

# Growth and Reduction of Income Poverty

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# Outline

- Progress towards targets (by goal)
- Implications for Policy (by goal)

# Cluster-wide indicators

- High Growth rate over past ten years
  - Average 7% compared to target (6-8%) by 2010
  - Generally resilient to shocks-weather, energy, and GFC major problems
- Gradual structural change
  - Service sector largest(43.9% in 2010, 45.5% 2001)
  - Agriculture share 24% (29% in 2001), but 74% of labour force
  - Mining still a small share of GDP, but large share of export earnings
  - Tourism-growth in number of tourists, average spending

# Cluster-wide indicators (Ctd)

- Growth rates

- Manufacturing growth of 7.9% in 2010 (4.8% in 2000, but below MKUKUTA target of 15% by 2010)
- Agricultural growth averaged 4.3% for ten years, against MKUKUTA target of 10% by 2010
- Fishing growth declined from 6.7% in 2004 to 1.5% in 2010
- Mining and quarrying-averaged 15% (2000-07), dropped to 2.7 in 2010 (but value of mineral exports increased- gold effect)

- Income poverty and inequality

- HBS 2007- Poverty declined marginally btn 2001-07
- Pervasive in rural areas- off track the target

# Cluster-wide indicators (Ctd)

- Implications
  - Need to promote growth that is inclusive with pro-poor employment
  - Interventions to facilitate access to productive assets and decent jobs for women and young people

# G 1: Sound economic management

- Rising inflation since 2006
  - Fueled by both food and non food inflation
  - Well above target of 4% by 2010
- Domestic revenue-15.3% (10.9% in 2000/01), but below target of 16.4%
  - Slow down of economic activities-GFC, energy crisis
- Fiscal deficit up -10.9% of GDP 2009/10 (4.3% in 2001/02)
- Decreasing external debt service ratio

# G 1: Sound economic management

- Exports and imports
  - Imports increasing faster than exports
  - Deteriorating balance of payments
- Implications
  - Restore discipline in public spending
  - Restrain public borrowing to avoid crowding out of private sector
  - Address structural rigidities that trigger food costs
  - Improve revenue collection, including widening of tax base
  - Initiatives to diversify exports
  - Address domestic supply bottlenecks to improve export competitiveness

## G2: Sustainable and broad-based growth

- Credit to private sector increased 17% in 2009 (6% in 2002)
  - Strong credit growth in transport, communication, hotels, slowest in agriculture
- Steady increase in FDI 2003-2008, reversing in 2009 due to GFC
- Interest rate spread-averaged 5% last 3 years – lending rates declined (although rising again)
- Unemployment – Based on 2006 ILFS -11.7%, highest in Dar es salaam (31.5%)
  - By 2010, 1,313,561 jobs created outside agriculture, surpassing one million target

## G2: Sustainable and broad-based growth

- Trunk and regional roads- % in good and fair condition increased (90% in 2010, 51% in 2002- MKUKUTA target surpassed)
- Implications
  - Interventions to expand credits to agriculture
  - Attract more strategic FDIs
  - Further efforts to reduce credit risks-legal framework, contract enforcement
  - Investment in infrastructure as a whole- ports, railways, roads
  - Attention to rural roads

# G3: Improving food availability and access

- Food self sufficient ratio in 2009/10 103% (below target of 119%), but still self sufficient
- HHs with food shortages
  - 23% of rural HHs food insecure –more so in Mtwara, Lindi, Morogoro, Dodoma, Singida, Arusha, & Manyara
- Smallholder production of key staples
  - Increased production (7.4 mil tonnes as per ACS 2007/08 -62% of MKUKUTA target)
  - Per capita production increased from 0.14 to 0.25 ton

# G3: Improving food availability and access

- HHs consuming no more than one meal
  - Agric. Census indicate improvement (3.4% 2002/03 to 2.3% 2007/08. BUT TDHS indicate reversal (and more so in rural areas)
- Implications
  - Address food access in food insecure areas
  - Targeting to food insecure households

## G4 & 5: Reducing income poverty

- Goals focused on rural/smallholder agriculture
- Contract production and OG schemes- only 0.2% of farmers in 2007/08 (Target 1.3%)
- Smallholder land under irrigation – only 3.2% in 2007/08 –up from 2.7% 2002/3 but below target of 13%
- Only 2.4% access formal credit in 2007/8 – up from 0.32% in 2002/3 but below target of 10%

# G4 &5: Reducing income poverty

- Agric HHs with off-farm income sources declined (26% in 2002/, 15% in 2007/8)- though HBS 2007 show an increase
- Implications
  - Continued interventions to raise agric. Productivity
  - Promote environment for rural non-farm enterprises

## G6: Provision of reliable/affordable energy

- 82% of large businesses are in regions with access to national grid (also grow faster and higher more employees)
- Number of connected customers increased by 75% 2002-2010 (790,000 2010-Tanesco), off grid 72,000
- Only 14.2% of HHs are connected- 45% urban and 3.4% rural- target 20%
- Sources of energy for cooking -95% wood or charcoal (Kerosine used mostly for lighting)

# G6: Provision of reliable/affordable energy

- Target of 10% alternative use out of reach
- Electricity generation -75% of total generation capacity
- Demand far exceeds generation capacity (lowest per capita consumption in the SADC region)
- Implications
  - Increased investment in generation and transmission of electricity (efficiency & reliability)