

Poverty Alleviation Policies in Tanzania: Progress and Challenges

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Abstract: This paper outlines poverty alleviation policies in Tanzania from 1980 to 2013. Trends in poverty and challenges faced by the country in reducing poverty have also been highlighted. Poverty-reduction policies that have been implemented in Tanzania can be categorised into three policy clusters. The first cluster covers policies that reduce income poverty and increase economic growth. The second cluster focuses on poverty alleviation policies that increase access to basic services such as education, health, water and sanitation, and social protection. The third cluster covers institutional capacity building, accountability and governance issues. Despite all the policies that have been implemented, Tanzania – like other emerging economies – still faces a number of challenges related to reducing poverty.

Keywords: Tanzania; poverty policies; poverty reduction; trends

JEL Classification: I32

1. Introduction

The importance of poverty reduction in economic and social development has raised a lot of interest in the past decade. This has culminated in a number of studies being done to investigate the relationship between poverty reduction and other economic variables. These studies aim to find economic variables that have great positive impact on poverty reduction. The majority of these studies cover mainly Latin America and Asian countries, affording Africa very little coverage – despite the high poverty levels that Africa is experiencing. The general consensus in these studies is that economic growth, among other variables, is necessary for the reduction of poverty.

Most governments in developing countries seek solutions to eradicate poverty at international level, and this has resulted in developing and developed countries being signatories to the United Nations Millennium Development Goals (MDG) and Sustainable Development Goals. One of the MDG targets – to halve extreme poverty and hunger by 2015 – has been met at the global level (UN, 2015). However, the results have been uneven across countries, with Africa having large populations still trapped in poverty (UN, 2015). At national level, governments have adopted poverty reduction measures that target multi-dimensional aspects of poverty like access to basic services and income.

There is growing literature that support a positive effect of economic growth on poverty reduction. Dollar & Kraay (2002) for example, found economic growth to have a positive effect on poverty

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reduction in developing and developed countries. Tsai & Huang (2007) in a study on Taiwan between 1964 and 2003, found economic growth to be a major driver for poverty alleviation. Odhiambo (2009) found economic growth to Granger-cause poverty reduction in a study on South Africa. In the same vein Satti *et al.* (2016) in a study on Pakistan, found economic growth to be one of the factors that positively affect poverty reduction.

The role of economic growth is also supported in the neo-classical and the endogenous growth models (Solow, 1956; Romer, 1990). In the growth models, labour and capital are the main inputs used for production that result in economic growth. The short run and long run economic growth lead to improvement in job opportunities for the poor, general improvement in living standards and increase in government resources and tax revenue – all essential for developmental projects (Klein et al, 2001). It is this indirect relationship that makes economic growth important for poverty reduction.

Tanzania, like other African countries, has implemented a number of policies in order to reduce poverty. Poverty levels in Tanzania have been decreasing, although they still remain high (Office of the Chief Government Statistician, 2012; National Bureau of Statistics, 2014). Poverty levels vary across settlement type, education level and gender, and require a broad understanding of poverty reduction policies in a dynamic economic and global environment (Office of the Chief Government Statistician, 2012; National Bureau of Statistics, 2014).

It is in this vein that the study aims to review some of the policies that have been implemented, trends in poverty and challenges faced in Tanzania. The rest of this paper is organised as follows: Section 2 outlines some of the poverty alleviation policies that have been implemented in Tanzania. Section 3 defines the poverty trends and Section 4 highlights the challenges that have been faced in reducing poverty. Section 5 concludes the paper.

2. Poverty Alleviation Policies in Tanzania

Tanzania joined other nations in the eradication of poverty after its commitment at the World Social Summit in Copenhagen in 1995 (The President's Office, 1995). This culminated in the formulation of poverty-oriented policies. In mainland Tanzania, the National Poverty Eradication Strategy of 1998 was formulated and poverty eradication was also incorporated into the long term vision, Tanzania Development Vision 2025, and the medium term policy, National Strategy for Growth and Reduction in Poverty (NSGRP) (Ministry of Finance and Economic Affairs, 2010). In Zanzibar, poverty reduction policies were incorporated into the Zanzibar Poverty Reduction Plan, Zanzibar Development Vision 2020 and Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP) (Revolutionary Government of Zanzibar, 2010).

The poverty reduction policies under the NSGRP II and ZSGRP II are three-pronged. First is reduction in income poverty. This is advanced by focusing on growth, sustainable employment generation and adequate infrastructure for production, food security and access to energy by the majority of the population (Ministry of Finance and Economic Affairs, 2010; Revolutionary Government of Zanzibar, 2010). This category is classified under Cluster I in the NSGRP II and ZSGRP II (Ministry of Finance and Economic Affairs, 2010; Revolutionary Government of Zanzibar, 2010). Second is Cluster II, which focused on improvement in quality of life. This is advanced through programmes such as education,



health and access to clean water and social protection (Ministry of Finance and Economic Affairs, 2010; Revolutionary Government of Zanzibar, 2010). Third is Cluster III, which emphasised improved accountability and governance issues, with the goal of ensuring the poor had access to the means of production, among other goals (Ministry of Finance and Economic Affairs, 2010; Revolutionary Government of Zanzibar, 2010).

In Tanzania mainland, the National Poverty Eradication Strategy provides guidance and a broad framework for poverty alleviation policies and programmes (Vice President's Office, 1998). The main goal of the strategy is active involvement of the poor in identifying and participating in poverty eradication programmes (Vice President's Office, 1998). The strategy sets targets for the provision of social services, while sectors such as education and health were expected to set sectorial goals to achieve targets set in the National Poverty Eradication Strategy. In Zanzibar, the Zanzibar Poverty Reduction Plan implemented from 2002 to 2006 provided the first step in the implementation of Zanzibar Development Vision 2020 targets related to poverty (Revolutionary Government of Zanzibar, 2001). Emphasis under this early policy response to poverty reduction was on supporting priority sectors that bring pro-poor growth (Revolutionary Government of Zanzibar, 2001).

Policies in support of poverty reduction through the income channel, under Cluster I, targeted a number of areas. These were sound macroeconomic environment to realise low inflation; implementation of sustainable and inclusive growth that would increase employment; GDP growth from sectors that had strong links with the poor population, such as the agriculture, manufacturing, mining and tourism sectors; improvement in food security and nutrition; and use of natural resources to increase growth and improve welfare, especially in rural areas (Ministry of Finance and Economic Affairs, 2010). In Zanzibar, ZSGRP II had the same policy drive of reducing income poverty through the creation of employment and empowerment programmes (Revolutionary Government of Zanzibar, 2010).

Some of the programmes rolled out by the mainland government in pursuit of Cluster I poverty alleviation intervention include Mini Tiger Plan 2020; Business Environment Strengthening (BEST) Programme; National Multi Sector Strategic Framework on AIDS; various agriculture support programmes; and formation of a ministry that supports women and children. In Zanzibar, programmes pursued include the Zanzibar Growth Strategy 2006-2015; the Business Environment Strengthening (BEST) Programme; the Property and Business Formalisation Programme (*Mkurabati*); and a number of agriculture support programmes.

The Mini Tiger 2020 is a government strategy in mainland Tanzania that supported export-oriented and import substitution industries (Ministry of Finance, 2011). The main objective of the plan was to put Tanzania on a fast growth path, which is associated with high income and improved living standards (Ministry of Finance, 2011). The Business Environment Strengthening Programme, which was launched in 2005, aimed at proving a supportive regulatory and legal framework for business operation (Ministry of Finance, 2011). The programme targets removal of institutional constraints that delayed business approval (Ministry of Finance, 2011). The National Multi Sectorial Strategic Framework on AIDS coordinates AIDS programmes relating to prevention, care and impact (Ministry of Finance, 2011). The control of the disease in productive sectors of the economy helped to increase the output and productivity important for economic growth.

In the isles, the Zanzibar Growth Strategy implemented from 2006-2015 was formulated to complement *Mkuza I*, with the main objective of achieving high pro-poor growth (Revolutionary Government of Zanzibar, 2007). The strategy provided support to key growth drivers identified as agriculture, tourism and trade (Revolutionary Government of Zanzibar, 2007). The Property and Business Formalisation Programme aimed at increasing security and improve land ownership in both rural and urban areas (Mkurabita, 2017). The Business Environment Strengthening Programme (BEST) aimed at strengthening the investment environment crucial for economic growth.

The Tanzania mainland government implemented support programmes to vulnerable groups composed of children and women through the Ministry of Community Development, Gender and Children, which was formed in 2003. The Ministry played an important role in increasing women's access to credit facilities and markets (Ministry of Community Development, Gender and Children, 2017). In an effort to increase ownership of the means of production, the government revised the Land Act of 1995 and enacted the 1999 Land Act and Village Act, which provided for ownership of clan land by women on an equal footing with men (Ministry of Community Development, Gender and Children, 2017).

A number of agriculture support programmes and policies have been initiated to increase income in mainland Tanzania. These programmes include the Agriculture and Livestock Policy, Agriculture Sector Development Programme and the Micro Small and Medium Enterprise Programme. In Zanzibar, agriculture support programmes include the Agriculture Sector Development Programme-Livestock – an extension of the same programme from the mainland but with special attention to livestock support; the Agriculture Services Support Programme; and the Market Infrastructure, Value Addition and Rural Finance Support Programme. The programmes were aligned to the Agricultural Sector Strategic Plan 2011-2014 in the mainland and the Zanzibar Agriculture Transformation Initiative (ZATI) 2010-2020 in the isles.

The main objective of the Agricultural and Livestock Policy of 1997 was to transform the agriculture sector to commercial production, increase food security, improve living standards and increase access of vulnerable groups including the poor to land and education (The United Republic of Tanzania, 1997). The Agriculture Sector Development Programme (ASDP) of 2003 provided the operational response to Agriculture Sector Development Strategy (ASDS) (The United Republic of Tanzania, 2003). The main objective of the ASDP was to contribute to ASDS and NSGRP, and focused on increasing agriculture productivity, increase employment in rural areas and improve food security (The United Republic of Tanzania, 2003). The Micro, Small and Medium Enterprise Programme aimed to increase the livelihoods of smallhold farmers and fisheries (United Republic of Tanzania et al., 2015). This programme led to an increase in employment and food security and a reduction in rural poverty (United Republic of Tanzania et al., 2015).

In Zanzibar, the Agricultural Sector Development Programme-Livestock targeted herders and agropastoralists (International Fund for Agriculture Development (IFAD), 2015). The main objective of the programme was to increase the income of communities and increase food security (IFAD, 2015). The Agricultural Services Support Programme, on the other hand, targeted a broad section of the farming community, including the poorest households, women, orphans and HIV/AIDS affected families (IFAD, 2015). The programme aimed at strengthening linkages between farmers, government and the private sector (IFAD, 2015). The Market Infrastructure, Value Addition and Rural Finance Support Programme



had the objectives of increasing access to financial services and markets, income and food security (IFAD, 2015).

Cluster II covered improvement in quality of life and social protection (Ministry of Finance and Economic Affairs, 2010). The overall goal of this cluster was equitable and universal access to education; improvement in health and general wellbeing; increased access to clean water and sanitation; and development of human settlements (Ministry of Finance and Economic Affairs, 2010). Cluster II policy interventions also provided temporary relief to vulnerable and needy groups through the social protection window (Ministry of Finance and Economic Affairs, 2010). In Zanzibar, the same policy thrust was pursued under ZSGRP II, with the focus on equitable access to basic services such as health, education and water; promotion and preservation of culture; and provision of decent shelter for Zanzibaris (Revolutionary Government of Zanzibar, 2010). Sectorial policies on education, health, water and sanitation are discussed in the ensuing discussion.

In the education sector, the Ministry of Education and Vocational Training (MoEVT), created in 2010, was mandated to formulate, maintain and register schools, and to develop infrastructure and inspection among other roles, in Tanzania mainland (MoEVT, 2017a). The Ministry implemented education policies that assisted in empowering Tanzanians through equitable access to quality education. Tanzania mainland had a number of divisions that ensured zero exclusion of some categories. The divisions include Pre-Primary, Secondary, Special Needs and Higher Education (MoEVT, 2017b). In Zanzibar, the 2006 Education Policy provided a framework for delivery of education (UNESCO and MoEVT, 2014). The main objective of the policy was the provision of high quality, equitable education (UNESCO and MoEVT, 2014). The Zanzibar Education Development Plan 2007/8-20015/16 emphasised education for all (UNESCO and MoEVT, 2014).

The Tanzanian government also made a concerted effort to improve basic health services, as one of the steps towards poverty reduction. The provision of health services was spearheaded by the Ministry of Health and Social Welfare in Tanzania mainland. The Ministry was responsible for the formulation of health policies and supportive legislation, resource allocation, mobilisation and health research in Tanzania mainland (Ministry of Health and Social Welfare, 2015). The health systems in Tanzania mainland and Zanzibar are based on a referral system, with health facilities organised in a pyramid system. The National Health Policy of 2003 in the mainland, a revision of the 1990 Health Policy, included health sector reforms to realise health for all (Ministry of Health, 2003). The objectives of the policy included reducing the burden of disease; improving the availability of drugs; increasing access to health; provision of competent health professionals; and promotion of alternative medicine, for example traditional medicine (Ministry of Health, 2003). The implementation of the Health Policy of 2007 resulted in the Primary Health Sector Development Programme (PHSDP), a ten year programme covering 2007-2017. This was aimed at improving primary health infrastructure, medical supplies and staffing (Ministry of Health and Social Welfare, 2007). In Zanzibar, the National Health Policy of 2011 directed health provision (The First Vice President's Office, 2013). The main objective of the policy was to improve health services and social provision (The First Vice President's Office, 2013).

Access to water was another basic service advanced through the Water Sector Development Programme (WSDP) launched for the period 2005-2025 in the mainland. The programme covered three components, Water Resource Management, the Natural Water Supply and Sanitation Programme, and the Urban

Water and Sewage Programme (Ministry of Water, 2006). The main objective of the programme was to contribute to poverty reduction through improved delivery of water and sanitation and governance of water resources (Ministry of Water, 2006, pp. 3-2). In Zanzibar, the government formed programmes such as Water Supply and Sanitation, which focused on rural and urban areas (AFDB, 2012). Supporting programmes included Integrated Water Resource Management and Zanzibar Urban Sanitation and Drainage (Revolutionary Government of Zanzibar, 2010). The Zanzibar Water Authority (ZAWA), created through Act No 4 of 2006, is responsible for the overall water resource supply and administration of water tariffs (ZAWA, 2015).

In pursuit of social protection as one of the policies for poverty reduction, the mainland government launched the Tanzania Social Action Fund (TASAF) in 2000. The first phase was a pilot project that covered one third of Tanzania mainland (World Bank, 2007). The main objective was to assist in institutional capacity building, socio-economic development, infrastructure provision and support of vulnerable groups like children, with special attention to HIV/AIDS and employment creation (Ministry of Finance and Economic Affairs, 2010). The Tanzania Social Action Fund II covered 2005 to 2009 and focused on strengthening institutional capacity for implementation of poverty alleviation and engaging community participation in poverty alleviation programmes.

The Tanzania Social Action Fund (TASAF) III commenced in 2010 and the main theme was productive social safety nets. The public works programme was one of the projects under TASAF which provided income to selected poor households by providing temporary employment in labour-intensive projects (TASAF, 2015). Besides public works programmes, the TASAF III had a programme for cash transfers to eligible households selected through community systems (TASAF, 2015). The first category of cash transfer was the Basic Cash Transfer, which was given to all registered households (TASAF, 2015). The second category was the Variable Cash Transfer, which was available to a household if set conditions such as household participation in health programmes and sending children to school were fulfilled (TASAF, 2015).

In Zanzibar, social protection was carried out on a limited basis with small scale cash transfers to vulnerable groups including children; means tested support to elderly; and fee waivers to the poor and vulnerable in health and education (United Nations International Children's Emergency Fund (UNICEF), 2015). The Ministry of Empowerment, Social Welfare, Youth, Women and Children supervised all non-contributory social protection (UNICEF, 2015). Zanzibar finalised the Social Protection Policy in 2014 and looked into the possibility of rolling out universal pensions for the elderly (UNICEF, 2015).

Social protection in the form of social insurance is provided in Tanzania covering the working class of the Tanzanian population. Some of the social insurance funds are the National Social Security Fund; the Parastatal Pension Fund; the Public Service Pension Fund; the Local Authorities Pension Fund; and the Zanzibar Social Security Fund. The insurance schemes are contributory from the employee and the employer. The National Social Security Policy of 2003 provided a framework for financing of social security, tax issues on benefits and investments, legal framework and standards, and liberalisation in the mainland (Ministry of Labour, Youth Development and Sports, 2003).

The third policy intervention covered under Cluster III in NSGRP II and ZSGRP II focused on building a framework that supports an environment conducive for economic growth, poverty reduction, national unity and good governance, among other objectives. In Tanzania mainland, the overall objective of the Cluster was creating and strengthening institutional structures that support delivery; protection of human rights with special attention to the poor, women and those living with HIV/AIDS; security at national and individual levels; and promotion of a culture of hard work among Tanzanians (Ministry of Finance and Economic Affairs, 2010). In Zanzibar, the main objective of Cluster III included rule of law, good governance and national unity (Revolutionary Government of Zanzibar, 2010).

3. Poverty Trends in Tanzania

Poverty levels in Tanzania measured by poverty headcount have decreased over the years (National Bureau of Statistics, 2014). Poverty headcount is defined as the percentage of the population living below the poverty line (National Bureau of Statistics, 2014). Tanzania has two poverty lines, namely food poverty and basic needs poverty. Figure 1 shows trends in poverty measured by poverty headcount from 2007 to 2011/12 in Tanzania mainland.

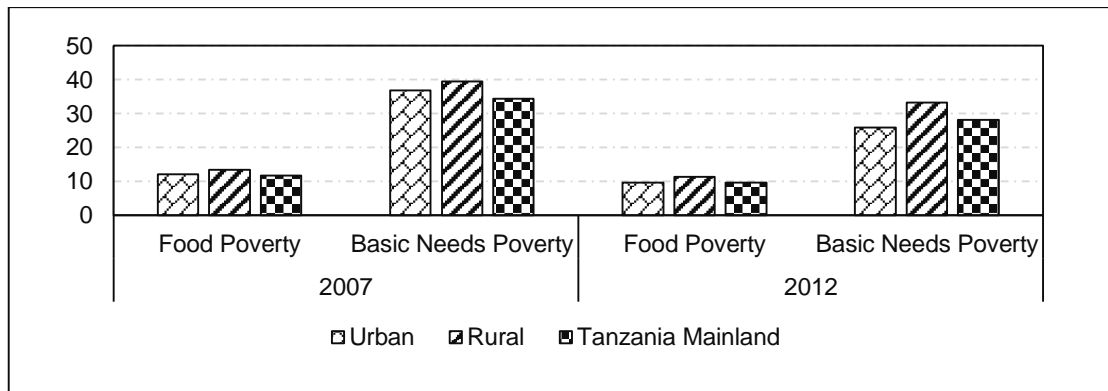


Figure 1. Tanzania Mainland Poverty Levels Measured by Poverty Headcount in 2007 and 2011/12

Source: National Bureau of Statistics, 2014

Figure 1 shows a decline in poverty levels in Tanzania mainland from 2007 to 2011/12 across all settlement types (National Bureau of Statistics, 2014). Food poverty in Tanzania mainland decreased from 11.8% in 2007 to 9.7% in 2011/12 (National Bureau of Statistics, 2014). Basic needs poverty declined by 6.2%, from 34.4% in 2007 to 28.2% in 2011/12 (National Bureau of Statistics, 2014). Using the food poverty or basic needs measure, incidence of poverty in the mainland varies with settlement type with rural areas being highly impoverished (National Bureau of Statistics, 2014).

A decline in poverty measured by poverty headcount was also recorded in Zanzibar between 2004/5 and 2009/10 (Office of the Chief Government Statistician, 2012). Figure 2 shows the trend in poverty measured by poverty headcount in Zanzibar.

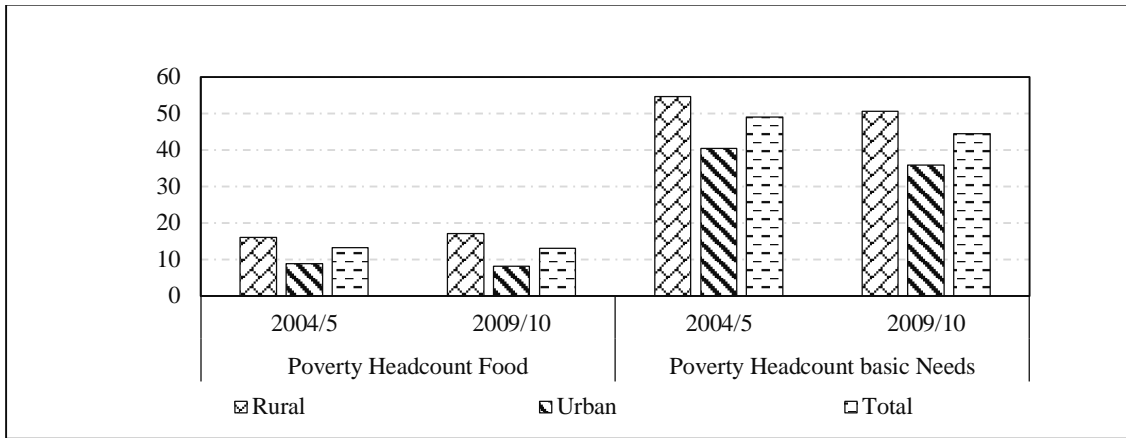


Figure 2. Zanzibar Poverty Levels Measured by Poverty Headcount in 2004/5 and 2009/10

Source: Office of the Chief Government Statistician, 2012

A marginal decrease was registered in food poverty from 13.2% in 2004/5 to 13% in 2009/10, while basic needs poverty recorded a decrease of 4.7%, from 49.1% in 2004/5 to 44.4% in 2009/10 (Office of the Chief Government Statistician, 2012). Variations across dwelling recorded in Tanzania mainland were also registered in Zanzibar, with the rural areas having high poverty levels compared to urban dwellings (National Bureau of Statistics, 2014).

The poverty gap measures poverty depth, while the poverty gap squared measures severity of poverty (National Bureau of Statistics, 2014). Table 1 shows the trends in poverty levels measured by poverty gap and poverty gap squared in Tanzania mainland.

Table 1. Tanzania Mainland Poverty Gap and Poverty Gap Squared in 2007 and 2011/12

	Poverty Gap (%)		Poverty Gap Squared (%)	
	2007	2012	2007	2012
Urban	10.8	8.1	8.6	7.6
Rural	11.8	7.8	5.1	2.7
Tanzania Mainland	10.3	6.7	4.5	2.3

Source: National Bureau of Statistics, 2014

Poverty levels as measured by the poverty gap declined in Tanzania mainland from 10.3% in 2007 to 6.7% in 2011/12 (National Bureau of Statistics, 2014). Urban areas recorded a 10.8% poverty gap compared to 11.8% in 2007 (National Bureau of Statistics, 2014). However in 2012 the poverty gap in rural areas declined to 7.8%, while the urban poverty gap remained relatively high at 8.1% (National Bureau of Statistics, 2014). The poverty gap squared followed the same trend as the poverty gap. Although poverty severity declined between 2007 and 2012 in rural and urban areas, urban dwellings registered high poverty severity for both years (National Bureau of Statistics, 2014). In 2007, poverty severity in urban dwellings was 8.6%, while rural areas recorded 5.1% (National Bureau of Statistics, 2014). The same trend prevailed in 2012, where poverty severity in urban areas remained relatively high at 7.6% compared to 2.7% (National Bureau of Statistics, 2014).

There is a close relationship between gender of the household head and poverty levels in Tanzania (National Bureau of Statistics, 2014; Office of the Chief Government Statistician, 2012). Female-headed households recorded high poverty levels in Tanzania mainland in 2007 to 2011/12 and in Zanzibar from 2004/5 to 2009/10. Figure 3 shows the trend in poverty level taking gender of household head into consideration.

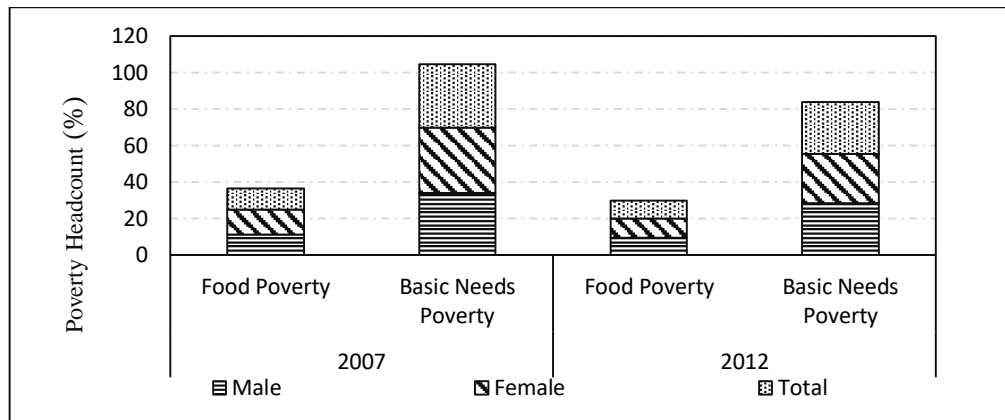


Figure 3. Poverty Distribution by Sex of Household Head in Tanzania Mainland in 2007 and 2011/12

Source: National Bureau of Statistics, 2014

There is a small difference in poverty levels between male- and female-headed households in Tanzania mainland, as measured by food poverty in 2007 and 2011/12 (National Bureau of Statistics, 2014), although it is important to note that female-headed families recorded slightly higher poverty levels. For example in 2007, female-headed households recorded 13.4% poverty, while poverty levels in male-headed households was 11.4% (National Bureau of Statistics, 2014). A large difference between male and female headed households was recorded with respect to basic needs poverty (National Bureau of Statistics, 2014). Female-headed households recorded the highest poverty level in 2007 (35.9%), compared to 34% for male-headed households (National Bureau of Statistics, 2014). In 2011/12, female-headed households recorded a decline of 8.8% compared to 5.6% for male-headed households (National Bureau of Statistics, 2014). This decline placed the incidence of poverty in female-headed households lower than in the households of their male counterparts.

In Zanzibar, using the basic poverty measure, female-headed households recorded the highest poverty level in 2004/5 (50.9%) while male poverty was 48.7% (Office of the Chief Government Statistician, 2012). The trend was reversed in 2009/10, where 42% poverty was recorded for female-headed families compared to 44.9% for male-headed families (Office of the Chief Government Statistician, 2012). Rural women in Zanzibar are highly impoverished compared to their urban counterparts. For instance, in 2004, rural female-headed families recorded 56.5%, while urban female-headed families recorded 43.8% (Office of the Chief Government Statistician, 2012).

Poverty incidence increased with an increase in the size of the household in Tanzania (National Bureau of Statistics, 2014; Office of the Chief Government Statistician, 2012). This trend was registered for both food poverty and basic needs poverty in 2007 and 2011/12 for Tanzania mainland (National Bureau of Statistics, 2014). There is a general increase in food poverty and basic needs poverty as the size of

the household increases in the mainland. For instance, food poverty for a household with one member was 2.4% and basic food poverty was 8.4%, compared to a household with a size of 10⁺, which recorded 22.6% and 49.4% for food and basic needs poverty respectively in 2007 (National Bureau of Statistics, 2014). The same trend was recorded in 2011/12 (National Bureau of Statistics, 2014). This trend was also evident in Zanzibar in 2004 and 2010. Although there was a decrease in poverty across all household sizes, larger families recorded the highest poverty during both periods (Office of the Chief Government Statistician, 2012). In 2004, for example, the poverty incidence for a household with one person was 4.9%, which increased with household size to 61% for a household with 10 people (Office of the Chief Government Statistician, 2012). In 2010, a household with one person recorded 5.3% and the incidence also increased with household size to 74.8% for a household with 10 people (Office of the Chief Government Statistician, 2012).

Household poverty also varies with the education level of the household head (National Bureau of Statistics, 2014). In Tanzania mainland, households headed by a person with an adult education recorded a high food poverty level in 2007 at 22.9% but 12.8% in 2011/12. The highest basic needs poverty level was registered for households headed by a person with no education as 48.7% in 2007 and 40.8% in 2011/12 (National Bureau of Statistics, 2014). Poverty incidence declined for a household headed by someone with a higher education level categorised as primary incomplete, primary complete, secondary or above (National Bureau of Statistics, 2014). In Zanzibar, households headed by someone with no education recorded the highest poverty level of 63% in 2009/10 (Office of the Chief Government Statistician, 2012). Poverty incidence declined as education level increased. Households where the head had adult education recorded 54.1% poverty, and those where the head had above basic education recorded 29.7% in 2009/10 (Office of the Chief Government Statistician, 2012).

4. Challenges Faced in Poverty Reduction Efforts

There is limited access to agricultural financing, especially for small businesses in rural areas (Organization for Economic Cooperation and Development (OECD), 2013, p. 42). Given that a large population in Tanzania depend on agriculture for a livelihood, inadequate financing negatively affects output and income for families that depend on agriculture (Ministry of Finance and Economic Affairs, 2010). Although credit from commercial banks has increased over the years, only a small proportion is available for agricultural production (OECD, 2013). While Tanzania Investment Bank has an agriculture window, access has mainly been limited to medium size businesses that can provide collateral. This has left small businesses excluded from formal credit sources and resorting to informal credit sources (OECD, 2013). In Zanzibar, the government rolled out the Market Infrastructure, Value Addition and Rural Finance Support Programme, which offers assistance in accessing financial services.

High population growth has negatively affected social development and provision of services (AFDB, 2011; Revolutionary Government of Zanzibar, 2007, p. 30). The Ministry of Finance and Economic Affairs (2010) pointed out the effect of an overstretched education system caused by raising enrolment rates. The effect of a high population growth negatively affects per capita income and contributes to youth unemployment in the isles (Revolutionary Government of Zanzibar, 2007, p. 30).



Youth unemployment and under-employment have been highlighted as a policy concern in AFDB *et al.* (2014), Economic Outlook on Tanzania. The challenge is exacerbated by the increasing number of new entrants into the labour market each year from schools and colleges, without a matching increase in employment. It is estimated that 800 000 to 1 000 000 students enter the labour market annually in Tanzania (AFDB *et al.*, 2014). Not enough jobs are created to accommodate the increase in jobseekers living without income and trapped in poverty (AFDB *et al.*, 2014).

Inadequate infrastructure has negatively affected poverty reduction through reduction in productivity in sectors such as, agriculture, education and tourism in Tanzania (OECD, 2013, p. 39; Revolutionary Government of Zanzibar, 2007, p. 30). An inadequate infrastructure system hinders access to inputs and markets for agricultural produce (OECD, 2013). In addition, inadequate cold transportation results in perishable agricultural produce being spoiled before it reaches the market, with an estimated 50% of produce being lost annually (OECD, 2013). Given that agriculture supports a large population in Tanzania, low agricultural productivity negatively affects welfare through reduced income (Ministry of Finance and Economic Affairs, 2010; Revolutionary Government of Zanzibar, 2010). The same effect was highlighted for the industrial sector in Zanzibar, where inadequate FDI supporting infrastructure has negatively affected investment (Revolutionary Government of Zanzibar, 2007).

Insufficient qualified personnel was highlighted as one of challenges that has negatively affected competition and delivery of quality services in Tanzania (Ministry of Finance and Economic Affairs, 2010; Revolutionary Government of Zanzibar, 2010). In the health sector, for instance, a shortage of qualified personnel has been cited as having a negative effect on the provision of health services (Revolutionary Government of Zanzibar, 2010, p. 50). Furthermore the shortage of support services, such as extension services in agriculture, has negatively affected agricultural productivity in Zanzibar. In Tanzania mainland, the shortage of qualified mathematics and science teachers has affected the quality of education at secondary level (Ministry of Finance and Economic Affairs, 2010, p. 11).

5. Conclusion

This paper has highlighted poverty alleviation policies and outlined trends in poverty and challenges that have been faced in reducing poverty in Tanzania, from 1980 to 2013. Poverty alleviation policies are outlined in the NSGRP II and ZSGRP II. Poverty intervention policies and programmes under these strategies are aggregated into three clusters. The first cluster covered policies that decrease income poverty and increase economic growth, with programmes in support of economic empowerment, agriculture support and increase in employment. The second cluster focused on poverty alleviation policies that increase access to basic services such as education, health, water and sanitation, and social protection. The third cluster focused on enhancing the institutional capacity important for the implementation of poverty alleviation policies. In response to the government's broad poverty alleviation policies, poverty measured by poverty headcount, poverty gap and poverty gap squared decreased from 2002 to 2011/12 in the mainland and in 2004/5 and 2010 in Zanzibar. In Tanzania, poverty varied according to settlement type, educational level of the household head and size of a household. Rural areas registered the highest poverty levels in Tanzania, while households with a household head with a secondary or higher education level, had a lower incidence of poverty compared

to those where the household head had adult education or primary education. Despite the milestones that have been recorded in poverty reduction, Tanzania faces a number of challenges that have retarded and in some cases hampered the reduction of poverty. Among the challenges registered are high unemployment, especially among the youth, a shortage of some critical skills, insufficient agricultural financing and high population growth.

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