This report reviews the role that safety nets have played in Tanzania and explores options on how they can contribute in accelerating poverty reduction in Tanzania, focusing on mechanisms for giving transfers to the poor. The report shows that given the large numbers of poor in Tanzania and the country’s limited resources, it is essential that safety net interventions be well-targeted and efficiently organized. Significant amounts of money are already being spent on transfer programs in Tanzania, but their impact has been limited. The report recommends that for Tanzania, a single intervention will not be enough to effectively tackle extreme poverty but a combination of different type of cash transfer options is more likely to make a difference in the strategy to reduce extreme poverty and food insecurity.

Tanzania
Poverty, Growth, and Public Transfers
Options for a National Productive Safety Net Program
W. James Smith
TANZANIA

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Options for a National Productive Safety Net Program

W. James Smith

September 2011

Africa Social Safety Net and Social Protection Assessment Series

Until recently, most countries in Africa implemented safety nets and social protection programs only on an ad hoc basis. In the wake of the global economic, food and fuel price crises starting in 2008, however, policymakers in Africa began to increasingly view safety nets as core instruments for reducing poverty, addressing inequality, and helping poor and vulnerable households to manage risk more effectively. During FY2009-2013, to support governments in their quest to understand better how to improve the efficiency and effectiveness of safety nets in their countries, the World Bank’s Africa Region undertook social safety net or social protection assessments in a number of countries in Sub-Saharan Africa. By 2014 assessments have been completed or are under preparation for over 25 countries in sub-Saharan Africa. These assessments analyze the status of social protection programs and safety nets, their strengths and weaknesses and identify areas for improvement, all with the aim of helping governments and donors to strengthen African safety net systems and social protection programs to protect and promote poor and vulnerable people. They were all carried-out with the explicit aim of informing governments’ social protection policies and programs. With the results of analytical work like these assessments and other types of support, safety nets and social protection programs are rapidly changing across Africa. For a cross-country regional review, please see "Reducing Poverty and Investing in People: The New Role of Safety Nets in Africa," which pulls together the findings and lessons learned from these assessments and other recent studies of safety net programs in Africa.
Abstract

This report reviews the role that safety nets have played in Tanzania and explores options on how they can contribute in accelerating poverty reduction in Tanzania, focusing on mechanisms for giving transfers to the poor. The report shows that given the large numbers of poor in Tanzania and the country’s limited resources, it is essential that safety net interventions be well-targeted and efficiently organized. Significant amounts of money are already being spent on transfer programs in Tanzania, but their impact has been limited. The report recommends that for Tanzania, a single intervention will not be enough to effectively tackle extreme poverty but a combination of different type of cash transfer options is more likely to make a difference in the strategy to reduce extreme poverty and food insecurity.

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GOVERNMENT FISCAL YEAR

July 1 to June 30

CURRENCY EQUIVALENTS

Currency Unit : Tanzanian Shilling
(as of December 2010)
US$1 : Tsh 1,500

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

CCTs Conditional Cash Transfers
CFSVA Comprehensive Food Security and Vulnerability Assessment
CHF Community Health Fund
CPI Consumer Price Index
DfID Department for International Development
DoSW Department of Social Welfare
FFA Food for Assets
FFE Food for Education
GDP Gross Domestic Product
HBS Household Budget Survey
MoAFC Ministry of Agriculture, Food Security, and Cooperatives
MoEVT Ministry of Education and Vocational Training
MoFEA Ministry of Finance and Economic Affairs
MoLEYD Ministry of Labor, Employment, and Youth Development
MVC Most Vulnerable Children
NAIVS National Agricultural Input Voucher Scheme
NBS National Bureau of Statistics
NCPA National Costed Plan of Action (for MVCs)
NFRA National Food Reserve Agency
NHIF National Health Insurance Fund
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<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
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<tr>
<td>PHDR</td>
<td>Poverty and Human Development Report</td>
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<tr>
<td>PLWH</td>
<td>People Living with HIV/AIDS</td>
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<td>PMO</td>
<td>Prime Minister’s Office</td>
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<td>PMT</td>
<td>Proxy Means Testing</td>
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<td>PEPFAR</td>
<td>US President’s Emergency Plan for AIDS Relief</td>
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<td>PLWHA</td>
<td>People Living with HIV/AIDS</td>
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EXECUTIVE SUMMARY

1. This report explores the role that safety nets and transfers can play in accelerating poverty reduction in Tanzania. It presents the potential need and costs, to inform a debate of options. The report reviews existing programs, and provides recommendations for an action plan to strengthen the current system and develop a more unified national program, one which will have a greater impact on poverty levels at reasonable cost, in line with the government’s poverty reduction strategy, known by the Swahili acronym MKUKUTA).

2. The report looks at programs and mechanisms for giving transfers to the poor, including public works employment, subsidies, food distribution programs, cash and in-kind transfers, vouchers, and exemptions. It does not look at formal pensions, insurance, income-generating schemes, or credit programs.

Main Findings and Conclusions of the Report

3. Tanzania has achieved impressive economic growth but without the hoped-for accompanying decline in poverty. Productive safety nets can accelerate poverty reduction by increasing immediate consumption while at the same time enabling the poor to participate more actively in the growth process and helping them to escape the inter-generational poverty trap.

4. Productive safety net programs have proven to be effective in reducing poverty levels in recent years in Brazil, Mexico, Ethiopia, and other countries. These are programs that either employ large numbers of the poor at a low wage rate for a few months each year or make small monthly payments to the poorest families in return for them ensuring that their children attend school, health services, or nutrition programs.
5. Given the large numbers of poor in Tanzania and the country’s limited resources, it is essential that safety net interventions be well-targeted and efficiently organized. They can only be afforded if they also contribute to meeting other objectives such as long-term economic growth or human capital formation.

6. Significant amounts of money are already being spent on transfer programs in Tanzania, but their impact has been limited. The existing programs have a number of flaws. For example, they cover only a small portion of the poor, they are characterized by overlap, duplication, and leakage, and in many cases they are not designed to reduce poverty over the long term.

7. Safety net programs have the potential to make a more significant contribution to reducing poverty in Tanzania. This report recommends that Tanzania should adopt a single unified national transfer program, consisting of two main components: (i) a large-scale national public works employment scheme for the able-bodied poor and (ii) a program of small but regular cash transfers to those unable to fend for themselves (such as child-headed households, the destitute elderly, disabled and orphans who do not live with families) that are conditional on recipients using services that will improve their nutrition, advance their education, and increase their productivity. Such a program might cost about US$150 million annually, or 0.3 percent of GDP, about the same as is currently being spent on transfer programs in Tanzania.

8. Tanzania currently faces a unique opportunity as many of the existing programs are in the process of being redesigned within the next year. This restructuring process can constitute the basis for the move to a more unified, effective national system.
Poverty Analysis for Transfers and Safety Nets

9. Tanzania faces the same dilemma as many low-income countries. There are many poor people, resources are scarce, and it is difficult to determine who should benefit from safety net programs. About 33 percent of the population (some 13 million people) live below the Basic Needs Poverty Line (equivalent to about US$1 a day), and 16 percent live below the Food Poverty Line.

10. In addition, large numbers of Tanzanians live just above the poverty line—making it difficult to distinguish potential beneficiaries from the poor as a whole. However the incomes of the poorest 10 percent of the population are substantially lower than those of the poor in general, suggesting that there is a group of ultra-poor people who should benefit most from social transfers. The problem is that it is difficult to identify these people.

11. In an environment in which there is little usable data on people’s incomes, other ways have to be found to determine who should benefit from safety net programs. There is not much difference in terms of the ownership of basic assets, land, or housing conditions among the bottom 60 percent of the population, so it is difficult to use these attributes to identify the very poor or to design proxy means tests to select beneficiaries. The implication of this is that in general programs need to be self-targeting (for example, by offering employment on public works at a low wage rate) or to use community-based targeting, in which village committees use their knowledge of the local community to identify the most vulnerable households.

12. Eighty-three percent of the poor in Tanzania live in rural areas, and the proportion of the population living below the food poverty line is almost three times higher in rural areas than it is in Dar es Salaam. This confirms that, while there are certainly many urban poor living in abject conditions, deep poverty in Tanzania remains very much a rural phenomenon and that the main focus of safety net strategy needs to be on the rural poor.
13. The poorest households tend to contain subsistence farmers and day laborers. These households are more dependent on agriculture than others but not much more as almost half of their income comes from off-farm sources. The problem is that the returns to their labor are much lower than for the less poor. Safety net programs that can help them diversify into higher-return activities (for example, those that would increase their agricultural productivity) or increase the returns to their labor are thus an important part of any poverty reduction strategy.

14. *Movements In and Out of Poverty.* In designing a safety net strategy, it is important to identify which households are moving in and out of poverty and are thus are likely to need only temporary help to smooth their consumption and which are living permanently in poverty and are thus in need of longer-term support. Panel survey data suggest that about 25 percent of rural families move in or out of poverty over a five to ten year period. There is no very clear pattern as to which households fall into poverty or rise out of it, although the limited evidence suggests that rising out of poverty is often associated with as much with the characteristics of the community – such as market access and integration – as it is with characteristics of individual households.

15. *Shocks Faced by the Poor.* The main shocks that households experience include: (i) unexpected crop price movements; (ii) food price increases; (iii) prolonged drought; and (iv) idiosyncratic shocks (death or illness of members). However these shocks seem to affect the poor and non-poor about equally, with the only difference being that the poorest households recover from shocks more slowly.

16. One of the main shocks faced by the poor is seasonality in food stocks and food prices. Subsistence households usually run out of grain about five to eight months after the harvest each year, which is also the time when market prices for grain are highest – typically 50 percent higher than in the post-harvest period. This can cause tremendous hardship for the poorest households. Any safety net or policy intervention that can ameliorate this
seasonal food shock, for example, by providing public works employment or transfers during this annual lean season, will be an important part of the safety net solution.

17. Average prices for key food items increased between 50 and 60 percent from 2007 to 2009, whereas the purchasing power and incomes of the poor rose by nowhere near this amount. Micro-level evidence suggests this has been a major factor in the increased impoverishment of the poor in recent years, with households cutting back on their food consumption as a result.

18. Growth and Poverty. While the economy as a whole has grown by about 7 percent annually over the past decade, the level of poverty has declined only marginally. There is much debate about the reasons for this, but growth incidence analysis has shown that the poorest 10 percent are benefitting least from growth. This suggests that there is a strong case for targeting safety net interventions to those in the bottom 10 percent of the population who has been ‘left behind by the growth process.

19. The livelihood activities that characterize the very poor tend to be low-risk but also to have low returns. Some examples include the limited use of fertilizer or a reluctance to diversify from subsistence grains into cash crops. Poor households do not have enough cash income to finance the necessary agricultural inputs, but they cannot afford to take any risks because they are living so close to the subsistence minimum that they cannot afford the potential losses if their activities do not work out.

20. Education and Health. Medical and education spending represents only a small share of consumption, even for the poor. Incidence data show that the poor tend to use education and health services almost as much as the population as a whole, suggesting that interventions in those sectors (such as scholarships or health fee exemptions) may not need to play as large a part in the safety net strategy in Tanzania as they do in some other countries. However, there is scope for using conditional cash transfers to encourage the
poor to ensure that their children start school at the right age, that their daughters remain in secondary education, and that they make full use of nutrition, maternal, and family planning services.

21. *The Geographical Distribution of Poverty.* Poverty is concentrated in the central band of the country, but there are large numbers of poor people in non-poor areas, so that using geographical targeting to identify the poor would actually leave out a lot of very poor Tanzanians. At the same time, Comprehensive Food Security and Vulnerability Surveys (CFSVA) have shown that the districts with the lowest food consumption change quite significantly over five-year periods, suggesting that areas, like households, move in and out of poverty. The implication of this is that, in some circumstances, geographical targeting may make sense but mostly for short-term interventions during a difficult but finite period, such as a public works program that could be expanded and contracted as needed.

22. *Malnutrition.* Malnutrition remains stubbornly high throughout Tanzania, with rates of severe child stunting of 13 percent. Early childhood malnutrition at these levels affects lifetime achievement and productivity. Malnutrition in Tanzania is not strongly associated with poverty levels or food security, suggesting the problem is not food intake but other factors such as dietary composition, feeding practices, and intestinal disease. Therefore, the solution is not transfers *per se* but rather targeted nutritional interventions. The implication for safety nets is to make the receipt of benefits conditional on changes in dietary behavior or participation in nutrition programs.

23. *Most Vulnerable Children (MVCs) and Orphans.* There are an estimated 2.4 million orphans in Tanzania. However not all orphans are poor as many have been absorbed into functioning, non-poor households. Recognizing this, the Government of Tanzania has quite rightly developed a category of “most vulnerable children” (which includes those living in child-headed households, with elderly guardians, or in extremely poor households that cannot adequately clothe and feed them). There were an estimated 900,000 MVCs in
Tanzania in 2010. Clearly these groups need to be a primary target for any safety net support.

24. **Poverty among the Elderly.** Statistically poverty is not on average worse among the elderly than among the population as a whole, except in households containing only elderly members and young children (in other words, with no working-aged adults) where it is 50 percent higher than the national average. These grandparent-headed households are an obvious target for safety net transfers. There are also undeniably some elderly people living on their own in conditions of extreme destitution. Again the challenge is finding them in order to deliver transfers to this small sub-set of the elderly.

25. **Other Vulnerable Groups.** There are an estimated 1.1 million people living with HIV/AIDS and some 2.4 million disabled people in Tanzania, of whom about 300,000 are estimated to be severely mobility-impaired. As with orphans and the elderly, many of them do not need safety net transfers because they are adequately looked after by their extended family or are functioning well economically on their own. However, others are destitute and desperately need assistance. The difficulty is in identifying which are truly in need of support. Any system will need to use community-level organizations to use their local knowledge to distinguish the neediest within these sub-groups.

26. Based on this poverty analysis, some very broad conceptual objectives for a national safety net strategy in Tanzania might include:

- **Focusing on orphans and other MVCs.** This would have the benefit of being readily acceptable as an objective – both socially and politically – but would leave out many extremely poor people. The same transfer programs that help orphans could be fairly easily expanded to include the elderly and disabled who are destitute.
Reducing the impact of seasonal shocks on the poor. This would involve using selective transfers to cushion the impact of the seasonal grain shortage shock on the poor and medium-poor. This has the benefit that it can be tailored to achieve substantial welfare gains at relatively low cost. However, it would not necessarily reach the chronically poor.

Tackling food insecurity and malnutrition. Support would be targeted to those with food consumption below the accepted minimum requirement (estimated to constitute about 16 percent of the population). The grounds for this would be that these are the very poorest Tanzanians, that inadequate caloric consumption directly affects their productivity and long-term potential, and that it is morally unacceptable that Tanzanians should not have enough to eat.

Which of these objectives policymakers want to achieve and how much they want to spend will depend on the country’s social and political preferences and trade-offs with other poverty-reducing expenditures.

The Role of Safety Nets in National Development Strategy

27. Growth and increasing the returns to the labor of the poor clearly remain the central solution to poverty in Tanzania. However, as we have seen, growth is not reaching the poorest fast enough. Under these circumstances, there is a logical role for safety net transfers to play in: (a) raising the productive potential of the poor so they are better able to participate in the growth process; (b) protecting them against uninsured risk and providing them with temporary support in times of difficulty – whether due to seasonal factors or to shocks; and; (c) supporting those who are likely to be left behind by the growth process.
28. A new generation of safety net programs, if well-designed, can raise the long-term productivity of the poor by:

- **Creating physical assets.** This can be done by using the employment of the poor in temporary public works programs to build or maintain roads, or financing soil and water management, reforestation, and irrigation works, all assets from which they will then reap the benefits as members of their community.

- **Building human capital.** Almost all transfers to the poor result in increased human capital formation (not only because of their direct impact on consumption but also because they lead to increased use of education and health services). This can be enhanced by making the receipt of cash transfers conditional on participation in nutrition programs, attendance at antenatal clinics, or the continuation of girls’ education.

- **Helping the poor to escape the inter-generational poverty trap.** Examples in Tanzania include making transfers to child-headed households or to elderly people supporting orphans to allow the children to continue in school or making benefits conditional on improving early childhood nutrition.

- **Enabling the poor to diversify their sources of income.** Small injections of cash income, if linked to participation in savings or micro-credit programs, can enable the poor to invest in diversified activities. For example, in Tanzania these cash injections would enable very poor women to sell clothing or cooked food at local markets.

- **Allowing the poor to take on higher-risk, higher-return activities.** An example in the case of Tanzania would be the greater use of fertilizer and other purchased agricultural inputs or a shift to growing higher-value crops.
• **Injecting funds directly into the lowest level of the economy.** Transfers can have high multiplier effects within the recipients’ local communities, increasing demand and fuelling growth at the village and small-town level.

**Coverage and Costs of Existing Programs**

29. Tanzania currently operates several transfer programs on which the government and development partners spend about US$175 million annually. In addition, there are a number of small cash transfers or pension pilot schemes for the poor.

1. **Most Vulnerable Children’s (MVC) Program.** The MVC program provides assistance for education, health services, food, and shelter to about 570,000 orphans and other vulnerable children at a cost of about US$50 million annually.\(^1\) Community groups select the beneficiaries, a targeting system which appears to work well. However, the unit costs are high (about US$80 per beneficiary), and the value of the benefits delivered to the children are low relative to costs. Benefits are paid sporadically and do not always meet the greatest safety net needs of individual children who may be more in need of direct transfers of food or cash. The program is implemented by the Department of Social Welfare and a network of international and local NGOs and is financed primarily by the US President’s Emergency Plan for AIDS Relief (PEPFAR) and the Global Fund.

2. **Subsidized Food Distribution.** The government uses the National Food Reserve Agency (NFRA) to distribute food free or at highly subsidized prices. This program reaches about 1.2 million people annually, at a cost of about US$19 million (according to data from 2009/10). The food is targeted to those districts that have been identified through geographic targeting as food-insecure each year. These typically cover about one-third of the country. Subsidized food is in theory targeted to the poorest within each

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\(^1\) The MVC is not solely a transfer program but also finances community and social support capacity-building.
community, but there are no data on the actual beneficiaries, and survey evidence suggests that there are large inclusion errors (that is, food going to households that are not the poorest).

3. **School Feeding.** This program currently covers about 600,000 primary students, or 8 percent of the total, at a cost of about $18 million annually. The program, funded largely by the World Food Programme (WFP), is concentrated in food-insecure districts. Studies show that it has had some positive impact on learning and attendance, but the effect is not overwhelming. Unit costs are $31 per student per year, and the food that is transferred represents about half of the daily nutritional requirements of the child. The program is not targeted within schools so that all children within the recipient schools benefit from the program, whether rich or poor. There are no data on beneficiaries, but this would suggest that inclusion errors may be large. To expand the program nationwide would cost about US$250 million annually. In the longer term, ways need to be found to make the program sustainable and to limit its costs (perhaps by changing the form of the benefit into take-home rations for the poor).

4. **Public Works Employment Programs.** Two public works programs exist in Tanzania. The first, the Public Works Program (PWP), is run by local governments and the Tanzania Social Action Fund (TASAF) and pays beneficiaries in cash. The second program, Food for Assets (FFA), run by the World Food Programme (WFP) and pays beneficiaries in food. Both are very small – each employs only about 25,000 people a year, reaching about 1 percent of the poor. They both provide only one-off benefits to households, so their impact on poverty reduction is limited. Also, they operate mostly in districts ranked as food-insecure so they miss much of the country. However they could provide the basis – with appropriate design changes – for a larger-scale national public employment scheme for the poor. The food-for-work program is considering paying cash to at least some beneficiaries, so it would make sense to coordinate these two existing programs.
as much as possible in anticipation of an eventual unified public works employment program.

5. **Pilot Cash Transfer Programs (KwaWazee, SCF, and TASAF):** These programs are very small pilots, reaching only a few thousand households. Based on the limited experience so far, they seem to have had some success in improving living conditions. They have tested systems for identifying and targeting beneficiaries and have introduced the principle of conditionality. The conditional cash transfer (CCT) program run by the TASAF, which targets the poor and vulnerable, is due to be scaled up, and it would be logical to consider combining it with elements of the MVC program into a single national system of cash transfers that supports MVCs/orphans and the destitute elderly and disabled.

**Other Public Transfer Programs**

6. **National Agricultural Input Voucher Scheme.** The largest single transfer program in the country, NAIVS provides vouchers towards the purchase of seed and fertilizer to 1.5 million small farmers. Although designed primarily as a productivity-enhancing scheme, it has several characteristics that may make it attractive as a longer-term productive safety net program. Its multiplier effects are such that the ultimate value of benefits to the household can potentially be as much as $3 for every $1 spent by the government on the vouchers, and the fertilizer/seed intervention can help the poor shift to higher-risk, higher-return production practices. Although in theory targeted to farmers with less than 1 ha, in practice the benefits are mostly going to non-poor farmers. The government should consider revising the program to ensure that it targets only poor farmers.
7. **Vulnerable Groups Program.** Operated under the TASAF, the Vulnerable Groups Program provides grants to small groups to run income-generating projects at the cost of about US$7 million per annum. There is some evidence that it reaches the poor, but coverage is limited (only about 18,000 people annually). The grants provided are large (about three times the poverty line income), and as yet there is no information on the financial viability of the projects financed. The VG program is not really a safety net transfer in the sense of other programs reviewed, but rather it compares to other income-generating and micro-credit programs in Tanzania which could form part of a graduation strategy.

8. **Pensions for the Elderly.** Formal pension programs cover only about 6 percent of the population, who are all employed in the formal sector and are therefore not among the poorest. However, a proposal is currently being debated to introduce a universal, non-contributory old age pension that would cover the non-formal sector as well as the formal sector. The proposed pension, which it is estimated would cost about US$227 million annually, would involve very large inclusion errors (because many of the elderly are not poor), and the same money could have a far larger poverty reduction impact if spent on safety net programs that benefit the poorest. Therefore, this report recommends that, instead of the universal pension, the government should adopt a targeted social pension that would give cash transfers to the very poor elderly, building on the MVC and CCT pilot models.

30. **Assessment of Overall Impact.** Tanzania is already spending quite a lot of money on transfer programs (about US$175 million annually, or US$83 million excluding the NAIVS voucher scheme), but their coverage is limited. Most programs reach less than 1 percent of the poor.²

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² Only the MVC, NAIVS, and subsidized food sales from the NFRA appear to reach any significant share of the population. Also, the MVC delivers small and intermittent benefits, the NAIVS is not targeted to the poor, and NFRA appears to suffer from significant inclusion and exclusion errors.
The limited data suggest that there are major inclusion errors (providing benefits to people who do not need them) and exclusion errors (missing people who do need support). Most existing programs are targeted geographically to food-insecure districts. While makes some sense, this results in overlapping coverage by different programs in the same areas and almost none in other areas.

Almost none of the programs keeps good data on who they are reaching (although some are in the process of collecting it) but the limited findings from WFP’s Comprehensive Food Security and Vulnerability Assessment (CFSVA, 2010) suggest that a significant share of benefits are going to the non-poor.

Much more rigorous and independent evaluations of the impact of programs are needed.

There is overlap and duplication between programs’ operations and objectives. For example the MVC, the public works employment programs, the NAIVS, the TASAF CCT program, and the food-for-assets program all operate different community-based targeting systems to identify the neediest at the village level.\(^3\)

There is very limited coordination of benefits or beneficiaries. The same household, village, or district might receive benefits from five or six programs, while others that are equally poor receive none.\(^4\)

\(^3\) In some cases, different mechanisms are justified due to differing program objectives, but it ought to be possible to use one adaptable community-level targeting system to identify different sub-sets of the main target groups – the very poor and vulnerable.

\(^4\) In theory, programs are coordinated by the directors at the district level, but the capacity and systems to track individual beneficiaries do not exist.
Many existing programs only deliver one-off benefits to a household (such as the PWP and the FFA) or only very small and intermittent ones (the MVC program), which have little or no impact on poverty levels, on productivity, or human capital development. What is required is more sustained – and predictable – transfers.

Fiscal Space and Affordability

31. This report estimates the cost of a number of options for a national safety net using different scale and coverage of a number of suggested programs. These estimates range from US$100 million per year to over US$500 million per year. It should be noted that total public spending on social sectors in Tanzania in 2008/09 was about US$7 billion. Given competing demands on the public budget, the upper range does not seem to be realistic, but a more moderate program, in the order of $150-200 million annually, is probably affordable.

32. Current spending on all cash transfer programs is about US$175 million per annum,\(^5\) representing about 2.5 percent of public expenditure or 0.3 percent of GDP, which is towards the low end of what is spent by comparable countries. This suggests that Tanzania should be able to afford to spend somewhat more than it currently does.

33. All sectors are under-resourced in Tanzania, and financing for safety nets will remain tightly constrained, which means that programs will have to be carefully chosen and rigorously prioritized. However, safety nets are a core function of government in all countries – even in very low-income ones – and have the potential to contribute much more than they currently do to poverty reduction in Tanzania.

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\(^5\) US$83 million excluding the fertilizer vouchers scheme, which is not targeted to the poor.
34. These fiscal constraints have the following policy implications for the future safety net:

- Programs should wherever possible use existing expenditures to achieve safety net objectives (for example, using recurrent expenditure on road maintenance to employ the poor in the off-season).

- Policymakers should select programs that can leverage spending to yield the greatest consumption benefits to poor households per dollar spent (the agricultural input scheme is a good example).

- Above all, careful attention needs to be paid during the design of all programs to leakage, targeting, and delivery costs.

The Way Forward

35. This report recommends that the government implement a combination of programs that together seek to achieve three objectives:

- Raise the incomes of the poorest and most food-insecure by means of a system of sustained (and financially sustainable) productive transfers.

- Help the poor to survive during lean-season food shortages and price rises.

- Provide targeted, direct support to those unable to participate in the labor force or fend for themselves, in other words, the disabled, the elderly, and orphans and other vulnerable children who are not living in viable households.
36. Tanzania can afford such a program if it adapts existing approaches, scales up a limited number of programs to achieve greater cost-effectiveness, and uses money that is already being spent, either in the budget or in donor-financed safety net programs.

37. A number of basic principles need to underlie any revised safety net program:

- Transfers need to be provided to the poor in a consistent and predictable manner – this generally means a monthly transfer as opposed to a one-off payment.

- Coverage needs to be greater as reaching only a few tens of thousands of the poor will not make a difference.

- Rather than the current collection of small (mostly donor-driven) interventions, it makes more sense to select a very few cost-effective programs and operate them on a scale that is large enough to make a difference.

- Programs should be capable of being scaled up and scaled down as need dictates, especially during times of seasonal hardship.

- Programs should be chosen that contribute simultaneously to longer-term growth and poverty reduction (examples include creating assets under public works employment programs, or promoting use of modern varieties and fertilizer use through input subsidies targeted at the poorest farmers).

- Programs should generally provide transfers in cash, although it may make sense to retain some food and in-kind transfers in specific circumstances – for example, in places where no food is available in the lean season.
• Targeted programs are administratively burdensome, especially on mid-level local supervisory staff who are in short supply in Tanzania. Therefore, the design of the system should be kept simple and should avoid the stop-start programming that has characterized past approaches. Moving towards a more unified national program will help in this respect.

• It is important to establish one agency with overall responsibility for safety net programming. This will increase coordination, monitoring, and impact.

• The time is right for Tanzania to move toward a more unified and permanent national safety net system. Even though the degree of need will go up and down over time, there will always be a need for some form of productive safety net for the poorest. Rationalizing the existing programs over the next two years can create the basis for such a permanent national safety net system.

38. **Universal versus Targeted Programs.** The evidence and the country’s fiscal constraints argue strongly for maintaining a targeted approach. Universal programs would involve too many inclusion errors and be too expensive for Tanzania at this stage.

39. Given the administrative and data constraints, programs should use *self-targeting* wherever possible (examples include offering low-wage public employment, which will only appeal to those without any other income-earning opportunities), or small packages of benefits (such as low-value fertilizer vouchers or very small cash transfers).

40. **Community-based targeting,** in other words using local committees with their knowledge of their communities to select the beneficiaries, appears to be the only feasible way to identify those most in need (such as orphans, the elderly, and the disabled who need support as opposed to those who do not). The MVC program has made good progress in
using this approach and should form the basis of a broader-based national system. However, the difficulties and costs involved in implementing effective community-based targeting should not be under-estimated.

41.  Geographical targeting has both attractions and drawbacks. In times when resources are constrained, targeting very poor food-insecure areas is a simple way of prioritizing. However, the evidence shows that concentrating on the third of districts that are rated the most food-insecure (as most programs currently do) leaves out about 68 percent of the extremely poor population in Tanzania. As the move is made to a more unified nationwide program, it should retain the capacity to scale its operations up or down in each region in response to changes in need.

42.  The report recommends a national program that consists of:

- A large nationwide public works employment program for the able-bodied poor, available mainly during the four-month lean season because it is self-targeting, builds assets that can raise incomes in the longer term, and can be scaled up and down in response to need – both in time and geographically.

- A limited program of narrowly targeted cash transfers (either conditional or unconditional) for those who cannot work, providing predictable transfers – mostly in cash – to orphans/MVCs, the destitute elderly, and the disabled who are not adequately looked after by families.

43.  The seasonal public works program would likely account for the majority of beneficiaries, perhaps 75-80 percent.
44. Policymakers face two key choices: how widely to expand the coverage of the cash transfers (as opposed to the public works) and whether or not to make them conditional. This report argues that Tanzania probably cannot afford to extend cash transfers much beyond the most vulnerable who cannot participate in public works schemes. This is equivalent to about 2 to 4 percent of the population, and even that small percentage amounts to 1 million people. With coverage that low focused only on the truly destitute, there would appear to be little rationale for requiring them to comply with conditions. However, there is a strong preference for conditions, including among beneficiaries, and conditions, even if fairly ‘soft’, can be used to encourage the beneficiaries to build their human capital.

45. The administration of the cash transfers provided under the new regime should be more unified than has been the case before in terms of the identification and targeting of beneficiaries and the delivery of benefits. This can be done either by uniting all of the transfers within a single national program or at least by ensuring far greater coordination between programs within a common framework. The result would be greater poverty reduction at an affordable level of spending.

46. This increased coordination can be phased in gradually, starting with some immediate steps to strengthen existing programs and the restructuring of the existing package of programs over the next two years. Over the longer term, more actions can be taken to move towards a single national program, owned and largely operated and eventually financed by the Government of Tanzania and domestic organizations.

47. Tanzania currently faces a unique opportunity to achieve this re-structuring for the following reasons. First, the existing programs are all currently being revised or restructured within the coming year. Second, there is a strong basis for building on and expanding aspects of several programs, including the MVC program’s community-based targeting system that covers much of the country and the TASAF public works and the WFP food-for-
work program, both of which have established well-functioning public works employment systems. And third, here is strong donor interest in supporting expansion, especially if it is structured around a unified national safety net program. This donor funding – which would have to be committed over a fairly long timeframe – could be a bridge that would lead eventually to more sustained public financing of the system over time.

48. The following immediate steps are recommended:

- Evaluate the community-based targeting systems used by existing programs (the MVC, FFA, TASAF CCT, VG, and NAIVS programs), identify best practices, and initiate a single national system for identifying the neediest at the village level for all cash and in-kind transfers programs.

- Initiate discussions between the Department of Social Welfare (DoSW), USAID, PEPFAR, and the Global Fund changing the support provided by the MVC Program from sporadic in-kind benefits to more predictable cash and food transfers.

- Review geographical targeting, its effectiveness, and its overlap and exclusion errors and decide the extent to which geographical targeting should be used in the national safety net program.

- Review experience with Food for Assets and the TASAF public works programs, take the best of both, and consolidate them into a single, consistent national model for providing employment-based transfers to the poor.

- Examine the potential for using existing spending on the maintenance of roads and other public infrastructure to employ the poor during the lean season – using a self-targeted low wage rate.
• Identify ways to coordinate the geographical coverage of the PWP and Food for Assets.

• Bring together donors, the DoSW, and TASAF to reach a consolidated approach to moving toward a unified national program of cash transfers, both conditional and unconditional.

• Monitor and review experience with NAIVS and considering implementing a follow-on program targeted only to poor farmers.

• Undertake a detailed review and analysis of the targeting errors in NFRA’s subsidized food distribution, Food for Work, and the school feeding program that were implied in the CFSVA data to assess the extent of benefits going to the non-poor and the scope for rectifying inclusion errors and redirecting resources to the poor.

• Examine various ways to track and coordinate overlaps in coverage by all programs to reduce gaps and rationalize any duplication of support.

• Establish a single institutional home for safety nets within the government.

49. **Shape and Costs of the System in the Longer Term.** This report presents three illustrative options for the costs and coverage of a unified national safety net program. The middle of the three options (in terms of price) consists of two elements. The first would be a public works program that would provide employment to about 700,000 people annually (3 to 4 million beneficiaries in total, thus reaching many of the chronically food-poor), most receiving about four months’ worth of transfer annually. The second element would be a cash transfer program that would provide about Tsh 5,000 per month per adult equivalent (about US$40 annually) to about 300,000 households (an estimated 1 million total
beneficiaries, consisting of the most vulnerable and destitute MVCs, elderly, and disabled). The estimated cost of this option would be about US$150 million per annum, much of which could be financed by re-directing existing resources.

50. The cash transfers could be either conditional or unconditional. The conditions might include requiring beneficiaries to: (i) participate in nutrition programs or use micronutrient supplementation packs; (ii) ensure their children start school at the appropriate age; (iii) ensure that their children attend school regularly (for some groups and areas); (iv) ensure that girls stay in school beyond Form IV; (v) participate in neonatal and family planning programs; and (vi) deliver their babies at medical facilities. The likely costs and effects of each of these conditions will need further investigation.

51. Other two options the government might want to consider to supplement this core program include:

- Continuing NAIVS over the long run but in a smaller form targeted to poor farmers (because it delivers the largest benefits for each dollar spent)

- Increasing spending on rural road maintenance as a way to employ the poor at a self-targeting wage-rate, thus expanding the coverage of the PWP, addressing the backlog of under-funded maintenance, and providing essential routine maintenance that has a high rate of return.
52. Donors currently finance about 75 percent of all transfer expenditures. Some of these resources are fungible, and some are not (for example, most funding for the MVC program is tied to donor-run HIV/AIDS programs). The trick will be to persuade donors to help to finance the transition. Donors with limited flexibility can be encouraged to re-orient their existing programs in support of the unified national program, while others may be persuaded to re-direct their financing and/or re-design their programs. Over time, it should be possible to attract more basket financing from donors for a unified program (this approach has worked in Ethiopia, for example) as the government slowly moves towards shouldering more of the financing through the recurrent budget.
CHAPTER I: INTRODUCTION

Background – Why Safety Nets and Transfers?

53. Tanzania has made significant economic progress in the recent past, with per capita national income almost doubling from US$230 in the late 1990s to US$440 today. Nonetheless, in 2007 about 13 million people lived on less than US$1 per day, and about 6 million, or one-sixth of the population, consumed less than the minimum basic food requirements.

54. Despite a decade of impressive GDP growth, averaging about 7 percent per annum between 2001 and 2008, poverty rates have remained stubbornly high. The failure of growth to reduce poverty in Tanzania has been the subject of much recent debate. The main reasons have to do with the composition of growth and the failure of the rural agrarian economy to transform rapidly enough to keep up with population growth. The net effect is that there remain many people whose incomes have not grown adequately as a result of the growth process.

55. In addition, the poor in Tanzania face many risks and shocks that undermine their long-term productivity and hinder their transition to higher-return activities (examples include seasonal unpredictability in their food production and prices, the impact of long-term droughts, and the loss of breadwinners to HIV/AIDS). At the same time, there are some large and growing groups of the poor who are overwhelming the capacity of traditional safety nets to support them – the most notable being the country’s 1 million orphans and most vulnerable children.

56. Under these circumstances, it makes sense to ask what role public safety net programs might play in accelerating poverty reduction. Well-designed transfers can raise the immediate consumption of those who are living below the poverty line, while at the same time facilitating

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6 2008 GNI, atlas method.
7 See, for example, Hoogeveen and Ruhindula (2009).
more permanent increases in their incomes by building their human capital and enabling them to take on higher-return activities or to escape from the inter-generational poverty trap. Box 1 below highlights some of the key ways in which this might be achieved in Tanzania. These results are not guaranteed, however, and will depend on policymakers’ judicious choice of programs and their design. This paper examines the current safety nets in Tanzania and suggests how they can be adjusted to achieve a greater poverty-reducing impact.

Box 1: Safety Nets: Accelerating and Deepening Pro-Poor Growth

Choosing the right safety net programs can protect immediate consumption, while helping to more permanently reduce poverty:

- **Public works employment schemes can create assets that will fuel longer-term growth.** Examples include building roads that increase market access and integration or undertaking soil and water management, reforestation, and irrigation works.

- **Safety net transfers help the poor to cope with the impact of shocks.** In Tanzania, this includes cushioning the poor from the annual shock of food shortages and price rises (which result in reduced consumption and productivity losses) or preventing families from selling assets such as land or livestock during prolonged droughts, which can put them in more permanent destitution.

- **Safety net programs can support human capital development.** Almost all transfers result in increased human capital formation by households due to the direct impact of increased consumption and the greater use of education and health services. This effect can be intensified by making benefits conditional on school or clinic attendance or the use of nutrition programs or by providing scholarships to girls to help them continue their education.

- **Safety net programs can help the poor to manage risk** by giving them the flexibility to take on higher-risk, higher-return activities. An example in the case of Tanzania would be the greater use of fertilizer and other purchased agricultural inputs or diversifying their crops.

- **Safety net transfers can lift the poor out of the inter-generational poverty trap.** Examples in Tanzania include giving transfers to child-headed households or to elderly people supporting orphans, thus allowing the children to continue in school and/or improving their nutritional status.

- **Safety net transfers can help the poor to achieve more permanent income increases.** Injections of cash income can allow the poor to build small amounts of capital that enable them to invest in diversified activities. Good examples from Tanzania include poor women selling clothes or food in local markets.


**Objectives of the Study**

57. This paper explores the possible role that safety net transfers can play in Tanzania. It is worth noting at the outset that the study looks at programs that provide *transfers* to the poor – either financially or in-kind – such as public works employment, food and feeding programs, and subsidies and cash payments. It does not look at the many other forms of public intervention that can improve their lives (for example, education and health services, income-generating programs, or loan schemes), nor does it go into any depth on contributory pension schemes in the formal sector, not because these are not important but because they are adequately addressed elsewhere.\(^8\)

58. Safety net transfers are a core function of the state. Even in very low-income countries, governments want to protect those who are at unacceptably low levels of consumption, and productive safety nets are an essential ingredient in any poverty reduction strategy. However, there are many competing demands for public expenditure, and in the tight fiscal circumstances faced by the Government of Tanzania, safety net programs need to be carefully chosen so that they are cost-effective and simultaneously contribute to the kind of productivity-enhancing objectives outlined in Box 1.

59. The Government of Tanzania has recognized this. Social protection is a key pillar of MKUKUTA, and the draft national Social Protection Policy Framework lays out the broad outlines and priorities of the government. However, it does not go into specifics about the interventions themselves. Therefore, a key objective of the current study is to present a range of costed program options.

60. This paper attempts to lay out what the options might be, locating them within an analytical assessment of the nature of poverty and shocks faced by the poor in Tanzania (Chapter II). In Chapter 3, it examines the effectiveness of existing transfer programs, including

\(^8\) See, for example, World Bank (2010a).
how well they are working, how cost-effective they are, and how well they address the needs of the poor in Tanzania. Based on this, it makes suggestions as to which programs it might make sense to scale up and also which it may make sense to reduce or phase out. It also looks at approaches that have been tried elsewhere but not in Tanzania, which might usefully be included in the national safety net strategy.

61. Chapter 4 moves to the strategic level and evaluates what the state can realistically spend on transfers, and how safety net programs might fit into the wider national development agenda. Chapter 5 discusses some of the institutional and administrative concerns that affect program design. Chapter 6 concludes by outlining a series of immediate steps to increase the effectiveness of existing programs as well as a medium-term strategy for moving towards a more unified national program.
CHAPTER II: POVERTY ANALYSIS FOR SAFETY NET TRANSFERS

62. Deciding what the “right” safety net strategy is depends on the nature and distribution of poverty. This section examines the characteristics of poverty in Tanzania, in order to determine:

- What aspects of poverty – including shocks and uninsured risks – can be addressed using safety net transfers.
- Which groups to target.
- Whether there are any characteristics of the poor – such as where they live, what they do, or what they own – that can be used to design and target safety net programs.

2.1 Poverty and Ultra-poverty in Tanzania

63. Approximately 12.9 million people, or 33.6 percent of the population, lived in poverty in 2007 (defined as having less than the minimum consumption required to meet their basic needs). Some 6.4 million, or 16 percent of the population, lived at levels of income so low that they could not afford to consume the minimum daily intake of calories.

64. The first thing the policymakers should be concerned about from a safety net point of view is how poverty is distributed among the population. Are there many people, for example, gathered fairly narrowly around the poverty line or are there smaller proportions of the population who are very far below it?

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65. A number of things are immediately clear from Figure 1. Except for at the tails, the distribution of income is relatively flat, with the largest share of the population living just above the poverty line. There is also quite a large group (about 6 million people) who live below the poverty line but not far below it.\(^\text{10}\)

66. When thinking about safety nets, it is worth asking whether there exists a distinct group of “ultra-poor” who are significantly worse off than the poor as a whole and whom it might make sense to target with safety net transfers. To examine this question in more detail it is necessary to analyze the distribution of incomes among the bottom half of the population (see Figure 2). It is clear that there is a distinct discontinuity in consumption. For example, the average incomes of the poorest 10 percent of Tanzanians are 40 percent lower than those of the people in the next decile.

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\(^{10}\) These are the population who live above the food poverty line, but below, or just below, the basic needs poverty line – a difference of only about US$2 per month on average (per capita, based on half the distance between the basic needs and food poverty lines in Tsh 2006 Tsh.).
67. In subsequent sections we examine the attributes of this group in a bit more depth – their demographic characteristics, the assets that they own, and how they make their livings – to try to ascertain whether it is possible to identify and target them.

68. On the basis of a very broad decomposition of the population into poverty groups, Table 1 summarizes the numbers of people in the main poverty categories. In Chapter 4, we will explore the implication of these numbers for a potential national safety net program.
### Table 1: Approximate Numbers in Broad Poverty Groups, 2007

<table>
<thead>
<tr>
<th>Income/Consumption Level</th>
<th>What It Means</th>
<th>Approximate Number of People</th>
<th>Cumulative Number of People</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Bottom 10%</strong></td>
<td>This group has incomes far below even the poor in general and is an obvious target for safety nets.</td>
<td>3.8 million</td>
<td>3.8 million</td>
</tr>
<tr>
<td><strong>Below Food Poverty Line</strong></td>
<td>These are the very poor and almost certainly require some form of safety net intervention.</td>
<td>6.4 million</td>
<td>6.4 million</td>
</tr>
<tr>
<td><strong>Above Food Poverty Line but below Basic Needs Poverty Line</strong></td>
<td>This group may require occasional safety net support during difficult times.</td>
<td>6.3 million</td>
<td>12.7 million</td>
</tr>
</tbody>
</table>

*Sources: HBS 2007, Poverty Monitoring Group (2008), and author’s calculations.*

#### 2.2 Characteristics of the Poor and the Very Poor

69. In section we look at various attributes of the poor, the non-poor, and the very poor to try to understand whether there are aspects of their poverty that it makes sense to tackle with safety net transfers and – equally importantly – to identify any criteria that might be useful for identifying and targeting beneficiaries.

70. The poor in Tanzania are overwhelmingly located in rural areas (84 percent of the poor) and overwhelmingly dependent on agriculture as their primary source of income (74 percent).

### Table 2: Some Basic Characteristics of the Poor in Tanzania, 2007

<table>
<thead>
<tr>
<th>Area of Residence (% of poverty group)</th>
<th>Ultra-Poor&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Poor</th>
<th>Non-poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>18.7%</td>
<td>17.9%</td>
<td>33.7%</td>
</tr>
<tr>
<td>Rural</td>
<td>81.3%</td>
<td>82.1%</td>
<td>66.3%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary Occupation (% of poverty group)</th>
<th>Ultra-Poor&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Poor</th>
<th>Non-poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farming, Fishing, etc.</td>
<td>86.2%</td>
<td>81.3%</td>
<td>59.3%</td>
</tr>
<tr>
<td>Self-employed</td>
<td>9.6%</td>
<td>11.2%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Employee</td>
<td>4.2%</td>
<td>6.5%</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

| Average Household Size (No.) | 6.7 | 5.9 | 4.3 |

*Source: 2007 HBS data and PHDR, 2009.*

<sup>a</sup> Those living below the food poverty line.

71. Poverty is not noticeably higher among female-headed households and the elderly than among the population as a whole. This does not mean that many women in Tanzania and many
of the elderly do not live in very difficult circumstances; it simply means that in a consumption sense the household data do not reveal any consistently higher incidence of poverty. Of course the Household Budget Survey (HBS) data do not indicate anything about the distribution of consumption within households, but micro studies and anecdotal evidence often suggest that children and women receive less than proportional food shares.\textsuperscript{11} Although it is not obvious from the aggregated data, the very poor tend to live in larger households.\textsuperscript{12} Figure 3 illustrates the very strong relationship between the number of household members and poverty.

![Figure 3: Household Size and Poverty Incidence](source: HBS 2007, Table 1.1, Chapter 8.)

72. The data do not reveal any very distinct differences in asset ownership between the poor and the non-poor, with the obvious exception of higher-end assets such as televisions and motor cars. While ownership of more basic goods such as bicycles, radios, and farm implements does increase with income (Table 3), it is relatively evenly spread among the bottom 60 percent of the population, making it difficult to use asset ownership as a targeting proxy for transfers.

\textsuperscript{11} UNICEF (2009).
\textsuperscript{12} This is to some extent tautological, as incomes – which are determined primarily by agricultural production – are spread between many more people (generally children and older dependents) in large households, and household per capita incomes are therefore lower.
Table 3: Housing Quality and Asset Ownership by Income Status, 2007

<table>
<thead>
<tr>
<th></th>
<th>Non-Poor</th>
<th>Poor&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Very Poor&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Bottom 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mud or Earth Floor</td>
<td>63.5%</td>
<td>83.4%</td>
<td>88.4%</td>
<td>90.8%</td>
</tr>
<tr>
<td>Mud or Earth Walls</td>
<td>62.7%</td>
<td>75.9%</td>
<td>83.0%</td>
<td>87.3%</td>
</tr>
<tr>
<td>Durable Roof</td>
<td>58.2%</td>
<td>41.8%</td>
<td>29.6%</td>
<td>27.9%</td>
</tr>
<tr>
<td>No Toilet</td>
<td>5.8%</td>
<td>8.0%</td>
<td>10.8%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Ownership of Some Key Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td>75.6%</td>
<td>63.2%</td>
<td>51.2%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Bicycle</td>
<td>50.5%</td>
<td>47.2%</td>
<td>41.6%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Plough</td>
<td>10.7%</td>
<td>13.3%</td>
<td>15.3%</td>
<td>n.a.</td>
</tr>
<tr>
<td>Sheep, Goats, etc. (number) &lt;sup&gt;c&lt;/sup&gt;</td>
<td>4.6</td>
<td>4.9</td>
<td>3.5</td>
<td>n.a.</td>
</tr>
<tr>
<td>Cattle, Large Livestock (no.) &lt;sup&gt;c&lt;/sup&gt;</td>
<td>5.8</td>
<td>9.8</td>
<td>3.0</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Source: HBS data; created from PHDR 2009, Tables 38-40 and Poverty Monitoring Group (2008), Tables 3.4-3.6

Notes: <sup>a</sup> The poor are below the basic needs poverty line.

<sup>b</sup> The extreme poor are below the food poverty line.

<sup>c</sup> Rural sample only.

73. Similarly, although there is a relationship between income status and housing conditions, almost all of the poorest half of the population lives in houses with mud or earth walls and floors, and without a durable roof (Table 3), so the value of housing status as a means of distinguishing the very poor from the poor is limited.

74. The most significant asset in determining the poverty status of households in an agrarian economy is usually their landholdings, and in many such countries the very poorest are those who are effectively landless. However, the relationship between poverty and land in Tanzania is more complex. Both the HBS (2007) and the Agricultural Census (2005) showed surprisingly little difference between the landholding patterns of the poor and the non-poor. They also showed that quite a large share of even the very poor own what, in other countries, would be considered quite substantial holdings (five or more acres). This may partly be because the data do not account for differences in land quality (the poor may have land in low-productivity areas or own large plots of dry grazing land) and partly because Tanzania is less densely populated than other low-income countries. The implication is that using landholdings to target safety nets to the very poorest, is less feasible than elsewhere.
Table 4: Landholding by Income Class in Rural Tanzania

<table>
<thead>
<tr>
<th></th>
<th>Non-poor</th>
<th>Poor</th>
<th>Very Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>26.0%</td>
<td>13.3%</td>
<td>12.8%</td>
</tr>
<tr>
<td>&lt; 1 acre</td>
<td>9.7%</td>
<td>10.1%</td>
<td>10.4%</td>
</tr>
<tr>
<td>1-2</td>
<td>14.8%</td>
<td>16.0%</td>
<td>16.4%</td>
</tr>
<tr>
<td>2-3</td>
<td>12.6%</td>
<td>14.2%</td>
<td>16.0%</td>
</tr>
<tr>
<td>5+ acres</td>
<td>21.2%</td>
<td>28.0%</td>
<td>26.3%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on HBS data.
Note: The accuracy of landholding data in the HBS cannot be confirmed.

2.3 Movements In and Out of Poverty and the Impact of Shocks

75. An important consideration when planning safety net interventions is whether specific households are chronically poor (in other words, poor all the time) or whether they move in and out of poverty.

76. Households may be stuck well below the poverty line – caught in a trap that prevent them from generating enough income to ever rise to an acceptable level of consumption – in which case they are likely to need continuous support in the form of transfers. Alternatively they may live near the poverty line – rising above it in good times and falling below in bad times – in which case they need safety net support only intermittently.

77. Furthermore, in a longer-term, dynamic sense, some households may be rising out of poverty over time as their circumstances change, while others are falling into poverty (for example, as they age).

78. Unfortunately there is little information on movement into and out of poverty in Tanzania. Recent qualitative work by the Chronic Poverty Research Centre in 2010) and panel survey data from the districts of Ruvuma and Kilimanjaro\textsuperscript{13} suggest that about equal shares of the population fall into or rise out of poverty over a five to ten year period. The reasons why households rise out of poverty generally relate to the changing attributes of their communities

\textsuperscript{13} Christiansen and Pan (2010).
(such as rising agricultural productivity and the diversification of income sources) rather than changes in the individual household.

Table 5: Movements of Households In and Out of Poverty in Kilimanjaro and Ruvuma, 2003-2009

<table>
<thead>
<tr>
<th></th>
<th>Remained Poor</th>
<th>Fell Into Poverty</th>
<th>Rose Out of Poverty</th>
<th>Remained Non-poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kilimanjaro</td>
<td>22%</td>
<td>18%</td>
<td>18%</td>
<td>42%</td>
</tr>
<tr>
<td>Ruvuma</td>
<td>21%</td>
<td>20%</td>
<td>20%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: Christiaensen and Pan (2010). See Annex Table X for more disaggregated data.

Note: The poverty line is from panel data and therefore differs from the national HBS poverty line.

79. Between 10 and 25 percent of the population in these small samples were judged to have fallen into poverty during the reference period. The reasons for their deteriorating incomes are believed to include the effects of prolonged drought, declining prices for their crops, and – to a lesser extent – idiosyncratic factors such as death or illness of household members. In many cases villagers cited the large increase in food prices (discussed below) as a reason for their reduced consumption in recent years.\(^{14}\)

80. Shocks experienced by the poor – in fact by everyone – in the period in question included drought, unexpected declines in cereal and cash crop prices, and crop and livestock losses due to pests or theft, as well as death of the household head in some cases. However, the reported incidence of these shocks was no higher among families who had fallen into poverty than among the population as a whole (or even among those who had risen out of poverty), making it difficult to generalize about what factors cause families to become poorer (see Table 6 and Annex 1.2). Perhaps the greatest shock faced by poor households is the annual shortages of basic food grains and the resulting price rises. These will be discussed later in the section on food security.

\(^{14}\) De Corta and Magogngo (2010).
Table 6: Proportion of Households Having Experienced Shocks in the Previous Year in Kilimanjaro, by Income Transition Group

<table>
<thead>
<tr>
<th>Event</th>
<th>Remained Poor</th>
<th>Fell Into Poverty</th>
<th>Rose Out of Poverty</th>
<th>Remained Non-poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drought</td>
<td>17%</td>
<td>12%</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Unexpected Decline in Cereal Prices</td>
<td>11%</td>
<td>5%</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>Unexpected Increase in Cereal Prices</td>
<td>11%</td>
<td>11%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Unexpected Decline in Cash Crop Prices</td>
<td>20%</td>
<td>19%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Major Harvest Loss</td>
<td>16%</td>
<td>20%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Loss of Livestock</td>
<td>16%</td>
<td>18%</td>
<td>5%</td>
<td>17%</td>
</tr>
<tr>
<td>Major Illness</td>
<td>22%</td>
<td>18%</td>
<td>23%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Christiaensen and Pan (2010), Tables 46, 47, Kilimanjaro sample. The Ruvuuma sample results are not very different. Poverty line comes from panel data.

Note: Incidence of shock applies to previous 12 months from initial survey period.

81. Several studies of household coping strategies\(^{15}\) have shown that households adjust primarily by reducing their food intake. There is little analytical work on the impact of coping strategies on household welfare, and the relationship with their income status does not emerge clearly (perhaps because the poor have less room to reduce their consumption and fewer assets to lose). What is clear is that the poor take longer to recover from whatever losses they incur after shocks (see Table 7).

Table 7: Impact of Drought and Recovery by Household Food Poverty Status

<table>
<thead>
<tr>
<th>Food Poverty Category (^{a/})</th>
<th>Income Loss Due to Drought</th>
<th>Asset Loss Due to Drought</th>
<th>Food Loss Due to Drought</th>
<th>Households Totally Recovered</th>
<th>Households Partially Recovered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>80%</td>
<td>24%</td>
<td>91%</td>
<td>6%</td>
<td>29%</td>
</tr>
<tr>
<td>Borderline</td>
<td>92%</td>
<td>31%</td>
<td>82%</td>
<td>7%</td>
<td>28%</td>
</tr>
<tr>
<td>Acceptable</td>
<td>91%</td>
<td>35%</td>
<td>77%</td>
<td>15%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: CFSVA.

Note: \(^{a/}\) Household food consumption status as measured in the CFSVA.

82. The panel survey data from Ruvuuma and Kilimanjaro\(^{16}\) show that just over half of the poor remained in poverty during the five-year period (with the balance, about 46 percent, rising out of poverty). Conversely, about one-third of families who were not poor in the first round of the panel survey had fallen into poverty five years later. To the extent that these findings can be generalized, the implications for Tanzania’s safety net strategy are that there is a significant core of the poor who remain poor and thus probably require sustained transfers but at the

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\(^{15}\) Kessy and Tarmo (2010), da Corta and Magogngo (2010), Higgins (2010), and WFP (PHRD, 2010).

\(^{16}\) Christiansen and Pan (2010).
same time there is also a sizable minority who move in and out of poverty for whom a flexible safety net is needed. There are very few obvious correlations of this movement in or out of poverty with other household attributes (see Annex 1.2), making it difficult to say with certainty which types of households would need continuous support.

### 2.4 What Is Poverty? How Much Do the Poor Earn, and Where Does Their Money Go?

**Income Levels: What Does Poverty Mean?**

83. The basic needs poverty line for Tanzania in 2006 was about Tsh 14,000 per adult per month, roughly equivalent in purchasing power parity (PPP) terms to US$1.10 per day, which is thus very close to the international norm of a dollar a day.\(^\text{17}\) The food poverty line in the same year was about 80 percent of that, or roughly equivalent to US$0.80 per day.

<table>
<thead>
<tr>
<th>Level of the Poverty Line Tsh per person per month (2007)</th>
<th>Equivalent in US$ per day(^a/)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food Poverty Line</strong></td>
<td><strong>Basic Needs Poverty Line</strong></td>
</tr>
<tr>
<td>Tanzania Mainland</td>
<td></td>
</tr>
<tr>
<td>10,219</td>
<td>13,998</td>
</tr>
<tr>
<td>Estimated: 2010 (^b/)</td>
<td></td>
</tr>
<tr>
<td>14,000</td>
<td>18,100</td>
</tr>
</tbody>
</table>

**Table 8: Levels of Poverty in Tanzania**

*Source: Author’s calculations, based on CPI changes 2007-2010*

*Notes: \(^a/\) Based on PPP exchange rate of Tsh 454 to US$1, and 28 days per month.\(^b/\) Late 2010, Tanzania mainland*

84. According to the HBS in 2006 the poorest people in Tanzania were surviving on an average income of Tsh 7,335 per month,\(^\text{18}\) equivalent to about US$0.57 per day.\(^\text{19}\) There is some doubt that people’s incomes are quite as low – in absolute terms – as the HBS data suggest.\(^\text{20}\) However, the relative orders-of-magnitude are probably correct, and if the poorest

\(^{17}\) As calculated in Poverty Monitoring Group (2008), p.7-8.

\(^{18}\) Decile-wise HBS data; household per capita consumption for lowest 10 percent, World Bank calculations.

\(^{19}\) Based on a PPP exchange rate of Tsh 454 per US$1.

\(^{20}\) It is not clear that the value of own-production of crops, which represents a substantial share of the income of the poor, was accurately quantified in the 2006 HBS. The uncertainty also stems from the fact that the data from the national accounts show higher incomes than does the HBS and that households have accumulated substantial assets since the last survey, which is not reflected in commensurate income growth; see, for example, the discussion in Poverty Monitoring Group (2008).
are living at anywhere near these low levels of consumption, then there is a very strong argument for targeting a national safety net strategy to the very poorest—say the bottom 10 to 15 percent.

85. Although there is some debate about the data, it is nonetheless widely agreed that the impact of growth in Tanzania has not been as a great as had been hoped for. What is interesting from a safety net point of view is the distributional impact of growth and to what extent it reaches (or fails to reach) the poorest. Figure 4 shows the growth incidence curve, which illustrates the impact of economic growth on the consumption of different income groups. The curve is relatively flat, suggesting that all income groups benefitted equally from growth, with the notable exception of the poorest 10 percent, who became worse off, and the richest 10 percent, whose consumption grew relatively fast. This is a significant finding for the safety net strategy because it suggests—at least on the basis of the data for 2000-2007—that the very poorest are those who are not benefitting from growth and are most likely to be in need of sustained transfers.²¹

Figure 4: The Impact of Economic Growth on Consumption by Poverty Class

²¹ The growth incidence curve for rural areas is noticeably closer to zero than for the country as a whole, suggesting that growth has had a negligible impact on the consumption of most people living in rural areas. This re-enforces the argument for focusing on rural areas in any safety net strategy.
Sources of Income: The Livelihoods of the Poorest

86. As noted earlier, farming and fishing are the main sources of income for more than 80 percent of households living below the poverty line (see Table 2). However, the incomes of Tanzanians, including the poor, are more diversified than in other subsistence economies in the region, which probably reflects the beginnings of commercialization and accelerated integration of the population into the cash economy.

87. Despite the preponderance of farming, the poor earn almost half of their incomes from informal off-farm activities and employment, but the problem is that the returns to their off-farm activities are substantially lower than those of other Tanzanians (Table 9).

Table 9: Average Household Income by Income Class and Source

<table>
<thead>
<tr>
<th></th>
<th>Agriculture</th>
<th>Non-farm Income</th>
<th>Wages and Salaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>19,500 (51%)</td>
<td>10,900 (28%)</td>
<td>8,200 (21%)</td>
</tr>
<tr>
<td>2nd Quintile</td>
<td>26,200 (41%)</td>
<td>22,300 (35%)</td>
<td>16,000 (25%)</td>
</tr>
<tr>
<td>3rd Quintile</td>
<td>30,400 (32%)</td>
<td>43,900 (46%)</td>
<td>21,600 (23%)</td>
</tr>
<tr>
<td>4th Quintile</td>
<td>35,400 (28%)</td>
<td>54,200 (43%)</td>
<td>37,500 (30%)</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>43,200 (18%)</td>
<td>125,100 (53%)</td>
<td>70,200 (29%)</td>
</tr>
</tbody>
</table>

Note: Total monthly household income in Tsh.

88. Nonetheless, the poor are twice as dependent on agriculture as the non-poor (Annex Table 1.1). The recent CFSVA survey found that households with below-acceptable levels of food intake (who are generally the poorest) tended to consist of either small-scale subsistence farmers who do not grow any cash crops (who constitute about 25 percent of the rural population) or those who are dependent on daily wage labor (about 9 percent of the rural population) (see Annex 1).

Use of Education and Health Services by the Poor

89. Nearly all Tanzanians spend a majority of their income on food, which accounts for about 60 percent of consumption even among the relatively well-off. What is worth noting is
that the poor are more dependent on their own production of food than are the non-poor (Table 9), but even the very poor purchase almost one-third of their food from the market. It is also worth noting that both medical care and education account for a very small share of consumption, even among the very poor (typically only 2 to 3 percent of household expenditure). This suggests, a priori, that safety net interventions related to health and education spending are not likely to represent a significant part of the program, although catastrophic health expenses can put a major burden on the poor.

<table>
<thead>
<tr>
<th>Consumption Item</th>
<th>Non-poor</th>
<th>Poor</th>
<th>Very Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food – purchased</td>
<td>42.6%</td>
<td>33.2%</td>
<td>30.3%</td>
</tr>
<tr>
<td>Food – not purchased</td>
<td>19.5%</td>
<td>33.7%</td>
<td>33.4%</td>
</tr>
<tr>
<td>Medical care</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Education</td>
<td>3.3%</td>
<td>2.5%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Personal care</td>
<td>2.1%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Fuel(^a)</td>
<td>8.1%</td>
<td>8.5%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Transport and petrol</td>
<td>3.4%</td>
<td>1.9%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>2.7%</td>
<td>0.9%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations based on HBS data.
Note: Selected consumption items only.
\(^a\) For cooking and light.

90. The reasons for the low proportion of spending on health and education have in part to do with the fact that the poor (and almost all Tanzanians) have such low consumption levels that there is little left after paying for the essentials of food and fuel, making the share of any other single consumption item inevitably low. Other reasons include the fact that basic services (such as primary education) are largely free or low-cost and that the coverage of these services is limited, especially in remote areas.

91. Nonetheless, as the coverage of the education system has increased, many more of the poor are now in school. Education participation by income class is fairly egalitarian, and since the introduction of free primary education, enrollment rates are fairly high (Table 11), averaging 84 percent nationwide and 78 percent among the poor.\(^{22}\) The problem remains that

\(^{22}\) The net enrollment rate for the lowest quintile comes from HBS 2007 and Poverty Monitoring Group (2008) Table 4.1.
the poor are more likely than the non-poor to start school later\textsuperscript{23} and are less likely to complete it. It may be possible to use conditions attached to the receipt of cash transfers (see Chapter 6) to encourage parents to send their children to school at the appropriate age, to encourage their girls to continue beyond Form IV (at which point many currently leave school), and to increase their attendance.\textsuperscript{24}

<table>
<thead>
<tr>
<th>Wealth Quintile</th>
<th>School Attendance</th>
<th>% 10-13 Yr. Olds Not Yet Started School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>78%</td>
<td>26%</td>
</tr>
<tr>
<td>2\textsuperscript{nd}</td>
<td>79%</td>
<td>17%</td>
</tr>
<tr>
<td>3\textsuperscript{rd}</td>
<td>84%</td>
<td>11%</td>
</tr>
<tr>
<td>4\textsuperscript{th}</td>
<td>89%</td>
<td>5%</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>91%</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use of Health Facilities$^{a/}$</th>
<th>Any Provider</th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>1.26</td>
<td>0.85</td>
<td>0.27</td>
</tr>
<tr>
<td>2\textsuperscript{nd}</td>
<td>1.40</td>
<td>0.85</td>
<td>0.35</td>
</tr>
<tr>
<td>3\textsuperscript{rd}</td>
<td>1.27</td>
<td>0.82</td>
<td>0.36</td>
</tr>
<tr>
<td>4\textsuperscript{th}</td>
<td>1.42</td>
<td>0.96</td>
<td>0.34</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>1.01</td>
<td>0.62</td>
<td>0.34</td>
</tr>
</tbody>
</table>

Source: Poverty Monitoring Group (2008) Table 11, Table 4.6, based on HBS 2007 data.
Note: $^{a/}$ Average number of household members using health services.

Health status is uniformly poor but is somewhat worse among the poor than the non-poor. The poor also make less use of health facilities, although the empirical evidence suggests that the difference is not significant (Table 11). There is continuing debate about whether charging fees for health services discouraging their use. – The questions of exemptions is discussed in Chapter 3.

2.5 The Geographical Distribution of Poverty

As discussed above, poverty in Tanzania is concentrated in the rural areas. The overwhelming majority of the poor (about 84 percent) live in rural areas, and levels of poverty are far higher in the countryside than in towns (Table 12).
Table 12: The Regional Distribution of Poverty in Tanzania

<table>
<thead>
<tr>
<th>Region</th>
<th>Incidence of Poverty</th>
<th>% of the Poor</th>
<th>Number of Poor</th>
<th>Below Basic Needs Poverty Line</th>
<th>Below Food Poverty Line</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic Needs</td>
<td>Food Poverty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>34.6%</td>
<td>16.4%</td>
<td>84%</td>
<td>10.7 million</td>
<td>5.3 million</td>
</tr>
<tr>
<td>Urban (other than Dar es Salaam)</td>
<td>24.1%</td>
<td>12.9%</td>
<td>13%</td>
<td>1.6 million</td>
<td>874,000</td>
</tr>
<tr>
<td>Dar es Salaam</td>
<td>16.4%</td>
<td>7.4%</td>
<td>3%</td>
<td>474,000</td>
<td>212,000</td>
</tr>
</tbody>
</table>

94. While there has undeniably been an increase in urban poverty in recent years and while the poorest households in urban areas undeniably live in conditions of squalor, it is still worth highlighting the continued difference in consumption levels between urban and rural Tanzanians. Urban poverty is still nowhere near as deep or as widespread as in rural areas. To be truly poor in Tanzania still means to be rural and poor. Any safety net strategy, therefore, must primarily address rural poverty.

95. Geographically, poverty tends to be higher in the central band of the country (where there are fewer cash crops, lower rainfall, and less integration with urban markets) and in the drier areas of the far north and south (where people depend on grazing for their livestock). It is worth noting, however (see Annex 1.3) that regions with lower than average incomes are not necessarily those with the highest incidence of poverty. This suggests that within some relatively well-off areas there are large numbers of households who are not benefitting from the general economic prosperity around them, while within some poorer areas incomes are more evenly distributed. The implication is that using geographical targeting alone will miss very large numbers of the poor. For example in 2001 (the last year for which reliable district-wide poverty data are available), focusing on only the regions that constitute the poorest third of the country (as most programs currently do) would leave out about 64 percent of the poor and 58 percent of the extremely poor (those living below the food poverty line).\(^{25}\)

\(^{25}\) Based on selecting the seven regions (out of 21) with the highest food poverty headcount ratio and applying 2002 HBS region-wise poverty rates and 2002 Census population estimates (see Annex Table 1.6).
96. Note however that successive CFSVA surveys have found that the set of districts where people have below-acceptable levels of food consumption\(^{26}\) change quite significantly over five-year periods, suggesting that areas – like households – move in and out of poverty. The implications for the safety net strategy are that in some circumstances geographical targeting may make sense but mostly only for short-term interventions that provide intensified support to an area during a difficult period. This is an argument in favor of interventions such as public works employment that can be expanded and contracted as needed.

2.6 Food Insecurity and Vulnerability

97. Many poor Tanzanians are still subsistence farmers. They rely almost entirely on their own production of food grains. They have little cash income, so the depth of their poverty depends very much on how much they are able to grow in a given year on their own land and how far into the next year they can survive on that yield.

98. It is estimated that some 2 million Tanzanians are food-insecure in any given year and that another 6 million are at typically at risk of falling into food insecurity if their harvest is inadequate or there is widespread drought.\(^{27}\) The numbers vary substantially from year to year depending on the rainfall. The most recent Vulnerability Assessment survey\(^{28}\) found that 4.1 percent of rural households had poor food consumption (defined as having an almost exclusively cereal-based diet and eating vegetables only three days a week and pulses only two days a week, with almost no animal protein), and a further 18.9 percent had only borderline food consumption (defined as having an only marginally better diet – eating pulses, vegetables, and fruit approximately one time more per week than poor consumption households).

\(^{26}\) The reasons for this have not been investigated in any depth but are thought to include a mix of changes in attributes (such as market and road integration), the shifting impact of drought, economic developments or innovations (such as the regional adoption of particular cash crops), and the impact of intensified food-security and transfer programs.

\(^{27}\) Annual FEWS/VAM assessments, 2002/03-2009/10 Comprehensive Food Security and Vulnerability Analysis (CFSVA), WFP.

\(^{28}\) WFP (2010d).
99. About 16 percent of Tanzanians consume less than the daily minimum requirement of calories. The question is to what extent this is due to generalized poverty and insufficient incomes and to what extent it is due to food security factors, such as the availability of food, failure of their harvest, or poorly functioning food markets. To the extent that food security factors are the main problem, then food-based safety nets should be a key part of the national strategy.

100. Most food insecurity is ultimately an issue of income poverty: if people have enough money – wherever they are in the world – they can generally buy food. However, for Tanzanians in the bottom half of the income distribution, especially in rural areas, they are unlikely to have the purchasing power to solve their food security problems by buying food from the market.

101. The issue from a safety net point of view is whether food-security based interventions, such as transfers of food or assistance programs that increase the poor’s own production of food, are more appropriate than cash transfers.
102. Tanzania is generally self-sufficient in its staple crop – maize – but poor infrastructure in rural areas, high transport costs, and poorly functioning markets limit the internal distribution of food from surplus to deficit areas.

103. More importantly, and as is common with many subsistence economies, the poor who live in these areas have little cash income, limiting the extent to which they can purchase food to offset deficits in their own production, and further constraining the development of functioning markets due to the lack of effective demand in poor areas. One consequence of this is the very large seasonal swings in food prices that place a particularly high burden on the poor (discussed below).

104. The weak markets are partly a consequence of the limited purchasing power of the community. If the very poor had more cash income, more traders would operate in these areas, and the extreme variations in food supply and prices would be reduced. In designing safety net interventions, therefore, careful attention needs to be paid to the trade-off between providing benefits in the form of food (which will still be needed in times of extreme shortage or in isolated areas) and providing them as cash, which, if predictable and sustained enough, will help to promote the growth of local markets.


text:

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**Seasonality in Food Insecurity and Poverty**

105. As in all rain-fed subsistence economies, in Tanzania the consumption of the poor varies significantly depending on the time of year. Immediately after the harvest, food is plentiful and prices are low. As the dry season progresses, stocks are used up, and, just as the rains begin for the next year, food supplies are running down. Thus, as rural households plant their crops and await the next harvest, they have used up all of their food reserves, and there is little available in local markets to buy, resulting in a four to five month hungry season.
106. In Tanzania, the coastal and northern areas benefit from two rainy seasons so seasonal food shortages are less of a problem there and the hungry season typically only lasts two to three months (see Figure 6). Furthermore, some coastal and highland areas have considerable cash crops and have better links with urban markets, thus giving them an opportunity not only to sell their cash crops but also to find off-farm work. As a result, they are better-equipped to purchase food if they need it than poor households in other areas of the country.
Figure 6: Areas with Bimodal and Unimodal Rainfall Seasons

Bimodal Areas (Coastal and northern areas with two rainfall and planting seasons)

<table>
<thead>
<tr>
<th>Vuli Harvest</th>
<th>Masika planting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masika rains</td>
<td>Vuli rains</td>
</tr>
</tbody>
</table>

Jan Feb Mar Apr May June Jul Aug Sep Oct Nov Dec

Hunger Season

<table>
<thead>
<tr>
<th>Green harvest</th>
<th>Msimu harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Msimu rains</td>
<td>Msimu rains</td>
</tr>
</tbody>
</table>

Dry Spell

Msimu prep and planting

Unimodal Areas (Inland areas with a single rainfall growing season).

107. Typically the food harvested by a family lasts about five or six months in unimodal areas and about eight months in the bimodal areas, although it lasts substantially less in households in the poorest livelihood groups. For families who rely primarily on day labor for their incomes, the harvest lasts for only four months for those in unimodal areas and six months for those in bimodal areas (see Annex 1.4). Figure 7 illustrates how drastically families run out of food between harvests.

Figure 7: Percentage of Households with Food Reserves Remaining from Previous Harvest, by Month

Source: Author’s calculations from CFSVA 2010; Fig. 24, p.54.

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29 CFSVA, 2009/10, Table 10.
The Poor: Net Buyers and Sellers of Food

108. In general the very poor tend to produce less food from their land than those who are better off and thus face a longer and deeper hungry season and have to buy more food from the market. There is no good country-wide data on the status of net sellers and net buyers of food grains by income.\(^{30}\) Table 13 shows the proportions for two sample districts, both of which are relatively food-insecure. In Kilimanjaro, almost 90 percent of the poorest are net buyers of food, and the proportion falls as households get wealthier. In Ruvuma, on the other hand, more of the poor tend to be net sellers of food, and the percentage of households that are net sellers actually falls as incomes increase (probably because the better-off have more diversified sources of incomes and are less reliant on food sales).

<table>
<thead>
<tr>
<th>Consumption Quintile</th>
<th>Kilimanjaro (Northern Highlands)</th>
<th>Ruvuma (Southern Highlands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Food Buyers (% of total)</td>
<td>Net Food Sellers (% of total)</td>
</tr>
<tr>
<td>Poorest</td>
<td>89%</td>
<td>11%</td>
</tr>
<tr>
<td>Second</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Third</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>Fourth</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>73%</td>
<td>28%</td>
</tr>
</tbody>
</table>


Seasonality in Prices and Labor

109. The poor suffer doubly by the seasonality of food supply, first from the shortages themselves and then from the fact that the times when they need to buy food from the market are also the times when prices are highest.

110. The seasonal variation in supply and demand for grains combined with the weak integration of markets leads to significant swings in prices. Figure 8 below shows the variation

\(^{30}\) However, the HBS shows that the extremely poor purchase slightly less of their food than the population as a whole, perhaps in part because of their limited purchasing power and because they tend to be subsistence farmers.
in price of maize over the past six years. Typically there is a ratio of high-season to low-season prices of almost 2 to 1. Furthermore, because many districts are not integrated into the wider market, increases in consumer prices do not necessarily translate into similar increases in farm-gate prices for farmers, so the medium-poor who might be net sellers of grain do not benefit commensurately. Anything that can be done to smooth this variation in prices could result in large welfare gains for the poor and thus should be an important part of the safety net strategy.

![Figure 8: Seasonal Movements in Maize Prices, 2001-2007](image)

111. Note that the variation is less in some areas than others. Between January 2009 and January 2010, for example, maize prices increased by 65 to 80 percent in some districts, while others experienced no increases or even price declines, suggesting that a large part of the problem is the lack of integration of markets.

112. There are also large periods of time when the able-bodied poor do not have enough work to do. The evidence shows that off-farm employment does not pick up enough to compensate for the drop in agricultural work demands on the farm during this slack season (Figure 9). This clearly points to the valuable role that a public works employment scheme could play in the country’s safety net. The drawback is that the time of greatest household need (the November-February hungry season) is also the time when farmers are busy with on-farm planting and cultivation activities (Figure 9 below), so either payments would have to be made later in the season for work done during the slack period or systems would have to be

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developed that encourage households to save the payments until they need the money (or food) in the hungry season.

**Figure 9: Seasonality in Labor Use and Livelihood Activities**

Source: CFSVA 2010.

*Note:* Percentage of households engaging in activity by month.

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**An Aside on Food Inflation and the Poor**

113. The prices of almost all basic foodstuffs have increased dramatically over the past five years, particularly in the period between 2007 and 2009 (Table 14), which has put an additional burden on the poor. This increase was due in part to regional shortages in eastern Africa, in part to international food and fuel price increases, and in part to slow growth in domestic food production.

**Table 14: Estimated Increase in the Prices of Basic Foodstuffs, 2001-07 and 2007-09**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>+87%</td>
<td>+42%</td>
<td>+50%</td>
</tr>
<tr>
<td>Maize Flour*</td>
<td>+111%</td>
<td>+56%</td>
<td>+73%</td>
</tr>
<tr>
<td>Vegetables**</td>
<td>+129-166%</td>
<td>+3%</td>
<td>+16%</td>
</tr>
<tr>
<td>Meat*</td>
<td>+141%</td>
<td>+34%</td>
<td>+20%</td>
</tr>
<tr>
<td>Cooking Oil/Fats*</td>
<td>+107%</td>
<td>+18%</td>
<td>+49%</td>
</tr>
<tr>
<td>Sugar</td>
<td>+112%</td>
<td>+4%</td>
<td>+28%</td>
</tr>
</tbody>
</table>


*Notes:*
- *Maize only 2007-09.*
- *Beef 2001-07.*
- *Fats 2007-09.*
While the major price inflation of 2008-09 appears to have abated, the poor suffered a significant consumption shock from which they are unlikely to have fully recovered. Qualitative studies confirm that many respondents have reduced their food intake, either by reducing the number of their meals or by substituting lower-valued foods, dropping more expensive items like meat and milk from their diets.\footnote{32 Higgins (2010), daCorta and Magogngo (2010), and Kessy and Tarmo (2010).} It would seem that the increased demand for food from the growing urban population is contributing to price pressures, which may lead to welfare losses for the rural poor who are net purchasers of grain and even for those who are net sellers since consumer price increases are not passed to the farm gate.

### 2.7 Nutrition

Malnutrition is widespread in Tanzania, although not quite as severe as in other low-income countries in the region.\footnote{33 World Bank (2008) p.71.} Approximately 38 percent of children under the age of 5 are stunted – have low height-for-age – and about 13 percent are severely stunted. Stunting is a reflection of the failure to consume adequate nutrition over a number of years and is often associated with poor overall economic conditions. About 3 percent of children are wasted, which signifies acute malnutrition.

There is only a limited relationship between food-insecure areas and areas with high malnutrition. This is reinforced by the fact that the areas with cereal surpluses – mostly in the south and west\footnote{34 UNICEF/REPOA and NBS (2009).} – are also the areas with relatively high rates of malnutrition. This suggests that the problem is not so much related to insufficient food as to poor feeding practices (for example, stopping breastfeeding too early), poor diet (involving a heavy reliance on cereals that are low in energy and nutritional value), and poor health status (diarrhoeal diseases and parasitic infections, which suppress appetite and interfere with the body’s ability to metabolize food).
117. There is also a fairly weak relationship between malnutrition and poverty status in Tanzania. As shown in Table 15, levels of malnutrition are about equal among the bottom 60 percent of the population. Studies have shown that the income elasticity of nutrition is low (in the range of 0.25 to 0.5), meaning that a 10 percent increase in incomes leads to only a 2.5 to 5 percent decline in malnutrition. Therefore, income growth alone will not solve the problem. If Tanzania is to meet the Millennium Development Goal of halving child malnutrition, income growth will have to be complemented by large-scale nutrition interventions. Those with the highest benefit-cost ratios include food fortification, the provision of minerals and vitamins, and improved pre-natal care and care and feeding practices for young children.  

<table>
<thead>
<tr>
<th>Wealth Quintile</th>
<th>Stunting (Height-for Age)</th>
<th>Wasting (Weight-for-Height)</th>
<th>Underweight (Weight-for-Age)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&gt;3 s.d.</td>
<td>&gt; 2 s.d.</td>
<td>&gt;3 s.d.</td>
</tr>
<tr>
<td>Poorest</td>
<td>17.6</td>
<td>44.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Second</td>
<td>15.5</td>
<td>42.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Third</td>
<td>13.6</td>
<td>40.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Fourth</td>
<td>10.3</td>
<td>37.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>3.9</td>
<td>15.7</td>
<td>0.2</td>
</tr>
<tr>
<td>All Tanzania</td>
<td>12.8%</td>
<td>37.7%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>


118. Most damage from malnutrition occurs in the first year or two of life and has lifetime effects on productivity and well-being. Evidence from Tanzania shows that improved nutrition increases years of schooling and school outcomes and can raise long-term productivity (by 5 to 17 percent) and lifetime earnings (by an estimated 12 percent). Therefore, reducing early childhood malnutrition has significant long-term effects because it can break the poverty-malnutrition cycle. Safety net interventions can contribute by making transfers conditional on recipients participating in programs that will teach them better nutrition practices (see discussion in Chapter 6).

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2.8 Poverty among the Most Vulnerable - Specific Groups of the Poor

119. Among the poor, there are a number of special groups that are particularly vulnerable such as orphans and other vulnerable children, people living with disability, some elderly, and people living with HIV/AIDS. Apart from a basic safety net, they require special attention and programs that cater to their specific needs.

**Orphans and Most Vulnerable Children**

120. In addition to the general poverty experienced by many children in Tanzania, there is a large group of children who have been orphaned, in many cases due to the death of their parents from HIV/AIDS. Many of these orphans live in conditions of abject poverty, either in living households with no adult or living with an elderly relative – generally a grandparent – who lacks the skills, energy, and resources to adequately feed and care for them.

121. There are about 230,000 children who have lost both parents and about 2 million who have lost at least one parent, many of whom are consequently abandoned, or at risk of abandonment.\(^{37}\) While orphans are a significant part of the poverty problem in Tanzania and the conditions under which they live can be truly horrendous, the Government of Tanzania has – quite rightly – adopted the concept of “most vulnerable children” rather than focusing on orphans alone. This recognizes that not all orphans are poor (some are absorbed into functioning and sometimes relatively prosperous families) and that there are also many children who are not orphaned but who are nonetheless extremely badly off.

\(^{37}\) Evidence from other countries affected by HIV/AIDS has shown that children who have lost one parent, especially if it is the mother, are at considerable risk of abandonment. In Tanzania the Most Vulnerable Children (MVC) registration system found 26 percent of MVCs had been abandoned.
122. The definition adopted in Tanzania for “Most Vulnerable Children” (MVC) is:

- Children living in child-headed households.
- Children living in an elderly-headed household with no adult aged 20 to 59 years present.
- Children who have lost both parents.
- In rural areas children with one surviving parent living in a house with very poor quality roofing (mud or grass) and children with a disability living in similar conditions.
- In urban areas children with one surviving parent living in a house with poor roofing (mud or grass) or walls or without a toilet and disabled children living in similar conditions.

123. By this definition, there were an estimated 900,000 to 1 million MVCs in Tanzania in 2010 (Table 16), representing about 5 percent of the child-aged population.

<table>
<thead>
<tr>
<th>Table 16: Estimated Numbers of Most Vulnerable Children, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>No. of children in child-headed households</td>
</tr>
<tr>
<td>No. in elderly-headed households</td>
</tr>
<tr>
<td>No. of double-orphaned children</td>
</tr>
<tr>
<td>No. of disabled children</td>
</tr>
<tr>
<td>Total No of Most Vulnerable Children</td>
</tr>
</tbody>
</table>


124. With 36 percent of the population living in poverty and 16 percent below the food poverty line, it seems reasonable to ask how different the conditions of these children are from those of poor children in general. Estimates\(^{38}\) suggest a gap in consumption of between US$17.50 and $49 per year between MVCs and those living close to the poverty line depending on the age of the child (see Table 17).\(^{39}\)

\(^{38}\) Lindboom et al (2007).

\(^{39}\) These appear to be based on a somewhat arbitrary estimation of MVCs as consuming less than 30 percent of the poverty line consumption levels.
Table 17: Estimated Consumption Gap between Children Living in Households below 30 percent of the Poverty Line, and Those Living at about the Poverty Line

<table>
<thead>
<tr>
<th>Age</th>
<th>Expenditure Gap (per child, 2006 Tsh per annum)</th>
<th>Approximate US$ Equivalent</th>
<th>Approximate Number of MVCs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-Food a/</td>
<td>Food</td>
<td>Total</td>
</tr>
<tr>
<td>0-6 Years</td>
<td>2,381</td>
<td>18,348</td>
<td>20,790</td>
</tr>
<tr>
<td>7-14 Years</td>
<td>7,225</td>
<td>31,281</td>
<td>38,506</td>
</tr>
<tr>
<td>15-17 Years</td>
<td>12,888</td>
<td>46,138</td>
<td>59,026</td>
</tr>
</tbody>
</table>

Source: Lindboom et al (2007), Table 1.5, p. 11.
Note: a/ Represents an approximate average of urban and rural costs, which are slightly different for non-food items.

People Living with HIV/AIDS (PLWHA)

125. According to the Tanzania HIV/AIDS and Malaria Indicator Survey 2007-08, the overall rate of HIV infection in adults in Tanzania is about 6 percent. This means that the AIDS situation is not as bad in Tanzania as it is in some other countries in Sub-Saharan Africa, although levels rise to about 10 percent in some districts, and overall this still means that about 1.1 million people are living with HIV/AIDS.

126. The link between AIDS and poverty status is not clear. Certainly as a result of their incapacity and illness, many people are not able to work or fend for themselves, but at the same time AIDS tends to be, if anything, a disease of the non-poor. The recent HIV/AIDS survey found no strong relationship between poverty indicators and HIV/AIDS status, and if anything, HIV prevalence tends to be higher among the better off (for example, prevalence is 8.1 percent among those in the richest quintile and only 4.6 percent among those in the poorest) and is significantly lower in rural areas, where most of the poor live. 40

127. While some PLWHA are very badly off – living on their own and unable to adequately feed, clothe, or house themselves – others are living with their families some of whom can care and provide for them well while yet others are receiving treatment and living full productive

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40 According to the Tanzania HIV/AIDS and Malaria Indicator Survey 2007-08 and TACAIDS, 2008 (Table 9.4 on p. 116), the prevalence in urban areas is 8.7 percent and in rural areas it is 4.7 percent.
lives. It is thus difficult to generalize about the impact of AIDS for safety net purposes. We know that there are individuals who desperately need assistance, but in the absence of case-by-case data, there is no way of saying with any certainty how much assistance is needed. In general, the way in which this problem has been handled is – quite correctly – to rely on community targeting and on agencies working with HIV/AIDS sufferers to identify the individuals who are most in need of assistance.

**The Elderly**

128. There are some 2 million people in Tanzania over the age of 60, representing about 5 percent of the population, and concern has been rising about poverty among the elderly. However, while the elderly are undoubtedly more affected by illness and disability than other Tanzanians, their poverty rates are not significantly different from among the population as a whole (Table 18).

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Below Food Poverty Line</th>
<th>Below Basic Needs Poverty Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children &lt; 14</td>
<td>18.4%</td>
<td>36.3%</td>
</tr>
<tr>
<td>Working Age Adults (15-59)</td>
<td>15.1%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Older People (60+)</td>
<td>15.3%</td>
<td>33.0%</td>
</tr>
<tr>
<td>All Tanzania</td>
<td>16.1%</td>
<td>33.6%</td>
</tr>
</tbody>
</table>

129. There is substantial debate at the moment about the advisability of introducing a universal old age pension. This has been triggered in part by concern with the intergenerational poverty trap associated with poor grandparents raising orphans and in part by the

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41 The single largest group of the elderly are between the ages of 60 and 65, only about 3 percent of the population is older than 65, and about 2 percent older than 70. The number over 60 is projected to grow numerically to 3 million by 2025 but to decline slightly as a share of the population.


43 Note that the HBS collects data by household, so it is difficult to assess intra-household distribution of consumption. We do know that the very poor tend to live in larger households (Figure 3), which may contain more elderly people, and HelpAge estimates that poverty rates are about one-fifth higher than average in households containing elderly people. However, the HBS data (Table 19) show that households consisting only of elderly people have substantially lower poverty rates than the population as a whole.
success of the KwaWazee pilot project and has been exacerbated by a perception that
traditional family support mechanisms for the elderly are breaking down.

130. There seems little doubt that poverty rates among households with elderly members
and children but no working age adults are very high (Table 19). While selective support for this
group would seem to be justified, many of the elderly live with their non-poor extended
families. Therefore, the case for providing universal support would appear to be weak (see
discussion in Chapter 5).

| Table 19: Poverty Rates in Households Containing Only Children and the Elderly |
|--------------------------------------|-----------------|----------------|
|                                      | % of Population | Poverty Headcount |
| Children and the Elderly Only        | 1.5%            | 45.4%           |
| Elderly People Only                 | 1.1%            | 17.2%           |
| All Households                      | 100%            | 33.8%           |

Source: PHDR 2009, Table 20, p.91; based on HBS 2007 data.

People with Disabilities

131. An estimated about 6 percent of the population suffers from some form of disability. The Tanzania Disability Survey 2008 showed that about one-third of these people are severely enough disabled that it significantly affects their functioning. Blindness is the most common disability, accounting for about 3 percent of the population. Also, about 2.4 percent of the population are mobility-impaired (there is some overlap between these groups), of whom about 300,000 people are significantly mobility-impaired, representing just less than 1 percent of the population. What the data do not tell is what proportion of these people with disabilities are adequately looked after within households and which are living alone or in extremely poor households and thus might need safety net support.

132. About half of all people with disabilities are married or living with a partner, and 90 percent report receiving support and assistance from family members, but there is no information on how much support they receive. Therefore, it is hard to estimate what

44 NBS and DoSW (2009).
proportion require safety net assistance, but if it were 50 percent of those reporting significant impediments, then the number would be something like 400,000. Note however that the incidence of disability is much higher in those aged 60 and older, so there is a lot of overlap between these 400,000 and the elderly who were discussed above.

**Table 20: Summary Data on Disabled Population, 2008 (thousands)**

<table>
<thead>
<tr>
<th>Level of Difficulty</th>
<th>Seeing</th>
<th>Hearing</th>
<th>Mobility</th>
<th>Self-care</th>
<th>Cognition</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some</td>
<td>917</td>
<td>408</td>
<td>623</td>
<td>193</td>
<td>273</td>
<td>131</td>
</tr>
<tr>
<td>A Lot</td>
<td>214</td>
<td>131</td>
<td>277</td>
<td>59</td>
<td>121</td>
<td>69</td>
</tr>
<tr>
<td>Unable</td>
<td>38</td>
<td>68</td>
<td>58</td>
<td>73</td>
<td>63</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>1169</td>
<td>607</td>
<td>958</td>
<td>325</td>
<td>457</td>
<td>253</td>
</tr>
</tbody>
</table>

As % of Total Population

<table>
<thead>
<tr>
<th>Level of Difficulty</th>
<th>Seeing</th>
<th>Hearing</th>
<th>Mobility</th>
<th>Self-care</th>
<th>Cognition</th>
<th>Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some</td>
<td>2.3%</td>
<td>1.0%</td>
<td>1.5%</td>
<td>0.5%</td>
<td>0.7%</td>
<td>0.3%</td>
</tr>
<tr>
<td>A Lot</td>
<td>0.5%</td>
<td>0.3%</td>
<td>0.7%</td>
<td>0.1%</td>
<td>0.3%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Unable</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>2.9%</td>
<td>1.5%</td>
<td>2.4%</td>
<td>0.8%</td>
<td>1.1%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations – based on NBS and DoSW (2009) Table 3.5, p.47.

**2.9 Informal Safety Nets and Transfers**

133. Finally, in thinking about the role that public transfers should play in assisting the poor, it is important to bear in mind the role that informal private safety nets play – that is, the support provided by families or communities under traditional exchange/transfer mechanisms. Public programs should not undermine or replace these traditional, informal coping mechanisms (to the extent that they exist). Examples of such mechanisms include extended families taking in orphans, religious or community groups providing help to impoverished people, or communities setting up joint insurance funds.

134. No rigorous study has been done of informal safety nets in Tanzania. The limited evidence from micro studies and anecdotal evidence suggests that they consist mostly of funeral societies and of limited help given by mosque or church associations. The main source of informal transfers in Tanzania is remittances, either from members of the same family who

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45 Thirty percent of those aged 60 and above are disabled, as opposed to just 6 percent of the population as a whole.
46 Dercon (1996) and de Weerdt et al.
have jobs in towns (such as civil servants) or seasonal remittances from members of the family who migrate temporarily in search of jobs. The former tends to happen mostly to non-poor households, and the latter is really more of a livelihood strategy – moving to find work elsewhere – than an informal safety net transfer.

135. The empirical data show that informal transfers are not very significant in the incomes of the poor. The HBS data (Table 21) in fact show that poor households receive transfers and remittances that are substantially smaller than those received by non-poor households and also represent a somewhat smaller share of their income.

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Average Transfers and Other Receipts a/</th>
<th>Share of Income</th>
<th>% Reporting Transfers &amp; Receipts as Main Source of Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-poor</td>
<td>5,570</td>
<td>13.9%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Poor</td>
<td>1,448</td>
<td>11.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Ultra-poor</td>
<td>1,118</td>
<td>12.8%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Source: HBS 2007 data and author’s calculations.
Note: a/ Tsh per month per household.

136. This is not surprising and is consistent with experience worldwide, which suggests that transfers tend to take place between members of similar income and social groups (that is, between the non-poor and non-poor, and the poor and the poor). Since the poor have much less to give and are generally in difficult circumstances themselves, the value of informal transfers exchanged within this group is low.47

137. It should be noted that many shocks including drought, seasonal food price rises, and flooding tend to be covariate (in other words they affect all members of a community at the same time) so informal transfers are not possible because everyone is poor at the same time. They can be more helpful in cases of idiosyncratic shocks such as illness, accident, sudden loss of employment, or the death of a breadwinner, in which case extended family, community, or religious organizations can rally around the affected household and provide support.

47 Alderman (2010).
Nonetheless, it is quite possible that some informal safety net systems work very well for particular groups and in particular circumstances, the example of orphans being taken in by their extended families being the most obvious. Therefore, policymakers should ensure that analytical work is done to investigate the role played by informal safety nets in helping the poor in Tanzania and to take them into account in the design of the formal safety net programs.

**Box 2: Poverty and Safety Nets in Zanzibar**

About 1.1 million people, or 3 percent of the population, live in Zanzibar, which has unique cultural and historical characteristics and considerable autonomy in managing its budgets and programs. Almost all of the transfer programs that operate in mainland Tanzania (discussed in Chapter 3) also operate in Zanzibar, and by and large the same strengths and weaknesses apply. The poverty profile of Zanzibar is not very different from that for Tanzania as a whole – for example about 13 percent of the population live below the food poverty line as opposed to 16 percent in mainland Tanzania (according to the HBS 2007). However, extreme food insecurity is lower (the CFSVA rated 96 percent of the population of Zanzibar as having “adequate” food consumption, as opposed to only 77 percent in the mainland). The main distinction that probably affects safety net programming is one that is difficult to measure - the homogeneous social structure and the preponderance of Muslim social and religious institutions on Zanzibar that support the poor. Zakat or “alms for the poor” is the Islamic principle of giving a percentage of one’s income to charity. Waqf is the withholding of property in order to use the revenues for philanthropic purposes, and Sadaqat is a voluntary charitable act. There are no good data on the scale of these activities, although the one existing study concluded that the total amounts were small relative to poverty needs. Nonetheless, in designing the Zanzibar component of safety net and transfer programs, it is important to take these unique circumstances into account and to ensure that traditional support mechanisms are not being displaced or undermined.


CHAPTER III: EXISTING TRANSFER AND SAFETY NET PROGRAMS

There are currently a large number of transfer programs operating in Tanzania, many of them very small and many covering only limited areas of the country. In this chapter, we review the largest of these, along with some smaller innovative programs that might provide lessons for the future. Table 22 lists the main transfer programs that are operating in Tanzania at the moment.

Table 22: Summary of Main Existing Transfer Programs in Tanzania, 2009/10

<table>
<thead>
<tr>
<th>Program</th>
<th>Expenditure (annual)</th>
<th>Direct Beneficiaries (annual)</th>
<th>Estimated Coverage (annual)</th>
<th>Average Transfer per Participant</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety Net Programs Aimed Primarily at the Poor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most Vulnerable Children Program</td>
<td>$45 million (est)</td>
<td>570,000</td>
<td>570,000</td>
<td>n.a.</td>
<td>DoSW</td>
</tr>
<tr>
<td>National Food Reserve Agency</td>
<td>$19 million (est)</td>
<td>1.2 million</td>
<td>1.2 million</td>
<td>Tsh 18,000</td>
<td>MoAFC/PMO</td>
</tr>
<tr>
<td>Food for Education Program</td>
<td>$6.2 million</td>
<td>220,000</td>
<td>220,000</td>
<td>Tsh 40,000</td>
<td>WFP/MoEVT</td>
</tr>
<tr>
<td>Food for Assets Program</td>
<td>$2.9 million</td>
<td>54,000</td>
<td>272,000</td>
<td>Tsh 65,880</td>
<td>WFP</td>
</tr>
<tr>
<td>Public Works Program</td>
<td>$3.3 million</td>
<td>12,25,000</td>
<td>60-125,000</td>
<td>Tsh 90,000</td>
<td>TASAF</td>
</tr>
<tr>
<td>Other Transfer Programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vulnerable Group Program</td>
<td>$6.4 million</td>
<td>18,000</td>
<td>18,000</td>
<td>Tsh 1.3 million</td>
<td>TASAF</td>
</tr>
<tr>
<td>National Agricultural Input Voucher Scheme</td>
<td>$69 million</td>
<td>1.5 million</td>
<td>7.5 million</td>
<td>Tsh 65,000</td>
<td>MoAFC</td>
</tr>
</tbody>
</table>

Source: Author’s calculations.
Notes:  
- A In the process of expanding to 600,000.
- b Actual value to beneficiaries yet to be calculated; 40,000 based on cost of $31 per student per annum.
- c Represents a long-term grant to invest in income-generating activities rather than a transfer as such; average value of the transfer is unknown.
- d/ Cash value of voucher, actual benefit to households of the maize produced is about two to three times higher.

3.1 Most Vulnerable Children (MVC) Program

The MVC program is the largest transfer program aimed at the poor and provides transfers to support orphans and other vulnerable children. It currently reaches almost 600,000 children annually at an estimated cost of US$45 million.

48 MVCs are defined in Chapter 2.
141. Most of the support consists of in-kind transfers in the form of items such as school supplies, clothing, and health service cards. In only a few cases are food transfers provided. There is also a large capacity-building element to the program aimed at developing community institutions to provide support for vulnerable children.

142. The program is operated by the Ministry of Social Welfare. Financing comes mostly from PEPFAR (the US President’s Emergency Plan for AIDS Relief) and the Global Fund, as part of a global effort to address HIV/AIDS. The program currently operates in 85 districts out of 140, but efforts are underway to expand coverage to the whole country.

143. The MVC program grew out of the National Costed Plan of Action (NCAP) which developed a national approach to protecting the country’s most vulnerable children and identified some 900,000 potential beneficiaries, representing about 5 percent of the child population (see Chapter 2). The program currently operates in 85 districts out of 140, but efforts are underway to expand coverage to the whole country. At present some 746,000 individual children have been identified as being eligible and about 586,000 have received some form of benefit.

<table>
<thead>
<tr>
<th>Table 23: Costs, Financing, and Coverage of the MVC Program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>PEPFAR</td>
</tr>
<tr>
<td>Global Fund</td>
</tr>
<tr>
<td>UNICEF</td>
</tr>
<tr>
<td>Government of Tanzania</td>
</tr>
<tr>
<td>Estimated Total</td>
</tr>
</tbody>
</table>

Note: MVC registered as having received at least one form of basic support (DoSW, 2009 - time period not clear).

144. We do not know the true value to the beneficiaries of the transfers that they receive. The vast majority (about 80 percent) receive school uniforms and/or scholastic supplies or Community Health Fund (CHF) cards, which provide a family with health coverage for a year.

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49 Estimate only - missing data on Government and UNICEF financing.
50 In pilot programs that used community-based assessment of eligibility in selected districts, 5.3 percent of the child population was found to be eligible for support, which confirms the order-of-magnitude estimates in the NCAP.
51 Based on NCAP Implementation Update for December 2009. Note the PEPFAR review reports a higher number of beneficiaries than the implementation update – awaiting data from the MoSW to finalize.
and cost about Tsh 10,000 (or US$6.70). A much smaller proportion (about 10 percent) receive help with housing and/or bedding or mattresses, and even fewer (about 6 percent) receive food rations or – in the case of the very young – supplementary feeding.52

145. **Targeting and Implementation.** The program is administered by the Ministry of Social Welfare (MoSW) and is implemented mostly by two large international NGOs (PACT and Family Health International), which channel funds to a network of smaller agencies and community organizations who actually deliver the goods and services.

146. Funds are allocated amongst districts on the basis of estimated need. The eligibility and priority needs of individual children are assessed by village committees, with follow-up visits by trained facilitators, who are often social welfare officers of the MoSW. Some funds are channeled through these village groups, but most goods and services are delivered by a large number of smaller local and international NGOs, many of which cover only certain geographical areas or deliver only a certain kind of support (for example, school supplies or uniforms, skills training, or forming women’s savings and investing groups). One potential problem with this approach is that the benefits being delivered are dependent on the policies and priorities of the particular NGO involved so may not be coordinated across beneficiaries or types of support.

147. There has been no rigorous evaluation of the program, and, because it is implemented by many different NGOs with differing levels and types of support, it is difficult to get a clear picture of the program’s performance. One area of concern is that beneficiaries often receive only one-off support in the form of school supplies or clothing, when it would seem that for many of them, including the orphaned, the abandoned, and those living in child-headed households, a continuous stream of transfers is needed until such time as they are able to earn a living for themselves.53

52 Based on a sample of Global Fund beneficiaries. There are no good data on the benefits for the program as a whole.
53 In response to this concern, the program is investing more in income-generating and community-strengthening interventions.
148. Early reviews\textsuperscript{54} noted that support was small in relation to needs and was often \textit{ad hoc}, inconsistent, and unpredictable because it depended on the availability of funding and on the sectoral priorities of the NGO that was delivering it.

149. An evaluation of the program undertaken before it was scaled up\textsuperscript{55} noted that the costs of the items being provided far exceeded the norms for spending on these same items for Tanzanian children in general. Also, the costs per beneficiary – at least at that time – were very high compared to \textit{total} household spending per child among poor families as a whole. Costs remain high five years later at around US$80 per beneficiary (or 75 percent of the poverty line income), of which only a small proportion represents the value of the actual transfers given to MVCs. This is particularly worrying since the package of benefits does not usually include food, which constitutes the greatest identified need of orphans and MVCs.\textsuperscript{56}

150. A register of children has been established, and, while data on the poverty status of beneficiaries are not available, the general sense of those involved with the program is that the community-based targeting system is working well in terms of identifying and reaching the most vulnerable children. One problem is that large numbers of children have been identified, but limited resources are available to respond to the many needs identified. As a consequence, implementing agencies have had to carry out a further assessment of these children’s needs in order to effectively target the limited resources available.

151. \textit{Commentary}. The program appears to have had some success in identifying what is usually a difficult to reach set of beneficiaries. Community targeting is the most appropriate mechanism to use, given the need to distinguish MVC from poor children, the fact that not all orphans are necessarily poor, and that there are many non-orphans who are worse off. It has cost an estimated $70,000 per district to set up this targeting mechanism (or about US$6

\textsuperscript{54} Leach (2007) and Mhamba (2004).
\textsuperscript{55} Lindeboom et al (2007).
\textsuperscript{56} The scaling up needs assessment, for example, estimated Tsh 30 billion out of the 37 billion estimated to be required to support MVCs would be for food; whereas the MVC program delivers very little food to beneficiaries - see Lindeboom et al (2007).
million for the 60 percent of the country covered, equivalent to US$10 per beneficiary), although it would be good to know what the recurrent costs of sustaining the system will be. It is unfortunate that there has not been a rigorous evaluation of the program.

152. There are some obvious areas of concern, such as the program’s high unit costs, the patchwork of one-off support instruments, and the lack of evidence regarding the program’s impact on the consumption and welfare of MVCs. Finally, the MVC program is only partially a transfer program, and it is clearly highly dependent on the continued inflow of AIDS-related donor funding. Nonetheless, it has invested substantial effort into identifying and registering a large body of individuals who are so needy that they would be eligible for any safety net program in Tanzania, and it appears to have developed a functioning community-based targeting mechanism.

153. There is a consensus among those involved in orphan-related programs that Tanzania has done an exemplary job in defining MVCs (as opposed to just orphans) and in developing a functioning community-based registration and targeting system. Given the large amounts that are being invested, it would seem sensible to evaluate whether orphans and MVCs should receive more continuous support in the form of a more coherent package of goods and services or of regular cash transfers sustained over a period of years. Finally, consideration should be given to expanding the same community targeting and transfer system to include the very poor elderly and disabled who need similar types of individual targeting and sustained transfers.

3.2 Food Subsidies – The National Food Reserve Agency

154. During times of food shortages, the National Food Reserve Agency (NFRA), which was formerly called the Strategic Grain Reserve, releases reserve stocks of food onto the market. The majority of grain (90 percent in the 2010 season) is sold at a subsidized price, while a small proportion is distributed free to the most vulnerable, and some is released at commercial prices in order to increase aggregate supply and put downward pressure on prices.
155. The extent of the subsidy is large. Maize is currently sold at Tsh 50 per kilogram compared with a market price of about Tsh 350 per kilogram. Each beneficiary is eligible for 12 kilogram of maize per month,\textsuperscript{57} representing a transfer of about Tsh 3,600 per month or about 30 percent of the rural food poverty line.

156. The amount of subsidized grain distributed under the program each year depends on need and on the ability of the government to finance purchases and subsidies to the NFRA,\textsuperscript{58} but it is substantial. In 2009/10, 85,424 metric tonnes (mt) of grain was distributed, reaching an estimated 1.4 million beneficiaries.

<table>
<thead>
<tr>
<th></th>
<th>Subsidized (mt)</th>
<th>Free (mt)</th>
<th>Total (mt)</th>
<th>Beneficiaries (Tsh/person)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 April</td>
<td>19,438</td>
<td>2,166</td>
<td>21,604</td>
<td>720,000</td>
</tr>
<tr>
<td>October 2009</td>
<td>51,066</td>
<td>5,764</td>
<td>56,740</td>
<td>1.9 million</td>
</tr>
<tr>
<td>April 2010</td>
<td>17,000</td>
<td>11,684</td>
<td>28,684</td>
<td>956,000</td>
</tr>
<tr>
<td>Average 2000/01-2009/10</td>
<td>54,900</td>
<td>915,000 (est.)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textbf{Table 24: Amount of Maize Distributed by and Number of Beneficiaries of the NFRA}

\textit{Notes:} \textsuperscript{a} 2009/10; based on average maize price of Tsh 350 per kilogram; distribution of 60 kilogram per beneficiary.  
\textsuperscript{b} Very rough estimate based on 2009/10 budgeted expenditure; note actual costs may differ considerably, see discussion in text.

157. The day-to-day operations of the NFRA are managed by the Ministry of Agriculture, Food Security, and Cooperatives (MoAFC), while the Disaster Management Department in the Prime Minister’s Office (PMO) makes the policy decision to release food for any particular intervention. The decision to release is made based on assessments by the government’s disaster relief committee, and the distribution of food to beneficiaries is managed by local government through district councils.

\textsuperscript{57} There are two releases per year; typically each beneficiary household receives two to three months’ worth of food.  
\textsuperscript{58} The total capacity of the reserve is 120,000 mt, although it has never reached that level of stock.
158. The program is targeted geographically and operated in 72 districts (out of a total 142) in 2011. The area covered varies substantially from year to year depending on the severity of food shortages and the amount of grain government has in the reserve. Food-insecure districts are identified by the MoAFC and are verified by means of a rapid assessment by the Department of Disaster Management and the World Food Programme (WFP).

159. Within districts, village committees identify the households most in need of receiving subsidized or free grain, and their eligibility is confirmed by local government staff. There are no good data on the accuracy of targeting. Anecdotal reports suggest that, while the poor and vulnerable tend to be covered, there is a tendency for village committees to spread the food more widely among households in the community in order not to cause any social tensions, resulting in wider coverage but smaller benefits per household. Data from the CFSVA have shown that rural households receiving food distribution benefits are spread fairly evenly over wealth quintiles (see Table 32 at end of this chapter).

160. The NFRA food subsidies represent one of the largest safety net transfers in Tanzania at the moment, costing an estimated US$19 million in the most recent year. Given the scale of this program, it is important to bring it into the discussion of safety net interventions and coordinate its operations with other transfers to ensure that its targeting is effective and to carefully assess the extent of any inclusion errors.

3.3 Food for Education Program

161. The Food for Education program currently feeds about 220,000 children in 350 primary schools at an annual cost of about US$6.5 million. It is in the process of being expanded to cover 600,000 students (7 percent of all primary students), which is estimated to bring the

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59 This is a rough estimate based on the releases in 2009/10 assuming a purchase price of Tsh 300 per kilogram and that revenues approximately offset distribution costs. Note that budget costs in 2009/10 were Tsh 20.5 billion (about US$15 million), excluding local government costs, but represent transfers to the NFRA from MoF in the year but not necessarily the direct costs of the benefits delivered in that year.
annual cost up to US$19 million. The program is financed primarily by the WFP, which provides and distributes the food and covers about 84 percent of the program costs.\textsuperscript{60}

162. Each child receives a morning snack and lunch for an average of 194 schooldays a year.\textsuperscript{61} The transfer has a caloric value of 718 Kcal, equivalent to about 40 percent of the minimum daily food requirement. The principal justification for the program is to encourage school attendance and improve students’ educational performance rather than to reduce poverty.

163. Nonetheless, the transfer represents a substantial proportion of the per capita household income of very poor families, which can mount up significantly if a family has several children who are receiving the benefit. The average cost of providing the meal is estimated to be US$0.16 per day or about US$31 (Tsh 40,300) per student per year. The value of the benefit to the household is estimated to be about Tsh 21,700 annually for each child in the household who receives the school meals.\textsuperscript{62}

164. The program is implemented by the WFP, the Ministry of Education and Vocational Training (MoVET), and local governments. The government has developed a policy paper to guide institutional management of the program, which sets out the aim for the WFP to gradually phase out its support and hand over the program to the government. At the moment, however, the program relies almost exclusively on the WFP for financing.

165. The Food for Education Program has been targeted to 16 of the most drought-prone and food-insecure districts based on the WFP’s latest Vulnerability Assessment. Within the districts, the wards or divisions to benefit from the program are supposed to be identified by the district authorities on the basis of poverty and educational attainment indicators. However, as a 2009 assessment of the program noted, there is no evidence about whether they applied

\textsuperscript{60} Based on the data in WFP (2006), Annex III.
\textsuperscript{61} Full school year; it is not known for how many days meals are actually provided (in many countries it is less than the whole year). Average attendance in schools served by the program is about 81 percent (see Table 25).
\textsuperscript{62} Assuming the child receives the meal for all 194 days of the year. About 20 percent less if average attendance applies.
these criteria. There is no targeting of individual students within the schools, presumably because this was judged to be too divisive and/or too difficult to implement.

166. There is no evaluation that would allow us to judge whether the program mainly benefits the poor, the very poor, or the non-poor. However, the CFSVA data suggest that the benefits are concentrated in the second-lowest wealth quintile (see Table 32) rather than the poorest. A review in 2008 found that children in participating schools had slightly better educational performance and attendance than those in non-participating schools, but the differences were not very significant (Table 25).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FFE Schools</th>
<th>Non-FFE Schools</th>
<th>All Primary Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Change in Enrollment (2000-2007)</td>
<td>51%</td>
<td>53%</td>
<td>39% (2002-07)</td>
</tr>
<tr>
<td>Dropout Rate (2007)</td>
<td>1.3%</td>
<td>1.5%</td>
<td>1.0% (2007)</td>
</tr>
<tr>
<td>Mean Attendance Rate</td>
<td>80.9</td>
<td>79.5</td>
<td>n.a.</td>
</tr>
<tr>
<td>Average Pass Rate: Grade IV National Examinations Male</td>
<td>78.7%</td>
<td>81.4%</td>
<td>85.3% (2008)</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Pass Rate: Grade VII National Examinations</td>
<td>77.2%</td>
<td>76.2%</td>
<td>84.4% (2008)</td>
</tr>
<tr>
<td>Grade VII National Examinations</td>
<td>38.8%</td>
<td>33.1%</td>
<td>54.2% (2007)</td>
</tr>
</tbody>
</table>

Source: WFP and MoEVT (2009).

167. The same review found that these indicators (and differences) vary from year to year, and, while an effort was made to identify similar schools, the samples are not controlled for income, parental achievement, or quality of educational inputs. Nonetheless the results showed some consistent – if only slightly – better outcomes in the Food for Education schools. This was particularly the case in the Grade VII exam results and in attendance, which showed less seasonal variation in the FFE schools, perhaps suggesting that children were less likely to be withdrawn from school to work as farm labor.

168. As with all school feeding programs, there is the risk that parents will reduce the number of meals that they provide at home because of the expectation that their children will

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63 WFP/MoEVT (2009).
64 WFP and MoEVT (2009).
65 WFP and MoVET (2009).
be fed at school, but the transfer nonetheless represents a net gain to the household. In caloric terms it represents about 40 percent of the daily minimum food requirement. The cost per student to the WFP is about two times the estimated annual value to the child’s family of the food transferred. While this does not account for the full value of the food supplement provided and does not include any quantification of the schooling benefits, it does suggest that the educational benefits would have to be quite substantial to justify its high costs as a transfer mechanism.

169. It should be emphasized that the Food for Education Program is intended primarily to be an education intervention rather than a safety net transfer. While it has the attraction of achieving both objectives at once, it is a relatively expensive way of trying to induce behavior change (encouraging attendance), while as a transfer mechanism it suffers from large inclusion errors. A more effective way to proceed might be to provide take-home rations to a smaller sub-set of households in need.

170. Even after the program is expanded, coverage will still be limited. To expand the program nationwide to cover all 8 million students would cost some US$248 million annually, about double the entire non-wage primary school budget in 2009/10. WFP’s plan appears to be to shift responsibility for providing food to communities in order to make it more sustainable, but it is not clear how likely this is to be embraced by the communities and government, especially if communities consist primarily of resource-poor households. Also, while it may still achieve the educational objectives, it would eliminate most of the transfer benefit.

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Box 3: International Experience with School Feeding Programs

Almost every country in the world for which information is available now operates some kind of program to provide food to its schoolchildren. Middle-income countries run near-universal school feeding programs. For example, 120 million children are fed annually at school in India, and 35 million in Brazil. In lower-income countries, coverage is typically lower, and programs are often dependent on donor financing, usually from the WFP. Coverage in Africa ranges from about 50,000 in Ghana to 200-300,000 in Malawi, Mozambique, and Zambia, and over 500,000 in Ethiopia and Uganda, but typically this constitutes less than 10 percent of the school population. Tanzania where 600,000 schoolchildren benefit from the Food for Education Program is thus near the high end of the spectrum.

Programs may provide meals, fortified biscuits, or take-home rations. On-site meals are a relatively expensive way of feeding the poor because they provide meals to many children who may not need them. Take-home rations cost slightly more but can be better targeted, allowing more coverage for the same expenditure. Globally, annual costs average $40 per child for on-site programs, slightly more for take-home rations ($52 for a sample of four programs), and much less ($13 per student) for fortified biscuits.

Targeting is often geographical. In Indonesia 530,000 students in vulnerable areas receive fortified biscuits at a cost of about $18 per annum each, while Bangladesh provides high-energy biscuits for about 400,000 students in food-insecure areas (for $12 per student per annum).

The trend worldwide is to shift from donor-run to domestic programs as countries become better off, and this transition can be accomplished quite quickly. El Salvador, for example, went from 100 percent WFP financing in 1999 to a totally domestic program by 2008. Ecuador has shifted to a full domestic program for 2 million children, using a trust fund to engage the WFP to manage procurement and logistics. Kenya has a long-established program reaching 1.2 million children in vulnerable areas at a cost of $28 per child per annum. It is slowly being handed over to government ownership, with the Home Grown School Feeding Program aiming to cover all of the 550,000 children who were previously fed by the WFP. In 2009 the Kenyan government allocated $6 million to this program, with cash transfers made directly to schools who procure food locally.

The evidence on the impact of school feeding on educational outcomes and attendance is positive but not very strong. As a nutrition intervention, school feeding has been shown to have a positive impact, but it reaches children later than the critical under-30 month age and is nowhere near as cost-effective as supplemental feeding or food fortification. On balance, school feeding programs are not a particularly cost-effective way of achieving either educational outcomes or consumption transfers, but they have the benefit of contributing to both simultaneously and of being politically and socially acceptable.
3.4 Public Works Program

171. The Tanzania Social Action Fund (TASAF) operates a Public Works Program (PWP) to provide transfers to the poor in return for their work on labor-intensive construction projects. In common with such programs elsewhere, the program seeks to raise the immediate consumption of the poor, while building infrastructure that will contribute to the community’s longer-term growth. Because its main objective is to help food-insecure households and areas, the program is known as the Food-Insecure (FI) sub-projects component of TASAF.

172. Estimates of coverage are inconsistent, but the most reliable data suggest that the program has employed about 27,000 people per year at a total cost of about US$3.3 million annually. On average participants have been employed for about 20 to 30 days each and have received a transfer of about Tsh 90,600 (US$74) annually each. (Note there is substantial variation in the data on the scale and performance of the program, but Table 26 shows some best estimates of the number of beneficiaries and the amounts transferred.)

173. Targeting and Implementation. There is a two-stage targeting process. First, communities are selected in accordance with their poverty indicators, food insecurity, and accessibility. Second, local community members are used to identify food-insecure households that are most in need of the benefit. Furthermore, as in most public works programs, a below-market wage rate is used to discourage participation by the non-poor, thus adding a layer of self-targeting.

174. The wage rate is in theory set 10 percent below the prevailing local wage for unskilled labor. In practice there appears to be substantial local discretion in setting wages, which vary

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67 The program documentation states: “Ranking will give weight to communities with (i) low literacy and high drop-out [rates]; (ii) a high percentage of female-headed households and a lack of job opportunities; (iii) high incidence of shocks such as seasonal droughts and crop failures; (iv) inaccessibility and remoteness; (v) whether communities are persistently short of food; and (vi) whether they lack access to cash income” World Bank (2009a) p.182. In reality it is hard to see how these multiple and disparate criteria are weighted, and there is no evidence as to how they are being applied in practice.
partly due to differing local conditions and partly due to rural-urban differentials. When we examined a sample of public works projects from 2009-10, we found that rates varied between Tsh 3,000 and Tsh 5,000 per day. While the lower level is in line with wages that the poor could earn elsewhere, the upper end appears to be above the normal wage for unskilled daily labor. There are no data available on the household characteristics of participants, and no evidence yet whether the program benefits the poor or not. Employment is supposed to be provided during the slack agricultural season, but the program initially had difficulty in achieving this due to delays in the preparation of subprojects.

175. Because the public works projects are administered by the Tanzania Social Action Fund (TASAF), are funded from the same source and use the same selection system as more traditional village social fund projects (such as new classrooms or water systems). Therefore, the public works schemes have to be proposed by communities and must compete for funds with other village development projects. In fact, because local governments have substantial discretion in selecting projects, many fewer PWP activities have been financed than was originally foreseen, in part because PWP projects represent higher transaction and administrative costs for local governments that village development projects. Partly as a result of this, additional funding for TASAF has been specifically earmarked for public works, so the amount of employment created is expected to increase.

176. A main problem with this approach is that public works projects provide villages (and villagers) with only a single, one-off infusion of support that usually lasts only a few months, after which the program moves on to other communities. Therefore, no mechanism is established for making sustained transfers to the very poor.

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68 Some data on participants are collected during the targeting process and are available at the local level. An impact evaluation is being conducted and will be available in 2012.
69 World Bank (2006) p.47. No more recent data are available on employment by month.
70 During the period 2005-2009, communities proposed some 31,700 PWP projects, but only 485 (1.5 percent) were funded (World Bank, 2010b, Table 2).
177. *Financing and Costs.* Since the funding for public works projects is pooled with that for village development projects in the budget for TASAF, it is difficult to separate out TASAF’s overheads and thus to say what it is actually costing to deliver the Public Works Program. (It is also difficult to assess the true cost to local governments of implementing and supervising the program.) However, some broad estimates can be made on the basis of the first phase of the program (when the components were separated), and some rough assumptions can be made about its current performance.

Table 26: Costs and Cost-effectiveness of the TASAF Public Works Program

<table>
<thead>
<tr>
<th>Estimated Costs</th>
<th>Time Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000-2005</td>
</tr>
<tr>
<td>Sub-project Costs</td>
<td>$11.0 million</td>
</tr>
<tr>
<td>Of which: transferred as wages</td>
<td>$4.26 m.</td>
</tr>
<tr>
<td>Overheads &amp; Management</td>
<td>$1.9+ m.</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>$12.9+ m.</td>
</tr>
<tr>
<td>No. of Beneficiaries</td>
<td>113,646</td>
</tr>
<tr>
<td>Amount Transferred per Beneficiary</td>
<td>$36.50</td>
</tr>
<tr>
<td>Estimated Cost per Beneficiary</td>
<td>$113.51</td>
</tr>
<tr>
<td>Estimated Cost per $ (or Tsh) Transferred</td>
<td>$3.10</td>
</tr>
</tbody>
</table>

*Source:* Author’s calculations and World Bank (2006)

*Notes:* \(^{a/}\) The “completed” project data are for October 2010 and are available for only about one-third of the projects that were actually completed. There were 234 “completed” projects listed out of 681 projects “funded” between 2006 and 2010.

178. In the first phase, the vast majority of projects were designed to build rural access roads, followed by – to a far lesser extent – water storage and irrigation and village environmental protection projects (such as planting seedlings). An earlier review found that unit costs for the roads built by PWP projects were lower than those constructed under other programs, but in the absence of a rigorous evaluation, it is difficult to say anything about the quality and appropriateness of infrastructure built under the PWP.

179. Given that it is costing between US$2.35 and $3.00 for every $1 transferred by the program, its justification as a poverty reduction program depends critically on the extent to which the infrastructure created contributes to long-term income gains of the communities. Therefore, an evaluation of its development impact would be very useful.
180.  *Commentary.* Public works clearly have a role to play as a transfer instrument in Tanzania, and the TASAF program has established a strong institutional base. The drawbacks of the current program appear to be its limited coverage (employing only about 25,000 annually or less than three-tenths of 1 percent of the poor) and the fact that it provides only a limited, one-off infusion of support to households, whereas one of the main benefits of public works programs in general is their capacity to provide a more sustained transfer to the poor (often during each lean season).

181.  It seems unlikely that a one-off transfer to households of Tsh 90,600 (representing about 10 percent of the annual poverty line income for a family of six) would be enough to make any significant difference to their poverty status. Anecdotal reports suggest that some households are saving out of this transfer to accumulate assets that may generate more income for them, but there is no empirical evidence of this.

182.  At any rate, the absence of a rigorous evaluation is a gap that needs to be rectified. This evaluation should be designed to get a better grasp of the characteristics of the beneficiaries and, particularly, of whether they are in fact poor. This would make it possible to make a critical examination of the targeting mechanism and the wage rate and to investigate the appropriateness and benefits of the infrastructure being created.
3.5 Food for Assets Program

183. The Food for Assets program, operated by the WFP, provides work in the lean season to the poor in food-insecure districts in return for food. The objective is to help families by providing them with food during times when stocks are low and prices are high. The assets that they create while they are employed tend to be the kind that will increase food security in the area over the long term, such as irrigation works and farm-to-market access roads.

184. The program has until recently employed about 25,000 people annually (it is currently being expanded to 55,000) at an average cost of about US$2.1 million per year.\textsuperscript{71} Each participant receives 3 kilograms of food per day worked\textsuperscript{72} with a value of about Tsh 2,200.\textsuperscript{73}

\textsuperscript{71} Based on the costs given in WFP (2010a) assuming that this is over three years. Note that WFP (2010c) p.57 reports only US$1.5 million expenditure in 2009.

\textsuperscript{72} The average actual ration consists of 3 kilograms of maize, 450 grams of pulses, and 225 grams of vegetable oil.

\textsuperscript{73} Based on an estimated value per “piece” ration of Tsh 732. A larger ration is being introduced in the new program with a value of 1,527 per piece (about Tsh 4,600 per day).
Since the program is intended to increase food security, it also gives participants training in farm management and post-harvest practices.

185. The average participant works for about 30 days. Each receives a family ration based on an average of five people per family\(^74\) that is equivalent to 962 kcal per capita or about one-third of the family’s daily minimum food requirement. The average transfer per participating household is about 90 kilograms of maize\(^75\) with a value of about Tsh 65,880 or 8 percent of the food poverty line income.

| Table 27: Costs and Coverage of the Food for Assets Program |
|-----------------|-----------------|
|                  | 2007-2010\(^a\) | Est. Using Evaluation Data (annual avg.)\(^b\) |
| Cost of Food     | US$6.2 million  | n.a.          |
| Total cost of Program | US$9.8 million  | US$1.26 million |
| Number of People Employed | 110,000        | 18,500        |
| Number of Total Beneficiaries | 440,000        | 93,000        |
| Average Transfer per Beneficiary | Tsh 13,200 (US$10.14) | Tsh 13,200 (US$10.14) |
| Average Cost/Beneficiary | US$22.27       | US$13.55      |
| Cost per $ Benefit Transferred | US$2.20        | US$1.30       |

Source: Author’s calculations
Notes: \(^a\) Planned based on WFP (2006).
\(^b\) Based on costs in WFP (2010c), Table . p.57, although the actuals for 2009/10 appear to be substantially higher.

186. **Targeting and Implementation.** In the first instance, the program is geographically targeted to districts judged to be food-insecure on the basis of the WFP’s annual Vulnerability Assessment exercise. Within each district, specially elected village committees then choose the households to participate. The program is also targeted in time – in that it operates only in the lean season months when there is excess labor and households are most in need of food.

187. No assessment has been done of the poverty status is of the people receiving the transfers, but it would seem reasonable to suspect that – given the two levels of targeting being used – poorer, if not the poorest, households are receiving benefits. However, to confirm

\(^74\) Based on a daily ration of about 0.2 kilograms of grain per person).
\(^75\) The ration for each piece of work is 1 kilogram of maize, 150 grams of pulses, and 75 grams of vegetable oil. Assuming a family of five members, each individual’s ration would be of 200 grams, 30 grams, and 15 grams.
this, it would be worth, at a minimum, comparing the ration paid with the wages paid for unskilled labor in the same villages during the slack season to determine whether the non-poor are likely to be benefitting from the program.

188. **Assessment.** Like the Public Works Program, Food for Assets appears to have built a good foundation for providing employment-based transfers. Also like the PWP, the relevance of the program is highly dependent on the poverty-reducing impact of the assets being created, and for that a more rigorous assessment is needed.

189. At its current scale (the program employed 54,500 people in 2010), the program has had only a limited impact as a poverty reducing measure. Although it may have a significant effect in the areas where it operates, the CFSVA data showed that no more than 1 percent of rural households had reported receiving benefits from Food for Assets in any district. Subject to confirmation that it is being implemented cost-effectively, it has the potential to be expanded and has some important characteristics that might make it part of the ongoing/future national safety net strategy.

190. It is particularly vital to ascertain whether providing transfers in the form of food is a critical element of the program. Policymakers are considering changing the FFA program so that it provides cash or vouchers instead of food to participants in exchange for their labor. While it is always more cost-effective to provide cash rather than food, it may be possible that in the areas where the program operates food supplies are too scarce and food markets too scant for the poor to be able to buy enough food even if they were given cash. This is an empirical question that should be investigated further, and if this turns out to be true, then providing food in exchange for work should probably remain one of the safety net interventions that the government uses.
3.6 National Agricultural Input Voucher Scheme

191. The National Agricultural Input Voucher Scheme (NAIVS) is the largest transfer program currently operating in Tanzania (at a cost of about US$69 million annually and reaching about 1.5 million beneficiary households).\textsuperscript{76} It provides input subsidies to farmers growing Tanzania’s two main food staples, maize and rice. Although designed primarily as a productivity-enhancing program, NAIVS has many characteristics that make it potentially attractive – with suitable adjustments – as a longer-term safety net intervention. NAIVS was designed to replace the government’s earlier fertilizer subsidy scheme, which had been proven unsustainable.\textsuperscript{77} It provides vouchers that cover half the cost of fertilizer and enough seed to cultivate one acre of maize or rice. Because farmers invest their own labor and land in the production process, the gross benefit, in terms of value to the household, is potentially four times greater than the cost of providing the transfer (see discussion below and Table 28).

192. The primary rationale of the program is to increase the use of fertilizer among small farmers. At present only 5.7 percent of all farmers in Tanzania use improved crop varieties together with fertilizer.\textsuperscript{78} The reasons why the poor are unwilling or unable to do this are the risks associated with using fertilizer in the face of unpredictable rainfall, the absence of sufficient cash to buy inputs, and/or the failure of agricultural credit markets. Since its primary objective is to increase productivity, NAIVS is mostly targeted to areas with the highest potential yields, but, because it includes rice as well as maize, it also incorporates poorer areas (and in fact now covers much of the country). Within these areas, it targets households who grow 1 hectare or less of maize or rice and is ultimately expected to reach some 2.5 million farmers or about half of all farming households in Tanzania.

\textsuperscript{76} These were the targets for 2009/10, with the aim of expanding to 2 million farming households and about US$100 million in 2010/11.
\textsuperscript{77} World Bank (2009b).
\textsuperscript{78} 5.7 percent of maize farmers and 0.7 percent of rice farmers.
193. Each family receives a voucher valued at about Tsh 60,000 in today's prices. With proper use, fertilizer has the potential to double their yields. Depending on what assumptions are made about fertilizer response, and maize prices, the value of the output generated could be up to Tsh 260,000 (US$173) per household (Table 28). Therefore, as a transfer mechanism, the voucher scheme – or something like it – is a very attractive option.

| Table 28: Approximate Costs and Benefits to Households of the National Agricultural Input Voucher Scheme |
|-------------------------------------------------|-------------------------------------------------|
| Cost of Fertilizer Package                      | At 65% Fertilizer Efficiency | At 80% Fertilizer Efficiency |
| Value of Voucher                                | Tsh 120,000                   | Tsh 120,000                   |
| Estimated Additional Maize Production a/        | Tsh 60,000                    | Tsh 60,000                    |
| Estimated Value to Household of Additional Production b/ | Tsh 210,000 (US$140)         | Tsh 260,000 (US$173)         |
| Approximate Ratio of Benefit to HH to:          |                                 |                              |
| (i) Cost of transfer per HH                      | 2.45:1                        | 3:1                           |
| (ii) Cash Outlay by HH                           | 3.5:1                         | 4.3:1                         |

*Source: Author’s calculations.*

*Notes: a/ Based on 0.5 hectares of hybrid maize and potential production of 2,975 kilograms per hectare. b/ Based on maize value of Tsh 350 per kilogram for net consumer households. c/ Based on total cost per beneficiary including overheads of about US$57 per household.*

194. The total cost of the program is estimated to be US$299 million between 2009 and 2012, although this includes some one-off costs associated with strengthening the input supply network. On average the overhead costs involved in delivering the program are about 25 percent of the value of the vouchers, and very roughly, we estimate that the program in total is costing only 25 to 45 cents for every US$1 worth of benefit delivered to households in terms of increased consumption. Note, however, that this estimate is based on potential yield increases, whereas actuals could be much lower. Careful monitoring of the program’s

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79 The value varies with the market price of fertilizer and a remoteness premium. In 2008/09 prices, the face value of the vouchers ranged from Tsh 24,000 to 27,000 for a 50 kilogram bag of urea, and Tsh 45,000 to 48,000 for a bag of DAP with each family receiving one bag of each, plus 10 kilogram of seeds. In 2010, the total package is reportedly worth Tsh 120,000, and the voucher about Tsh 60,000.

80 From 1,120 to between 2,450 and 3,200 kilogram per hectare for maize, and from 1,735 to between 2,800 and 3,300 kilogram per hectare for rice.

81 Note that overheads in the initial phase have been high because the program includes parallel measures to strengthen the network of traders and suppliers. It is not clear which estimates include the costs to district and local government departments of implementing the program.
performance will be essential to assess the true cost-effectiveness of NAIVS as a transfer mechanism.

| Table 29: Approximate Costs and Coverage of the National Agricultural Input Voucher Scheme |
|-----------------------------------------------|------------------|------------------|------------------|
| | 2009/10 | 2010/11 | 2011/12 |
| **Subsidy Costs** | $69 million | $99.5 m. | $92.8 m |
| **Total Program Costs** | $83.7 m. | $113.2 m. | $102.3 m. |
| **Number of Beneficiaries** | | | |
| Participating Farmers | 1,540,000 | 2,040,000 | 1,800,000 |
| Estimated Number of Persons Reached a/ | 7,700,000 | 10,200,000 | 9,000,000 |
| Estimated Cost per Beneficiary | $13.09 | $11.10 | $11.37 |
| Potential Value of Increased Consumption per Beneficiary b/ | $18.55-30.92 | $24.12-40.14 | $27.83-46.38 |

Source: Author’s calculations and World Bank (2009b), Tables A.8.1, A.9.1, p.122-123.

a/ Based on estimated household size of 5.

b/ Efficiency of 50 percent in 2009/10, 65 percent in 2010/11 and 80 percent in 2011/12. Maize price range of Tsh 300-500 kilogram.

195. The NAIVS program is financed by the government, using its own resources and those provided by the World Bank. Half of the subsidy and a share of the overheads are being financed by a three-year World Bank credit until 2012.

196. **Targeting and Implementation**. The program is administered by the Ministry of Agriculture, Food Security, and Cooperatives (MoAFC) and local governments. The decision about which districts to target is made within the MoAFC at the central level, and within the districts villages are selected based on the estimated number of eligible farmers in each village. Within villages, elected Village Voucher Committees\(^{82}\) determine which households are eligible. Beneficiaries must be farming households and must cultivate one hectare or less of maize or rice. Preference is supposedly given to farmers who have not used fertilizer and improved varieties in the past and to female-headed households.

197. It is too early to say how effective the targeting is and who is actually benefitting. There are anecdotal stories of poorer farmers not being able to afford their share of the package or of

\(^{82}\) Districts aggregate data on the number of eligible farmers per village. In some villages, the number of vouchers available covers only half of the potentially eligible farmers but this proportion will increase when the program is expanded.
selling the vouchers at a steep discount rather than using them, but the field monitoring teams have not so far come across evidence to substantiate these on any scale. The program is being rigorously monitored through a series of panel surveys\(^{83}\).

198. Note, however, that a preliminary assessment using the Kilimanjaro and Ruvuma data\(^ {84}\) found: (a) that farmers preferred the voucher to a cash transfer by quite a large margin; (b) that some families who qualified did not take up the vouchers because they could not afford to finance their share of the package; (c) the farmers most likely to participate were those with links to the village leadership structure; and (d) that there was no conclusive evidence of any productivity increases (although this was only in the first year of the program and was not based on a scientific measurement of crop output).

199. While it is undoubtedly a transfer program, there is some question as to whether NAIVS is a poverty program. It is designed to give a one-off boost to food production – to overcome the effects of the global crisis, high food prices, and regional shortages and to kick-start the use of fertilizer and improved crop varieties by small farmers. Therefore, it is concentrated in high-potential areas, which are not those with the greatest poverty. However, within those areas it is supposed to target smaller farmers (those with less than 1 hectare of maize or rice cultivation), who are presumably among the less well-off, and, as shown in Chapter 2 above, there are many very poor people living in the better-off districts. Furthermore, in most marginal areas, the majority of farmers are proving to be eligible for the vouchers.\(^ {85}\)

200. It would seem evident that NAIVS is not reaching the poorest (who are those most likely to be landless, unable to work, and to finance their share of the package or to be otherwise ill-equipped to use the inputs. but given the wide coverage is probably reaching the “middle poor” in the areas covered. However, it is worth thinking seriously about whether the program should

\(^{83}\) A panel survey is being undertaken in two rounds per year over three years to track the program’s implementation and impact.

\(^{84}\) Christiansen and Pan (2010).

\(^{85}\) Based on verbal feedback to author from field visits; data are not yet available.
be revised to better address the needs of very poor farmers, for example, by providing smaller input packages, possibly a 100 percent subsidy, and targeting more narrowly to the poorest. A good example is Malawi’s Universal Starter Pack Program from 1999, which provided very small input packages to poor farmers, just large enough to use on subsistence maize plots. The attraction of this approach is the potentially very high returns to poor households relative to the cost of the transfer. However, it may be politically difficult to shifting to a more targeted approach after the program has been nearly universal. It may also be challenging to target the poorest farmers, and there is still some question about the ability of poorer farmers to use the package effectively.

3.7 Vulnerable Group Program

201. The Vulnerable Group (VG) Program, run by TASAF, provides grants to small groups of vulnerable people (such as the elderly, orphans, or the disabled) to enable them to undertake income-generating activities. At present the program reaches about 20,000 people per year at a cost of about Tsh 8 billion annually (US$6.4 million).

202. Each group of about 10 people receives a grant of about US$8,500 to finance a business such as poultry or livestock-raising. As such, it is more an income-generating program than a safety net transfer. While income-generating projects are a legitimate part of the poverty-reducing strategies of many countries, they are not primarily safety net/transfer programs per se, and if the VG program is included, then the scores of other income-generating and micro-credit programs operating in Tanzania should also be evaluated, a task which lies beyond the scope of this study. Nonetheless, as the VG program comes under the aegis of TASAF as does the public works scheme and because it may yield some lessons for future safety.

86 The program shifted over time between packages and vouchers and between universal and targeted coverage. There were benefits and drawbacks to both approaches, but it had a major impact on consumption of the poor.
87 Based on funded sub-projects over the first five years (2006-2010). The amount disbursed was Tsh 31.4 billion over four and a half years plus 10 percent overheads, but most are continuing beneficiaries.
88 Based on the program’s actual spending performance up to February 2010 as reported in TASAF (2010). The project documentation for the recent expansion of the program shows a target grant size of about US$10,000 per group.
net strategies, we examine it briefly here. A detailed evaluation of the program is presented in Annex 2.

203. **Targeting and Implementation.** Beneficiaries are selected by village assembly meetings on the basis of food insecurity and the inability to meet basic needs. Preliminary evaluation results suggest that the targeting is effective. VG participants are on average slightly worse-off than non-participants drawn from similar vulnerability categories from the same village and are substantially less well-off than the population as a whole in the same villages (Annex Table 2.1). Although the program operates nationwide, funding for its expansion has been earmarked for the 40 most food-insecure districts, introducing a further layer of geographic targeting.

204. **Commentary.** The VG program has some interesting characteristics. This is not the group that would seem to be the most obvious clientele for income-generating activities. Typically it is the more dynamic, younger, and “middle-poor” in villages who are best equipped to take advantage of small-scale commercial opportunities. If the VG program can be shown to work, then it has the potential to raise incomes of some of the “middle poor” permanently. However, the impact of the VG program and its potential cost-effectiveness as a transfer instrument will depend critically on the financial viability of the projects that it funds.

205. To date, monitoring and evaluation has concentrated on the indirect evidence of welfare and consumption changes among individual participants. The important thing to do moving forward is to rigorously assess the financial flows being generated by the specific projects being undertaken under the auspices of the program.

206. It is worth noting that the $1,000 per beneficiary transfer is very large compared to both poverty line incomes and to grants or loans typically provided under similar programs. Further concerns include the incentive structure for beneficiary participation, as well as the program’s inconsistency with other small business programs, most of which provide loans rather than grants.
207. Given the scale of the VG program – reaching only a few tens of thousands of people a year – it is unlikely to form a significant part of a national safety net strategy. The very high levels of transfer ($10,000 per project) limit the extent to which the program could be expanded. To reach just 3 percent of the poor, for example, would cost about US$180 million based on its current cost structure.\footnote{89 Based on 13 million poor.}

Given the strong policy preference for self-help rather than pure transfers in Tanzania, it is quite possible that income-generating programs – if they can be shown to work – could form a meaningful part of the poverty-reduction strategy. We would reiterate however, that they are not safety net interventions in the sense that the other programs reviewed in this paper are and that the Vulnerable Group program really needs to be assessed in comparison with other income-generating and microcredit programs in Tanzania.

### 3.8 Formal Transfer Programs

208. The formal social security system in Tanzania consists of five contributory schemes, of which the two main ones are the National Social Security Fund (NSSF) and the Public Service Pension Fund (PSPF).

209. The NSSF is the largest and is intended to provide coverage for private sector workers, while the other four schemes cover various types of public employees. All provide workers with a pension once they reach a certain age (usually 60) and typically pay amounts that are well above the poverty line (see Table 30).
Table 30: Summary Characteristics of the Formal Social Security Programs

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Active Members (2007)</th>
<th>Average Monthly Pension (Tsh 2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSSF</td>
<td>307,500</td>
<td>52,900</td>
</tr>
<tr>
<td>PSPF</td>
<td>235,000</td>
<td>85,825</td>
</tr>
<tr>
<td>Parastatal Provident Fund</td>
<td>64,000</td>
<td>37,560</td>
</tr>
<tr>
<td>Local Authority Provident Fund</td>
<td>45,000</td>
<td>n/a</td>
</tr>
<tr>
<td>Gov’t Employees’ Provident Fund</td>
<td>22,000</td>
<td>40,165</td>
</tr>
</tbody>
</table>

210.  The average pension paid by the NSSF, for example, was about US$529 in 2006, which represented about five times the per capita poverty line income and is far higher than most of the transfers to the poor provided by the other programs discussed in this paper.

211.  Despite past efforts to extend the system to the informal sector, coverage is essentially limited to those in formal sector employment, representing perhaps 6 percent of the population who inevitably tend to be among the least poor. As a poverty reduction safety net, the formal social security system is thus of limited relevance.

212.  It is also worth noting that many participants take lump sum withdrawals, thus dissipating the intended long-term income-support benefit of the programs. Also, several of the programs are facing financial sustainability challenges. These issues are being discussed in a parallel World Bank study\(^90\) and are thus not analyzed in any further depth here.

213.  Health insurance schemes have been introduced over the past decade to spread the costs of providing health care, to pool risks, and reduce the impact of catastrophic medical expenditures on households. However, as with the formal pension system, they tend to cover mostly formal sector employees. The National Health Insurance Fund (NHIF) is the largest scheme. Membership is compulsory for all public sector employees. The program covered about 2 million beneficiaries or roughly 5 percent of the population in 2008.\(^91\)

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\(^{90}\) World Bank (2010a).

\(^{91}\) ILO (2008) and World Bank (2010b).
214. The Social Health Insurance Benefit (SHIB) is a sub-set of the NSSF and allows participants in the NSSF to insure themselves for medical benefits. There are currently only about 51,000 members. As with the NSSF, participation tends to be limited those in formal sector employment, so its relevance as a safety net for the poor is limited.

215. Community Health Funds (CHF) were established to make health coverage available to the broad population, with matching grants provided by the government to finance CHF coverage of the poor. However there has been only limited enthusiasm for these schemes. It is estimated that spending by such community-based funds represents only about 2 percent of health spending, and only about 4.4 percent of the population has joined such a fund.

216. Fees for basic health services were introduced in the 1990s as a way to raise resources to fund local health facilities. From the outset there has been concern that they were discouraging the poor from using health services. Exemptions are granted to pregnant women and the elderly, but these appear to be fairly arbitrary and are not always honored. Also, district governments provide free CHF cards to the poor (financed with the matching grants referred to above). The approximate value of the card is Tsh 10,000, which provides a family with free access to all health services in the district for a year. About Tsh 1 billion (US$670,000) is spent on the free cards annually and benefits about 100,000 households (about 500,000 people). The cards are distributed using a community targeting system. No studies have been done that track whether or not the cards are given to the poorest households nor any on whether the cards affect beneficiaries’ health-seeking behavior.

217. How important are health insurance and fee exemptions, potentially, as part of a safety net strategy? The evidence is contradictory. Although much is made of the burden placed on the poor as a result of health care costs, the HBS data show that health care represents only about 2 to 3 percent of household spending, even among the very poor (Table 10 in Chapter

92 ILO (2008).
93 World Bank (2010b), Table 1.
Clearly in catastrophic circumstances, however, this expenditure can be crippling, especially for the poor who have very little cash income. Also, policymakers are unlikely to want people to be failing to seek essential health care because they cannot afford it.

While the very small shares of health in average household consumption suggest that health fee waivers are unlikely to form a large part of the safety net solution in Tanzania. However, there is enough anecdotal evidence to suggest that fee barriers are discouraging use of services in some circumstances. The HBS data show that about 26 percent of people who do not seek health care report that they did not do so because it is too expensive. Also, although the poor use health facilities at similar rates as the non-poor (Chapter 2), it may be that they are going for low-cost interventions and not going for more critical (and more expensive) health interventions. It is important to ensure that existing exemptions for the elderly and pregnant women are enforced and – subject to further analysis of how well the system is targeted – to explore the feasibility of widening the coverage of the program of free CHF cards for the poor.

3.9 Small and/or Innovative Programs

There are many more transfer programs in Tanzania, most of which are very small-scale, often operated by NGOs covering a very limited geographical area. This section highlights some of the more significant ones, including two in particular – a cash transfer pilot and an old age social pension – that are relevant to the current debate about the expansion of safety nets in Tanzania.

There have been three programs of cash transfers to the very poor in Tanzania – the KwaWazee program in Kagere region, a program funded by Save the Children Fund in Linde District, and an ongoing TASAF CCT pilot program. All have had some success, but all have been

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94 Other surveys report different percentages but confirm this low order of magnitude.
95 CARE (2008).
piloted on a very small scale, none has been implemented for very long, and none has been rigorously evaluated to assess its impact.

221. The KwaWazee four-year pilot program provided transfers to elderly people in the Kagere district who were supporting orphans. The program was eventually expanded beyond its original scope because it was found that there were many equally vulnerable elderly who did not have any children living with them. It had some success in improving the welfare of the beneficiary households\footnote{HelpAge International et al (2008).} and served as a model for the current proposal for a universal pension for the elderly. The program provided a transfer of Tsh 6,000 per month to poor and vulnerable people over the age of 60 who were caring for children without parents plus child benefits of Tsh 3,000 for each grandchild. The pilot eventually supported about 700 elderly people of whom about 90 percent were women and of whom about half supported children. Beneficiaries were identified by community volunteers on the basis of age, health, and living conditions. A combined qualitative/quantitative evaluation found that there had been a reduction in begging and the selling of assets among beneficiaries as well as increased school attendance and food consumption.

222. Save the Children Fund (SCF) piloted an unconditional cash transfer scheme for the extreme poor in Linde district between 2007 and 2009. The program provided assistance to 60 households, most of which were headed by a single mother or grandmother supporting vulnerable children. Each family received Tsh 6,000 per month plus Tsh 3,000 for each vulnerable child. A qualitative evaluation\footnote{Save the Children Fund (2011).} found that recipients used the funds primarily to purchase food and school materials and that the program had reached truly vulnerable households and materially increased their consumption during the pilot period from one to two meals a day to two or three. Several recipients reported longer-term gains (such as purchases of assets or investment in income-generating activities), although more reported that they fell back into extreme poverty after the program ended. Some lessons that might be learned from
the program include the need to include training on income generation and nutrition and the advisability of adding conditions to the transfers.

223. TASAF is currently piloting a conditional cash transfer (CCT) to elderly people who are supporting orphans or children. To be eligible, the household head must be 60 years old and/or the household must include vulnerable children. Also, recipients must fulfill certain conditions such as agreeing to have medical check-ups or ensuring that their children attend school or health clinics. The coverage is very small, currently reaching only 6,000 households. Each receives a monthly transfer of Tsh 7,500 monthly per adult and 3,750 for each eligible child for an average payment of about Tsh 15,000 per household. Targeting is in theory done by village committees, who are charged with identifying the neediest households in the village in accordance with guidelines laid out by TASAF, but in practice a combination of administrative and proxy means testing is used. Compliance with conditions is monitored by a combination of the village committee, TASAF, and local government staff.

224. The program has only been going for a year, and it is too early to tell how effective is. However, beneficiaries and those involved in community targeting claim that it is having a positive effect on the recipient households. TASAF is considering expanding the program. Box 5 presents some experience of CCT programs worldwide, and a discussion of the benefits and drawbacks of adding conditions to transfers in Tanzania is presented in Chapter 6 and in Annex IV.
3.10 Overview of the Impact of Current Programs

225. How well does the existing package of programs respond to poverty needs? Table 31 presents a summary of coverage and targeting criteria. The first thing that is immediately clear is how few of the poor are being reached by existing transfers. The only programs that are large enough to have any significant impact are food distribution by the NFRA, and the MVC program, although the latter delivers only very small and intermittent benefits.

Box 5: Global Experience with Conditional Cash Transfers

CCTs have two objectives - to alleviate poverty in the short term through a cash transfer and to reduce inter-generational poverty by requiring families to invest in their human capital, by, for example, keeping their children in school or maintaining them in good health through preventive health and nutrition programs. The value of the benefit paid is usually equivalent to about 15 to 25 percent of the households’ baseline consumption. The fiscal impact varies depending on the size of the program, but nationwide programs such as those in Brazil, México, and Colombia cost about 0.4 percent of GDP per year.

Evaluations have shown that CCTs can be effective in improving health, education, and malnutrition indicators, while increasing the consumption of the poor in both middle- and low-income countries. For instance, in Brazil, between 2003 and 2008, the CCTs explained 35 percent of the reduction in extreme poverty and 13 percent of the fall in inequality. In Colombia, during the first two years of the program, beneficiaries’ total consumption increased by 15 percentage points more than those households who were not included in the program. In Malawi, school enrollment and attendance by girls from beneficiary households grew significantly more than among those without transfers, and the impact persisted after the transfer was suspended. In Colombia, school enrollment rates among children from beneficiary households are significantly higher than those for children without the program with the biggest different being evident among the poorest. In Nicaragua, the CCT program reduced chronic malnutrition by 7 percentage points, and this impact persisted after the program ended. In India, a conditional cash scheme increased ante-natal care and in-facility births significantly and is responsible for a reduction of 4.1. peri-natal deaths per 1,000 pregnancies and 2.4 neo-natal deaths per 1,000 live births. Evaluations of the programs in Malawi, Mexico, and Ecuador have demonstrated that conditions matter and that programs that put conditions the transfer have a greater impact in school enrollment and attendance than unconditional transfers.

Careful design and implementation are essential for CCT programs to be successful. Experience has shown that the following are critically important: (i) clearly defining the level and type of transfer (whether it is paid per family, per beneficiary member, or per condition); (ii) clearly defining the beneficiaries’ co-responsibilities; (ii) creating a verification process to monitor compliance; (iii) choosing the most appropriate targeting mechanisms (usually a combination of geographic, proxy means test, and community targeting methods); (iv) maintaining the frequency of payments; (v) ensuring the transparency of payment mechanisms combined with controls and audits at the local level; and (vi) regularly re-certifying program beneficiaries. Finally, it is critical that the services that are included as conditions in the transfer programs (usually schools and health providers) are accessible to beneficiaries and are effective.

Sources: Brazil (Barros et al, 2010, and Barros and de Carvalho (2009); Colombia (Attanasio and Mesnard, 2006), Cambodia (Filmer and Schady, 2006), India (Lim et al, 2010), Malawi (Baird et al, 2011), Nicaragua (Maluccio and Florez, 2005), Mexico (de Brauw and Hoddinott, 2008), and Ecuador (Schady and Araujo, 2008).
Table 31: Summary of Coverage and Targeting of Existing Transfer Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Intended Target Group</th>
<th>Targeting Mechanism</th>
<th>% of the Poor Reached a/</th>
<th>% of Extreme Poor b/</th>
<th>Shocks/Aspects of Poverty Addressed</th>
<th>Comments/Significance of Benefits to Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAIVS</td>
<td>Farmers w/ less than 1 hectare</td>
<td>Community committees and geographic targeting</td>
<td>n.a. Estimate 5-10%</td>
<td>n.a. Estimate 0-5%</td>
<td>Seasonal food shortages, low-risk/low-return behavior</td>
<td>Significant benefits but not currently targeted to the poor</td>
</tr>
<tr>
<td>MVC</td>
<td>Households of orphans and other MVCs</td>
<td>Community committees</td>
<td>Est. 4-5%</td>
<td>Est.&lt;9%</td>
<td>Orphanhood/extreme poverty</td>
<td>Generally small and intermittent, but significant in some cases (e.g. housing) but not sustained</td>
</tr>
<tr>
<td>FFE (School Feeding)</td>
<td>All schoolchildren in selected districts</td>
<td>Geographic by –food- insecure areas</td>
<td>Estimate 3%</td>
<td>Estimate 6%</td>
<td>Geographical food shortages, low education participation</td>
<td>Relatively significant but low small coverage and not targeted to the poorest</td>
</tr>
<tr>
<td>FFA (Food for Work)</td>
<td>Poor Households in food-shortage areas</td>
<td>Geographic by food-insecure districts plus community committees</td>
<td>Estimate 1%</td>
<td>Estimate 1-2%</td>
<td>Seasonal food shortages</td>
<td>Relatively significant</td>
</tr>
<tr>
<td>NFPRA (Subsidized Food Distribution)</td>
<td>Households in food-shortage areas</td>
<td>Geographic by food-insecure districts plus community committees</td>
<td>Estimate 20%.</td>
<td>Estimate 20%</td>
<td>Seasonal food shortages and price increases</td>
<td>Potentially significant to families receiving benefits – estimated 35% of food poverty line income (if distributed as intended)</td>
</tr>
<tr>
<td>Public Works (TASAF)</td>
<td>Able-bodied poor</td>
<td>Geographic self-targeting plus community committees</td>
<td>Estimate1 %</td>
<td>Estimate 1%</td>
<td>Low household incomes</td>
<td>One-off transfer only</td>
</tr>
<tr>
<td>VG (TASAF)</td>
<td>Small groups of vulnerable individuals</td>
<td>Community targeting</td>
<td>0.5%</td>
<td>&lt;1%</td>
<td>Vulnerable groups such as widows, AIDS sufferers, unemployed youth</td>
<td>Really an income-generating program, grant is extremely large</td>
</tr>
<tr>
<td>Pilot Cash Transfer Schemes</td>
<td>Low-income elderly with children</td>
<td>Community targeting in food-insecure areas plus PMT</td>
<td>Less than 0.1%</td>
<td>&lt; 0.2%</td>
<td>Orphanhood, elderly/infirmity</td>
<td>Potentially significant but program too small to be meaningful at this stage.</td>
</tr>
</tbody>
</table>

Source: Author’s calculation.

Notes:  

a/ Based on the 12.7 million who are below the basic needs poverty line.

b/ Based on the 6.4 million who are below the food poverty line. Estimates of percentages reached are an extremely rough order of magnitude based on coverage numbers and CFSVA reports on the receipt of benefits in rural areas (see Table 32).
The coverage numbers in Table 31 are based on some very rough assumptions of the possible incidence of benefits. There is no good monitoring of beneficiaries in any of the transfer programs, and therefore it is not known what proportion of benefits are going to the very poor and which are going to other unintended beneficiaries. However, the recent CFSVA survey produced some interesting – and worrying – results on the possible extent of inclusion and exclusion errors.

Table 32: Coverage and Inclusion and Exclusion Errors

<table>
<thead>
<tr>
<th>By Wealth Quintile</th>
<th>Percentage of Rural Households Reporting Having Received:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Any Kind of Food Assistance</td>
</tr>
<tr>
<td>Poorest</td>
<td>29.0%</td>
</tr>
<tr>
<td>2nd</td>
<td>23.5%</td>
</tr>
<tr>
<td>3rd</td>
<td>22.8%</td>
</tr>
<tr>
<td>4th</td>
<td>20.1%</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>18.5%</td>
</tr>
<tr>
<td>Total Mainland</td>
<td>23.0%</td>
</tr>
<tr>
<td>Tanzania</td>
<td></td>
</tr>
</tbody>
</table>

By Food Consumption Group

<table>
<thead>
<tr>
<th></th>
<th>Percentage of Rural Households Reporting Having Received:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>33.8%</td>
</tr>
<tr>
<td>Borderline</td>
<td>34.4%</td>
</tr>
<tr>
<td>Acceptable</td>
<td>19.6%</td>
</tr>
</tbody>
</table>

Source: CFSVA data; rural households only, p.208-209, re-calculated for this report by the WFP.

If these data are accurate, it implies that about 13 percent of the households in the wealthiest one-fifth of the rural population are receiving free or subsidized food from the NFRA, that the majority of participants in the two food-for-work programs (Food for Assets and the PWP) are non-poor (with almost as many beneficiaries coming from the wealthiest quintile of the rural population as from the poorest), and that almost half the beneficiaries of the Food for Education Program are from the better-off half of the rural population. It should be noted that these data show the proportion of households reporting receiving each kind of aid but not how much aid they received, so the apparent mismatch may be not as bad as it first appears. For example, it may be that, while many well-off households receive food from the NFRA, they receive very little of it. Nonetheless, the implicit level of mis-targeting is a major cause for concern and needs to be urgently investigated further.
How well are current programs aligned with the poverty reduction objectives for productive safety nets outlined in Box 1 at the beginning of this paper?

- The productive risk reduction aspect is not particularly well-served because most programs provide only one-off transfers, except for NAIVS, which helps farmers to overcome the risk associated with using modern inputs.

- The promotional aspect is also not well-served. The Vulnerable Group program potentially increases long-term incomes, but its coverage is very small. The transfers provided by the various works and cash programs could contribute to savings and investment and raise incomes over the long term, but at the moment transfers are so small and so intermittent that this seems unlikely.

- The human capital objective is really only achieved by the Food for Education Program at the moment and potentially by the TASAF CCT pilot once it has been expanded.

- The objective of longer-term growth is contributed to by the Food for Assets and PWP programs, although there is no information on the quality and productivity of the assets created.

- The objective of escaping the inter-generational poverty trap is addressed partially by the MVC program (but again, the benefits are small and unpredictable) and the cash transfer pilots.
Annex Table 2.2 shows very roughly how well (or how poorly) the main characteristics of poverty in Tanzania as identified in Chapter 2 are being addressed by the existing programs.

Towards a Restructured National Program

The current collection of programs is piecemeal and duplicative. With the forthcoming redesign of several major programs, Tanzania faces a unique opportunity to move to a more focused, more rational, and more effective national system.

- The existing programs deliver intermittent and inconsistent benefits to the poor (for example, the MVC and the Public Works Program).

- There is duplication of effort – for example, the MVC Program, the CCT pilots, NAIVS, and Food for Assets all use separate but very similar community targeting systems.

- Coverage is low with only a few percent of the poor appearing to be being covered by existing programs.

- There are both large inclusion and exclusion errors, partly as a result of geographical targeting, which has concentrated many programs in the same food-insecure districts.

- Coverage is patchy, uncoordinated, and potentially duplicative. It is likely that the same households, villages, and districts are receiving benefits from the Food for Education, the PWP, MVC, and Food for Assets programs, for example, while others that are equally poor are receiving none.

The options for re-structuring the safety net system are discussed in Chapter 6.
CHAPTER IV: FISCAL SPACE AND AFFORDABILITY: POTENTIAL OBJECTIVES AND SCALE OF A NATIONAL SAFETY NET STRATEGY

231. This chapter addresses the very broad macro-level choices involved in deciding the scale of national safety net spending. Policymakers in Tanzania, and indeed in any country, face three main questions in framing a national safety net strategy:

(1) What role should safety net transfers to the poor play in reducing poverty?
(2) Which groups and which aspects of poverty does it make sense to target?
(3) How much – in very broad terms – does it make sense to spend on safety net transfers?

232. This chapter lays out the considerations that should underpin these decisions in Tanzania.

A second set of choices has to be made about which programs to use to achieve these objectives – these choices are discussed in Chapter 6.

4.1 The Role of Safety Net Transfers in Tanzania’s Development Strategy

233. The first choice faced by Tanzanian policymakers is the extent to which they want to use productive safety net transfers to raise the incomes of the poor, as opposed to relying solely on economic growth and other poverty-reducing interventions (such as the delivery of education and health services). This is to some extent a political choice, but it needs to be based on a judgment about which aspects of poverty can best be addressed by safety net interventions and whether the benefits of growth will reach the poor quickly enough.

234. The evidence to date on the extent to which growth has reduced poverty is not encouraging. As shown in Chapter 2, the poorest appear to be hardly benefitting from growth at all. While there is some debate about the reliability of the data, most sources agree that the
absolute number of poor has not decreased between 2000 and 2007.\textsuperscript{98} The evidence therefore suggests that it would make sense to revise the approach to poverty reduction, including making more aggressive use of productive safety nets.

235. Given the tremendous potential of Tanzania, the primary focus of reducing poverty clearly needs to continue to be on re-engineering growth to reach poor Tanzanians. This means increasing the productivity of subsistence agriculture, improving markets and increasing access to them, investing in education and infrastructure, and encouraging smallholder cash cropping and small businesses. However, providing judicious transfers to the poor can complement these efforts and hasten the reduction of extreme poverty.

236. A key role of safety net transfers is to equip the poor to participate more fully in this growth process and to bridge any gaps that are preventing them from realizing potential income gains. Well-designed safety nets can increase the productivity of the poor (by building their human and physical capital), allow them to take on higher-risk, higher-return activities (for example using fertilizer), and increase the returns to their labor (examples include giving women small cash transfers that would enable them to undertake petty trading or giving such transfers to subsistence farmers enable them to buy food for their household, thus enabling them to use some of their land to plant cash crops).

237. In a dynamic sense, the role of safety nets should be to support those who are left behind by the growth process. Who will be left behind? The answer seems to be agrarian households living in remote areas or those with little potential, those with very small landholdings, urban migrants who lack skills and assets, and people who lack the ability to participate in the labor market, such as orphans, the elderly, and the infirm. The good news is that much extreme poverty among the farming poor in Tanzania is related to technology, market, and input constraints. Many of them should not need transfers in the long term, except

\textsuperscript{98} PHDR (2009) and Hovvegen and Ruhinduka (2009).
in particularly unproductive areas, in very dry years, or for an intermediate bridging period until agricultural reforms take hold.

238. Well-designed safety nets will also reduce the poverty rate in the longer term by helping the poor escape from the inter-generational poverty trap (by ensuring their children have better education, health, and nutrition than their parents), and by reducing the impact of shocks and uninsured risks.

239. Finally, in a country like Tanzania where a small but significant share of the population consumes less than the minimum daily food requirement, it is important also not to lose sight of the short-term benefits of public transfers – immediately lowering the poverty rate, reducing productivity losses due to insufficient food consumption, and fuelling demand at the local level.

240. For all these reasons spending on safety nets can be seen as an important complement to growth-based poverty reduction efforts, as a way to enable the poor to benefit from growth, and as a transitional mechanism until the benefits of other poverty reduction investments start to manifest themselves.

241. The second choice facing policymakers is which aspects of poverty they wish to tackle with transfers. Based on the analysis of poverty in Chapter 2, the following are some possible choices of broad objectives, in descending order of ambitiousness:

- *Relieve the worst of chronic poverty and food insecurity.* Such a strategy would essentially target the 16 percent of the population below the food poverty line on the grounds that these are Tanzanians living at an unacceptably low level of consumption. Based on the analysis in Chapter 2, they also appear to be the least likely to benefit from growth in the near-to-medium term.
- *Reduce the impact of seasonal shocks on the poor.* The objective would be to use selective transfers to cushion the impact of shocks such as seasonal swings in food prices and availability or droughts on the poor and the medium-poor. This approach has the benefit that it can be tailored to achieve substantial welfare gains at relatively low cost. The drawback is that it does not necessarily address the needs of those who are chronically poor.

- *Support only the extremely poor and most vulnerable.* This approach would provide selective targeted assistance only to those who are obviously unable to look after themselves – such as orphans, the disabled, or elderly who live without family support. This has the benefit that it is likely to be politically and socially acceptable as an objective, and there is likely to be a consensus about which beneficiaries should be targeted. The drawback is that there are many extremely poor people who do not fall into these categories.

242. Tanzania is at the moment *de facto* pursuing a combination of the last two objectives. This makes some sense, but in Chapter 6 we argue that a revised strategy should also attempt to address the first objective (tackling chronic poverty), provided this is done in a way that uses existing resources and contributes to longer-term growth. The current National Social Protection Framework largely reflects this approach, proposing a combination of providing targeted support to vulnerable groups and an emphasis on income-generating and credit programs.

4.2 **Estimating the Extent of the Need**

243. It is impossible to say with any certainty what the extent of the need for safety net spending. It depends on which groups society wants to support and how large a transfer is provided, but the poverty analysis in Chapter 2 provides some rough guidance.
244. The following are the numbers in some obvious potential target population:

- **Most Vulnerable Children**, including double orphans, as defined in the NCPA, a total of about 900,000.
- **The elderly, disabled, and those suffering from HIV/AIDS** who are not living in households that can support them, roughly estimated to be an additional 1 million people.\(^99\)
- **Those living below the food poverty line**, about 6.4 million people (which includes almost all of those in the above two categories).
- **Families facing severe seasonal food insecurity**, probably approximately 5 to 10 million people\(^100\) (although the number varies a lot from year to year, and most need assistance for only about four months).
- **The population living below the basic needs poverty line** – about 12.7 million people.

245. Thus the minimum number of people requiring support is probably in the order of 2 million (the extremely vulnerable), while the maximum is probably in the range of 7 million (those below the food poverty line), with another 3 to 4 million who would benefit from intermittent assistance.\(^101\)

**How Much is Enough? Setting the Size of the Transfer**

246. The second part of the question that policymakers need to confront is what size of a transfer to provide and how long to provide it for. There is no way of saying what the ‘right’ size of the transfer is. It depends on a combination of what is affordable, and what will do the most good. If a transfer is too low, it will not have enough impact on the welfare of the poor,

\(^99\) Using a very rough estimate at 5 percent of the population (drawing on the population census, the Tanzania Disability survey, and the DHS); and deducting the MVCs included in the previous category.
\(^100\) Based very roughly on the population living between the Basic Needs and the food poverty lines, combined with evidence from annual USAID FEWS/VAM Vulnerability Assessments (but note that this only include food-insecure districts) and the estimated 18.9 percent borderline food-insecure in CFSCA.
\(^101\) The approximate number of additional food insecure in bad years, implied by annual FEWS/VAM surveys.
whereas setting the value of the transfer too high would be unfair and divisive – raising the incomes of the very poor above those of the “average” poor who do receive no benefits.

247. Table 33 sets out some logical choices that illustrate the possible size of a transfer in Tanzania.

Table 33: Possible Size of Transfer in Proposed National Safety Net System

<table>
<thead>
<tr>
<th>Estimated Amount Needed to:</th>
<th>Tsh per person per month</th>
<th>(US$)</th>
<th>Annual US$ per beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bring the incomes of the poorest 10% up to the food poverty line (a/)</td>
<td>Tsh 4,300</td>
<td>($2.86)</td>
<td>$34</td>
</tr>
<tr>
<td>Close the gap between the consumption of MVCs and that of children living in households around the poverty line (b/)</td>
<td>4,750</td>
<td>($3.16)</td>
<td>$38</td>
</tr>
<tr>
<td>Raise the base income of the poorest Tanzanians by 20-25% (a typical amount of transfer provided under safety net programs in other countries) (c/)</td>
<td>2,400-3,000</td>
<td>($1.58-2.00)</td>
<td>$19-24</td>
</tr>
<tr>
<td>Bridge the four-month seasonal gap in the consumption of smallholder farmers (d/)</td>
<td>2,100</td>
<td>$1.40</td>
<td>$6</td>
</tr>
</tbody>
</table>

Notes: \(a/\) Based on 2006 gap (Tsh 10,219 food poverty line less 7,335 average income of bottom 10%); updated by 50% inflation.

\(b/\) 2006 estimate (Leach, 2007, Table 2) of gap for 7-14 year olds updated by the CPI.

\(c/\) Based on approximate current income among the poor of 12,000 per month (CFSVA).

\(d/\) Based on 0.2 kilograms of grain per person per day (= 6 kilograms per month) and Tsh 350 per kilogram.

248. The estimates converge around a monthly transfer of about Tsh 5,000 per capita to the poorest (equivalent to about US$35 to US$40 annually), and of about 2,000 to 3,000 monthly for the seasonally poor (US$15 to US$24 annually).\(^{102}\) These are similar to amounts paid under the current Public Works, Food for Assets, and CCT programs.\(^{103}\) In terms of the value of the transfers as a percentage of the current incomes of the very poor, they are similar to the transfers paid in other countries, although they are lower in absolute terms, because Tanzania

\(^{102}\) The smaller transfer of Tsh 2,000-3,000 a month per adult equivalent for just the four-month lean season implies a transfer of about Tsh 50,000 to a family annually (US$33.33). The Tsh 5,000 transfer per month to the most vulnerable paid year-round would come to about Tsh 180,000 (US$120) annually if there were three adult-equivalents in a household, although many households will likely have fewer.

\(^{103}\) The CCT pilot program in Tanzania is providing a transfer of about Tsh 4,500 per capita per month (based on 7,000 per adult and 3,500 per child, and assuming one elderly adult and two children per household). Beneficiaries of the Food for Assets Program receive the equivalent of about Tsh 3,300 per capita per month (assuming a household of five members and benefits spread over a four-month period although the amount of work is limited to 30 days per household.

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is a lower-income country. Programs in Latin America, for example, generally pay between 10 percent and 20 percent of the poor’s pre-transfer household income. The cash transfer program in Honduras pays US$4.66 per child per month, the old-age allowance in Bangladesh pays about US$3 per month, and the Kalomo cash transfer program in Zambia pays about US$10 per household per month.

249. In reality, the safety net program will probably need some combination of payment levels because the levels of uninsured risk and the unfilled needs of households vary a lot between different beneficiary groups. The authorities will have to experiment with different levels of transfers, track their impact, and fine-tune the approach over time.

How Long Should the Transfer be Sustained?

250. Except in the special case of responding to droughts, most extremely poor households will need sustained transfers over a number of years (although probably two-thirds of them will only need that assistance for about four months each year during the lean season). There is no way of saying definitively how long to provide support. As noted earlier, over time many of the agricultural poor in Tanzania (who constitute the bulk of those below the poverty line) will benefit from better market integration and productivity increases, so, while they may need help today, they should not need safety net transfers in the long run.

251. However, even as large numbers of households graduate from the transfer programs over time, other poor households will be falling into poverty and needing support. Therefore, the safety net system needs to be designed with a view to providing support to a continuous pool of beneficiaries over the long term – even if the individual *households* in that pool change over time.

252. Nonetheless, any safety net program needs to encompass the principle of graduation. Ways to help beneficiaries to graduate include helping them to accumulate enough assets to
undertake other activities (for example, some TASAF beneficiaries use the income that they receive from public works programs or CCT transfers to start used clothing or food selling businesses), giving them the opportunity to benefit from micro-finance or skills-training programs, and/or overcoming their production constraints (for example, by giving them fertilizer vouchers to enable small farmers to increase the productivity of their land). However, while appealing, graduation is difficult to engineer, and expectations need to be modest (see Box 7).

**Box 7: Building Graduation into Safety Net Programs**

The idea of beneficiaries graduating from safety net programs is clearly appealing, especially to sustain political support for the program. The US and other developed countries have had some success in helping safety net recipients to be re-integrated into the job market over time, but this is not an option in agrarian economies.

The ways for recipients to graduating from safety net support in low-income countries either involve helping them to build up savings and to invest in income-generating schemes or giving them access to services that, for example, build their productivity and/or human capital such as literacy or agricultural extension services. However, this is more difficult in practice than in theory. For example, income-generating opportunities may be limited in low-productivity areas, services for building productivity and human capital are often not available [check], and income-generating and skills training programs themselves do not have a consistent record of success.

The global experience in encouraging graduation from the safety net has been mixed. Under the Rural Maintenance Program in Bangladesh, women recruited to maintain earth roads are required to participate in savings plans and receive training in numeracy and micro-enterprise management. Their participation in public works is limited to four years, after which they receive one year of business management support. After three years on their own, 79 percent were found to still be self-employed in micro-enterprises (although it is not known if their businesses were generating sufficient income to raise them out of poverty). A similar program in Malawi had less success, in part because the link with microfinance did not function well.

In El Salvador and Ethiopia agricultural extension programs covered the same geographic areas as the transfer programs, but not necessarily the same households. The PSN program in Ethiopia set an explicit goal of graduating safety net beneficiaries in 5 years, but in fact only about 3-4% has graduated so far; part of the problem has been the ineffectiveness of associated asset-building and agricultural extension programs.

**4.3 Fiscal Space and Affordability**

253. Combining options for which target groups to support and how much of a transfer to provide gives a rough idea of the macro-level costs that might be involved. These can range
from about US$100 million to over US$500 million annually, depending on which objectives the
government wants to achieve (see Table 34). (More detailed costings for specific program
choices are presented in Chapter 6.) However, it should be noted that achieving these levels of
coverage at these costs will depend on good program design and especially on effective
targeting. If there are major leakages to the non-poor, costs can be higher or coverage much
lower.

**Table 34: How Much Is Needed: Illustrative Costs of Some National Safety Net Objectives**

<table>
<thead>
<tr>
<th>Possible National-level Objective</th>
<th>Approximate Annual Cost (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help only the most vulnerable</td>
<td>Tsh 156 billion (US$104 million)</td>
</tr>
<tr>
<td>(Bottom 5% - about 2 million people)</td>
<td></td>
</tr>
<tr>
<td>Address chronic food poverty</td>
<td>Tsh 510 billion (US$340 million)</td>
</tr>
<tr>
<td>(Bottom 16% - about 6.3 million people)</td>
<td></td>
</tr>
<tr>
<td>Bring everyone up to the basic needs poverty line</td>
<td>Tsh 750 billion+ (US$500 million+)</td>
</tr>
<tr>
<td>(Bottom 34% - 12.7 million people)</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Author’s calculations.*

*Notes: Based on 2007 data, transfers of between Tsh 5,000 (for poorest) and Tsh 2,500 (less poor) per capita monthly, for either 12 months (for the poorest) or 4 months (for the less poor) annually with 30% administrative and delivery costs. Actual costs could vary widely depending on program choice and leakage.*

254. Total public spending in Tanzania at the moment is about Tsh 7,100 billion (2008/09) or
US$5.9 billion annually, so these estimates represent between 2 percent and 8 percent of all
public expenditure. The higher end seems unrealistic given the other demands on the budget,
but the low to middle range is probably affordable. To put these numbers in perspective, total
recurrent public spending on health care amounted to only US$366 million in 2008/09, on
primary education it was about US$554 million, and on delivering agricultural services it was
US$132 million.

255. The public sector is facing pressing demands to finance the investments needed to
accelerate poverty-reducing growth and the long-term transformation of the economy (for
example, in education and infrastructure). Safety net programs are a legitimate part of this
bundle of services, but given the fact that all sectors would benefit from additional funding,
spending on safety net programs will have to be tightly rationed. Interventions will need to be
designed to achieve other poverty-reducing objectives and/or be targeted fairly narrowly.
256. While there are undoubtedly trade-offs with other pro-poor expenditures, as noted earlier, it is a false dichotomy to think of safety net transfers only as spending to boost immediate consumption. If well-designed they can be used to strengthen the government’s investments in human capital and infrastructure. Furthermore, transfers represent a direct injection of money into the lowest level of the economy where they create immediate demand for goods and services, thus creating employment and income opportunities at the local level.

257. Given the large number of poor, the country’s limited public resources, and the crucial need to focus on growth-enhancing interventions, suggests, a priori, choosing safety net options that will:

- Simultaneously contribute to longer-term poverty-reducing growth such as the creation of assets under public employment schemes or financing investments in human capital\(^{104}\)

- Using existing public spending to achieve safety net objectives, for example, using the very large amounts spent on road maintenance to provide counter-cyclical employment of the poor (see Box 8)

- Leverage expenditure on safety nets by choosing interventions that yield the greatest income impact per unit of expenditure such as selective fertilizer subsidies for small farmers

- Use cost-effective program designs, paying particular attention to administrative costs, leakages, and inclusion errors

\(^{104}\) Including helping households to make a permanent transition out of poverty, for example, by eradicating the inter-generational poverty trap or providing them with assets that allow them to increase their longer-term earnings.
• Target judiciously to the categories of the poor and types of poverty where need is greatest.

**Box 8: Using Existing Public Expenditure to Make Safety Net Transfers: Employing the Poor on Road Maintenance**

As in many countries, the road network is under-maintained in Tanzania, and this is an opportunity to create regular, predictable employment income for the poor, while making an essential investment in development.

Tanzania has a very successful Road Fund (the RFB), which was set up to ensure the adequate maintenance of roads by collecting a fuel tax of Tsh 200 per liter. The amounts collected now more or less cover the maintenance of trunk roads, but there is a substantial backlog of local road maintenance including the local earth roads that deteriorate each rainy season and need substantial routine maintenance every year.

A number of countries have operated successful road maintenance safety net programs. The Bangladesh Rural Maintenance Program recruits poor women to maintain earthen village roads and provides them with training in road maintenance, health, nutrition, and business management. It employs about 40,000 women annually at a cost of about US$16 million. The Zibambele (“Doing it for ourselves”) program in KwaZulu Natal (South Africa) proved more sustainable than most public works programs in its financing and in the predictability of benefits to participants, because they are engaged in renewable annual contracts and are paid from the recurrent budget of the provincial public works department. The Central Region Infrastructure Maintenance program in Malawi employed poor women for up to four years each to maintain earth roads near their homes, paying half of their wages paid in cash and withholding half in a savings account. Maintenance programs typically achieve a far higher proportion of spending on wages (and thus of more transfer to the poor per dollar spent) than do new construction projects.

In Tanzania there is an effective system for channelling funds down to local government and an established capacity to manage maintenance works. If a labor-intensive program could be developed that targeted the poor at a low wage rate with the work concentrated during the agricultural slack season (generally May to October), then this would be a great opportunity to re-direct large amounts of funds to the poor using existing resources. To illustrate, just 20 percent of current road fund maintenance spending, either from existing resources or a donor top-up, could employ over 300,000 of the extreme poor for four months a year.

Injecting additional funds into the Road Fund to finance the labor-intensive maintenance of local roads by the poor has a number of potential attractions:

- There is an existing system and capacity.
- It provides regular and predictable transfers.
- There are substantial local benefits in development terms, such as having passable roads and thus more access to markets.
- It avoids the necessity of having to design, manage, and oversee new capital projects.

This is potentially a very attractive option, provided it is designed properly. To achieve the safety net objective, the Fund would need to be intentionally selective of the very poor and of women workers and would need to pay a low enough wage rate not to attract the non-poor.

258. Substantial additional fiscal space can be gained by rationalizing and combining the current package of programs. Without more details of the rationalization, it is not possible to say exactly how much would be saved, but it could be in the range of US$50 million annually (see discussion in Chapter 6).

259. Efficiency gains in spending can also come from better targeting. If, as the CFSVA data suggest (Table 32), almost half of the benefits of current programs are going to the non-poor (and almost 80 percent are going to those who are not extremely poor), then improving targeting will mean either that many more poor people can be reached by existing programs with the same level of expenditures and/or that funds can be freed up to be spent on better targeted programs. How much can be gained this way is hard to say without more detailed analysis, but very roughly, if the CFSVA data are correct, then about 25 percent of existing resources could probably be freed by stopping benefits from going to the non-poor.\(^\text{105}\)

260. So how does Tanzania’s safety net expenditures compare with spending in other countries? Tanzania currently spends some $175 million equivalent annually on transfers and safety nets (US$85 million excluding NAIVS), representing about 0.3 percent of the country’s GDP. Annex Table 3.1 shows how this compares to spending by some other low-income countries. The median for developing countries is about 1.3 percent of GDP. Ethiopia and Malawi spend about 4.5 percent of GDP, but this includes some very large donor-financed programs. If these are excluded, these countries spend about 0.5 percent of GDP.

\(^{105}\) Assuming that 50 percent of current spending goes to the non-poor (CFSVA survey) and that about half of that could be recouped by improving targeting (since totally error-free targeting is unlikely).
261. Because of the different definitions used and because of which programs are included and which are not, it is difficult to compare spending directly across countries. Nonetheless, the data suggest that Tanzania is near the lower end of the spectrum in terms of spending on safety net transfers, implying that there is scope for at least continuing the existing level of spending and probably for increasing it somewhat.\textsuperscript{106}

\textsuperscript{106} Note also that spending as a share of GDP can be misleading. In very-low-income countries, budgets tend to be so constrained that governments cannot adequately finance the most essential services such as education, health, and water supply so that opportunity cost of even small shares of GDP, in terms of public expenditure pressures, can be very high.
CHAPTER V: INSTITUTIONAL AND POLITICAL ECONOMY CONSIDERATIONS

262. This report focuses on the broad strategic choices facing Tanzania and on the selection of program instruments. In general, the way in which these programs are implemented need to be addressed during the design of the individual programs. Nonetheless there are several critical administrative constraints that policymakers should bear in mind when thinking about the choice of safety net interventions in Tanzania. They are:

- The need to keep programs simple in design in keeping with limited capacity, especially at the local supervisory level.
- The desirability of maintaining the same systems over time with consistent procedures and design (for the same reasons), which means it is important to avoid stop-start programming.
- The need for sustained transfers to be given to the same households in order to have any real impact on their level of poverty.
- The importance of effective targeting.

There are also several political economy considerations that policymakers need to take into account, particularly those that relate to the extent and accuracy of targeting.

5.1 Administrative and Institutional Issues

263. Sustained Transfers. Experience worldwide has shown that, to have an impact on poverty, transfers need to be predictable and to be sustained over time. Transfers need to continue for long enough to have an effect on the behavior of the recipients (in terms of their production and labor choices) and to allow them to accumulate some savings and make some investments that will lead to permanent increases in their earnings (for example, by acquiring skills or assets). Also, the most vulnerable require sustained support to keep them out of poverty. A major issue in Tanzania, as elsewhere, is the stop-start nature of programs that are funded by donors. Programs are designed and then implemented for a period of maybe four or
five years (or perhaps a maximum of 10 years), after which the donor or implementing agency may lose interest or change its priorities. This is particularly a problem with the current collection of programs in Tanzania, almost all of which are donor-funded. A further problem is that, as we have seen, many of the existing programs (including the Public Works Program, Food for Assets, and the MVC Program) deliver only a one-off benefit to a household, which is neither predictable nor sustained over time.

264. **Administrative Capacity and Consistency of Approach.** The targeting and management of transfer programs is labor-intensive as it involves quite complex procedures and requires significant supervisory capacity at the local level. While capacity is increasing, it is still sparse in Tanzania. Having just a few larger programs that are consistently implemented over a long period would increase the probability that lower-level managers would be able to master the operational procedures.

265. **Keeping it Simple.** Another drawback of the stop-start approach is that as soon as staff get used to one system, the program is then dismantled or changed. Sticking consistently with a simple set of operational arrangements over time (even if imperfect) increases the probability that implementation staff will learn and understand them.

266. **The current pattern of programs in Tanzania is piecemeal, duplicative, and uncoordinated.** Implementation systems are duplicated, programs overlap in terms of beneficiaries and areas of coverage, and they fail to cover very large proportions of the poor. Considerable savings and greater poverty reduction gains could be made if the existing programs were rationalized and combined.

267. **The Move towards a Permanent National System.** For all of these reasons, it makes sense to move toward a permanent safety net system that is better integrated into the regular functions of the government. There will always be a need for safety net transfers, and Tanzania is at a point when it makes sense to think about establishing a permanent national system.
While it may be some time before the government is equipped to fully finance the transfers, the current process of independent and largely donor-determined interventions is not a cost-effective strategy in the long run. While the transition will take time, beginning the move towards a permanent system now will lay the basis for the future.

268. The Need for an Institutional Home. Closely aligned with the question of shifting to a more permanent system is that of assigning an institutional home within the government for safety net programs. As in many other countries, there is no single department or agency with responsibility for safety net programming in Tanzania. Establishing a single central agency is important to coordinate interventions and prevent overlap, to avoid donor fragmentation of programs and stop-start programming, and not least to provide unified direction on the substantial share of public expenditure allocated to safety nets.

269. There is no right choice of agency. In many countries, the ministry with the greatest responsibility for delivering social welfare programs has been strengthened to take on the role, while in others a social fund has been transformed into a full-scale social protection agency that has been integrated into the recurrent functions of the government. In either event, line ministries would still have a key role to play in the design of individual programs, and most implementation responsibility would continue to fall largely to local governments while MoFEA and the country’s Social Protection Thematic Working Group could still provide the core of policy guidance.

5.2 Political Economy and Targeting Concerns

270. Our discussions with political leaders, senior officials, and ordinary Tanzanians confirmed that there is only limited support in Tanzania for pure transfers to the poor. There is

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107 Currently MoFEA has overall responsibility for policy issues, and the Social Protection Thematic Working Group serves as the focal point for broad policy discussions, but the responsibility for individual programs is spread among MoAFS, the Prime Minister’s Office, the DoSW, the Ministry of Labor, and TASAF, with donors having substantial influence over the design and operations of particular programs.
a general aversion to the idea of handouts’ and a concern that they may breed dependency. However, there is also a growing recognition that economic growth alone is not happening fast enough to benefit the poorest rural Tanzanians and that some groups (such as orphans and the vulnerable elderly) are no longer being adequately supported by traditional family and village structures.

271. The trick is to develop safety net programs in such a way that they promote economic transformation and support the groups that most Tanzanians agree are in need. The social and political concern to avoid creating dependency is also an argument for adopting either programs with a work requirement (such as public works employment) or conditional transfers (that require recipients to agree to, for example, school attendance, nutritional monitoring, or health clinic visits).

**Universal versus Targeted Programs: To Target or Not to Target**

272. Deciding how widely or narrowly benefits should be spread and how to identify beneficiaries are major challenges in a country like Tanzania where the poor make up a large share of the population, and the poor and ultra-poor often live in similar conditions.

273. Targeting is expensive not only in financial terms but also, equally importantly, in terms of administrative burden, especially in situations where reliable data on people’s incomes, age, or landholdings is not available. Universal programs avoid this problem because they are straightforward to administer. However, clearly there is a trade-off. Targeted programs are smaller in coverage (and therefore cheaper), but universal programs avoid the need to target but can be very expensive because of their wide coverage. Universal programs for certain groups (such as the elderly) often have the added appeal of enjoying popular support and avoiding divisive decisions about who to leave out, but they also involve large inclusion errors, providing benefits to a lot of people who do not really need them. (See discussion below on universal pensions.)
274. In the National Social Safety Net that we are proposing for Tanzania, we recommend including only targeted programs because of the high fiscal costs of universal programs, and the potentially very large share of benefits that would go to people who do not need them. Box 9 lists the main forms of targeting mechanisms.
Box 9: Common Targeting Methods

The following are the main targeting methods used in transfer programs worldwide.

*Administrative targeting* involves using data on clients’ income or wealth (means testing), or age (in the case of pensions) to confirm their eligibility. This is how most programs in developed countries are targeted but is generally not feasible in low-income countries, where family income is not known, and, in the absence of birth certificates, even demographic information may not be reliable.

*Proxy means testing* (PMT) uses other attributes (such as the type of house in which a family lives or whether they own livestock) to identify the poor. The problem with PMT is that still requires a substantial amount of data, the measurements are often subjective, and – especially in countries like Tanzania – many of the population may live in similar huts and have almost no assets, making it hard to find attributes that distinguish the poorest from the medium-poor.

*Self-targeting* requires the least data and involves almost no targeting cost. Examples include offering a low wage rate for public works employment so that only the poorest will apply or offering inferior goods (such as yellow maize, or broken rice) that families will only take if they are in extreme need or very small packages of benefits such as fertilizer. The main challenge is that policymakers and the public may object to the extremely low levels of benefits; but to make them any higher would defeat the objective of self-targeting.

*Geographical targeting* involves implementing programs only in areas known to be poor. It has the benefit of being an easy-to-implement and easy-to-justify approach for limiting program coverage when it is not possible to extend it nationwide. Geographical targeting makes the most sense when there are a few pockets of extreme poverty in a country or in response to localized problems (such as a drought). The problem is that, in countries like Tanzania where there is deep poverty spread throughout the country, geographical targeting can miss out on large proportions, or even the majority, of the poorest.

*Community-based targeting* (CBT) uses community members to identify those who are eligible for a program. This is often a group of respected elders or elected villagers who are given guidelines from program staff on the eligibility criteria. The rationale is that only people with knowledge of the local community can identify who falls into a certain category (for example, there may be many orphans in a village but only some may be destitute). The problems that can arise with this method are that the community members charged with making the selection exercise favoritism or spread the benefits too thinly. Also, CBT tends to be labor-intensive to set up and support. The MVC, Public Works, and Food for Assets programs currently use community-based targeting.

*There is no right form of targeting.* A survey of experience worldwide suggests that on average self-targeting through a low wage rate, geographical targeting, and administrative means testing are the most effective. Proxy means testing, community-based targeting, and demographic targeting of children can be successful but tend to be less effective. Demographic targeting to the elderly, community-bidding, and self-selection show the least promise. However, there is great variation, and the choice depends on the program and the country context.

*Implementation matters.* Implementing the targeting system correctly is far more important for its success than the choice of method. The same study found that 80 percent of the variation in effectiveness of targeting was due to differences within methods, and only 20 percent was due to the choice of method.

275. Given the difficulty of administrative targeting because of its heavy demands on data and staff, the best way forward in Tanzania is probably a combination of self-targeting and community-based targeting. In both cases, occasional verification surveys will be needed to ensure that these systems are in fact targeting the right beneficiaries.

276. It is important however not to underestimate the costs and administrative difficulties involved in targeting the poor in Tanzania. While community-based targeting instruments appear attractive, they will require substantial effort to organize and support, and there is always the risk that they will not function effectively. In any targeting method, there is a substantial risk that some benefits will go to those who do not need them or that it will miss some of those who do. Therefore, it is critically important to assess the effectiveness of existing mechanisms and determine which are best before proceeding.

277. Almost all existing programs in Tanzania use some form of geographical targeting. The Food for Education Program, Food for Assets, TASAF’s Vulnerable Groups and CCT programs, and the NFRA all operate only in districts that have been identified as being food-insecure. This leads to significant exclusion errors because, as seen in Chapter 2, there are many very poor people who do not live in these poor districts. Very rough calculations show, for example, that operating only in the bottom one-third of districts that are rated food-insecure (as most current programs do) excludes about 68 percent of the extremely poor in Tanzania.¹⁰⁸

278. Geographical targeting is probably not the most suitable method to use in transfer programs that should try to reach the poorest Tanzanians, wherever they live. If resource constraints make it imperative to limit coverage of some programs, geographical targeting might be acceptable in the early stages, provided there is a commitment to scale the program up to nationwide coverage later. This should be possible if (as we recommend in this report) the number of programs is reduced to two or three covering the whole country rather than the

¹⁰⁸ Based on 2001 poverty map and Vulnerability Assessment data – the last year for which district-level poverty data are available.
current large number of small programs, each of which is forced into using geographic targeting because of its small size.

**Targeting versus Universal Coverage: The Universal Pension Proposal**

279. A proposal is currently circulating in Tanzania to introduce a universal pension for the elderly.\(^{109}\) This has grown out of the successful experience with several small-scale pilots, most notably the KawaZee program, which have proven helpful in supporting the poor elderly who are supporting orphans.

280. The rationale given for expanding to a universal program is in part because it is felt to be an effective way of helping orphans but also because there are elderly people in many poor households, meaning that any funds that they receive will impact the welfare of their households. Another argument that is made in favor of this idea is that most of the elderly are excluded from the formal pension system.

281. The case for universality is made on the grounds that: (i) it would be too divisive politically and socially to provide the benefit to only some of the elderly, (ii) targeting would be difficult and administratively cumbersome, and (iii) if the transfer is small enough, the non-poor will not choose to claim it.

282. The proposal is for a monthly transfer of about Tsh 12,200 per month to all Tanzanians over the age of 60.\(^{110}\)

283. From a safety net perspective, there are a number of drawbacks to this proposal:

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\(^{109}\) MoLEYD (2010).

\(^{110}\) In fact, a range of options is presented, for the pension starting at ages 60, 65, or 70, and for differing levels of benefits, but the 65 and over/Tsh 12,200 combination is the main proposal.
• It would be expensive – about Tsh.308 billion (US$227 million) annually – as there are about 2 million people over the age of 60.

• If the objective is primarily to support orphans and the elderly poor who are supporting them, then this can be done much more cost-effectively using a narrowly targeted approach.

• Over 70 percent of orphans and MVCs do not live in households consisting of just the elderly and orphans (Table 16), so substantial additional expenditure would still be needed to benefit most orphans.

• It ignores the fact that many of the elderly are non-poor or certainly not among the poorest. Most are part of functioning households that support them. As seen in Chapter 2, the poverty rate among the elderly is no different from that among the population as a whole. In fact almost 84 percent of the elderly (1.7 million out of 2 million) are estimated to be living above the food poverty line (Table 19), and 67 percent have consumption above the basic needs poverty line.

284. The feasibility study\(^{111}\) estimates that poverty rates could be decreased by about 2 percentage points,\(^{112}\) mostly because one-quarter of households have elderly people in them and because elderly people tend to live in poorer households). However, much more could be achieved in terms of poverty reduction by targeting the transfers to those households most in need. Spending $227 million on transfers to those below the food poverty line could go a long way towards eliminating chronic food poverty (Table 33) or could finance major improvements in education, health care, or infrastructure. In this context it seems unlikely that the government would be prepared to spend significant amounts of domestic budget resources on such a program at this point in time. The program would therefore have to be funded by

\(^{111}\) MoLEYD (2010).
\(^{112}\) Specifically, the food poverty rate would decline from 16.6 to 14.6 percent (MoLEYD, 2010, Table 3a, p.28).
donors, and it seems unlikely that donors would either re-direct $227 million annually from other activities or increase their aid flows to Tanzania by this amount to finance a universal pension program.

285. One of the main arguments in favor of a universal pension is that it avoids the costs of targeting the poor elderly. This case is weakened in Tanzania where there has already been some success in establishing a community-level targeting system for identifying the poorest at the village level under the MVC program as well as under the pilot CCT, Food for Assets, and the Public Works Program. Given the large amount of resources that have already been invested in developing this system, it would seem to make more sense to build on it, and strengthen it, in order to deliver a targeted social pension that would give cash transfers only to the very poor elderly.

286. The idea of cash transfers – including to the poor elderly – is a good one. As suggested in Chapter 6, they should be a significant part of Tanzania’s safety net strategy in the near future. We recommend the continued expansion of cash transfers (whether conditional or not) targeted to those in greatest need, including the poor elderly, MVCs, and the disabled, using some form of community targeting. Such a targeted social pension would be more cost-effective and more affordable than the universal pension. It could potentially form the basis for the eventual shift to a national pension system with wider coverage, but in terms of the best way to use transfer resources to reduce poverty and in terms of fiscal affordability, any shift to universal coverage is likely still several decades away.
CHAPTER VI: CONCLUSIONS AND RECOMMENDATIONS: OPTIONS FOR A NATIONAL SAFETY NET PROGRAM

287. While Tanzania’s current programs have had some success reaching the most vulnerable, they have several significant drawbacks. They are generally not large-scale enough to affect poverty levels, the transfers that they provide are often too small to make a significant difference to the households receiving them, and most of the poor are not covered by any program. At the same time the growth process is not raising the incomes of the very poorest fast enough, nor is it likely to do so in the near future. Under these circumstances, a larger and more effective package of productive safety nets is justified.

288. We recommend a combination of programs that seeks to achieve three objectives:

- Raises the incomes of the poorest and most food-insecure through a program of sustained (and financially sustainable) productivity-enhancing transfers.
- Protects the poor from the effects of food shortages and price rises during the lean season.
- Provides targeted, direct support to those unable to participate in the labor force or to fend for themselves, in other words, the disabled, elderly, and orphans and other vulnerable children who are not living in households that can support them.

289. Tanzania can afford such a program if it refines its existing approach, scales up a limited number of programs to achieve greater cost-effectiveness, and uses money that is already being spent, either in the budget or in donor-financed safety net programs.

290. A number of principles need to underpin any national program:

- Transfers need to be provided to the poor in a consistent and predictable manner, which generally means a monthly transfer as opposed to a one-off payment.
- Coverage needs to be greater because reaching only a few tens of thousands of the poor will not make a difference to poverty rates.
• Wherever possible programs should be self-targeted.

• Rather than the current collection of small (mostly donor-driven) interventions, the program should consist of a very few cost-effective programs operated on a scale that is large enough to make a difference.

• Programs should be capable of being scaled up and down as need dictates, particularly to expand coverage during the hungry season.

• Programs should as far as possible be designed to assist recipients to rise out of poverty over the long term by increasing their assets and abilities or by providing judicious injections of funds to enable them to invest in their human capital or livelihoods.

291. Therefore, we recommend the adoption of a national safety net program for Tanzania structured around the following two main interventions:

(i) An expanded public works employment program that is self-targeted, creates assets that can contribute to longer-term income growth, can be targeted in time and space, can be expanded (or contracted) as needed, and can be financed largely with money that the government and donors are already spending. Such a program might build on the existing Public Works Program for the food-insecure and the Food for Assets program. It would need to be significantly larger in scale than at present, probably consolidating the best of both programs, and should be expanded to cover most of the country. It would provide larger transfers to each beneficiary family by offering employment for longer periods than the current programs do.

(ii) A cash transfer program consisting of conditional transfers requiring recipients to make human capital investments and limited unconditional transfers for the most needy. This would build on the ongoing TASAF and KwaWazee cash transfer pilots combined with a
revised variant of the MVC program that would also make transfers to other vulnerable groups such as the disabled and elderly poor. This would make it possible to build on the MVC program’s community-based targeting mechanism, which appears to be the only viable way to identify and cover the vulnerable individuals and households within communities. This new program would need to provide more regular and larger transfers than the current MVC program. At the same time, given the high unit costs involved, it would need to do so more cost-effectively. Transfers should in general be given in the form of cash and/or food. A range of different conditions could be applied to these transfers depending on what kind of human development behavior policymakers would like to encourage.

292. About 75 to 80 percent of the benefits should consist of temporary employment for the able-bodied poor through employment during the four months of the lean season, while the balance should consist of year-round monthly transfers to the truly destitute. This core program might be supplemented by a smaller fertilizer voucher program for poor farmers.

293. The transition to such a national program would be gradual. First, taking advantage of the ongoing reviews and formulation of next phases of the Public Works, Food for Assets, and MVC programs over the coming year, there could be an immediate reformulation of existing programs to increase their impact and cost-effectiveness. This would be followed in the medium term by a restructuring of the current overall package of programs as they enter their next phases to ensure that they function better as a whole, thus laying the foundation for the eventual creation of a single national system.

294. Box 10 gives a sense of the kind of unified program that is possible along the lines of the National Productive Safety Nets Program being operated in Ethiopia.
6.1 Restructuring the Existing Package of Programs

295. All of the major programs are currently in the process of being redesigned. In this context, policymakers recognize the desirability of increasing coverage and improving targeting and of moving, in most cases, from in-kind transfers to cash benefits. There is thus an opportunity within the next year or so to consolidate these programs into a more rational system with a common targeting system, coordinated coverage of areas, and more consistent benefits and to achieve economies of scale in administration and delivery.

296. What might such a rationalization involve?

- Shifting to a single (or at least coordinated) national program of cash transfers to the very poor elderly, the disabled, and vulnerable children
• A shift toward greater use of cash transfers in the MVC program.

• Combining the Food for Assets and an expanded Public Works Program into a unified national public works transfer scheme.

• The Food for Assets program shifting to giving mainly cash payments, though with the flexibility to continue distributing food in circumstances when it is needed because food markets are not functioning.

• An expanded TASAF conditional cash transfer program, integrated (or at least closely coordinated with) the revised MVC program.

297. The country would then have two major safety net programs – a small cash transfer program for the vulnerable, and a nationwide public works program for those who are very poor but can work.

6.2 Immediate Next Steps

298. The following are logical next steps that can be taken within the coming year:

• Evaluate the community-based targeting systems used by the existing programs (the MVC Program, Food for Assets, the TASAF CCT, the VG Program, and NAIVS) to identify best practices and combine them into a single national system for identifying the most needy/vulnerable at the village level for all cash and in-kind transfer programs.

• Initiate discussions among the Department of Social Welfare (DoSW), USAID, PEPFAR, and the Global Fund on shifting the benefits provided by the MVC Program from in-kind benefits to cash plus food transfers.
• Review the effectiveness of and overlap and exclusion errors involved in geographical targeting and decide to what extent to use geographical targeting in the national safety net program.

• Review the experience of Food for Assets and the Public Works Program, take the best of both, and consolidate them into a single, consistent national model for giving employment-based transfers to the poor.

• Examine the potential for using existing (or increased) spending on the maintenance of roads and other public infrastructure to employ the very poor during the lean season, using a self-targeted low wage rate.

• Identify mechanisms for coordinating the geographical coverage of the Public Works Program and Food for Assets.

• Bring together DoSW, TASAF, and donors to discuss how best to move forward on the next phase towards a unified national program of cash transfers.

• Monitor and review experience with NAIVS and consider initiating a smaller follow-on program targeted only to poor farmers.

• Undertake a detailed targeting review of the inclusion errors in the NFRA, the Public Works Program, and the Food for Education Program that were implied in the CFSVA data (Table 32) to assess the share of benefits going to the non-poor and the scope for and redirecting these resources to the poor.

• Explore mechanisms for improving the monitoring of overlapping coverage by all programs to reduce gaps and rationalize any duplication of support.
• Consider the options for adding conditions to cash transfers (Box 11) and the likely costs and benefits associated with each condition.

• Consider expanding the funding of free Community Health Fund cards for the poor or eliminating fees for primary health care, rather than the piecemeal (and unwieldy) system of exemptions and insurances: evaluate costs of health subsidy programs, amounts currently gathered in revenue, and impact on behavior of the poor in seeking care.

• Decide on an institutional home for safety nets within the government.

6.3 Possible Costs and Structure of a Longer-term National Safety Net Program

299. Depending on how aggressive the government wants to be in using safety net transfers to address poverty, we present three options reflecting varying levels of financial and administrative commitment:

(i) An aggressive national safety net strategy would involve providing significantly more support to the very poor while promoting economic development. This could include a much-expanded public works program geared towards providing wage transfers to the landless and urban poor, and seasonal support for the rural working poor during the agricultural slack season. This would be complemented by a revised version of the agricultural inputs scheme for small farmers and narrowly targeted transfers to the most vulnerable. Such a program might reach something like 16 percent of the population and cost around US$240 million per annum.

(ii) An intermediate program would provide a more coherent package of support than at present to a larger share of the poor at a similar cost by using more cost-effective interventions and reorienting existing expenditures. This version of the program
would consist of an expanded public works program in conjunction with a larger version of a combined MVC and CCT program designed to provide transfers to the most vulnerable. Such a program might reach 10 percent of the population and would cost around US$150 million per annum.

(iii) A minimal approach would provide limited support to the very worst-off in society, rationalize existing expenditures in a more coordinated approach, and increase the impact of existing expenditures. Such a program might provide continuous support to about 1 million of the most vulnerable Tanzanians and intermittent, seasonal support, through public works, to about 2 million of those below the food poverty line. Such a program might reach 7 percent of the population and cost around US$83 million per annum.

300. Table 35 shows the possible costs and the structure of each of these options in more depth. It should be noted that these are illustrative order-of-magnitude estimates only and would be subject to significant change as program design choices were made. Keeping costs down to the levels reflected in Table 34 will depend on good design and implementation. If either is weak, coverage could be much lower or costs much higher. Conversely, if the programs are particularly well-designed, it is possible that larger numbers of people could be covered at a lower cost.
## Table 35: Options for a National Safety Net Strategy for Tanzania

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Approximate Annual Cost</th>
<th>Coverage (Total Beneficiaries)</th>
<th>Possible Component Programs and Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aggressive Safety Net Strategy</strong></td>
<td>$240 million</td>
<td>- 1.5 million extremely vulnerable individuals (MVCs, elderly, disabled)</td>
<td>- Cash transfers to the most vulnerable ( ^a ) (about 375,000 households)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 4-5 million poor living below the poverty line</td>
<td>- Large-scale national public works program ( ^b ) (about 1 million employed for 3-5 months per year)</td>
</tr>
<tr>
<td><strong>Intermediate Safety Net Strategy</strong></td>
<td>$148 million</td>
<td>- About 1 million extremely vulnerable</td>
<td>- Cash transfers to the most vulnerable (about 250,000 HHs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Seasonal support for about 3-4 million below the food poverty line</td>
<td>- National public works program, with seasonal and geographical focus (750,000 employed for 4 months per year)</td>
</tr>
<tr>
<td><strong>Minimal Safety Net Strategy</strong></td>
<td>$83 million</td>
<td>- 1 million extremely vulnerable</td>
<td>- Limited cash transfer to MVCs and the extremely poor elderly (250,000 HHs but smaller transfer than at present)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Limited intermittent support for only the most food-insecure (about 2 million)</td>
<td>- Small public works program during limited part of lean season in worst-affected areas of the country (400,000 employed for 3 months per year)</td>
</tr>
</tbody>
</table>

**Notes:** See Annex 5 for more detailed program design assumptions.

\( ^a \) Cash transfers of Tsh 3,500-5,000 per capita per month (low and high variants) for 12 months per year, equivalent to about US$9-13 per household per month.

\( ^b \) Public works transfer of approximately Tsh 3,500-5,000 per capita per month for average of 4 months per year. With one member employed per household, this implies a household transfer of about Tsh 85,000 per year (US$57) or about 28 days of work per participant at Tsh 3,000 per day.

301. Policymakers face two decisions. First, how far should they extend coverage of the cash transfers to those not in the public works scheme only to the extremely vulnerable (MVC/orphans and the destitute elderly and disabled) or to some wider group of the able-bodied poor? We would argue that, because of Tanzania’s fiscal constraints, cash transfers should be limited only to the extremely vulnerable (who might amount to at most 2 million people).

302. The second question is to what extent should these cash transfers be conditional? This is ultimately a political economy decision that will have to be made during program design.
Because the target group is destitute, the rational for providing transfers to them without conditions would seem strong. However, given the aversion to handouts among both policymakers and ordinary Tanzanians (including program beneficiaries), we would argue that cash transfers should be conditional in order to make the programs politically and sociably acceptable but that the conditions should be fairly soft. Therefore, some work will need to go into identifying the most appropriate conditions. This is slightly more difficult in Tanzania than elsewhere because primary education participation is relatively high, even among the poor, and the delivery of health and nutrition services is often weak in the remote areas where the very poor tend to live. Box 11 below presents some conditions that might be appropriate for Tanzania. Whichever conditions are adopted, it needs to be recognized that they alone will not be sufficient to lift most beneficiaries out of poverty in the near term.

Box 11: Some Options for Conditional Transfers and Human Capital Development in Tanzania

Conditional cash transfers (CCTs) have had some encouraging results in affecting human development outcomes while supporting large numbers of the poor in several countries in recent years. What kinds of behavior might it make sense to target in Tanzania? Some possibilities are:

- Using cash transfers or vouchers to improve nutrition, most likely by requiring recipients to use sprinkle packages of micronutrients.

- Making payments conditional on children starting school at the appropriate age as a significant issue in Tanzania is children starting school several years late (see discussion in Chapter 2).

- Making payments conditional on girls continuing to stay in school as the proportion of girls enrolled is similar to that of boys until the last two years but then drops off precipitously.

- Making payments conditional on attending school regularly or on enrolling in the first place especially in areas (pastoral) or among groups (the poorest) where enrollment and attendance is still low.

- Requiring participation in neonatal and family planning programs, which can have a tremendous impact on the health of mothers and children.

- Requiring the safe delivery of babies at health facilities.

All of these present challenges and require further work. The required services need to be available for beneficiaries to be able to use them. Also, policymakers need to calculate what proportion of leakage there would be to beneficiaries who would have changed their behavior anyway and what the costs of such leakage would be relative to the benefits.
6.4 Other Program Recommendations

303. As part of the public works option, policymakers should consider a labor-intensive road and infrastructure maintenance program, which would use existing recurrent budgets for maintenance to employ large numbers of the poor during the lean season. This would have the double benefit of increasing essential maintenance of existing assets (which tends to be under-funded) while also employing many able-bodied poor people in a way that would provide them with consistent source of transfers over the years. (See Box 8 in Chapter 4). It would need to be explicitly targeted to the very poor at a low wage rate and ensure that women workers participate equally.

304. In addition, the authorities may wish to consider an amended version of the National Agricultural Input Voucher Scheme (NAIVS) narrowly targeted to poorer farmers. This would yield benefits several times greater than the cost of the transfer made and would not involve any set-up costs as there is already an established institutional framework for providing the transfer. This new targeted transfer has the potential to increase the food production of poor subsistence farmers, thus reducing the negative impact of local shortages and price increases on their livelihoods. The amended program would extend beyond the current three-year timeframe and might provide either vouchers or free input packages. The beneficiaries could be administratively targeted based on their landholding sizes or be self-targeted by the provision of only very small amounts of free or subsidized inputs. Alternatively, it could be targeted to the most food-insecure areas within each region and phased out as markets become better integrated and regional food shortages and price swings are reduced.

305. The development of an effective child nutrition program is clearly an important part of the solution to the intergenerational poverty trap in Tanzania. The recommendations for such a program lie beyond the scope of this paper but have been addressed elsewhere. However,

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we recommend attaching nutrition-related conditions to transfers as discussed in Box 11 could play an important part in changing the behavior of poor households and improving their welfare.

306. It may make sense to continue school feeding, but it will be necessary to review the coverage and sustainability of the current Food for Education Program and formulate a long-term strategy balances financing and equity of coverage. To achieve the dual objectives of encouraging school attendance but narrowly targeting the transfer to the poorest, policymakers should consider making the food available in take-home rations.

307. The universal pension proposal does not appear to be affordable or to be the best use of safety net expenditures at this time. Moving towards a unified national cash transfer system could be the foundation for a universal pension system in the future, but fiscal constraints would probably require that it was introduced only gradually over the next few decades.

6.5 Financing and Sustainability

308. The total costs of the intermediate option for a unified safety net program might be in the range of $150 million per year. This can be compared to current spending (including all financing of existing donor programs) of about US$175 million per annum, so it is clear that this level of financing is not unrealistic. However, key questions remain regarding donor funding:

- How fungible is it? (Can it be redirected in support of a unified national program?)
- How sustainable is it? (What is the probability that the government will be able to count on donors continuing to finance this new system of transfers?)

309. The largest share of current funding for transfers is spent on the NAIVS – about US$100 million per annum. However, because the program is not well-targeted at the moment, it does not really support the poor. If the NAIVS is excluded, then the amount of spending on transfers
falls to about US$85 million per annum, the largest share of which is for the MVC Program. However, donors have shown considerable interest in expanding their support for transfers to the poorest if a coherent national program can be agreed upon. This presents the government with an opportunity to increase its own financing, to get commitments from donors to sustain their funding, and to consolidate all support behind a rationalized program.

310. As Table 36 shows, at present the vast majority of safety net programs are being financed by development partners.

### Table 6: Approximate Current Annual Financing of Transfer Programs in Tanzania

<table>
<thead>
<tr>
<th>Financier/Donor</th>
<th>Approximate 2009/10 Financing</th>
<th>(Excluding NAIVS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>$57 million</td>
<td>($9 million)</td>
</tr>
<tr>
<td>WFP</td>
<td>$9 million</td>
<td>($9 million)</td>
</tr>
<tr>
<td>USAID/PEPFAR</td>
<td>$24 million</td>
<td>($24 million)</td>
</tr>
<tr>
<td>Global Fund</td>
<td>$20 million</td>
<td>($20 million)</td>
</tr>
<tr>
<td>Government of Tanzania</td>
<td>$59 million</td>
<td>($21 million)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$169 million</strong></td>
<td><strong>($83 million)</strong></td>
</tr>
</tbody>
</table>

*Source: Author’s calculations.*

*Nb: Based on NFRA and the government share of the PWP, FFA, Food for Education, and MVC programs; excludes formal transfer programs (e.g. pension and social security for the formal sector).*

311. How much can be gained from rationalizing and combining existing programs? More work is needed to quantify the costs and savings, but in theory the current amount of spending on the PWP (which is scheduled to increase) and the Food for Assets program should be enough to finance the expanded national public works scheme. Some share of funding from the restructured MVC program and the existing CCT pilots (whose budgets are also expected to increase) could be used to finance the new program of conditional cash and food transfers to the poorest. Very roughly, a total of around US$50 million from existing program budgets could be reallocated to support the unified national program. This could be expanded by whatever amount of road maintenance funding is used to employ the poorest at the village level – using either existing Road Fund (RFB) revenues or top-up funding for rural maintenance employment from government and/or donors.
312. There are two remaining questions. The first is how to introduce flexibility into the
government’s spending on the NFRA food distribution (US$19 million) in support of the revised
national program. Options include using the food to pay for work done under the public works
component and/or targeting it to the destitute under the unified national cash/food transfer
system. The second question is what the future of the Food for Education Program will be. In
the longer term, it should be possible to use some of the resources spent on the NAIVS program
(currently US$100 million annually) to finance a smaller-scale program of fertilizer vouchers
targeted to poor farmers.

313. Significant savings and gains in effectiveness would be possible if the targeting in
existing programs were improved (Chapter 4). Administrative and efficiency savings could also
be made by combining the various community targeting systems into a single national system
for identifying the destitute at the village level (as opposed to operating separate systems
under each program as is currently done) and in developing a single national model for
providing public works employment.

314. Donors currently finance about 75 percent of safety net expenditures. Some of these
resources are fungible, and some are not (for example, most funding for the MVC Program is
earmarked for HIV/AIDS programs). It will be crucial to secure donor financing in support of the
transition. Donors with limited flexibility can be encouraged to reorient their support for
existing programs in support of the unified national program, and in the case of the others, the
government should try to negotiate with them to re-direct their financing and/or to redesign
their programs. Over time, it ought to be possible to attract more ‘basket’ financing for the
unified program (this approach has worked in Ethiopia, for example) and slowly begin to absorb
more of the financing into the recurrent budget.

315. The amounts of donor financing that are likely to be involved in supporting a unified
national safety net program – in the order of US$100 to 150 million per annum – should fit
within the envelope of what is affordable given current donor commitments and interest and if
existing government funds can be reallocated to support the most effective interventions. However, it will be important for donors to make a long-term commitment to financing such a program.

316. While it is unrealistic to think of the government financing a large-scale program of transfers to the poorest out of its own resources at this stage, it does make sense to lay the foundation for a permanent system that can gradually be financed from the recurrent budget over time.
REFERENCES


Government of Tanzania (various years). “Rapid Vulnerability Assessment on Food Shortage Areas of Tanzania” for 2009/10, 2008/09, 2007/08, 2006/07, 2005/06. Food Security Information Team, Department of Disaster Management, Prime Minister’s Office, Dar es Salaam.


This report draws primarily on the following data sources. In some cases, the primary data were processed by the author or World Bank colleagues and in others the results that had been tabulated in the survey reports were used. In each case, this is indicated in footnotes.

**The Household Budget Survey (HBS) 2007.** A sample of 10,464 households, measuring consumption, income, assets, and poverty-related attributes (education, health status, use of services, etc.) comparable to the 2001 HBS.

**Comprehensive Food Security and Vulnerability Assessment Survey (CFSVA) 2009/10. Fielded by the World Food Programme.** A sample of 6,300 rural households measuring food security, consumption, assets, livelihoods, and poverty-related attributes.

**Rapid Vulnerability Assessment on Food Shortage Areas of Tanzania for 2009/10, 2008/09, 2007/08, 2006/07, 2005/06.** Government of Tanzania (various years). Food Security Information Team, Department of Disaster Management, Prime Minister’s Office, Dar es Salaam.

**Kilimanjaro and Ruvuma Panel Survey.** Sample of 1,849 households in two regions covering consumption, income, agricultural activity, assets and tracking changes over time in 2003, 2004, and 2009.

**The National Costed Plan of Action.** National exercise to estimate the number of orphans and other vulnerable children drawing on 2002 Census data and calibrated with a localized sample survey in 2005.

**The Demographic and Health Surveys (2005 and 2010 draft).** Nationally representative survey of health and fertility-related measures based on about 9,000 households, generally comparable across time and countries.

**National Panel Survey (preliminary results).** First round of extensive survey of household characteristics, assets, and consumption. Raw data were not available at time of this study so only preliminary findings were used.

**Integrated Labor Force Survey (2006).** Measured labor force participation and activity along with household characteristics, using a sample of 16,445 urban and rural households and 72,442 individuals over four seasons.

**Tanzania 2008 Disability Survey.** National survey of extent and depth of disability and the attributes of the disabled.

**Tanzania HIV/AIDS and Malaria Indicator Survey 2007-08.** Covering behavior and outcomes related to HIV/AIDS and malaria along with associated demographic characteristics and wealth ranking of 9,144 households.

**National Agricultural Census (2002/03).** Extensive sample of 53,000 farming households covering land ownership, agricultural production, and rural activities along with demographic and food consumption.

The analysis of poverty in Chapter 2 also drew on numerous research reports, localized studies, qualitative assessments, and administrative data, which are listed in the references.

The assessments of existing safety net programs are based primarily on analysis of raw data collected from the program authorities but also draw upon a review of almost 100 program evaluations, progress reports, and project documents, all listed in the references. Despite the existence of these many reports, it is remarkable how little good critical evaluation there has been of the performance of any of the safety net programs currently operating in Tanzania. There has been an almost universal failure to track the types of beneficiaries being reached, the effectiveness of the programs, or their impact on incomes.
## ANNEX I: POVERTY ANALYSIS

### Annex Table 1.1: Composition of Mean per Capita Monthly Income by Source, 2006

<table>
<thead>
<tr>
<th>Source</th>
<th>Non-poor</th>
<th>Poor</th>
<th>Very Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment in Cash</td>
<td>15.3%</td>
<td>9.1%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Non-farm Self-employment</td>
<td>42.1%</td>
<td>26.3%</td>
<td>28.0%</td>
</tr>
<tr>
<td>Agricultural Income</td>
<td>26.9%</td>
<td>52.9%</td>
<td>49.7%</td>
</tr>
<tr>
<td>Other Receipts and Transfers a/</td>
<td>13.9%</td>
<td>11.7%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

Source: Author’s calculations using HBS data.

*Note: a/ Including imputed rent, rent received, remittances, aid, interest, dividends, and producer cooperatives.*

### Annex Table 1.2: Food and Non-food Expenditures by Wealth and Livelihoods

<table>
<thead>
<tr>
<th>Livelihoods</th>
<th>Per capita monthly exp (TShs)</th>
<th>% monthly food exp</th>
<th>% in high/ highest expenditure quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small food/ cash crop farmers</td>
<td>19,403</td>
<td>52.6</td>
<td>45.4</td>
</tr>
<tr>
<td>Small subsistence farmers</td>
<td>14,877</td>
<td>54.8</td>
<td>30.4</td>
</tr>
<tr>
<td>Big food/ cash crop farmers</td>
<td>21,491</td>
<td>48.8</td>
<td>48.6</td>
</tr>
<tr>
<td>Big subsistence farmers</td>
<td>17,078</td>
<td>52.3</td>
<td>36.2</td>
</tr>
<tr>
<td>Small business</td>
<td>22,635</td>
<td>55.7</td>
<td>50.6</td>
</tr>
<tr>
<td>Commerce/agriculture</td>
<td>23,424</td>
<td>51.9</td>
<td>54.2</td>
</tr>
<tr>
<td>Daily work</td>
<td>15,112</td>
<td>58.3</td>
<td>29.6</td>
</tr>
<tr>
<td>Agro-pastoralists</td>
<td>17,194</td>
<td>51.5</td>
<td>37.5</td>
</tr>
<tr>
<td>Fisherfolk/hunters</td>
<td>19,544</td>
<td>60.5</td>
<td>38.2</td>
</tr>
<tr>
<td>Aid</td>
<td>17,148</td>
<td>61.9</td>
<td>36.5</td>
</tr>
<tr>
<td>Others</td>
<td>21,432</td>
<td>56.7</td>
<td>46.2</td>
</tr>
<tr>
<td>Salaried</td>
<td>32,616</td>
<td>48.6</td>
<td>70.8</td>
</tr>
</tbody>
</table>

### Wealth quintiles

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Per capita monthly exp (TShs)</th>
<th>% monthly food exp</th>
<th>% in high/ highest expenditure quintile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>11,656</td>
<td>57.7</td>
<td>20.8</td>
</tr>
<tr>
<td>Poorer</td>
<td>14,404</td>
<td>55.6</td>
<td>26.0</td>
</tr>
<tr>
<td>Moderate</td>
<td>18,072</td>
<td>55.8</td>
<td>40.6</td>
</tr>
<tr>
<td>Richer</td>
<td>19,961</td>
<td>52.1</td>
<td>46.1</td>
</tr>
<tr>
<td>Richest</td>
<td>28,414</td>
<td>49.1</td>
<td>65.9</td>
</tr>
</tbody>
</table>

*Source: CFSVA 2010*
### Annex Table 1.3: Percentage of Households Reporting Shocks in Previous Year, by Income Class

<table>
<thead>
<tr>
<th>Income Class</th>
<th>Lack of Rainfall</th>
<th>High Input Costs</th>
<th>Sickness</th>
<th>High Food Prices</th>
<th>Plant Disease/Pests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poorest</td>
<td>62%</td>
<td>15%</td>
<td>19%</td>
<td>53%</td>
<td>31%</td>
</tr>
<tr>
<td>2nd</td>
<td>59%</td>
<td>21%</td>
<td>27%</td>
<td>52%</td>
<td>35%</td>
</tr>
<tr>
<td>3rd</td>
<td>59%</td>
<td>23%</td>
<td>23%</td>
<td>53%</td>
<td>40%</td>
</tr>
<tr>
<td>4th</td>
<td>55%</td>
<td>24%</td>
<td>24%</td>
<td>52%</td>
<td>38%</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>58%</td>
<td>30%</td>
<td>26%</td>
<td>57%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: CFSVA draft p.205.

### Annex Table 1.4: Percentage of Households Reporting Shocks in Previous Year, by Income Transition Group

<table>
<thead>
<tr>
<th>Kilimanjaro (Initial period)</th>
<th>Remained Poor</th>
<th>Fell Into Poverty</th>
<th>Rose Out Of Poverty</th>
<th>Remained Non-Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drought</td>
<td>17%</td>
<td>12%</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Unexpected Decline in Cereal Prices</td>
<td>11%</td>
<td>5%</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>Unexpected Increase in Cereal Prices</td>
<td>11%</td>
<td>11%</td>
<td>15%</td>
<td>20%</td>
</tr>
<tr>
<td>Unexpected Decline in Cash Crop Prices</td>
<td>20%</td>
<td>19%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Major Harvest Loss</td>
<td>16%</td>
<td>20%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Loss of Livestock</td>
<td>16%</td>
<td>18%</td>
<td>5%</td>
<td>17%</td>
</tr>
<tr>
<td>Major Illness</td>
<td>22%</td>
<td>18%</td>
<td>23%</td>
<td>17%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ruvumma (Initial period)</th>
<th>Remained Poor</th>
<th>Fell Into Poverty</th>
<th>Rose Out Of Poverty</th>
<th>Remained Non-Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drought</td>
<td>15%</td>
<td>10%</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>Unexpected Decline in Cereal Prices</td>
<td>18%</td>
<td>13%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Unexpected Increase in Cereal Prices</td>
<td>4%</td>
<td>15%</td>
<td>18%</td>
<td>16%</td>
</tr>
<tr>
<td>Unexpected Decline in Cash Crop Prices</td>
<td>15%</td>
<td>13%</td>
<td>28%</td>
<td>25%</td>
</tr>
<tr>
<td>Major Harvest Loss</td>
<td>13%</td>
<td>9%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Loss of Livestock</td>
<td>7%</td>
<td>6%</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>Major Illness</td>
<td>23%</td>
<td>25%</td>
<td>22%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Christiaensen and Pan (2010), Tables 46 and 47.
### Annex Table 1.5: The Regional Distribution of Poverty in Tanzania, 2007

<table>
<thead>
<tr>
<th>Region</th>
<th>Incidence of Poverty</th>
<th>% of the Poor</th>
<th>Number of Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic Needs</td>
<td>Food Poverty</td>
<td>Below Basic Needs Poverty Line</td>
</tr>
<tr>
<td>Rural</td>
<td>34.6%</td>
<td>16.4%</td>
<td>84%</td>
</tr>
<tr>
<td>Urban (not Dar es Salaam)</td>
<td>24.1%</td>
<td>12.9%</td>
<td>13%</td>
</tr>
<tr>
<td>Dar es Salaam</td>
<td>16.4%</td>
<td>7.4%</td>
<td>3%</td>
</tr>
</tbody>
</table>


### Annex Table 1.6: Estimates of Regional Poverty, 2001

<table>
<thead>
<tr>
<th>Region</th>
<th>Basic Needs</th>
<th>Food Poverty</th>
<th>Estimated Per Capita Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dodoma</td>
<td>34%</td>
<td>13%</td>
<td>8,500</td>
</tr>
<tr>
<td>Arusha</td>
<td>39%</td>
<td>25%</td>
<td>10,300</td>
</tr>
<tr>
<td>Kilimanjaro</td>
<td>31%</td>
<td>11%</td>
<td>11,200</td>
</tr>
<tr>
<td>Tanga</td>
<td>36%</td>
<td>11%</td>
<td>9,300</td>
</tr>
<tr>
<td>Mogorogoro</td>
<td>29%</td>
<td>14%</td>
<td>10,000</td>
</tr>
<tr>
<td>Pwani</td>
<td>46%</td>
<td>27%</td>
<td>10,500</td>
</tr>
<tr>
<td>Dar es Salaam</td>
<td>18%</td>
<td>7%</td>
<td>21,900</td>
</tr>
<tr>
<td>Lindi</td>
<td>53%</td>
<td>33%</td>
<td>9,500</td>
</tr>
<tr>
<td>Mtwara</td>
<td>38%</td>
<td>17%</td>
<td>12,400</td>
</tr>
<tr>
<td>Ruuuma</td>
<td>41%</td>
<td>27%</td>
<td>9,600</td>
</tr>
<tr>
<td>Iringa</td>
<td>29%</td>
<td>10%</td>
<td>11,200</td>
</tr>
<tr>
<td>Mbeya</td>
<td>21%</td>
<td>8%</td>
<td>12,600</td>
</tr>
<tr>
<td>Singida</td>
<td>55%</td>
<td>28%</td>
<td>6,900</td>
</tr>
<tr>
<td>Tabora</td>
<td>26%</td>
<td>9%</td>
<td>10,400</td>
</tr>
<tr>
<td>Rukwa</td>
<td>31%</td>
<td>12%</td>
<td>6,700</td>
</tr>
<tr>
<td>Kigoma</td>
<td>38%</td>
<td>21%</td>
<td>7,300</td>
</tr>
<tr>
<td>Shinyanga</td>
<td>42%</td>
<td>22%</td>
<td>8,000</td>
</tr>
<tr>
<td>Kagera</td>
<td>29%</td>
<td>18%</td>
<td>9,000</td>
</tr>
<tr>
<td>Mwanza</td>
<td>48%</td>
<td>30%</td>
<td>8,100</td>
</tr>
<tr>
<td>Mara</td>
<td>46%</td>
<td>36%</td>
<td>8,000</td>
</tr>
<tr>
<td>Mainland Tanzania (2001)</td>
<td>36%</td>
<td>19%</td>
<td>10,100</td>
</tr>
</tbody>
</table>

Source: Author’s calculations.

Notes: Highlighted Areas of highest poverty, 2001 (>20% below food poverty line). An interesting observation is that regions with lower average incomes are not necessarily those with the highest incidence of poverty – suggesting that within some relatively well-off areas there are large numbers of households who are not benefiting from the general economic prosperity around them; while within some poorer areas, incomes are relatively more evenly distributed, with a lower proportion of people living in absolute poverty.
Annex Figure 1.1: How Long Harvests Sustain Households in Different Areas

Annex Table 1.7: Child Malnutrition in Tanzania and Selected Comparator Countries (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Stunted</th>
<th>Underweight</th>
<th>Wasted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>31</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>Tanzania</td>
<td>38</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>Uganda</td>
<td>39</td>
<td>23</td>
<td>4</td>
</tr>
<tr>
<td>Mozambique</td>
<td>41</td>
<td>24</td>
<td>4</td>
</tr>
<tr>
<td>Rwanda</td>
<td>42</td>
<td>25</td>
<td>7</td>
</tr>
<tr>
<td>Zambia</td>
<td>47</td>
<td>28</td>
<td>5</td>
</tr>
<tr>
<td>Malawi</td>
<td>49</td>
<td>25</td>
<td>6</td>
</tr>
</tbody>
</table>


Annex Table 1.8: Estimated Number of Orphans, 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of double-orphaned children</td>
<td>162,213</td>
<td>68,043</td>
<td>230,256</td>
</tr>
<tr>
<td>Maternal-orphaned</td>
<td>343,565</td>
<td>199,123</td>
<td>462,688</td>
</tr>
<tr>
<td>Paternal-orphaned</td>
<td>998,042</td>
<td>285,025</td>
<td>1,283,067</td>
</tr>
<tr>
<td>Sub-total: Any orphaned</td>
<td>1,053,820</td>
<td>472,1919</td>
<td>1,526,011</td>
</tr>
</tbody>
</table>

Source: NCPA; Projected number of vulnerable children 2010, Appendix VI, p.62.
### Annex Table 1.9: Estimated Consumption Gap between MVCs in Households 30 Percent Below the Poverty Line and Those Living at the Poverty Line

<table>
<thead>
<tr>
<th>Age</th>
<th>Expenditure Gap (per child; 2006 Tnz Sh. Per annum)</th>
<th>Approximate US$ Equivalent per child p.a.</th>
<th>Approximate Number of MVCs (2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-food / Food / Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-6 Years</td>
<td>2,381 / 18,348 / 20,790</td>
<td>$ 17.50</td>
<td>181,000</td>
</tr>
<tr>
<td>7-14 Years</td>
<td>7,225 / 31,281 / 38,506</td>
<td>$ 32.00</td>
<td>481,000</td>
</tr>
<tr>
<td>15-17 Years</td>
<td>12,888 / 46,138 / 59,026</td>
<td>$ 49.00</td>
<td>266,000</td>
</tr>
</tbody>
</table>

Source: Lindboom et al (2007), Table 1.5, p. 11.

Note: Represents an approximate average of urban and rural costs, which are slightly different for non-food items.
ANNEX II: THE VULNERABLE GROUP PROGRAM

1. The Vulnerable Group (VG) program provides grants to small groups of vulnerable people (such as the elderly, orphans, or the disabled) to enable them to undertake income-generating activities. The original rationale was that these groups would be unable to benefit from the public works program (also financed under TASAF) that was intended to be the primary mechanism for making transfers to the poor. At present the program reaches about 20,000 people per year at a cost of about Tsh 6 billion (US$5.2 million) annually.\(^{114}\)

2. Each “group” consists of about 10 people, who collectively receive an average grant of about US$8,500 equivalent.\(^{115}\) The groups undertake activities such as poultry or livestock-raising, fishing, tailoring, or carpentry, with the expectation that the long-term returns from these activities will raise their incomes and consumption. As such, it is in fact more of an income-generating program than a safety net transfer. (While income-generating projects are a legitimate part of the poverty-reducing strategies of many countries, they are not primarily safety net/transfer programs \textit{per se}. Therefore if we include the VG program, then we should legitimately also evaluate the scores of other income-generating and micro-credit programs operating in Tanzania, a task which lies beyond the scope of this paper. Nonetheless, as the VG program is incorporated in TASAF with the public works transfer scheme and because there may be some lessons for future safety net strategies, a brief examination of the program is included here.)

3. The VG program is implemented by the Tanzania Social Action Fund and local governments. The TASAF sends out a call for proposals through its network, and communities are free to propose VG projects. This is demand-driven in contrast to more traditional social fund investments (such as building classrooms or a water system) or public works employment.

\(^{114}\) Based on funded sub-projects over the first five years (2006-2010), but note that most are continuing beneficiaries.

\(^{115}\) Based on the program’s actual performance up to February 2010 as reported in TASAF (2010). The project documentation for the recent expansion of the program shows a target grant size of about US$10,000 per group.
projects (discussed above). Local government authorities and TASAF then screen the proposals, and those that are approved are developed further, usually being incorporated into a pre-existing group run by a slightly better-off or more educated community member who can provide technical and managerial guidance on the project.

4 The eligibility of vulnerable people in the group is confirmed by village assembly meetings and the proposal is then appraised by TASAF and local government staff. The eligibility criteria are food insecurity and the inability to meet basic needs. Although the program operates nationwide, funding has recently been earmarked to expand it into the 40 most food-insecure districts, thus introducing a further layer of geographic targeting.

5 The target groups are supposed to consist of those unable to benefit from workfare-type interventions such as the elderly, widows, disabled people or those suffering from AIDS, orphans, and child-headed households. In fact, to date the single largest groups of beneficiaries have been unemployed youths and the elderly.

6 A preliminary evaluation has shown that VG participants start out on average slightly worse-off than non-participants drawn from similar vulnerability categories from the same village (and substantially less well-off than the population as a whole in the same villages (Annex Table 2.1).

---

116 Typically there has been about equal demand for community, VG, and public works sub-projects, but local governments have been more inclined to approve the community development projects (reportedly because they require less supervision and managerial involvement on the part of the local government). As a consequence, only about 10 percent of VG proposals have been funded until recently.

117 The criteria stipulate that: “vulnerable groups to be supported will include orphans, chronically ill persons, persons affected by HIV/AIDS, the elderly, people with disabilities, malnourished children, and children who head households. Other vulnerable children include abandoned children, street children, widows and widowers, unemployed youth (ex-primary school), and single mothers.” (see World Bank 2009a, p.187).

Annex Table 2.1: Attributes of Participants and Non-Participants of the Vulnerable Group Program

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Village Elite (%)</th>
<th>Non-Vulnerable</th>
<th>Vulnerable - Not VG Participant a/</th>
<th>Vulnerable VG Participant b/</th>
</tr>
</thead>
<tbody>
<tr>
<td>House w/ mud walls</td>
<td>68.8%</td>
<td>71.8%</td>
<td>71.2%</td>
<td>83.9%</td>
</tr>
<tr>
<td>House w/ earth or mud floor</td>
<td>57.4%</td>
<td>71.3%</td>
<td>73.7%</td>
<td>86.2%</td>
</tr>
<tr>
<td>Uncovered pit latrine</td>
<td>27.0%</td>
<td>41.3%</td>
<td>44.1%</td>
<td>49.3%</td>
</tr>
<tr>
<td>Owning bicycle</td>
<td>41.8%</td>
<td>32.2%</td>
<td>24.0%</td>
<td>25.8%</td>
</tr>
<tr>
<td>No. days meat was consumed in previous week</td>
<td>1.6</td>
<td>0.9</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>No. days milk was consumed</td>
<td>3.1</td>
<td>2.3</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>W/ secondary education</td>
<td>87.9%</td>
<td>56.8%</td>
<td>33.6%</td>
<td>34.8%</td>
</tr>
</tbody>
</table>


Notes: a/ Defined as any household with a vulnerable member.
       b/ Excluding group leader; note these are characteristics of the household of which the VG vulnerable participant is a member.

7 Since the target is now about US$10,000 (Tsh15 million) per sub-project, the immediate transfer per beneficiary is about US$1,000 (Tsh 1.5 million). As noted earlier, this is not really a transfer in the sense of the other programs reviewed here but a grant to invest in a long-term income-generating activity. Therefore, the real value of the transfer is the stream of profit generated by the project annually in the future. Unfortunately, we do not have any data on this so cannot at this stage judge the value of the benefits to participants.

8 It is worth noting, however, that the $1,000 per beneficiary transfer is very large, compared not only to both poverty line incomes but also to grants or loans typically provided by similar programs elsewhere. It represents, for example, 800 percent of the per capita poverty line income in Tanzania and is equivalent to almost two-and-a-half times per capita GDP – so it would be the equivalent, for example, of a US$100,000 per capita grant to the very poor in the USA.

9 The VG program has some interesting characteristics. First, this is not the group that might be expected to be the obvious clientele for income-generating activities. Typically it is the more dynamic, younger, and middle-poor in villages who are best equipped to take advantage of small-scale commercial opportunities. If the VG program can be shown to work, it will be a promising way to help some of the very poorest. It has the potential to raise incomes...
permanently but is critically dependent on the financial health of the sub-projects that are financed, particularly whether they are capable of generating a long-term positive cash flow to the groups over a period of say five to seven years.

10 Assessing the impact of the VG program and its potential cost-effectiveness as a transfer instrument depends critically on that crucial question. To date, the program has concentrated on monitoring and evaluating the indirect evidence of welfare and consumption changes in the circumstances of individual members, which is important but is also difficult, and expensive, to measure. What it will be important to do in future will be to rigorously assess the financial flows being generated by the projects. Thus, a priority should be to track the financial health of a sample of sub-projects over a period of time.

11 Given policymakers’ strong preference for self-help rather than hand-outs, it is quite conceivable that income-generating programs – if they can be shown to work – could form a meaningful part of the poverty reduction strategy in Tanzania. We would reiterate, however, that they are not safety net interventions in the sense that the other programs reviewed in this paper are. Therefore, to do it justice, the Vulnerable Group program would need to be compared with other income-generating and microcredit programs in Tanzania.

12 Finally, it is worth noting that by helping only 10 people in any given village (out of a local population of typically several hundred), the program’s impact is inevitably going to be limited. As with many such programs, it can – if well executed – make a measurable difference to individual households who participate, but given – that it reaches only a few tens of thousands of people per year, it is unlikely to form a significant part of a national safety net strategy.

13 Further concerns include the incentive structure as well as the program’s inconsistency with other small business programs, most of which provide loans rather than grants. As with many income-generating programs, it is also debatable how sustainable the projects will be once the program stops helping groups with inputs, production, and marketing. Finally, the very high
levels of transfer ($10,000 per project) limit the capacity to expand this program. To reach just 3 percent of the poor, for example, would cost about US$180 million, based on its current cost structure.\textsuperscript{119}

\textsuperscript{119} Based on 13 million poor.
Annex Table 2.2: Mapping Poverty and the Current Program Mix

<table>
<thead>
<tr>
<th>Aspect of Poverty</th>
<th>Program</th>
<th>Transfer Sustained?</th>
<th>Promotional?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>One-Off</td>
<td>Sustained</td>
</tr>
<tr>
<td><strong>Extreme Food Poverty</strong></td>
<td>NFRA</td>
<td>X</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>School Feeding</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Public Works (TASAF)</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td></td>
<td>Food for Assets (FFA)</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td><strong>Seasonal Food Shortages/Price Shocks</strong></td>
<td>NFRA</td>
<td>X</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Food for Work</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td><strong>Drought</strong></td>
<td>NFRA</td>
<td>X</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Food for Work</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td><strong>Orphanhood/MVCs</strong></td>
<td>MVC Program</td>
<td></td>
<td>Partially</td>
</tr>
<tr>
<td><strong>Elderly/Disabled</strong></td>
<td>CCTs (very low coverage)</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td><strong>Escaping Poverty Traps</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Low Risk/Low-Return Behavior</td>
<td>NAIVS</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>(3 years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Low Education</td>
<td>School Feeding</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td></td>
<td>MVC Program</td>
<td>Partially</td>
<td>Partially</td>
</tr>
<tr>
<td></td>
<td>Pilot CCTs</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td>- Lack of Assets</td>
<td>VG Program</td>
<td>X</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>a/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Malnutrition</td>
<td>School Feeding (very limited)</td>
<td>X</td>
<td>Partially</td>
</tr>
</tbody>
</table>

Note: a/ But the benefits are potentially long term.
ANNEX III: CROSS-COUNTRY EXPENDITURE ON SAFETY NETS

Annex Table 3.1: Spending on Safety Nets in a Selection of Low-income Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>% of GDP</th>
<th>Per Capita Income</th>
<th>Approx. US$ per Capita Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopia</td>
<td>4.5%</td>
<td>$879</td>
<td>$39.54</td>
</tr>
<tr>
<td>Madagascar</td>
<td>0.9%</td>
<td>$768</td>
<td>$ 6.92</td>
</tr>
<tr>
<td>Malawi</td>
<td>4.4%</td>
<td>$577</td>
<td>$25.39</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>0.2%</td>
<td>$989</td>
<td>$ 1.98</td>
</tr>
<tr>
<td>Yemen Arab Rep.</td>
<td>1.0%</td>
<td>$795</td>
<td>$ 7.95</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.7%</td>
<td>$1,918</td>
<td>$13.42</td>
</tr>
</tbody>
</table>


Notes: Spending is on social assistance. GDP is in PPP terms for various years. Data are mostly from 2000.
ANNEX IV: CONDITIONAL CASH TRANSFERS

Cash Transfers: To Condition or Not To Condition?

14 Conditional cash transfer programs involve beneficiaries having to agree to take certain actions (such as sending their children to school or getting vaccinated) in order to receive their monthly cash transfer. CCTs have become tremendously popular in recent years. The two largest programs – Mexico’s *Opportunidades* and Brazil’s *Bolsa Familia* – cover millions of households, and have had notable success in reducing poverty levels while increasing use of education and health services. Following these successes and others which were more narrowly targeted to the very poor, many African countries – including Tanzania – have recently begun piloting CCT programs.

15 It is too early to say what the lessons of this rapid expansion of CCTs has been. CCTs have the potential to achieve the longer-term human capital objectives of safety net transfers and help recipients to escape from the inter-generational poverty trap, but at the same time there are costs to administering them, and the services that beneficiaries are required to use must be available and funded (see Annex Table 4.1).

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Drawbacks</th>
</tr>
</thead>
<tbody>
<tr>
<td>* More politically and socially acceptable than pure (unconditional) transfers</td>
<td>* Requires administrative effort and capacity to monitor and enforce conditions</td>
</tr>
<tr>
<td>* Can increase use of services that can reduce poverty</td>
<td>* More costly than unconditional transfers</td>
</tr>
<tr>
<td>* There has to be behavior that needs changing (e.g. enough of the poor not sending their children to school); * The significance of these behavior changes has to be important enough to justify the extra costs</td>
<td></td>
</tr>
<tr>
<td>* The services (such as health, education, or nutrition programs) have to be available for beneficiaries to use and they have to be effective.</td>
<td></td>
</tr>
</tbody>
</table>

*Fiszbein and Schady (2009).*
The importance of these behavior changes and/or of the political acceptability of transfers with conditions has to be significant enough to justify the extra costs of applying conditionality. There is also deadweight loss – there is no point in paying hundreds of thousands of households to ensure that they enroll their children in school if most of those children are already going to school anyway. Furthermore, if people are extremely poor – without enough to eat, or living in child-headed households – it may be undesirable to put conditions in the way of their receiving assistance.

So to what extent should cash transfers be conditional in Tanzania? This is ultimately a political economy decision that policymakers will have to make as the program is being designed. Given the strong aversion to the idea of handouts among both politicians and ordinary Tanzanians (including program beneficiaries), we would argue that cash transfers should be conditional in order to make the programs politically and sociably acceptable but that the conditions should be fairly soft. Therefore, some work will need to go into identifying the most appropriate conditions. This is slightly more difficult in Tanzania than elsewhere because primary education participation is relatively high, even among the poor, and the delivery of health and nutrition services is often weak in the remote areas where the very poor tend to live.
ANNEX V: ESTIMATED COSTS AND COVERAGE FOR THREE NATIONAL SAFETY NET OPTIONS

Annex Table 5.1 presents the estimated costs of three options for a National Safety Net Program for Tanzania. Several assumptions have been made in drawing up these estimates. First, it is assumed that about 36 percent of total expenditure would be spent on wages under the public works programs. This is the historical average in Tanzania. Also, we assume that 30 percent of total expenditure would be on the operating, overhead, and delivery costs for cash transfers programs, though again greater efficiency should be possible, in which case total costs would be lower. Second, we assume that cash transfers (as opposed to public works programs) are restricted to the very poorest/most vulnerable and that this group needs support for all 12 months of the year. Cash transfers are restricted to 1 million people (2.5 percent of the population) under the most limited scenario and expanded to 1.5 million people (about 4 percent) under the most aggressive strategy. We assume that about half of them receive Tsh 5,000 per capita per month and the other half Tsh 3,500 per month. Third, we assume that the rest of the target population receives their benefits through public works programs. Estimated coverage varies from 2 million beneficiaries (for 400,000 people employed) up to 5 million (for 1 million people employed) under the aggressive strategy. The assumed transfer is Tsh 3,500 per beneficiary per month under the first two strategies and Tsh 5,000 under the aggressive strategy. The duration of transfer varies from three to five months in the different scenarios. We assume that only limited benefits are provided under the first scenario so the duration would be only three months, with four months assumed in the intermediate scenario, while in the aggressive scenario, transfers can be given for either five months for households in areas with longer lean seasons or three months in areas that are better-off and have shorter lean seasons.
### Annex Table 5.1: Estimated Costs of Three Possible National Safety Net Programs

<table>
<thead>
<tr>
<th>Option</th>
<th>Monthly Transfer (per capita)</th>
<th>Approx. No. Beneficiaries</th>
<th>Months of Benefit /year</th>
<th>Approx No. Employed (in PWP) or HH Transfer</th>
<th>Total Amount Transferred (tsh million)</th>
<th>Estimated Overheads</th>
<th>Est. total Cost (Tsh million)</th>
<th>Est. Total Cost (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Safety Net Strategy</td>
<td>Public Works</td>
<td>3500</td>
<td>2,000,000</td>
<td>3</td>
<td>400,000</td>
<td>21,000</td>
<td>57,750</td>
<td>$38.5</td>
</tr>
<tr>
<td>Cash Transfer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>3500</td>
<td>500,000</td>
<td>12</td>
<td>125,000</td>
<td>21,000</td>
<td>27,300</td>
<td>39,000</td>
<td>$18.2</td>
</tr>
<tr>
<td>High</td>
<td>5000</td>
<td>500,000</td>
<td>12</td>
<td>125,000</td>
<td>30,000</td>
<td></td>
<td>39,000</td>
<td>$26.0</td>
</tr>
<tr>
<td>Total Beneficiaries:</td>
<td>3,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost:</td>
<td>124,050</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$82.7</td>
<td></td>
</tr>
</tbody>
</table>

| Intermediate Safety Net Strategy | Public Works | 3500                     | 3,750,000               | 4                                           | 750,000                               | 52,500              | 144,375                     | $96.3                         |
| Cash Transfer                 |              |                           |                         |                                             |                                       |                     |                             |                               |
| Low                          | 5000                      | 500,000                   | 12                      | 125,000                                     | 30,000                               | 39,000              | 39,000                      | $26.0                         |
| High                         | 3500                      | 500,000                   | 12                      | 125,000                                     | 30,000                               |                     | 39,000                      | $26.0                         |
| Total Beneficiaries:         | 4,750,000                  |                           |                         |                                             |                                       |                     |                             |                               |
| Total Cost:                  |                           |                           |                         |                                             |                                       |                     | $148.3                      |                               |

| Aggressive Safety Net Strategy | Public Works | 5,000                     | 3,000,000               | 3                                           | 600,000                               | 45,000              | 123,750                     | $82.5                         |
| Cash Transfer                 | 5,000          | 2,000,000                 | 5                        | 400,000                                     | 50,000                               |                     | 137,500                     | $91.7                         |
| Low                          | 3500                      | 750,000                   | 12                      | 187,500                                     | 31,500                               | 40,950              | 58,500                      | $27.3                         |
| High                         | 5000                      | 750,000                   | 12                      | 187,500                                     | 45,000                               |                     | 58,500                      | $39.0                         |
| Total Beneficiaries:         | 6,500,000                  |                           |                         |                                             |                                       |                     |                             |                               |
| Total Cost:                  |                           |                           |                         |                                             |                                       |                     | $240.5                      |                               |

**Notes:** Order of magnitude estimates only.
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This report reviews the role that safety nets have played in Tanzania and explores options on how they can contribute in accelerating poverty reduction in Tanzania, focusing on mechanisms for giving transfers to the poor. The report shows that given the large numbers of poor in Tanzania and the country’s limited resources, it is essential that safety net interventions be well-targeted and efficiently organized. Significant amounts of money are already being spent on transfer programs in Tanzania, but their impact has been limited. The report recommends that for Tanzania, a single intervention will not be enough to effectively tackle extreme poverty but a combination of different type of cash transfer options is more likely to make a difference in the strategy to reduce extreme poverty and food insecurity.

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