad neighbours. Furthermore, he believes that the poor countries oscillate between the traps and possibly switching in the process from one to another. Collier believes that poor countries are in risk of falling back into the traps before they reach a secure level of income, due to their slow economic growth. One of Collier's instruments to break free of the traps is aid. However, he argues that aid alone is not enough to help poor countries reduce poverty and this is why his theory is distinguished from Sachs'. Sachs believes that aid is the optimal solution to reducing poverty, whereas Collier believes that aid organisations need to wait for a political opportunity to arise and when it does the aid organisations should assist the country in terms of TA and after a couple of years in terms of budget support. He believes that aid agencies should apply a more high-risk approach, which tolerates larger expenditures on administration and supervision of projects. Collier is convinced that reform and change should come within the poor countries themselves. They cannot be rescued from the outside. Therefore, aid organisations should support the heroes within the country, who can and are actually fighting for reform and change. "Growth is not a cure-all, but a lack of growth is a kill-all."<sup>137</sup> In the case of Tanzania the majority of donors have been following Collier's recommendation in regards to first assisting the country in terms of TA and now the focus has shifted towards budget support. One-third of aid in Tanzania is now delivered in terms of budget support directly to the GoT. Furthermore in reference to Collier's advice on aid organisations applying a more high-risk approach it seems that the WB and the UNDP agreed to do so, when they agreed to support the JAST.

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136 Tanzania's Economic Reforms and Lessons Learned. May 2004

137 Collier, 2006

## **7.2 The importance of understanding the socio-economic and political context**

Finally, we have Adrian Leftwich, who argues that a key issue in the new politics of development is how to explain socio-economic and political behaviour. Leftwich argues that the question is central to our understanding of how institutions affect political, economic and social outcomes and furthermore how institutions are established, change or decay and is therefore fundamental to our understanding of how to reduce poverty. Leftwich believes that poverty reduction is a matter of politics. He argues that where the politics are not suited for the task, it is the donor's responsibility to identify, encourage, nurture and support those social and political forces which are necessary for forming the kind of growth coalitions, which will demand, design and implement the institutional arrangements which will deliver pro-poor growth and poverty reduction.<sup>138</sup> This argument is very much in line with the current WB framework, which is focused on improving the investment climate with deepening reforms in the financial sector and thereby improving prospects for economic growth and enabling environment for private sector activities.<sup>139</sup>

If we look at what the GoT has actually done in the 21<sup>st</sup> century, we can see that it has followed some of Collier's recommendations. The GoT has acknowledged that development comes from within its own border and has therefore committed strongly to domestic ownership and accountability. This is evident, not only in the Mkukuta, but also in the latest results from the Household Budget Survey (HBS). Tanzania is leading the process of growth and development, which is why it has further committed to the JAST. Development partners are to a lesser extent seeking their own political and personal agendas in Tanzania, which has contributed to a better framework for development and poverty reduction. Work divisions have lowered the transaction costs on the GoT, as it now has time to communicate with only "lead" partners within a specific sector or thematic area. Aid delivery mechanisms therefore seem to be improved and communication between the GoT and donors and between donors has also improved. It is of course important to remember that the JAST is a process rather than a strategy. The process is therefore constantly evaluated and improved in order to meet the objectives of the MKUKUTA. If we compare this process to the thoughts of Leftwich, I argue that donors are trying hard to understand the key issue of how to explain socio-economic and political behaviour. Forty-five bilateral and multilateral development partners have been brought together under one single framework, the JAST, because they are willing to streamline their development assistance to help reduce poverty in Tanzania. However, one thing donors might be overlooking in their eagerness to comply with national needs is the cultural understanding of how to do things. Adrian Leftwich rightly acknowledges that understanding how institutions affect political, economic and social outcomes

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<sup>138</sup> Leftwich, 2008. Developmental states, effective states and poverty reduction: The primacy of politics.

<sup>139</sup> See WB country assistance strategy for Tanzania in chapter six

and furthermore how institutions are established, change or decay and is therefore fundamental to our understanding of how to reduce poverty. If we do not take into consideration the long period of socialist thinking in Tanzania, we fail to understand why the country is not improving poverty reduction. Donors need to leave their Western way of thinking at home when they are formulating country assistance strategies. They tend to forget the lack of a middle class in Tanzania, which under different circumstances would be a prime driver of economic growth and better distribution of net benefits.

Much of what has already been achieved in Tanzania is due to strong domestic ownership and committed development partners.<sup>140</sup> Close to 40 percent of Tanzania's 2008/09 budget is financed by outside donors, which reflects a dangerous aid dependency relationship. Therefore, the Mkukuta must include a clear goal towards reducing aid dependency. This would entail a concerted effort to increase domestic revenue mobilisation in order to reduce the budget gap (about 40 percent). The program would furthermore require effective measures to improve the volume and diversity of exports and discourage import dependency in order to reduce the balance-of-payments gap. However, the risk of a costly aid cut-off can also be minimised if the GoT began to pursue a more consistent program of pro-growth and pro-poor reforms.

If Tanzania is to overcome some of the above-mentioned challenges in the future, it needs to ensure that development partners do not take over the process again. With the formulation of the first PRSP, the WB in Washington DC had re-written the proposal, according to formal standards, so much that much of the cultural aspects of the situation in Tanzania got lost in translation. The WB and IMF often use their weight as global agenda-setters and this has important ramifications for how a country like Tanzania will fare with regards to concerns as reduction of poverty and good governance. However, it seems that the situation has changed for the better in Tanzania, as development partners today are close to 100 percent confident of the findings of the Household Budget Survey, which is made by the National Bureau of Statistics of Tanzania.

### **7.3 The correlation between economic growth and poverty reduction**

It is important to understand the correlation between economic growth and poverty reduction to be able to discuss how Tanzania has experienced high rates of economic growth and declining levels of poverty reduction.

For a country like Tanzania, where the majority of the population depends on agriculture

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<sup>140</sup> Scaling Up Poverty Reduction: A Global Learning Process and Conference Shanghai, May 25–27, 2004. Tanzania's Economic Reforms and Lessons Learned.

(employing 80 percent of the labour force) and the labour force is expanding rapidly, the poverty impact of growth can be enhanced through policies to promote: (a) investments in labour-intensive industries and services, to accelerate job creation and expand the demand for labour; (b) better opportunities for income generation in micro and small enterprises; and (c) agricultural productivity, particularly for family farms.<sup>141</sup> Poverty reduction is improved when economic growth is broadly based rather than narrowly concentrated in enclaves. It seems that the GoT is finally recognising this important aspect of growth in the first cluster of Mkukuta as one of the goals is to promote sustainable and broad-based growth. It is furthermore important to recognise that the link between poverty reduction and growth is a two-way street. Investment made to enhance opportunities and capabilities of the poor within education, health and infrastructure also contribute to economic growth through two different channels. First, there is evidence that rapid growth tends to be unsustainable if it is not accompanied by policies to invest in human development. Second, evidence also shows that reducing income poverty inequality tends to improve economic growth prospects.<sup>142</sup> According to Ranis, Steward and Ramirez, an effective strategy for economic growth and human development thus produces a “virtuous circle” of accelerated progress in poverty reduction.

According to the GoT’s National Strategy for Growth and Reduction of Poverty, growth and poverty reduction is best achieved through a broader cluster approach compared to the former priority sector approach. The use of the priority sector approach failed to distinguish the specific outputs and outcomes and gave no attention to questions of feasibility and absorptive capacity. The Mkukuta cluster strategy is now linked to PRS outcomes in place of sectoral priorities, making it easier for the GoT to judge the overall effectiveness of resource allocation. The three clusters (i) growth and reduction of income poverty, (ii) improvement of quality of life and social well-being and (iii) governance and accountability, have all shown progress, however further action is needed and weak political engagement continue to be a limiting factor. If we go back to the development partners and their country assistance strategies for Tanzania, the UNDP rightly emphasizes the importance of pursuing explicitly pro-poor policies such as reallocating public resources to basic education and health programs for the poor, whereas the WB does not acknowledge the importance in pro-poor policies. In addition, since people are the central players in bringing about growth, the strategy needs to take into account the needs of the majority of the people, whose economic sphere primarily lies in small-scale farming. Small family farms are usually not seen as engines of long-term growth, but given the prevalence of poverty in Tanzania, policies to increase productivity and

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141 Fields, Gary S., “The Dynamics of Poverty, Inequality and Economic Well-being: African Growth in Comparative Perspective,” *Journal of African Economies* volume 9, supplement 1, June 2000, 45-78

142 Ranis, Gustav, Frances Stewart and Alejandro Ramirez, “Economic Growth and Human Development,” *World Development*, 28:1, February 2000, 197-220.

improve earning opportunities for poor households are more important for growth and poverty reduction than another billion-dollar mega project. Since Sachs is known to do it “fast, big, comprehensively and with a lot of Western money”, we cannot apply this approach in Tanzania. He simply does not take into account the actual needs of the majority of the people. The poor small-scale family farms need improved access to credits, advice on how to diversify into non-farm activities and how to increase productivity.

#### **7.4 A need for a more pro-poor strategy**

We need to move away from the “one model fits all” way of thinking in development politics. Developing countries may have certain characteristics in common, but the cultural aspects of a country are so diverse and need to be taken into account when formulating a country assistance strategy or a national strategy for growth and poverty reduction. I argue that Tanzania is a country divided in two. On the one side we have the GoT, trying to implement liberal reforms and trying to move away from the socialist way of thinking, which characterised the period of President Nyerere. On the other side we have the majority of the Tanzanian people (rural population), still thinking in very socialist terms and not knowing how to participate in the new liberal society. Small-scale family farms are still characterised by a socialist way of thinking and acting. Family comes first. One can wonder why the African should save and invest for a liberal future, as he probably will not experience the future due to the low average life expectancy. Perhaps socialism in Tanzania and the lack of capitalism can simply be explained by their low average age, where one prefers to spend time with family etc., rather than to do hard work. When your life expectancy rate is low, why not live everyday as if it was the last one? The GoT has to offer the rural population an incentive to change their way of thinking and thereby increase their productivity for the better of the local community. If growth is not pro-poor, it will not result in increased net benefits for the poor. The design of a growth strategy for reduction of poverty need to take into consideration the basic needs of the poor. Every element ought to be reviewed from the perspective of how it would affect the capabilities of the poor and opportunities for the poor to contribute to growth and benefit from the economic development. As according to Leftwich the policy process is also very important in the development of a growth strategy. Both design and implementation of the strategy can be improved significantly by making use of a consultative process involving various ministries within the GoT and discussions with different stakeholders in the civil society and business community.

To sum up the discussion in relation to the theories, optimising aid efforts in order to reduce poverty with the current poverty situation in Tanzania in mind would include the following characteristics for a strategy for growth and poverty reduction:



Who	Contributions
Sachs	Poverty trap theory
Easterly	Planners vs. Searchers theory The need for piecemeal reforms
Collier	Traps theory and using aid and international laws and charters as instruments to escape poverty
Leftwich	The need for better understanding of socioeconomic and political behaviour

I would use Sachs' contribution, because I believe he is right when he argues that all developing countries are caught in a vicious poverty trap, which is very hard to escape. However, I disagree with the fact that he believes that the only way to escape the poverty trap is through an increase in aid. I have to criticise Sachs for his total neglect of the importance of other factors in his approach and this is where I am adding the contributions of Collier, because he points out aid *and* international laws and charters as important instrument to escape poverty. Evidence<sup>143</sup> has finally acknowledged that what the developing world has been giving the developing countries in aid with one hand, they take away trade policies with the other. I also believe that his recognition of donors' role is important. Of course one model does not fit all, but in the case of Tanzania his theory holds when it comes to waiting for a political opportunity to pour in TA and later assist in terms of budget support directly to the government. Here is where Leftwich's contributions are interesting. Donors need a better understanding of socioeconomic and political behaviour in Tanzania. They need to get serious about understanding better the opportunities and constraints for local leadership and how elites and leaders operate in plural systems of power and authority. Finally, Easterly's recognition of the need for *searchers* in society to establish a direct link to the poor is important. The Vision 2025 was rightfully developed through a national consensus consisting of interviews, meetings and workshops with different societal groups at different levels. We need to see more of this national consensus in the future and this is a job for Easterly's so-called *Searchers*. Special and stronger links to civil society organisations, which work closely with the poor, need to be established in order to secure a more pro-poor national strategy for growth and poverty reduction.

## 8.0 Conclusion

Tanzania is truly the "darling" of the donor community in Sub-Saharan Africa. Compared to its surrounding neighbours, Tanzania has experienced a long period of macroeconomic- and political stability. After adopting an economic recovery programme in 1986, it has completed a wide range of structural and institutional reforms. This had led to annual growth rates above 5 percent,

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<sup>143</sup> Ronald Labonté, 2008. *Soaring social inequality makes too many people sick*

reduction of poverty levels (mostly in urban areas), improved access to health services, the number of children enrolled in primary school is around 100 percent, child mortality has decreased and the life expectancy rate has increased. However, despite all these increased efforts poverty reduction, especially in rural areas has stagnated. The research question of this thesis has been focused on explaining why poverty reduction has stagnated in Tanzania during the 21<sup>st</sup> century. Many factors have been constraining poverty reduction, but the most essential ones include the lack of pro-poor growth, corruption issues, and rising inequality between the elite and the poor. In order to bring about pro-poor growth, focus needs to be on rural sector development, accelerating growth of agriculture and improving access to financial services to create alternative economic opportunities in rural areas, where poverty is most pervasive.

The National Strategy for Growth and Reduction of Poverty (Mkukuta) is a good initiative from the GoT, however it is clear that the World Bank has had an influence on the formulation of it. The Western way of thinking in relation to development politics needs to be re-considered. The SAPs in the 1980s have not been considered as an optimal solution for the financial crisis in most developing countries. However, in the case of Tanzania it actually brought about positive results in the form of macroeconomic stability. I believe it is time for the GoT to start showing increased national ownership and accountability. We need to see the GoT take lead action in the development process. Change should come from within the country and donors should start phasing out single projects in public sectors such as health and education. Aid should be given in the form of direct budget support to the GoT in order to help strengthen national ownership and accountability and support should focus on improving governance and institutions. I believe the UNDP's country assistance is contributing positively to the National Strategy for Growth and Reduction of Poverty. Its pillars of support have been formulated to support the objectives of the Mkukuta without interfering with national ownership and accountability. The contrary could be said about the World Bank country assistance programme and I believe poverty reduction would be increased if the World Bank began to be more explicit about political and social processes in development and perhaps focus more on how to assist Tanzania in creating a better framework for bringing about pro-poor growth.

High-profile corruption scandals derail Tanzania's development and thus hamper reduction of poverty and an improvement of governance mechanisms would proactively help address this kind of corruption. Most donors' conditions concerning corruption are simply formal, whereas the actual anti-corruption fighting is more informal. Donors should start earmarking aid to fight corruption issues. But in order for donors to improve their country assistance programmes it is vital for them to

understand the socio-economic and political behaviour in Tanzania. As mentioned earlier, we need to move away from the “one model fits all” way of thinking and the best way to do this is to start understanding how the leaders and the elites of Tanzania operate in the system of power and authority. The understanding of indigenous processes is crucial and should not be changed according to Western culture. Maybe it is time for Western economists and theorists to start acknowledging the fact that developing countries are not just passive aid recipients. In the case of Tanzania it is in fact *the* main driver of development. The correlation between economic growth and poverty reduction is of great importance. This correlation explains why reduction of poverty has stagnated, even though economic growth rates in Tanzania have been relatively high. Tourism has furthermore been a primary engine of growth, accounting for 12 percent of GDP. However, this has moreover not led to a reduction of income poverty in Tanzania. In order to change this situation, the GoT should focus more on both pro-poor growth and pro-poor tourism (PPT) strategies, so net economic benefits of this important sector would also benefit the poor. There is no doubt a great demand and need for reduction of poverty in Tanzania, the national and international strategies and its content just need to be even more specific and focused on rural areas, as this is where poverty is most pervasive.

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