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Degree of Master of International Studies

(International Area Studies)

**Is Tanzania Economic Development a Success
Story: Critical Comparative Review of Economic
Achievement of Tanzania with Vietnam**

1990 - 2012

August, 2016

Development Cooperation Policy Program

Graduate School of International Studies

Seoul National University

Deogratius Mwanyasi

**Is Tanzania Economic Development a Success
Story: Critical Comparative Review of Economic
Achievement of Tanzania with Vietnam 1990 -
2012**

A thesis presented

by

Deogratius Mwanyasi

A dissertation submitted in partial fulfillment
of the requirements for the degree of
Master of International Studies

**Graduate School of International Studies
Seoul National University
Seoul, Korea**

August 2016

The Graduate School of International Studies
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Acknowledgement

First and foremost I would like to thank The Almighty God for blessing, protecting and guiding me in carrying this piece of work and for the great opportunity to be in Korea. More so, am grateful for the gift of life, grace and strength to leave my beloved ones temporarily during the period of study.

I am also indebted to a number of people and institutions for the invaluable moral and material support throughout my studies. First of all, it is to my thesis Advisor Professor, Ahn, Dukgeun, for always being there for me, willing to listen to all my frustration, ready to read and comment throughout the course of research and successful completion of this manuscript. For that and a lot more, I owe indelible academic debt. I wish to articulate deepest sense of gratitude and profound gratefulness to My Committee Chair Professor, Cho, Young-Nam and Committee vice Chair Professor, Song, Jiyeoun for their close guidance and most valuable critical comments.

Thanks a lot, Professor. Kim Taekyoon, it was nice indeed working under your supervision. I also extend my gratitude to Professor, Kim, Chong-Sup for being a great guardian to our Graduate School of International

Studies(GSIS) and providing valuable advice throughout our studies in Seoul National University, May Almighty God give you a long life.

I would like to extend my sincere appreciation to KOICA for the precious opportunity of scholarship without which my study would not have been successful. The GSIS office together with the entire administration also played a huge role in providing amicable environment for study, facilitating all the academic and extracurricular activities. To my colleagues of Seoul National University, I am grateful for the moral support afforded to me throughout the long anxious months preceding the examination of my thesis.

I would like also to appreciate the role of Ministry of East African Cooperation (MEAC) for allowing me to pursue this academic dream.

More important, I would like to express my appreciation to my family; my wife Mary and our children Doreen and David. Their patience, prayers, ceaseless inspiration, unconditional love, encouragement and support gave me a reason to keep going.

Therefore, I dedicate this thesis to my Parents, as well as my Wife Mary and our children Doreen and David you are special gift to me. I love you all dearly.

Abstract

This thesis analyses the impact of economic growth in Tanzania on poverty reduction using Vietnam as benchmark country. The economic growth in Tanzania raises an important question whether there is a trickledown effect to poor people in improving their wellbeing through reduction in poverty. The assessment is based on review focusing in Human Development Index and agriculture as they are important development indicators given the nature of the Tanzania economy.

Basing on the review of various National and international documentation for the period of 1990 – 2012, this thesis reports that, Tanzania economic growth is so far not a success story, looking to the progress made on pro-poor growth. Despite of the impressive economic growth many people are living in poverty and important sector of the economy like agriculture which affects many poor people is underdeveloped and growing income gap between urban and rural areas. Also issues regarding education, health and other important aspect for human wellbeing are narrowly defined as they do not reflect the real situation.

Therefore, the policy implication from the review is that Tanzania's development strategies should focus more on pro-poor growth especially on

agricultural sector because poverty is more pronounced in rural areas and majority depend on agriculture. Also more emphasis should be in human capital development as it is very important components for economic growth and development.

Key words: Development Indicators, Economic Development, economic growth Poverty, Pro poor growth

Student Number: 2014-24336

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List of abbreviation

AFROAD	African Forum and Network on Debts and Development
FAO	Food and Agriculture Organization
GDP/GNI	Gross Domestic Product/ Gross National Income
GNP	Gross National Product
GSIS	Graduate School of International Studies
HDI	Human Development Index
HPI	Human Poverty Index
HBS	Household Budget Survey
IMF	International Monetary Fund
MEAC	Ministry of East African Cooperation
MOFEA	Ministry of Finance and Economic Affairs
NGO's	Non Governmental Organizations
NSGRP	National Strategy for Growth and Reduction of Poverty
NPES	National Poverty Eradication Strategy
OECD	Organization of Economic Co-operation and Development
PPP	Purchasing Power Parity
PRGF	Poverty Reduction and Growth Strategy
PSAC	Programmatic Structural Adjustment Credits

PSRP	Poverty Reduction Strategy Paper
PSRP	Public Service Reform Program
SAPs	Structural Adjustment Programs
SSA	Sub Saharan Africa
TAS	Tanzania Assistance Strategy
UNDP	United Nations Development Programme
URT	United Republic of Tanzania

CHAPTER ONE

Introduction

1.1 Historical Background

In today world each country aims at achieving economic growth as it is important and pre-condition for economic development; on the other hand economic development of any country is anticipated to be negatively related to poverty such that as the economy grows poverty get reduced. Therefore policy developed intending to improve economy should look how every member of the community will be positively affected. So economic policies for developing countries should intend at building economy that improves wellbeing of people.

Poverty among Tanzanian is still high contrarily to the economic achievement the country has been recording in terms of

growth, poverty among rural community is increasing and income gap between urban and rural is also growing, poor social service like health, water and sanitation, more importantly there is poor performance of agriculture regardless the fact that rural community accounted for 71 percent of the total population in 2012¹. This implies that Tanzania economic growth is not inclusive as big part of the community depending on agriculture is left out due to underdevelopment of the sector.

Vietnam is being recognized as one of the successful model in strategies targeting in reducing poverty (pro-poor growth) according to the World Bank. The main reason for the success is her policies and strategies and commitment towards rural poverty reduction. Tanzania and Vietnam shares some historical and economic similarities, therefore Vietnam will provide a good benchmark for Tanzania, as both countries implemented economic

¹ Available at <http://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>

reforms, and Vietnam is witnessing progress while Tanzania is struggling. Therefore, the view of policies and strategies of the two countries will determine whether Tanzania economic development is success.

1.2 Statement of the problem

Tanzania has experienced an improved economic growth in recent years like other developing countries. However they are facing challenges of how the achieved growth is channeled to the low people (community). They are breaking Gross National Product (GNP) growth target but the real life of their people does not reflect the economic progress recorded.

Tanzania has achieved stable economic growth and development in key structures in the last decade. Due to various reforms taken by Tanzania to promote growth and reduce poverty

the economy grow at average of 7 percent between 2005 and 2007². However, strategies for reducing poverty in the country have not achieved as it would be expected and therefore difficult to judge such economic development has been success.

In 1990's Vietnam also took a number of economic reforms in its economic structures, the reforms had led to increased and stable economic development. It is interesting that although both Tanzania and Vietnam have indicated economic growth and stability, Vietnam is ahead in achieving poverty reduction goals. **Therefore; Taking Vietnam as benchmark, this paper, attempts to analyse the impact of economic growth in Tanzania on poverty reduction.**

² Available at <http://data.worldbank.org/indicators/NY.GDP.MKTP.KD.ZG>

1.3 Importance of the Study

The study is important as it is going to be benchmark model in developing and implementing various policy and strategies on poverty reduction. Also it will give clear picture of economic development of Tanzania if it has been successful when compared with Vietnam especially on poverty reduction.

CHAPTER TWO

Literature Review

The main focus and attention of many economics recently especially in developing countries like Tanzania are on the relationship between economic development and poverty. Considering the fact that most of the developing countries depend on agriculture which is the main source of income as it employ many people. Development theories reveal that for the in order to have sustained economic growth there should be reduction in poverty as a result of economic growth and development.

Various scholars have tried to explain the relationship between economic development and income of the poor population. “Mean incomes of poor population are considered to increase as the overall income of the population increases- Dollar and Kraay (2001)”. While some scholar supports this, some are skeptical as

the urge that the economic growth may come with inequalities among the population, which has negative effect to the poor population as they are the one mostly affected.

As respond to the debate, Dollar and Kraay in 2002 conducted a research which reveals that “the average incomes of the poorest people in the society tend to increase proportionately to the average income”. Therefore policies/strategies that promote growth are beneficial to poor population. Institutions and policies targeting poor people are considered as pro-poor as they are beneficial to poor³, as they tend to hinder growth for the poor. On the other hand those policies are also benefit non-poor population. Then promotion of growth of income will help in reducing poverty level. Further, Kraay, (2004) cement on the theory that growth is considered as pro-poor if poverty among the population is falling.

³(Dollar and Kraay, 2001) pro-poor policies and institutions includes rule of law, international trade, less government expenditure, effective financial institution.

Therefore, pattern of the pro-poor policies determine the result of growth, whether will increase the growth of average income or not.

Building on the debate regarding economic growth and poverty reduction through increase in income, Chhibber and Navyar (2007) emphasizes that poverty reduction tends to differ even in countries with similar growth rate and that the focus of many previous literature were on one side that when economic growth increase the income of wealthier population and their consumption on agricultural goods produced by poor population the income is distributed which not necessarily to be the case.

In recent time issues of poverty reduction are understood well through pro-poor policies and strategies that make poor community participate and reap the benefit of economic growth. Chhibber and Navyar (2007) emphasis on the importance of removing all barriers that hinder the pro-poor growth like all institutions that are biased against the poor, this is fact that it lead

to inequality and also the economic growth does not bring the poverty reduction. Further, Chibber and Navyar stress that differences in income and wealth between rich and poor is an indication that poor population are not enjoying the benefit of economic growth, hence need for pro-poor policy formulation.

It is important to look at relationship between agriculture and poverty, this is because in developing countries big part of their population depends on the sector as source of income as it employ man people, so development of the sector would have big impact to poor population which majority of them are living in rural areas. According to Osberg and Bandara (2012) realization of economic development has opposite relationship with other sector of the economy. In the process of development of some sector like industry witnesses slow of agriculture growth therefore its share to the economy get reduced as well as employment. Despite the fact that such trend is an indication of economic prosperity to the

country economy, the growth of those sector is not translated to majority of population which depend on agriculture. Since majority of people still depend on agriculture especially in developing countries increasing growth of income from agriculture would be very important in poverty reduction hence it is crucial to improve issues related to land rights and other related assets in agriculture in order to increase agricultural investment.

While Osberg and Bandara (2012) support the agricultural argument that since majority of population depend on agriculture increase in the agricultural income will be important in poverty reduction in developing countries on one hand. On the other hand they are skeptical that just more additional allocation of resources in the sector to maintain growth rate in the economy so that to reduce poverty is not enough to reduce poverty, this is due to fact that farmers in developing countries like Vietnam and Tanzania have less influence in the price of their products, as increase in

production will lead to fall in price. Hence; production increase in the agriculture sector should be supplemented with promotion of export to that agricultural products gets better price which will improve income of poor population.

Agriculture is very important in poverty reduction in developing countries as it is the main source of employment to the rural poor population. However it should developed together with other sectors like small and medium industries so that while on one hand rural population get employment, they can also attain the buying power of their agricultural products.

CHAPTER THREE

Analytical Framework

Basic concepts are explained in relation to the poverty, economic growth and income inequality with methodology used in this paper.

3.1 Basic Concepts

Important concepts in this paper are Pro-poor growth, poverty and economic development

3.1.1 Economic Development

Different authors in development and economics studies have approached differently when dealing with issue of development especially with defining “Development” but all of them target at improving the life of people. According to (Todaro, 1989) development is “freedom or emancipation from alienating material conditions of life and from social servitude to nature,

ignorance, other people, misery, institution and dogmatic believe”.

According to the South Commission 1991, looks development as the whole process of removing people from exploitation, fear and poverty.

Although different people define differently development, economic development forms important aspect of development, this is due to fact that when there is trickle down effect of the increase in GNP per-capita of a country life of people gets improved; economist refers development economic development through growth in GNP per capita GNP per capita.

There is confusion between economic growth and economic development as it happens they are used interchangeably. According to (Ezeal-Harrison, 1996) economic growth refers to the growth of GDP as well as real income in given time for a particular country, where as economic development is the whole process of structural changes in economy to allow the economic growth. In

this research economic growth and economic development are used tantamountly.

3.1.2 Human Development Indicators

Since 1960 World Bank developed a number of indicators from various countries, they range from social, political, economic as well environmental indicators⁴. Those indicators are used to measure how countries progress in terms of development specifically in economic aspects like productivity, social well-being and environment protection/management. In this study the focus will be Human Development Index element and agriculture⁵.

Human Development Index refers to three element of development which is income, health and education; income is measure in term of living standard through per capita, education by

⁴ Available at; <http://data.worldbank.org/data-catalog/world-development-indicators>

⁵ The HDI tells the trend of human development in a country, agriculture is the main source of employment in developing countries.

enrollment rate and life expectancy at birth measure health situation in the country; looking to HDI it will give idea on trend of the economy. Therefore, for the purpose of this study Human Development Index and trend of agriculture sector in terms of employment will measure the success of the economy.

The researcher understands that Human Development Index is not the only indicator of human development, there may be other many like issues of safety, freedom and other external factors, this study remain to be summary that need further studies. Also HDI when compared with other methods of measuring economic and social well being of people in a country like GDP, it is better as it gives a range of choice when targets for improving are set.

3.1.3 Poverty

The term poverty cannot be simple defined and people have approached it differently according to need and time for a given circumstances; but its bottom line it is the situation where a given population lack capacity to meet basic need of living. World Bank approach poverty it term of lack of ability and resources to meet basic human needs. Franklin Roosevelt once said “the test of progress is not whether we add more to the abundant of those have much; it is whether we provide enough for those who have too little”- goodreads, n.d:webpage. Poverty can be categorically divided into two form; relative and absolute;

- a. Absolute Poverty; according to Todaro, 2011 is the situation which individuals do not have resource and capacities acquire basic human needs like clothing, food and shelter. For easy of measurement and comparison World Bank use 1.25 Dollar per day.

b. Relative poverty; is the situation where by people in a society their living standard is less than that the government determine, (Business dictionary ⁶), it is the inequality (economic) in the society, some individuals have less resources to get human needs when compared to other and average of the given society.

In order to measure the welfare of the society, income inequality will be determined.

3.1.4 Pro-poor growth

According to the United Nation Development Program – UNDP (2004) pro-poor growth is “the growth that benefits the poor and provides them with opportunities to improve their economic situation”. Organization of Economic Cooperation and Development and World Bank uses this definition as it is

⁶ Available at www.businessdictionary.com/definition/poverty.html

commonly agreed that the benefit of economic growth should be transferred to poor people in terms of reduction in poverty. Pro-poor growth can be categorized into relative and absolute:

- a. Absolute pro-poor growth; this occurs when income of people with less income grow fast as the due to the economic growth. Tilak, 1989 relates this to the decreasing in the absolute poverty among the poor individual, when their income grows means people living below 1.25 dollar also decrease, this define the way people are being benefited from economic growth in absolute ways.
- b. Relative pro-poor growth; this occurs when income inequality among individual is reduced due to economic growth. Therefore income differences and distribution between poor and rich/non poor improved.

3.2 Methodology

3.2.1 Research Design

Both qualitative and quantitative methods are used to meet the objective of the study. The study is more of explanatory/descriptive focused on review of secondary data of HDI trend and role of agriculture between 1990 and 2012.

3.2.2 Source of Data

Secondary data was collected and used to achieve the objective of the study through reviewing various national and international policies, strategies and reports. The result was presented in graphs, tables to shows the performance of indicators.

CHAPTER FOUR

Discussion

4.1 History of Economic Development

4.1.1 Tanzania Economic development

At a time of independence in 1961 Tanganyika (now Tanzania) was poor and underdeveloped, almost 74 percent of the people depended on agricultural sector. The main mode of production was capitalist adopted from the colonial master. After Arusha Declaration in 1967 Tanzania become socialist under the late Mwalimu J.K. Nyerere where all means of production were controlled by the government. Kaiser, (1996) point that the first focus of the development plans of the country after independence was to industrialize through capitals intensive which depend much on the foreign Aid. However due to government involvement in managing the economy the plans did not work as planned economy deteriorate.

Notable reforms in Tanzania's economy can be traced from early 1990 when liberalization of the economy, Structural Adjustment Program (SAPs) and Macroeconomic stability took place. The reforms made government to have less control of the economy as market were left to function.

4.1.2 Vietnam Economic Development

Vietnam is sounded by long history of war which made economic development almost impossible. The country was divided between south and north economies therefore making difficult to develop the country as whole. Nam T.B. and Pham D.C. (2002) point out that the difference between the two parts was pronounced in terms of development with northern part recording economic growth due to the investment while the southern part had less investment during the period of 1955 to 1975.

In the early 1990s Vietnam experienced economic growth which was stable in the year between 1992 and 1997; Vietnam's stable economic growth was due to two most important changes in that took place in the country; the Doi Moi reforms which took place in 1989 among other focus in agriculture, industry and service which increase production and trade both local and international trade. Also influence of international community like Japan helped Vietnam to get funds for developing its infrastructures which was important economy growth (Nam T.b. and Pham D.C., 2002)

4.2 Reduction of poverty in Tanzania and Vietnam

4.2.1 Reduction of poverty in Tanzania

The main problem facing developing countries is poverty among the people; Tanzania has not escaped this trap as many

people are still living in poverty. The government in collaboration with international organization like IMF has been taking various initiatives and programs to reduce poverty, between 2000 and 2004 Tanzania implemented the 1st Poverty Reduction and Growth Facility Programme, followed by the 2nd Poverty Reduction and Growth Facility Programme from 2003 to 2006. Among other this programme involved policy reforms to stimulate economic growth, as a result of the reforms Tanzania economy grow from 2.7 to 6.7 Percent for the period between 1990 – 1995 and 2004 respectively (AFRODAD report 2006).

At big picture Tanzania economic development is guided by Tanzania Development Visio 2025⁷. It gives the general picture of where the country is expected to be come 2025 in terms of social-economic developments; in reviewing the Tanzania vision it recognizes the challenge of the 21st century and how to cope with

⁷ The Tanzania Development Vision 2025 is the main development guide for a country as it gives the where the its is expected to be come 2015, the most important areas the vision are: Good Governance, Stability, Peace and United country, Educated Population, Competitive Economy with Sustainable Growth and shared benefit.

them through development of human resource, infrastructure, communication as well as technological advancement for stimulating economic growth. Also in the vision the emphasis is to reduce income poverty and inequality, the development achieve should reflect the life of people the so called “wealth creation and equitable distribution”.

In implementation of vision 2015 Tanzania in collaboration with international organization like World Bank and IMF has developed various strategies, among them includes; Poverty Reduction Paper (PRSP), National Poverty Eradication Strategy (NPES), and Tanzania Assistance Strategy (TAS). Most of the initiatives involve reforms that are crucial in realization of economic growth, like reform of public service, macroeconomic reform to bring about stability in the financial matters.

The reform has been with consultation with internal and external stakeholders, this is to create ownership and awareness as its implementation depends on the collaborative effort and roles in term of resource mobilization and implementation of project and programs geared to improving life of people through economic development. However more reforms are needed especially in crucial areas that affect many poor people like agriculture, education, this will help to increase production and reduce poverty.

4.2.2 Reduction of poverty in Vietnam

Various reports indicate determinations of the Vietnam government towards poverty reduction and improve wellbeing of Vietnamese. At various time the government of Vietnam has been developing a long plan strategy which its implementation is through short and medium plans. Since 1991 the government has been developing a ten year development plans (the so-called Ten-Year Strategy). The Ten Year Development Plans give the general

direction of what the government wants to achieve in terms of social and economic goals for that period.

Vietnam developed the first ten year development plan between 1991 and 2000, a review show that at this time the economy was taking positive shape in term of economic growth. However, the social and economic crisis continues as the result of end of cold war and United States continued to its embargo to Vietnam as result of difference in ideologies.

In 2001 Vietnam developed implemented Second Ten Year development Plan the “Strategy for socio-economic development 2001-2010”, and now sustainable Social-Economic Development Strategy 2011 – 2020. In order to implement this strategy the government in collaboration with various development stakeholders (internal and external) developed a Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

According to the World Bank, Vietnam is one of best practice of countries for pro-poor growth, the growth that target poor population and therefore has been able to reduce poverty; one of the reasons for the achievement is the reform in the agricultural sector, the reform increase production due to improved infrastructure which made communication between producer and consumer repayable which increase productivity and market.

Improved agricultural infrastructure has shifted the trend of migration of people in Vietnam, before most migrated to urban areas for better opportunities, but now there is rural to rural migration (Arkadie and Dinh, 2004). This help to balance the level of development between rural and urban. Also investment in education in rural areas plays great role in reducing poverty in rural areas in Vietnam as many people get education are actively

participating in productive activities which boost their income and hence the growth of the economy.

4.3 Performance of the Economy 1990 – 2012

This section gives an overview of important indicators of economic development for the two countries, which includes; HDI, economic growth, economic structure and poverty and inequality.

4.3.1 Economic Growth

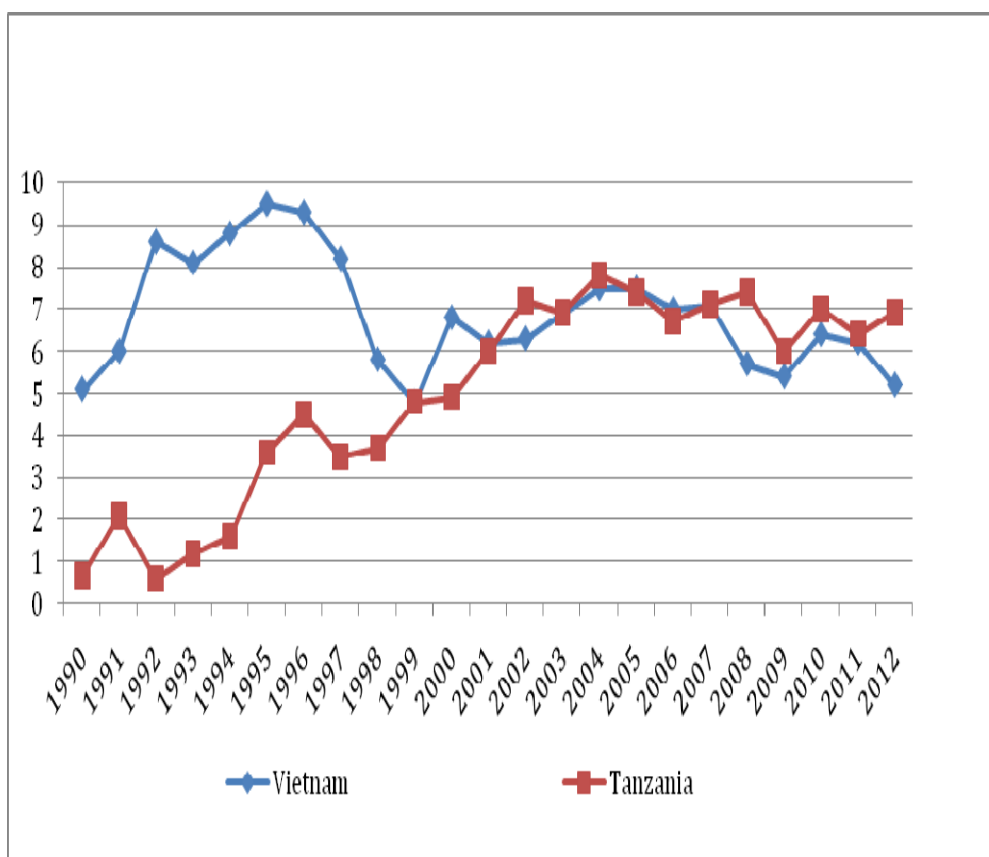
According to the world Development Indicator 8 (World Bank) the two countries have experienced growth of their economy for the period of 1990 and 2012. Many factors may have been contributed; one is the reforms that Tanzania and Vietnam undertook in the late 1980s and early 1990s.

⁸ Available at <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

Report from AFRODAD, (2006) indicates that, structural reform in 1990s such as liberalization of the economy in Tanzania stimulated its economic growth to 4 percent from the existed less than 3 percent. This is due to stability of the economy due to macroeconomic policies taken by the government which reduced inflation and increase the trust hence production increased.

Vietnam in 1990s attracted many donors and she received substantial amount of funds which helped to increase her investment and actively participated in trade, especially regional trade. Also Japan invested in Vietnam in manufacturing industry this boosted the foreign direct investment for the country.

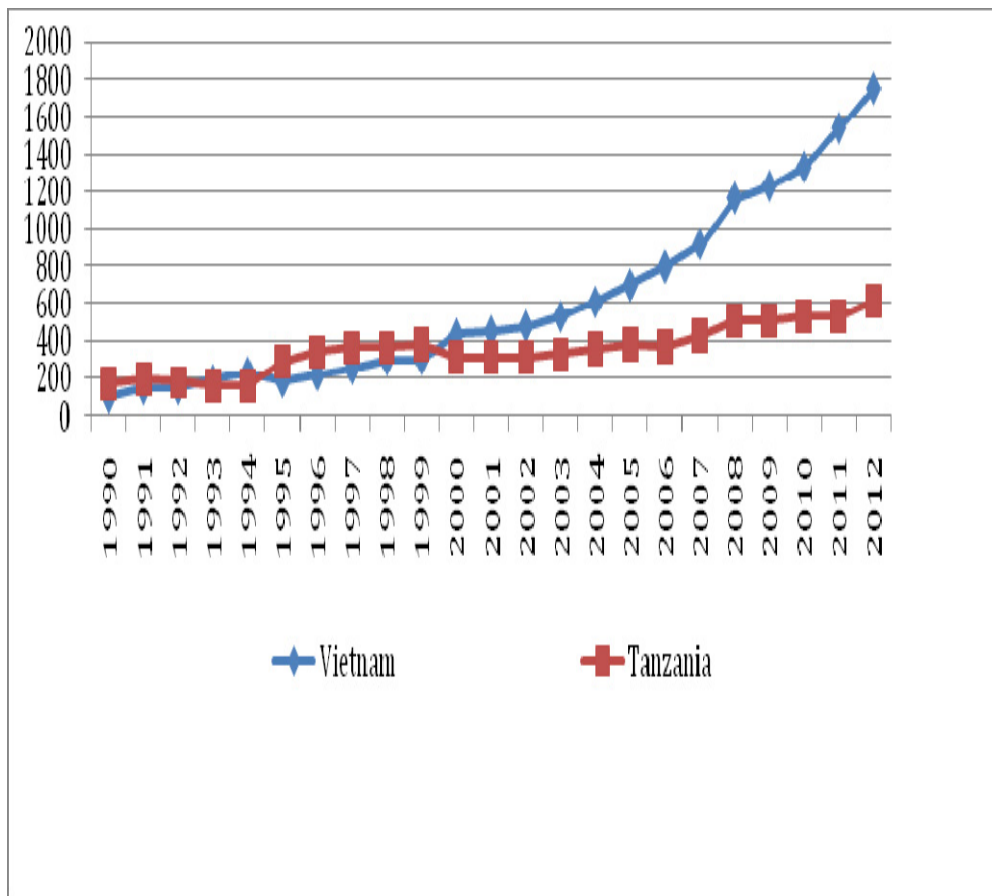
Figure 1: Economic Growth of Tanzania and Vietnam for the period of 1990 to 2012 – at constant 2000 prices (US Dollar)



Source: Constructed from WB

Available at <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

Figure 2: GNI-percapita of Tanzania and Vietnam for the period of 1990 to 2012 - at constant 2000 prices (US Dollar)



Source: Constructed from WB-
 Available at <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

The period between 1990 and 2012 witnessed improved economic growth for both Tanzania and Vietnam. However, the main difference is pace of growth with Vietnam moving faster than Tanzania. Also the figure shows growth in Vietnam fluctuates

while Tanzania is more stable, but comparing the GNI-per capita id growing faster in Vietnam than its counterpart Tanzania.

4.3.2 Poverty and Inequality

Between 2005 and 2012 Tanzania has recorded an impressive economic growth, however little have been done on reducing poverty, according to information from the government and international organization Tanzania has reduced poverty just for 2.4 percent for 17 year between 1990 and 2007 unlike other countries like Vietnam and Uganda which have reduced for more than 23 percent.

Figure 3: Poverty incidence: Poverty Head Count



Source: Policy Forum in association with Twaweza

From the figure above it shows that in 1991 poverty incidence in Tanzania was good than Vietnam and many African countries, however there have been small improvement, unlike its counterpart Vietnam which have reduced the poverty incidence from 58.1 to 25 recorded in 1992 and 2004.

Table 1: Poverty incidence in Tanzania

Poverty line	Year	Dar es Salaam (percent)	Other urban area (percent)	Rural areas (percent)
Food	1191/92	13.6	15.0	23.1
	2000/01	7.5	13.2	20.1
	2007	7.4	12.9	18.4
Basic needs	1991/92	28.1	28.7	40.8
	2000/01	17.6	25.8	38.7
	2007	16.4	24.1	37.6

Source: Tanzania Household Budget Survey 2007 (National Bureau of Statistics 2009)

Table 1⁹, is Tanzania Household Budget Survey 2007 which shows incidence of income poverty for the period of 2000/2001 – 2007 in terms of basic needs and food. There small change on the poverty incidence for the two line of poverty. Also there is big difference between urban and rural in poverty; with rural areas are more prone to poverty.

⁹ Researcher was not able to find the same information on Vietnam, however he thought it is important to include this information as it gives the picture how reduction of poverty in Tanzania is very slow. Also to show the existing gap of poverty between rural and urban population, hence important adopting more pro-poor growth strategies.

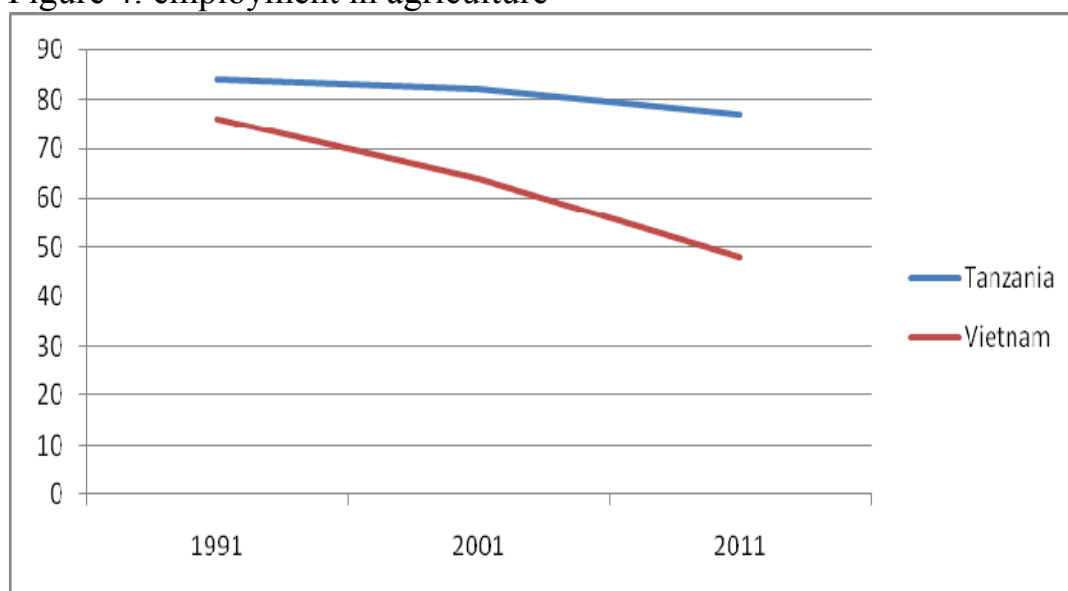
4.3.3 Structure of the Economy

In the previous section it has been pointed out on the importance of growing of the economy and the effort of reducing poverty. Also the importance of the agricultural sector to the economy of many of developing countries been emphasized due to the fact many people are still living in rural areas as it main source of income. But it is also important to look at the structure of the country's sectors of the economy.

Vietnam like Tanzania most of its population is living in rural area, in 2006 it estimated that 73 percent of 83 million people were living in rural areas (Thin, H.B 2009). The contribution of agriculture to employment to Vietnamese has been decreasing, in 1990 the provided 73 percent of the total employment the trend has been reduced to 48 percent in 2011. This shift is due to the development of other sectors of economy like services and industry which observe some of the work force. In the case of Tanzania 75

percent of the 45 million populations lived in rural areas, there a small change of trend of the contribution of the agriculture sector on employment, as it has decreased from 82.2 percent in 2001 to almost 70 percent in 2010 as the figure shows.

Figure 4: employment in agriculture



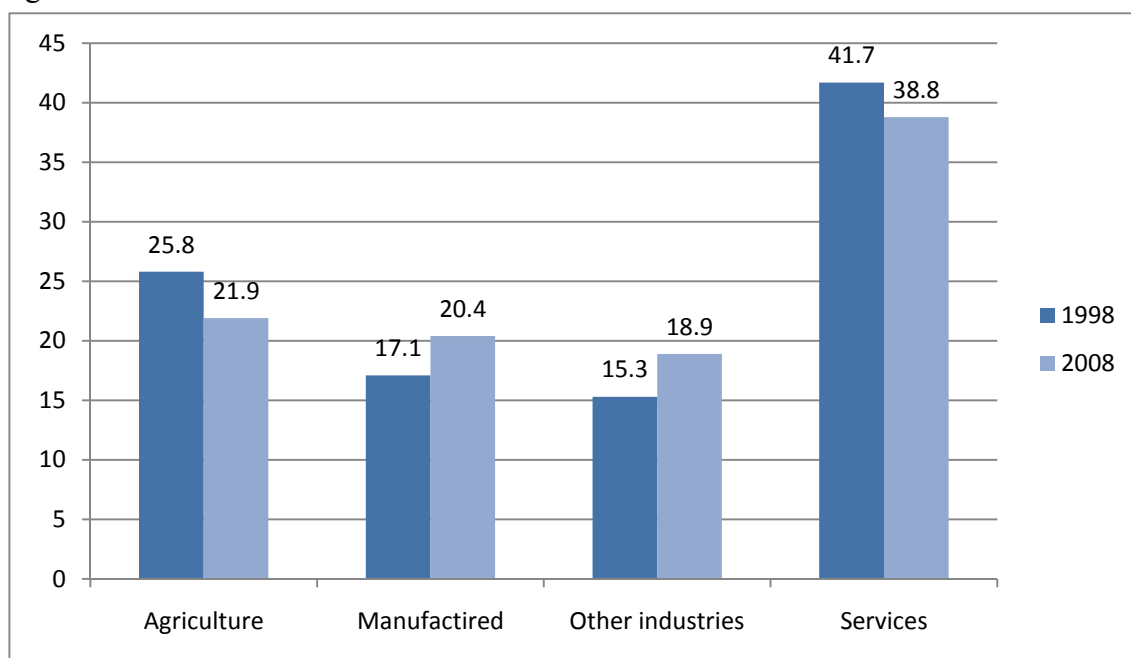
Source: World Bank - Available at

<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

Unlike Vietnam where the shift is due to development of other sectors of the economy, in Tanzania although the change is

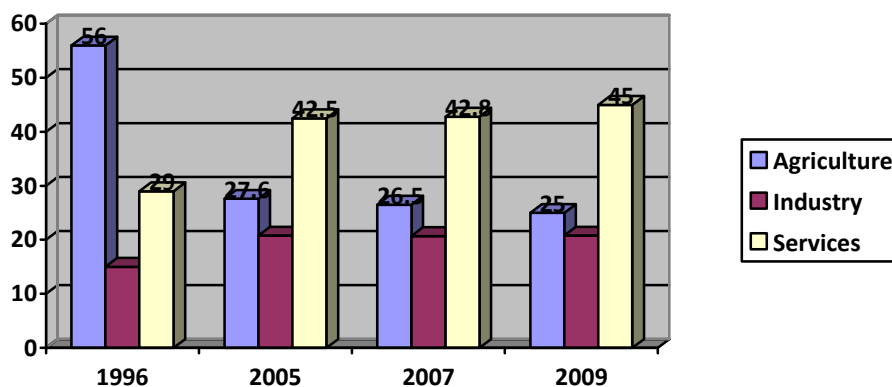
not big but is not a result of development of other sector rather influenced by many challenges facing agriculture sector people decide to migrate to urban area for better opportunities.

Figure 5: Vietnam Economic Structure



Sources: World Bank – World Development Indicators

Figure 6: Tanzania composition of GDP



Source: Tanzania Ministry of Finance and Economic Affairs (2009)

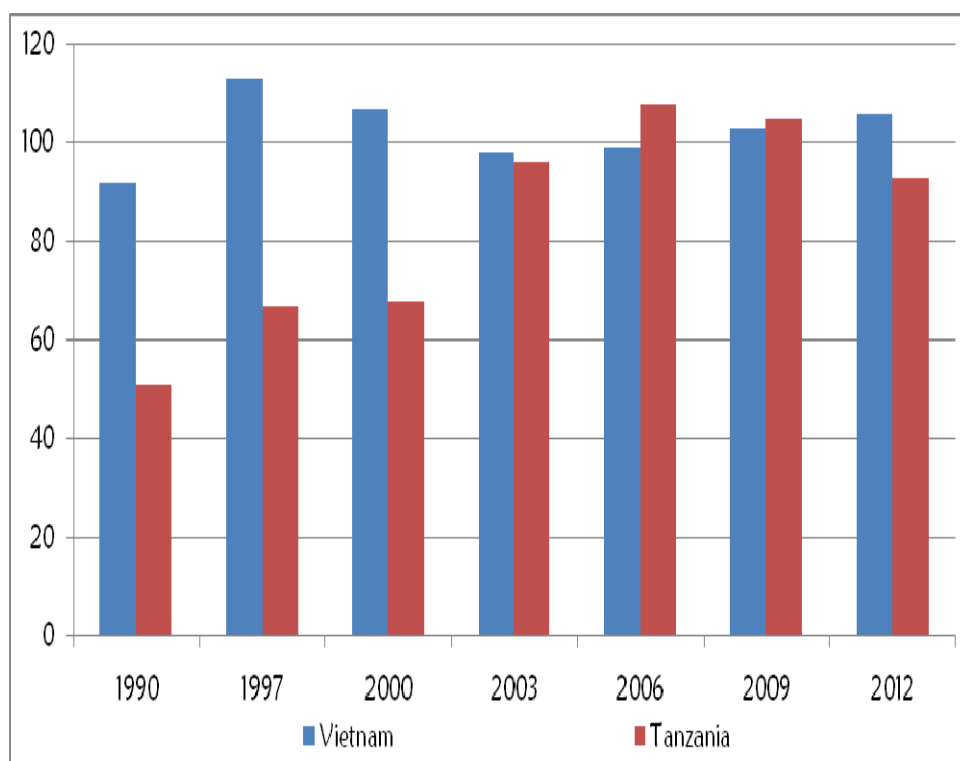
4.3.4 Human Development Index performance

In chapter three it has clearly the importance of human development index and they are measured. Looking the trend of per capita, enrollment rate and life expectancy at birth will give idea on trend of the economy. Many countries has been have been recording high in economic growth but the benefit is not translated to the poor people.

4.3.4.1 Education

Tanzania has shown impressive increase in the enrollment rate recently, in 1990s enrollment was 5 percent the trend has been increasing in 2006 Tanzania recorded the highest enrollment rate of 108 percent, the rate has decrease from 2009 in 2012 93 percent was recorded. On the other hand Vietnam trend on basic education has been far better than Tanzania from 1990 when its 92 percent to enrollment rate stood at 106 percent in 2012.

Figure 7: Net Primary Enrollment Rate



Source: World Bank - <http://data.worldbank.org/indicator/SE.PRM.NENR>

Figure 7 shows the school enrollment for Tanzania and Vietnam from 1990 to 2012, stability of the enrollment differentiate Tanzania and Vietnam. Although the rate is high in Tanzania but it fluctuate, from 51 to 108 percent in 1990 and 2006 respectively, this rate has decreased to 93 percent in 2012. On the other hand the stability of Vietnam is in the fact that since 1990 to 2012 the rate has changed from 92 percent to 100 percent.

However increase in the enrollment rate does not explain the real situation of education in terms of its quality, looking to the drop out, number of teachers, other general educational infrastructure and general budget allocated to sector. The number of students who does not finish their education in Tanzania is very high, few teacher when compare to students, also the government spending to the education fluctuate much than Vietnam; in 2012 the budget went down 18 percent from 28 percent of 2008, this rise doughty on the commitment of the government to strengthen education.

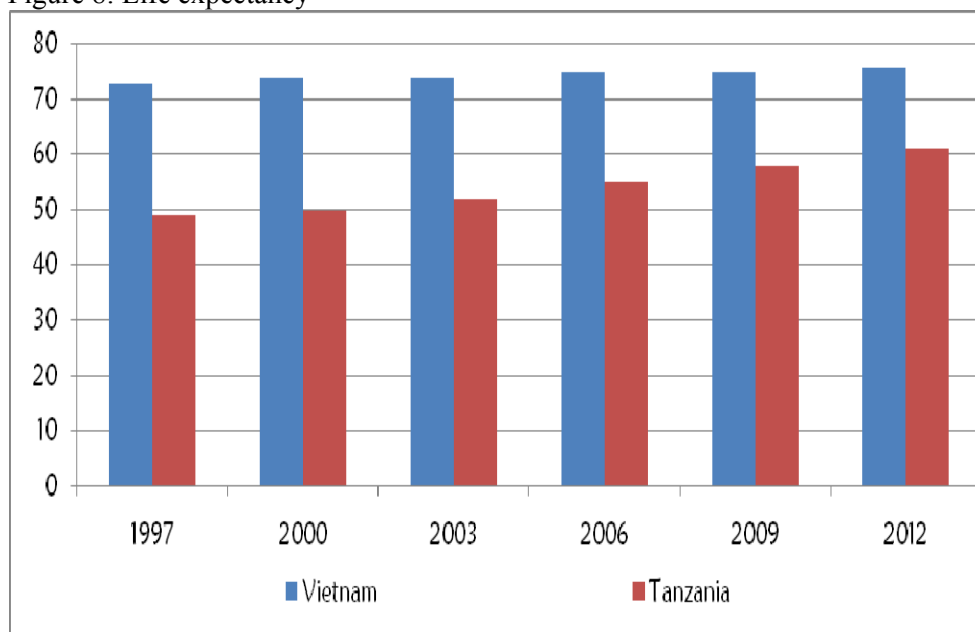
4.3.4.2 Health

Life expectancy

General trend of life expectancy in Tanzania shows there is an improvement, however still low compare to other developing countries especially African countries and Vietnam counterpart.

When compares the trend of economic growth with life expectancy there is mismatch as you expect growth of the economy to reflect the life of people in terms of increased year living. As figure 8 shows the trend shows that Vietnam in 1990 life was 65 years has increased to 72 year in 2012, Tanzania has increase from 50 years to 61 years in 1990 and 2012 respectively.

Figure 8: Life expectancy

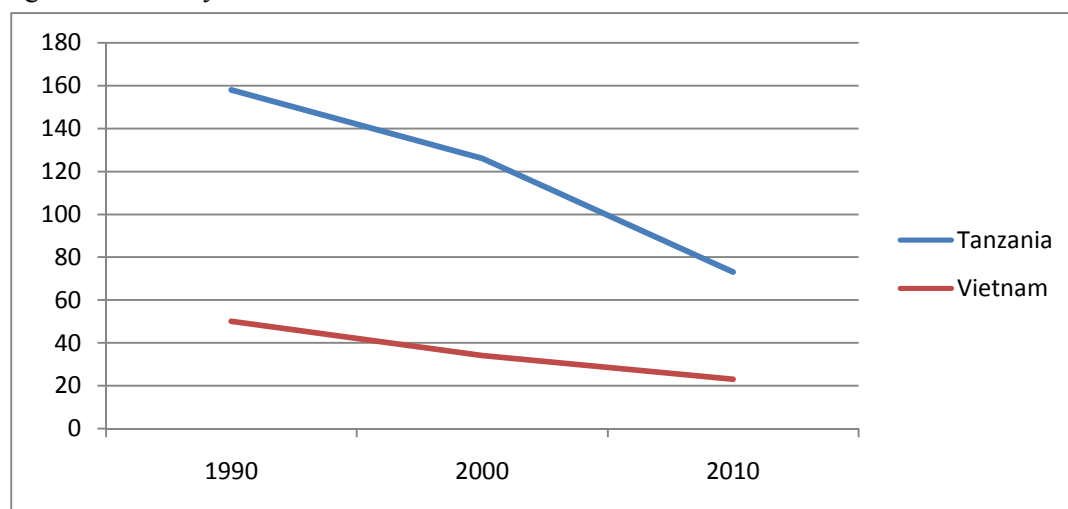


Source: World Bank - <http://data.worldbank.org/indicator/SP.DYN.LE00.IN>

Mortality

Looking to death of under five year children between the two countries, although the trend shows some improvement in 2010 when compared to 1990 still the rate is high, implying more resources are needed in this area. Efforts to control malaria and improve nutrition may be the reasons for fall in the mortality rate in Tanzania.

Figure 9 Mortality rate

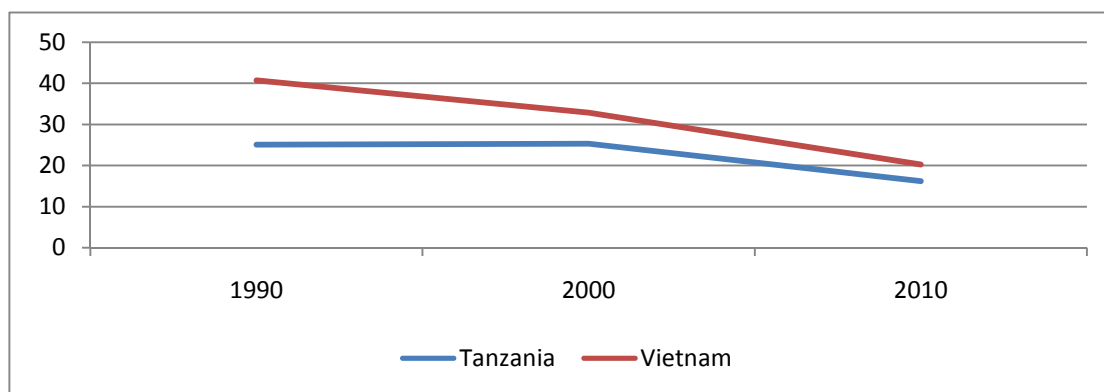


Source: WB, World Development Indicators

Malnutrition

As figure 10 shows, malnutrition have been decreasing in both countries (Tanzania and Vietnam), although still high when compared to the world standard as set by the World Bank. The world standard level in 2010 was 15 percent, Tanzania stood at 16percent while Vietnam at 20percent. Population with good nutrition implies that they will participate in production efficiently than with malnutrition.

Figure 10: Prevalence of Malnutrition

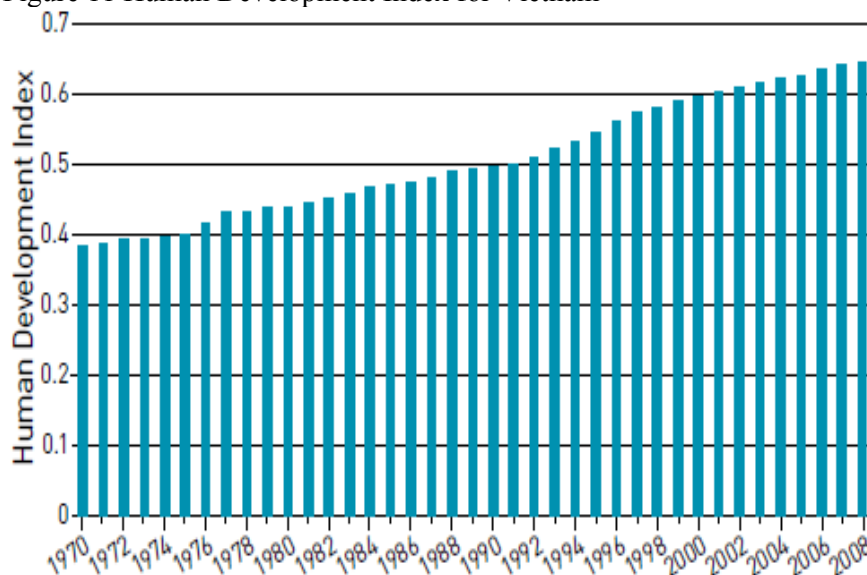


Source: World Bank – World Development Indicators

General Human Development Index Trend

The general Human Development Index trend although Tanzania is improving is still below even the level set for sub-Saharan Africa. In 2012 Tanzania ranked 152¹⁰ in the world with 0.466 HDI which is not so promising. On the other hand Vietnam is significantly progressing to the World level of 0.690 as it stood at 0.611 in 2012.

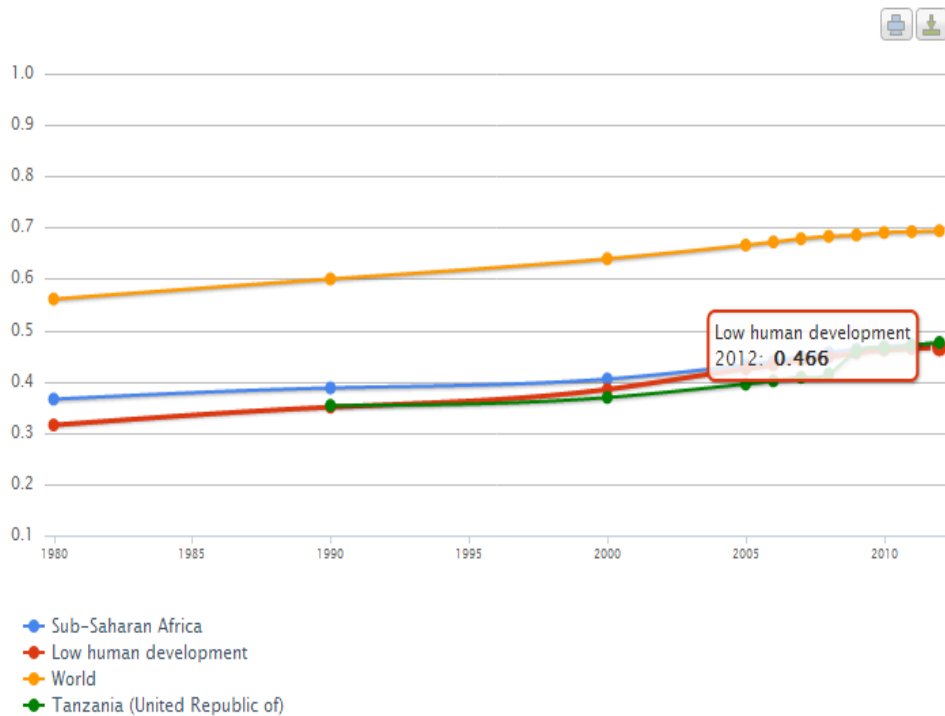
Figure 11 Human Development Index for Vietnam



Source: Source: McGillivray, M. et al, (2012)

¹⁰ Just looking to a single index like education or health alone may lead to misinterpretation of the progress made in improving the HDI as it may show great success but in real sense not, as the general HDI trends shows for Tanzania despite of the progress made in enrollment rate it has long way to go to improve the HDI in general.

Figure12
Human Development Index: Trends 1990 - present



Source: Human Development Report, 2012

4.3.4.3 Agriculture – pro-poor growth

Economic development and poverty reduction among the people is the main focus of many countries of the world especially developing countries like Tanzania. Considering the fact that most

of the developing countries depend on agriculture which is the main source of income as it employ many people then developing agricultural sector will have big impact to the economy as it will touch the real poor people. It is estimated that 80 percent of the population of in Vietnam and Tanzania depend on agriculture. As various statistics from international organization like World Bank shows the prevalence of poverty in 2012 was 28.2 and 17.2 percent for Tanzania and Vietnam respectively. More importantly the rate of reducing the poverty gap between the countries worries, in 1992 Tanzania poverty stood at 29.7 percent two years later the gap is 28.2 implying that it took 20 years to reduce poverty just by 0.5 percent. In case of Vietnam the change is drastic from 23.6 to 17.2 percent in 1993 and 2012 respectively. This tells that government is not doing enough to reduce poverty.

One of the reasons for poverty reduction in Vietnam is agriculture through investment by the government; it has enabled

the country to reduce the poverty among people in the rural area, improved methods of cultivation-mechanization, infrastructure development, improved seeds are some of the big changes undertaken in Vietnam, Tanzania still use very outdated means of production with poor infrastructures like roads connecting production areas and markets for livestock and crops; financial sector not supporting agriculture sector due to high interest rate.

Problems facing the agriculture sector not to grow in terms of production as it shown from Food and Agriculture Organization, Tanzania fall in term of position in the world from 105 to 129 in 2007 and 2010 respectively, where as Vietnam recorded 106 and 115 in the same period. This call for more pro-poor policies mostly targeting because in developing countries big part of their population depends on the sector as source of income as it employ many people, so development of the sector would have big impact to poor population which majority of them are living in rural areas.

4.4 Implementation of National Strategy for Growth and Poverty Reduction

Tanzania like other many developing countries from 2005 it developed and stated implementation of Strategy that intended to stimulate growth and reduce poverty “the National Strategy for Growth and Poverty Reduction – NSGR. The strategy was linked with the National Development Vision (Vision 2025) also with Millennium Development Goals (MDGs) as international efforts to reduce poverty in developing countries. The National Strategy for Growth and poverty Reduction aimed at improving three main areas of Good governance and accountability; improve quality life of people and growth and reduction of income poverty.

Looking at general picture especially on the Human Development Index indicates some achievements as the country has move from the position of 187 to 152 in the HDI of 0.369 and 0.458 in the year of 2000 and 2009 respectively. But it is not

enough to conclude from such index that well being of people have been improved, so much must be done improve education and health infrastructure.

The review of the first NSGPR shows that there some improvement in enrollment but still education has many problems like grades pass in secondary education, which rise doughty on the quality of education. In 2006 and 2008 was 89.1 and 83.7 percent respectively. Other aspect of HDI like education also the first NSGPR did not have good achievements.

On the other hand as highlighted above among the National Strategy for economic Growth and Reduction of income poverty aim was to annual economic growth of 6 to 7 percent. The economy grow at rate 7 percent, therefore the target of increasing economic growth was met. the challenge is the second aspect of reducing income poverty, although the economy grow its

trickledown effect to the poor people in the rural area is hard to tell, the growing inequality among rural and urban population can be one indication that there is challenge when as distribution of the wealth is concern.

Other aspects of social well being like safe water, sanitation continue to be big problem especially in rural areas, there some improvement in the urban areas when compared to rural. The impact of lacking such services are felt in time spend in collecting water, diseases all this hinder the full participation in the economic activity much more effort are needed to solve the problem.

The challenges felt in the implementation of the first National Strategy for economic Growth and Reduction of income poverty necessitated the government to change the approach in the implementation of the second National Strategy for economic Growth and Reduction of income poverty, while the growth of economy still was the focus but rising income of the people was the center of the strategy.

4.5 Lesson learnt from Vietnam

As International organization like World Bank and various scholars like Arkadie and Dinh (2004) reports, from 1990s Vietnam experience both growth economy and reducing poverty, not many countries have been able to achieve this. One of the main reasons for this is the rural to rural migration different from rural to urban migration experiencing in Tanzania and other developing countries, this is due to the reforms in agricultural sector; the development infrastructure both agricultural and road network investment in the sector which increase production and opened up the sector to the market.

Funding of development by national revenue and effective and efficient use of aid, according to Arkadie and Dinh (2009) Vietnam put emphasis on mobilizing internal resources in accumulating its capital necessary for financing development, on

the other hand Randhawa (2012), emphasis on the usefulness and challenges of aid, that foreign aid is useful in financing development when properly managed and can harm the economy if misused as it increases burden to the government through foreign debt, creates dependency which is killing most of the developing countries, Vietnam used foreign aid in sustainable way by allocating in productive areas for economy to grow.

Although Tanzania and Vietnam have differences in size of the economy, population and other structural difference which may hinder the achieving the same when implemented in Tanzania, it is important to benchmark to the Vietnam achievement and localize them to fit the existing environment particularly the balance between the economic growth and poverty reduction to have balance growth.

CHAPTER FIVE

Conclusion and Policy Implication

This paper reviewed various documentation regarding to the growth of the economy in Tanzania benchmarking with that of Vietnam as successful model, main attention was on HDI and agriculture because of the nature of the economy of the two countries. The review indicates that Tanzania has recorded impressive in terms of economic growth therefore achieving target set, which is a quantitative representation, on the other when the focus is qualitative aspect which is economic development it is not yet to conclude that is success.

Looking to the poverty situation in Tanzania can justify the unsuccessful of the development; many of poor people are living in rural areas in which 71 percent depend on agriculture as source of living, on the other hand the sector is have not developed due to less investment in modernizing the sector so as to increase

production and income for farmers. Therefore there are no trickledown effects of the recorded economic growth.

Generally the Tanzania Development Visio 2025 recognizes the challenge of the 21st century and how to cope with them through development of human resource, infrastructure, communication as well as technological advancement for stimulating economic growth. However the challenge is the initiatives and strategies developed to implement the vision do not target strategic sectors like agriculture that many poor depend on. Therefore based to the review one cannot conclude that Tanzania economic growth is a success story especially when benchmarked against Vietnam which shares some historical and economic similarities like both countries implemented economic reforms Vietnam has progressed in pro-poor growth while Tanzania still struggle.

Based on this review for Tanzania's economic development to be success story, more pro-poor growth is needed, the government and other stakeholders should come up with policies which will promote growth while keeping the gap between the haves and don'ts low, focusing on strategic sectors that affect many people. This will not only raise the income of the rural poor community, but also will reduce the gap between rural and urban.

Also Tanzania to invest more agriculture including extension services development of infrastructure which will attract investors which will increase its overall agricultural production; also Agricultural sector needs to be facilitated with more programs like educational that encourages people to use their land efficiently. This will have huge impact on poverty reduction considering the fact that the sector is a main source of income and employment for almost 80% of the workforce in Tanzania.

Also Tanzania should put more emphasis in development of human recourse, not only on the basic rather higher education and technical aspect. This is due to fact that Health and education are important components of growth and development as an educated and educated population is more productive than unhealthier and uneducated population, therefore likely to break the poverty trap facing the community.

The limitation of this thesis is that it heavily relied on secondary information, reliability of data needs more attention and not always easily available. This is because of the challenges of data collection and documentation in developing countries like Tanzania. Also review focused in few indicator of development which not necessary give clear trend of economic prospects of a country. However it gives starting point and encourages further research that will include many other variables due to multidimensional economic development and poverty.

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