

# Unlocking persistent poverty through agriculture-based growth

Media Brief 3.09

In the last 10 years Tanzania has recorded an impressive economic growth. The country's real Gross Domestic Product (GDP) growth has increased from a low level of 4.2 per cent in 1995 to 7.1 per cent in 2007, and growth averaged 7.1 per cent during 2001-2007 (Economic Survey 2007). Given this impressive economic record, one would expect poverty to decline. However, this has not been the case. Poverty is still a major problem facing the majority of Tanzanians, particularly those living in rural areas. The Household Budget Survey (HBS) reveals that 34 per cent of people are living in poverty with income less than a dollar per day and 17 per cent are living below the food poverty line. On both measures, this represents a marginal decline of about 2 per centage points in the proportion of poor since 2000/01.

**Table 1:** Poverty levels since 1991 (per cent of the population below the poverty line)

	1991	2001	2007
Dar es Salaam	28.1	17.6	16.0
Other urban	28.7	25.8	24.2
Rural	40.8	38.6	37.4
Tanzania Mainland	38.6	35.6	33.4

**Source:** National Bureau of Statistics 2001 & 2007

The report also indicates that the absolute number of people living in poverty has increased since 2000/01, due to population growth. Based on official population projections, there are now 12.9 million Tanzanians living below the basic needs poverty line, compared with 11.4 million in 2000/01 - an increase of 1.5 million people.

## Why is poverty not declining?

There is no simple answer to this question. There are several assumptions and possibilities that can be explored. One possible explanation is the fact that the current growth in Tanzania (7.1 per cent GDP) is concentrated in sectors to which the majority of the poor have few links. Growth is inadequate in areas such as agriculture, on which most people's livelihood depend.

The growth has been mainly attributed to the increase of production in the sectors of mining, construction, and tourism. According to the Ministry of Finance and Economic Affairs, from 2003 to 2007, the two fastest growing sectors were industry and construction (10 per cent) and services (7.9 per cent) (State of the Tanzania Economy).

These sectors do not provide employment for the majority of Tanzanians. These sectors tend to be geographically concentrated and impact on a small portion of individuals in particular areas. These sectors have limited direct effects on poverty reduction. The benefits from the two sectors are limited and do little to stimulate growth in the informal sector.

The poor live predominantly in the rural areas where they depend on agricultural activities for their livelihood. This is the sector which employs the majority of Tanzanians. 80 per cent of Tanzanians still practice subsistence farming with very crude tools and poor methods of farming. This is the sector where Tanzania needs to see high growth. But it has not happened.

According to the Economic Survey 2007 and State of the Tanzania Economy, agriculture activities grew by 4.0 per cent in 2007 compared to 3.8 per cent in 2005. Average growth for agriculture from 2003–2007 was only 4.2 per cent, reflecting low productivity. Agricultural production grew only by 3.3 per cent in 2008 compared to 4.0 per cent in 2007 reflecting a decrease in food crop production in 2008. Vision 2025 and the Agricultural Sector Development Strategy suggested a sector growth rate of 11 per cent as the one which will have the required effect on poverty alleviation and economic growth.

According to the International Food Policy Research Institute (2007), poverty reduction is more substantial when growth is driven by agriculture. The importance of the agricultural sector in reducing poverty and serving as an engine of growth was demonstrated throughout the Green Revolution in Asia, particularly in India and China. Tanzania cannot bypass this development pathway, as the bulk of the Tanzanian population lives in rural areas.

The informal sector provides employment for the majority of the poor in Tanzania. Therefore, any efforts to reduce poverty should target this sector. Most of the activities in this sector are not recognised and captured in the national statistics. It is true that the poor who are employed by this sector struggle to increase their productivity and ultimately reduce poverty. Street vendors, most of whom migrate from rural areas with no skills, women and young people are engaged in unprofitable business. They are constrained by lack of financial services, credits, and access to land, market, training and skills, and unfavourable conditions of doing business, such as licensing procedures.

Faced with so many challenges, Tanzania needs a strong and stable economy to address numerous problems such as poor infrastructure and social services. This requires huge investment and financial resources. The current growth is not sufficient to overcome these hindrances. Equitable growth which is pro poor remains a challenge for the second phase of MKUKUTA.



**policy forum**

270 Kiko Avenue, Off Bagamoyo Road, Mikocheni B, P.O. Box 38486

Tel/Fax: +255 22 2772611 • Mobile: +255 782 317434

Email: [info@policyforum.or.tz](mailto:info@policyforum.or.tz) • Website: [www.policyforum.or.tz](http://www.policyforum.or.tz)

©Policy Forum 2009