

Diagnostic Facility for Shared Growth – 3rd Call

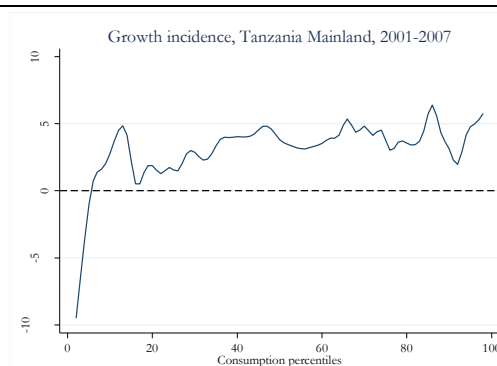
Tanzania: Institutional Foundations of Shared Growth

1. Objective(s) of the proposed work:

Tanzania has recently experienced disappointing progress in poverty reduction despite high rates of GDP growth. Findings from the 2007 Household Budget Survey show little change in poverty incidence (Table 1) since 2000/01 and a largely unchanged per capita consumption inequality. In rural areas, where the majority of the population lives, the change in poverty was even insignificantly different from zero (in fact even the change between 1991 and 2007 is insignificantly different from zero).

Table 1: Changes in poverty incidence

Poverty incidence since 1991			
	1991	2001	2007
Dar es Salaam	28.1	17.6	16.4
Other urban	28.7	25.8	24.1
Rural	40.8	38.7	37.6
Tanzania Mainland	38.6	35.6	33.6



Source: Authors' calculations and National Bureau of Statistics 2009

This performance contrasts sharply with the experience of other countries in Africa which, like Tanzania, were stable, underwent economic reform and recorded high levels of economic growth and which managed to reduce poverty significantly. The contrast is particularly stark with neighbouring Uganda (Table 2).

Against this background, the objective of this study is to identify constraints to inclusive growth with a focus on transaction cost (including administration, market regulation and institutional factors) in mediating poor people's ability to contribute and benefit from growth.

Table 2: Poverty to Growth Elasticity for Tanzania and Uganda

	Survey year 1	Survey year 2	Initial national poverty rate	Annual GDP growth rate	Annual change in poverty rate	Poverty to growth elasticity
Uganda	1991	2006	56%	6.0%	-3.8%	-0.6
Tanzania	1991	2007	39%	4.8%	-0.9%	-0.2

Source: World Bank, Development Data Platform

The availability of rich data sets for two bordering districts (Kagera in Tanzania and Rakai in Uganda) offers a unique opportunity for testing hypotheses emerging from institutional analyses

through careful micro-economic work, while abstracting from a number of features (geographical location, agro-ecological zone, type of livelihood etc.) which are common between the two areas. Even if limited in its geographical focus, this in depth study will directly contribute to the country wide analysis of institutional constraints undertaken by the ongoing Tanzania Poverty Assessment, as detailed in section 3.

2. Technical and innovative aspects of the proposed work:

Tanzania's lackluster poverty reduction performance is often ascribed to factors (e.g. rural-urban migration, high population growth, inefficiencies in human capital investments) which equally characterize Uganda. They cannot therefore explain the difference in performance between the two countries. Initial institutional analysis of cash (coffee, cashew) and food (maize) crop markets in Tanzania suggests, in contrast, that high transaction costs might be binding constraints for poor people's ability to contribute and benefit from sustainable and broad based growth.

We suggest an innovative quali-quantitative approach to test rigorously the hypothesis that a failure to deepen market reforms in Tanzania is limiting the profitability of household investments, particularly of those accessible to the poor. A key element of this approach is the cross border comparison between Kagera and Rakai, which significantly enriches the standard analysis typically included in a poverty assessment.

More specifically we aim to identify initial conditions (1991/92) in the two districts and to assess changes over time in household consumption, assets and levels of education etc. through survey and census data. For the analysis of Kagera we will rely on the KHDS, a household panel spanning the period 1992-2004. For the analysis of Rakai we will rely on the 1991 and 2002 Uganda Population and Housing Censuses, and information from the Uganda National Household Surveys for the years 1991 and 2006, and from the existing poverty maps.

Based on this initial quantitative assessments and the evidence provided by the analysis of market structures for the main crops mentioned above, consultants will visit Kagera and Rakai to collect additional information to identify systematically differences in household portfolios of activities (crops grown; type of off farm activities), prices received, marketing arrangements and characteristics of the business environment. We expect that the consultants will use an array of tools for collecting this information, including interviews with key informants, collection of secondary data (e.g. on prices) and focus group discussions and PRA style exercises (including institutional mapping, life histories, and timelines of key events).

This rich array of quantitative and qualitative information will be summarized in a draft report to be discussed at a validation workshop in Kagera with key stakeholders and with Government representatives. The findings will then be integrated with those emerging from other strands of research under the Poverty Assessment to identify how they relate to macro developments over the period.

3. Relevance to country priorities:

The proposed study is an integral part of the Tanzania Poverty Assessment (concept review May 26, 2009), which following a Government request is designed to inform the preparation of the next PRSP, expected by June 2010. As part of its planning process the Government has initiated an evaluation of the current PRSP (known by the acronym MKUKUTA) and has requested

studies that provide insight in the determinants of inclusive growth.¹ The proposed study will also feed into the new CAS and has the potential to inform a proposed DPL aimed at addressing micro-constraint to growth. As such it fits well into the larger work program of PREM which evolves around the micro-impediments to growth.

4. Linkages with knowledge sharing, dissemination, and capacity building:

As part of the poverty assessment this work would benefit from the existence of a broad group of stakeholders with whom we are collaborating, including the Poverty Eradication Division (PED) of the Ministry of Finance, academia, civil society and other stakeholders. For this particular study we plan to involve in the design and execution of the work local research institutions, including the Research and Analysis Working Group (a joint Government, Donor, Civil Society organization responsible for the analytical agenda under the MKUKUTA Monitoring System), the University of Dar es Salaam and Economic Development Initiatives, a leading consultancy firm based in Kagera. In addition, the validation workshop in Kagera, aims to stimulate discussion on our findings as well as to improve their accuracy.

Collaboration of such a broad group of stakeholders facilitates dissemination. The findings of this study, together with other background studies for the poverty assessment will be disseminated through a variety of means already in use for World Bank ESWs, including inclusion in policy notes and dissemination through seminars, workshops and breakfast meetings organized with our partners. The media will be invited to these events, which have a good track record of coverage by the national press, as most recently shown by the findings of the first phase (Rapid Poverty Assessment) of the Poverty Assessment analytical activities.

5. Client and donor engagement:

The revision of the PRSP is a broad based process. As active members of the PMG Donor Group we are sharing plans for our analytical activities under the poverty assessment and identifying synergies and complementarities in our analytical agenda. Through bilateral consultations and meetings of the PMG and RAWG we are also sharing our plans for analytical activities with the PED and civil society. This study will benefit from these well established channels of engagement.

¹ In particular the review guide of the MKUKUTA, issue B1.1 requests work contributing to: An assessment of why growth has not translated into corresponding/expected poverty reduction and welfare improvement.