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The Third Voice of Social Sciences Conference (VSS)
University of Dar es Salaam, Tanzania, 24-25 November 2016

Growth and Poverty Reduction in Tanzania



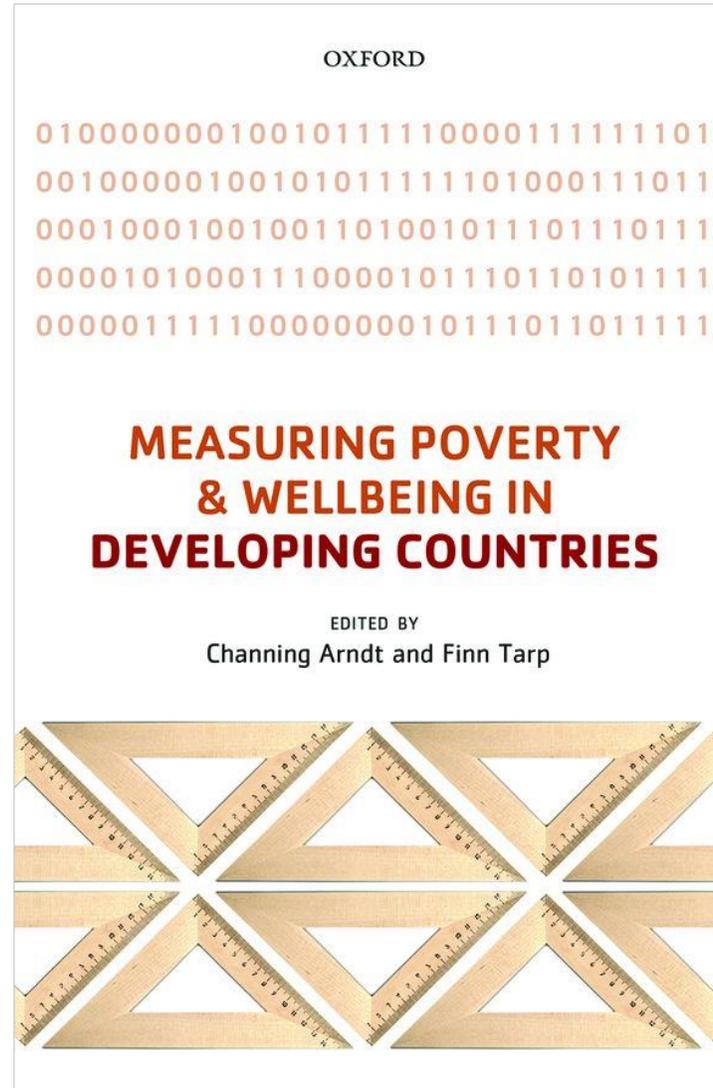
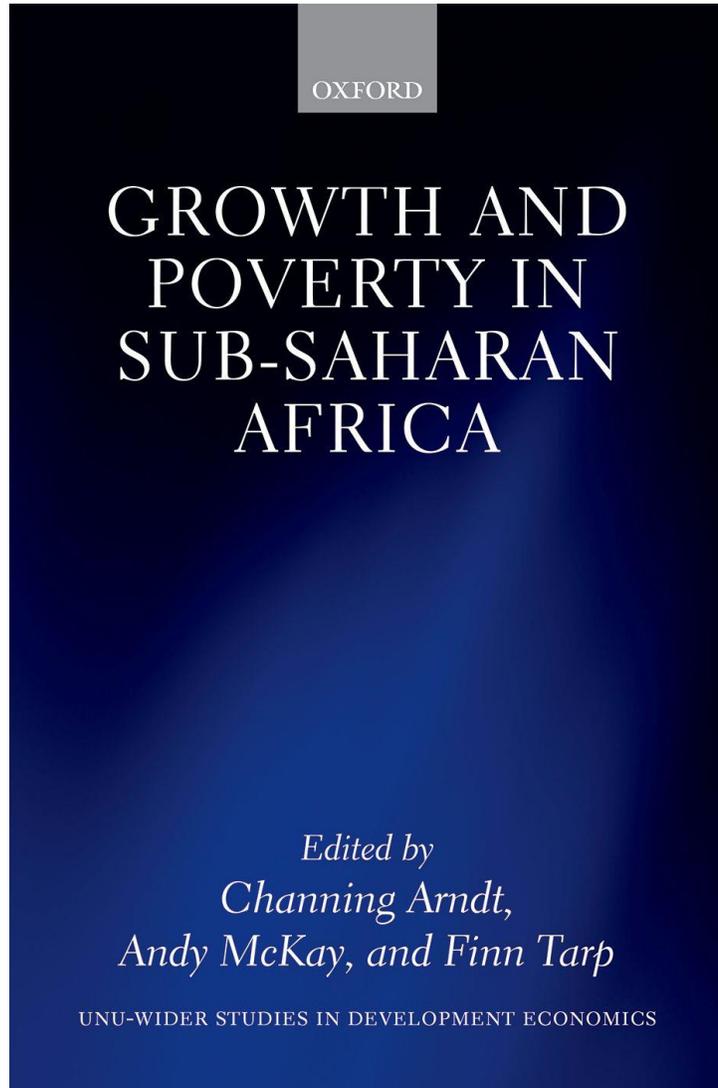
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Introduction

General context

- Recent *Afrobarometer* survey:
 - ‘Despite high reported growth rates, lived poverty at the grassroots remains little changed’ [Dulani et al., 2013]
- Tanzania:
 - Growth and consumption based poverty are ‘delinked’ [Pauw and Thurlow, 2011]
- Widespread concerns expressed in literature and public discourse (as well as among donors):
 - Often associated with communicating a sense of failure

Two open access OUP books



Questions asked here

- What is actually happening to monetary and non-monetary poverty in Tanzania?
- Can one make sense of the data?
- What is the responsiveness of poverty reduction to growth?
- Which policy implications emerge?

**Points of departure:
macro and micro**

The poverty, growth and inequality triangle (macro)

- Poverty, growth and inequality tend to be related
- But the triangle is not an iron rule
- It can “break down” – recall: $Abs = C + I + G = GDP + M - X$
 - Poor people may not cross the poverty line even if there is growth and inequality remains unchanged
 - Growth may not (even if it is sometimes implicitly assumed) be proportional across components of absorption
 - Terms of trade effects may imply imports fall relative to exports (similar effects due to reduction in foreign aid, or debt service payments)
 - Mismeasurement has a potential role to play
 - Disaggregating overall aggregate growth provides important clues about expected poverty outcomes

Household poverty (micro)

- Micro-level monetary poverty analysis based on four Household Budget Surveys (HBS) conducted by the National Bureau of Statistics in 1991/2, 2000/1, 2007, and 2011/12 – nationally representative surveys
- Household non-monetary poverty analysis based on the Tanzania Demographic and Health Survey (TDHS) conducted in 1991/2, 1996, 2004/5, and 2010
- In 2011/12 the HBS questionnaire design was revised, so we use two different estimates of consumption poverty for 2007 to ensure comparability

What our paper does

- Brings together:
 - Available macroeconomic data
 - Available Household Budget Surveys (HBS)
 - Demographic and Health Survey (DHS) data
 - And a host of other information (prices)
 - Examines critically the validity and consistency of existing data (triangulation)
 - Develops coherent country story
 - Specific point: elasticity of poverty reduction with respect to growth is estimated both with national accounts data and with the estimated growth of household consumption from the HBS survey data

The general story outlined

Key macro points

- Reported fast growth since 2000 – stagnant before
- Growth drivers are investment (public/private); government spending; trade deficit; but slower growth in private consumption
- Population growth
- Slow growth in agriculture
- And significant price increases

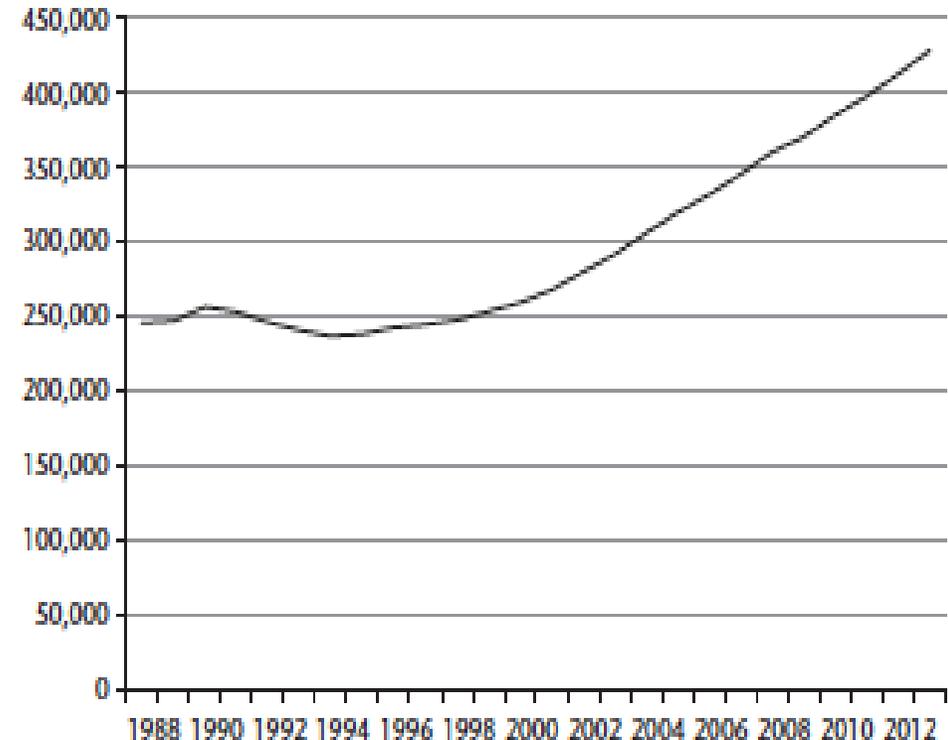


Figure 11.1. Growth of real local currency per capita GDP in Tanzania
Source: World Development Indicators, 2014

Real GDP growth, by expenditure category

	Mean growth rates per annum			Shares			
	1992-01	2001-7	2007 -12	1991	2001	2007	2012
By expenditure category							
Real GDP (2001 prices)	3.8	7.2	6.6	100.0	100.0	100.0	100.0
Consumption	2.0	8.0	8.0	99.7	86.8	90.7	94.9
Public	14.8	15.0	12.0	4.2	11.9	18.1	23.2
Private	0.9	6.6	6.9	95.8	75.0	72.6	71.7
Investment	17.4	13.3	14.0	5.9	17.4	24.3	31.9
Gross fixed capital formation		13.5	14.0	5.8	17.0	24.0	31.5
Government		26.0	5.5		3.2	8.4	8.7
Private		9.4	18.3		13.8	15.6	22.8
Change in stocks		1.8	12.2	0.1	0.4	0.3	0.4
Net Exports		32.2	24.6	-5.8	-4.3	-15.0	-26.8

Poverty and welfare results

- Monetary poverty reduction relatively slow ... national headcount 39% in 1992/3, 34% in 2007, 28% in 2011/12 (total number of people in absolute poverty increased)
- Monetary poverty fell most in Dar es Salaam, much more limited elsewhere
- Important progress across the country in non-monetary poverty outcomes between 1992 and 2010

Detailed poverty results

Trends in poverty headcounts and growth elasticities of poverty reduction

					Percentage change		
	1992	2001	2007	2012	1992-2001	2001-2007	2007-2012
HBS data:							
Poverty headcounts (%)							
Direct (2007 unrevised)	38.6	35.7	33.6		-7.5	-5.9	
Revised			34.4	28.2			-18.0
Household Budget Survey							
Mean household consumption per capita (2011/12 prices, spatially adjusted)			581,538	611,691			5.1
Mean household consumption per capita (2007 prices)	192,318	203,170	208,770		5.6	2.9	
'Growth' elasticity of poverty*					-1.32	-2.14	-3.47
National accounts data:							
Per capita GDP	247,960	270,576	347,776	426,357	9.1	28.5	22.6
Growth elasticity of poverty*					-0.82	-0.21	-0.80
Per capita private consumption	-	202,850	252,523	305,556	-	24.5	21.0
'Growth' elasticity of poverty*					-	-0.24	-0.86

Note: *National accounts data in constant (2001) prices. National accounts estimates normalized on total population, including households in institutions not included in the HBS estimates.
Source: World Bank and authors' computation from HBS datasets.

Assessment of poverty reduction responsiveness to growth depends on the data used

- The national account data shows much weaker poverty reducing impact of growth than the HBS micro-level survey data
- Why are the two growth-poverty reduction elasticity estimates so different?
 - Note: significant difference in percentage changes in per capita consumption growth figures between macro and micro data -> which one to believe?
 - This discrepancy is not unique to Tanzania
- Several points to make:
 - A thorny price deflator issue: private consumption deflator from national accounts (based on CPI) rose by 51% between 2007 and 2012 while HBS data suggest a deflator of 90%
 - Price index based on HBS survey data places more weight on basic items consumed by poorer households than the national account estimates (which give more weight to overall consumption)
 - Main issue is not why growth led to so little poverty reduction: it is why real household consumption grew so slowly (especially for poorer households)

Detailed non-monetary poverty results

Non-monetary poverty

- Non-monetary poverty at household level described based on five-dimensional Bristol Indicators: water, sanitation, shelter, education, and information
- Measured as the share of households that are deprived in the corresponding dimension. For example,
 - A household is water deprived if the main source of drinking water is not from a pipe, tap, or well
 - A household is information deprived if it does not have a functioning radio or television

Household non-monetary poverty

- Almost all indicators present improvement between 1992 and 2010 except for water in several locations
- At the national level, most improvement was found in the education and information indicators
- However, there is significant heterogeneity in the welfare indicators by region and between urban and rural areas

Households not deprived by welfare indicator, %

	Water		Sanitation		Shelter		Education		Information	
	1992	2010	1992	2010	1992	2010	1992	2010	1992	2010
Nation	64.5	71.2	2.9	11.7	18.6	30.5	31.8	56.2	36.7	64.3
Rural	56.3	67.0	1.3	3.1	9.0	16.6	27.1	49.4	29.6	59.5
Urban	92.3	85.3	8.2	40.3	51.6	76.7	47.7	78.5	60.8	80.4
Western	56.6	77.1	3.2	6.5	9.6	15.0	23.4	45.6	30.5	64.5
Northern	57.8	62.8	3.9	11.0	26.3	36.8	38.3	62.5	48.0	64.2
Central	73.5	63.3	2.5	4.9	12.3	13.0	29.4	51.4	27.9	50.9
S. Highlands	60.0	66.5	1.2	9.8	13.9	32.0	33.2	59.4	32.5	65.7
Lake	51.2	70.7	2.7	12.7	12.0	25.7	30.4	51.1	32.9	64.1
Eastern	84.9	79.0	4.5	23.8	38.9	59.1	40.3	69.0	50.4	77.3
Southern	72.4	69.2	1.0	6.7	12.5	19.1	25.2	58.8	24.6	52.1
Zanzibar	90.3	98.4	3.3	27.6	34.0	66.5	33.3	50.1	55.1	75.5

Source: authors' compilation based on the 1992 and 2010 TDHS (National Bureau of Statistics and Macro 1993, 2011)

Conclusions and policy implications

Summing-up

- In the last two decades, Tanzania registered impressive economic growth compared to the 1980s and 1990s – but economic growth has favoured urban areas such as Dar es Salaam
- Despite improved economic growth, household consumption appears to have lagged behind and again with more positive changes in the capital city
- Available data on consumption is subject to some uncertainty, but:
 - Taking account of data limitations, the best assessment is that there was slow poverty reduction from 1992/3 to 2007 and that poverty decline seems to have picked pace recently
- Key issue is not that growth and poverty reduction are ‘delinked’ but that private consumption has increased so little – why is that?

Final comments

- Investment (public and private) has been a key priority – not consumption
- Delivering on social goods related to the MDGs has been in focus aid supported efforts – consistent with non-monetary welfare improvements
- Moreover, agriculture has lagged behind and population growth remains a challenge
- So
- NB: The price data issue must be solved!!



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