

## Growth and poverty reduction: policy implications from qualitative research

### Key issues

- Poverty eradication policies have not paid enough attention to the growth of poor and very poor people's incomes, which depends on productive asset accumulation in agriculture and the nonfarm economy. Making financial services accessible to the poor and very poor (for instance, by linking them to burial societies and other ROSCAs), and work effectively is a priority, as are measures which ease access to land, livestock and productive equipment. In the latter, policies which make land easier to rent (in and out) would be especially helpful. Policies focused on helping poor people acquire or rent farm assets (e.g. irrigation and oxen) and nonfarm business assets should complement measures focused on land.
- Asset possession also underlies resilience against shocks. It is the absence of assets which makes people especially vulnerable. Therefore, protecting assets is a priority. This may be achieved through social protection, but also through specific policies such as soil and water conservation, price stabilisation schemes, or insurance linked to financial services. Burial societies and ROSCAs are also protective mechanisms, and can be strengthened by linking them to SACCOs and securing appropriate safeguards.
- The poor operate in labour, service and commodity markets which are over-supplied (e.g. petty trade, casual labour, brewing, and subsistence foods). Returns are low as a result. Getting people from poor households into higher return markets through skills upgrading, and tightening over-supplied markets are two ways of facilitating escaping poverty.
- There are categories of people who are especially vulnerable, usually to several sources of risk, and who therefore need broad protection: households mainly dependent on casual wage labour; single adult women (unmarried, separated, divorced, widowed, and bereaved) and their dependents, socially excluded women without children; orphaned youth headed households, older people, the chronically ill and carers of chronically ill. Well designed social assistance would support the greater involvement of these groups in growth and accessing health and education services, the latter especially important for interrupting inter-generational poverty.
- There is an underlying governance agenda which is different from the wider governance improvements sought in Tanzania. This concerns the access of vulnerable groups (e.g. poor and single women) to justice, and to more transparent, accountable and participatory governance at local level. While aspects of bad governance for the poor have been removed (e.g. the development levy), public information on systems, services, and entitlements is still limited. Effective user and community costs for education, health and water have also risen.
- Mkukuta II constructively addresses several of these agendas. However, there is little focus on practical measures to improve labour markets for the poor. Given the reliance of Mkukuta II on commercialising agriculture and releasing labour to other sectors, this would seem to be a priority. More detailed proposals are given section by section.

### What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transiently poor, who move in and out of poverty, or only occasionally fall below the poverty line.



## Introduction: growth without much poverty reduction

The qualitative research carried out so far by CPRC research in Tanzania<sup>1</sup> has thrown up three major interconnected reasons why sustained growth has not benefited more poor people in Tanzania. These are (i) the absence of protection against a high level and number of risks; (ii) the increased difficulty of accumulating assets; and (iii) the deficit in rural and agricultural growth. This policy brief examines these and then derives policy implications and a short commentary on the implementation of Mkukuta II.

(i) Poor people are weakly protected against the many risks they face, and have few assets to dispose of when facing a shock. The growing number of households dependent on wage labour are particularly vulnerable, but so are households with larger numbers of children, older people and women without husbands (separated, divorced, abandoned, bereaved). There is a long list of idiosyncratic rather than co-variant<sup>2</sup> risks faced by many of them; whereas co-variant risks (e.g. drought, floods, seasonality, and most importantly market price risks) receive a degree of policy emphasis and resources, the major idiosyncratic risks need much greater consideration from policy makers. This includes ill health and bereavement; witchcraft; labour market risks (e.g. Box 1); property

### **Box 1: Selling labour on credit and the effect of extreme poverty on bargaining over wages**

Selling labour on credit was very common in Nchinga village. This arrangement was based on trust and not on formal contracts. Labourers would agree to work and get paid a lump sum after the cashew nut harvest. Hawa Nanguku from Nchinga village portrays how this arrangement pushes labourers into poverty. She had the bad luck of not getting paid more than half of what she is owed in the 2009/10 season. This is because the landowners complained that they did not get a good harvest and as such, they could not pay their debts. Some of them were trying to pay little by little which is satisfactory but being paid by lump sum enables workers to invest in something substantial. If the debt is paid piecemeal it ends up being consumed. In the 2008/09 season, Hawa was only paid TShs 25000 as a lump sum and the balance of TShs 20000 was paid piecemeal; TShs 500, TShs 1000, TShs 2000 etc. and according to her, this money evaporated; meaning that she was just using it for small consumptive necessities.

*-Hawa Nanguku, Nchinga, Newala district*

### **Box 2: Poor people are unable to bargain over wages**

The male focus group discussants in Wazabanga also argued that very poor people (level 2) 'lack authority and influence thus become the people that obey others' command'. When it comes to labour payment, they have little bargaining power over wages, and the discussants raised concern that these are the very low paid people as they do not have an alternative. 'If the payment from the work is commonly known to be worth 3000 TSh, they are paid even 500 TSh for similar or even more demanding work, and at the end they still have to smile to ensure a good relationship with the one who gave them such a work'. They are exploited by the people from other layers who use the desperation of the very poor as an advantage.

grabbing; alcoholism; serial polygamy; and old age vulnerabilities. People from very poor groups (level 2) face exploitation in labour contracts (Box 2).

(ii) Accumulating the assets needed to exit poverty has become more difficult as assets have become more unaffordable in this decade, inaccessible and thresholds have risen. Assets are eroded as they are used to pay for medical treatment, house rent, dowries or bride price, witchcraft and other shocks and stresses. Land and livestock have become more expensive, and in some cases good quality land has been purchased by investors leaving local people unable to compete (Box 3). Land is too rarely available to rent as landowners do not feel their title is secure enough. This is bad for aspirant farmers with no or little land, but also for smallholder farmers who would like to rent out their land and concentrate on other occupations.

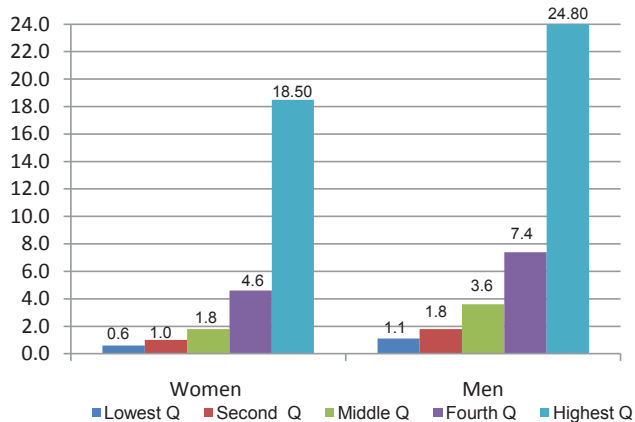
Whereas primary education was enough to support the poverty escape strategies of today's 40 and 50 year old adults, the strong emphasis placed on gaining post-primary education for today's young people suggests that primary education is widely perceived as not being enough for success in future. However, access to secondary education remains severely limited for poor households.

(iii) Rural and agricultural growth has been hesitant, and where it has been strongest poor people have participated as labourers in an over-supplied labour market. Exports of flowers, fruit, and spices have come mostly from large farms, and there has been a feminisation of the workforce under poor labour conditions including low wages, for example in cut flowers. In this Arusha based industry, low pay was still enough to enable women and men to acquire homes and other assets including land. Job security



**Figure 1: Access to post-primary education by income quintile**

% of population who have some or complete or more than Secondary, by sex and wealth Quintile, 2007/08



Source: Tanzania HIV & Malaria Survey, 2007/08

and pay improved over the years, partly due to trade union pressure, although a substantial male/female wage gap remained.<sup>4</sup>

The traditional crop export markets (cashew and cotton) are beset with institutional failures, both state and market. The improvement in producer response in cashew resulting from improved prices and the Warehouse Receipt Scheme is an indication of the potential. In other countries improvements in such markets have been more strongly associated with poverty reduction.

There may well be scope for smallholders in other exports, for example, mangoes, but these only

### Box 3: Land purchased by investors

#### *Pastoralists become farmer landlords and smallholders sell land and become tenants on their own land*

In coastal Rukwa, in-migrating Sukuma pastoralists became landlord-farmers and overtime the locals became tenants on their own land. Mr. Mpama, a retired teacher complains that today's youth have no paddy land: 'Mr. Bigabo has grabbed an excessively big amount of land and tricked many smallholder farmers to sell to him land at prices which were too low in comparison with the land size and value. We need legal assistance to get land redistributed so that most of us can get access to it for rice production to improve poverty.....It is high time land for rice production were re-distributed so that most people have equitable access to its (otherwise.....) the future is likely to see bloodshed due to wrangles over it.....The high rice production potential of Mwandima is known.... the district authorities are supposed to see to it that it is fully tapped. However, the authorities have not yet done so. By any measure, rice is the most important economic activity in Mwandima.'

- Josephat Mpama retired teacher, Kalesa village, Nkasi dit, Rukwa

#### *Traders become large entrepreneurial farmers and smallholders sell land and become labourers on their own land*

Chang'alu Mtanda was a big trader from Nkangala in Newala district, but recently became a farmer in 2003 he used his earnings from working as a cashew agent for Indian traders to purchase 10 acres of good quality land and was determined to use the most modern agriculture. He purchased modern trees which mature in just three years and planted them in straight lines and used modern inputs – (he claimed it was a much better formulation of sulphur powder than that supplied by the government under the warehouse scheme). These techniques are far ahead of most farmers who have inherited cashew plantations where trees are planted in a higgledy-piggledy fashion. They may have a few new trees, but not entire plantations of mature varieties. In 2006, he had his first harvest on which was about 10 tons of cashews – this is a huge harvest by local standards. (It compares with two tons per 10 acres by a local large farmer – this farmer produced only seven to eight tons on a farm which is four times larger (40 acres)). Because Chang'alu still had his guaranteed market from NeFA (the women's group), he could bypass traders and sell directly to this small processing group for TSh 850. (Other farmers in this region at this time were getting TSh 500 or less for their cashews, see knowledgeable people focus group discussion). In 2007, he purchased another 10 acres of land and again planted fast maturing cashews and fast maturing mango trees. From his cashews in the first farm, he harvested six to seven tons in 2007 and again in 2008 – production fell a little he thinks because of the weather but it is still a good yield by local standards. In 2008, he purchased 12 acres of maize and cassava land. In 2009/10 he purchased 10 acres of land. He feels he will have an excellent harvest this year. The 42 acres and mature trees he acquired were from land sales by smallholders who are now labourers on their own farms.

- Chang'alu Mtanda is a big farmer and businessman from Nkangala in Mtwara district

The existence of such a highly technical farmer in the region does not excite the local street chairman of Nkangala A. He is unhappy about the rise in land sold among the poor; he does not feel that the added employment makes up for land sold. He explained that people who purchase the land of the poor is making poverty worse in Nkangala A, Newala district. He said: 'Poor people have to sell land because they are poor or because they need to pay school costs. They are forced to sell their land to rich people who approach them and who want more and more land. As a result the poor person will have nothing but to sell their labour to that rich landowner. Such land-grabbing is making poverty worse in this region.'

- Nkangala a Street chairman, Final Focus Group Discussion Nkangala, Nkangala DT, Mtwara



offer promise of decent returns if a number of tough pre-conditions are fulfilled. The benefits of an association like AMAGRO would have to be available – new technical knowledge, joint marketing and input distribution. Currently the membership requirements would exclude the majority of smallholders. Without access to an organised market, modern farm management is very difficult. A major issue is how to deal with the seasonal gluts which push prices below the floor in a buyers' market. And that this access would be limited to areas with the improved transport infrastructure which Tanzania is gradually producing.

Most smallholders produce for local and regional or cross-border markets, which should be easier to operate in. While there has been some growth in these markets, poor households may not have the assets required to produce significant volumes for these markets, often face unregulated trade

monopolies or oligopolies which do not offer good prices, and are not supported by extension services and agricultural inputs. And due to increased HIV and AIDS related bereavement, women have become increasingly responsible for household food security, but are not empowered with the assets and access to information and markets they need to carry out their responsibilities.

Agriculture is one potential source of growth, but nonfarm businesses and even nonfarm wage labour often provide faster routes out of poverty. However, economic diversification has been sluggish. Constraints include the low variety and level of marketable skills people have, low levels of rural electricity connections, and poor financial services.

There are five sets of inter-related policy implications following from these research based observations.

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## Policy set 1: Asset accumulation and poverty exits

Anti-poverty policy has not focused adequately on supporting the processes which lead to asset accumulation. Land and livestock remain critical assets. Land policy could focus with benefit on what makes it easier to rent in and rent out land, so that good quality land does not stand idle. Providing greater security of tenure in case land is rented is necessary for both owner and tenant. Customary rights over unused land which is cleared and cultivated can also be problematic. However, simply offering a title may be a recipe for the rich and powerful to claim ownership unless it is done in a way which strongly protects the interests of poor people now and in future.

Single women have unique difficulty holding on to access to resources upon family breakup and insecure land rights discourage women from making the necessary investments in their land that would increase its productivity. Women are frequently disinherited from marital assets upon divorce/separation or death of husband. This disinheritance is on the rise with family breakups resulting from male migration from rural areas, HIV/AIDS related deaths, and rise in divorce/separation partly because smaller farms are unable to sustain two families. Awareness of women's rights under the 1999 Land Policy and the constitution is low, both among women and among local leaders and judiciary, and needs strengthening through public information systems and social action. The existing laws regarding inheritance need to be

simplified in order to correct ambiguities and to aid dissemination. This involves educating magistrates and customary leaders on laws and case material which establishes women's entitlement to property. A new uniform inheritance law (encompassing land and marriage laws) could also help to clarify women's rights under the constitution (Box 4).

However, both the Law Reform Commission and the Women's Legal Advice Centre have taken initiatives on these issues, with no result as yet, although there is presently a case in the Court of Appeal. Despite the growing evidence that such rights are critical to the wellbeing of growing numbers of people, there has been reluctance to disturb the operations of what are seen as traditional institutions.

The 1999 Land Policy respects customary rights, and as a consequence women are still largely denied rightful access to land. Under the Property Formalization Program (MKURABITA), land titles are being provided which gives security to owners. However, under customary land rights, it is men who are most likely to get titles. Further, having the title does not necessarily make a difference as it seems that it cannot be used as collateral to access land in formal banks. This is because the President is reputed to be against confiscating the land given as a collateral in case one fails to pay the loan, so banks are shying away from accepting those titles as collateral. This makes the recommendation below on lending through groups such as ROSCAs linked



#### **Box 4: A new inheritance law to clarify women's rights?**

A new inheritance law could usefully clarify women's rights under the constitution, for instance:

- Marriage law should be clear that whenever customary law is discriminatory precedence should be given to statutory law.
- Women's un-valourised work must be taken into account in division of assets: instead of having regard to the extent of contributions made by each part in money, party or work toward acquiring matrimonial assets, the court could be required to have regard to the extent of the contributions made by each part to the marriage and to the care of the family.
- Property laws on death of spouse should be brought into line with the constitution's provisions.
- Amending the marriage act to provide that property acquired during the marriage of either husband or wife belongs to both spouses.
- Raise further women's mandatory involvement in village land councils.

*Source: Ellis, 2007: 59-60*

to SACCOS even more important.

Livestock are critical buffers against risk, and also assets which, if accumulated, can help households out of poverty. Small stock are especially important given the high cost of cattle. Livestock policy does not focus adequately on easing the constraints on poor households acquiring and keeping small stock or cattle for ploughing. These may include not only purchasing, renting or borrowing and the insurance to deal with risk; but also the supply of fodder and water, veterinary services as well as knowledge about livestock management. Women are especially important as livestock keepers, particularly for small stock, and in recognition of this, the proportion of women livestock extension officers could be greatly increased. Livestock development is seriously under-emphasised in both Mkukuta II and Kilimo Kwanza, given its importance in facilitating escaping poverty and providing buffers against shocks. While all the policies related to agriculture specifically mention livestock as a subsector as well, there is nothing to show how the Mkukuta II objective that livestock growth increases as well as overall agricultural growth will be met.

Irrigation is given strong emphasis in *Kilimo Kwanza* and in Mkukuta II in terms of enhancing food security and is an example of a farm based asset which can make a big difference to escaping poverty. It is important that schemes and the conditions for participating are designed to enable poor people to participate (Box 5).

If the aim of policy is to help people escape poverty, these issues should have as much importance as increasing agricultural productivity, since the latter by itself is rarely enough to enable escaping poverty.

#### **Box 5. Financing irrigation**

In Newala, according to a district agricultural officer in 2009, there are 3 priorities in agriculture – irrigation, inputs, and the warehouse scheme. Irrigation was to be off the river Ruvuma and the officer was excited about the prospect of making the land of the poor more than double in productivity. However the government was only going to offer 8 percent of the financing through District Agricultural Development Programmes for canals the rest of the finance and labour was supposed to be raised locally. But, this is impoverished area – people were having difficulty affording sardines and schooling.

The acquisition of housing/buildings for rent or use in nonfarm enterprises features in several stories of escaping poverty. While this is an old theme in urban poverty reduction policy, and emphasised in Mkukuta II for urban poverty, rural poverty programmes could also consider this as a focus.

The difficulties in acquiring assets can be reduced by linking financial services organisations which are accessible to poor people – ROSCAs and burial societies – with SACCOs and other financial services organisations (Box 6). However, taking loans is also a source of risk, and poor people are wary. Adding small premia to insure against defaulting may be a way around this if the costs can be spread widely enough.

All of these assets need protecting once acquired. Building in insurance to financial services and livestock development, providing information and training on managing assets, and providing social assistance to the most vulnerable are complementary approaches to protecting assets.



### Box 6: Linking SACCOs and ROSCAs/burial societies

In coastal Nkasi, poor farmers face high barriers to paddy farming: high cost of land rental and oxen, and lack of sufficient knowledge about paddy farming to make it a success. However, the new SACCO worked through local all-female rotating credit associations such as burial society networks and began to turn this situation around. Wilium, the chairman of the new Mwandima SACCO, explains that of the 300 farmers in Mwandima farmer SACCO, 200 are women (28 of whom represent ROSCAs, remaining 172 individual members) and 100 are men, i.e. 2/3 of members are female. Moreover, because 28 of the female SACCO borrowers are in fact treasurers of female ROSCAs (some of which are burial societies) each of whom represent roughly 25 members. So indirectly, 700 more women benefit from SACCO lending. SACCO encourages women from these groups to ask for loans and these SACCO women groups are government registered. The treasurer of the burial society is the official member of SACCO with TSh 2000 entrance fee, 10 shares on behalf of group. SACCO does not deal with the members of these groups at all, only the treasurers.

According to Wilium there is still more work to be done as not all burial societies and ROSCAs are registered with SACCO and it is clear there is great scope for increasing the number of groups attached to SACCO – it both increases the capital available to women by 3 times and works on existing framework of financial discipline ‘10-20 percent of women in the region are involved in rotating savings and credit associations such as burial societies, where there is no official capacity training, women copy other women’s groups from places like Sumbawanga. These groups have blossomed in this region over the past decade.’

*-Wilium Semiono, Chairman of Mwandima SACCO Kalesa Village, Mwandima Ward, Rukwa region*

### To what extent does Mkukuta II address these issues?

Asset accumulation as a strategy is not touched in MKUKUTA II, although many other strategies in the document can be used to accumulate assets. Issues of access to loans to foster increased agricultural production are well covered – access from both formal banks like Tanzania Agricultural Development Bank (TADB) and informal farmers cooperatives and SACCOs; provision of education and awareness on land rights, obligations, laws and national land tenure to women, men and vulnerable groups is emphasised; reviewing the Land Act on a regular basis as need arises, with

a view to making land tenure more inclusive; and irrigation is well covered (increase are under irrigation from 370,000 ha in 2009 to 740,000 ha by 2015—it is one of the prioritised drivers of growth in agriculture. MKUKUTA II proposes the development of both small scale and large scale irrigation schemes; establishment of National Irrigation Agency to coordinate and oversee issues of irrigation, including financing, recruitment of irrigation engineers, hydrologists and dam designers and contractors; deploy and retain agricultural motivators and Para Agricultural ‘Extension Support’ at every ward; coordination between road works and construction of small dams for agriculture.

## Policy set 2: Agricultural growths

The emphasis in agricultural policy is still mostly on increasing productivity by improving input markets, whereas it is output markets which have the biggest impact, and which may represent a better starting point for working on inputs. This is illustrated by the relative success of the Warehouse Receipt Scheme (Box 7). Farmers appreciate it, and would like it, or something similar, extended to other crops. This reflects the great difficulty farmers have in adjusting to the great seasonal volatility of prices.

It is the range of food crops involving smallholder producers most (maize, rice, cassava) where improvements in output markets are most urgently required. This can be achieved through local purchase and/or storage schemes which help moderate seasonal fluctuations and remove the growing proportion of consumer food price

representing transport costs. For example, instead of selling excess cassava to merchants who might or might not arrive, it can be stored, and/or milled locally for later sale – enabling regional stocks if necessary, and by retaining some local food within localities, it would reduce inflation. At the moment, many food poor households cannot create effective demand necessary to keep food in these regions, and so food crops like maize in Rukwa and even cassava in Newala are exported. Mkukuta II talks about strengthening the Warehouse Receipt Scheme; this could be achieved by extending it.

Extension services seem to have remained inaccessible despite the best efforts of government and donors. Either the advent of climate-related financing will make this the effective public good it should be, focusing on resource conservation,



### **Box 7: The Warehouse Receipt Scheme**

Since its inception in 2007, the Warehousing Receipt System (WRS) under the Agricultural Marketing Systems Development Programme (AMSDP), has played a catalytic role not only in terms of improved marketing of agricultural products, but also in improved agricultural production and productivity, farmers' confidence, stability of producer prices, and technological uptake in Tanzania, despite a few indications of dissatisfaction among some farmers.

The introduction of the WRS was the government's response to ensure a fair and stable market and specifically enable farmers to store their harvest at a warehouse and sell at a later date when prices are more attractive. This system operates through Primary Societies and SACCOS. The primary society pays farmers 70 percent of the price (less the price of next year's subsidised inputs and community charges). The produce is weighed and graded carefully and a farmer is issued a receipt in triplicate. Farmers retain the receipt, and after storage and sale at the auction by the warehouse administrator several months later, the farmer is given the remaining 30 percent plus any bonus (less costs of storage, interest, transport and administration). The system also aims to stabilise producer prices, improve technological uptake through provision of subsidised inputs, and/or link to farmer credit (SACCO).

The WRS also stimulates competition by introducing liquidity which reduces the anti-competitive behaviour of large buyers. Prior to the introduction of the WRS large anti-competitive exporters and processors, with access to bank finance, were the main sources of cash in the cashew marketing system. They provided local private traders (agents or middlemen) with money, which they used to purchase cashew from primary societies and cooperative unions. Since there were relatively few large exporters and processors with the ability to pre-finance cashew purchases, there were opportunities for monopsonistic behaviour. Local traders did not compete with each other, they were agents of large players, and agents tended to extract a substantial commission for themselves. Thus, the introduction of WRS has:

- brought additional bank financing (liquidity) into the sector as currently primary societies and cooperative unions have access to independent bank financing; and
- reduced the anti-competitive behaviour of the large exporters and processors by forcing them to purchase cashew through a cashew auction instead of directly from the cooperative unions and traders.

Is the system working for farmers? Evidence from the operations of WRS in cashew nut districts via Agricultural Marketing Cooperative Society (AMCOS) and paddy districts via SACCO reveals that WRS has been a useful marketing tool which has benefited members in terms of market outlets, price stability, better prices etc. Farm-gate prices have risen in line with export prices, but not fully. For example in Newala District, farm-gate prices rose from TZS 500 to TZS 700 with the introduction of the WRS in 2007 (a rise by 40 percent with the warehouse scheme). These farmers also benefitted from inputs at 75 percent of their cost. In Tandahimba District, the WRS producer prices for cashew nuts have improved from a range of TZS 150 – 410 before WRS to a range of TZS 710 – 850 per kg (almost double) after WRS, which indicates an improved producer prices, but also a drastic reduction in price fluctuations between the two periods.

In Iringa and Mbeya, the WRS works through SACCOS. The warehouse buys paddy from farmers and pay them 50 percent of the prevailing market price as initial payment. The average price during harvesting is TZS 50,000 per 100 kg bag of paddy. Thus, farmers are paid the initial amount of TZS 25,000 through their respective SACCOS. Thereafter, the stocked paddy is sold by the warehouse administrator at an average price of TZS 75,000 off season. The second installment is normally paid after deductions of the loan, input costs and interest. The total price paid to farmers has on average been TZS 40,000 per 100 kg bag of paddy. Farmers are therefore assured of a market, farm inputs and stable and relatively higher price.

The WRS has not been without problems. Most interviews with farmers always began with such complaints, but always finish with a positive appeal, that they would like to see it reformed and extended to other crops such as cassava, maize, pulses as soon as possible because traders are not reliable. Among the complaints are such as the fact that some farmers do not want to receive their payment in two installments. They want 100 percent at harvest in order to pay off pressing labour costs, school fees and other essentials. This may not be possible for all farmers, but perhaps should be an option for some farmers. Other farmers demanded much greater farmer representation at price setting forum and auction, more clear audits and increased internal controls to minimise opportunities for corruption, and transparency; more information on when the second payment will be made and if/when a bonus will be paid (in one year it was not paid) etc. The cooperative union itself (Tandahiba and Newala) felt the institution faced two problems: the interest rates on bank loans are very high, and WRSs which are not linked to SACCOS (lower interest rates) perhaps should be; and the WRS still depends on buyers - large-scale processors and exporters - who might start bidding late. This delay can delay bonus and quality of stored cashew. The union wants to begin processing cashew. This will not only help control the timing of purchase, but also stimulate local off-season female employment, keep value added local rather than located in big cities, and multiply market opportunities compared to raw cashew.



and payment for environmental services such as sequestered carbon, biodiversity, or it should be left to the market to provide. Access to agro-chemical inputs seems likewise beyond the current capacity of government to provide to poor people, and so should probably also be left to the private sector, unless the kind of short term transformation achieved in Malawi can also be achieved in Tanzania. If this is not possible, perhaps it is better to go down the resource conservation and payment for environmental services route.

Moving to resource conservation, payment for environmental services approach to agricultural development will enable agricultural risk to be placed squarely at the centre of the policy agenda, which in turn, will make it easier to include poor households in the agricultural mainstream, since their investments and strategies are so heavily determined by risk. Conserving soil and water helps reduce risk, as does irrigation when rainfall is increasingly uncertain; conserving biodiversity also reduces risk long-term, and increasing on-farm diversity reduces risk in the short-term.

### *To what extent does Mkukuta II address these issues?*

Mkukuta emphasizes investing in the physical and irrigation infrastructure and the financial and extension services to promote investment in agriculture, livestock and fisheries. It also proposes incentives to add value to raw materials. It envisages increasing the scale and mechanisation of agriculture, releasing labour to nonfarm sectors through increasing productivity.

Resource conservation, strengthening risk management through weather projection and early warning systems, and research to adapt crops and livestock for climate change and pest and disease resistance are seen as longer-term investments. For poor, vulnerable, rural households, the priorities might be reversed to give greater place to risk management.

The suggestion here is that focusing policy on improving market access and the functioning of value chains will have more sustainable impacts on production than taking a production first approach. Secondly, that investments in productivity should be filtered through a risk lens.

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## Policy set 3: Labour markets

Labour makes critical contributions to escaping poverty when work is consistent and well enough paid to permit savings and remittances. Many stories of escaping poverty or lesser improvements in wellbeing include episodes of wage labour, often as migrant labour, in town or across the border. Being able to take advantage of such opportunities is a result of strategising as well as human capital and social networks. However, local labour markets are often over-supplied (Box 8) and the paucity of local enterprises means that demand for labour is low. This means that even local industrial enterprises can insist on long days and very low wages – an example was the cashew processing plant which insisted on 12 hour days for wages which could be earned in agriculture for less than five hours work.

Policy needs to work on both reducing the supply and increasing the demand, especially for nonfarm labour which is often higher productivity than farm labour. Promoting nonfarm enterprise is therefore a big priority. Reducing the supply is achieved by keeping children in school for longer, effectively banning child labour, providing social assistance to vulnerable people who should not have to work, and in the medium to long term, reducing the growth of

### **Box 8: Over-supplied labour markets**

A number of other respondents remarked on the rise in women's agricultural labouring work but that such employment is often at subsistence level or below, is still subject to exploitation (the destitute are paid less) and even non-payment. Sirila is unmarried and has four kids to feed. She must live at her mother's house. She complains that she must be permanently available for work and it is clear from her wage levels that she is paid less than the going rate. She was receiving 1,500 a day for cotton and rice weeding. Her destitution is reflected in her low bargaining power over with employers. In Nkangala women lamented 'if we work as a casual labour or make donuts for 20 days, we are paid TSh 20,000, but if we go to the market with that TSh 20,000 we cannot get enough food to cover 20 days'.

*-Sirila Masunga, Wazabanga, Magu DT, Nkangala women's focus group discussion, 2009*

the labour force through universalising access to reproductive health services. Enhancing demand is essentially a matter of stimulating farm and nonfarm employment growth.

In Tanzania, the 'worst form of undecent labour' is where an employer contracts with a worker to pay



for labour and then does not pay, so the labourer provides his/her labour on credit (Box 1). Such behaviour is possible where the labour market is over-supplied and under-regulated. Labourers and employers need to be more aware of their rights and obligations, and there needs to be an accessible dispute resolution mechanism for such cases. Even in more organised formal sector enterprises, labour conditions can still be poor.

*To what extent does Mkukuta II address these issues?*

Of the topics discussed in this policy brief, Mkukuta II has least to say, especially in concrete terms about wage labour and labour markets. Its goals are noble – create decent jobs among women,

youth, people with disabilities, and a conducive environment for youth in rural areas. Labour laws and standards are to be enforced. However, few concrete measures to achieve these objectives are spelled out.

Kilimo Kwanza seeks to promote large and medium scale farming as a basis for agricultural growth. If this strategy is to reduce poverty, labour standards will become an increasingly important issue, along with the need to create enough employment to absorb the growing fallout from smallholder agriculture. However, there is little research based understanding as yet of how labour markets work in Tanzania, a significant gap in the evidence base for poverty reduction strategies.

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## Policy set 4: Food security and social protection

Food insecurity is widespread and chronic; with a substantial proportion of the population neither regularly having enough to eat nor a good enough diet. The major reasons are: insecure employment, shocks and stresses, and farming risks. Policy set 2 has argued that farming risks need to be much more strongly addressed. Policy set 3 has addressed insecure employment; here we address shocks and stresses head on.

Firstly, the poorer you are the less able you are to withstand a shock. Social assistance schemes focused on the poorest bring their level of life nearer the poverty line, and provide them with more buffers to deal with shocks. This enable them to avoid cutting consumption, taking their children out of school and other negative ‘coping’ strategies, which can do so much long term harm, especially to children’s health and development. There are several examples of such schemes operating on a small scale now in Tanzania, and both Kenya and Uganda have piloted larger schemes. The National Social Protection Framework provides the overall concept and a range of policy measures, and this is reflected in Mkukuta II.

Ideally, social assistance schemes can also extend to the vulnerable non-poor, to provide a cushion to prevent impoverishment, especially the sale of all important assets. The extent to which this is possible will depend on cost. What our research has revealed is that, if targeting is needed, local community based targeting is perfectly feasible. Focus Group Discussion were well able to identify

different categories of poor and vulnerable households.

*To what extent does Mkukuta II address these issues?*

With the draft NSPF behind it, these issues are well addressed. What is not yet clear is the instrument(s) to be adopted to reduce the poverty of the most vulnerable groups, and provide for their participation in employment, self employment and health and education services.

In Mkukuta Cluster I (growth) the emphasis is on increasing the number of vulnerable but economically active population that is reached with social protection in order to enable them to engage with increased productivity in economic activities. In Cluster II, which is the home of social protection, several interventions are proposed; provision of care and support to people living with HIV and those indirectly affected including home-based care and social security schemes including food safety nets; strengthening systems and institutions for effective access to minimum social protection packages, including exemption and waiver schemes for PWDs, OVCs, elderly people living with HIV and other vulnerable groups; promoting economic empowerment of vulnerable groups, through such measures as start-up kits for Income Generating Activities (IGAs) and cash transfers. This is a long agenda for a five year period. The challenge will be to find one or two instruments which are capable of meeting many of these objectives.



## Policy set 5: Governance

Persistent poverty is partly a result of governance factors. Reductions in levies and licence costs have been greatly appreciated. This could be extended more widely as revenues improve,<sup>5</sup> as fees and charges can be impoverishing. In particular, the remaining costs of secondary school are discouraging poor households in a situation where access to post-primary education is becoming more important.

Participatory governance (e.g. the Opportunities and Obstacles to Development (O&OD) planning approach) helps prioritise resource allocation transparently. However, education, health and water expenditures are not always transparently and equitably made, so there is scope to spread the O&OD approach.

Government intervention in markets needs to be more transparent. For example, deductions from Warehouse Receipt System payments to farmers for agro-chemicals need to be made transparently. This would ensure greater efficiency of the service provider.

Vulnerable people often face poor access to decision making. Women, for example, have poor access to justice (Box 9), and decisions over land disputes often go against poor people because they

cannot pay for justice.

From our research, there was an example in Newala of a female VEO whose husband married a second wife and she was denied access to her children. When she became VEO, she adjudicated a dispute in favour of a poor woman who sought to keep her child. The policy implication is to encourage more female local level officials. There is currently a low proportion (e.g. five percent of women LGA councillors. As Decentralisation by Devolution continues to be implemented, women's leadership at this level becomes more important, complementing achievements already made at national level.

### *To what extent does Mkukuta II address these issues?*

The document is strong on ensuring justice to the poor, partly through provision of legal aid; and on promoting and protecting women's right in an improved legal environment. The education of local adjudicators is also highlighted.

It is less strong on mitigating the high cost of social services, and on how to achieve the transparency required to operate successful market interventions.

### **Box 9: Women's access to justice**

Two women, Asna Burhan (32 years old) and Zainabu Makoka (35 years old) of Newala District; Mufunya Ward, Nkangala Village; were interviewed on women's access to justice. They were first asked: 'You have said that a woman can lose land, house and support from her husband and she has to maintain the children (unless men demand ownership of the children). So, is there any way a woman can get support through the courts?' Zaina replied: 'In fact, I lost everything when I was divorced.' They informed the researchers that a case starts being heard by clan elders for arbitration and that if a solution is not found, the case is taken to the village office. They added that at the village office the rule is that three women and four men must be present to hear the case. They went on: 'Problems still arise for women because land disputes are mediated by Islamic and Christian clergy, or clan elders. Even if the dispute resolution is held in government village offices, the tendency is a customary/conservative ruling in favour of men or 70 percent of family wealth to men, 30 percent women'.

The interviewees were asked: 'Do you know of any examples where women did take their post-divorce dispute settlements to higher level courts?' They answered positively and narrated about one woman who was the wife of a very rich man who owned 'many cars, trucks, lorries (even pistols!), nice houses, and livestock'. Her husband took the decision to divorce her, he 'overpowered her', forced her out of the house and took their children. The women took it to the primary district level court. The district court decided in her favour: awarding her a house, one car, 10 cows, five goats and a number of chickens. Even though this was far less than half his wealth, the man decided to appeal anyway, and it was taken to the referral court – there, they again decided in favour of the woman to get a portion of his wealth. Then the man appealed again taking it to a higher regional level court. At this higher regional level the court, officials told the woman 'if you give us TSh 300,000' we can push this decision faster'. It was at this point that the courts failed her; she found that because her husband held the wealth, she could not pay the bribe. As a consequence, the man kept all his wealth and their children.

This shows that justice was poorly available and that even if it might be available at the low level of governance, higher level courts are corrupt. It also tells us that even rich women cannot win in a world where men hold power/wealth. Such poor availability of justice can hardly enable people to reduce poverty.

*-Sirila Masunga, Wazabanga, Magu DT, Nkangala women's focus group discussion, 2009*



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## Conclusion: Will growth reduce poverty faster as a result of Mkukuta II?

Opportunities to enhance asset accumulation possibilities for the poor are critical. Mkukuta II emphasises indirect approaches to this. Perhaps the issue can best be addressed by intensive monitoring of asset outcomes, as well as income/consumption measures, given the importance of building assets in order to escape poverty.

Linked to this, protection of assets is also vital, and the sooner a national social assistance programme is designed and implemented, as

the centre piece of the National Social Protection Framework, the more poor households will participate in growth and benefit from health and education services.

Finally, plans to increase agricultural productivity and release labour into the nonfarm economy need to be urgently complemented with plans to enhance opportunities for decent work. Otherwise, the approach to growth could have impoverishing effects.

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### Endnotes

- 1 See references for list of working papers.
- 2 Idiosyncratic – affecting one or a few people at a time; co-variant – affecting very many at the same time, across a wide geographical area.
- 3 All names except those of districts have been changed to protect the identity of interviewees.
- 4 Kessy, F. (2006)
- 5 However, Tanzania has had difficulty improving its revenue base.

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