



IS TANZANIA'S ECONOMIC GROWTH PRO-POOR?

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ABSTRACT

The objective of this study was to investigate if the Tanzania's economic growth is pro-poor or not. The information for this study was obtained from secondary data. The study found that for the 1991/91 - 2007 period, while economic growth made a notable positive change, reduction in poverty and inequality has not been significant. This was because the growth of the economy was driven by capital intensive sectors which were unable to absorb a good number of job seeker nor did they provide markets for the agriculture produce. In contrast, for the 2007 - 2011/12 period, poverty and inequality declined though disproportionately as economic growth expanded. The reduction in poverty and inequality was attributed to increased education levels, ownership of land and other assets, and access to employment opportunities and basic services and the returns from the endowments. The disproportionate benefits were related to rural status, family size, education level, wage employment and non-farm businesses, access to public infrastructure and internal migration. This study suggest that conscious efforts should be made to ensure that the emerged signs of pro-poor are spread to the majority poor. The study, therefore, recommends policies such as land reforms and strategies to improve land productivity, improve provision and access by the poor to social and economic services, promote off-farm activities, government redistributive measures, adoption of labour intensive techniques particularly for the activities undertaken by the poor and in areas where the majority poor live, and the introduction of safety net programmes.

Keywords: Economic growth; poverty; income inequality; trickle down; pro-poor policies.

INTRODUCTION

According to the World Bank Report, the Tanzanian economy is among the ten fast-growing economies in the world (Adegoke, 2018; World Bank, 2019). Over the past twelve years

(2005 - 2017), for instance, the economy expanded at an annualized rate of approximately 7% and it is likely to grow at the same rate annually for the next years (World Bank, 2013; JMT, 2015; JMT, 2018). This growth stability is explained by three factors. First, four crucial sectors that have expanded rapidly in the 2017-18 years (JMT, 2018). These sectors include the construction (15.7%), manufacturing (12.0%), information and communication (11.2%) and transportation and storage (8.2%) (ibid.). Other fast-growing sectors which have been expanding rapidly since 2008 include retail trade, financial, mining and tourism sectors (URT, 2011; AfDB, 2013; World Bank, 2013a). These sectors together contribute almost 60% of the growth in Gross Domestic Product (GDP) since 2008 (World Bank, 2013; JMT, 2018).

Second, the economic growth has been fueled by a steady increase in domestic demand, with this increased demand resulting from the rapid rate of population growth (World Bank, 2013). Tanzania's current population growth rate is constant at 2.7% per year and is doubling every 25 years (ibid.). Furthermore, lower food prices (inflation standing below two digits) and prudent monetary policy have been the main contributors to this development (ibid.). Third, Tanzania's economic performance has been fairly independent from net external trade, which is explained by the country's relative isolation from the world markets (ibid.). So, the Tanzania's economic growth is not very much affected by global changes.

Despite such high growth, Tanzania is among poor countries in the world (World Bank, 2013a). This implies that the rapid and steady economic growth has been overshadowed by the slow response of poverty reduction (World Bank, 2015). In year 2012, for instance, Tanzania's average per capita income stood at US\$ 570, placing it in the 176th position out of 191 countries in the world (World Bank, 2013a). The statistics of the Household Budget Surveys (HBS) of 1991/92, 2000/01, 2007 and 2011/12 show that there was only a slight decline of poverty (NBS, 2014; World Bank, 2015). For instance, The data show that the basic needs poverty (poverty headcount) declined from 39.0 in 1991/92 to 36.0 in 2000/01 and declined further from 34.4% in 2007 to 28.2% in 2011/2012, while the food poverty (extreme poverty headcount) declined from 22.0% in 1991/92 to 19.0% in 2000/01 and declined from 11.8% in 2007 to 9.7% in 2011/12 (NBS, 2014). This means in 2012, the 28.2% of Tanzanians could not meet their basic consumption needs (ibid.). Also, the 9.7% of the 'extremely poor' could not afford to buy basic foodstuffs to meet their minimum nutritional requirements of 2,200 kilocalories per adult per day (World Bank, 2015).

Similarly, the number of people living below the poverty line declined slightly from 13.2 million in 2007 to 11.9 million in 2011/2012 and the number of extreme poor declined from 4.5 million to 4.2 million during the period (NBS, 2014; WB, 2015). The 'extreme poor' constitute people for whom life means constantly choosing between difficult options, such as keeping the eldest child in school or pulling her/him out of class permanently to help grow more food on the family farm (World Bank, 2013). Furthermore, income inequality increased slightly from Gini Coefficient 0.34 in 1991/92 to 0.35 in 2000/01, increased again from 0.35 in 2000/01 to 0.37 in 2007 and later declined slightly to 0.34 in 2011/2012 (NBS, 2014).

Poverty is particularly pervasive in the rural areas, where majority of the Tanzanians lives (NBS, 2014). Poverty is widespread and highest among households that live in the rural area depending on agriculture for their livelihood (URT, 2005; NBS, 2009). The basic needs poverty declined from 40.8% in 1991/92 to 38.7% in 2000/01 and declined from 39.4% in 2007 to 33.3% in 2011/2012, while food poverty declined from 23.1% in 1991/92 to 20.4%

2000/01 and declined from 13.5 to 11.3 during that period (NBS, 2014). In addition, about 10 million people in the rural population live in poverty, and 3.4 million live in extreme poverty, compared to less than 1.9 million living in poverty and 750,000 people in extreme poverty in the urban sector (NBS, 2014; World Bank, 2015). A large share of the population hovers around the poverty line, likely to escape poverty but also prone to fall into it (ibid.).

Along with persistent income poverty, Tanzania also suffers from high levels of malnutrition (Pauw and Thurlow, 2010). In addition, most of the 4.2 million 'extreme poor', barely receive enough food to survive (Morisset, 2013). Recent trends suggest that while average per capita agricultural GDP expanded during 1998-2007, caloric availability at the household level hardly improved. For example, estimates show that the share of people who had insufficient calories available to them fell only slightly, from around 25.0 to 23.5%, between 2000-2001 and 2007 (World Bank, 2009). This suggests that rising farm production had little effect on households' access to food, ability to acquire food, or both; and it raises further concerns about a possible disconnect between agricultural growth and nutritional outcomes (Pauw and Thurlow, 2010). The slow expansion of food crops and livestock also explains the weak relationship between agriculture growth and nutrition outcome (ibid.).

Although to date (2018), the per capita income has increased to approximately US\$ 1000, the poverty situation has not improved significantly (JMT, 2018). This has been attributed to the fact that agriculture sector which is the mainstay of more 80% of the rural population has grown by 3.6% only (ibid.). This rate of growth is too low to have significant impact on reducing poverty for the majority of the rural poor. That is why the Fifth Government has emphasized on economic growth and the re-distributive impacts of the growth to the poor.

The conclusion that can be drawn from the above is that the economic growth appears to have little effect on income poverty and inequality eradication in Tanzania (Osberg and Bandara, 2012). This means, the economic growth has sidelined the rural poor. Indeed, the country's poverty-growth elasticity was at most 0.76 during 2001-2007 (Pauw and Thurlow, 2010). Though there has been signs of improvement in the 2007 - 2011/12, the benefits have been disproportionate across the country (World Bank, 2015). This relatively weak relationship raises concerns over a possible disconnect of economic growth and poverty reduction in Tanzania. This apparent disconnect between growth and poverty reduction has raised concerns among policy makers and researchers, leading to a consensus that this mismatch needed to be addressed with a sense of urgency (World Bank, 2015). The purpose of this paper, therefore, was to find out if Tanzania's economic growth is pro-poor or not.

Objective of the Paper

This paper was intended to examine if Tanzania's economic growth is pro-poor or not and suggest policies to stimulate economic growth for the benefits of the poor people.

Specifically, the study attempted to:

- Investigate the trends of economic growth, income inequality and poverty reduction between the 1990 – 2017 period;
- Examine if there is a match between economic growth, and income inequality and poverty reduction or not; and

- Suggest policies to match/strengthen economic growth, and income inequality and poverty reduction.

METHODS AND MATERIALS

The data for this paper was obtained from desk review relying on secondary data. In doing so, the information from different published literature like articles, proceedings, research outputs and unpublished (gray) literature were critically examined. The relationship between economic growth, and poverty and inequality reduction were assessed. Finally, the reasons for the mismatch between economic growth, and poverty and inequality reduction were identified and possible recommendations to match the three were put forward.

Definition of Terms: Economic Growth, Poverty, Inequality and Pro-poor Growth

Economic Growth

Economic Growth can be defined as an increase in the capacity of an economy to produce which is identified by a sustained increase in a country's real national income over time¹ (Todaro, 1977; Mudida, 2008). In other words, it is the capability of the economy to produce greater output of goods and services each year (Tayebwa, 2007). In the 1950s and 1960s, the traditional economists equated economic growth with development (Todaro, 1977). Development was viewed as an economic phenomenon in which rapid gains in overall and per capita Gross National Product (GNP) growth would 'trickle down' to the masses (ibid.). Unfortunately, the experience of the 1950s and 1960s showed that despite most developing countries attaining economic growth rate of 5-7% that was advocated by the United Nations (UN), the levels of living of the masses of people remained for the most part unchanged, and some cases worsened. This signalled that something was wrong with the wide thinking that economic growth was equal to development (ibid.). This was a clear proof that economic growth has been mistakenly used interchangeably to mean development.

Of course, poverty has not always been the prime concern of the 'development community' (Ruggeri-Laderchi et al., 2003). In the 1950s and 1960s, for instance, the main objective was economic growth. Recognising that growth alone had not eliminated poverty, a series of poverty-reducing strategies were adopted in the 1970s, including Basic Needs Strategies (ibid.). But these concerns were again forgotten in the 1980s when stabilisation and adjustment policies and the advance of the market dominated official discourse and policies. The poor economic performance and sharp rise in poverty in many countries in the 1980s led to renewed interest in poverty (ibid.). According to the World Bank's 1990 *World Development Report* on poverty, poverty reduction once more became central to the development agenda (Ruggeri-Laderchi et al., 2003). Similarly, in the early 1990s, the World Bank President, Lewis Preston, declared that 'poverty is the benchmark against which we must be judged' (ibid.). In Tanzania, poverty has been declared as one of the major enemies since independence in the 1961. Since then, various strategies and policies have been initiated and implemented to fight this enemy without much success.

Poverty

There is no single 'correct' definition of poverty. Rather, poverty is viewed as a multi-dimensional concept, embracing 'all of the major spheres of life'. In this regard, whatever,

¹ <http://www.economicshelp.org/macroeconomics/economic-growth/benefits-growth/>

definition employed has to be understood, at least in part, in relation to a particular social, cultural and historical contexts. While there is worldwide agreement on poverty reduction as an overriding goal of development policy, there is little agreement on the definition of poverty. Ruggeri-Laderchi et al. (2003) gives four approaches to the definition and measurement of poverty - the monetary, the capability, the social exclusion and the participatory approaches. The different methods have different implications for policy, and also, to the extent that they point to different people as being poor, for targeting (*ibid.*).

The essential features of the monetary approach is that poverty is mainly seen in terms of insufficient money to pay for a minimum of necessities of life. This may happen either because the lack of money to pay for consumption (or income) is the only thing deemed to matter or because it is seen to serve as a good proxy for all other dimensions of poverty. In capability approach, poverty is seen as a failure to achieve certain minimal basic capabilities, that is, the lack of minimal substantive freedoms to functions within society with minimal adequacy. Monetary income, it is argued, is a means to an end, not the end itself, and, hence, poverty should not be measured in terms of lack of income alone. What matters is the freedom to live a "valued" life: poverty as capability deprivation entails the inability on the part of an individual to secure a minimally adequate quality of life.

Social exclusion approach, is mainly concerned with social dynamics, that is, how the disadvantage can lead to exclusion, which in turn may propel further disadvantage. Its aim is not to identify who is poor, but to come to grips with the social processes of becoming poor. Social exclusion as concept not only works with groups rather than individuals, but also, and more importantly, with relations between groups within a society. Matters of distribution and of redistribution are central to its concerns. The distinctive feature of participatory approaches is that they try to get away from defining poverty as an externally imposed standard, but instead seek to enlist the participation of local populations in defining what poverty means, that is, to identify what constitute the circumstances of the poor. In principle, at least, the definition of poverty is seen to spring from the way poor people analyse their own reality. As such, these approaches are invariably multidimensional in nature and generally include processes, causes and outcomes, as perceived by the poor.

Income inequality²

Income inequality refers to how evenly or unevenly income is distributed in a society. Some economists think "wealth inequality" is a better measure of what is happening in the society, since the super-rich are even farther away from the poor when their assets are considered, not just their incomes. The most popular measure of inequality is called the Gini Coefficient. It "measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution". A rating of 0 means the society in question is "perfectly equal" -- or everyone has the same income. A rating of 1 means "perfect inequality", that is one person takes home 100% of the income. This, therefore, means the higher the Gini Coefficient, the higher the inequality in a

² <http://edition.cnn.com/2013/10/29/opinion/sutter-explainer-income-inequality/>

given society and vice versa. There are also other ways to measure inequality such as looking at the income held by the richest 20% and comparing it to that held by the poorest 20%.

Pro-poor Growth

'Pro-poor' is a term that has become widely used in the development literature. The general understanding that can be drawn from this literature is that pro-poor policies are those that directly target the poor people, or that are more generally aimed at reducing poverty. More specific, pro-poor growth is a term used for primarily national policies to stimulate economic growth for the benefit of the poor people (primarily in the economic sense of poverty). According to Ravallion (2004) growth is typically pro-poor in that, as a rule (though certainly not always), the incidence of poverty tends to fall with growth. This definition is consistent with Victorie (2014) but adds that growth is pro-poor if income inequality regresses and that is to accelerate the growth of income of the poor and thus the rate of poverty reduction. That is to say boost overall growth, but also strive to improve the ability of poor households to take advantage of opportunities generated by this growth (ibid.).

Linkage Between Economic Growth and Poverty Reduction

The 'Traditional Economists' of the 1950s and 1960s believed that there was a direct linkage between economic growth and poverty reduction. The linkage was clear: whenever the economy grows, there would be some benefits that will accrue to the mass population through "trickle down" or will create the necessary conditions for the wider distribution of the economic and social benefits of growth (Todaro, 1977). According to the traditional economists, these benefits would then 'trickle down' to the mass population in various forms. First, through job creation. It was postulated that as the emergence of new and expansion of the existing industries and other economic activities produce more outputs, their internal requirement for people gradually increases. As a result, they will bring in more people to work, thus increasing the rate of employment. The employees with different levels of education and skills will then earn income and in that way income poverty will be reduced considerably. It was also postulated that if the emergence of the industries benefits more of the semi and non-skilled workers, it will reduce income inequality within the community. While this may seem to be true, experience has shown that for it to happen it would depend to a large extent on the type of industries established (whether the industries are capital or labour intensive), location of the industries (whether the industries are located in the urban/cities or rural areas) (URT, 2011), the qualification of the employees (whether the recruitment in the new opportunities requires highly educated or un-educated, highly skilled or semi/non-skilled) and the existence of forward and backward linkage of the industries and other sectors (whether the industries foster linkage across the sectors or not) (URT, 2011). Second, through increasing the availability of goods and services. It was postulated that the emergence of new and expansion of industries and other business entities would produce more goods and services and of different qualities. This means more goods and services would be available for consumption for the majority of the population. This would widened the choice and as a result improve the standard of living, reduce inequality and poverty. The extent to which an increase of goods and services will have impact on the welfare of the people will depend on the availability of goods and services, quality of the products, their prices and people's taste in favour of the goods and services produced. In a country where

they produce what they do not consume and consume what they do not produce and most people, particularly, the elite and the well-to-do prefer the consumption of imported goods and services to local goods and services, it is unlikely that the locally produced goods and services would have any significant benefit to the community's wellbeing.

Third, through increasing government revenue. It was postulated that the emergence of new and expansion of industries and other economic activities would in turn increase government revenue. An increase in government revenue will enable the government to provide more social and economic services like water, education, health, housing, roads, electricity, roads and more opportunities for the majority less fortunate. This would be particularly beneficial to the majority poor who can not pay for the above public goods. Furthermore, it was believed that the revenue collected would enable the government to establish various development projects. Both attempts would reduce poverty and inequality within the community. The extent to which this will be realized will depend on whether the revenue is actually collected. In other words, it depends on the rate of tax evasion, tax exemption and tax base. In addition, it will depend on if the collected revenue is used for the poor or not. In a country where corruption is alarming, it is unlikely that more revenue will be collected and the revenue collected would be used for the benefit of the poor population.

Fourth, through increasing income as a result of expanding of economic activities (business/trade) across various sectors (due to interlinkage of sectors). It was postulated that the employees in the new emerged and expanded industries (manufacturing sector) and other emerged business and service sectors would demand more goods and services produced by other sectors. For instance, more food and raw materials would be demanded by the manufacturing and service sectors. This would stimulate the agriculture sector to produce more goods and services to meet the emerged demand. However, to be able to do that the agriculture sector would need more inputs like insecticides, seeds, pesticides, fertilizers, machines and other implements/tools from the manufacturing sector. The service sector would also be required to provide the necessary services like transport, extension services, banking, insurance, health and education to the agriculture and the manufacturing sectors. Such interlinkages of sectors would be beneficial to the employees (in terms of increasing income) of all sectors and the economy as a whole. This would happen if and only if the production content of the manufacturing sector is largely dependent on the locally available raw materials and the major consumption preference of the urban population is for the locally made products. In a country where the local production content is highly dependent on imported raw materials and the consumption of the majority population is in favour of imported goods and services, it is unlikely that this benefit will be realized.

The Impacts of Tanzania's Economic Growth on Poverty and Inequality Reduction

The analysis whether the Tanzania's economic growth is pro-poor or not can be categorized in two periods: the 1991/92 - 2007 and the 2007 - 2011/12 periods.

The 1991/92 - 2007 period

Findings from the three Household Budget Surveys (HBS) (1991/92, 2000/01 and 2007) show that while economic growth has made notable positive change overtime (Table 1), reduction in poverty has not been significant (Mashindano, 2009). This means, the economic growth has sidelined the majority - particularly the rural poor (Osberg and Bandara, 2012).

Indeed, the country's growth-poverty elasticity was at most 0.76 during the 2001-2007 period (Pauw and Thurlow, 2010). The change in growth between 1991/92 and 2000/01, and 2000/01 and 2007 HBS was 206% and 15% respectively (Mashindano, 2009), where as a reduction of the proportion of people living below basic needs poverty line (headcount ratio) in Tanzania mainland has been only 3% and 1.6% between the two periods respectively (NBS, 2014).

Table 1

The growth of the Tanzania's economy by sectors for the years 2000 - 2014

Economic Activities	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
															*
Agriculture & Fishing	4.5	4.9	5.0	3.2	5.9	4.4	3.9	4.0	4.6	3.2	4.1	3.4	4.2	4.2	3.4
Crops	4.7	5.3	5.6	3.2	6.6	4.4	4.0	4.5	5.1	3.4	4.4	3.5	4.3	4.3	4.0
Livestock	3.9	4.0	2.8	2.2	4.1	4.4	2.4	2.4	2.6	2.3	3.4	3.9	4.3	4.3	2.2
Forest and Hunting	4.8	3.6	3.3	3.0	2.7	3.6	4.6	2.9	3.4	3.5	4.1	3.5	4.3	4.3	5.1
Fishing	2.9	4.8	6.8	6.0	6.7	6.0	5.0	4.5	5.0	2.7	1.5	1.2	2.9	2.9	2.0
Industry & Construction	4.5	6.6	9.4	10.9	10.9	10.4	8.5	9.5	8.6	7.0	8.2	6.9	7.8	7.2	-
Mining & Quarrying	14.3	13.9	16.9	17.1	16.0	16.1	15.6	10.7	2.5	1.2	2.7	2.2	7.8	7.8	-
Manufacturing	4.8	5.0	7.5	9.0	9.4	9.6	8.5	8.7	9.9	8.0	7.9	7.8	8.2	7.8	6.8
Construction	0.8	7.6	11.9	13.8	13.0	10.1	9.5	9.7	10.5	7.5	10.2	9.0	7.8	7.8	14.1
Services	5.4	6.4	7.7	7.8	7.8	8.0	7.8	8.1	8.5	7.2	8.2	7.9	8.0	8.4	-
Trade and Repair	4.3	6.4	8.3	9.7	5.8	6.7	9.5	9.8	10.0	7.5	8.2	8.1	7.7	8.7	10.0
Transport	4.3	4.9	5.9	5.0	8.6	6.7	5.3	6.5	6.9	6.0	7.0	6.7	7.1	7.1	12.5
Communication	5.6	8.7	10.4	15.6	17.4	18.8	19.2	20.1	20.5	21.9	22.1	19.0	20.6	20.6	8.0
Financial Institutions	3.9	6.9	10.1	10.7	8.3	10.8	11.4	10.2	11.9	9.0	10.1	10.7	13.2	13.2	10.8
Total GDP Growth Rate	4.9	6.0	7.2	6.9	7.8	7.4	6.9	7.1	7.4	6.0	7.0	6.4	6.9	7.3	7.0

Source: World Bank (2013) and * NSB (2015) as quoted by JMT (2015)

Likewise, the change in head count ratio using food poverty line in the two respective periods was reduced by 3% and 7.2% only, which does not match the economic growth (Table 2). Furthermore, about 12.8 million people were living in poverty out of the population of 38.3 million (NBS, 2009). Similarly, income inequality worsened during the 1991/92 - 2007 period (NBS, 2014). For instance, the available data show that income inequality (worsened) increased slightly from Gini Coefficient 0.34 in 1991/92 to 0.35 in 2000/01 and increased again from 0.35 in 2000/01 to 0.37 in 2007 (NBS, 2014).

Table 2

Poverty situation in Mainland Tanzania, between 1991/92 to 2011/12 (in %)

Year/Item	1991/92	2000/01	2007	2011/12
Basic Needs Poverty	39.0	36.0	34.4	28.2
Food Poverty	22.0	19.0	11.8	9.7

Source: NBS (2014)

The poverty situation in the rural areas where the majority of Tanzania's live was even worse (ibid.). The incidence of poverty decreased slightly by 2.1% from 40.8% in 1991/92 to 38.7% in 2000/01 and actually increased by 0.7% from 38.7 in 2000/01 to 39.4% in 2007 (Table 3; NBS, 2014). The food poverty declined slightly from 23.1% in 1991/92 to 20.4% in 2000/01 and declined to 13.5% in 2007 and finally decreased to 11.3% in 2011/12 (ibid.).

Table 3

Poverty situation in the rural areas in Mainland Tanzania, between 1991/92 to 2011/12 (in %)

Year/Item	1991/92	2000/1	2007	2011/12
Basic Needs Poverty	40.8	38.7	39.4	33.3
Food Poverty	23.1	20.4	13.5	11.3

Source: TNBS (2009) and NBS (2014)

On one hand, the above trend has been attributed to the growth of the economy which has been driven by a number of capital intensive sectors whose activities are predominantly located in cities and a small number of growth centers (URT, 2011; Morisset, 2013). These sectors together contributed approximately 60% of GDP growth (World Bank, 2013). However, the main characteristics of these sectors are that they are unable to absorb a good number of job seekers - the majority who are less educated in the rural and urban areas (URT, 2011). Neither do the fast-growing sectors provide markets for the agriculture produce, creating a weak linkage with the agricultural sector (URT, 2011). These results explain why the benefits of the growth of the economy have been skewed against the agriculture sector.

A notable concern, is the slow growth of the agriculture sector which has averaged 4.4% over the 2000 - 2008 period (Pauw and Thurlow, 2010; Osberg and Bandara, 2012) and 3.6% in 2018 (JMT, 2018). This rate of growth is not higher enough to reduce poverty for the majority of the rural poor. It should be noted that about 80% of the poor live in the rural areas, and most of them live in households where the main activity is agriculture (Mashindano, 2009). The National Strategy for Growth and Reduction of Poverty (NSGRP) or *Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania (MKUKUTA)*, for example, stated clearly that if poverty was to be reduced by 50% by 2010, agricultural sector should have grown at a rate of 10% for a period of at least 5 years (2006 - 2010). This has not been realized as we reached 2010, which was the end of NSGRP implementation (ibid.). Furthermore, the sector's share to GDP has also declined from 31.3% in 2000 to 27.2 in 2007 (World Bank, 2013a) but in 2017 it contributed 34.4% of the GDP (JMT, 2018).

The 2007 - 2011/12 period

Findings from the 2011/12 Household Budget Survey (HBS) show that the poverty headcount appears to have declined just as economic growth has continued to expand since 2007 (NBS, 2014; World Bank, 2015). The new figures suggest a stronger impact of economic growth on poverty reduction than previously observed. This means there are emerged signs of pro-poor growth in Tanzania (World Bank, 2015). That is, the poor have benefitted though disproportionately from economic growth during the period 2007 - 2011/12, in sharp contrast to the period 2001 - 2007, during which growth benefitted mainly the country's richer groups

(ibid.). The relationship between growth and poverty involved changes both in **mean** consumption and in the distribution of consumption across households (World Bank, 2015.) The decline of poverty at the national level is due to an increase in mean household consumption as well as a reduction of inequality in the distribution of consumption between households, with the effect of inequality reduction being marginally more important than the effect of consumption growth (ibid.). Household consumption growth contributes by 40% to poverty reduction, while the reduction of inequality contributes by 60% (ibid.).

Pro-poor growth is actually the result of improvements in endowments and returns for the poor households (World Bank, 2015). Changes in peoples income and consumption over time can be broken down into changes in their personal characteristics or endowments (for example, increased education levels, ownership of land and other assets, and access to employment opportunities and basic services) and the returns that they get for those endowments (for example, the returns to education, land productivity, and so forth) (World Bank, 2015). Households in the 30% poorest groups experienced marked improvements in their endowments in assets, mainly transportation and communication means, and in education (ibid.). The improvements in endowments were coupled with an increase of the returns to their economic activity-essentially non-agricultural businesses as well as to community infrastructure, mainly local markets and roads, which have had a positive influence on needy households' living standards in recent years (NBS, 2014).

Despite such pro-poor growth, around 12 million Tanzanian people were still living below the poverty line (World Bank, 2015). While the poverty headcount declined by around 18%, the absolute number of poor people only declined by 10% from 13.2 million to 11.9 million from 2007 to 2011/12, due to population growth (ibid.). Likewise, the absolute number of extreme poor decreased by only 7%, declining from 4.5 million to 4.2 million (ibid.). Poverty is particularly pervasive in the rural areas, where most of the Tanzanian population lives. About 10 million people in the rural population live in poverty, and 3.4 million live in extreme poverty, compared to less than 1.9 million living in poverty and 750,000 people in extreme poverty in the urban sector (World Bank. 2015). In addition, a large share of the population hovers around the poverty line (ibid.). This suggests that an important proportion of moderately poor people are positioned to move out of poverty, but also that an important proportion of non-poor people are vulnerable to falling into poverty (ibid.).

Disproportionate Benefits Accruing from the Economic Growth³

The 2011/12 HBS has revealed that there are three main factors that are related to changes in poverty and inequality. First, it revealed that poverty was associated with rural status, family size, education levels, wage employment and non-farm businesses, access to public infrastructure and internal migration (World Bank, 2015).

Rural Status: Over 80 percent of the poor and the extreme poor in Tanzania live in the rural areas. More than half of the rural poor depend on subsistence agriculture for their livelihoods (World Bank, 2015). The nature of poverty suggests that any attempt aimed at reducing poverty requires more attention to the rural economy (World Bank, 2002).

³ Information from this section was retrieved from World Bank (2014).

Family Size: Poor households are larger in size and have more dependents than non-poor households. Households with five children and more have the highest poverty rates, followed by elderly families whose head is 65 years old or older. The interaction between family size and poverty is bidirectional. On the one hand, the large number of children and dependents affects the ability of the poor to cover their basic food needs and to move out of poverty. On the other hand, poor households tend to have more children to compensate for their inability to rise from poverty by investing in the human capital of their children and having many as an insurance strategy against infant mortality, trapping them in a vicious circle of poverty.

Education Levels: Poverty is negatively correlated with higher levels of education of the household head. Higher education levels of the household's head, particularly secondary and upper education, seem to be associated with better income-generating opportunities and significantly lower poverty levels. Education positively affects living standards and poverty reduction both directly and indirectly through its impact on health gains, productivity, social integration, and so forth. Although primary education continues to be of crucial importance for fighting poverty, it alone seems no longer sufficient to increase poor people's opportunities for economic mobility and for moving out of poverty.

Wage Employment and Non-farm Businesses: Poverty rates are lowest among households headed by government employees or employees in the private sector and NGOs. Interestingly, households relying on non-agricultural businesses as a main source of income appear to be experiencing a remarkable decline in poverty, suggesting that the development of non-farm employment can offer a pathway out of poverty. There has been a movement out of agriculture during the recent years, as the proportion of households whose main source of income is agricultural activity declined from around 53% in 2007 to 39% in 2011/12.

Access to public infrastructure: Poor households tend to have much lower access to private piped water, electricity, and tarmac roads. Obstacles to infrastructure and services, particularly electricity and roads, seriously limit the possibilities of the poor to improve their living standards. Likewise, the presence in the household's community of a daily market and mobile phone signal have a positive impact on consumption levels and reduce the probability of poverty. Access to these services is still quite limited in rural areas, hampering local opportunities to reduce poverty.

Internal Migration: Poverty levels appear to be much lower among migrant households. Migration is found to have a positive impact on welfare not only for migrants but also for their family left behind, improving their living standards as well as the school attendance of their children. Migrants are generally more educated, younger, and more prosperous than others. They tend to move towards big urban cities such as Dar es Salaam, Mwanza, and Zanzibar to seek better employment opportunities and living conditions. While migration seems to be associated with lower poverty, it may prove to be less beneficial in the long run as excessive migration might cause a displacement of poverty to the destination areas.

Second, the decline in poverty has been uneven distributed geographically. Most of the improvements in the poverty indicators occurred in Dar es Salaam. Poverty declined by over 70% in Dar es Salaam but only by around 15% in the rural sector, while it remained almost unchanged in the secondary cities and towns, declining by only 5%. Although Dar es Salaam experienced the greatest proportionate decline in poverty, the absolute number of poor people declined more in the rural areas, as 1.2 million rural people moved out of poverty as opposed

to fewer than 300,000 in the metropolitan city. The uneven spatial decline of poverty is related to the pattern of economic growth, which was almost entirely centered in Dar es Salaam, where most of the expanding and flourishing sectors are concentrated. These include telecommunications, finance, and to a lesser extent construction and manufacturing. Poorer households outside Dar es Salaam seem to have experienced an increase of their consumption, despite the limited growth in these regions. There were consumption gains among households in the poorest quintiles not only in Dar es Salaam but also in the regions where there was almost no growth (rural areas and secondary cities).

Poverty reduction outside Dar es Salaam was driven mainly by a reduction in inequality. The decline of poverty in Dar es Salaam was driven by both an increase in mean consumption and an improvement in consumption distribution, while poverty reductions in the rural and other urban areas are due entirely to improvements in consumption distribution (reduction of inequality). In these areas, the better-off experienced declines in their consumption levels whereas the poorest quintiles appear to have experienced an increase in their consumption levels, albeit from low levels. The increase of the consumption of the poorest groups is driven essentially by the improvement of households' endowments in rural areas and secondary cities, while the increase in Dar es Salaam is explained mainly by the improvement of returns. Rural households in the 30% of the poorest groups experienced an increase of their consumption by around 20% between 2007 and 2011/12. This increase was driven mainly by the improvement of their endowments in assets (for example, increased ownership of communication and transportation means and higher land ownership) as well as the improved access to community infrastructure (mainly roads). The returns to their endowments also increased, but to a lesser extent. In particular, there has been an expansion of returns to both non-farm and household agricultural businesses followed by a slight increase of returns to land. Poor households in the secondary cities also experienced an increase of their consumption levels, by about 15%. This increase was driven mainly by the increase of their endowments in assets and the improvement of the returns to non-farm activities and wage employment. Likewise, consumption of poor households in Dar es Salaam increased by over 40%, due mainly to the expansion of the returns to employment in public and private sectors followed by a slight increase of the returns to nonfarm businesses.

Third, there has been increasing inequality between geographic domains. Inequality is increasing between urban and rural areas, as well as between Dar es Salaam and the other regions. Economic growth has benefitted most Tanzanians and started trickling down to the neediest, but the nature and composition of this growth induced an uneven increase of welfare at the regional level. Household consumption grew faster in the metropolitan and urban zones than in rural areas, inducing an increase of inequality between the geographic regions. The increase of interregional inequality was observed for all welfare groups but was much more pronounced among the richest groups. Better off households in Dar es Salaam and urban zones have become richer due to expanding employment opportunities and improving returns. Interregional inequality among better-off households is much higher (approximately two times larger) and increasing faster than among poorer households. This is mainly driven by the expanding employment opportunities and the increase of returns to wage work in the public and private sectors in Dar es Salaam and some urban zones.

Despite the increasing disparities in returns, urban-rural inequality remains mostly due to large differences in households' endowments. Urban households have higher living standards essentially because they have superior endowments in terms of family size and composition, education, assets, and access to services and employment opportunities. Rural households have been able to catch up somewhat with their urban counterparts in education levels and asset ownership, but this has been partly offset by increasing differences in family structure and access to services and job opportunities.

Strategies to Enhance Tanzania's Economic Growth to be more Pro-poor

Although the Tanzania's economic growth between the 2007 and 2011/12 period has shown some signs of becoming pro-poor, the benefits of the growth has been disproportionate across the country. For some reasons mentioned in this paper, some people with certain characteristics and living in certain geographical areas have benefited more than others. This means more concerted efforts need to be done to ensure that the emerged signs are spread to the majority people. The following are some of the policies for pro-poor growth:

Land Reform not land grab: The World Bank (2015) indicates that over 80% of the poor and the extreme poor in Tanzania live in the rural areas and about half of them depend on subsistence agriculture for their livelihoods. Since land is one of the most important resource for their livelihood, there is need to ensure that the majority poor have access to this resource and have legal rights to the land they farm. The current trend where some people in the umbrella of "investors" grab local peoples' land and in some cases without developing it, should be discouraged and condemned. In addition, since women are the main producers of household food, there is particular importance of giving them more control over land as this would give them more power in the community and reduce their vulnerability within the household. Furthermore, there is need to improve land productivity through making sure that the modern technology is readily available and at affordable price. Finally, find reliable markets within and outside the country for agriculture products.

Promote off-farm businesses: Off-farm businesses can be defined as all income generating activities which are not agricultural but are located in the rural areas. Experience elsewhere have shown that these activities have high potential to generate higher income, more reliable and regular income year round and less risk compared to on-farm activities. This is why people relying on off-farm businesses as a main source of income appear to experience a remarkable decline to poverty (World Bank, 2015). This suggests that the development of off-farm employment can offer a pathway out of poverty (ibid.).

Improve provision and access by the poor to social and economic services: The government and/or public-private partnership should improve access by the poor to social and economic services. Services important to the poor include: education, health, water, housing, micro-credit schemes, telecommunications (mobile phones), markets, roads, public transport and electricity. Where affordable some of these services should be provided free (education) or at prices affordable (health and water) to the poor. Some studies have shown, for instance, that access to secondary and girls' education is important for poor households given the growing skill bias in non-agricultural employment - "falling fertility rates and rising female labor market participation is essential in a pro-poor growth strategy. Sutter (2013) has put it very clear that "there is no surer ticket out of poverty than a solid education". Similarly, on

the same vein Wetengere (2013) found that the use of mobile phones provided timely and accurate market information, widened market options, improved negotiation power and maintained freshness of the products. Additionally, mobile phones reduced losses and saved time and money, all of which increased farmers income considerably (ibid.). It is on this ground that farmers regard mobile phone as a tool like other agricultural tools (ibid.).

Adoption of labour intensive techniques in production: In response to the growing unemployment, inequality at the individual and regional levels and poverty in Tanzania, there is need to adopt labour-intensive technologies. These technologies will have significant impact particularly if three conditions would be met. First, the industries would be located in the rural areas where more than 70% of the poor population live. Second, the technologies should be employed in those sectors which has the potential to employ the majority poor like in the agriculture, industry, forestry, fisheries, animal husbandry and construction sectors. By building up labour intensive industries in the rural areas, for instance, there will be more jobs created for the poor and narrow the income gap between rich and poor. Finally, the economic activities established should foster forward and backward linkages with the activities carried-out in the rural areas by the poor.

Safety Net Programs: According to NBS (2014) there were 4.2 million Tanzanians living in extreme poverty. The extreme poor are often caught in persistent poverty traps and lack the ability to take advantage of the emerging opportunities created by growth and structural transformation (Morisset, 2013). In such a context, Safety Net Programs (SNP) can play an important role by reducing insecurity and guaranteeing a minimum level of consumption (Morisset, 2013; Subbarao *et al.*, 1997). Safety net transfers include: cash transfers, food-based programs such as supplementary feeding programs and food stamps, vouchers, and coupons, in-kind transfers such as school supplies and uniforms, conditional cash transfers, price subsidies for food, electricity, or public transport, public works and fee waivers and exemptions for health care, schooling and utilities. Safety nets programmes (TASAF) have operated in Tanzania since 2010 and have contributed in poverty and inequality reduction (Wetengere, 2015). What is required know is to expand its operation.

Government Redistributive measures: In addition to the above, since sustained economic growth alone may fail to reduce income inequality, government intervention in income redistributive measures can highly be justified (IMF, 2003). The government redistributive measures include raising the minimum wages and taxing the rich at a reasonable rates and spend it to the poor (Sutter, 2013). Other measures include: tax exemption/low taxes on activities carried-out by the poor and impose subsidies on goods consumed by the poor.

CONCLUSIONS AND RECOMMENDATIONS

The objective of this study was to investigate if the Tanzania's economic growth has had impact on reduction of income inequality and poverty. The study show that for the 1991/91 - 2007 period while economic growth has made notable positive change, reduction in poverty and income inequality has not been significant or proportional. This was because the growth of the economy was driven by capital intensive sectors which were unable to absorb a good number of job seeker nor did they provide markets for the agriculture produce. The economic growth in the 2007 - 2011/12 period has shown some signs of decline in poverty and income inequality though disproportionately. The reduction in poverty and income inequality

was attributed to increased education levels, ownership of land and other assets, and access to employment opportunities and basic services and the returns from the endowments. Disproportionate benefits from growth was related to rural status, family size, education level, wage employment and non-farm business, access to public infrastructure and internal migration. This study suggest that conscious efforts should be made to ensure that the emerged pro-poor signs are spread to the majority poor. To meet that end, the study recommends pro-poor policies such as land reforms not land grab and strategies to improve land productivity through adoption of modern technologies, improve provision and access by the poor to social and economic services, promote off-farm activities, government redistributive measures, adoption of labour intensive techniques particularly in the activities which are undertaken by the poor and in areas and introduction of safety nets programmes.

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