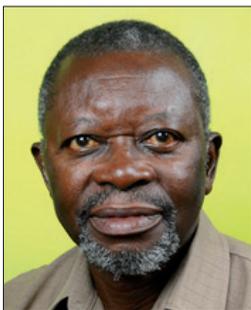


The war against poverty

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In his 2005 Inaugural Speech, President Kikwete announced his war against poverty. He emphasised that his battle was much wider than the simplistic definitions of statisticians: it was a war on a broad front.

Although it has been small and slow, there has been a reduction in poverty. Growth and reduction of income poverty is one of the three clusters in the Tanzania National Strategy for Growth and Reduction of Poverty (MKUKUTA). It addresses economic growth and poverty reduction and the outcome is measured by a wide range of indicators. The rate of the economic growth has ranged from 4.1 per cent in 1998 to 7.4 per cent in 2008 considered to be high in comparison to other sub-Saharan countries. According to Poverty and Human Development Report 2009, however, these strong growth rates have not led to significant declines in poverty rates because poverty 'remains an overwhelmingly agricultural phenomenon.' Agriculture not only has the lowest growth rates, averaging 4.4 per cent since 2000, but has also declined to 24 per cent of GDP in 2008 compared to 48 per cent contributed by the service sector.

Sectors that have grown fast recently are tourism, a leading foreign exchange earner, mining and manufacturing. These sectors attract direct foreign investment but have few forward and backward linkages. Nor are they strong on creating employment opportunities. According to Integrated Labour Force Survey (2007), people over age 15 are primarily working in agriculture while the non-agriculture labour force is concentrated in small informal business. Nevertheless, the MKUKUTA Annual Implementation Report of 2008 shows that the National Employment and Job Creation programme created 1.2 new jobs surpassing the 1 million jobs envisaged. The combined formal and informal private sector accounted for 93.2 of new jobs showing that Tanzania's economy is now private sector led.

Recent years have not been easy. Even in 2005 the world economy was showing signs of difficulty and the worldwide recession from 2008 has thrown Tanzania's plans for growth and poverty reduction off course. The demand for commodities has fallen, markets have been lost and commodity prices have fallen. Cotton prices fell from US\$0.82 per pound in March 2008 to US\$0.45 per pound in March 2009. Arabica coffee price plunged from US\$158 in August 2008 to US\$104 per 50kg bag in December 2008. Similarly unsalted leather

performed badly price falling to US\$350 per tonne in March from US\$1,100 per tonne in September 2008. Domestic revenue consequently failed to meet the government target.

The MKUKUTA I objective was almost to halve the proportion of population living below basic needs poverty line from 36 per cent in 2000 to 19.5 per cent in 2015. In today's environment this is not likely to happen as 14 million people are still living under US\$1 a day and 47 per cent of households still use unprotected sources of drinking water. Moreover, Tanzania has not focused on a few targets but has sought to address too wide a range of problems in the hope that success would spread from one to the other. Hence MKUKUTA II, being less reliant on donor funding, must focus on those areas where there is the greatest potential to provide rapid change for the country.

The Kikwete Administration has had to look for additional means of fighting poverty by working closely with the private sector using country wide financial institutions investing in small entrepreneurs including: the Tanzania Social Action Fund, Credit Guarantee and Job Creation Scheme, the Presidential Trust Fund, Savings and Credit Cooperative Societies (SACCOS) and regional schemes. In addition research institutions and civil society organisations are being encouraged to direct attention to poverty reduction strategies. These initiatives will lead to improvement in the lives and opportunities of Tanzanians but they are not short term strategies. In time they will produce improvements in children's nutrition, school attendance, deaths from preventable diseases, growth of indigenous businesses and a more enterprise based society.

However, it is agriculture that will make significant changes. The sector remains the livelihood of 80 per cent of Tanzanians, offering over 70 per cent of the employment opportunities, accounting for 95 per cent of food consumed, 65 per cent of raw materials and about 15 per cent of the total value of exports. It is thus the recent 'Kilimo Kwanza' (agriculture first) strategy, launched to revolutionise agriculture through appropriate institutional arrangements, strategic land use, investments, innovations, technology irrigation and access to markets for both small and large scale farmers which will eliminate poverty and enable the three quarters of the poor who are dependent upon agriculture to achieve Tanzania's Development Vision for 2025. **F**