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Tanzania: Poverty, Growth, and Public Transfers
Options for a National Productive Safety Net Program

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ABBREVIATIONS AND ACRONYMS

CCTs         Conditional Cash Transfers
CFSVA        Comprehensive Food Security and Vulnerability Assessment
CHF          Community Health Fund
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
HH           Household
MOEVT        Ministry of Education and Vocational Training
MVC          Most Vulnerable Children
NAIVS        National Agricultural Input Voucher Scheme
NCPA         National Costed Plan of Action (for MVCs)
NFRA         National Food Reserve Agency
NHIF         National Health Insurance Fund
NSSF         National Social Security Fund
PLWH         People Living with HIV/AIDS
PMT          Proxy Means Testing
PWP          Public Works Program
SCF          Save the Children Fund
SN           Safety nets
SSNs         Social safety nets
TASAF        Tanzania Social Action Fund
Tsh          Tanzanian Shillings
VG           Vulnerable Group Program
WFP          World Food Program

Vice President : Obiageli K. Ezekwesili
Acting Country Director : Mercy Miyang Tembon
Sector Director : Ritva S. Reinkka
Sector Manager : Lynne D.Sherburne-Benz
Task Team Leader : Anush Bezhanyan
Principal Author : James Smith

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EXECUTIVE SUMMARY

1. **Objectives:** This report explores the role safety nets and transfers can play in reducing poverty more rapidly 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. **Definition of safety net transfers for purposes of this study.** The report looks at 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.

3. **Main Findings and Conclusions of the Report**

   - 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 escape inter-generational poverty traps.

   - Productive safety net programs have proven 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 ensuring their children attend school, health, or nutrition programs.

   - Given the large numbers of poor, and limited resources, it is essential that safety net interventions in Tanzania be well-targeted and efficiently organized. They can only be afforded if they simultaneously contribute to other objectives, such as longer-term economic growth or human capital formation.

   - Significant amounts are already being spent on transfer programs in Tanzania, but the impact is limited. Existing programs cover only a small portion of the poor, suffer from overlap, duplication, and leakage, and in many cases do not achieve longer term poverty-reduction objectives.

   - Safety net programs can contribute significantly more to poverty reduction in Tanzania. The report recommends moving to a unified national program, consisting of two main programs: a large-scale national public works employment scheme for the able-bodied poor; and 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), with payments linked to other interventions to improve their nutrition, education, and productivity. Such a program might cost about US$ 150 million annually, or 0.3% of GDP, about the same as is currently being spent on transfer programs.

- Tanzania currently faces a unique opportunity: many of the existing programs are in the process of redesign within the next year; this restructuring can be used to improve the impact of existing efforts, and at the same time lay the base for the move to a more unified, effective national system.

**Poverty Analysis for Transfers and Safety Nets**

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

5. Large numbers of Tanzanians live close to the poverty line – making it difficult to distinguish potential beneficiaries from the poor as a whole. However the incomes of the poorest 10% of the population are substantially lower than those of the poor in general, suggesting there is a group of ‘ultra-poor’ who should benefit from social transfers. The problem is that it is difficult to identify these people using administrative systems.

6. In an environment in which there is not good data on people’s incomes, other means have to be used to determine who should benefit from safety net programs. There is not much difference in ownership of basic assets, land, or housing conditions, among the bottom 60% 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 is that in general programs need to be self-targeting (for example by offering employment on public works only at a low wage rate); or use community-based targeting, under which village committees use local knowledge to identify who is most vulnerable.

7. Eighty three percent of the poor 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, confirming that while there are certainly urban poor living in abject conditions, deep poverty in Tanzania remains very much a rural phenomenon, and the focus of safety net strategy needs to be primarily rural-based.

8. The poorest households tend to be subsistence farmers and day laborers; they are more dependent on agriculture than others, (but not much more; almost half 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 by raising agricultural productivity), or increase the returns to their labor, are thus an important part of any strategy.
9. **Movements in and out of poverty.** In designing a safety net strategy it is important to understand whether households are moving in and out of poverty (and thus more likely to need an intermittent ‘cushion’) or living more permanently in poverty, and thus in need of longer-term support. Panel survey data suggests about 25% of rural families move in, or out, of poverty over a 5-10 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 characteristics of the **community** - such as market access and integration - as much as it is with characteristics of individual **households**.)

10. **Shocks Faced by the Poor.** The primary shocks reported by households include: (i) unexpected crop price movements; (ii) food price increases; (iii) prolonged drought; and (iv) idiosyncratic shocks (death, illness). However these shocks seem to affect the poor and non-poor about equally; the difference is that the poorest households recover from shocks more slowly.

11. **One of the main ‘shocks’ faced by the poor is seasonality in food stocks and price:** Subsistence households run out of the grain about 5-8 months after the harvest each year, and then enter a ‘lean season’ before the next harvest; but this is also the time when market prices for grain are highest – typically 50% higher than in the post-harvest period - placing tremendous hardship on the poorest. Any safety net or policy intervention that can help ameliorate this seasonal food shock will be an important part of the safety net solution. (Examples include seasonality in public works employment and transfers).

12. **Food Inflation.** Average prices for key food items increased between 50 and 60% from 2007 to 2009, while the purchasing power and incomes of the poor rose by nowhere near these amounts. Micro-level evidence suggests this has been a major factor in increased impoverishment of the poor in recent years, with households cutting back food consumption as a result.

13. **Growth and Poverty.** While the economy as a whole has grown by about 7% p.a. 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 shows that the poorest 10% are benefiting least from growth. This suggests a strong case for focusing safety net interventions at the bottom 10% of the populations that have been ‘left behind’ by the growth process.

14. **The very poor tend to engage in low-risk, low return behaviours:** examples include limited use of fertilizer, or reluctance to diversify from subsistence grains into cash crops. They cannot take on the risk because they are living so close to the subsistence minimum that they cannot afford the potential losses if things do not work out; or do not have the cash income to finance the necessary agricultural inputs.

15. **Consumption; Education and Health:** Medical and education spending represent a small share of consumption, even for the poor; and incidence data show the poor tend to use education and health services almost as much as the population as a whole, suggesting that health and education-related interventions (such as scholarships, or health exemptions) may not be as large a part of the safety net strategy in Tanzania as they are in some other countries. However there
are some behaviours that makes sense to tackle with conditional-cash-transfer incentives: encouraging the poor to start school at the right age; to have girls to remain in secondary education; or to better utilize nutrition, maternal and family planning services.

16. **The Geographical Distribution of Poverty.** Poverty is concentrated in the central band of the country, but there are large numbers of poor in non-poor areas; so geographical targeting will leave out a lot of very poor Tanzanians. At the same time, Comprehensive Food Security and Vulnerability Surveys (CFSVA) show that the Districts with the lowest food consumption change quite significantly over 5-year periods, suggesting that areas, like households, move in and out of poverty. The implication is that in some circumstances geographical targeting may make sense; but mostly for short-term interventions during a period of difficult years. This argues for programs such as public works employment that can be expanded and contracted as needed.

17. **Malnutrition remains stubbornly high throughout Tanzania,** with rates of severe child stunting of 13%. Early childhood malnutrition at these levels affects lifetime achievement and productivity. Malnutrition in Tanzania is not strongly linked with poverty levels or food security, suggesting the problem is less food intake than other factors (dietary composition, feeding practices and intestinal disease) and the solution is not transfers *per se*, but rather targeted nutritional interventions. The implication for safety nets is to link benefits with changes in behaviour or participation in nutrition programs.

18. **Most-Vulnerable Children (MVCs) and Orphans.** There are an estimated 2.4 million orphans in Tanzania. However not all orphans are poor; many are in absorbed into functioning, non-poor households. Recognizing this Tanzania has quite rightly developed the definition instead 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); of which there were an estimated 900,000 in 2010. Clearly these groups need to be a primary target for any safety net support.

19. **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 and young children, with no working-aged adults, where it is 50% higher than the national average. These ‘grand-parent-headed’ households are an obvious candidate for safety net transfers. There are also undeniably some elderly 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.

20. **Other Vulnerable Groups.** There are an estimated 1.1 million people living with HIV/AIDS; and some 2.4 million disabled persons, 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 extended family, or are functioning well economically on their own; while others are destitute and desperately need assistance. The difficulty is in identifying which are truly in need of support. Any system will need to rely on community knowledge to distinguish the neediest amongst these sub-groups.
21. Based on the poverty analysis some very broad conceptual objectives for a national safety net strategy in Tanzania might include:

- **Focusing on orphans and other MVCs**: this has the benefit of being readily acceptable as an objective – both socially and politically – but leaves 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.

- **Reduce the impact of seasonal shocks on the poor**: Use 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. (but does not necessarily reach the chronically poor).

- **Tackling food insecurity and malnutrition**: focusing support on those with food consumption below the accepted minimum requirement (estimated at about 16% of the population) – on the grounds that these are the poorest; 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 the country wants to achieve, and how much to spend, depends on social and political preferences, and trade-offs with other poverty-reducing expenditures.

**The Role of Safety Nets in National Development Strategy**

22. Growth, and increasing the returns to the poor’s labor, clearly needs to remain the central solution to poverty in Tanzania. But 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: (a) raise the productive potential of the poor, so they can better participate in the growth process; (b) help protect against uninsured risk, and provide temporary support in times of difficulty – either seasonal or shocks; and; (c) support those who will likely be left behind by the growth process.

23. A new generation of safety net programs, if well-designed, can raise longer-term productivity through:

**Creating physical assets:** for example by using public works employment of the poor to build or maintain roads, or financing soil and water management, reforestation, and irrigation works.

**Building human capital:** almost all transfers to the poor result in increased human capital formation (due to direct impacts on consumption, and greater use of education and health services); these can be enhanced by using conditional cash transfers to promote participation in nutrition programs, attending antenatal clinics, or continuing girls’ education.

**Helping the poor escape inter-generational poverty traps:** examples in Tanzania include transfers to child-headed households or to elderly persons supporting orphans, allowing the children to continue in school; or linking benefits to improved early-childhood nutrition.
Enabling the poor to diversify sources of income: small injections of cash income, if linked to participation in savings or micro-credit programs, can allow the poor to invest in diversified activities. Examples from Tanzania include very poor women selling 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 shift to growing higher-valued crops.

Finally, safety net transfers represent an injection of funds directly into the lowest level of the economy: where they have high multiplier effects, increasing demand and fuelling growth at the village and small-town level.

Coverage and Costs of Existing Programs

24. Tanzania currently operates six main transfer programs (a support scheme for orphans and vulnerable children; distribution of subsidized maize by the government; a school feeding program; two public employment schemes (one for cash and one for food), and a fertilizer voucher scheme); about US$175 million is spent annually on these programs. In addition there are a number of small cash transfers or pension pilot schemes for the poor.

25. **Most Vulnerable Children’s (MVC) Program:** Provides support to about 570,000 orphans and other vulnerable children; at a cost of about US$ 50 million annually. It provides assistance for education, health services, food, and shelter.¹ Vulnerable children are targeted through community groups – the targeting system appears to work well, but unit costs are high (about $80 per beneficiary), and the value of benefits delivered to children are low relative to costs. Benefits are sporadic, and do not always correspond to the greatest safety net needs of individual children – which might be more for food or cash. The program is implemented through the Department of Social Welfare and a network of international and local NGOs; it is financed primarily by PEPFAR (USAID) and the Global Fund.

26. **Subsidized Food Distribution:** the National Food Reserve Agency (NFRA) is used by the government to distribute food free, or at highly subsidized prices. It reaches about 1.2 million people annually, at a cost of about $19 million equivalent (2009/10). Food is directed to Districts identified as food insecure each year; and typically covers about a third of the country. Subsidized food is in theory targeted at the poorest in each community, but there is no data on actual beneficiaries, and survey evidence suggests that there are large inclusion errors (that is, food going to households that are not the poorest).

27. **School Feeding:** currently covers about 600,000 primary students, or 8% of the total, at a cost of about $18 million annually. The program, funded largely by WFP, is concentrated in food-insecure Districts. Studies show that it has some positive impact on learning and attendance, but the effect is not overwhelming. Unit costs are $31 per student per year, and the food transferred represents about half of the daily nutritional requirements of the child. The

¹ Note MVC is not solely a transfer program, but also finances community and social support capacity-building.
program is not targeted within schools; there is no data on beneficiaries, but inclusion errors may be large. To expand nationwide would cost about US$250 million annually. In the longer term ways need to be found of making the program sustainable, and limiting its costs (perhaps by sifting to take-home rations for the poor).

28. **Public Works Employment Programs:** Two public works programs are run by local governments and TASAF (which pays in cash) and WFP (Food for Assets, which pays in food). Both are very small – each employs about 25,000 people a year, reaching about 1% of the poor. They both suffer from providing only once-off benefits to households, so the impact on poverty-reduction is limited; and they operate mostly in Districts ranked as food insecure, so miss much of the country. However they provide the basis – with appropriate design changes - for the move to a larger-scale national public employment scheme for the poor. The food-for-work program is considering shifting to paying cash for work for at least some beneficiaries; and it would make sense to move both programs towards a coordinated (and ideally, ultimately a unified) approach.

29. **Pilot Cash Transfer Programs:** *(KwaWazee; SCF, TASAF).* Existing programs are very small pilots, reaching only a few thousand households. Based on the limited experience so far, they seem to have had success in improving living conditions; have tested systems for identifying and targeting beneficiaries; and have introduced the principle of conditionality of transfers. The TASAF Conditional Cash Transfer (CCT) program, which targets the poor and vulnerable, is due to be scaled up; it would be logical to combine it with the elements of the MVC program, which has a larger-scale, established targeting system, and which should shift more to cash payments; into a single national system of cash transfers that supports MVCs/orphans and the destitute elderly and disabled.

**Other Public Transfer Programs**

30. **National Agricultural Input Voucher Scheme:** The largest single transfer program in the country, NAIVS provides vouchers for 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. The value of benefits to the household can potentially be as much as $3 for every $1 spent by 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 at farmers with less than 1 ha, in practice benefits are currently going to mostly non-poor farmers. A revised version of the program in the longer run, targeted only at poor farmers, with smaller and/or free packages, could be a highly-leveraged form of support.

31. **Vulnerable Groups Program:** Operated under TASAF, provides grants to small groups to run income-generating projects, at the cost of about US$7 million p.a. Data shows it reaches the poor, but coverage is limited (about 18,000 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, and needs to be compared with the many other income-generating and micro-credit programs in Tanzania as part of a graduation strategy.
32. **Pensions for the Elderly:** Formal pension programs cover only about 6% of the population, who are all employed in the formal sector, and are not among the poorest. Of note however is a proposal to expand coverage of old age pensions to the non-formal sector, with a universal, non-contributory old age pension. The proposal, which is estimated to cost about US$227 million equivalent annually, would involve very large inclusion errors (many elderly are not poor); and the same money could have a far larger poverty-reduction impact if directed at safety net programs that benefit the poorest. The report recommends instead a targeted social pension, with cash transfers to the very poor elderly, building on the MVC and CCT pilot models.

33. **Assessment of Overall Impact:** Tanzania is already spending quite a lot on transfer programs (about $175 million annually, or $ 83 million excluding the NAIVS voucher scheme), but coverage is limited; most programs reach less than 1% of the poor.²

- The limited data suggests 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 at food insecure Districts; this makes some sense, but the result the overlapping coverage by different programs in the same areas, and almost none in other areas
- Almost none of the programs keep good data on who they are reaching (some are in the process of collecting it) but the limited CFSVA survey findings suggest some concerns – a significant share of benefits appear to be going to the non-poor
- Much more rigorous, and independent, evaluation of the impact of programs is needed.
- There is overlap, and duplication of approach. (For example the MVC, public works, NAIVS, TASAF CCT, and food-for-assets programs all operate different community-based targeting systems to identify the neediest at the village level³)
- There is very limited coordination of benefits or beneficiaries: the same household (or village, or District) could receive benefits from 5 or 6 programs, while others - equally poor - receive none⁴
- Many existing programs only deliver once-off benefits to a household (PWP – TASAF, FFA), or very small and intermittent ones (MVC), which have little or no impact on poverty levels, on productivity behaviors, or human capital development – what is required is more sustained – and predictable - transfers.

**Fiscal Space and Affordability**

34. The report estimates cost of a number of options for national safety net using different scale and coverage of suggested programs. These estimates range from US$100 million per year

² Only the MVC, NAIVS, and subsidized food sales from the NFRA appear to reach any significant share of the population; and the MVC delivers small and intermittent benefits; the NAIVS is not targeted at the poor; and NFRA appears to suffer from significant inclusion and exclusion errors.

³ In some cases different mechanisms are justified due to differing program objectives – but a single community-level targeting system should be able to be adapted to identify variants of the main target groups – the very poor and vulnerable.

⁴ In theory coordination of programs takes place through Directors at the District level, but the capacity and systems to track individual beneficiaries are not there.
to over US$500 million per year. It should be noted that total public spending on social transfer in Tanzania in 2008/09 was about US$7 billion. Given competing demand for 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.

35. Current spending on all transfer programs is about US$175 million p.a.\(^5\); representing about 2.5% of public expenditure, or 0.3% of GDP, which is towards the low end of comparator countries, suggesting that Tanzania should be able to afford to spend somewhat more than it currently does.

36. All sectors are under-resourced in Tanzania, and financing for safety nets will remain tightly constrained, arguing for careful choice of programs and rigorous prioritization. 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.

37. The policy implications are, that given the fiscal constraint:

- Programs should **capture existing expenditures** to achieve safety net objectives (using recurrent expenditure on road maintenance to employ the poor in the off-season is a good example);
- Programs should be chosen **that leverage spending, to produce the greatest consumption benefits to the household per dollar spent** (the agricultural input scheme is a good example); and, above all,
- **Careful attention needs to be paid during design to leakage, targeting, and delivery costs.**

The Way Forward

38. The report recommends a combination of programs that seeks to achieve three objectives:

- More broadly raise the incomes of the poorest and most food-insecure, through a system of sustained (and financially sustainable) productive transfers;
- Helps protect against lean-season food shortages and price rises; and,
- Provides targeted, direct support to those unable to participate in the labour force or fend for themselves: the subset of disabled, elderly, and orphans and other vulnerable children who are not living in viable households.

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

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

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\(^5\) US$83 million excluding the fertilizer vouchers scheme, which is not targeted at the poor.
• Transfers need to be provided to the poor in a consistent and predictable manner – this generally means a monthly transfer, as opposed to once-off;
• Coverage needs to be greater – reaching a few tens of thousands of the poor will not make a difference;
• Rather than the current collection of small (mostly donor-driven) interventions, 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 for seasonal coverage in the hungry season;
• Programs should be chosen that simultaneously contribute 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 shift to cash transfers, 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;
• Keep it simple – targeted programs are administratively burdensome, especially on mid-level local supervisory staff, who are in short supply in Tanzania - system design should be kept simple; and avoid the stop-start programming which has characterized past approaches – moving towards a more unified national program will help;
• Establish an institutional home for safety nets; identifying one agency with overall responsibility for safety net programming will improve 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; rationalization of existing programs over the next two years can create the basis for such a permanent national safety net system.

41. **The Targeting Challenge. Universal vs. Targeted Programs:** the evidence (and fiscal constraints) argues strongly for maintaining a targeted approach. Universal programs would involve too many inclusion errors, and be too expensive in Tanzania at this stage.

42. 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 opportunities), or small ‘packages’ of benefits (such as low-valued fertilizer vouchers, or very small cash transfers).

43. **Community-based targeting:** using local knowledge, transparent processes and village committees appears to be the only feasible way to identify the neediest (e.g. orphans, elderly, disabled who need support, as opposed to those who do not). The MVC program has made good progress – it should form the basis of a broader-based national system. However the difficulty and costs of operating effective community-targeting systems should not be under-estimated.

44. **Geographical targeting:** there are both attractions and drawbacks to this approach. There are some very poor food-insecure areas, and when resources are constrained concentrating on
them provides a simple way of prioritizing. However calculations show that concentrating on the lowest third of Districts rated food insecure (as most programs currently do) leaves out about 68% of the extremely poor population in Tanzania. As the move is made to a more unified program, it should be national in scope, with the capacity to scale operations up or down regionally in response to need.

45. **Recommendations:** The report recommends a national program that consists of:

- **A large national-scale public works employment program:** for the able-bodied poor, concentrated in 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 needs – both in time, and geographically); plus,

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

46. The seasonal public works program would likely account for the majority of beneficiaries, perhaps 75-80%.

47. Policy-makers face two choices: how widely to expand coverage of cash transfers (as opposed to public works), and whether or not to make them conditional. The report argues that Tanzania can probably not afford to extend cash transfers beyond the most vulnerable who cannot participate in public works schemes – this would imply about 2-4% of the population, and even that amounts to 1 million people. If the coverage is that small, it means focusing on only the truly destitute, in which case there would appear little rationale for requiring them to comply with conditions; however: (a) there is a strong preference for conditions, including among beneficiaries; and (b) conditions, even if fairly ‘soft’ can be used to encourage human capital formation within these groups.

48. This program should involve a more unified approach - to identification, targeting, delivery - through either a single national program, or at least far greater coordination across programs within a common framework. The result would be greater poverty impact at an affordable level of spending.

49. The move towards this program can phased with: (i) immediate steps to strengthen existing programs; (ii) restructuring of the existing package of programs over the next two years – to rationalize them and lay the basis for a more unified permanent national system; and (iii) over the longer term, movement towards a single national program, owned, and largely operated, and eventually financed, by the Government of Tanzania and domestic organizations.

50. **Tanzania currently faces a unique opportunity to achieve this re-structuring.**
- Existing programs are all currently being revised or restructured (TASAF, MVC, WFP) within the coming year.
- There is a strong basis for building on and expansion in several programs: the MVC program, which has established a community-targeting system that covers much of the country; the TASAF public works and WFP food-for-work programs, which have established functioning public works employment systems;

- This restructuring represents an opportunity to much better co-ordinate targeting, beneficiary coverage, and delivery mechanisms. It can lay the basis for the move to a more permanent, public system of transfers, which can be expanded, and fine-tuned over time.

- There is strong donor interest in supporting expansion - especially if structured around a unified national safety net program; this donor funding – which would have to be committed over a fairly long timeframe – could build the bridge to more sustained public financing of the system over time.

51. **Next Steps. The following immediate steps are recommended.**

- Evaluate community targeting systems under existing programs (MVC, FFA, TASAF CCT, vulnerable groups, NAVIS) identify best practices, and combine into a single national system for identifying the most needy 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 on shifting MVC from sporadic in-kind support to more predictable cash and food transfers.
- Review geographical targeting, its effectiveness, and overlap and exclusion errors, and decide what extent to pursue geographical targeting in the national safety net program.
- Review experience with Food-for-Assets and TASAF public works programs, take the best of both and consolidate into a single, consistent national model for employment-based transfers to the poor.
- Examine the potential for using existing (or expanded) spending on maintenance of roads and other public infrastructure to employ the poor during the lean season– using a self-targeting low wage rate.
- Identify mechanisms for coordinating geographical coverage of PWP and Food-for-Assets.
- Bring together donors, DoSW and TASAF and discuss consolidated approach to moving forward on next phase on a unified national program of cash transfers; both conditional and unconditional.
- Monitor and review experience with NAIVS, start considering follow-on program targeted only at poor farmers.
- Undertake a more detailed review and analysis of targeting errors for food distribution (NFRA), Food-for work, and school feeding implied by the CFSVA data, to assess the extent of benefits going to the non-poor, and scope for rectifying inclusion errors and redirecting resources to the poor.
Examine mechanisms for better tracking and coordinating overlap of coverage by all programs (including PWP, FFA, school feeding, MVC, cash transfers, VG and NFRA) to reduce gaps, and rationalize duplication of support.

Establish an institutional home for safety nets in Government.

52. **Shape and Costs of A longer-Term System.** The report presents three illustrative options for the costs and coverage of a unified national safety net program. The middle of the three options consists of a public works program that would provide employment to about 700,000 people annually (3-4 million total beneficiaries; reaching many of the chronically food-poor), most receiving about four months’ worth of transfer annually; combined with 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 (estimated 1 million total beneficiaries; consisting of the most vulnerable and destitute MVCs, elderly and disabled). The cost is estimated at about US$ 150 million p.a., much of which could be financed by re-directing existing resources.

53. The cash transfers could be either conditional or un-conditional. Conditional transfers to support building human capital might include tying payments to: (i) participation in nutrition programs, or use of micronutrient supplementation packs; (ii) starting school at the appropriate age; (iii) regular school attendance (for some groups and areas); (iv) girls staying in school beyond Form IV; (v) participation in neonatal and family planning programs; (vi) delivery of babies at safe facilities. Each of these requires further investigation as to likely effects and costs.

54. Other options the Government might want to consider, to supplement this core program, include:
- Possibly a continued version of NAIVS in the longer-run – but smaller, targeted at poor farmers (because it delivers the largest benefits for each dollar spent)
- Utilizing increased rural road maintenance spending to employ the poor at a self-targeting wage-rate, (to expand the coverage of the PWP component, while addressing the backlog of under-funded maintenance and providing essential routine maintenance that has a high pay-off).

**Financing the transition to a more significant national safety net program**

55. Donors currently finance about 75% of transfer expenditures. Some of these resources are fungible, and some are not (for example most funding for the MVC program is tied to donor HIV/AIDS programs). The trick will be to capture donor financing in support of the transition. Donors with limited fungibility can be encouraged to re-orient exiting programs in support of the unified national program; for others re-direction of financing and/or re-design of programs can be negotiated. Over time, it should be possible to engineer more ‘basket’ financing for a unified program (this approach has worked in Ethiopia, for example); and slowly transition into picking up more of the financing out of the recurrent budget.
CHAPTER I: INTRODUCTION

Background – Why Safety Nets and Transfers?

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

57. Despite a decade of impressive GDP growth, averaging about 7% p.a.\(^7\), poverty rates have remained stubbornly high. The failure of growth to reduce poverty in Tanzania has been the subject of much recent debate (see for example Hoogeven and Ruhindula (2009))\(^8\). The reasons in part 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, however, is that there remain many people whose incomes have not grown adequately as a result of the growth process.

58. In addition the poor in Tanzania face risks and shocks which undermine their long-term productivity, and hinder the 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 1 million orphans and most-vulnerable children.

59. 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 more permanent increases in their incomes – through building human capital, enabling the poor to take on higher-return activities, or to escape from inter-generational poverty traps. Box 1 below highlights some key ways in which this might be achieved in Tanzania. These results are not guaranteed however, and depend on the judicious choice of programs and design. This paper examines the current safety net efforts in Tanzania, and suggests how they can be adjusted to achieve greater poverty-reducing impact.

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\(^6\) 2008 GNI, atlas method.

\(^7\) 2001-2008

\(^8\) “Lost in Translation: Poverty Reduction in Tanzania since 2001; Good intentions, few results”
Objectives of the Study

This paper explores the possible role of safety net transfers 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.

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 form an essential ingredient in the 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.

Tanzania has recognized this: social protection is a pillar of MKUKUTA, and the draft national Social Protection Policy Framework lays out the broad outlines and priorities of the government. However it lacks specificity on program interventions. A key objective of the current study is to present a range of costed program options.

This paper attempts to lay out what the options might be, to locate them within an analytical assessment of the nature of poverty and shocks faced by the poor in Tanzania (Chapter 9).

See for example, “Options for Reform of the Tanzania Pension System” draft August, 2010; World Bank
I). It examines the effectiveness of existing transfer programs (Chapter III): 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 do not exist in Tanzania, which might form part of the national safety net strategy.

64. At a strategic level it then evaluates the capacity of the state to spend on transfers, and how safety net programs might fit into the wider national development agenda (Chapter IV). The paper concludes by discussing some of the institutional and administrative concerns that effect program design (Chapter V); and then outlining both a series of immediate steps to improve the effectiveness of existing programs; as well as a medium-term strategy for moving towards a more unified national program (Chapter VI).
CHAPTER II: POVERTY ANALYSIS FOR SAFETY NET TRANSFERS

65. 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 help determine:

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

2.1 Poverty and Ultra-Poverty in Tanzania

66. Approximately 12.9 million persons, or 33.6% of the population, lived in poverty in 2007 (defined as having less than the minimum consumption required to meet basic needs)\(^\text{10}\), and some 6.4 million, or 16% of the population, lived at levels of income so low that they cannot afford to consume the minimum daily intake of calories.

67. The first thing the policy makers should be concerned with from a safety net point of view is how that poverty is distributed among the population: are there many people, for example, gathered fairly narrowly around the poverty line; or smaller proportions of the populations who are very far below it?

![Figure 1: Distribution of income in Tanzania](image)

**Fig. 1 Distribution of Consumption - Relative to the Poverty Line**
*(2007 Tsh per adult equivalent per month)*

68. 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.\(^\text{11}\)

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\(^{10}\) Household Budget Survey (HBS), 2007.

\(^{11}\) 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 2006 Tsh.).
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 unpack 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; the average incomes of the poorest ten percent of Tanzanians, for example, are 40% lower than those of people in the next decile.

**Figure 2: Differences in Average per capita Consumption among the Poor**
(Per capita monthly household consumption, Tsh. Per adult-equivalent 2006)

Source: HBS data.

In subsequent sections the report examines in a bit more depth the attributes of this group – their demographic characteristics, the assets they own, and how they make their livings – to try to ascertain whether there ways to identify and target them.

On the basis of a very broad decomposition of the population into poverty groups, then, Table 1 summarizes the numbers of people in some main poverty categories. Later on (Chapter 4) the report explores the implication of these numbers for possible objectives of a 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 Persons</th>
<th>Cumulative Number of Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Bottom 10%</strong></td>
<td>Have incomes far below even the poor in general – 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>The very poor – 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>May require intermittent safety net support, in difficult times.</td>
<td>6.3 million</td>
<td>12.7 million</td>
</tr>
</tbody>
</table>

Sources: HBS 2007, Rapid Poverty Assessment (2008); own calculations

2.2 Characteristics of the Poor and the Very Poor

72. The objective of this section is to look at various attributes of the poor, and the non-poor, and the very poor, to help understand whether there are aspects of their poverty that it makes sense to tackle with safety net transfers, and – equally importantly – to help think about criteria that might be used to identify and target beneficiaries.

73. The poor in Tanzania are overwhelmingly rural (84% of the poor), and overwhelmingly dependent on agriculture as their primary source of income (74%).

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/a</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/a</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; a Living below the food poverty line

74. Poverty is not notably higher among female-headed households and the elderly than in 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, only that in a consumption sense the household data do not reveal any consistently higher incidence of poverty. We cannot, of course, say anything on the basis of the HBS data about the distribution of consumption within households, although micro studies and anecdotal evidence often suggest that children and women receive less than proportional food shares. (See for example, UNICEF (2008)).
Although it is not as obvious from the aggregated data, the very poor tend to live in larger households\(^{12}\). Figure 3 illustrates the very strong relationship between number of household members and poverty.

### Asset Ownership among the Poor and the Extremely Poor

75. 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% of the population, making it difficult to use asset ownership as a targeting proxy for transfers.

<table>
<thead>
<tr>
<th>Housing Quality</th>
<th>Non-Poor</th>
<th>Poor/a</th>
<th>Very Poor/b</th>
<th>Bottom 10%</th>
</tr>
</thead>
<tbody>
<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>Toilet - % with no toilet</td>
<td>5.8%</td>
<td>8.0%</td>
<td>10.8%</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership of Some Key Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<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)/c</td>
<td>4.6</td>
<td>4.9</td>
<td>3.5</td>
<td>n.a.</td>
</tr>
<tr>
<td>Cattle, Lrg. Livestock (no.)/c</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 Tables 38-40, PHDR 2009, and Rapid PA tables 3.4-3.6; a/ Poor are below the Basic Needs poverty line; b/ Extreme Poor below the Food Poverty Line c/ rural sample only.

\(^{12}\) 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.
76. 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.

77. Landholding: The most significant asset in determining poverty status in an agrarian economy is usually landholdings, and in many such countries the very poorest are those who are effectively landless. The relationship in Tanzania is more complex. Both the HBS (2007) and the Agricultural Census (2005) show surprisingly little difference between the landholding patterns of the poor and the non-poor, and that quite a large share of even the very poor own what, in other countries, would be considered quite substantial holdings (5 acres plus). This may be in part because the data does not account for difference in land quality (the poor may have land in low-productivity areas, or own large plots of dry grazing land), and in part because Tanzania is less densely populated than other low-income countries. The implication is that targeting safety nets on the basis of landholdings, to reach the very poorest, is less feasible than elsewhere.

<table>
<thead>
<tr>
<th>Landholding</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 acres</td>
<td>14.8%</td>
<td>16.0%</td>
<td>16.4%</td>
</tr>
<tr>
<td>2-3 acres</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: 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

78. An important consideration when planning safety net interventions is whether people are chronically poor, or whether they are moving in and out of poverty; that is, whether the same households need continuous support, or a different population of beneficiaries needs help at different points in time.

79. Households may be stuck well below the poverty line – caught in traps which prevent them from generating enough income to ever rise to an acceptable level of consumption – in which case they likely need continuous support in the form of transfers. Or, they may live near the poverty line – being above it in good times, and falling below at others - in which case they need only an intermittent safety net.

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

81. Unfortunately there is little information on movements in and out of poverty in Tanzania. Recent qualitative work by the Chronic Poverty Research Centre (2010), and panel survey data in Ruvuma and Kilimanjaro (Pan and Christiansen, 2010) suggest about equal shares of the
population falling into, or rising out of poverty over a 5-10 year period. The reasons for improving livelihoods generally have to do with better agricultural productivity, diversification of income sources, and attributes of the community rather than of the individual household (such as improved access, and market integration).

Table 5: Movements In and Out of Poverty Kilimanjaro and Ruvuma Panel Surveys 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>

% of Households; constructed from Christiansen & Pan; See Annex table – for more disaggregated data. Note poverty line is from panel data, differs from national HBS poverty line.

82. Between 10-25% of the population in these small samples were judged to have fallen into poverty during the reference period. Reasons for deteriorating livelihoods include the effects of prolonged drought, price declines for crops, and – to a lesser extent – idiosyncratic factors such as death or illness. In many cases villagers have cited the large increase in food prices (discussed below) as a reason for reduced consumption in recent years (see for example de Corta et.al.).

83. Shocks faced by the poor – in fact by everyone - include drought, unexpected declines in cereal and cash crop prices, crop and livestock loss due to pests or theft, and death of a household head; but the reported incidence of these shocks was no higher among families who had fallen into poverty than in the population as a whole (or even those who had risen out of poverty), making it difficult to generalize as to 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 and price rises in basic food grains, discussed later in the section on food security.

Table 6: Proportion of Households Reporting Shocks in Past Year – By Income Transition Group

<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>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></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>

/\ Constructed from Christiansen and Pan; Tables 46, 47 Kilimanjaro sample. Incidence of shock applies to previous 12 months in Initial survey period; Ruvuma sample results are not very different. Poverty line from panel

84. Work on coping strategies (see Kessy; da Corta; Higgins; and WFP (2010)) shows that households adjust primarily by reducing food intake. There is little analytical work on the impact of coping strategies; and the relationship with income status does not emerge clearly (perhaps because the poor have less room to reduce consumption and fewer assets to lose). What is clear is that the poor take longer to recover from whatever losses they incur after shocks. (Table 7).
Table 7: Impact of Drought and Recovery By Household Food Poverty Status

<table>
<thead>
<tr>
<th>Food Poverty Category</th>
<th>Income Loss Due to Drought</th>
<th>Asset Loss Due to Drought</th>
<th>Food Loss Due to Drought</th>
<th>HH Totally Recovered</th>
<th>HH 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; % of HHs reporting loss; 1/ HH Food consumption status as measured in CFSVA; see p.17.

85. Panel survey data\(^{13}\) show just over half of the poor remaining in poverty during a 5-year period (with the balance, about 46%, rising out of poverty). Conversely, about a third of families who were not poor in the first round had fallen into poverty 5 years later. To the extent these findings can be generalized, the implications for safety net strategy are that (a) there is a significant core of the poor who remain poor (and thus probably require sustained transfers); but at the same time: (b) 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 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?

86. The Basic Needs poverty line in 2006 was about Tsh 14,000 per adult per month, roughly equivalent, in purchasing power parity terms, to US$ 1.10 per day, and is thus very close to the international dollar-a-day norm.\(^ {14}\) The food poverty line is about 80% of that, or roughly equivalent to US$0.80 per day.

Table 8: The Definition of Poor: Levels of Poverty in Tanzania

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

\(^{a/}\) Based on PPP exchange rate of Tsh 454/US$, and 28 days per month. \(^{b/}\) late 2010; Tanzania mainland ;Author’s calculations, based on CPI changes 2007-2010 .

87. According to the HBS in 2006 the poorest people in Tanzania were surviving on an average income of Tsh. 7,335 per month\(^ {15}\), equivalent to about 57 cents US per day\(^ {16}\). There is some doubt that people’s incomes are quite as low – in absolute terms – as the HBS data

---

\(^{13}\) Christiaensen and Pan, 2010.

\(^{14}\) As calculated in Rapid Poverty Assessment, 2009; p.7-8.

\(^{15}\) Decile-wise HBS data; household per capita consumption for lowest 10% World Bank calculations.

\(^{16}\) Based on PPP exchange rate Tsh 454 per US$. 

10
suggests.\textsuperscript{17} It is likely however, that the \textit{relative} orders-of-magnitude are correct; and if the poorest are living at anywhere like these levels of consumption, the argument for focusing a national safety net strategy on the very poorest –say the bottom 10-15% - is extremely strong.

88. \textbf{Growth and Poverty:} 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 would be hoped for. What is interesting from a safety nets point of view is the distributional impact of growth, and to what extent it reaches (or fails to reach) the poorest. Fig 4 shows the growth incidence curve, which illustrates the impact of economic growth on consumption by income group. The curve is relatively flat, suggesting that all income groups benefited equally from growth, with the notable exception of the poorest 10%, who got worse off, and the richest 10%, whose consumption grew relatively fast. This is a significant finding for safety nets strategy, because it suggests – at least on the basis of the data for 2000-2007 - that the very poorest are those who are not benefiting from growth, and most likely to be in need of sustained transfers.\textsuperscript{18}

\begin{figure}
\centering
\includegraphics[width=\textwidth]{growth_incidence.png}
\caption{The Impact of Economic Growth on Consumption by Poverty Class}
\end{figure}

\textit{Sources of Income: Livelihoods of the Poorest}

89. As noted earlier, farming or fishing is the main source of income for more than 80\% 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 – likely reflecting the beginnings of commercialization and integration into the cash economy.

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

\textsuperscript{17} 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 national accounts data implies 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, discussion in Poverty Monitoring Group (2008))

\textsuperscript{18} The growth incidence curve for rural areas is noticeably closer to zero than for the country as a whole, suggesting that for most people living in rural areas growth has had a negligible impact on consumption; and again re-enforcing the argument for focusing on rural areas in a safety net strategy.
Table 9: Average Household Income By Income Class and Source

<table>
<thead>
<tr>
<th>Income Class</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>

Source: Drawn from HBS 2007, and Rapid Poverty Assessment, p.27; total monthly HH income in Tsh.

91. Nonetheless, the poor are twice as dependent on agriculture as the non-poor (Annex Table 1.1.1). 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 subsistence farmers who do not grow cash crops (who constitute about 25% of the rural population), or those dependent on daily wage labour (about 9% of the rural population). (See Annex 1.1; Livelihoods).

**Consumption Patterns; Utilization of Education and Health Services by the Poor**

92. Nearly all Tanzanians spend a majority of their income on food, with food accounting for about 60% of consumption even among the relatively well-off. What is worthy of note is 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 a 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 2-3% of household expenditure), suggesting, 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 place a major burden on the poor.

Table 10: Consumption Patterns among the Poor, the Non-Poor, and the Poorest

<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</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 &amp; Petrol</td>
<td>3.4%</td>
<td>1.9%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Telecoms</td>
<td>2.7%</td>
<td>0.9%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Source: Own calculations based on HBS data; Note: selected consumption items only. a/ for cooking and light.

93. 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 after accounting for the essentials of food and fuel there is little left, and the share of any other single consumption item is inevitably low; the fact that basic services (such as primary education) are largely free or low-cost; and that coverage is limited, and the poorest, who tend to live in more remote areas, have less access to services (such as hospitals) that would cost them money.
94. Nonetheless, with increased coverage of the education system, many more of the poor are now in school. Education participation by income class is fairly egalitarian, and following the introduction of free primary education, enrolment rates are fairly high (Table 11), averaging 84% nationwide, and 78% among the poor. The issues are that the poor are more likely to start school later than are the non-poor, and less likely to complete it. Issues that might be amenable to tackling with conditional safety net interventions (see chapter 6) include encouraging students to start school at the appropriate age, encouraging girls to continue beyond Form IV (at which point many currently leave school), and to improve sporadic attendance. (See for example, Burke (2004) and World Bank (2008).

<table>
<thead>
<tr>
<th>Wealth Quintile</th>
<th>School Attendance</th>
<th>% 10-13 Yr. Olds Not Yet Started School</th>
<th>Use of Health Facilities /a</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary</td>
<td>Secondary</td>
<td></td>
</tr>
<tr>
<td>Poorest</td>
<td>78%</td>
<td>10%</td>
<td>26%</td>
</tr>
<tr>
<td>2nd</td>
<td>79%</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>3rd</td>
<td>84%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>4th</td>
<td>89%</td>
<td>21%</td>
<td>5%</td>
</tr>
<tr>
<td>Wealthiest</td>
<td>91%</td>
<td>25%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: constructed from Rapid Poverty Assessment (2009), Table 11, Table 4.6, based on HBS 2007 data. /a/ Average no. of household members consulting health services.

95. Health status is uniformly poor – and somewhat worse among the poor than the non-poor; as is utilization of health facilities, although the empirical evidence does not suggest that the poor use health facilities much less than the non-poor (Table 11). There is continuing debate around the impact that health fees have of discouraging utilization - exemption and safety net options are discussed in Chapters 3 and 6.

2.5 The Geographical Distribution of Poverty

96. Poverty in Tanzania is concentrated in the rural areas. The overwhelming majority of the poor (about 84%) live in rural areas, and levels of poverty are far higher in the countryside than in towns (Table 12).

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19 Lowest quintile Net Enrollment Rate; HBS 2007 and Rapid Table 4.1.
20 For example 26% of children in the lowest wealth quintile are reported as never having attended primary school; as opposed to only 11% in the middle quintile, and 2% among the wealthiest (Hoogeveen, World Bank 2008)
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 BN Poverty</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 (not 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-Salam</td>
<td>16.4%</td>
<td>7.4%</td>
<td>3%</td>
<td>474,000</td>
<td>212,000</td>
</tr>
</tbody>
</table>

97. While there has undeniably been an increase in urban poverty in recent years, and while the poorest 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 nor as widespread as in rural areas: to be truly poor in Tanzania still means to be rural and poor. The focus of any safety net strategy, therefore, needs to be primarily on addressing rural poverty.

98. 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 of livestock). It is worth noting, however (Annex 1.3) 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. The implication is that geographical targeting will miss very large numbers of the poor. For example in 2001 (the last year for which reliable District-wise poverty data is available), focusing on only the poorest third of the country (as most programs currently do), would leave out about 64% of the poor, and 58% of the extremely poor - those living below the food poverty line.\(^{21}\)

99. Note however that successive CFSVA surveys have found that the set of Districts where people have below-acceptable food consumption\(^{22}\) change quite significantly over 5-year periods, suggesting that areas – like households – move in and out of poverty. The implications for SNs are that in some circumstances geographical targeting may make sense; but mostly for short-term interventions that provide intensified support to an area during a period of difficult years. This argues for interventions such as public works employment that can be expanded and contracted as needed.

\(^{21}\) Based on selecting the 7 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 1.3.2.

\(^{22}\) 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.
2.6 Food Insecurity and Vulnerability

100. 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 long it lasts them into the next year.

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

![Figure 5: Caloric Consumption by Wealth Quintile](source: Interpolated from PHDR 2009 Fig 50 p.149.)

102. About 16% 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 is it due to food security factors, such as the availability of food, failure of their harvest, or poorly functioning food markets. To the extent it is the latter, food-based security nets may be an important part of the national strategy.

103. 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, it is generally unlikely that they have the purchasing power to solve their food security problems through buying food from the market.

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24 Mainland Tanzania Food Security and Vulnerability Assessment; WFP/NBS, 2010
25 Defined as having an only marginally better diet – eating pulses, vegetables and fruit approximately one time more per week than poor consumption households.
104. The issue from a safety net point of view is whether solutions should involve food-security based interventions, such as transfers of food or assistance programs that improve the poor’s own production of food, as opposed to cash transfers.

105. 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.

106. More importantly, and in 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).

107. The weak markets are in part a consequence of weak purchasing power; if the very poor had more cash income, there would be more traders operating 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 food (which will still be needed in times of extreme shortage, or in isolated areas), and providing cash, which, if predictable and sustained enough, will help kick-start the functioning of local markets.

**Seasonality in Food Insecurity and Poverty**

108. As in all rain-fed subsistence economies, the consumption of the poor depends very much on the time of year. Immediately after 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 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 4-to-5 month ‘hungry season’.

109. In Tanzania the coastal and northern areas benefit from two rainy seasons, so seasonal food shortages are less of an issue, and the hungry season typically only lasts 2-3 months. (see graphic below) Furthermore, some coastal and highland areas have considerable cash crops, and are better linked with urban markets, which both increase off-farm employment opportunities and the generation of agricultural cash income for the poor, so they are better-equipped to purchase food if they need it.
Bimodal Areas (Coastal and northern areas with two rainfall and planting seasons)

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

- Jan
- Feb
- Mar
- Apr
- May
- Jun
- Jul
- Aug
- Sep
- Oct
- Nov
- Dec

<table>
<thead>
<tr>
<th>Hungry Season</th>
<th>Green harvest</th>
<th>Msimu harvest</th>
<th>Hungry season</th>
</tr>
</thead>
<tbody>
<tr>
<td>Msimu Rains</td>
<td>Dry Spell</td>
<td>Msimu rains</td>
<td>Msimu rains</td>
</tr>
<tr>
<td>Msimu prep and planting</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

110. Typically the food harvested by a family lasts about 5-6 months in unimodal areas, and about 8 months in the bimodal areas\(^{26}\), although it lasts substantially less among households in the poorest livelihood groups (eg. 4 months and 6 months, respectively, among families primarily reliant on day-labour (see Annex 1.4). The graph below illustrates how dramatically families run out of food.

**Figure 6: % of Households with Food Reserves Remaining from Previous Harvest – By Month**

![Figure 6: % of Households with Food Reserves Remaining from Previous Harvest – By Month](image)

*Constructed by the author; from CFSVA 2010; Fig. 24, p.54*

The Poor: Net Buyers and Sellers of Food

111. In general the very poor tend to produce less months’ worth of food from their land, 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\(^{27}\). Table 13 below shows the proportions for two sample districts, both of which are relatively food insecure. In Kilimanjaro, almost 90% 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

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\(^{26}\) Source: CFSVA, 2009/10; Table 10.

\(^{27}\) although 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.
as incomes increase (probably because the better-off have more diversified sources of incomes, and are less reliant on food sales.)

Table 13: Net Buyers and Sellers of Maize

<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>

Source: Sarris, Savastano and Christiansen (2006) FAO (reproduced in WB (2009))

Seasonality in Prices

112. The poor suffer doubly by the seasonality of food supply: because of shortages, the time at which they need to buy food from the market is also the time of highest prices.

113. The seasonal variance in supply and demand for grains combined with the weak integration of markets leads to significant swings in prices. Figure 7 below shows the variation in price of maize over the past 6 years. Typically there is a ratio of high-season to low-season prices of almost 2 to 1. Furthermore, because of the weak integration of markets, 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 is potentially an important part of a safety net strategy.

Figure 7: Seasonal Movements in Maize Prices 2001-2007

114. Note that the variance is less in some areas than others. Between January 2009 and January 2010, for example, maize prices increased by 65-80% in some Districts, while others experienced no increases, or even price declines28, suggesting that a large part of the problem is the lack of integration of markets.

28 Source: 2010 RVA p.11
115. **Seasonality in Labor:** There are large periods of time when able-bodied poor do not have enough work to do, and these points to the obvious use of a public-works employment scheme as one of the main safety net interventions. The evidence shows that off-farm employment does not pick up to compensate for the drop in agricultural work demands on the farm during this slack season (Fig.8), so the opportunity is there for productive employment on PWP programs. The drawback is that the time of greatest household need (the November-February hungry season, previous graphic) is also the time when farmers are busy with on-farm planting and cultivation activities (figure below), so payment has to be made either later in the season for work done during the slack period, or systems developed that encourage households to save the payments until they need the money (or food) in the hungry season.

![Figure 8: Seasonality in Labour Use & Livelihood Activities](image)

An Aside on Food Inflation and the Poor
116. The prices of almost all basic food stuffs increased dramatically in the past five years, and particularly in the period 2007-09 (Table 14), placing an additional burden on the poor. This was in part a result of regional shortages in eastern Africa, in part due to international food and fuel price increases, and in part due to slow growth in food production.

<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>

*Source: Own Calculations, based on 2001-07 Table 6.5, Rapid Poverty Assessment; 2007-09; Tables 36-38, pp 71-73 National Panel Survey 2008-09 Preliminary Baseline Report

117. While the major price inflation of 2008-09 appears to have abated, the poor suffered a significant consumption shock, from which it appears unlikely that they have fully recovered. Qualitative studies confirm that many respondents have reduced food intake – either reducing the number of meals, or substituting lower-valued foods, dropping items like meat and milk from
their diets, due to affordability problems. It would seem that the increased demand for food from the growing urban population is contributing to price pressures, which may feed through into welfare losses for those of the rural poor who are net purchasers of grain; and even for those who are net sellers, since market rigidities hinder the pass-through of consumer price increase to farm-gate prices.

2.7 Nutrition

118. Malnutrition is widespread in Tanzania, although not quite as severe as in other low-income countries of the region. Approximately 38% of children under five are stunted – exhibiting low height-for-age - and about 13% are severely stunted. (Stunting reflects a failure to consume adequate nutrition over a number of years, and is often associated with poor overall economic conditions). About 3% of children are wasted, signifying acute malnutrition.

119. There is relatively little relationship between areas of food insecurity and areas of high malnutrition, suggesting that the problem is not so much one of insufficient food, as of poor feeding practices. Areas of cereal surplus – mostly in the south and west - are also areas with relatively high rates of malnutrition; which is linked more to feeding practices (for example stopping breastfeeding too early), diet (involving a heavy reliance on cereals that are low in energy and nutritional value), and health status (diarrhoeal diseases and parasitic infections, which affect appetite and the body’s ability to metabolize food).

120. 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% of the population. Studies have shown that the income elasticity of nutrition is low (in the range of 0.25-0.5), meaning that a 10% increase in incomes leads to only a 2.5-5% decline in malnutrition, so income growth alone will not solve the problem. If Tanzania were to meet the MDG goal of halving child malnutrition, income growth will have to be complemented by large-scale program interventions. Those with the highest benefit-cost rations include food fortification, mineral, and vitamin provision, and improved pre-natal care and care and feeding practices for young children.

---

29 See for example papers by Higgins; daCorta; and also Kessy.
30 See for example World Bank (2008) p.71; and Annex Table1.1.5
31 ref. UNICEF/REPOA (2009)
Table 15: Child Malnutrition by Income Group

<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>

Source: DHS 2005

121. 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 5-17%) and lifetime earnings (by an estimated 12%)\(^33\) Addressing early childhood malnutrition thus has long-term impacts because it can break the poverty-malnutrition cycle. Safety net interventions might potentially be connected with nutrition through linking conditional transfers to participation in nutrition programs addressing food fortification, or behaviour change training (see discussion in Chapter 6).

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

Orphans and Most Vulnerable Children

122. In addition to the generalized poverty experienced by many children in Tanzania, there exists a large sub-class of orphans, many of them created by the death of parents due to HIV/AIDS, and many of whom live in conditions of abject poverty – either in households with no adult, or living with an elderly relative - generally grandparents – who lack the skills, energy, and resources to adequately feed and care for them.

123. 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\(^34\). While orphans are a significant part of the poverty problem in Tanzania, and the conditions under which they live can be truly horrendous, Tanzania has – quite rightly - adopted the concept of ‘most vulnerable children’, rather than focusing on orphanhood alone. This recognizes that not all orphans are poor (they are absorbed into functioning, and sometimes relatively prosperous, families), and that there also exist many children who are not orphaned, who are nonetheless extremely badly off.

124. The definition adopted in Tanzania for ‘most vulnerable children’ is:
   - Children living in child-headed households;

\(^{33}\) World Bank (2009)  
\(^{34}\) Evidence across HIV/AIDS affected countries shows that children who have lost one parent, especially if it is the mother, are at considerable risk of abandonment; in Tanzania the MVC registration system had found 26% of MVCs to be abandoned (MVC MIS Update presentation; DoSW, 2010)
- Children living in an elderly-headed household with no adult aged 20-59 years present;
- Children with both parents deceased;
- 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 similarly poor 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.

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

<table>
<thead>
<tr>
<th>Table 16: Estimated Numbers of Most Vulnerable Children 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rural</strong></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><strong>Total No of Most Vulnerable Children</strong></td>
</tr>
</tbody>
</table>

Source: NCPA; Projected number of vulnerable children 2010, Appendix VI, p.62

126. With 36% of the population living in poverty anyway, and 16% below the food poverty line, it seems reasonable to ask how different the conditions of these children are from those of poor children more generally. Estimates made by Lindboom, Leach et al 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)

<table>
<thead>
<tr>
<th>Table 17: Estimated Consumption Gap Between Children Living in Households below 30% of the poverty line, and those living at about the Poverty Line</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>0-6 Years</td>
</tr>
<tr>
<td>7-14 Years</td>
</tr>
<tr>
<td>15-17 Years</td>
</tr>
</tbody>
</table>

a/ represents an approximate average of urban and rural costs, which are slightly different for non-food items; see Table 1.5, p. 11, Lindboom, Leach, et.al. (2007)

Persons Living with HIV/AIDS (PLWH)

127. The overall rate of HIV infection in adults in Tanzania is about 6% (2007-08 National HIV/AIDS survey), thus the AIDS situation is not as bad as it is in some other countries in sub-Saharan Africa; although levels rise to about 10% in some districts, and overall this still means about 1.1 million persons are living with HIV/AIDS.

35 These appear to be based on a somewhat arbitrary estimation of MVCs as consuming below 30% of the poverty line consumption levels.
128. The link with 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 National HIV/AIDS survey found no strong relationship between poverty indicators and HIV/AIDS status, and if anything, HIV prevalence tends to be higher among better off (for example prevalence is 8.1% in the richest quintile, and only 4.6% in the poorest), and significantly lower in rural areas, where most of the poor live.\footnote{Tanzania HIV/AIDS and Malaria Indicator Survey 2007-08; TACAIDS, 2008; see Table 9.4 p.116. (8.7% urban prevalence; 4.7% rural).}

129. While some PLWH are very badly off – living on their own, and unable to adequately feed, clothe or house themselves - others are living with their families, who can in some cases care and provide for them well, and in some cases cannot; while yet others are receiving treatment and living full productive 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 this problem has been handled is – quite correctly – to rely on community targeting, and agencies working with HIV/AIDS sufferers, to identify the individuals that most need assistance.

The Elderly

130. There are some 2 million people in Tanzania over the age of 60, representing about 5% of the population.\footnote{The single largest group of the elderly are between the ages of 60 and 65, only about 3% of the population is older than 65, and about 2% older than 70. The number over 60 is projected to grow to 3 million by 2025, but to decline slightly as a share of the population.} Concern with poverty among the elderly has been rising (see for example HelpAge et.al. (2010)). However, while the elderly are undoubtedly more affected by illness and disability than other Tanzanians, poverty rates among them are not significantly different from among the population as a whole. (Table 18)\footnote{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 (Fig.3), which may contain more elderly people, and HelpAge estimates poverty rates are about a fifth higher than average in HHs containing elderly people; however the HBS data (Table 19) show that households consisting of only elderly people have substantially lower poverty rates than the population as a whole.}

<table>
<thead>
<tr>
<th>Table 18: Poverty Among the Elderly: Headcount Ratio by Age Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Food Poverty Line</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td>Children &lt; 14</td>
</tr>
<tr>
<td>Working Age Adults (15-59)</td>
</tr>
<tr>
<td>Older People (60+)</td>
</tr>
<tr>
<td>All Tanzanian</td>
</tr>
</tbody>
</table>

131. 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 inter-generational
poverty traps associated with poor grandparents raising orphans, and the successful experience
with the KwaWazee pilot project; coupled with a perception that traditional family support
mechanisms for the elderly are breaking down.

132. There seems little doubt that poverty rates among households with 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 are absorbed into non-poor extended families, and, given the
overall poverty rates among the elderly, the case for providing universal support would appear to
be weak (see discussion in Chapter 5)

<table>
<thead>
<tr>
<th></th>
<th>% of Population</th>
<th>Poverty Headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children and Elderly Persons Only</td>
<td>1.5%</td>
<td>45.4%</td>
</tr>
<tr>
<td>Elderly Persons Only</td>
<td>1.1%</td>
<td>17.2%</td>
</tr>
<tr>
<td>All Households</td>
<td>100%</td>
<td>33.8%</td>
</tr>
</tbody>
</table>

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

**People with Disabilities**

133. An estimated about 6% of the population suffers from some form of disability (NBS,
2009). The Disability Survey shows that of these, about a third of these people are severely
enough disabled that it significantly affects their functioning. Blindness is the most common
disability, accounting for about 3% of the population; and about 2.4% of the population are
mobility-impaired (there is overlap between these groups), of whom about 300,000 people are
significantly mobility impaired, representing a bit less than 1% 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 alone, or in extremely poor households, and might need safety net
support.

134. About half of the people with disabilities are married or living with a partner, and 90%
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 proportion require safety net
assistance, but if it were 50% 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
60 and older, so there is a lot of overlap between these 400,000 and the potential target group
of elderly, discussed above.

---

39 National Disability Survey, 2009
40 30% of those aged 60 and above are disabled, as opposed to just 6% of the population as a whole.
Table 20: Summary Data on Disabled Population 2008 (.000s)

<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>
</tbody>
</table>

As % of total Population | Seeing | Hearing | Mobility | Self-Care | Cognition | Communication |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Some</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>
<tr>
<td>A Lot</td>
<td>0.5%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.1%</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>
</tbody>
</table>

Source: Own Calculations – based on National Disability Survey NBS, 2008; Table 3.5, p.47

2.9 Informal Safety Nets and Transfers

135. Finally, in thinking about the role of public transfers to the poor, it is important to bear in mind the role that informal private safety nets play – that is, support provided by families or communities under traditional exchange/transfer mechanisms. Effective private transfers (to the extent they exist) should not be displaced with public ones, and the public programs should not undermine traditional, informal coping mechanisms. Examples of such mechanisms might include extended families taking in orphans, religious or community groups providing help to impoverished persons, or community insurance funds.

136. There is no rigorous study of the role of informal safety nets on Tanzania. The limited evidence from micro studies and anecdotal evidence suggests they consist mostly of funeral societies, and limited help from mosque or church associations. The main source of informal transfers in Tanzania is remittances, either from members of the same family who have jobs in town (such as civil servants); or seasonal remittances from members of the family who migrate temporarily in search of jobs. The former tends to affect mostly non-poor households, and the latter is really more of a livelihood strategy – moving to find work elsewhere - than an informal safety net transfer.

137. The empirical data shows that such transfers are not very significant in the incomes of the poor. The HBS data (Table 21) in fact show that transfers and remittances are substantially smaller, and represent a somewhat smaller share of income among poor households than among the non-poor.

Table 21: Informal Transfers by Income Group (HBS, 2007)

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Average Transfers and Other Receipts/a</th>
<th>Share of Income</th>
<th>% Reporting T &amp; R 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 data and author's calculations. a/ Tsh per month per household.

41 See for example, Dercon; de Weerdt.
138. This is not surprising, when one thinks about it, 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) and since the poor have much less to give, and are generally in difficult circumstances themselves, the value of transfers among this group is low. (See Alderman, 2010).

139. More fundamentally, if non-formal transfers were truly playing a significant role, the very poor would not be as badly off as they are; so the group targeted with safety net programs - the chronically poor - are in general, by definition, not benefiting sufficiently from informal safety net mechanisms.

140. It should be noted that that many shocks (e.g. drought, seasonal food price rises, flooding) tend to be co-variate, affecting all members of the community at the same time, so informal transfers are often less helpful (because everyone is poor at the same time). They are more helpful in cases of idiosyncratic shocks – such as illness, accident, sudden loss of employment, or death of a breadwinner - in which case extended family, community, or religious organizations can rally around the affected household and provide support.

141. Nonetheless, it is quite possible that some informal safety net systems work very well for particular groups, and in particular circumstance (the example of orphans being taken in by extended families is the most obvious); and in designing safety net programs it is important to do specific analytical work to understand them, and design around them.

---

**Box 2: A Note on Poverty and Safety Nets in Zanzibar**

About 1.1 million people, or 3% of the population, live in Zanzibar, which has unique cultural and historical characteristics, and considerable autonomy in managing 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 is not very different in Zanzibar than for Tanzania as a whole – for example about 13% of the population live below the food poverty line, as opposed to 16% in mainland Tanzania (HBS – as cited in ILO PER p .55); although extreme food insecurity is less (the CFSVA rated 96% of the population of Zanzibar as having ‘adequate’ food consumption, as opposed to only 77% 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 that help support the poor. *Zakat*, or ‘alms for the poor’ is the Islamic principle of giving a percentage of one’s income to charity. *Wuaf* is the withholding of property in order to use the revenues for philanthropic purposes, and *Sadaqa* is a voluntary charitable act. There is no good data on the scale of these activities, although the one existing study (*ILO, Zanzibar 2010*), concluded that the total amounts were small relative to poverty needs. Nonetheless, in designing the Zanzibar activities of safety net and transfer programs, it is important to take these unique circumstances into account, and ensure that traditional support mechanisms are not being displaced or undermined.
CHAPTER III: EXISTING TRANSFER AND SAFETY NET PROGRAMS

142. There are currently a large number of transfer programs, many of them very small, and many covering only limited areas of the country. This chapter reviews the largest of the existing ones, along with some small innovative programs that might provide lessons for future scaling-up. Table 22 lists the main transfer programs operating at the moment.

Table 22: Summary of Main Existing Transfer Programs in Tanzania  
(On-going in 2009/10; Expenditures and Benefits per annum)

<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/e</td>
<td>$19 million (est)</td>
<td>1.2 million</td>
<td>1.2 million</td>
<td>Tsh. 18,000</td>
<td>MAFC/PMO</td>
</tr>
<tr>
<td>School Feeding</td>
<td>$6.2 million</td>
<td>220,000 /b</td>
<td>220,000</td>
<td>Tsh 40,000 /c</td>
<td>WFP/MoE</td>
</tr>
<tr>
<td>Food-for-Assets</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 Groups Program</td>
<td>$6.4 million</td>
<td>18,000</td>
<td>18,000</td>
<td>Tsh.1.3 million / d</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/a</td>
<td>MAFC</td>
</tr>
</tbody>
</table>

Author’s calculation; Notes: a/ Cash value of voucher, actual benefit to household of maize produced is about 2-3 times higher. b/ in process of expanding to 600,000. c/ Actual value to beneficiaries yet to be calculated; 40,000 based on cost of $31 per student p.a. d/ Represents a long-term grant to invest in income-generating activities, rather than a transfer as such; average value of the transfer is unknown; e/ based on est. 12 kg/person/month, for 5 months, value at 350 Tsh/kg.

3.1 Most Vulnerable Children (MVC) Program

143. The MVC program is the largest transfer program aimed at the poor, it provides transfers to support orphans and other vulnerable children\(^42\). It currently reaches about 600,000 children annually, at an estimated cost of US $45 million\(^43\).

144. 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, to develop community institutions to provide support for vulnerable children.

145. The program is operated by the Ministry of Social Welfare. Financing comes mostly from PEPFAR and the Global Fund, as part of global effort to address HIV/AIDS. It currently

\(^42\) MVCs are defined as outlined in Chapter 2 (Section 2.8, p.20)
\(^43\) Estimate only missing data on Government and UNICEF financing
operates in some 85 Districts out of 140, but efforts are underway to expand coverage to the whole country.

146. The MVC program grew out of the National Costed Plan of Action (NCAP) which developed a national approach, and identified some 900,000 potential beneficiaries, representing about 5% of the child population (see Chapter 2). 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><strong>2008/09</strong></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>

/a MVC registered as having received at least one form of basic support (Annual Update December, 2009, time period not clear).

147. We do not know the true value to the beneficiaries of the transfers they receive. The vast majority (about 80%) receive either school uniforms and/or scholastic supplies, or Community Health Fund cards (which provide a family with health coverage for a year, and cost about Tsh 10,000 (US$6.70)), while a much smaller proportion (about 10%) receive help with housing and/or bedding, mattresses, and the like; and even fewer (about 6%) receive food rations, or – in the case of the very young – supplementary feeding.

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

149. 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 channelled through these village groups, but primarily 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). A potential problem with this approach is that the benefits being delivered are dependent on the policies and priorities of the particular NGO involved, and may not be coordinated across beneficiaries or types of support.

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44 Pilot programs based on intensive community-based assessment of eligibility in selected districts found eligibility levels of 5.3% of the child population – confirming the order-of-magnitude estimates in the NACP.
45 Based on NCPA Implementation Update for December 2009. Note PEPFAR review reports higher number of beneficiaries reached than implementation update – awaiting data from MoSW to finalize.
46 Note: based on a sample of Global Fund beneficiaries; there is not good data on benefits for program as a whole.
150. There has been no rigorous evaluation of the program, and because implementation is disbursed among many different NGOs, with differing levels and types of support, it is difficult to get a clear picture of performance. One area of concern is that beneficiaries often receive only once-off support, in the form of school supplies or clothing, when it would seem that for many of them – the orphaned, the abandoned, those living in child-headed households - a continuous stream of transfers is needed until the time they are able to earn a living for themselves.47

151. Early reviews48 noted that support was small in relation to needs, and often ad hoc, inconsistent and unpredictable – depending on funding availability, and the sector priorities of the NGO delivering it.

152. An evaluation of the program prior to scaling up (Linebom et al (2007)) noted that the costs of items being provided far exceeded the norms for spending on these same items among children in Tanzania in general; and the costs per beneficiary – at least at that time – were very high compared to total household spending per child among poor families as a whole. Costs remain high, in the order of US$ 80 per beneficiary (or 75% of the poverty line income), of which only a small proportion represents the value of actual transfers to MVCs. This is particularly worrying since the package of benefits does not usually include food – the largest share of identified needs of orphans and MVCs.49

153. A register of children has been established, and while data on poverty status of beneficiaries is not available, the general sense of those involved with the program is that the community-targeting system is working well at identifying and reaching the most vulnerable children. One problem is that large numbers of children have been identified, and 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 children in order to effectively target the limited resources available.

154. **Commentary.** The program appears to have had success in identifying what are usually a difficult-to-reach set of beneficiaries. Community targeting is the appropriate mechanism, given the need to distinguish MVC from poor children more generally; the fact that not all orphans are necessarily poor, and that there are many non-orphans who are worse off. The targeting has cost an estimated $70,000 per District to set up (or about US$ 6 million for the 60% of the country covered; equivalent to $10 per beneficiary); although it would be good to know what the recurrent costs of sustaining the system will be. More generally, it is unfortunate there has not been a rigorous evaluation of the program.

155. There are some obvious areas of concern: the high unit costs, the pastiche of once-off support instruments, and lack of evidence regarding the 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

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47 In response to this concern the program is investing more in income-generating and community-strengthening interventions.
48 Leach et.al. (2007); and Musoma rural review.
49 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. (Ref Lindeboom, Mhamba, et al (2007))
50 Sharing the Lessons: Tanzania’s National Orphans and Vulnerable Children Program under PEPFAR I
substantial effort in identifying and registering a large body of individuals who will have to be beneficiaries of any safety net program in Tanzania, and appears to have developed a functioning community-targeting mechanism.

156. 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 amounts invested it would seem sensible to retain the core of this system, to adjust levels of support, and to critically evaluate whether orphans and MVCs should receive more continuous support, in the form of a more coherent package of goods and services, or 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 (NFRA)

157. During times of shortage food is released by the National Food Reserve Agency (formerly the Strategic Grain Reserve). The majority of grain (90% in the 2010 season) is sold at a subsidized price; a proportion is distributed free to the most vulnerable, while some is released at commercial prices, in order to increase aggregate supply and put downward pressure on prices.

158. The extent of the subsidy is large; maize is currently sold at Tsh.50 per kg, compared to a market price of about Tsh.350/kg; each beneficiary is eligible for 12 kg per maize per month representing a transfer of about Tsh. 3,600 per month, or about 30% of the rural food poverty line.

159. The amount of subsidized grain distributed under the program each year depends on need, and on the ability of Government to finance purchases and subsidies to the NFRA, but is substantial: in the past year (2009/10) 85,424 mt of grain was distributed, reaching an estimated 1.4 million beneficiaries.

<table>
<thead>
<tr>
<th>Subsidized (mt.)</th>
<th>Free (mt.)</th>
<th>Total (mt.)</th>
<th>Beneficiaries</th>
<th>(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</td>
<td>51,066</td>
<td>5,764</td>
<td>56,740</td>
<td>1.9 million</td>
</tr>
<tr>
<td>2010 April</td>
<td>17,000</td>
<td>11,684</td>
<td>28,684</td>
<td>956,000</td>
</tr>
</tbody>
</table>

Table 24: Operations of The NFRA/SGR (Maize Distributed and Beneficiaries)

51 There are two releases per year; typically each beneficiary household receives 2-3 months’ worth of food release.
52 Total capacity of the reserve is 120,000 mt., although it has never reached that level of stock.
<table>
<thead>
<tr>
<th><strong>Average 2000/01-2009/10</strong></th>
<th>54,900</th>
<th>915,000 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated Value of Benefit per Beneficiary (2009/10)</strong>&lt;sup&gt;a&lt;/sup&gt;</td>
<td></td>
<td>Tsh. 18,300 ($13.10)</td>
</tr>
<tr>
<td><strong>Estimated Cost per Beneficiary</strong>&lt;sup&gt;b&lt;/sup&gt;</td>
<td></td>
<td>Tsh.16,100 ($11.50)&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>a</sup> 2009/10; based on average maize price of Tsh 350/kg.; distribution of 60 kg.per beneficiary ; <sup>b</sup>/ very rough estimate based on 2009/10 budgeted expenditure; note actual costs may differ considerably, see discussion in text.

160. **Implementation and Targeting:** The day-to-day operations of the NFRA are managed by the Ministry of Agriculture and Food Security (MAFC), while the Disaster Management Department in the Prime Minister’s Office makes the policy decision to release food for any particular intervention. The release is based on assessments by the Government’s disaster relief committee, and distribution of food to beneficiaries is managed by local government through District Councils.

161. The program is targeted geographically, operating in 72 Districts (out of a total 142) in the last year. 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 MAFC, and verified through a rapid assessment by the Department of Disaster Management and WFP.

162. Within Districts, households to receive subsidized or free grain are identified by village committees, and their eligibility confirmed by local government staff. There is no good data on the accuracy of targeting. Anecdotal reports suggest that while the poor and vulnerable tend to be targeted, there is a tendency for village committees to spread the food more widely, in order to maintain social cohesion, resulting in smaller benefits and greater coverage. Survey data from the CFSVA also show that rural households receiving food distribution benefits are spread fairly evenly over wealth quintiles. (See Table 32 at end of this Chapter)

163. Food subsidies through the NFRA represent one of the largest safety net transfers in Tanzania at the moment – costing an estimated $19 million in the most recent year<sup>53</sup>. Given the scale of the NFRA, it is important to bring it into the discussion of safety net interventions, and coordinate its operations with other transfers to ensure targeting effectiveness, and to carefully assess the extent of inclusion errors.

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<sup>53</sup> Based very roughly on 2009/10 releases – rough estimate based on Tsh 300/kg. purchase price, and revenues approximately offsetting distribution costs; note budget costs in 2009/10 of Tsh 20.5 billion (about US$15 million); excluding local government costs; but represent transfers to NFRA from MoF in the year; not necessarily direct costs of benefits delivered in that year.
3.3 School Feeding Program

164. The ‘Food-for-Education’ program has been feeding about 220,000 children in 350 primary school, at an annual cost of about US$ 6.5 million. It is in the process of being expanded to cover 600,000 students (7% of all primary students), at an estimated annual cost of US$19 million. The program is financed primarily by WFP, which provides the food distributed, and covers about 84% of the costs.\(^{54}\)

165. Each child receives a morning snack and lunch, for an average of 194 school-days a year.\(^{55}\) The transfer has a caloric value of 718 Kcal, equivalent to about 40% of the minimum daily food requirement. The principal justification for the program is presented as much, or more, in terms of encouraging school attendance and improving educational performance, as it is a transfer program.

166. Nonetheless, the transfer represents a substantial proportion of per capita household income for very poor families – and may be significant if a family has several children receiving the benefit. The average cost of providing the meal is estimated at 16 cents US 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 they have receiving the school meals.\(^{56}\)

167. **Targeting and Implementation**: The program is implemented by WFP, the Ministry of Education and local governments. The Government has developed a policy paper on school feeding to guide institutionalization of school feeding. The intention is for WFP to eventually phase out, and hand over the program to government. At the moment however the program relies almost exclusively on WFP for financing.

168. The school feeding program has been targeted at 16 of the most drought-prone and food-insecure Districts, based on the Vulnerability Assessment. Within the Districts, selection of wards or divisions is supposed to be done by district authorities on the basis of poverty and educational attainment indicators; but as a 2009 assessment notes, there is no evidence as to whether they applied these criteria.\(^{57}\) 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.

169. There is no evaluation that would allow us to judge whether the program benefits primarily the poor, the very poor, or the non-poor; although the CFSVA data suggests that the benefits are concentrated in the second-lowest wealth quintile (see Table 32), rather than the poorest. A review in 2008\(^{58}\) found that children in participating schools showed slightly better

\(^{54}\) Based on data in WFP Country Program 2007-2010 Annex III

\(^{55}\) Full school year; it is not known how many days meals are actually provided (in many countries it is less than the whole year); average attendance in school feeding schools is about 81% (see table 25)

\(^{56}\) Assuming the child receives meal all 194 days of the year; about 20% less if average attendance applies.

\(^{57}\) WFP Evaluation – WFP/MOEVT (2009)

\(^{58}\) “Report on the Impact Assessment of the WFP-Supported Food-for-Education Programme in Tanzania”; Prepared for WFP and MoEVT. 2009
educational performance and attendance than in non-participating schools; but the differences were not very significant. (Table 25)

Table 25: Performance of Food-for-Education and Non-FFE Schools and Students

<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 Enrolment (2000-2007)</td>
<td>51%</td>
<td>53%</td>
<td>39% (2002-07)</td>
</tr>
<tr>
<td>Drop-Out 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>77.2%</td>
<td>76.2%</td>
<td>84.4% (2008)</td>
</tr>
<tr>
<td>Grade VII National Examinations Female</td>
<td>38.8%</td>
<td>33.1%</td>
<td>54.2% (2007)</td>
</tr>
</tbody>
</table>
Source: Drawn from WFP/MoEVT (2009)

170. Reports found that the indicators (and differences) vary from year to year (see MOEVT/WFP (2009)), 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 schools with school feeding; especially in the Grade VII exam results, and in attendance, which showed less seasonal variance in the FFE schools, perhaps suggesting that children were being withdrawn for farm labour less.

171. As with all school feeding programs, there is the risk that parents reduce meals at home because of the expectation of feeding at school (see Grosh et al (2009)), but the transfer nonetheless represents a net gain to the household. In caloric terms it represents about 40% of minimum food requirements. The cost per student 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 the high costs as a transfer mechanism.

172. It should be emphasized that the FFE is intended primarily as an education intervention, rather than as 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 behaviour change (encouraging attendance), while as a transfer mechanism it suffers from large inclusion errors. A more effective way might be to provide take-home rations to a smaller sub-set of households in need.

173. Even with expansion, coverage is still limited; to expand the program nationwide (8 million students) would cost some US$ 248 million annually, about double the entire non-wage primary school budget in 2009/10. The plan appears to be to shift responsibility for providing food to communities, in order to address the sustainability problem, but it is not clear how likely this is to be embraced, especially if communities consist primarily of resource-poor households; and while it may still achieve the educational objectives, it would eliminate most of the transfer benefit.
Box 3: International Experience with School Feeding Programs

Every country on which information is available now operates some kind of program to provide food to its school children. Middle-income countries run near-universal school feeding programs, covering, for example, 120 million children annually in India, and 35 million in Brazil. In lower-income countries coverage is typically lower, and programs are often dependent on donor financing, especially from WFP. Coverage in Africa ranges from about 50,000 (Ghana) to 200-300,000 (Malawi, Mozambique, Zambia), and 500,000+ (Ethiopia, Uganda), typically reaching less than 10% of the school population. Tanzania (600,000) is thus near the high end.

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, costs average $40 per child p.a. 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 p.a.each; Bangladesh provides high-energy biscuits for about 400,000 students in food-insecure areas ($12 p.a.).

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% 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 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; it is slowly transitioning to government ownership, with the Home Grown School Feeding Program aimed at 550,000 children previously fed by WFP. In 2009 the government allocated $6 million to this program, with cash transfers made directly to schools, who procure food locally.

The evidence on 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 some positive impacts; 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 readily acceptable.
3.4 Public Works Program (TASAF)

174. The Tanzania Social Action Fund (TASAF) operates a public works program to provide transfers to the poor through employment on labour-intensive construction projects. In common with such programs elsewhere, it seeks to raise the immediate consumption of the poor, while building infrastructure that will contribute to longer-term growth. Because the objective is primarily to help food insecure households and areas, the program is known as the Food Insecure (FI) sub-projects component of TASAF.

175. 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 annually. On average participants have been employed about 20-30 days each, and received a transfer of about Tsh 90,600 (US$ 74) annually each. [Note there is substantial variation in data on the scale and performance of the program, but Table 26 shows some best estimates of beneficiaries and amounts transferred.]

176. **Targeting and Implementation:** There is a two-stage targeting process: firstly communities are selected based on poverty indicators, food insecurity, and accessibility. Secondly beneficiaries are selected to work on the projects, through community-guided targeting of food-insecure households. Furthermore, as in most public works programs, a below-market wage rate is used to discourage participation by the non-poor.

177. The wage rate is in theory set 10% below the prevailing local wage for unskilled labour. In practice there appears to be substantial local discretion in setting wages, which vary partly due to differing local conditions, and rural-urban differentials. Examination of a sample of 2009-10 projects shows rates which vary between Tsh.3,000 and Tsh.5,000 per day. While the lower level is in line with current wages the poor could earn elsewhere, the upper end appears to be above the normal wage for unskilled daily labour. There is no data available on the household characteristics of participants, and no evidence yet whether the program benefits the poor or not.

178. Employment is targeted at the slack season. The program initially had difficulty in achieving this, due to delays in the preparation of subprojects and no perceptible seasonality to the distribution of work was evident.

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59 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. 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.” Ref. WB PAD Ad’l Financing, 2009.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.

60 Some data on participants is collected during the targeting process, and is available at the local level. Impact evaluation is being conducted and will be available in 2012.

61 Implementation Completion Report, TASAF I, p.47. World Bank (2006); there is no more recent data available on employment by month.
179. Note that because in the Tanzania social fund public works have been funded out of the
same basket, and using the same selection system, as more traditional village social fund projects
(such as new classrooms or water systems), the public works schemes have to be proposed by
communities, and 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 originally foreseen.\(^2\) In part as a result, additional funding for TASAF
has been earmarked for public works, and the amount of employment created is expected to
increase.

180. A main problem with this ‘projectized’ approach is that villages (and villagers) receive
only a single, once-off infusion of support under public works – usually lasting only a few
months – and the program then moves on to other localities, so no mechanism is established for
making sustained transfers to the very poor.

181. **Financing and Costs.** Since funding is pooled with village development projects, it is
difficult to separate out TASAF’s overheads, and thus to say what it is actually costing to deliver
public works transfers under TASAF, (there are also difficulties in assessing the true cost to local
governments of implementing and supervising the program); but some broad estimates can be
made on the basis of performance under the first phase of the program (when components were
separated), and some rough assumptions about current performance.

<table>
<thead>
<tr>
<th>Table 26: Costs &amp; Cost-Effectiveness of the TASAF Public Works Program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated Costs</strong></td>
</tr>
<tr>
<td><strong>ICR (2000-2005)</strong></td>
</tr>
<tr>
<td>Sub-Project Costs</td>
</tr>
<tr>
<td>Of which: transferred as wages</td>
</tr>
<tr>
<td>Overheads &amp; Management</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
</tr>
<tr>
<td><strong>No. Of Beneficiaries</strong></td>
</tr>
<tr>
<td><strong>Amount Transferred per Beneficiary</strong></td>
</tr>
<tr>
<td><strong>Estimated Cost per Beneficiary</strong></td>
</tr>
<tr>
<td><strong>Estimated Cost per $ (or Tsh) Transferred</strong></td>
</tr>
</tbody>
</table>

*Author’s calculations a/ “Completed” project data as of October, 2010; data available for only about a third of
projects actually completed. (234 ‘completed’ projects out of 681 ‘funded’ projects 2006-2010).*

182. In the first phase the vast majority of sub-projects were 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 roads were lower than
those constructed under other programs; but in the absence of rigorous evaluation it is difficult to
say anything about the quality and appropriateness of infrastructure built under this public works
program.

\(^2\) This in part because PWP projects represent higher transaction and administrative costs for local governments –
during the period 2005-2009 communities proposed some 31,700 PWP projects, but only 485 (1.5%) were funded
(Table 2, Additional Financing paper; World Bank (2010)).
183. Given that it is costing between US$2.35 and $3.00 for every $1 transferred under the program, its justification as a poverty-reduction program depends critically on the benefits of the infrastructure created, in terms of its contribution to long-term income gains; so at least a sample assessment of the development impact would be very useful.

184. **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 with the current program would appear to be its limited coverage (employing only about 25,000 annually, or less than three-tenths of 1 per cent of the poor), and the fact that it provides only a limited, once-off infusion to households, whereas one of the main benefits of public works programs is generally their capacity to provide a more sustained transfer to the poor (often during each lean season).

185. It seems unlikely that a once-off transfer to households of Tsh. 90,600 (representing about 10% of the annual poverty-line income for a family of 6) would be enough to make any significant difference in their poverty status. Anecdotal reports suggest that some households are saving out of this transfer, to accumulate assets that may generate income, but there is no empirical evidence available.

186. At any rate, the absence of a rigorous evaluation is a gap that needs to be rectified – such an evaluation would be designed to get a better grasp of the characteristics of those being reached, whether the beneficiaries are in fact among the poor; to critically examine the targeting mechanism and wage rate; and to have a better look at the appropriateness and benefits of the infrastructure being created.
38

Box 4: Some Experiences Worldwide with Public Works Programs

It is possible to reach greater numbers of the poor, and transfer more to them, using public works programs than is currently done in Tanzania.

In India, the National Rural Employment Guarantee Program provides a guarantee of 100 days of work per household, on demand, to all rural families, at a minimum local agricultural wage rate, and is completely self-targeting on the basis of the low wage rate.

In Ethiopia, the PSNP program employs some 1.2 million people annually, for an average of 150 days each, at a cost of about US$280 million p.a. It uses a combination of self-targeting through the wage rate, along with geographical targeting (poor areas), and community selection of beneficiaries (because there is excess demand for employment). The Ethiopia program has had success in transforming some areas to higher long-term productivity by improving soil and water management, as well as the more usual road construction projects.

While there are challenges (and costs) in mounting this scale of program, even countries with less ambitious programs (such as Malawi and Zimbabwe) have managed to achieve coverage of about 300-400,000 persons per year.

Argentina’s Trabajo program achieved a labour-intensity of about 60% of expenditure going as wages to the poor, as do programs in Zambia, Madagascar, and India; while only between 38% and 47% of spending in Tanzania currently goes in wages. The LIPW program in Botswana, which focuses mostly on maintenance of dirt roads, achieves levels of 63-78% in wages. Shifting to road maintenance has a number of other benefits: it does not require the formulation of separate ‘projects’ to employ the poor, it can be administered through existing systems, and can make use of money that is already being spent in the budget. This option is discussed further in Chapter 6.

187. The food-for-assets program provides work in the lean season to the poor in food-insecure Districts, paying participants in food. The objective is to reduce pressure on families by providing food when stocks are low, and prices are high. The assets created tend to be linked to longer-term food security, such as irrigation works and farm-to-market access roads.

188. The program has until recently employed about 25,000 people annually (currently being expanded to 55,000), at an average cost of about US$ 2.1 million per year. Each participant receives 3 kg. of food per day worked, with a value of about Tsh.2,200. Since the program is intended to improve food security more generally, it also includes training in farm management and post-harvest practices.

189. The average participant works about 30 days. Each receives a family ration, based on an average of 5 persons per family, 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

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63 Based on costs in Country Program document – assuming over 3 years; note evaluation document (p.57) reports only $1.5 million expenditure in 2009.
64 The average actual ration consists of 3 kg. maize, 450 g. of pulses, and 225 g. of vegetable oil.
65 Based on an estimated value per ‘piece’ ration of Tsg 732; a larger ration is being introduced in the new program with a value of about Tsh. 4,600 per day
66 Based on a daily ration of about 0.2 kg of grain per person) [per beneficiary = 1 kg. per worker? To clarify w/Sheila]
about 90 kg. of maize\textsuperscript{67}, with a value of about Tsh 65,880, or 8\% of the food poverty line income.

Table 27: Food for Asset Creation – Costs and Coverage

<table>
<thead>
<tr>
<th></th>
<th>2007-2010/a</th>
<th>Est. Using Evaluation Data (annual avg.) \textsuperscript{b}/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Food</td>
<td>$6.2 million</td>
<td>n.a.</td>
</tr>
<tr>
<td>Total cost of Program</td>
<td>$9.8 million</td>
<td>$1.26 million</td>
</tr>
<tr>
<td>Number of Persons-Employed</td>
<td>110,000</td>
<td>18,500</td>
</tr>
<tr>
<td>Number of Total Beneficiaries</td>
<td>440,000</td>
<td>93,000</td>
</tr>
<tr>
<td>Average Transfer per Beneficiary</td>
<td>Tsh. 13,200</td>
<td>Tsh.13,200</td>
</tr>
<tr>
<td></td>
<td>($10.14)</td>
<td>($10.14)</td>
</tr>
<tr>
<td>Average Cost/Beneficiary</td>
<td>$22.27</td>
<td>$13.55</td>
</tr>
<tr>
<td>Cost per $ Benefit Transferred</td>
<td>$2.20</td>
<td>$1.30</td>
</tr>
</tbody>
</table>

Author’s calculations using: a/ Planned, based on WFP CP document 2007-2010; b/ based on costs in program evaluation document for 2007-2009 (table . p.57), actuals for 2009/10 appear to be substantially higher.

190. **Targeting and Implementation:** In the first instance the program is geographically targeted, operating in Districts judged to be food insecure on the basis of the Vulnerability Assessment exercise. Individual targeting of households to participate then takes place through a Community Managed Distribution and Targeting (CMDT) mechanism using specially-elected village committees. The program is also targeted in time – taking place only in the lean-season months, when labour is in excess, and food needs are greatest.

191. There is no assessment available that would allow us to categorically say what the poverty status is of the persons receiving transfers, but it would seem reasonable to suspect that – based on the geographical targeting of highly food insecure areas, and the extensive community targeting methodology - that the poorer, if not the poorest, households are receiving benefits. However it would be worth confirming this more rigorously; and, at a minimum, comparing the ration paid with the wage levels for unskilled labour in the same villages during the slack season, to determine whether the non-poor are likely being attracted into the program.

192. **Assessment:** Like the public works program under TASAF, Food-for-Assets appears to have built a good base for employment-based transfers. Also like TASAF, 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.

193. At the current scale, employing 54,500 people in 2010, the program has only limited impact as a poverty-reducing measure, and although it may be significant in the areas directly affected, the CFSVA data show no more than 1\% of rural households reporting receiving benefits from food-for-work in any District. Subject to confirmation that it is being cost-effectively implemented, it is potentially expandable, and has some important characteristics that might make it part of the on-going/future national safety net strategy.

194. Of particular interest is the extent to which food transfers are critical in the areas impacted. While cash is clearly always the more cost-effective option (and consideration is being

\textsuperscript{67} The ration for each ‘piece’ of work is 1 kg of maize, 150 g. of pulses, and 75 g. Of vegetable oil; (based on a family of 5, five times an individual ration of 200 g, 30 g., and 15 g. Respectively)
given to phasing the FFA program towards a more cash-for-work, or voucher scheme), it is nonetheless possible that in the areas affected food supplies may be too scarce, and food markets too shallow, for the poor to be able to access food even if they were provided with cash. This is an empirical question which can be investigated further, and to the extent it is true, food-for-work probably should remain part of the arsenal of safety net interventions that the government uses.

**Other Transfer Programs**

### 3.6 National Agricultural Input Voucher Scheme (NAIVS)

195. NAVIS 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).\(^6\) It provides input subsidies to farmers growing Tanzania’s two main food staples: maize and rice. Although designed primarily as a productivity-enhancing program, NAVIS has many characteristics that make it potentially attractive - with suitable adjustments – as a longer-term safety net intervention. NAVIS was designed to replace the Government’s earlier fertilizer subsidy scheme, which had proven unsustainable.\(^6^9\) It provides vouchers to farmers that cover half the cost of fertilizer, and enough seed, to cultivate 1 acre maize or rice. Because farmers invest their own labour 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).

196. The primary rationale of the program is to increase use of fertilizer among small farmers – at present only 5.7% use improved crop varieties together with fertilizer.\(^7^0\) The reasons for sub-optimal fertilizer use among the poor include unwillingness – or inability - to take the risk of using fertilizer in the face of unpredictable rainfall, the absence of sufficient cash to buy inputs, and/or failures in agricultural credit markets. Since the primary objective is productivity increases, NAVIS is mostly targeted at areas of higher potential; although 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 growing 1 ha. or less of maize or paddy, and is ultimately expected to reach some 2.5 million farmers, or about half of the farming households in Tanzania.

197. Each family receives a voucher valued at about Tsh 60,000 in today’s prices.\(^7^2\) With proper use, fertilizer can potentially double yields.\(^7^3\) Depending on assumptions about fertilizer

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\(^6\) 2009/10 target; expanding to 2 million farming households and about US$ 100 million in 2010/11.

\(^6^9\) See World Bank (2009 b)

\(^7^0\) 5.7% of maize farmers and 0.7% of paddy farmers.

\(^7^1\) The program operates in – out of 140 Districts; it would have been mostly in southern highlands, but is now in nearly every region because of the inclusion of rice.

\(^7^2\) The value varies with the market price of fertilizer, and a remoteness premium; in 2008/09 prices the face values of the vouchers ranged from Tsh 24,000 to 27,000 for a 50kg. bag of urea, and 45,000-48,000 for a bag of DAP—each family receives one of each.; plus 10 kg. of seeds. In 2010 the total package is reportedly worth Tsh 120,000, and the voucher about Tsh 60,000.

\(^7^3\) From 1,120 to between 2,450-3,200 kg. per ha. for maize, and from 1,735 to 2,800-3,300 kg./ha. for paddy.
response, and maize prices, the value of the output generated could be up to Tsh. 260,000 (US$ 173) per household (Table 28). As a transfer mechanism, the voucher scheme – or something like it - is thus a potentially very attractive mechanism.

Table 28: Approximate Costs, and Benefits to Households of Inputs Voucher Scheme

<table>
<thead>
<tr>
<th></th>
<th>At 65% Fertilizer Efficiency</th>
<th>At 80% Fertilizer Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Fertilizer Package (Tsh)</td>
<td>120,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Value of Voucher (Tsh)</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Estimated Additional Maize Production (kg.)/1</td>
<td>600</td>
<td>742</td>
</tr>
<tr>
<td>Estimated Value to Household of Additional Production (Tsh (US$))/2</td>
<td>210,000 ($140)</td>
<td>260,000 ($173)</td>
</tr>
<tr>
<td>Approximate Ratio of Benefit to HH to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Cost of transfer per HH /3</td>
<td>2.45:1</td>
<td>3:1</td>
</tr>
<tr>
<td>(ii) Cash Outlay by HH</td>
<td>3.5:1</td>
<td>4.3:1</td>
</tr>
</tbody>
</table>

1/ Author’s calculations - based on 0.5 ha. of hybrid maize, and potential production of 2,975 kg./ha.
2/ Based on maize value of Tsh 350 per kg.; for net consumer households.
3/ Based on total cost per beneficiary including overheads of about US$ 57 per HH.

198. The total cost of the program is estimated at US$ 299 million over the next 3 years, although this includes some once-off costs associated with strengthening the input supply network. On average the overhead costs of delivering the program are about 25% of the value of the vouchers 74, and very roughly, by our estimates the program in total is costing only 25-45 cents for every $1 worth of benefit delivered to households in terms of increased consumption 75. (Note however these are based on potential yield increases, actuals could be much lower; careful monitoring of performance is essential to assess NAVIS’ cost-effectiveness as a transfer mechanism.)

Table 29: Approximate Costs and Coverage of National Agricultural Input Voucher Scheme

<table>
<thead>
<tr>
<th></th>
<th>2009/10</th>
<th>2010/11</th>
<th>2011/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidy Costs</td>
<td>$69 million</td>
<td>$99.5 m.</td>
<td>$ 92.8 m</td>
</tr>
<tr>
<td>Total Program Costs</td>
<td>$83.7 m.</td>
<td>$113.2 m.</td>
<td>$102.3 m.</td>
</tr>
<tr>
<td>Number of Beneficiaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participating Farmers</td>
<td>1,540,000</td>
<td>2,040,000</td>
<td>1,800,000</td>
</tr>
<tr>
<td>Estimated Number of Persons Reached/2</td>
<td>7,700,000</td>
<td>10,200,000</td>
<td>9,000,000</td>
</tr>
<tr>
<td>Estimated Cost per Beneficiary</td>
<td>$13.09</td>
<td>$11.10</td>
<td>$11.37</td>
</tr>
<tr>
<td>Potential value of increased consumption per beneficiary /3</td>
<td>$18.55-30.92</td>
<td>$24.12-40.14</td>
<td>$27.83-46.38</td>
</tr>
</tbody>
</table>

Source Author’s calculations; WB 2009 b Tables A.8.1, A.9.1; p.122-123; 2/ Based on estimated HH size of 5; 3/ efficiency of 50% 2009/10, 65% 2010/11 and 80% 2011/12; maize price range of Tsh.300-500 kg.

74 Note overheads in the initial phase are high, because the program includes parallel measures to strengthen the network of traders and suppliers. It is not clear to which estimates include the costs to District and local government departments of implementing the program. [CHECK W/ MADHUR; see p.123 Of PAD; last table of this section ]
75 Assuming they are net-consumers, and reducing purchases from market: the correct measure of benefits for a poverty-focused version of the program. Note the benefits to non-poor net-sellers are substantially lower.
199. 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 financed for using the proceeds of World Bank credit for the next three years.

200. **Targeting and Implementation:** The program is administered by the Ministry of Agriculture, Food Security and Cooperatives (MAFC) and local governments. District targeting decisions are made at the central level, and then village allocations are made within the Districts, based on the estimated number of eligible farmers per village. Individual targeting takes place through elected Village Voucher Committees, which determine eligible households. 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.

201. 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 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. At any rate, the program is being rigorously monitored through a series of panel surveys, and detailed information on beneficiaries and impacts should be available in about a year’s time.

202. Note however a preliminary assessment using the Kilimanjaro and Ruvuma data found:

(a) that farmers preferred the voucher to a cash transfer by quite a large margin; (b) that some families that qualified did not take up the vouchers because of concerns with financing their share of the package; (c) participation was more likely for farmers linked into the village leadership structure; and (d) no conclusive evidence on productivity increases (although this was only in the first year of the program, and was not based on a scientific measurement of crop output.)

203. 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 once-off boost to food production – to overcome the effects of the global crisis, high food prices, and regional shortages, and to kick-start use of fertilizer and improved varieties by small farmers. It is thus concentrated in high-potential areas, which are not those of greatest poverty. But within those areas it is supposed to be selective of smaller farmers (those with less than 1 ha. of maize or paddy), who are presumably among the less well-off; and, as shown in Chapter 2 above, there exist many very poor people in better-off Districts. Furthermore, in most marginal areas, the majority of farmers are reportedly proving eligible for the vouchers.

204. It would seem evident that NAIVS is not reaching the poorest (they are more likely to be landless, unable to work, to finance their share of the package, or otherwise ill-equipped to

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76 Districts aggregate data on the number of eligible farmers per village; in some villages the number of vouchers available might cover half of the potentially eligible farmers – this proportion is to be raised with expansion of the program.

77 A panel survey is being undertaken in two rounds per year over three years, to track implementation and impact.

78 “Poverty Evolution and the Input Voucher Scheme in Kilimanjaro and Ruvuuma” Pan and Christiansen 2009

79 Based on verbal feedback to author from field visits; data not yet available.
utilize 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 a revised version of the program might be extended over the longer term to address the needs of poorer farmers. Some attributes of an amended program might be smaller input packages, possibly a 100% subsidy, and narrower targeting at the poorest. [A good example is the Malawi ‘starter pack’ program, which provided very small input packages to poor farmers, just large enough to apply to subsistence maize plots\textsuperscript{80}.] The attraction is the potentially very high returns to poor households, relative to the cost of the transfer. Challenges might lie in the political difficulty of shifting to a more targeted approach, after the program has been nearly universal, the potential difficulty of targeting, and the ability of poorer farmers to effectively use the package.

3.7 Vulnerable Group Program (TASAF)

205. The Vulnerable Group (VG) program provides grants to small groups of vulnerable people (such as the elderly, orphans, or the disabled) to undertake income-generating activities. At present the program reaches about 20,000 persons per year, at a cost of about Tsh.8 billion annually (US$ 6.4 million).\textsuperscript{81}

206. Each ‘group’ of about 10 people receives a grant of about US$ 8,500 equivalent\textsuperscript{82}, 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 \textit{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 is incorporated in TASAF with the public works scheme, and because there may be some lessons for future safety net strategies, a brief examination of the program is included here. A detailed evaluation is presented in Annex 2.]

207. \textit{Implementation and Targeting:} Targeting is undertaken through a process of community-based identification of beneficiaries. Preliminary evaluation results suggest that VG participants are 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). Although the program operates nation-wide, funding for expansion has been earmarked for the 40 most food-insecure Districts, introducing a further layer of geographic targeting.

208. \textit{Commentary}. The VG program has some interesting characteristics: this is not the group one would expect to be the obvious clientele for income-generating activities. Typically it is the

\textsuperscript{80} 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.

\textsuperscript{81} Based on funded sub-projects over the first 5 years (2006-2010), amount disbursed of Tsh.31.4 billion over 4-and-a-half years, plus 10% overheads; but note most are continuing beneficiaries.

\textsuperscript{82} Based on actual performance up to February 2010 (as reported in Implementation Support Mission status report of March 2010, TASAF); the project documentation for the recent expansion of the program shows a target grant size of about US$ 10,000 per group.
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 is thus a potentially promising way to raise incomes of some of the more poor permanently. However the impact of the VG program, and its potential cost-effectiveness as a transfer instrument, depends critically on the financial viability of the projects funded.

209. To date monitoring and evaluation has concentrated on the indirect evidence of welfare and consumption changes among individual members. The important thing to do moving forward is to rigorously assess the financial flows being generated by the projects being undertaken.

210. 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. A further potential concern is the incentive structure, and consistency with other small business programs, most of which provide loans rather than grants.

211. Given the scale - reaching only a few tens of thousands of persons a year – the VG program 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 capacity to expand this program; to reach just 3% of the poor, for example, would cost about US$180 million, based on its current cost structure.

212. Given 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

213. 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).

214. The NSSF is the largest, and is intended to provide coverage for private sector workers; while the other four cover various types of public employees. All provide a pension at a certain age (usually 60), and typically pay amounts that are well above the poverty line income (see Table 30).

| Table 30: Summary Characteristics of the Formal Social Security Programs |
|---------------------------------------------------------------|------------------|
| Active Members (2007) | Average Monthly Pension |

83 Based on 13 million poor.
<table>
<thead>
<tr>
<th>Scheme</th>
<th>(Tsh. 2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSSF</td>
<td>307,500</td>
</tr>
<tr>
<td>PSPF</td>
<td>235,000</td>
</tr>
<tr>
<td>Parastatal PF</td>
<td>64,000</td>
</tr>
<tr>
<td>Local Authority PF</td>
<td>45,000</td>
</tr>
<tr>
<td>Gov’t Employees Provident Fund</td>
<td>22,000</td>
</tr>
</tbody>
</table>

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

216. Despite efforts to extend the system to the informal sector, coverage is essentially limited to those in formal sector employment - representing perhaps 6% 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.

217. 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, and are being covered by a parallel World Bank study, and thus are not analyzed in any further depth here.

**Health Exemptions and Insurance**

218. 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 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; membership is compulsory for all public sector employees and as of the program covered about 2 million beneficiaries, or roughly 5% of the population.

219. 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 in general, participation tends to be limited those in formal sector employment, so its relevance as a safety net for the poor is limited.

220. Community Health Funds were established to create health coverage for the broader population, with matching grants provided from the government through the Health Basket Fund to finance CHF coverage for 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% of health spending, and only about 4.4% of the population has joined such a fund.

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84 Options for Reform of the Tanzania Pension System; draft; World Bank (2010)
85 Sources: Tanzania Social Protection PER (ILO 2009) and Health Financing Policy Note (draft, WB, 2010)
86 Social Protection PER p.37 (ILO, 2009)
87 Health Financing Policy Note: Table 1.
221. **Exemptions:** Fees for basic health services were introduced in the 1990s, as a means of mobilizing resources for local health facilities. From the outset there has been concern that they were discouraging use of services by the poor. There are two types of exemptions: exemptions granted to pregnant women and the elderly – which appear to be fairly arbitrary and not always honoured; and a program free CHF cards provided to the poor by District governments (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 program annually, to benefit about 100,000 households (about 500,000 people). The cards are distributed using a community targeting system. There have been no studies that track whether or not the cards go to the poorest, nor of the impact on health-seeking behaviour.

222. **How important are health insurance or 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 shows that health care represents only about 2-3% of household spending, even among the very poor (Table 10 in Chapter 2)88. Clearly in catastrophic circumstances however the amounts can be significant – especially for the poor who have very little cash income, and in a policy sense one does not want people to be failing to seek essential health care because of cost.

223. While the very small shares of average consumption suggest that health fee waivers and the like are probably not a large part of the safety net solution in Tanzania; there is however enough anecdotal evidence (see CARE (2009)) to suggest that fee barriers are discouraging use of services in some circumstances. The HBS data show that about 26% of people who do not seek health care report not doing so because it is too expensive; and although the poor report similar utilization rates of health facilities as the non-poor (Chapter 2), it may be that they are going for low-cost interventions, and not going for more critical, and expensive health, interventions. It is important to ensure that existing exemptions for the elderly and pregnant women be enforced, and – subject to further analysis of how well the system is targeted - to possibly expand the program of free CHF cards for the poor.

### 3.9 Small and/or Innovative Programs

224. There are many more transfer programs in Tanzania, most of them 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 particular ones – a cash transfer pilot, and an old age social pension - that are relevant to the current debate around expansion of safety nets in Tanzania.

**Pilot Cash Transfer Programs**

225. There have been three programs of cash transfers to the very poor – the KwaWazee program in Kagere region, one funded by SCF in Linde District, and an on-going TASAF CCT pilot program. All have had some success, but all have been piloted on a very small scale, none has been implemented for very long, and none have been rigorously evaluated to assess their impacts.

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88 Other surveys report different percentages, but confirm this low order-of-magnitude
226. **KwaWazee - An Old Age Pension:** The KwaWazee program initially provided transfers to elderly persons supporting orphans, it had success in improving welfare in the households affected\(^89\), 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 (about US$5 at the time) to poor and vulnerable people over 60 who were caring for children without parents, plus child benefits of Tsh. 3,000 for each grandchild. The pilot operated over four years in the Kagere district, and eventually supported about 700 elderly persons (of whom about 90% were women, and of whom about half supported children\(^90\)). Beneficiaries were identified by community volunteers on the basis of age, health, and living conditions. A combined qualitative/quantitative evaluation found a reduction in begging and selling of assets among beneficiaries; and improved school attendance and food consumption.

227. **SCF Cash Transfer Program:** Save the Children (SCF) piloted an unconditional cash transfer scheme for the extreme poor in Lindi District from 2007 to 2009. The program provided assistance to 60 households, most of which were headed a single mother or grandmother supporting vulnerable children. Each family received Tsh. 6,000 per month, plus 3,000 for each vulnerable child. A qualitative evaluation\(^91\) found the funds were used primarily to purchase food and school materials, and concluded that the program did reach truly vulnerable households, and materially improved their consumption during the pilot period – increasing from 1-2 meals a day to 2-3. Several recipients reported longer-term gains (purchase of assets, income generating activities); although more reported that their situation reverted to extreme poverty after the program ended. Suggestions for future programs included incorporating more training on income-generation and nutrition, and adding conditionality to the transfers.

228. **TASAF** is piloting a **conditional cash transfer** (CCT) to elderly persons supporting orphans or children. To be eligible, the household head must be 60 years of age, and/or include vulnerable children; and must fulfill certain conditions (such as school or clinic attendance for children, or the elderly person going for a medical check-up.) 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, every two months. Targeting is in theory done by village committees, who identify the most needy households in the village, in accordance with guidelines laid out by TASAF, although 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.

229. The program has only been going for a year, and it is too early to tell how effective is, although beneficiaries and those involved in community targeting claim it is having a positive effect on the households involved. CCTs are being considered for expansion. Box 5 presents some experience worldwide, and a discussion of the benefits and drawbacks of conditioning transfers in Tanzania is presented in Chapter 6 and Annex IV.

\(^90\) The program was expanded beyond its original scope – because it was found that there were many equally-vulnerable elderly who did not have children living with them.
\(^91\) Final Evaluation of Lindi Unconditional Cash Transfer Program; SCF (2011)
Box 5: Global Experience with Conditional Cash Transfers

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

Evaluations have shown that CCTs can be effective in improving health, education and malnutrition, while increasing consumption among the poor in both middle- and low-income countries. For instance, in Brazil, between 2003 and 2008, the CCTs explained 35% of the reduction in extreme poverty and 13% of the fall in inequality; in Colombia during the first two years of the program beneficiaries increased total consumption by 15 percentage points more than households without the program. In Malawi, enrollment and attendance among beneficiary girls grew significantly more than those without transfers, and the impact persisted after the transfer was suspended. In Cambodia enrollment rates among children in the program are significantly higher than those without program with the biggest different among the poorest. In Nicaragua the CCT program reduced chronic malnutrition by 7 percentage points and the 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 1000 pregnancies and 2.4 neo-natal deaths per 1000 live births. Evaluations in Malawi, Mexico and Ecuador have demonstrated that conditions matter and that programs that condition the transfer have greater impact in school enrollment and attendance than unconditioned transfers.

However careful design and implementation are essential for CCT programs to be successful. Experience has shown that the following are critically important: (i) defining the level and type of transfer, (that is, whether it is paid per family, per beneficiary member, or per conditionality); (ii) the definition of the beneficiaries’ co-responsibilities, and a verification process to monitor compliance; (iii) appropriate targeting mechanisms (CCT programs usually combine geographical, proxy means and community targeting methods); (iv) maintaining the frequency of payments; (v) transparent payment mechanisms; combined with control and audits at local level; and (vi) regular re-certification of program beneficiaries. Finally, it is critical that beneficiaries should have access to the services linked to the CCT program (usually schools and health providers), and these services must be effective.

Sources:
Malawi (Baird, S. C. McIntosh, B. Ozler (2011) “Cash or Condition? Evidence from a Cash Transfer Experiment”
Ecuador (Schady, N. and C. Araujo (2008) Cash transfers, conditions, and school enrollment in Ecuador. World Bank
3.10 Overview of Impact of Current Programs

230. How well does the existing package of programs respond to poverty needs? Table 31 shows 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 under the NFRA, and the MVC program - although the latter delivers only very small and intermittent benefits.
<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/ &lt; 1 ha.</td>
<td>Community Committee &amp; Geographical</td>
<td>n.a.</td>
<td>n.a.</td>
<td>Seasonal Food Shortage; low-risk/low-return behaviour</td>
<td>Significant benefits; but not currently targeted at the poor.</td>
</tr>
<tr>
<td>MVC</td>
<td>Households of orphans and other MVCs</td>
<td>Community Committee</td>
<td>Est. 4-5%</td>
<td>Est.&lt;9%</td>
<td>Orphanhood/Extreme Poverty</td>
<td>Generally small and intermittent. Significant in some cases (e.g. housing), but not sustained.</td>
</tr>
<tr>
<td>FFE (School Feeding)</td>
<td>All school children in selected Districts</td>
<td>Geographical – Food Insecure Areas</td>
<td>Est. 3%</td>
<td>Est. 6%</td>
<td>Geographical Food Shortages; low education participation</td>
<td>Relatively significant; but small coverage, and not targeted at poorest.</td>
</tr>
<tr>
<td>FFA (Food for Work)</td>
<td>Poor Households in food-short areas</td>
<td>Geographical – Food Insecure Areas plus Community Committee</td>
<td>Est. 1%</td>
<td>Est. 1-2%</td>
<td>Seasonal Food shortages</td>
<td>Relatively significant; approx -% of food p-line income; in lean season.</td>
</tr>
<tr>
<td>NFPRRA (Subsidized Food Distrib’n)</td>
<td>Households in food-short areas.</td>
<td>Geographical – Food Insecure Areas plus Community Committee</td>
<td>Est.20%.</td>
<td>Est.20%.</td>
<td>Seasonal food shortages and price increases</td>
<td>Potentially significant to families receiving benefits – est. 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 Committee</td>
<td>Est.1%</td>
<td>Est. 1%</td>
<td>Low household incomes</td>
<td>Once-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; Food-Insecure Areas; PMT</td>
<td>Less than 0.1%</td>
<td>&lt;0.2%</td>
<td>Orphanhood, elderly/infirmitry</td>
<td>Potentially significant; but program too small to be meaningful at this stage</td>
</tr>
</tbody>
</table>

Author’s calculation; a/based on 12.7 million below BN poverty line; b/ based on 6.4 million below food poverty line. Note estimates of % reached are extremely rough order-of-magnitude, based on coverage numbers, and CFSVA reports on receipt of benefits for rural areas. (See next table)

231. The coverage numbers in Table 31 are based on some very rough assumptions of the possible incidence of benefits. There is not good monitoring of beneficiaries for any of the transfer programs and therefore it is not known what proportion of benefits are truly 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: Some Evidence on Coverage and Inclusion and Exclusion Errors: % of Rural Households receiving Various Forms of Food and Non-food assistance (CFSVA 2010)

<table>
<thead>
<tr>
<th>By Wealth Quintile</th>
<th>% of Households Reporting Receiving</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 Tnz.</td>
<td>23.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By Food Consumption Group</th>
<th>% of Households Reporting Receiving</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>

232. If this data is accurate, it implies that about 13% of the households in the wealthiest fifth of the rural population are receiving free or subsidized food distributions; that the majority of participants in food-for-work 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 school feeding are from the better-off half of the rural population. It should be noted that these data show the proportion of households reporting receipt of each kind of aid – they do not tell how much of the 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-distribution food, they receive very little of it. Nonetheless, the implicit level of mis-targeting is potentially a major cause for concern, and needs to be urgently investigated further.

Box 6: Data, Monitoring, and Evaluation Concerns

Almost none of the existing programs track whether they are reaching the poor, nor what impact they are having on the welfare of beneficiaries. Most do not even have reliable administrative data on how many people they are reaching, or the value of benefits they are receiving. None has had a rigorous evaluation done of its impact. Doing so is essential to choose the right programs, and get more poverty-reducing impact for the large amounts of money being spent. A priority should be (a) to collect independent data on which income groups are benefiting from transfer programs; (b) to mount rigorous independent evaluations of existing programs; and (c) to collect better data on benefits and beneficiaries within the programs. Chapter 6 suggests some immediate steps.
works and cash programs could potentially contribute to savings and investment higher long-term incomes, 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 school feeding program at the moment, and potentially by the CCTs under TASAF, once they reach a larger scale.
- 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 inter-generational poverty traps is addressed partially by the MVC program (but again, benefits are small and unpredictable); and the cash transfer pilots.

234. Annex Table 2.2.2 shows very roughly how well (or how poorly) the main characteristics of poverty in Tanzania identified in Chapter 2 are being addressed by the existing programs.

Towards a Re-structured National Program

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

- The existing programs deliver intermittent, and inconsistent benefits to the poor (for example the MVC and the public works program under TASAF)
- There is duplication of effort – for example the Most Vulnerable Children’s Program, Conditional Cash Transfers, NAIVS, and Food-for-Assets programs all support separate, but very similar community targeting systems.
- Coverage is low - only a few percent of the poor appear 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: (the same households, villages, or Districts could receive benefits from school feeding, TASAF, MVC, and Food for Assets programs, for example, while others, equally poor, receive none.)

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

236. This chapter addresses the very broad macro-level choices involved in deciding the scale of national safety net spending. Tanzania, indeed any country, faces 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?

237. This chapter lays out the considerations that should underpin these decisions in Tanzania. A second set of choices has to do with which programs to use to achieve these objectives; these are discussed in Chapter 6.

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

238. The first choice Tanzania faces is the extent to which it wants 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 delivery of education and health services). This is to some extent a political choice, but it needs to be informed by a judgment as to which aspect of poverty can best be addressed by safety net interventions, and whether the benefits of growth will reach the poor quickly enough.

239. The evidence to date is not encouraging. As shown in Chapter 2 the poorest appear to be hardly benefiting 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 (see PHDR (2009), Hovvegen (2009)). The evidence therefore suggests that a revised approach, including a more aggressive use of productive safety nets, makes sense.

240. Given the tremendous potential of Tanzania, the primary focus of reducing poverty clearly needs to remain on re-engineering growth to reach poor Tanzanians. This means raising the productivity of subsistence agriculture, improving markets and access, investing in education and infrastructure, and encouraging smallholder cash cropping and small business. But judicious transfers to the poor can complement these efforts and hasten reduction of extreme poverty.

241. A central role of safety net transfers is to equip the poor to participate more fully in this growth process, and to bridge ‘gaps’ that are preventing them from realizing potential income gains. “Smart” safety nets can increase their productivity (by building human and physical capital); allow the poor to take on higher-risk, higher-return activities (for example using fertilizer); and increase the returns to their labour (examples include small cash transfers that
allow women to undertake petty trading; or subsistence farmers to buy food, and thus shift some of their land to cash crops).

242. 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? agrarian households living in areas of low potential, or remote areas, or those with very small land-holdings; urban migrants who lack skills and assets; and those who lack the ability to participate in the labour 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 in particularly unproductive areas, in very dry years, or for an intermediate ‘bridging’ period, until agricultural reforms take hold.

243. Well-designed safety nets will also reduce the poverty rate in the longer term, by helping the poor escape from inter-generational poverty traps (through better education, health, and nutrition for their children); and by reducing the impact of shocks and uninsured risks.

244. Finally, in a country like Tanzania, with a small but significant share of the population consuming 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.

245. For all these reasons it makes sense to see spending on safety nets as an important complement to growth-based poverty-reduction efforts; as a way of better linking the poor into the growth process, and as a transitional mechanism, until the benefit of other poverty-reduction investments kick in.

**What Might the Objectives of a National Safety Net Program Be?**

246. The second choice facing policy-makers 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% of the population below the food poverty line, on the grounds that these are Tanzanians living at an unacceptably low level of consumption; and, 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 could be to use selective transfers to cushion the impact of shocks on the poor and the medium-poor - for example, seasonal swings in food prices and availability, or droughts. 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:** Provide selective targeted assistance only to those who are obviously unable to look after themselves – such as orphans, the disabled or elderly who do not live in households. This has the benefit that it is likely to be readily acceptable as an objective, both politically and socially; and there is likely to be consensus on the beneficiaries to be targeted. The drawback is that there are many extremely poor people who do not fall into these categories.

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

### 4.2 Estimating the Extent of the Need

248. It is impossible to say with any certainty what the ‘need’ for safety net spending is. It depends on which groups society wants to support with SSNs, and how large a transfer is provided; but the poverty analysis in Chapter 2 provides some rough guidance.

249. **Size of Coverage:** The following are the numbers in some obvious potential target population:

- **Most Vulnerable Children**, including double orphans, as defined in the NCPA: about 900,000.
- **The elderly, disabled, and those suffering from HIV/AIDS** who are *not* living in households that can support them. A rough estimate is an additional 1 million persons.
- **Those living below the food poverty line:** about 6.4 million (which includes almost all of those in the above two categories);
- **Families facing severe seasonal food insecurity**, approximately 5-10 million (although the number varies a lot from year to year, and most need assistance for only about 4 months)
- **The population living below the Basic Needs Poverty Line** – about 12.7 million.

250. 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 3-4 million who would benefit from intermittent assistance.

*How much is enough? Setting the size of the transfer*

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92 Using a very rough estimate at 5% of the population (drawing on the population census, Disability survey, and DHS); and deducting the MVCs included in the previous category. [This estimate subject to further revision]
93 Based very roughly on population living between the BN and food poverty lines, combined with evidence from annual FEWS/VAM Vulnerability Assessments (but note only include food insecure Districts); and estimated 18.9% ‘borderline’ food insecure in CFSVA [This estimate also still subject to revision]
94 The approximate number of additional food insecure in bad years, implied by annual FEWS/VAM surveys.
251. The second part of the question policy-makers 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. Too small a transfer will not have enough impact on the welfare of the poor, and too large a transfer will be unfair and divisive – raising the incomes of the very poor above those of the ‘average’ poor who do not receive benefits.

252. The following are some logical choices that illustrate the possible size of a transfer in Tanzania:

<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 incomes of the poorest 10% up to the food poverty line⁹⁵</td>
<td>Tsh 4,300</td>
<td>($2.86)</td>
<td>$34</td>
</tr>
<tr>
<td>Gap between consumption of MVCs and children living in households around the poverty line⁹⁶</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 SN programs in other countries)⁹⁷</td>
<td>2,400-3,000</td>
<td>($1.58-2.00)</td>
<td>$19-24</td>
</tr>
<tr>
<td>Bridge the 4-month seasonal gap in consumption of smallholder farmers⁹⁸</td>
<td>2,100</td>
<td>$1.40</td>
<td>$6</td>
</tr>
</tbody>
</table>

253. The estimates converge around a transfer of about Tsh.5,000 per capita monthly to the poorest (equivalent to about US$35-40 annually), and of about 2,000-3,000 monthly for the seasonally poor (US$15-24 annually)⁹⁹. These are similar to amounts paid under the current food-for-work and CCT programs¹⁰⁰; and in terms of the percentage of the current incomes of the very poor, are similar to the transfers paid in other countries, although they are lower in absolute terms, because Tanzania is a lower-income country.¹⁰¹ Programs in Latin America, for example, generally pay between 10% and 20% of the poor’s pre-transfer household income; the program in Honduras paid US$ 4.66 per child per month; the old-age allowance in Bangladesh paid about US$3 per month; the Kalomo cash transfer program in Zambia paid about US$10 per household per month.

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⁹⁵ Based on 2006 gap (Tsh10,219 food p-line less 7,335 average income of bottom 10%); updated by 50% inflation.
⁹⁶ 2006 estimate (Leach et.al., see Table 2.) of gap for 7-14 year olds, updated by CPI
⁹⁷ Based on approx. current income among the poor of 12,000 per month (CFSVA)
⁹⁸ Based on 0.2 kg. of grain per person per day (= 6 kg. per month), and Tsh 350 per kg.
⁹⁹ The smaller transfer of Tsh.2,000-3,000 a month per adult equivalent for just the 4-month lean season implies a transfer of about Tsh. 50,000 to a family annually (US$33.33); the larger Tsh.5,000 per month to the most vulnerable, paid year-round, might imply about Tsh. 180,000 (US$120), if there were 3 adult-equivalents in a household, although many will likely have fewer.
¹⁰⁰ CCT pilot program 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 HH), beneficiaries under the Food-for-Assets program receive the equivalent of about Tsh.3,300 per capita per month (assuming a HH of 5 and benefits spread over a 4 month period (although work limited to 30 days per HH).
¹⁰¹ The old-age allowance in Bangladesh for example paid about US$3 per month; the Kalomo cash transfer program in Zambia paid about US$10 per household per month; the program in Honduras paid US$ 4.66 per child per month; and programs in Latin America generally pay between 10% and 20% of pre-transfer household income.
254. In reality, (a) the safety net program will probably need some combination of payment levels, because the levels of uninsured risk, and the unfulfilled needs of households, vary a lot between different beneficiary groups; and (b) the authorities will have to experiment with different levels of transfers, track the impacts, and fine-tune the approach over time.

255. **How Long to Sustain the Transfer?** Except for 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 only need assistance for about four months each year, during the lean season). There is no way of saying how long is the right amount of time 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, and while they may need help today, should not need safety net transfers in the long run.

256. However, even as large numbers graduate over time, other poor households will be emerging that need support, so 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.

257. Nonetheless, any safety net program needs to embody the principle of ‘graduation’. Ways of graduating include accumulating enough assets to undertake other activities (for example some TASAF beneficiaries use PWP income or CCT transfers to start used-clothing or food-selling businesses); linking beneficiaries to micro-finance or skills-training programs; overcoming production constraints (eg. fertilizer vouchers which kick-start a higher-productivity cycle). 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 ‘graduation’ being built into safety net programs is clearly appealing – it makes logical sense, and is essential for political acceptability. Most of the success in graduation has been in the US and other developed countries, where safety net recipients are re-integrated into the job market over time; but this is not an option in agrarian economies.

The means of ‘graduating’ in low-income countries either involve building in savings and income-generating schemes, or linking beneficiaries with other programs (such as literacy or agricultural extension). In practice engineering graduation turns out to be more difficult than anticipated: income-generating opportunities may be limited in low-productivity areas; making the link with other programs can be difficult; and income-generating and skills training programs themselves have a very mixed record of success.

The experience 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 4 years, after which they receive one year of follow-on support for business management. After 3 years 79% were found to still be self-employed in micro-enterprise (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% have graduated so far; part of the problem has been the ineffectiveness of associated asset-building and agricultural extension programs.

258. 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. Table 33 shows the estimates range from about $100 million to over $500 million annually, depending on which objectives the government wants to achieve. (More detailed costings for specific program choices are presented in Chapter 6). Note however that achieving these levels of coverage at these costs depends on good program design, and especially on effective targeting. If there are major leakages to the non-poor, costs could be higher, or coverage much lower.
Table 33: 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 (Bottom 5% - about 2 million people)</td>
<td>Tsh 156 billion</td>
</tr>
<tr>
<td></td>
<td>(US$ 104 million)</td>
</tr>
<tr>
<td>Address chronic food poverty (Bottom 16% - about 6.3 million)</td>
<td>Tsh 510 billion</td>
</tr>
<tr>
<td></td>
<td>(US$ 340 million)</td>
</tr>
<tr>
<td>Bring everyone up to the Basic Needs poverty line (Bottom 34% - 12.7 million people)</td>
<td>Tsh 750 billion+</td>
</tr>
<tr>
<td></td>
<td>(US$ 500 million+)</td>
</tr>
</tbody>
</table>

Source: author’s calculations; based on 2007 data, transfers of between Tsh.5, 000 (for poorest) and Tsh.2,500 (less poor) per capita monthly, for either 12 (poorest) or 4 months (less poor) annually, with 30% administrative and delivery costs; actual costs could vary widely depending on program choice and leakage.

259. Total public spending in Tanzania at the moment is about Tsh 7,100 billion (2008/09), or US $5.9 billion equivalent, annually, so these estimates represent between 2% and 8% 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 was only US$366 equivalent in 2008/09, on primary education about US$554 million, and on delivering agricultural services US$132 million.

260. There are pressing demands on public spending to finance 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 need to be prioritized well; they need to be simultaneously used to achieve other poverty-reducing objectives; and/or be targeted fairly surgically.

261. 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 as only consumption spending; if well-designed they can be used to strengthen the Government’s investment strategy in human capital and infrastructure. Furthermore, transfers represent a direct injection of money into the lowest level the economy, where it creates immediate demand for goods and services, creating employment and income opportunities at the local level.

262. **Policy Implications**: Given the large number of poor, limited public resources, and the primary need to focus on growth-enhancing interventions, suggests, a priori, choosing safety net options that:

- Simultaneously contribute to longer-term poverty-reducing growth (such as the creation of assets under public employment schemes; or financing investments in human capital)\(^{102}\);

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\(^{102}\) Including helping households make more fundamental transitions out of poverty (by for example addressing inter-generational poverty traps; or providing assets that allow them to increase longer-terms earnings).
- Harness *existing* public spending to achieve safety net objectives (for example using the very large amounts spent on road maintenance for 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 expenditure (examples might include selective fertilizer subsidies for small farmers).

- Utilize cost-effective program designs, paying particular attention to administrative costs, leakages, and inclusion errors (that is, the extent to which benefits go to unintended recipients.)

- Target judiciously; focusing on the categories of the poor, and types of poverty, where need is greatest.
The Benefits of Rationalizing Expenditures:

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

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% going to those who are not extremely poor), then with improved targeting either (a) many more poor people can be reached by existing programs with the same level of expenditures; and/or (b) funds can be freed up to be spent on better targeted programs. How

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

Like many countries, the road network is under-maintained in Tanzania, and this presents 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), set up to ensure adequate maintenance of roads, by collecting a fuel tax of Tsh. 200 per litre. The amounts collected now more-or-less cover maintenance of trunk roads, but there exists a substantial backlog of maintenance of local roads (including the lowest-level 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, they also receive 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 PWP programs in its financing and 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 (ODI 2004). The Central Region Infrastructure Maintenance program in Malawi employed poor women for up to 4 years each to maintain earth roads near their homes; with half the wages paid in cash, and half withheld 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 of channelling funds down to local government, and an established capacity to manage maintenance works. If a labour-intensive program could be developed that targeted the poor at a low wage rate, with work ideally concentrated in the agricultural slack season (generally May-October), then this presents a great opportunity to re-direct large amounts of funds to the poor using existing resources. Very illustrative, just 20% of current road fund maintenance spending, either from existing resources or a donor top-up, could potentially employ over 300,000 of the extreme poor for 4 months a year.

Injecting additional funds into the Road Fund to finance labour-intensive maintenance of local roads 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, through having passable roads, better market integration, and
- it avoids 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 employment 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.

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% going to those who are not extremely poor), then with improved targeting either (a) many more poor people can be reached by existing programs with the same level of expenditures; and/or (b) 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 is correct, then about 25% of existing resources could probably be freed by
shifting benefits from the non-poor.\footnote{Assuming that 50% of current spending goes to the non-poor (CFSVA survey), and that about half of that could be captured through improved targeting (since totally error-free targeting is unlikely).}

**How Does Safety Net Spending in Tanzania Compare with Other Countries?**

265. Tanzania currently spends some $175 million equivalent annually on transfers and safety
nets ($85 million excluding NAIVS), representing about 0.3% of GDP. Annex Table 3 shows
how this compares to spending by some other low-income countries. The median for developing
countries is about 1.3% of GDP; Ethiopia and Malawi spend about 4.5% of GDP – but this
includes some very large donor-financed programs, if these are excluded they spend about 0.5%
of GDP.

266. Because of the different definitions used, and which programs are included and which are
not, it is difficult to directly compare spending across countries. Nonetheless, the data suggests
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.\footnote{Note also that spending as a share of GDP can be misleading: in very-low-income countries budgets tend to be so constrained that government’s 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

267. This paper is focused on the broad strategic choices facing Tanzania, and the selection of program instruments. In general the implementation arrangements need to be addressed elsewhere, during the design of individual programs. Nonetheless there are several critical administrative constraints that should be borne 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 the 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); and thus the importance of avoiding stop-start programming;
- The need for sustained transfers to the same households, in order to have any real impact on poverty;
- The importance of effective targeting.

These issues are discussed briefly in turn below.

5.1 Administrative and Institutional Issues

268. 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 long enough to affect behaviours (in terms of production and labour choices), and to allow some savings and investments that will enable more permanent raises in earnings (for example through acquiring skills or assets); and 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, and donor dependency. Programs are designed and then implemented for a period of maybe four or five years (or perhaps a maximum of 10 years), the donor or implementing agency then loses interest, or priorities shift to some other initiative. This is particularly a problem with the current collection of programs, almost all of which are donor-funded. A further problem is that, as we have seen, many of the existing programs deliver only a once-off benefit to a household (e.g. TASAF’s PWP, FFA, MVC), which is neither predictable, nor sustained over time.

269. Administrative Capacity and Consistency of Approach: Targeting and management of transfer programs is labour-intensive; it involves relatively complex procedures, and requires significant supervisory capacity at the local level. While things are improving, such capacity is sparse in Tanzania. A few larger programs, consistently implemented over a long period, increase the probability that lower-level managers will master the operational procedures.

270. Keeping it Simple: Another drawback of the stop-start approach is that staff gets used to a system functioning, and the program is then dismantled, or changed. Many small, stop-start
programs tax capacity. Sticking with a consistent, simple, set of operational arrangements over time (even if imperfect) increases the probability that they are learnt and understood by implementation staff.

271. The current pattern of programs in Tanzania is piecemeal, duplicative, and uncoordinated – duplicating implementation systems, overlapping beneficiaries and areas of coverage, and missing out on very large proportions of the poor. There are considerable gains to be made, in terms of expenditure savings and better impact on poverty, by rationalizing and combining the existing programs.

272. **The Move towards a Permanent National System:** For all of these reasons it makes sense to move toward a more permanent system; one that is better integrated into the regular functions of Government. There will always be a need for safety net transfers, and Tanzania is at the point at which 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 base for future strengthening.

273. **The Need for an Institutional Home:** Closely aligned with the question of shifting to a more permanent system is that of creating an institutional home for safety net issues within Government. As in many countries, there is no single Department or agency with responsibility for safety net programming. Establishing a single central agency is important to coordinate interventions and overlap of beneficiaries, take stronger control to avoid donor fragmentation of programs and stop-start programming; and not least to provide unified direction to the substantial share of public expenditure accounted for by safety nets.

274. There is no ‘right’ choice of agency. In many countries the Ministry with greatest responsibility for delivering social welfare programs has been strengthened to take on the role; in others a Social Fund has transformed into a more sustained social protection agency, and integrated into the recurrent functions of Government. In either event, line Ministries would still have a core role to play in design of individual programs; and most implementation responsibility would continue to fall largely to local Governments; while the Ministry of Finance and the Social Protection Thematic Working Group could still provide the core of policy guidance.

### 5.2 Political Economy and Targeting Concerns

275. Discussions with political leaders, senior officials, and ordinary Tanzanians confirm there is limited support in Tanzania for pure transfers to the poor. There is a general aversion to ‘handouts’ and a concern that they may breed dependency. However there is also a growing

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105. The Ministry of Finance has overall responsibility for policy issues, and the Social Protection Thematic Working Group serves as a focal point for broad discussion; but programmatic responsibility is spread among the Ministry of Agriculture and Food Security, Prime Minister’s Office, Ministry of Social Welfare, Ministry of Labour, and TASAF, with substantial influence from individual donors in design and operations of particular programs.
recognition that economic growth alone is not happening fast enough for 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.

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

277. Universal vs. Targeted Programs: To Target or Not to Target? Deciding how widely or narrowly benefits should be spread, and how to identify beneficiaries, is a major challenge 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.

278. Targeting is expensive, both in financial terms, and, 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, but clearly there is a trade-off: targeted programs are smaller in coverage (and therefore cheaper), while universal programs avoid the need to target, but can be very expensive. 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 involve large inclusion errors, providing benefits to a lot of people who do not really need them. (See discussion below on universal pensions).

279. The Social Safety Net system proposed for Tanzania should favour only targeted programs; because of the 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.

280. Given the difficulty of administrative targeting, because of its demands on data and staff, the best way in Tanzania is probably a combination of: (a) Self-targeting: by providing low levels of benefits which would not appeal to the non-poor; examples include providing only small packages of agricultural inputs, or payment of a low wage on public works; and (b) Community-based targeting: under which members of the community identify the beneficiaries, in accordance with set criteria, with transparent public debate about who should be included (this is how the MVC, TASAF, and Food-for-Assets programs currently operate) – because people in a village know who are the poorest, and which orphans or elderly are vulnerable. In both cases occasional verification surveys will be needed to ensure the systems are in fact targeting the right beneficiaries.

281. 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 are always risks that they will not function effectively. In pursuing any targeting system, there is a substantial risk that benefits will go to those who do not need them, or miss those that do, it is thus critically
important to assess the effectiveness of existing mechanisms and determine which are best, before proceeding.

282. **Geographical Targeting:** Almost all existing programs in Tanzania use some form of geographical targeting. School Feeding, Food-for-Assets, TASAF’s Vulnerable Groups and CCT programs, and NFRA all operate only in Districts 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 ‘poor’ Districts. Very rough calculations show, for example, that operating only in the bottom third of Districts that are rated food-insecure (as most current programs do), would miss about 68% of the extremely poor in Tanzania.\(^\text{106}\)

283. Geographical targeting is probably not the most suitable for 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 for the early stages, provided there is a commitment to scale up to nationwide coverage later. This should be possible if (as suggested below) the number of programs is reduced to 2 or 3 that can cover the whole country, rather than the current large number of small programs, each of which is forced into geographic targeting because of its small size.

\(^{106}\) Based on 2001 poverty map and Vulnerability Assessment data – the last year for which District-level poverty data are available.
Box 9: Common Targeting Systems

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 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** uses other attributes (such as the type of house a family lives in, or whether they own livestock) to identify the poor. The problem with PMT is that still involves substantial data demands, the measurement is 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** puts the least demands on data, and involves almost no targeting cost. Examples include offering a low wage rate for public works employment – so only the poorest will apply - or offering inferior goods (such as yellow maize, or broken rice) which families will only take if they are in extreme need), or very small packages of benefits, such as fertilizer. The main challenge is that policy-makers and the public may object to extremely low levels of benefits; but to make them any higher will defeat the objective of self-targeting.

**Geographical Targeting** involves operating 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 expand nationwide. Geographical targeting makes most sense when there are a few pockets of extreme poverty in a country, or in response to localized problems (such as drought). The problem, as discussed in the text, 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**: involves using community members to identify who are eligible for a program. This is often a group of respected elders or elected villagers, who are given guidelines on who should benefit. The rationale is that only people with local knowledge 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 potential problems are favouritism, or of communities spreading benefits too thinly to avoid exclusion. CBT systems are also labour-intensive to set up and support.

_A There is no right form of targeting._ A survey of experience worldwide (“Targeting Transfers in Developing Countries” Coady, Grosh et al) suggests that on average self-targeting through a low wage rate, geographical targeting, and administrative means testing are the most effective; and that proxy means testing, community-based targeting, and demographic targeting of children can be successful, but are on average less effective. Demographic targeting at the elderly, community-bidding, and self-selection show the least promise. But there is great variation, and the choice depends on the program and the country context.

**Implementation Matters.** Correctly implementing the targeting system makes far more difference than the choice of method. The same study found 80% of the variation in effectiveness of targeting was due to differences within methods, and only 20% due to the choice of method.
**Targeting vs. Universal Coverage: The Universal Pension Proposal**

284. A proposal is currently circulating in Tanzania to introduce a universal pension for the elderly.\(^{107}\) This has grown out of the successful experience with several small-scale pilots, most notably the KawaZee program, which had proven helpful in supporting the poor elderly who are supporting households of orphans.

285. The rational 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, and funds transferred to them would trickle down to impact the welfare of the poor in general; and because most of the elderly are excluded from the formal pension system.

286. The case for universality is made on the grounds that it would be too divisive politically and socially to provide the benefit to only some of the elderly, that targeting would be difficult and administratively cumbersome, and that if the transfer is small enough, the non-poor will not use it.

287. The proposal is for a monthly transfer of about Tsh. 12,200 per month to all Tanzanians above the age of 60.\(^{108}\)

288. In the safety net sense there are a number of drawbacks to this proposal:

- firstly it is expensive: there are about 2 million people over age 60, and the total cost would be about Tsh.308 billion (US$ 227 million) annually;

- secondly, if the objective is primarily to support orphans, and poor elderly who are supporting them, this can be done much more cost-effectively using a more surgically targeted approach;

- thirdly, over 70% of orphans and MVCs do not live in households with just elderly and orphans (Table 16), so a substantial additional expenditure would still be needed to reach most orphans; and;

- fourthly, 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 not different from that among the population as a whole; in fact almost 84% of the elderly (1.7 million out of 2 million) are estimated to be living above the food poverty line (Table 19); and 67% have consumption above the Basic Needs poverty line.

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107 The Rationale and Feasibility for a Universal Pension in Tanzania; Ministry of Labour and HelpAge International

108 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/Tsh.12,200 combination is the main proposal.
289. The feasibility study estimates that poverty rates could be decreased by about 2 percentage points (mostly because a quarter of households have elderly people in them, and because they tend to be 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 spend significant amounts of domestic budget resources on such a program at this point in time. The cost would therefore have to come out of donor funding envelope, and it seems unlikely that donors would either re-direct $227 million annually from other activities, or increase aid flows to Tanzania by this amount to finance a universal pension program.

290. One of the main arguments in favour 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 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, FFA, and PWP programs). 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, to deliver a targeted social pension.

291. The idea of cash transfers – including to the poor elderly - is a good one. As suggested in Chapter 6 it should be a significant part of Tanzania’s safety net strategy in the coming phase, with continued expansion of cash transfers (whether conditional or not) targeted at 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 variant. It could potentially form the basis for the eventual shift to a national pension system with wider coverage, but in terms of the best use of transfer resources to reduce poverty, and in terms of fiscal affordability, any shift to universal coverage is likely still several decades away.

109 Food poverty rate declining from 16.6 to 14.6% (Table 3a, p.28; ibid.)
CHAPTER VI: CONCLUSIONS AND RECOMMENDATIONS: OPTIONS FOR A NATIONAL SAFETY NET PROGRAM.

292. While current programs have had some success reaching the most vulnerable, they are generally not large-scale enough to affect poverty levels, the transfers they provide are often too small to make a significant difference to the households receiving them, and most of the poor are not reached 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, some form of larger and more effective package of productive safety nets is justified.

293. A combination of programs is recommended that seeks to achieve three objectives:

- More broadly raises the incomes of the poorest and most food-insecure, through a program of sustained (and financially sustainable) productivity-enhancing transfers;
- Helps protect against lean-season food shortages and price rises; and,
- Provides targeted, direct support to those unable to participate in the labour force or fend for themselves: the subset of disabled, elderly, and orphans and other vulnerable children who are not living in viable households.

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

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

- Transfers need to be provided to the poor in a consistent and predictable manner – (this generally means a monthly transfer, as opposed to once-off)
- Coverage needs to be greater – reaching a few tens of thousands of the poor will not make a difference;
- Wherever possible programs should be self-targeting
- Rather than the current collection of small (mostly donor-driven) interventions, 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 down as need dictates – especially for seasonal coverage in the hungry season; and,
- Programs should as far as possible be linked to long-term movement out of poverty – by improving the assets and capabilities of beneficiaries; or providing judicious injections of funds that help them invest in their human capital, or escape poverty traps.

296. A national safety net program for Tanzania structured around the following two main interventions is recommended:
(i) **An expanded public works employment program.** Because it is self-targeting, creates assets that can contribute to longer-term income growth, can be targeted in time and space, and can be expanded (or contracted) as needed; and can be financed largely using money that the government and donors are already spending. Such a program might build on the existing TASAF works program for the food insecure, and the WFP food-for-Assets program. It would need to be significantly larger in scale than at present, probably consolidating the best of both programs, and expanding to cover most of the country. It should provide more continuous employment opportunities in communities, be targeted primarily in the lean season, and 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 linked to human capital investments, and limited unconditional transfers for the most needy.** This would build on the ongoing cash transfer pilots of TASAF and KwaWazee, combined with a revised variant of the MVC scheme, that also makes transfers to other vulnerable groups – because it has developed a community-targeting mechanism that would appear to be the only way of identifying and reaching the vulnerable individuals and households within communities. Such a program would need to provide more regular transfers, and larger transfers, than does the current MVC program. At the same time, given the high unit costs, it would need to do so more cost-effectively. Transfers should in general be in the form of cash and/or food. The amended version would be extended beyond vulnerable children to use the same mechanisms to identify and reach the disabled and elderly poor. Conditionalities could be linked to a range of human development behaviours (see Box 11)

297. Perhaps 75-80% of the benefits would consist of seasonal support to the able-bodied poor through employment for about 4 months each year; and the balance of year-round monthly transfers to the truly destitute. This core program might be supplemented by a smaller fertilizer voucher program for poor farmers.

298. The transition to such a national program can be phased, with (i) immediate reformulation of existing programs to improve their impact and cost-effectiveness (taking advantage of the on-going reviews and formulation of next phases of TASAF, WFP, and MVC programs over the coming year); and (ii) restructuring of the current overall package of programs as they enter their next phases; so they function together better, and lay the basis for eventual movement to a single national system.

299. Box 10 gives a sense of the kind of unified program that is possible, based on the National Productive Safety Nets Program being operated in Ethiopia.
Restructuring the Existing Package of Programs

300. All of the major programs are currently in the process of re-design, and all recognize the desirability of moving towards better coverage and targeting, and of moving – in most cases - from transfers in-kind to cash. There is thus an opportunity within the next year or so to consolidate them into a more rational system, with a common targeting system, co-ordinated coverage of areas, more consistent benefits, and to achieve economies of scale in administration and delivery.

301. What might such a rationalization involve?

- Shifting to a single (or at least coordinated) national program of cash transfers to the very poor elderly, disabled, and vulnerable children;
- A shift toward greater use of cash transfers in the MVC program;
- Food-for-Assets and an expanded TASAF Public Works program combined (or at least coordinated) into a unified national public works transfer scheme.
- The Food-for-Assets program shifting more to cash payments, (with the flexibility to still distribute food in circumstances when it is needed, because food markets are not functioning);
- An expanded TASAF cash transfer program, integrated (or at least closely co-ordinated with) the revised MVC program.

Box 10: The Ethiopia Productive Safety Net Program

Ethiopia operates a large-scale national safety net program, the PSNP that covers about 7.7 million people in 2010/11. The vast majority (83% of them) participates in public works, and the remaining 17% - generally those who are unable to work - receive direct support.

The amount transferred is the same whether a family is participating in public works or receiving the direct transfer. Each person is entitled to the equivalent of 5 days work per month, for six months of the year. The payment is 3 kg. of grain, or 10 Ethiopian Birr per day (about 60 cents US, or roughly equivalent to TSh.900).

On this basis, the average participating family is estimated to receive about US$ 137 per year. (Equivalent to about US$ 27.40 per capita; US$2.28 per person per month) very similar to the levels being proposed for a Tanzania program)

Since the Ethiopian program was designed as a way of shifting away from emergency food distribution, much of the payment is still in food: 48% of beneficiaries receive only food; 36% receive a mix of food and cash payment (generally 3 months of cash followed by 3 months of food); and the balance (17%) receive cash only.

The program is estimated to cost about US$ 347 million p.a., of which US$ 303 million (87%) goes as transfers to beneficiaries.

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- The Food-for-Assets program shifting more to cash payments, (with the flexibility to still distribute food in circumstances when it is needed, because food markets are not functioning);
- An expanded TASAF cash transfer program, integrated (or at least closely co-ordinated with) the revised MVC program.
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.

**Immediate Next Steps**

The following are logical next steps to move towards a strengthened and more unified program, that can be taken within the next year:

- Evaluate community-based targeting systems under existing programs (MVC, FFA, TASAF CCT, vulnerable groups, NAVIS) identify best practices, and combine into a single national system for identifying most needy/vulnerable 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 on shifting MVC from in-kind to cash and food transfers.

- Review geographical targeting, effectiveness, and overlap and exclusion errors, and decide what extent to pursue geographical targeting in national safety net program.

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

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

- Identify mechanisms for coordinating geographical coverage of PWP and Food-for-Assets.

- Bring together DoSW, TASAF and donors to discuss a consolidated approach to moving forward on next phase on a unified national program of cash transfers.

- Monitor and review experience with NAIVS; start considering a smaller follow-on program targeted only at poor farmers.

- Undertake a more detailed targeting review and analysis of the inclusion errors for food distribution (NFRA), Food-for work, and school feeding implied by the CFSVA data (Table 32), to assess the share of benefits going to the non-poor, and the scope for rectifying inclusion errors and redirecting resources to the poor.

- Examine mechanisms for better tracking and coordinating overlap of coverage by all programs (including PWP, FFA, school feeding, MVC, cash transfers, VG and NFRA) to reduce gaps, and rationalize duplication of support.
• Consider the options for conditioning cash transfers (Box 11), and the likely costs and benefits associated with each condition.

• Consider expanding funding of free CHF 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 behaviours of the poor in seeking care.

• Think about establishing an institutional home for safety nets in Government.

**Possible Costs and Structure of a Longer-Term National Program**

304. The public works scheme and cash transfer program could be combined into a number of options for a national safety net strategy, depending on how aggressive the Government wants to be in using safety net transfers to address poverty. The following are three broad illustrative options:

(i) **An aggressive national safety net strategy:** which 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; complemented by a revised version of the agricultural inputs scheme for small farmers, and surgical transfers to the most vulnerable. Such a program might reach something like 16% of the population, and cost in the order of US$ 240 million annually.

(ii) **An intermediate program:** which would provide a more coherent package of support than at present to a larger share of the poor, at similar cost, by using more cost-effective interventions, and harnessing existing expenditures. This would consist of an expanded public works program, in conjunction with a larger version of the MVC/CCT program designed to provide transfers to the most vulnerable. Such a program might reach 10% of the population, and cost in the neighbourhood of US$150 million p.a.

(iii) **A modest approach:** which provides limited support to the very worst-off in society, but rationalizes existing expenditures into a more coordinated approach, and increases the impact for the expenditures already taking place. Such a program might provide continuous support to about 1 million people (who are among the most vulnerable), and intermittent support, through public works, to about 2 million of those below the food poverty line on a seasonal basis. Such a program might reach 7% of the population, and cost in the neighbourhood of US$83 million annually.
305. Table 34 shows the possible costs and structure of each of these options in more depth. Note that these are illustrative order-of-magnitude estimates only, subject to significant change as program design choices are made. Achieving the costs in Table 34 depends on good design and implementation. If either is weak coverage could be much lower, or costs much higher. (Conversely, if design is particularly good, larger numbers could possibly be reached at lower cost.)

Table 34: Broad Options for a Safety Net Strategy for Tanzania
(Order-of-magnitude estimates, subject to refinement as design proceeds)

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

Source: 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$9-13 per household per month; b/ public works transfer of approximately Tsh. 3,500-5,000 per capita per month, for average 4 months per year; (one member employed per HH; implies HH transfer of about Tsh 85,000 per year (US$ 57), or about 28 days of work per participant at Tsh 3,000 per day).

306. Policy-makers face two decisions: firstly, how far to extend coverage of the cash transfers for 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? and secondly, whether such cash transfers should be ‘free’ or conditional. We would argue that because of the fiscal constraint cash transfers should be limited only to the extremely vulnerable (who might amount to at most 2 million persons).

307. 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 this group is destitute, the rational for providing transfers to them without conditions would seem strong; however, given the aversion to handouts among both policy-makers 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 the conditions might be fairly ‘soft’, and some work will need to go into identifying the right ones. 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 gives a menu of some potential options that might be explored in the case of 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.

**Other Program Recommendations**

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

Conditional Cash Transfers (CCTs) have shown encouraging results in affecting human development outcomes, while supporting large numbers of the poor, in several countries in recent years. What behaviours might it make sense to target in Tanzania? Possible candidates include:

- Linking cash transfers or vouchers with nutrition: the most likely variant would be to support the use of ‘sprinkle’ packages of micronutrients;
- Having payments conditional on starting school at the appropriate age – a significant issue is children starting school two or three or more years late [see discussion Chapter 2];
- Linking payments to girls continuing to stay in school – the proportion of girls enrolled is similar to boys up until the last two years; but then drops off precipitously;
- Linking payments to attending school regularly; or to enrolling in the first place – especially in areas (pastoral), or among groups (the poorest), where enrolment and attendance is still low;
- Linking payments to participation in neonatal and family planning programs, that can have a tremendous impact on the health of mothers and children; or,
- Linking payments to 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 utilize them; and the numbers need to calculated to assess what proportion of leakage there would be to beneficiaries who would have undertaken the behaviour anyway, and what the costs of such leakage are relative to the benefits.

308. As part of the public works option, consideration should be given to a labour-intensive road and infrastructure maintenance program, which would use existing recurrent budgets for expenditure on maintenance to employ large numbers of the poor during the lean season. This would have the double benefits of increasing essential maintenance of existing assets (which tends to be under-funded), with much increased employment of the poor 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 at the very poor and women workers, at a low-wage rate.
309. In addition, the authorities may wish to consider an amended version of the agricultural inputs voucher (NAVIS) program, which provides longer-term support, but targeted only at poorer farmers - because it can yield benefits which are several times the cost of the transfer made; because there is now an established institutional framework for providing the transfer, and because it can raise on-farm food production among the poor, reducing the impact of local shortages and price increases. An amended program would extend beyond the current three-year timeframe, and be targeted at poor subsistence farmers. Such a program might provide either vouchers or free input packages; and might be administratively targeted based on land-holding sizes, or be self-targeted by providing only very small amounts of free or subsidized inputs. It could be targeted regionally at the more food-insecure areas, and phased out as markets become better integrated and regional food shortages and price swings are reduced.

310. The development of an effective child nutrition program is clearly an important part of the solution to intergenerational poverty traps in Tanzania. The recommendations for such a program lie beyond the scope of this paper, but have been addressed elsewhere (see for example Uwazi (2010); DPG on Nutrition (2010), and World Bank (2009)); however linking conditional transfers with changing behaviours that affect nutrition, as discussed in Box 11, could be an important part of the safety net package.

311. It may make sense to continue school feeding, but to review coverage and sustainability, and formulate a strategy for the long term that balances financing and equity of coverage. To achieve the dual objectives of encouraging school attendance but more tightly focusing the transfer at the poorest, consideration should be given to shifting towards take-home rations.

312. The universal pension proposal does not appear to be affordable, or the best use of safety net expenditures at this time. The shift towards a more unified national cash transfer system could potentially lay the basis for a universal pension system in the future – but fiscal affordability probably requires that universality be rolled in slowly over the next few decades.

**Financing and Sustainability**

313. The total costs of a moderate safety net program might be in the range of $150 million per year. This compares to current spending – including all financing of existing donor programs - of about US$175 million p.a., so the level of financing is not unrealistic. The questions have to do with how fungible donor financing is: can it be redirected in support of a more rational, unified national program? And how sustainable it is: what is the probability that the government will be able to count on continued financing for a more constant program of transfers?

314. The largest share of current transfer financing is for the NAIVS – about US$100 million p.a. – and this is not at the moment really supporting transfers to the poor. If we exclude it, the amount of spending on transfers falls to about US$85 million p.a., the largest share of which is for the MVC program. However there is substantial interest in the donor community in expanding support for transfers to the poorest if a coherent national program can be agreed upon. This presents an opportunity to increase financing, to get commitments to sustain funding, and to consolidate support behind a rationalized program.
315. As Table 35 shows, at present the vast majority of safety net programs are being financed by development partners.
Table 35: 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/a</td>
<td>$59 million</td>
<td>($21 million)</td>
</tr>
<tr>
<td>Total</td>
<td>$169 million</td>
<td>($83 million)</td>
</tr>
</tbody>
</table>

\(a/\) Author’s calculations, Based on NFRA, Government share of TASAF, FFA, school feeding, and MVC programs; excludes formal transfer programs (eg. pension and social security for the formal sector). * to be revised

316. How much can be gained from rationalizing and combining existing programs? More work is needed to quantify the costs and savings, but conceptually spending on the existing TASAF public works (scheduled to increase) and WFP food-for-work program should be available to finance the expanded national public works scheme. Some share of funding from the restructured MVC program, and the existing CCT pilots (also slated to expand) can be used to finance the program of conditional cash and food transfers to the poorest. Very roughly, perhaps US$50 million can fairly readily be captured from existing programs in support of 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 RFB revenues, or top-up funding for rural maintenance employment from government and/or donors.

317. The outstanding questions will be how to introduce flexibility into the Government’s spending on the NFRA food distribution (US$19 million) in support of the revised national program (using the food to pay for work done under public works, and/or targeting it at the destitute under the unified national cash/food transfer system might be good options); and what the future of the school feeding 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 at poor farmers.

318. Significant savings and gains in effectiveness are possible from better targeting existing programs (Chapter 4). There should also be administrative and efficiency savings in 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 routine public works employment.

319. Donors currently finance about 75% of safety net expenditures. Some of these resources are fungible, and some are not (for example most funding for the MVC program is tied to donor HIV/AIDS programs). The trick will be to capture donor financing in support of the transition.

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110 Assuming the existing resources for the TASAF Public Works and WFP Food-for-Work program (currently about $7 million, but slated to expand) can be used to finance a rationalized public works program, as can spending on rural road maintenance (amount unknown); some of the funding for the existing MVC program ($45 million p.a.), and those for the CCT pilot (which is scheduled to expand) can be used to finance the system of cash-and-food transfers to the most vulnerable.
Donors with limited fungibility can be encouraged to re-orient existing programs in support of the unified national program; for others re-direction of financing and/or re-design of programs can be negotiated. Over time, it should be possible to engineer more ‘basket’ financing for the unified program (this approach has worked in Ethiopia, for example); and slowly transition into picking up more of the financing out of the recurrent budget.

320. The amounts of donor financing likely involved in supporting a more unified national safety net program – in the order of US$100-150 million p.a. – should fit within the envelope of what is affordable – given current donor commitments and interest, and if funds can be re-channeled in support of the most effective interventions. It will be important, however, for donors to commit to long-term financing for such a program.

321. 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 basis for a permanent system that can slowly become part of recurrent financing over time.
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Box 12: A Note on Data Sources

The findings in this report draw primarily on the following data sources. In some cases the primary data was processed by the author or World Bank colleagues, and in others the results tabulated in the survey reports were used; in each case this is indicated in footnotes.

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

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

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

**The National Costed Plan of Action.** National exercise to estimate numbers 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 HHs; generally comparable across time and countries.**

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

**Integrated Labour Force Survey (2006)** measured labour force participation and activity along with HH 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 attributes of disabled.

**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 households. (9,144 HHs)

**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 and qualitative assessments, and administrative data, which are listed in the bibliography.

The **assessments of existing safety net programs** are based primarily on analysis of raw data collected from the program authorities, but also draw upon review of almost 100 program evaluations, progress reports, and project documents, listed in the References section. 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 the impact on their incomes.
ANNEXES

Annex I  Poverty Analysis – Additional Tables
Annex II  Programs – Additional Information
Annex III  Cross-Country Data on Expenditure on Safety-Nets
Annex IV  Conditional Cash Transfers
Annex V  Estimated Costs and Coverage of Recommended National Safety Net Options.
**ANNEX I: POVERTY ANALYSIS**

Annex 1.1 - Sources of Income by Poverty Status

<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/1</td>
<td>13.9%</td>
<td>11.7%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

1/ Incl. Imputed rent, rent received, remittances, aid, interest, dividends and producer cooperatives; Source: own calculations using HBS data.

**Table A1.1.2 Livelihoods**

(Food and non food expenditures by wealth and livelihoods profiles; CFSVA, 2010)

<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**

| Poorest       | 11,656 | 57.7 | 20.8 |
| Poorer        | 14,404 | 55.6 | 26.0 |
| Moderate      | 18,072 | 55.8 | 40.6 |
| Richer        | 19,961 | 52.1 | 46.1 |
| Richest       | 28,414 | 49.1 | 65.9 |
### Annex 1.2 – Shocks and Movements In and Out of Poverty

#### Annex Table 1.2.1 Shocks Experienced – By Income Class
(\% of Households Reporting Shock in Last Year)

<table>
<thead>
<tr>
<th></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>2\textsuperscript{nd}</td>
<td>59%</td>
<td>21%</td>
<td>27%</td>
<td>52%</td>
<td>35%</td>
</tr>
<tr>
<td>3\textsuperscript{rd}</td>
<td>59%</td>
<td>23%</td>
<td>23%</td>
<td>53%</td>
<td>40%</td>
</tr>
<tr>
<td>4\textsuperscript{th}</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 1.2.2 Proportion of Households Reporting Shocks in Past 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: Constructed from Christiansen and Pan; Tables 46, 47*
Annex 1.3 Geographical Distribution of Poverty

**Annex Table 1.3.1 The Regional Distribution of Poverty in Tanzania; HBS 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 BN Poverty</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-Salam</td>
<td>16.4%</td>
<td>7.4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Table 1.3.2 Estimates of Regional Poverty**

<table>
<thead>
<tr>
<th>Region</th>
<th>Basic Needs</th>
<th>Food Poverty</th>
<th>Estimated 2001 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>Morogoro</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>Ruuvumia</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>

*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 1.4 Seasonality and Poverty

Duration of Harvest

Annex Fig. 1.1 Distribution of No. of Months that Harvest Lasts Households
[Source: CFSVA; 2010]

Annex 1.5 - Cross Country Data on Malnutrition

Table A1.5.5 Child Malnutrition in Tanzania and Selected Comparator Countries (%)

<table>
<thead>
<tr>
<th></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 1.6 – Orphans and Most Vulnerable Children

Table A1.6.1 Estimated Number of Orphans, 2010

<table>
<thead>
<tr>
<th></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>1,976,011</td>
</tr>
</tbody>
</table>

Source: NCPA; Projected number of vulnerable children 2010, Appendix VI, p.62

Table A1.6.2 Estimated Consumption Gap Between MVCs Living in Households below 30% of the poverty line, and those living at about the Poverty Line
<table>
<thead>
<tr>
<th>Age</th>
<th>Expenditure Gap (per child; 2006 Tnz Sh. Per annum)</th>
<th>Approximate US$ Equivalent</th>
<th>Approximate Number of MVCs (2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Non-Food /a</td>
<td>Food</td>
<td>Total (per child p.a.)</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>

*a/Represents an approximate average of urban and rural costs, which are slightly different for non-food items; see Table 1.5, p. 11, Lindboom, Leach, et.al. (2007)*
ANNEX II: PROGRAMS

Annex 2.1 – Vulnerable Group Program (TASAF) – More Detailed Description

1 The Vulnerable Group (VG) program provides grants to small groups of vulnerable people (such as the elderly, orphans, or the disabled), 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 as the primary mechanism for transfers to the poor. At present the program reaches about 20,000 persons per year, at a cost of about Tsh.6 billion annually (US$ 5.2 million).[111]

2 Each ‘group’ consists of about 10 people, and receives an average grant of about US$ 8,500 equivalent[112]. 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 per se, and 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 Implementation and Targeting. The VG program is implemented through the Tanzania Social Action Fund and local governments. A call is sent out for proposals through the TASAF network, and communities are free to propose Vulnerable Group projects instead of more traditional social-fund type investments (such as building classrooms or a water system), or public works employment projects (discussed above)[113]. Local Government Authorities and TASAF then screen the proposals, and those that are approved are developed further, generally with the incorporation into the group of a slightly better-off or more educated community member who can help provide technical and managerial guidance on the project.

4 The eligibility of vulnerable persons in the group is confirmed by village assembly meetings, which form part of the proposal appraisal by TASAF and local government staff. Criteria for inclusion is on the basis of food insecurity and the inability to meet basic needs.[114]

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[111] Based on funded sub-projects over the first 5 years (2006-2010), but note most are continuing beneficiaries.
[112] Based on actual performance up to February 2010 (as reported in Implementation Support Mission status report of March 2010, TASAF): the project documentation for the recent expansion of the program shows a target grant size of about US$ 10,000 per group.
[113] 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 (perhaps/reportedly because they require less supervision and managerial involvement on the part of the local government); as a consequence only about 10% of VG proposals have been funded until recently.
[114] 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...
Although the program operates nation-wide, recent funding for expansion has been earmarked for the 40 most food-insecure Districts, introducing a further layer of geographic targeting.

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

6 Preliminary evaluation results suggest that VG participants are 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. (Table 2.1)

<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 consumed meat in last week</td>
<td>1.6</td>
<td>0.9</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>No. days consumed milk</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>

Source: Preliminary results of first-round evaluation; Ozler et. al. 2008. Notes: a/Defined as any household having 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 (Tsh.15 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; so the real value of the transfer is the stream of profit generated by the project annually in the future. Unfortunately we do not have 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 to both poverty line incomes, and to grants or loans typically provided under similar programs elsewhere. It represents, for example, 800% of the per capita poverty line income, and is almost two-and-a-half times per capita GDP – so would be the equivalent, for example, of a US$100,000 per capita grant to the very poor in the USA.115

Other vulnerable children include abandoned children, street children, widows and widowers, unemployed youth (ex primary school), and single mothers.” [see eg. WB.2009 Add‘l Financing PAD P.187]

115 The grant per project of US$10,000 also compares to average loan sizes of US$ 180 equivalent to under BRAC in Bangladesh, or - closer to home - to Tsh 520,000 (or US$ 400 equivalent) under the BRAC program in Tanzania.
Commentary. The VG program has some interesting characteristics: this is not the group one would expect 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 is thus a potentially promising way to help some of the very poorest. It has the potential to raise incomes more permanently; but do so is critically dependent on the financial health of the sub-projects financed – whether they will generate a long-term positive cash flow to the groups over a period of say 5-to-7 years.

Assessing the impact of the VG program, and its potential cost-effectiveness as a transfer instrument, depends critically on answering this question. To date monitoring and evaluation has concentrated on the indirect evidence of welfare and consumption changes among individual members, which is important (but also difficult, and expensive, to measure). The important thing to do moving forward is to rigorously assess the financial flows being generated by the projects. A priority should thus be tracking the financial health of a sample of sub-projects;

Given strong policy preference for self-help rather than hand-outs in Tanzania, 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, and to do justice, the Vulnerable Group program would need to be assessed in comparison with other income-generating and microcredit programs in Tanzania.

Finally, it is worth noting that with only 10 persons in a village (out of typically several hundred), the impact of the program 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 the scale - reaching only a few tens of thousands of persons a year - it is unlikely to form a significant part of a national safety net strategy.

A further potential concern is the incentive structure, and consistency with other small business programs, most of which provide loans rather than grants. As with many income-generating programs, one also has to be concerned with how sustainable projects are once help with inputs, production and marketing are no longer provided. Finally, the very high levels of transfer ($10,000 per project) limit the capacity to expand this program - to reach just 3% of the poor, for example, would cost about US$180 million, based on its current cost structure.\(^\text{116}\)

\(^{116}\) Based on 13 million poor.
Annex Table 2.2.2 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>Once-Off</td>
<td>Sustained</td>
</tr>
<tr>
<td></td>
<td><strong>All</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extreme Food Poverty</td>
<td>NFRA</td>
<td>X</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>School Feeding</td>
<td></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-Work (FFA)</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td>Seasonal Food Shortages/Price Shocks</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>Drought</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>Orphanhood/MVCs</td>
<td>MVC Program</td>
<td>Only</td>
<td>Partially</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Partially</td>
<td></td>
</tr>
<tr>
<td>Elderly/Disabled</td>
<td>CCTs (v.small coverage)</td>
<td>X</td>
<td>Partially</td>
</tr>
<tr>
<td>Escaping Poverty Traps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Low Risk/Low-Return Behaviour</td>
<td>NAIVS</td>
<td>X (3 years)</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Partially</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 /a</td>
<td>Yes</td>
</tr>
<tr>
<td>- Malnutrition</td>
<td>School Feeding (very limited)</td>
<td>X</td>
<td>Partially</td>
</tr>
</tbody>
</table>

*a/ But benefits potentially sustained*
ANNEX III: CROSS-COUNTRY EXPENDITURE ON SAFETY NETS

Annex Table 3 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>

Source: World Bank – Safety Nets Toolkit Database; Spending on ‘social assistance’; GDP in PPP terms; various years. Data is mostly 2000.
ANNEX IV: CONDITIONAL CASH TRANSFERS

Cash Transfers: To Condition or Not To Condition?
14 Conditional Cash Transfer programs involve beneficiaries having to undertake certain behaviours (such as sending children to school, or getting vaccinations) in order to receive their monthly cash transfer. CCTs have become tremendously popular in recent years. The two largest ones – Mexico’s *Opportunidades* and Brazil’s *Bolsa Familia* - cover millions of households, and have had notable success in reducing poverty levels while improving use of education and health services\(^\text{117}\). Following these successes, and others which were more narrowly targeted at 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 can potentially help achieve the longer-term human capital objectives of safety net transfers, and promote escape from inter-generational poverty traps, but at the same time there are costs to administering them, and the services that beneficiaries are required to use have to be available (see table).

<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 &amp; capacity to monitor and enforce conditions</td>
</tr>
<tr>
<td>* Can change behaviours in using poverty-reducing services</td>
<td>* More costly than un-conditional transfers</td>
</tr>
<tr>
<td></td>
<td>* There have to be behaviours that need changing (eg. enough of the poor have to be failing to go to school);</td>
</tr>
<tr>
<td></td>
<td>* The significance of these behavior changes has to be important enough to justify the extra costs</td>
</tr>
<tr>
<td></td>
<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>
</tr>
</tbody>
</table>

16 The importance of these behaviour changes, and/or the value attached to the additional 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 ‘conditionally’ for enrolling 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.

17 So to what extent *should cash transfers be conditional in Tanzania*? This is ultimately a political-economy decision that Tanzania will have to make during program design. Given the strong aversion to ‘handouts’ among both politicians and ordinary Tanzanians (including program beneficiaries), we would argue that cash transfers *should* be conditional, in order to make the

\(^{117}\) See for example Fiszbein et al.; Conditional Cash Transfers – Reducing Present and Future Poverty; 2009
programs politically and sociably acceptable; but the conditions might be fairly ‘soft’, and some work will need to go into identifying the right ones. 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 remoter areas where the very poor tend to live). The Box below gives a menu of some potential options that might be explored in the case of Tanzania.
### ANNEX V: ESTIMATED COSTS AND COVERAGE FOR THREE NATIONAL SAFETY NET OPTIONS

**Annex Table 5.1 Estimated Costs of National Safety Net Programs -- 3 Options**

*Order-of-Magnitude Estimates Only*

<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 (PWP) or HHs Rec’g Transfer</th>
<th>Total Amount Transferred (tsh mlln.)</th>
<th>Estimated Overheads</th>
<th>Est. total Cost (Tsh Milln)</th>
<th>Est. Total Cost (US$ m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited-moderate Safety Net Strategy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works</td>
<td>3500</td>
<td>2,000,000</td>
<td>3</td>
<td>125,000</td>
<td>21,000</td>
<td>57,750</td>
<td>21,000</td>
<td>57,750</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>39,000</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>39,000</td>
<td>39,000</td>
<td>39,000</td>
</tr>
<tr>
<td><strong>Total Beneficiaries:</strong> 3,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total Cost:</strong> 124,050</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intermediate Safety Net Strategy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works</td>
<td>3500</td>
<td>3,750,000</td>
<td>4</td>
<td>750,000</td>
<td>52,500</td>
<td>144,375</td>
<td>39,000</td>
<td>39,000</td>
</tr>
<tr>
<td>Low</td>
<td>5000</td>
<td>500,000</td>
<td>12</td>
<td>125,000</td>
<td>30,000</td>
<td>39,000</td>
<td>39,000</td>
<td>39,000</td>
</tr>
<tr>
<td>High</td>
<td>3500</td>
<td>500,000</td>
<td>12</td>
<td>125,000</td>
<td>30,000</td>
<td>39,000</td>
<td>39,000</td>
<td>39,000</td>
</tr>
<tr>
<td><strong>Total Beneficiaries:</strong> 4,750,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aggressive’ Safety Net Strategy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public works</td>
<td>5,000</td>
<td>3,000,000</td>
<td>3</td>
<td>600,000</td>
<td>45,000</td>
<td>123,750</td>
<td>31,500</td>
<td>31,500</td>
</tr>
<tr>
<td>Low</td>
<td>5,000</td>
<td>2,000,000</td>
<td>5</td>
<td>400,000</td>
<td>50,000</td>
<td>137,500</td>
<td>58,500</td>
<td>58,500</td>
</tr>
<tr>
<td>High</td>
<td>5,000</td>
<td>750,000</td>
<td>12</td>
<td>187,500</td>
<td>45,000</td>
<td>58,500</td>
<td>58,500</td>
<td>58,500</td>
</tr>
<tr>
<td><strong>Total Beneficiaries:</strong> 6,500,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Assumptions: about 36% of total expenditure on wages under PWP (historical average in Tanzania – this should be able to be raised substantially higher, and total program costs would decline significantly if a greater share were achieved); 30% program operating, overhead and delivery costs for cash transfers (again, greater efficiency should be possible, in which case total costs would be lower). Assumes that cash transfers (as opposed to PWP) are restricted to the very poorest/most vulnerable – MVCs, elderly, disabled, who are not supported by HHs - and that in general this group need support 12 months of the year. Cash transfers are restricted to 1 million persons (2.5% of the population) under the most limited scenario, and expanded to 1.5 million people (about 4%) under the most aggressive strategy. Assumes that about half of them receive Tsh.5,000 per capita per month, and the other half Tsh.3,500 per month. Assumes that the rest of the target population receive their benefits through PWP.
PWP coverage varies from 2 million beneficiaries (400,000) employed, up to 5 million (1 million employed) under the ‘aggressive’ strategy. Transfer is Tsh 3,500 per beneficiary per month under the first two strategies, Tsh 5,000 under the aggressive strategy; duration of transfer varies from 3 to 5 months in the different scenarios (assumption being only limited benefits are provided under the first scenario (therefore 3 months); 4 month under the ‘moderate’ scenario and under the ‘aggressive’ scenario transfers may be either 5 months (for HHs in areas with longer lean seasons), or 3 months (in areas that are better off, and with a shorter lean season).