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STRATEGIES OF SUCCESSFUL POVERTY REDUCTION: CASE STUDIES OF TANZANIA AND ZAMBIA

by

Jacqueline A. Natter

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Thesis Co-Advisors: Robert E. Looney
Naazneen H. Barma

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Jacqueline A. Natter
Lieutenant Commander, United States Navy
B.A., Georgetown University, 1994
M.A., Villanova University, 2007

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requirements for the degree of

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from the

**NAVAL POSTGRADUATE SCHOOL
March 2015**

Author: Jacqueline A. Natter

Approved by: Robert E. Looney, Ph.D.
Thesis Co-Advisor

Naazneen H. Barma, Ph.D.
Thesis Co-Advisor

Mohammed M. Hafez, Ph.D.
Chair, Department of National Security Affairs

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ABSTRACT

While both Tanzania and Zambia have experienced significant economic growth in the 21st century, Tanzania has been able to translate that growth into poverty reduction while Zambia has not. A contextual picture of the two countries' economic growth trajectories is provided, with an emphasis on understanding how specific policies and changes in their governance have affected growth, poverty reduction, inequality, and overall development. After considering each respective country's economic growth and constraints, the effectiveness in translating that growth into development, as espoused through national poverty reduction strategies, is reviewed.

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LIST OF ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
BRN	Big Results Now
CSO	Central Statistical Office
ERP	economic recovery program
FDI	foreign direct investment
FNDP	Fifth National Development Plan
GDP	gross domestic product
GNI	gross national income
GNP	gross national product
HBS	household budget survey
HDI	Human Development Index
HIPC	heavily indebted poor country
ILO	International Labour Office
IMF	International Monetary Fund
MDG	millennium development goal
MMD	Movement for Multiparty Democracy
NDP	national development plan
NSGRP	National Strategy for Growth and the Reduction of Poverty
ODA	official development assistance
PRSP	poverty reduction strategy paper
R-SNDP	Revised Sixth National Development Plan
SADC	South Africa Development Community
SNDP	Sixth National Development Plan
SSA	sub-Saharan Africa
TFP	total factor productivity

UN	United Nations
UNDP	United Nations Development Program
U.S.	United States
WDI	world development indicator

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I. INTRODUCTION

The correlation between economic growth and poverty reduction is not absolute. Economic growth is defined as a rise in national income per capita, and it is generally correlated with growth in development or advancements in human welfare.[1] As sub-Saharan Africa (SSA) has experienced positive growth relative to the world economy, why have some countries in SSA been able to translate that growth into reductions in poverty while others have not? Specifically, this thesis compares economic growth in post-independence Tanzania and Zambia, and examines how employment and income distribution have led to greater poverty reduction in Tanzania, but better socioeconomic outcomes in Zambia, which has actually grown faster.

Poverty throughout the world is declining.[2] Decreases in poverty are characterized by improved standards of living, development and quality of life. Approximately 25 percent of the world's extremely poor, as defined by the World Bank, live in 27 countries.[3] Twenty-six of these 27 countries are in SSA, which, as a region, is expected to continue growth in the medium-term to reach over 5 percent in 2014–2015.[4]

Global development scholars continually examine the underlying determinants of poverty reduction in an effort to further enhance opportunities for the world's poor. Direct correlations have been made between economic growth and increased development and subsequent poverty reduction.[5] However, economic growth by itself is not sufficient for reducing poverty levels. Crucial avenues for initiating and sustaining growth, as well as ensuring its benefits are evenly distributed, include improving

[1] Dwight H. Perkins et al., eds., *Economics of Development*, 7th ed. (New York, NY: W.W. Norton & Company, 2013), 14.

[2] The World Bank, *Prosperity for All/Ending Extreme Poverty: A Note for World Bank Group Spring Meetings 2014* (Washington, DC: The World Bank, 2014), 1, http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1327948020811/8401693-1397074077765/Prosperity_for_All_Final_2014.pdf.

[3] Ibid., 4.

[4] Maya Senussi and Rachel Ziemba, "Sub-Saharan Africa Outlook: Going Steady," Roubini Global Economics, December 16, 2013, http://www.roubini.com.

[5] Michael Roemer and Mary Kay Gugerty, "Does Economic Growth Reduce Poverty?" Harvard Institute for International Development, March 1997, http://pdf.usaid.gov/pdf_docs/Pnaca656.pdf.

governance and soundly managing the economy.[6] Positively correlating the development and social impacts of economic growth linkages will prove useful in harnessing the region's continued growth to ensure it is inclusive and helps to improve human welfare and related social indicators. Inclusive growth policies harness prosperity for development.[7] The challenge lies in understanding the necessary conditions and environment for inclusive growth. Economic growth and its exact correlation to poverty reduction remain debated, and debatable.[8]

Tanzania and Zambia, two of the 17 emerging economies in SSA, are similar countries with significant percentages of their populations classified as extremely poor, yet they appear to be on different poverty reduction trajectories. In 2010, 68 percent of Tanzania's population and 75 percent of Zambia's population were classified as extremely poor.[9] From 2000–2013, Tanzania's average annual gross domestic product (GDP) growth was 6.7 percent, while Zambia's was 7.0 percent; Zambia's annual growth actually exceeded that of Tanzania in 2010 and 2011.[10] Nevertheless, in the first decade of the 21st century, Tanzania's poverty rate (measured as percent of population living on less than $1.25 a day) showed decreasing trends from 85 percent in 2000 to 68 percent in 2007, while Zambia's poverty rate actually increased from 65 percent in 2003 to 74 percent in 2010, which equates to 7 million to 9.8 million people, respectively.[11] What explains Tanzania's ability to translate growth into poverty reduction, while Zambia's growth does not appear to have had the same development impact?

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[6] Steven Radelet, *Emerging Africa: How 17 Countries Are Leading the Way* (Washington, DC: Center For Global Development, 2010), 14–15.

[7] Elana Ianchovichina and Susanna Lundstrom, *World Bank Note: What Is Inclusive Growth?* (Washington, DC: The World Bank, 2009), http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1218567884549/WhatIsInclusiveGrowth20081230.pdf.

[8] Else Oyen, "The Politics of Poverty Reduction," *International Social Science Journal* 51, no. 162 (1999): 461.

[9] The World Bank, *Prosperity for All/Ending Extreme Poverty*, 5.

[10] "Data: World Development Indicators: GDP Per Capita (Annual %)," accessed May 21, 2014, http://data.worldbank.org/data/views/reorts/chart.aspx.

[11] "Data: World Development Indicators: Poverty Headcount Ratio at $1.25 a Day (PPP) (% of Population)," accessed May 21, 2014, http://povertydata.worldbank.org/data/views/reports/chart.aspx.

This comparative analysis contributes to the academic study of what factors influence how economic prosperity affects a country. This study looks as to whether economic growth in the 21st century is circulating prosperity among society to include poor households and if such prosperity is sustainable.

Economic growth positively impacts societal development, but will not sustain development alone; growth enhancing policies furthered by an effective government are essential. Government efforts that promote inclusive growth and shared prosperity include pro-poor policies and pro-employment policies. Variations in rural and urban employment, as well as demographics, affect how employment policies influence an economy. This comparative analysis of economic growth examines how, if at all, economic prosperity reaches the rural and urban labor force in Tanzania and Zambia, and what possible mechanisms may be in place to enhance or prevent such shared prosperity.

Tanzania and Zambia share similar colonial histories, and relatively stable governance records. Neither are dependent upon oil revenues. However, Tanzania's economic growth has resulted in poverty reduction while Zambia's has not. An initial difference possibly underlying economic growth's effect on development indicators in these countries may be their significant labor force variations. A large percentage of Tanzania's population is peasant and self-sufficient farmers, while Zambia has a relatively large labor class. Beginning in the 1990s, Zambia implemented pro-growth strategies in the agricultural sector, but with disappointing results. Zambian urban areas have also experienced an increase in poverty levels due to manufacturing sector setbacks.[12] What factors condition the effect that economic growth has on development? How do employment sector characteristics and policies affect growth and development in each of these countries?

This thesis analyzes the relationship between economic growth through a comparative study of Tanzania and Zambia, two countries that share a number of similar political-economic characteristics yet experience different outcomes resulting from

[12] Hans Lofgren, James Thurlow and Sherman Robinson, *Prospects for Growth and Poverty Reduction in Zambia, 2001–2015* (Washington, DC: International Food Policy Research Institute, 2004), 68, http://www.ifpri.org/publication/prospects-growth-and-poverty-reduction-zambia-2001-2015.

economic growth. Using the World Bank database, SSA was narrowed down to non-resource rich, stable countries with above average economic growth (from 2000 to present). Those with consistently high economic growth (measured as a percent rise in GDP) were then evaluated according to their poverty growth or declines. While both Tanzania and Zambia have experienced significant economic growth in the 21st century, Tanzania has been able to translate that growth into poverty reduction while Zambia has not. A contextual picture of the two countries' economic growth trajectories is provided, with an emphasis on understanding how specific policies and changes in their governance have affected growth, poverty reduction, inequality, and overall development.

After considering each respective country's economic growth and constraints, the effectiveness in translating that growth into development, as espoused through national poverty reduction strategies, is reviewed. Explanatory variables to be considered as factors that condition the relationship between growth and development include the political and social environment in the two countries, their regime types, colonial history, and prospects for stability. Overlapping economic variables, such as employment sector information and property rights are then evaluated for any correlation with changes in the economic growth rate. Growth is measured as the change over time in real GDP per capita, and additional development indicators are triangulated using World Bank and United Nations indicators, such as poverty rates and the Human Development Index.

A comparative study of economic growth strategies is dependent upon high quality, consistent data. Recently, the quality of SSA economic statistics and GDP estimates have been questioned.[13] In addition to national statistic offices producing inaccurate numbers that have resulted in international database inaccuracies, numbers are often not produced at all. Unclear methods for filling in data result in questionable size and growth rates of SSA economies.[14] A study recently re-examined Tanzania's and Zambia's economic growth over a three decade period, in light of recently discovered

[13] "African Argument," *African Arguments Blog*, November 20, 2012, http://africanarguments.org.

[14] "Measuring African GDP," December 2013, http://www.worldeconomics.com/Papers/Measuring%20African%20GDP_2c4addf3-b795-44f2-8d30-23b9e22f284e.paper.

incomplete GDP measures.[15] An analysis of 21st century economic growth in Tanzania and Zambia in the context of re-baselined GDP may further illuminate effectiveness of government policies toward shared economic prosperity.

What is the relationship between growth and development? The different effects economic growth have on human development, and especially that of poverty reduction, is examined in the succeeding three chapters. Chapter II defines economic growth and development, examines what specifically encourages each, as well as explores the relationship between growth and development. Chapter III details recent economic growth strategies and policies, and their effects in Tanzania. Chapter IV details recent economic growth strategies and policies, and their effects in Zambia. The final chapter (Chapter V) analytically compares growth in Tanzania with that of Zambia, and its effects on development efforts, such as poverty reduction.

[15] Morten Jerven, *Economic Growth and Measurement Reconsidered in Botswana, Kenya, Tanzania, and Zambia, 1965–1995*, 1st ed. (United Kingdom: Oxford University Press, 2014).

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II. ECONOMIC GROWTH AND DEVELOPMENT

To evaluate economic growth effectively, and the factors that condition the effect growth has on development, an understanding of the measurement of the economy, the definition of growth, and what specifically encourages economic growth is paramount. This understanding is coupled with the definition of development and the relationship between growth and development to evaluate effective policies for growth and development in Sub-Saharan Africa (SSA).

GDP is the internationally accepted measurement of the size of a nation's economy. Measured in United States (U.S.) dollars, GDP accounts for the value of all goods and services produced in an economy.[16] As specifically defined by the World Bank, "GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products."[17] GDP divided by the population results in GDP per capita, or the amount of goods and services available per individual. Accounting for domestic price inflation results in *real* GDP per capita.

GDP is not, however, a perfect measure of a nation's economy. For example, GDP does not include labor performed in the informal sector, such as household production, agricultural production for household consumption, or home childcare. Identifying a consistent and appropriate national market value for the numerous goods and services produced throughout a country also remains a challenge for GDP computation. It is particularly difficult in less advanced economies where rural area pricing may be significantly different from national pricing.[18] GDP figures do not consider negative societal effects, such as pollution or deforestation. GDP measurements are also criticized for merely measuring market production, which does not necessarily

[16] Perkins et al., *Economics of Development*, 25.

[17] "Data: GDP (Current U.S.$)," accessed May 29, 2014, http://data.worldbank.org/indicator/NY.GDP.MKTP.CD.

[18] Perkins et al., *Economics of Development*, 26.

account for economic well-being.[19] Despite acknowledged constraints, real GDP per capita in U.S. dollars is the best measurement for comparative growth analysis.

Understanding a nation's economic growth also entails references to the size of its economy as related to other nations. The World Bank utilizes gross national income (GNI) per capita figures to classify countries throughout the world. GNI includes the value of goods and services produced by a nation's citizens worldwide, and not produced solely within a nation's boundaries as does GDP. For fiscal year 2015, the World Bank classifies as a low-income economy those countries whose GNI per capita was $1,045 or less in fiscal year 2013. According to this measurement, high-income economies had a GNI per capita of $12,746, and middle-income economies' classification is between $1,045 and $12,746 GNI per capita.[20] Terminology in reference to low and middle-income countries, such as *underdeveloped countries, less developed countries,* or *Third World countries* has also evolved in favor of less disparaging terms, such as *developing countries* or *emerging economies,* which specifically refer to those with maturing financial markets.[21]

Economic growth is a reflection of changes in per capita over time.[22] It is an increase in the total amount of goods and services available. GDP and real GDP per capita are the agreed upon measures utilized by the United Nations (UN), the World Bank, and the International Monetary Fund (IMF), as well as multilateral agencies and independent researchers used to measure economic growth and growth over time.[23] Economic growth is a function of human capital, physical capital, and total factor productivity (TFP). Growth, therefore, depends upon an increase in assets, such as capital, labor, or land, and an increase in asset productivity, which may be achieved

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[19] Commission on the Measurement of Economic Performance and Social Progress, *Report by the Commission on the Measurement of Economic Performance and Social Progress* (France: Commission on the Measurement of Economic Performance and Social Progress, 2008), 21, http://www.stiglitz-sen-fitousssi.fr/documents/rapport_anglais.pdf.

[20] "Data: Country and Lending Groups," 2014, http://data.worldbank.org/about/country-and-lending-groups.

[21] Thomas A. Pugel, *International Economics,* 15th ed. (New York: NY: McGraw-Hill, 2012), 317.

[22] Perkins et al., *Economics of Development,* 24.

[23] Ibid., 25.

through increasing efficiency or technological advancements. The relationship between these basic factors of production (capital and labor), and total economic production, underpin economic growth theories.[24]

The causal factors contributing to economic growth are continually evaluated. Classical economic growth theories throughout the 19th and 20th century emphasized capital factors of production, such as land. In 1817, David Ricardo emphasized the human capital aspect of factor accumulation by focusing specifically on the comparative advantages of free trade and the iron law of wages.[25] Fifty years later, Karl Marx also spoke of capital accumulation as growth's driving force, detailed in *Das Kapital*. Necessary components for growth emphasized by classical theorists include capital accumulation through savings, in addition to free trade, and freedom from government intervention. Factor accumulation is a critical input for economic growth, the production of national output, but not sufficient to sustain growth.[26] Neoclassical growth theorists, the prevailing school today, attribute economic growth to these same determinants, as well as to technological innovation.[27]

The emphasis by classical and neoclassical theorists on capital accumulation is supported by the Solow growth model. This model, while highlighting the role investment plays in capital stock, emphasizes capital accumulation as the main source of growth for developing countries.[28] Increases in production, accounted for in total factor productivity, become increasingly important, and capital accumulation less so, as national incomes rise and economies develop.[29] The Solow growth model has important implications for developing countries. Given that low-income countries have the potential for rapid growth and that growth rates slow as incomes rise, the incomes of low-income

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[24] Perkins et al., *Economics of Development*, 25.

[25] David Ricardo, *On the Principles of Political Economy and Taxation* (London: 1817: Reprint Electric Book Co., 2001), E-book, 433, http://site.ebrary.com/lib/nps/Doc?id=2001615.

[26] Perkins et al., *Economics of Development*, 87.

[27] Robert E. Looney, "Classical Theories of Growth and Development," NS4053 Winter Term 2014 PowerPoint (presentation, Naval Postgraduate School, Monterey, CA).

[28] Perkins et al., *Economics of Development*, 65, 73.

[29] Ibid., 74.

countries can potentially converge with those of high-income countries. The Solow model also demonstrates the necessity of new technology in accelerating and sustaining economic growth.[30] Unlike the Solow model, endogenous growth models of the 1990s sought to explain the rate of technological advancement.[31] These models, which emphasize innovation, human capital investments, and government policies, provide the basis for current economic growth scholarship.[32]

At the turn of the 21st century, a specific, agreed upon set of universal rules for, or roadmap to, economic growth still did not exist. Although key functions needed to be fulfilled over time—including capital accumulation, the efficient allocation of resources, technological innovation, and the allocation of growth's benefits—global economic policymakers accepted that the same policy may yield different results or different policies may yield the same results, depending upon a country's institutions or growth strategies.[33] Economic growth is context specific. A 2005 Harvard University study, "Growth Diagnostics," noted that enforcing property rights, maintaining macroeconomic stability, integrating with the world economy, and creating a sound business environment resulted in varied effects throughout the world.[34] The resulting policy prescription challenged each country to identify the most binding constraints and work toward their elimination, and thus focus on the economic environment one aspect at a time instead of attempting sets of reforms, which may result in weak, unintended, or negative effects.[35] Similar heterodox arguments support the role imperfect national institutions and a country's specific economic environment play in shaping economic growth.

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[30] Perkins et al., *Economics of Development*, 128.

[31] Ibid.

[32] The World Bank, *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, (Washington, DC: The International Bank for Reconstruction and Development on behalf of The World Bank, 2008), 18, https://openknowledge.worldbank.org/bitstream/handle/10986/6507/449860PUB0Box3101OFFICIAL0USE0ONLY1.pdf?sequence=1.

[33] E. Wayne Nafziger, *Economic Development*, 5th ed. (Cambridge: Cambridge University Press, 2012), 144.

[34] Ricardo Hausmann, Dani Rodrik, and Andres Velasco, "Getting the Diagnosis Right: A New Approach to Economic Reform," *International Monetary Fund Finance & Development* 43, no. 1 (2006), http://www.imf.org/external/pubs/ft/fandd/2006/03/hausmann htm.

[35] Ibid.

China's extraordinary economic growth epitomizes the benefits of following a context-driven economic path. From 1978–2005, China's per capita GDP growth rate of 8.5 percent was more than double the 4.1 percent per capita GDP growth rate of 1952–1978.[36] This growth produced the most sustained period of rapid economic growth in human history.[37] While China's growth was the product of increased accumulation of physical capital, labor, and human capital, as well as the opening of markets and increased competition,[38] China also benefitted from institutions unique to its economic environment. Without complete liberalization, privatization, or democratization, China employed national institutions to its economic advantage. Market liberalization took the form of the dual-track approach with both a liberal price mechanism, as well as plan prices and quotas.[39] Rural township-village enterprises opened the door to property rights and privatization, while anonymous banking limited government predation.[40] China's economic growth strategy followed the dictum set by Deng Xiaoping of "crossing the river by feeling for stones."

Economic growth is desired not for growth itself, but for the advantages it bestows upon society. The factor accumulation and productivity changes of economic growth do not sufficiently account for societal advancement, or economic development. Economic growth is a necessary, but not sufficient cause of economic development, which specifically comprises improvements in human welfare.[41] Welfare advancements include improvements in education, health, science, finance, and government among others.[42] Current economic scholarship supports the causal link of economic growth to development,[43] even as the precise role of the state in securing and supporting that

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[36] Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge, MA: MIT Press, 2007), 140.

[37] Ibid., 143.

[38] Ibid., 7.

[39] Yingyi Qian, "How Reform Worked in China," in *In Search of Prosperity: Analytical Narratives on Economic Growth*, ed. Dani Rodrik (Princeton, NJ: Princeton University Press, 2003), 306.

[40] Ibid.

[41] Perkins et al., *Economics of Development*, 14.

[42] The World Bank, *The Growth Report*, 18.

[43] Roemer and Gugerty, "Does Economic Growth Reduce Poverty?"

growth remains debated. Although economic growth supports development, and is a necessary cause for development, economic prosperity and high growth rates alone do not necessarily lead to development. For example, oil-rich nations in SSA witness dramatically high rates of growth with minimal societal development. Additionally, a 2013 IMF study found that the previous 15 years of quality growth in SSA led to uneven progress in social indicators, such as poverty reduction, infant mortality, and education rates.[44] No singular measurement of economic development is available. Various indicators or measurements of human development exist that attempt to quantify quality of life data, such as the United Nation's Human Development Index (HDI). In populating the HDI, the United Nations' Development Programme (UNDP) compiles development indicators reflecting education, health, and income data among other dimensions.[45] As noted by the UNDP, the HDI was created to ensure that individuals and their capabilities, and not just economic advancement, are the true measurement of a country's development.[46] The HDI divides the world's countries into four tiers based on a summary measure of development dimensions reflecting a long and healthy life, being knowledgeable, and having a decent standard of living.[47]

The millennium development goals (MDGs) also quantify societal advancement. The eight MDGs include halving extreme poverty rates, stopping the spread of malaria and other diseases, reducing child mortality, as well as achieving universal primary education.[48] Indicator analyses are annually published in the United Nations' Human Development Report. Similarly, the World Bank's world development index (WDI) reports progress on the MDGs, as well as other statistics representing an analytical

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[44] Marcelo Martinez and Montfort Mlachila, *The Quality of Recent High-Growth Episode in Sub-Saharan Africa* (Washington, DC: The International Monetary Fund, 2013).

[45] Khalid Malik, *Human Development Report 2013: The Rise of the South, Human Progress in a Diverse World* (New York, NY: United Nations Development Programme, 2014), http://www.undp.org/content/dam/undp/library/corporate/HDR/2013GlobalHDR/English/HDR2013 percent20Report percent 20English.pdf.

[46] "Human Development Index, (HDI)," accessed December 6, 2014, http://hdr.undp.org/en/content/human-development-index-hdi.

[47] Ibid.

[48] "Millennium Development Goals," accessed May 4, 2014, http://www.un.org/millenniumgoals/.

snapshot encompassing people, the environment, and the economy.[49] Both the UN and the World Bank seek to monitor the quality of economic development. Such development is the result of inclusive growth in which economic prosperity is not retained in the hands of a nation's few. Economic development entails increasing the skills and earning capacity of the population.

The "dirigiste dogma" that was prevalent in the field of development economics in the 1960s asserted that states must actively support development through the economy.[50] In "The Myths of the Market and the Common History of Late Developers," Kiren Chaudhry argues for state intervention in pursuit of growth for late developing countries. Late developers have different institutional needs from other industrializing countries, which thus require state intervention.[51] This interventionist perspective is countered by Deepak Lal, who believes state involvement will only harm self-regulating market forces.[52]

Alexander Gerschenkron, in turn, speaks to the advantages technological innovation imparts to developing countries as capital accumulation is used to propel such countries forward in development and rapid industrialization.[53] Gerschenkron's "Economic Backwardness in Historical Perspective" counters Walt Whitman Rostow's modernization theory approach, which presents a growth model based on a series of stages, like Marx, through which all countries progress.[54] In "The Wealth and Poverty of Nations," David Landes also argues that progression toward industrialization and

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[49] "Data: World Development Indicators," 2014, http://data.worldbank.org/products/wdi.

[50] Naazneen H. Barma and Steven K. Vogel, eds., "Market Development in Developing Countries," in *The Political Economy Reader: Markets as Institutions* (New York, NY: Routledge: Taylor & Francis Group, LLC, 2008), 426.

[51] Kiren Aziz Chaudhry, "The Myths of the Market and the Common History of Late Developers (1993)," in *The Political Economy Reader: Markets as Institutions*, ed. Naazneen H. Barma and Steven K. Vogel (New York, NY: Routledge: Taylor & Francis Group, LLC, 2008), 447–473.

[52] Deepak Lal, "The Poverty of "Development Economics" (1983)," in *The Political Economy Reader: Markets as Institutions*, ed. Naazneen H. Barma and Steven K. Vogel (New York, NY: Routledge: Taylor & Francis Group, LLC, 2008), 429–445.

[53] Gerschenkron, "Economic Backwardness," 211–238.

[54] Walt Whitman Rostow, "The Stages of Economic Growth (1960)," in *The Political Economy Reader: Markets as Institutions*, ed. Naazneen H. Barma and Steven K. Vogel (New York, NY: Routledge, Taylor & Francis Group, LLC, 2008), 199–210.

advancement is not inevitable. When progression and development do occur, Landes emphasizes the central role of the state.[55]

SSA remains a developing region. The challenge will be to translate positive economic growth into inclusive growth, with corresponding societal development and subsequent poverty reduction. Successful development has been seen in some countries, reflected in declining poverty rates and childhood education attainment, but remains elusive for others. The quality and sustainability of the region's economic growth is therefore questioned.

Economic growth is not necessarily inclusive through all segments of society. For example, the young labor force is often excluded. A country's youth is an essential demographic to tie into the workforce and ensure income producing employment is available.[56] SSA has favorable demographics for strong economic growth as long as employment opportunities are provided.[57] Yet, translating growth into employment income remains a regional challenge.[58] Regardless of the economic prosperity, inequality will rise if the poor's income per capita remains unchanged. In turn, inequality also affects poverty's responsiveness to growth, with poverty incidence possibly unresponsive to growth in the highest inequality countries.[59]

National development policies may, at worst, conflict with individual pro-poor policies, and at best, remain complex and not well understood. Economic growth is not only necessary for development, but it is also dependent upon the development of human capital, such as health and education. Such investments in human capital will enable the

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[55] David S. Landes, "The Wealth and Poverty of Nations (1998)," in *The Political Economy Reader: Markets as Institutions*, ed. Naazneen H. Barma and Steven K. Vogel (New York, NY: Routledge, Taylor & Francis Group, LLC, 2008), 229–237.

[56] Antoinette Sayeh, "The Quality of Growth: Poor Households Are Benefiting from Sub-Saharan Africa's High Growth and Wider Global Reach," *International Monetary Fund Regional Economic Outlook: Sub-Saharan Africa*, ch. 2 (October 2011): 15.

[57] Thandika Mkandawire, "Can Africa Turn from Recovery to Development?" *Current History*, 113, no. 763 (May 2014): 174, http://www.currenthistory.com/Article.php?ID=1153.

[58] David Fine et al., *Africa at Work: Job Creation and Inclusive Growth* (New York, NY: McKinsey Global Institute, 2012), 2.

[59] Martin Ravallion, *Economic Growth and Poverty Reduction: Do Poor Countries Need to Worry about Inequality?* (no. 2020) (Washington, DC: International Food Policy Research Institute, October 2007, 2, http://www.ifpri.org/sites/default/files/publications/Beijingbrief_ravallion.pdf.

poor to transition from the informal sector to formal sector employment. The World Bank recommends that governments promote inclusive growth by allocating resources through conditional or direct cash transfers.[60] Distributional policies from economic growth remain challenging politically as surpluses are distributed among technological advancements or pro-poor human capital investments.

The inclusive growth currently seen in some SSA countries has been attributed to various factors. Government policies that encourage agricultural productivity, address the geography of impoverished areas, and improve market efficiencies effectively are shown to reduce poverty and encourage pro-poor growth.[61] In *Emerging Africa: How 17 Countries Are Leading the Way*, Steven Radelet attributes recent advancements in poverty reduction and other HDI indices to recent fundamental changes in government accountability and technology, improved economic policies and management, and the emergence of development-oriented leaders in the public and private sectors.[62] Current scholarship echoes the support for these internal growth drivers. Thandika Mkandawire, of the London School of Economics, identified the following items for sustained growth, "…improved and prudent mobilization of human, material, and financial capital, which entails making the most of the continent's vast resources through increased technological mastery in order to achieve socially inclusive (and therefore politically sustainable) growth."[63]

Tanzania and Zambia share a number of similar political-economic characteristics yet experience different developmental outcomes resulting from economic growth. A contextual picture of the two countries' economic growth trajectories highlights how specific policies and changes in their governance have affected growth, overall development, and poverty reduction.

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[60] The World Bank, *Prosperity for All/Ending Extreme Poverty*.

[61] Ravallion, "Economic Growth and Poverty Reduction," 4.

[62] Radelet, *Emerging Africa*, 14–15.

[63] Mkandawire, *Can Africa Turn from Recovery to Development?*, 177.

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III. ECONOMIC POLICIES OF TANZANIA: FROM INDEPENDENCE TO THE PRESENT

A. INTRODUCTION

Tanzania's transition to a market-based economy at the end of the 20th century halted the country's economic descent, characteristic of much of the developing world during the 1980s due to the global increase in oil prices, declining agricultural export prices, and increasing public debt.[64] Successive market reforms not only recused the Tanzanian economy from relative stagnation, but also laid the foundation for significant economic growth. The country's current socio-economic policy guidance, Development Vision 2025, embraces policy reform, which thus encourages Tanzania's continued growth toward its goal of becoming a middle-income country, while maintaining a consistent focus on development. This chapter begins with a brief overview of Tanzania's political economic trajectory, beginning with the country's independence, and progresses through a focused analysis of national reforms, successive poverty reduction strategies, and subsequent outcomes.

Beginning in 1967, Tanzania's economy was controlled by the state. The exchange rate and pricing decisions were influenced by non-market mechanisms. Fiscal and monetary policies were expansionary and external economic shocks, such as droughts and terms of trade, were not adequately addressed. Over the next three decades, economic reforms liberalized trade and the agricultural marketing system, in addition to domestic prices, as well as reformed the financial system and parastatals. Tanzania's foreign exchange reserves were subsequently restored in the 1990s through liberalized imports and the free trade of the private sector. By the new millennium, Tanzania's economy consisted of privatized parastatals, a liberalized financial sector, and extensive

[64] John Iliffe, *Africans: The History of a Continent*, 2nd. ed. (New York, NY: Cambridge University Press, 2007), 261.

trade reform, which included regional cooperation. Tanzania's economy is also currently influenced by a significant amount of financial assistance.[65]

Formerly a German colony and British protectorate, the United Republic of Tanzania (comprising the Zanzibar archipelago and the mainland, formerly known as Tanganyika) was united in 1964 under President Julius Nyerere, and has enjoyed political stability for the past 40 years.[66] The Zanzibar archipelago, consisting of Zanzibar, the Pemba islands and a number of smaller islands, is semi-autonomous with its own president and parliament. Roughly one and a half times the size of Texas (947 thousand sq. km.), Tanzania currently has a population of almost 51 million (in 2014) consisting of 125 various ethnic groups.[67]

Under President Nyerere, Tanzania was a one-party state with centralized economic management. Upon unification, the rural-focused development strategy, Ujamaa, was a collective village-based movement of socialism centered on the communist society model of self-reliance, freedom, and familyhood.[68] Nyerere's socialist persuasion codified in the 1967 Arusha Declaration guided Tanzania's economic and development policies, such as the nationalization of commercial banks and industry.[69] The state controlled the economy and all major enterprises, or "commanding heights." The Arusha Declaration proved ultimately unsuccessful in creating a robust and self-sustaining economy. From 1967–1980, rising inflation, a decline in both producer prices and agricultural output, transport deterioration due to the high cost of oil, and high urbanization rates of 10 percent a year, characterized Tanzania's weak economic position.[70] Unprofitable public enterprises and budget deficits were financed by printing

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[65] Roger Nord et al., *Tanzania: The Story of an African Transition* (Washington, DC: The International Monetary Fund, 2009), https://www.imf.org/external/pubs/ft/books/2009/tanzania/tanzania.pdf.

[66] Ted Dagne, *Tanzania: Background and Current Conditions* (CRS Report No. RS22781) (Washington: DC: Congressional Research Service, 2011).

[67] "Data: World Development Indicators: Tanzania," accessed November 21, 2014, http://databank.worldbank.org/data/views/reports/tableview.aspx.

[68] Nord et al., *Tanzania: The Story of an African Transition*, 2.

[69] Michael Jennings, "Tanzania: Recent History," *Europa World Online*, 1, accessed November 24, 2014, http://www.europaworld.com/entry/tz hi.

[70] Iliffe, *Africans: The History of a Continent*, 262.

more money.[71] Economic decline culminated in the 1980 economic crisis, exemplified by annual inflation rates above 30 percent and Tanzania's inability to service its foreign debt.[72] Economic paralysis led Tanzania to embrace adjustment programs of liberalization and privatization, as well as socio-economic reforms.

With the onset of the 21st century, the Tanzanian government embraced economic policies to promote economic growth and advance the country's participation in the global economy, underscored by the Tanzania Development Vision 2025. Successive multi-year economic policies, poverty reduction strategy papers (PRSPs), have guided Tanzania's economy with growth and development prescriptions intended to further economic growth and enhance the quality of life for its citizens, to develop the country's weak infrastructure system, and to encourage a robust private sector economy.[73] Tanzania's economic policies have pursued growth in human capital, physical capital, and TFP) with varying emphasis. The country's most significant growth constraints have been weak infrastructure and insufficient participation in the global economy. Successive PRSPs have attempted to address these constraints while simultaneously positively affecting the quality development of its citizenry.

Although work still needs to be done, Tanzania has made significant progress in creating an effective environment for sustained economic growth, which has resulted in improved quality of life for its population. Tanzania's overall economic trajectory has outperformed SSA in real GDP growth percentage, as well as inflation percentage. GDP per capita, however, has not kept pace with SSA (see Figure 1). Societal advancement has also progressed. Tanzania ranked 160th out of 187 countries in the United Nations Development Programme's 2014 HDI.[74] Although still in the lowest human development tier along with 42 other countries, such as Ethiopia, Haiti, and Afghanistan, Tanzania's ranking has continuously improved in recent decades. Average annual HDI growth improved from 1980–1990, 1990–2000, and 2000–2013 from -0.64, to 0.59, and 2.04,

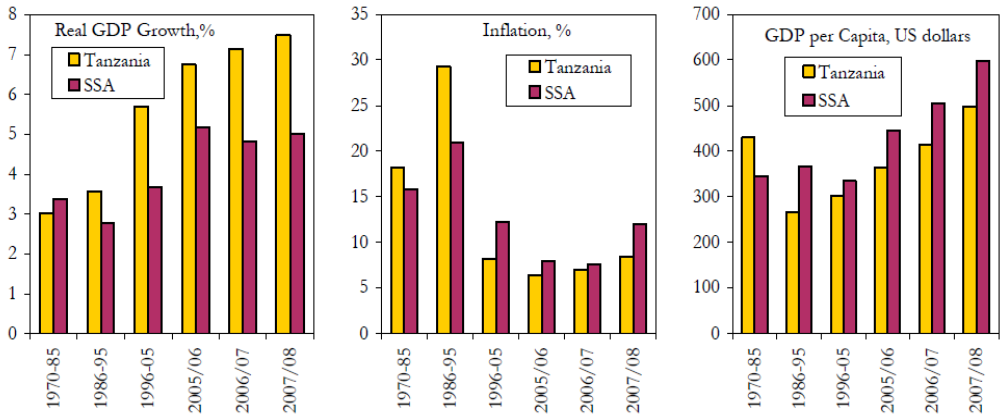
[71] Nord et al., *Tanzania: The Story of an African Transition*, 3.

[72] Ibid.

[73] Dagne, *Tanzania: Background and Current Conditions*, 3.

[74] "Human Development Index, (HDI)."

respectively.[75] The challenge remains the continuous and effective transformation of sustained economic growth into socio-economic development.



Sources: Country authorities; World Bank World Development Indicators; IMF staff estimates.
Note: SSA average is based on calendar year and excludes South Africa, Zimbabwe, Democratic Republic of Congo, and oil-producing countries.

Figure 1. Tanzania and Sub-Saharan Africa Macroeconomic Performance, 1970–2008[76]

B. THE TURN TO THE MARKET

While Ujamaa socialism helped to politically unify a post-independence nation, it was accompanied by economic decline.[77] Twenty villages studied in 1980 occupied 8 percent of the land, while taking 20 percent of the local labor force, and producing only 2 percent of agricultural output.[78] As noted by IMF, "Widespread state ownership and intervention undermined economic performance. Low centrally determined prices and inefficient public marketing boards caused a sharp decline in agricultural production, particularly of export crops."[79] Critical reforms were necessary to transform Tanzania's ineffective state-managed economy into a prosperous system. Ujamaa was abandoned amid the economic instability, which culminated with President Nyerere's retirement in

[75] "Data: World Development Indicators: Tanzania."

[76] Nord et al., *Tanzania: The Story of an African Transition*, 2.

[77] Ibid., 3.

[78] Iliffe, *Africans: The History of a Continent*, 262.

[79] Nord et al., *Tanzania: The Story of an African Transition*, 3.

1985. With Nyerere stepping down, the former president of Zanzibar, Ali Mwinyi, was elected to the presidency and began market reforms.[80] Initial reforms included the removal of price, production, and marketing controls, the unification of the exchange rate, and the liberalization of foreign trade.

Tanzania's transition to a market economy began with the 1986 economic recovery program (ERP). Specific policies included opening the marketing and food crop distribution to the private sector, as well as lifting the monopolies of export crops held by marketing boards.[81] By the early 1980s, over 400 categories of products had price controls that were consequently eroding official producer prices for export crops by up to 50 percent.[82] As the economy slowly liberalized, food producers were no longer forced to sell their export crops to parastatals at uncompetitive prices. The import and export licensing systems, formerly regulated through individual government ministries, were now subject to a market-pricing system also.

Tanzania's reform efforts also liberalized foreign trade that were augmented by regional trade policies. The 1986 ERP addressed exchange rate reforms. The premium between the market and official exchange rates increased from roughly 100 percent in the 1970s to roughly 250 percent between 1980 and 1985. Prior to the adoption of a crawling peg exchange rate regime in 1986, the differential was as high as 750 percent. Exchange rate reforms also included the introduction of exchange rate bureaus in 1992, which bought and sold foreign exchange at freely negotiated rates. Also, beginning in 1992, the government allowed international companies to import and distribute agricultural inputs, and therefore, withdraw from marketing and distribution. The Crop Boards Act of 1993 permitted private sector entry into the marketing and processing of agricultural exports, which were traditionally a marketing board monopoly. The elimination of market and policy distortions, as well as regular exchange rate adjustments, resulted in appropriate price signals received through international competition.[83]

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[80] Dagne, *Tanzania: Background and Current Conditions*.

[81] Nord et al., *Tanzania: The Story of an African Transition*, 5.

[82] Ibid., 9.

[83] Ibid., 8–10.

Successive policies implemented to encourage export production, as well as ease import restrictions, included approving a greater number of import licenses, which evolved to eventually eliminating the need for import licenses all together. An export retention scheme was also implemented, which allowed exporters to retain a greater amount of their foreign exchange earnings. Although most trade restrictions had been eliminated by 1993, as a signatory of the 1993 Cross-Border Initiative, adopted by 14 African countries, Tanzania had eliminated all trade restrictions by 2000.[84]

Parastatal reforms complemented the country's entry into the open-market. Tanzania's early nationalization policies resulted in approximately 400 parastatals by 1988, which controlled most sectors of the economy to include finance, manufacturing and agricultural marketing, and distribution. These nationalized industries accounted for 20 percent of GDP in 1988. As noted by the IMF, the government's financial difficulties resulted in the inability of most firms to cover their operating costs, which subsequently rendered them unable to service their commercial debt. Beginning with the 1992 Public Corporations Act, Tanzania began divesting the state of parastatal enterprises. A decade later, industries regulating most basic consumer goods had been privatized or liquidated, if not financially viable. This effort included the nation's telecommunications industry and its international container terminal.[85]

As the result of specific policy reforms undertaken in the 1980s and 1990s, Tanzania secured its faltering economy and laid the groundwork for future economic success. These initial market liberalizing reforms eased the constraints individuals and industries had been operating under, which thereby immediately introduced market efficiencies into the national economy and igniting growth. However, as underscored by Dani Rodrik, a distinction exists between igniting economic growth in the short term and sustaining such growth over the medium and long term. For sustained growth to encourage improvements in human welfare, such as poverty reduction, Tanzania would have to develop inclusive growth policies and a supportive institutional framework in addition to removing historical barriers to growth. The recognized absence of a current

[84] Nord et al., *Tanzania: The Story of an African Transition*, 12–13.

[85] Ibid., 18–19.

doctrine to guide national policy resulted in Development Vision 2025, which thus articulated Tanzania's desire to maximize its full participation in the global economy while advancing national development.

C. TANZANIA DEVELOPMENT VISION 2025

Written in 1995 by Tanzania's Planning Commission, Tanzania Development Vision 2025 (Vision 2025) provides guidance for the country's economic and social development policies. As noted in Vision 2025, the economic growth strategies of the Arusha Declaration were based on state-control of the means of production and an assumed growth in the public sector.[86] The Planning Commission acknowledged the country's national unity, social cohesion, stability, and peace resulting from the Declaration's emphasis on fundamental moral and civil values.[87] However, the successive five-year plans of the 1960s and '70s, following the framework of the Arusha Declaration, did not recognize the limitations of centrally planned public-sector-led development and administration.[88]

In the early 1990s, Tanzania was just beginning to recover economically. Specific impediments to earlier reform efforts were identified as a donor dependency syndrome and a defeatist developmental mindset, a weak and low capacity for economic management, failures in good governance and in the organization of production, and ineffective implementation syndrome.[89] Acknowledging failed social and economic reforms not informed by a national long-term development philosophy and direction, Tanzanian President Benjamin W. Mkapa called Vision 2025, "a vehicle of hope and an inspiration for motivating people to search and work harder for the betterment of the livelihood and posterity."[90] With this guidance, the government envisions the country progressing from a least developed country to a middle-income country by 2025, with a

[86] United Republic of Tanzania, *The Tanzania Development Vision 2025* (Dodoma: The United Republic of Tanzania, 1995), 6, http://www.tzonline.org/pdf/theTanzaniadevelopmentvision.pdf.

[87] Ibid., 6–7.

[88] Ibid., 15.

[89] Ibid., 7–8.

[90] Ibid., 2.

correspondingly high level of human development, as well as transforming a low productivity agricultural economy into a semi-industrialized one.[91]

As outlined in its introduction, the three principal objectives of Vision 2025 are, "achieving quality and good life for all; good governance and the rule of law; and building a strong and resilient economy that can effectively withstand global competition."[92] Vision 2025 established broad economic and governance policy goals for the country, through which then President Mkapa sought to "disentangle ourselves from the scourge of poverty."[93] It lays out the framework to develop a strong, diversified, and competitive economy, which can effectively cope with the challenges of development, as well as adapt to the changing market and global economy.[94]

Tanzania is a primarily agricultural economy. While the agricultural sector as a percent of value added to GDP declined from 46 percent in 1990 to 27 percent in 2013,[95] an estimated 80 percent of the working population is currently engaged in agricultural activity.[96] This sector comprises approximately one quarter of the country's GDP, which employs approximately three quarters of all workers.[97] Subsistence farming is common in rural areas. Approximately 10 percent of Tanzania's arable land is cultivated, with approximately 10 percent of this land equipped for irrigation.[98] Unfavorable weather conditions, such as droughts, significantly impact this sector, and consequently, the economy. The Tanzanian government recognizes the vulnerability in this physical capital and the corresponding need to insulate the economy against such fluctuations. Successive economic strategies have focused on this weakness, but without significant improvements

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[91] United Republic of Tanzania, *The Tanzania Development Vision 2025*, 2.

[92] Ibid., x.

[93] Ibid., vi.

[94] Ibid., 5.

[95] "Data: World Development Indicators: Tanzania."

[96] "Tanzania Overview," 1, accessed May 2, 2014, http://www.worldbank.org/en/country/Tanzania overview.

[97] Ibid.

[98] Benjamin Langford and Joseph Lake, *Tanzania: Economy* (London: Routledge, 2014), http://www.europaworld.com/entry/tz.ec.

in the nation's infrastructure, Tanzania will remain vulnerable to external economic shocks caused by unfavorable weather conditions.

Sustained economic growth is impossible without underlying macroeconomic stability. Tanzanian policymakers recognize the need for a sound macroeconomic environment in which to transform the agricultural economy into a global, market competitor. In seeking to get the macroeconomic fundamentals right, the government acknowledges the role of attaining high levels of domestic savings, promoting price stability, and reducing Tanzania's reliance on external financial support.[99] Official development assistance (ODA) was 20.5 percent of GNI in 1988 that rose to 28.6 percent by 1990.[100] Concurrently, the government aims to modernize its agricultural sector, which is dependent on rainfall and outdated technology, both of which contribute to low and erratic productivity.[101] A modernized rural sector is envisioned to result in increased agricultural productivity that would lead to rising incomes, food security, and self-sufficiency.[102]

The strength of Development Vision 2025 relies on its understanding of the co-dependent relationship between societal development and an economy's capacity to encourage a higher standard of living through economic growth. The Planning Commission noted the high quality of life enjoyed in Tanzania until the mid-1970s, due to a strong economy with annual growth rates of 5–6 percent and a low inflation rate. Economic instability and subsequent stagnation stalled development and lowered the quality of life for most Tanzanians. The Commission calls upon the country's leadership, which is "expected to identify the appropriate policies and strategies" to enable a resilient economy and development, which accompanies economic growth.[103]

Vision 2025 also contains weaknesses; the assumptions that underlay the Vision are significant. To achieve the outlined goals, the Planning Commission expects the

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[99] United Republic of Tanzania, *The Tanzania Development Vision 2025*, 20.

[100] "Data: Country and Lending Groups."

[101] United Republic of Tanzania, *The Tanzania Development Vision 2025*, 10.

[102] Ibid., 22.

[103] Ibid., 26–27.

Tanzanian economy to be diversified and semi-industrialized, enhanced with macroeconomic stability and to grow at a rate of 8 percent or more a year, with low levels of inflation.[104] These growth expectations contrast significantly with the stagnated economy of the 1960s and '70s. Without considerable infrastructure improvement, such as reliable electricity, Tanzania will not develop into a semi-industrialized country. Perhaps most notable, while inflation has steadily decreased since 1995, the economy's growth rates have not met the 8 percent target (see Figures 2–3).

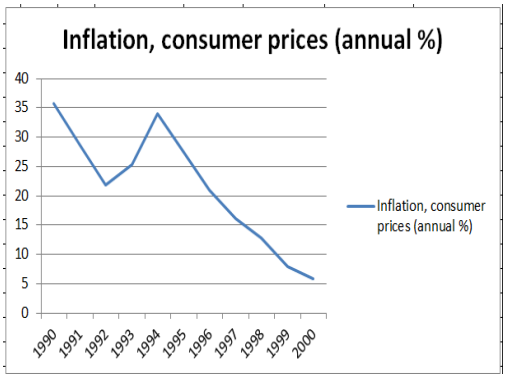

Figure 2. Inflation, Consumer Prices (Annual %)[105]

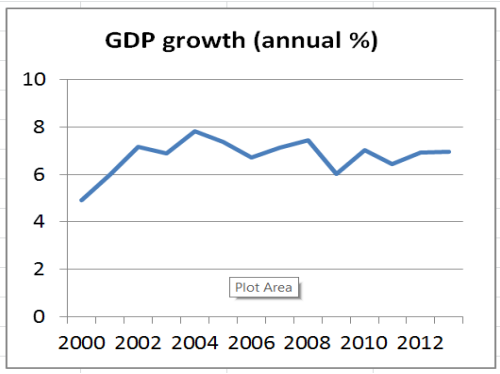

Figure 3. Tanzania GDP Growth (Annual %)[106]

The economically liberalizing policies and turn to the market undertaken by Tanzania in the 1980s righted the struggling economy. Successive PRSPs have endeavored to capitalize on that progress, as the country works toward the objectives presented in Vision 2025 and ensuring the equal distribution of economic growth's benefits.

D. THE INITIAL EFFECTS OF REFORM

By 2000, market-enhancing policies were producing tangible economic results. Privatized parastatals, a liberalizing financial sector, trade reform, and regional trade

[104] United Republic of Tanzania, *The Tanzania Development Vision 2025*, 13–14.

[105] "Data: World Development Indicators: Tanzania."

[106] Ibid.

cooperation in addition to financial assistance from the international community resulted in an improving GDP and declining inflation. However, continued economic reforms were required to ensure continued growth and that the population shared in the benefits of that growth.

Improving market conditions were not permeating all aspects of society. The percentage of the population living on less than $1.25 per day rose from 29.2 percent in 1992 to 41.2 percent in 2000 (poverty gap at $1.25 a day PPP percent).[107] By 2000, the incidence of poverty, while having declined for the decade between 1983 and 1993, was again increasing, attributable to relatively low economic growth and worsening income inequality, especially in rural areas.[108] While access to electricity did improve slightly for the rural populace from 1.3 percent in 1990 to 1.7 percent in 2000, the primary education net enrollment rate dropped from a high of 70 percent in 1980 to an average of 50 percent in the 1990s.[109]

Tanzania's rural areas account for the majority of the country's poor. In 1993, the World Bank found that 50 percent of all Tanzanians lived below the relative poverty line.[110] Of these, 88 percent lived in rural areas.[111] Tanzania's 1991/92 household budget survey (HBS) reported that the basic needs rural poverty incidence was 57 percent,[112] while the poverty incidence was 29 percent for the urban population.[113] The rural poor are predominantly farmers, who, if they own land at all, use basic technologies like hand hoes to work their land.[114] A 2007 World Bank paper noted that the agriculture sector

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[107] "Data: World Development Indicators: Tanzania."

[108] United Republic of Tanzania, *The United Republic of Tanzania Poverty Reduction Strategy Paper* (Washington, DC: The International Monetary Fund, 2000), 7, http://www.imf.org/external/np/prsp/2000/tza/02.

[109] "Data: World Development Indicators: Tanzania."

[110] Samuel M. Wangwe, *Economic Reforms and Poverty Alleviation in Tanzania* (Geneva: International Labour Office, 1996), 12, http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_125479.pdf.

[111] Ibid., 13.

[112] United Republic of Tanzania, *Poverty Reduction Strategy Paper*, 6.

[113] Wangwe, *Economic Reforms and Poverty Alleviation in Tanzania*, 13.

[114] Ibid., 14.

had the largest impact on employment, followed by building and construction, and then by the manufacturing sector.[115] Using a static multiplier analysis, the agriculture sector had the biggest multiplier from a poverty reduction perspective.[116]

Tanzania's income inequality began increasing in 1990. While successfully igniting economic growth, initial market liberalizing reforms negatively affected Tanzania's disenfranchised. After an initial decline from 1980–1990, the country's income inequality rose to a Gini coefficient deviation of .37 in 2000, on par with 1980 levels of income distribution.[117] As cited in a 1996 International Labour Office (ILO) report, economic reforms resulted in the diversification of income sources for rural incomes.[118] As reforms benefitted those with employment skills or capital, unskilled workers faced increased competition for employment, and were forced to accept lower wages or unemployment. Economic growth encouraged by neoliberal reforms will succeed in promoting human capital and overall development only through inclusive growth policies; inequality will continue to rise if the poor's income per capita remains unchanged. A program of successive PRSPs aspired to promote inclusive policies and ensure economic advancements coincided with growth in human capital.

E. POVERTY REDUCTION STRATEGY PAPERS: 2000, 2006, AND 2010

National strategies for the growth of the Tanzanian economy were informed by Vision 2025. PRSPs are the vehicle for attaining the objectives of Vision 2025, a good and quality life for all, good governance and the rule of law, and a strong and resilient economy. PRSPs written by the Tanzanian government in consultation with international stakeholders, such as the World Bank and the IMF, seek to put in place the economic policies required to accomplish the goals of Vision 2025. They detail the macroeconomic,

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[115] Jorgen Levin and Robert Mhamba, *Economic Growth, Sectoral Lingages and Poverty Reduction in Tanzania: Background Paper for the Tanzania CEM* (Washington, DC: The World Bank, 2007), 1, http://www.worldbank.org/servlet/WDSContentServer/IW3P/IB/2007/12/03/000020439_20071203101332/Rendered/PDF/416670TZ0Secto10210104145101PUBLIC1.pdf.

[116] Ibid.

[117] "Human Development Reports: Tanzania," accessed June 7, 2014, http://hdr.undp.org/en/countries/profiles/TZA.

[118] Wangwe, *Economic Reforms and Poverty Alleviation*, 17.

structural, and social policies in support of economic growth and poverty reduction.[119] PRSPs identify the country's planned increases in capital, labor, and asset productivity, and detail growth strategies that affect the country's economic growth trajectory positively.

The PRSP process is not without criticism. For example,

> Despite the rhetoric of participation, empowerment and ownership that infuses the discourse on PRSPs, these are nevertheless fundamentally rather centralized processes following blueprints available on World Bank and IMF websites, and connected to central budget support and public expenditure management considerations that are to do with improving governance at high government levels.[120]

Concluding indicators resulting from PRSPs and their macro strategic policies often fail fully to consider the complicated relationships of cause and effect that result in specific outcomes.[121] While micro level research ensures developed policies are indeed comprehensive and pertain to as much of society as possible, PRSPs are an essential first step in economic policy formulation in support of the national development strategy. PRSPs have also been shown to "create space for policy dialogue" and streamline poverty reduction efforts.[122] Tanzania's October 2000 PRSP sought to rectify the apparent inconsistencies of inceptive market liberalization policies through which shared prosperity remained elusive.

Plagued by inconsistent methods, definitions, and samples, by the new millennium, Tanzania required a more focused approach to poverty reduction. To solve the problem, Tanzania first needed to be able to define it consistently. The 2000 PRSP defined poverty in terms of "income" and "non-income" human development attributes. Income poverty primarily concentrates in Tanzania's rural areas among farmers engaged

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[119] United Republic of Tanzania, *Poverty Reduction Strategy Paper*.

[120] Frank Ellis and H. Ade Freeman, "Rural Livelihoods and Poverty Reduction Strategies in Four African Countries," *The Journal of Development Studies* 40, no. 4 (April 2004): 2, doi: 10.1080/00220380410001673175.

[121] Ibid.

[122] Jim Kinsella and Eamonn Brehony, "Are Current Aid Strategies Marginalising the Already Marginalised? Cases from Tanzania," *Development in Practice* 19, no. 1 (February 2009): 53, doi: 10.1080/09614520802576377.

in subsistence agriculture. However, at the turn of the century, income poverty was increasing in urban areas, where, as the PRSP noted, "the urban poor are concentrated in the informal sector."[123] Non-income poverty indicators include education availability and attainment, infant mortality rates, nutrition, and access to clean and safe drinking water among others.[124] Acknowledging the correlation between equitable economic growth and poverty reduction, the PRSP targeted accelerated GDP growth, as well as an increase in the real value-added of agriculture, in addition to anticipated industrial and service sector growth. The Tanzanian government believed these targets to be achievable against the backdrop of a stable, macroeconomic environment, and continuing structural reforms.[125]

To counter the nation's poverty effectively, Tanzania required a more comprehensive understanding of its current situation. The government, therefore, introduced several initiatives to account for the nation's impoverished better and to improve its poverty database. Initiatives included an HBS to replace the 1991/2 survey, a labor survey, and a population and housing census.[126] The 2000/1 HBS would account for 15,000 households, as compared with the 1991/2 survey, which covered approximately 5,300 households.

The 2000 PRSP set long-term and medium-term targets and outcome indicators, as well as intermediate indicators. This framework was divided into three main areas: reduced income poverty, improve quality of life and social well-being, and achieve and sustain a conducive development environment, with specific targets listed within each main area. A number of the specific objectives detailed in the 2000 PRSP were achieved. The infant mortality rate was reduced to 66 per 1,000 births by 2003, which surpassed the goal of 85 per 1,000 births. Infant mortality was further reduced to 57 per 1,000 births by 2005.[127] Reductions were also seen in the under-five mortality rate and in the incidence

[123] United Republic of Tanzania, *Poverty Reduction Strategy Paper*, 7.

[124] Ibid., 7–9.

[125] Ibid., 14.

[126] Ibid., 10.

[127] "Data: World Development Indicators: Tanzania."

of maternal mortality.[128] The lifetime expectancy goal of 52 years by 2010 was met in 2003, and increased to 54 years in 2005.[129] Similar success was achieved in net primary school enrollment, which reached 91 percent in 2005.[130]

Although specific targets of the 2000 PRSP were met by 2005, income poverty in Tanzania remained high. The 2000/1 HBS reported that 18.7 percent of the population lived below the food poverty line, while 35.7 percent of the population lived below the national basic needs poverty line. Although these figures showed a slight improvement from the 1991/2 HBS (21.6 and 38.6 percent, respectively), population growth and the coinciding increasing absolute number of the poor caused the government concern.[131] Not only did income poverty remain high after the 2000 PRSP, but the rural poor were shown to have become increasingly disenfranchised from the political decision-making process that was dominated by the private sector and the government.[132] Institutional reforms and the management of public services were emphasized as essential aspects of the PRSP process.[133]

Tanzania's second PRSP was completed in 2005 and released in 2006. Commonly referred to by its Kiswahili acronym MKUKUTA, the National Strategy for Growth and the Reduction of Poverty (NSGRP), echoed Vision 2025's emphasis of accelerating private-sector led growth through the development of a competitive economy.[134] It was specifically, "informed by the aspirations of Tanzania's Development Vision (Vision 25) for high and shared growth, high quality livelihood, peace, stability and unity, good governance, high quality education and international competitiveness."[135] Goals, operational targets, and strategies for attainment supported these common targets. The

[128] "Data: World Development Indicators: Tanzania."

[129] Ibid.

[130] Ibid.

[131] United Republic of Tanzania, *National Strategy for Growth and the Reduction of Poverty* (Washington, DC: The World Bank, 2005), 4, http://siteresources.worldbank.org/INTPRS1/Resources/TanzaniaPRSP(June-2005).pdf.

[132] Kinsella and Brehony, "Are Current Aid Strategies Marginalising," 54.

[133] Ibid.

[134] United Republic of Tanzania, *Poverty Reduction Strategy Paper*.

[135] Ibid., 1.

MKUKUTA also detailed areas for improvement. In evaluating physical capital advances, such as key infrastructure investments, the paper cited deficiencies in the previous planning framework, the lack of growth strategy clarity, and the need for better coordination.[136]

Referring to the 2000 PRSP as a "priority sector spending approach," the 2006 PRSP claimed an "outcomes-based" approach that "stresses inter-sector linkages and synergies and encourages cross-sector collaboration...also emphasizes the need to institutionalize participation and better mainstreaming cross-cutting issues."[137] Inter-sector linkages are found throughout the country as different entities from the public and private sectors were called upon to work with each other and various communities in support of MKUKUTA objectives.

The MKUKUTA reaffirmed the importance of macroeconomic stability as Tanzania sought to accelerate economic growth while keeping inflation low. It outlined the efficient use of public resources, the effective management of liquidity pressures from extensive economic assistance, and the promotion of private sector economic growth.[138] Echoing Vision 2025, the three cluster goals outlined in the strategy were economic growth and the reduction of income poverty, the improvement of Tanzanians' quality of life and social well-being, and good governance and accountability. Assumptions underpinning these goals included real GDP average growth rate of 6–8 percent per year between 2005 and 2010, the continued pursuit of debt relief under the World Bank and International Monetary Fund's heavily indebted poor countries (HIPC) relief initiative, and assumed improvements in agricultural productivity and economic service sectors.[139]

Whereas the MKUKUTA and the 2000 PRSP both emphasized areas of human capital, such as poverty reduction, the MKUKUTA also focused heavily on service delivery. PRSP criticism highlighted the historical under-representation of the rural and

[136] United Republic of Tanzania, *Poverty Reduction Strategy Paper*, 9.

[137] United Republic of Tanzania, *National Strategy for Growth*, 2.

[138] United Republic of Tanzania, *Poverty Reduction Strategy Paper*, 4.

[139] Ibid., 34.

agricultural sectors, sectors for which service-delivery is crucial.[140] This criticism echoed a World Bank/IMF finding that the 2000 PRSP engaged a wide variety of stakeholders, which resulted in formulations that tended to be broad, rather than deep.[141] The MKUKUTA sought to correct this discrepancy through an enhanced focus on societal inequalities.

The strategy referred to the reversal of the often negative growth trends experienced in the 1980s, and noted that the 1990s did not offer a corresponding reduction in the incidence of poverty, which cited rural-urban and inter-and-intra regional disparities in income poverty and service delivery.[142] The government was aware of the uneven benefits initial market liberalizing reforms had on Tanzania's poor. Consequently, a specific focus of the MKUKUTA was infrastructure improvement and an enhanced environment for private sector-led growth.[143] In addition to improvements, such as roads, the availability of electricity and water, this strategy cited, "increasing agricultural labor productivity through commercialization and value addition" as the key to rural poverty reduction, coupled with the development of the informal non-farm sector.[144] The Tanzanian government also acknowledged that with an expected population growth increase of up to five million people by 2010 that thus brings 48 percent of the population into dependence age groups requiring either schooling or elderly health care, public service delivery improvements were required just to maintain the status quo.[145]

The 2006 PRSP revised the country's socio-economic development plans. To reduce rural area income poverty, the paper targeted both the population figure below the basic needs poverty line, as well as that below the food poverty line. Outlined strategies included providing reliable and affordable energy, enhancing life skills, increasing access to rural micro-financial services, as well as promoting community-based savings and

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[140] Kinsella and Brehony, "Are Current Aid Strategies Marginalising," 53.

[141] Ibid.

[142] United Republic of Tanzania, *Poverty Reduction Strategy Paper*, 2.

[143] Ibid., 6.

[144] Ibid., 3.

[145] Ibid.

credit programs.[146] To improve food availability and accessibility, the strategy prescribed an increased production of food-crops with adequate reserves to minimize vulnerability during shocks. This security resulted in a prescription of increased food crop production from the 9 million tons produced in 2003 to 12 million tons to be produced in 2010, and the maintenance of the national strategic grain reserve of at least four months of the national food requirement.[147]

Significant constraints challenged the MKUKUTA's successful implementation. In addition to the lack of resources, Tanzania faces absorptive constraints. As noted by the World Bank in 2007, Tanzania lacks trained manpower to include a qualified public administration and the manpower capacity to execute an expenditure program. It also lacks a qualified institutional framework at the sectoral level. The public sector absorptive capacity is also constrained as exemplified by the lack of qualified nurses, teachers, and road engineers, among others.[148]

Policies toward Vision 2025's objective of a strong and resilient economy continued to mature. Structural reforms undertaken in the 1980s and 1990s continued in the new millennium. Ongoing reforms included the liberalization of the financial sector, parastatal sector reform, the liberalization of trade policies and institutions, as well as infrastructure improvements. Specifically, the government divested itself of 169 companies by mid-2004, while 47 remained with government involvement. Telecommunications improvements included initiatives to develop communication centers for the benefit of rural areas, as well as the promotion of e-commerce.[149]

By 2010, the Tanzanian economy showed signs of continued growth. From 2005–2010, the annual GDP growth rate was 7 percent per year, except for the 6 percent growth

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[146] United Republic of Tanzania, *Poverty Reduction Strategy Paper*, 40.

[147] Ibid., 39.

[148] The World Bank and The United Republic of Tanzania, *Tanzania: Sustaining and Sharing Economic Growth. Country Economic Memorandum and Poverty Assessment. (in Two Volumes) Vol. 1* (Main Report no. 39021-TZ) (Washington, DC: The World Bank, 2007), 71, https://openknowledge.worldbank.org/handle/10986/7703.

[149] United Republic of Tanzania, *Poverty Reduction Strategy Paper*, 24.

rate in 2009 owing to the global financial crisis, while inflation continued to decline.[150] GDP per capita steadily increased from $375 (as measured in constant U.S. dollars) in 2005 to $452 in 2010 (see Figure 4).[151] However, the 2010 PRSP, published against this backdrop of improved economic activity, offered caution. Although the incidence of poverty (poverty head count index) declined as measured in rural areas, urban areas, and mainland Tanzania, the decreases were disappointing given such a sustained economic growth rate.[152]

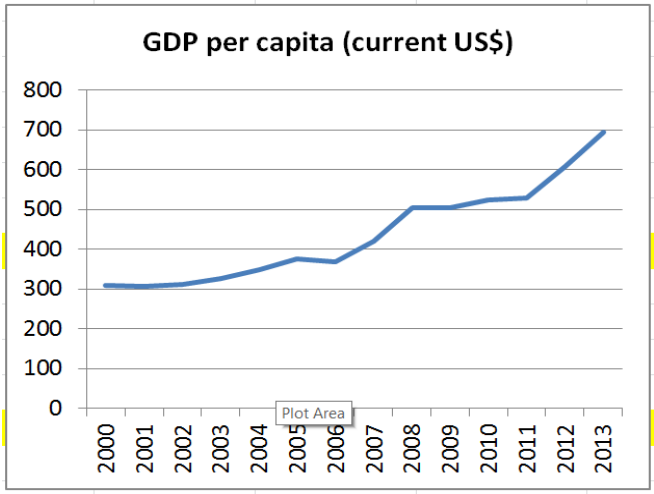

Figure 4. GDP per Capita (Current U.S.$)[153]

The 2010 PRSP, the National Strategy for Growth and Reduction of Poverty (NSGRP II), like the previous NSGRP, also focuses on achieving the goals outlined in Vision 2025. Referred to as MKUKUTA II, focus areas include accelerated economic growth, the reduction of poverty, improved standard of living, as well as good

[150] "Data: World Development Indicators: Tanzania."

[151] Ibid.

[152] United Republic of Tanzania, *National Strategy for Growth and the Reduction of Poverty (NSGRP II)* (Washington, DC: The World Bank, 2010), http://siteresources.worldbank.org/INTPRS1/Resources/Tanzania-PRSP-Dec2010.pdf. The incidence of poverty as measured by basic needs in mainland Tanzania decreased from 35.7 percent in 2000/1 to 33.6 percent in 2007.

[153] "Data: World Development Indicators: Tanzania."

governance and accountability.[154] Three clusters were again utilized to organize the Vision 2025 goals and the MDGs. The clusters are growth for the reduction of income poverty, improvements of quality of life and social well-being, and governance and accountability. MKUKUTA II aims to encourage economic growth and poverty reduction by advancing pro-poor growth strategies, which include increased investments in people and infrastructure development, as well as increased private sector participation in economic growth.[155]

This second national growth strategy specifically emphasizes the creation of employment opportunities. Faulting NSGRP I for not translating economic growth into job creation, MKUKUTA II emphasizes the private sector in economic growth and employment generation through a strengthened business climate, efficient use of the factors of production, and infrastructure development.[156] MKUKUTA II emphasizes the creation of employment opportunities, especially for the country's women and youth. This focus highlights MKUKUTA II's commitment to the development of human capital, even more so than previous PRSPs. In reflecting upon the country's economic performance from 2005–2009, MKUKUTA II noted that the macroeconomic position of the country had deteriorated. Tanzania's inflation rate, 5 percent in 2000, had risen to 12.1 percent by 2009. The country's import bill and production costs increased as the result of food shortages from drought, electricity outages, and an increase in fuel costs. The import bill was also negatively affected by fluctuating exchange rates. The import bill's expansion outpaced export earnings, which resulted in trade deficit increases.[157]

Tanzania's economic position, like the rest of the global economy, was negatively affected by the global economic downturn, which began in 2008. The crisis resulted in a decrease in foreign direct investment (FDI) and a reduced demand for Tanzania's

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[154] United Republic of Tanzania, *National Strategy for Growth and the Reduction of Poverty (NSGRP II)*, vii.

[155] "Tanzania Overview," 5.

[156] United Republic of Tanzania, *National Strategy for Growth and the Reduction of Poverty (NSGRP II)*, 27.

[157] Ibid., 10.

exports.[158] However, Tanzania's GDP has since increased and averages between 6 and 7 percent. Continued growth has been attributed to advances in the telecommunications industry and the financial sector, in addition to construction and mining sector growth.[159]

MKUKUTA II's poverty reduction cluster echoes the desired poverty reduction outcomes of the first MKUKUTA, with renewed focus on inclusive and accelerated growth achievable through sound economic management. To achieve the desired outcomes, economic goals include an inflation rate below 5 percent, and the maintenance of at least six months of national reserves. Operational targets include an accelerated GDP growth rate of 8–10 percent, and economic growth in various sectors of the economy including manufacturing, mining, tourism, as well as agricultural.[160] MKUKUTA II's economic goals are ambitious. The inflation rate and GDP growth rate goals have not been historically achievable for Tanzania. Although as Tanzania's macroeconomic footing remains stable, the challenge for the government is to ensure the advantages of that growth are translated to all sectors of society through shared growth and improvements in human welfare.

F. CONCLUSION

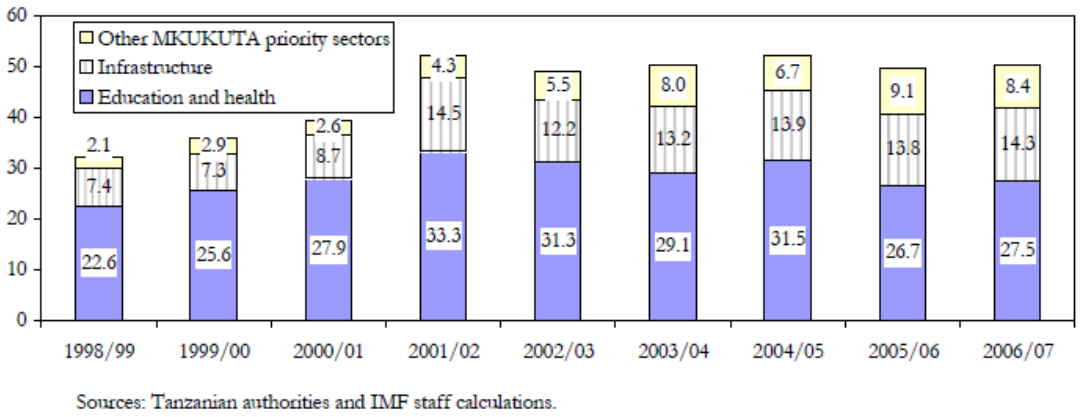
In the past 30 years, Tanzania has experienced a radical turnaround in its economy. Structural reforms undertaken in the 1980s and '90s shifted the composition and effectiveness of government spending toward priority areas, such as education, health, and infrastructure.[161] (See Figure 5)

[158] Langford and Lake, *Tanzania: Economy*.

[159] Ibid.

[160] United Republic of Tanzania, *National Strategy for Growth and the Reduction of Poverty (NSGRP II)*, 35–36.

[161] Nord et al., *Tanzania: The Story of an African Transition*, 22.



Sources: Tanzanian authorities and IMF staff calculations.

Figure 5. Tanzania: Priority Spending (Share of Total Spending Percent)[162]

However, despite sustained economic growth and prioritized spending, significant corresponding development advances have not been made in Tanzania. Despite a prolonged period of macroeconomic stability, structural weaknesses in the economy, such as a continued dependency on developmental aid and the agricultural sector in addition to limited export trade, hamper socio-economic advances.[163]

Tanzania remains classified as a low-income country. It currently ranks 160th out of 187 countries on the 2014 HDI, which places it among 41 other countries categorized with having "low human development." From 2000–2013, however, Tanzania has shown an average 2 percent annual growth in HDI rankings.[164] Varying methods of quantifying the nation's poor in addition to population growth temper the apparent improvements made in the last decade. The poverty headcount ratio at $1.25 a day (poverty gap at $1.25 a day PPP percent) reflects dramatic improvements from 84.2 percent in 2000 to 67.9 percent in 2007, and 43.5 percent in 2012.[165] Available data from official governmental surveys likewise indicate a reduction in the number of people living below the national poverty line from 38.6 percent in 1991, to 33.4 percent in 2007, and 28.2 percent in

[162] Nord, et al., *Tanzania: The Story of an African Transition*, 23.

[163] Bertelsmann Stiftung, *BTI 2014—Tanzania Country Report* (Gutersloh: Bertelsmann Stiftung, 2014), 4.

[164] "Human Development Index, (HDI)."

[165] Ibid.

2012.[166] However, the World Bank cautions that such improvements are, "not directly comparable, due to changes in survey methodologies and tools."[167] The number of Tanzanians living in poverty, 12 million, remains unchanged from 2001 due to population growth.[168]

Economic growth is dependent upon growth in human capital. Societal development indicators continue to show improvements in Tanzania, although not on pace with the 21st century economy. The percentage of children enrolled in primary education has improved from just over 50 percent in 2000 to 98 percent in 2008.[169] Access to electricity has more than doubled since 1990, but as of 2010, it still only accounted for 15 percent of the population.[170] Although the number of people living below the national poverty line has improved, 12 million Tanzanians continue to live in poverty. Of the urban area populations, 79 percent reported usually having three meals a day, as compared to only half the population in rural areas.[171] While Tanzania has succeeded in achieving the Vision 2025 goal of building a strong and resilient economy, the challenge remains to achieve the primary goal of a quality and good life for all.

In 2013, the President of Tanzania announced the implementation of the Big Results Now (BRN) development framework. This initiative uses public expenditures to address ongoing deficiencies in human and physical capital. Based upon Malaysia's Big Fast Results Initiative, BRN is a comprehensive system designed to hasten the growth of six prioritized economic sectors: energy and natural gas, agriculture, water, education, transportation, and resource mobilization. Tanzania's economy, like Malaysia's, is

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[166] Langford and Lake, *Tanzania: Economy*.

[167] "Tanzania Overview."

[168] Langford and Lake, *Tanzania: Economy*.

[169] "Data: World Development Indicators: Tanzania."

[170] Ibid.

[171] The World Bank, *Tanzania Economic Update: Raising the Game, Can Tanzania Eradicate Extreme Poverty?* The World Bank Poverty Reduction and Economic Management Unit Africa Region. No. 4, (Washington, DC: The World Bank, 2013), 20, http://www.worldbank.org/tanzania/economic update.

strongly influenced by agriculture and mining; Tanzania hopes to follow Malaysia's growth strategy into development and industrialization.[172]

Tanzania's economy has grown significantly over the previous decade. From 2000–2013, Tanzania's GDP grew from $10.2 to $33.2 million (U.S.$), and averaged 6.7 percent annual GDP growth.[173] With a population increase from 34.0 to 49.3 million during this same period, annual GDP per capita growth averaged 3.7 percent a year.[174] Increased activity in industrial and service sectors led this growth, along with the targeted expansion of telecommunications and financial services, and the country's significant construction activity.[175] The economy also continues to be more open. Tanzania's exports have increased fivefold since 2000, led by primary commodities, such as gold, coffee, tea, cashew nuts, and cotton.[176]

The economy is expected to continue its growth trajectory in 2014 and 2015 of 7 percent, led by expansions in the transportation, communications, manufacturing, and agricultural sectors.[177] Expenditures in transport and energy infrastructure are well placed as these areas have been identified as major constraints to economic growth.[178] The continuing lack of electricity further impedes economic growth as the manufacturing sector is particularly constrained, which limits job creation.[179] Construction activity is expected to remain robust with infrastructure improvements, to include a gas pipeline in response to newfound natural gas reserves.[180] However, as noted by the IMF, to meet its economic growth and poverty reduction goals, Tanzania will have to use more public resources, and use them more effectively to improve health and education services, and

[172] "Big Results Now—BRN," accessed December 16, 2014, http://www.pmoralg.go.tz/quick-menu/brn/.

[173] "Data: World Development Indicators: Tanzania."

[174] Ibid.

[175] Langford and Lake, *Tanzania: Economy*.

[176] "Tanzania Overview," 1.

[177] Prosper Charle, Rogers Dhliwayo, and Josef Loening, "Country Note Report: Tanzania, African Economic Outlook," last updated August 25, 2014, http://www.africaneconomicoutlook.org/en/countries.

[178] Langford and Lake, *Tanzania: Economy*.

[179] Ibid.

[180] Charle, Dhliwayo, and Loening, "Country Note Report: Tanzania."

its economic infrastructure.[181] With the population expected to grow by 3 percent a year, an 8 percent GDP growth rate is required to achieve Tanzania's goal of becoming a middle income country.[182] With the targeted 8–10 percent economic growth rate of MKUKUTA II unlikely, the effective use of available resources will be crucial in advancing socio-economic objectives.

[181] Nord et al., *Tanzania: The Story of an African Transition*, 27.

[182] Langford and Lake, *Tanzania: Economy*.

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IV. ECONOMIC POLICIES OF ZAMBIA: FROM INDEPENDENCE TO THE PRESENT

A. INTRODUCTION

The benefits of Zambia's robust 21st century economic growth remain unevenly distributed throughout the country, which results in staggeringly high national poverty rates. Despite focused economic development strategies, societal development and subsequent poverty reduction remain elusive. Beginning with independence in 1960, successive national development plans (NDPs), PRSPs, and the national development vision (Vision 2030) have failed to capitalize on Zambia's attributes of political stability, abundant resources and economic growth in volatile SSA. Inclusive growth remains elusive. The majority of Zambians today remain poor despite their country's economic well-being. This chapter begins with a brief overview of Zambia's political-economic trajectory, beginning with the country's independence, and progresses through a focused analysis of national reforms, successive poverty reduction strategies, and subsequent outcomes.

Zambia is a land-locked country of natural resources and arable land. It is bordered by eight countries including Angola to the west, the Democratic Republic of the Congo and Tanzania to the north, and Zimbabwe to the south. Zambia is slightly larger than Texas (approximately 290 thousand sq. miles), with a mostly plateau savanna and dry and temperate climate.[183] Sixty-six percent of the country is forested land.[184] The copper mining industry, which began in the 1930s, and is concentrated in the northern part of the country's Copperbelt Province, continues to underpin Zambia's economy, although the majority of the populace works in the agricultural sector. Other abundant resources include cobalt, zinc, lead, coal, emeralds, gold, silver, uranium, and water. The main industries are mining, transport, construction, manufacturing, and agriculture.[185]

[183] Republic of Zambia, *Vision 2030* (Lusaka: Republic of Zambia, 2006), 10, http://unpan1.un.org/intradoc/groups/public/documents/cpsi/unpan040333.pdf.

[184] "Data: World Development Indicators: Zambia," accessed January 6, 2015, http://data.worldbank.org/country/zambia#cp_wdi.

[185] Republic of Zambia, *Vision 2030*.

Ores and metal averaged 72 percent of the country's merchandise annual exports over the last 20 years.[186] Copper mining currently contributes 9 percent to formal employment.[187] Over a quarter of the country is agricultural land,[188] with the majority of the 14.5 million (2013)[189] Zambians employed in the informal sector and in agriculture. Most of those employed in the agriculture sector are subsistence agriculturalists.[190]

The socialist regime of President Kenneth Kuanda was endemic of post-independence Africa. His tenure, characterized by economic instability and relatively poor economic policies and outcomes, however, was much less malignant than other continental authoritarian regimes, which depleted national resources for personal enrichment and relied on fear for empowerment. The Kuanda era began in 1964 when the British granted Northern Rhodesia its independence as the Republic of Zambia, with Kenneth Kuanda as President.[191] Kuanda's United Nationalist Independent Party (UNIP) retained the presidency until 1991 and ruled Zambia as a one-party state from 1972–91.

Calamities in the global macroeconomic environment undercut newly-independent Zambia's positive economic prospects. High commodity prices and the rapid economic growth of the 1950s fueled future moderate growth expectations on the continent.[192] However, external shocks, such as rising transport costs, and the decline in copper prices, would prove devastating to Zambia's economy.[193] As with much of SSA, Zambia's weak economic position was characterized by rising inflation, a decline in both producer prices and agricultural output, losses in the mineral sector, and transport deterioration due to the high cost of oil.

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[186] "Data: World Development Indicators: Zambia."

[187] African Center for Economic Transformation, "Zambia Transformation Profile," accessed February 7, 2014, http://africantransformation.org/2014/02/07/zambia/.

[188] "Data: World Development Indicators: Zambia."

[189] Ibid.

[190] Republic of Zambia, *Zambia Decent Work Country Programme: 2013–2016*, Ministry of Labour & Social Security (Lusaka: Republic of Zambia, n.d.), 9, accessed January 31, 2015, http://www.ilo.org/public/english/bureau/program/dwcp/download/zambia.pdf.

[191] Sishuwa, "Zambia: Recent History."

[192] Iliffe, *Africans: The History of A Continent*, 260.

[193] Republic of Zambia, *Vision 2030*, 10.

Deteriorating global economic conditions began in the mid-1970s. As a result of instability and conflict in the Middle East, the price of crude oil increased from approximately $3 a barrel in 1973, to more than $12 in 1974, only to increase again from $19 in 1979 to $38 in 1981.[194] These increases proved detrimental to all oil importing states, such as Zambia, whose fuel imports averaged 16 percent of merchandise imports from 1975–79.[195] The ripple effects of increased fuel and fertilizer costs impeded Zambia's agriculture sector, as well as the industrial sector, which was restrained by the lack of imports.[196]

The global recession of the 1970s further contributed to Zambia's economic instability. Copper prices plummeted by three-quarters in the decade from the mid-1970s–80s (see Figure 6), which crippled its economy.[197] Zambia, like other SSA mineral exporters, produced copper at a loss due to the fall in global prices.[198] Zambia's mineral losses were compounded by falling agricultural export prices.[199]

[194] Crawford Young, *The Postcolonial State in Africa: Fifty Years of Independence, 1960–2010* (Madison, WI: The University of Wisconsin Press, 2012), 276.

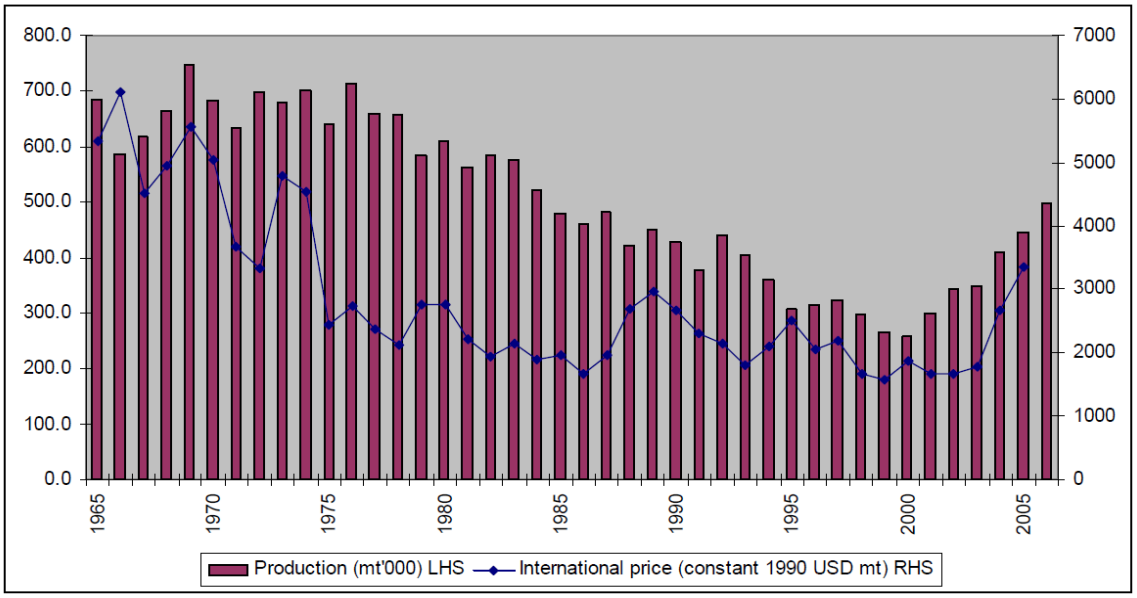
[195] "Data: World Development Indicators: Zambia."

[196] Martin Meredith, *The Fate of Africa: A History of Fifty Years of Independence* (New York, NY: Perseus Books Group, 2005), 277.

[197] Iliffe, *Africans: The History of A Continent*, 261.

[198] Meredith, *The Fate of Africa*, 277.

[199] Sishuwa, "Zambia: Recent History."



Source: Data from Bank of Zambia

Figure 6. Zambia's Copper Production and Copper Prices[200]

The Kuanda regime tried unsuccessfully to weather the global economic fluctuations of the 1970s and '80s. The country's first national development plan, the "Transitional Development Plan," focused on infrastructure development, diversifying the economy, and increasing Zambia's manufacturing capacity, while advancing self-reliant black African nationalism as advocated by Kuanda. The President sought to lessen the country's dependence on the industrial complex of white-ruled southern Africa.[201] Economic growth through industrialization was in line with the prevailing economic scholarship at the time. However, the Kuanda regime's import-substitution economic strategy proved economically inefficient. The use of alternate seaports, such as Dar es Salaam, Tanzania, which bypassed the colonial infrastructure in then Southern Rhodesia (current day Zimbabwe) and South Africa, resulted in lower export volumes at greater cost.[202] The country's economic crisis mode defied the implementation of the Second and

[200] Elana Ianchovichina and Susanna Lundstrom, *What Are the Constraints to Inclusive Growth in Zambia? A Policy Note* (report no. 44286-ZM) (Washington, DC: The World Bank, 2008), 4, http://site resources.worldbank.org/INTPGI/Resources/Zambia_SharedGrowthAnalytics.pdf.

[201] Sishuwa, " Zambia: Recent History."

[202] Ibid.

Third National Development Plans (1972–76, and 1979–84, respectively), as the government continuously borrowed money to maintain the country's standard of living.

Zambia's economic crisis was compounded by rapid population growth, which was endemic to SSA. As noted by African historian John Iliffe, referencing the region's uniquely sudden growth, the capital cost of developing "more marginal land and expanding existing services to provide millions of new children with food, housing, dispensaries, and primary schools absorbed the surplus available for investment before there could be any thought of development."[203] By 1974, Zambia's annual population growth peaked at 3.4 percent, as compared to 2.8 percent a year in 1960.[204]

In Zambia and across SSA, industrialization efforts decimated the agriculture industry. Marketing boards appeased the politically relevant urban areas, as governments paid low prices for excess export crops to finance industrialization efforts and to maintain low food prices for its urban constituency.[205] This political rationale was ultimately self-defeating as it exploited the countryside.[206] Producers were challenged to cover the cost of production as governments paid only a fraction of market food prices, coupled with exchange rate manipulation.[207] The result was declining food production throughout SSA, as governments implemented unsuccessful economic policies. Studies suggest SSA's per capita food output decreased by 1 percent a year for 25 years, beginning in 1960.[208] The Zambian economy decreased by an average of 2 percent a year from 1975–1988, with annual per capita income decreasing from $540 in 1964 to $290 in 1988.[209] Self-sufficient in foodstuffs at independence, Zambia now relied on food imports.[210] The

[203] Iliffe, *Africans: The History of A Continent*, 261.

[204] "Data: World Development Indicators: Zambia."

[205] Meredith, *The Fate of Africa*, 279.

[206] Iliffe, *Africans: The History of A Continent*, 264.

[207] Meredith, *The Fate of Africa*, 281.

[208] Iliffe, *Africans: The History of A Continent*, 264.

[209] Young, *The Postcolonial State*, 201.

[210] Meredith, *The Fate of Africa*, 281.

strain on Zambia's balance of payments forced a reduction of essential good imports and increased domestic costs.[211]

High-cost, loss-making, inefficient state corporations produced SSA's "lost decade" of the '80s.[212] While mining countries like Zambia and oil exporters continued to draw foreign investment, investors increasingly looked to Latin America and Asia.[213] From 1965–1980, SSA's annual GDP per person rose 1.5 percent, as compared to 1.3 percent in India during that same period.[214] By contrast, GDP per person in SSA declined by 1 percent a year during the 1980s, while rising to 3.1 percent a year in India.[215]

The significant fluctuations in Zambia's GDP growth rate reflected the economic turmoil, from 9.2 percent annual growth in 1972 to negative 4.6 percent in 1977 (see Figure 7).[216] Growth fluctuations continued throughout the 1980s and '90s, as the country's public debt increased. Zambia's post-independence economic experience was characteristic of SSA. Rapid population growth and changes in the global environment led to an exponential rise in public debt for the continent. Africa's public debt quadrupled between 1970 and 1976.[217] Iliffe notes that by 1991, "Black Africa's external debt exceeded its annual gross national product (GNP), a proportion more than twice that of any other region."[218] Zambia's acute economic crisis led to the acceptance of yet another ultimately unsuccessful structural adjustment program in 1983.[219] Seven donor-supported adjustment programs were adopted from 1976–1991; each was eventually abandoned.[220]

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[211] Young, *The Postcolonial State*, 276.

[212] Meredith, *The Fate of Africa*, 369.

[213] Ibid., 279.

[214] Iliffe, *Africans: The History of A Continent*, 260.

[215] Ibid.

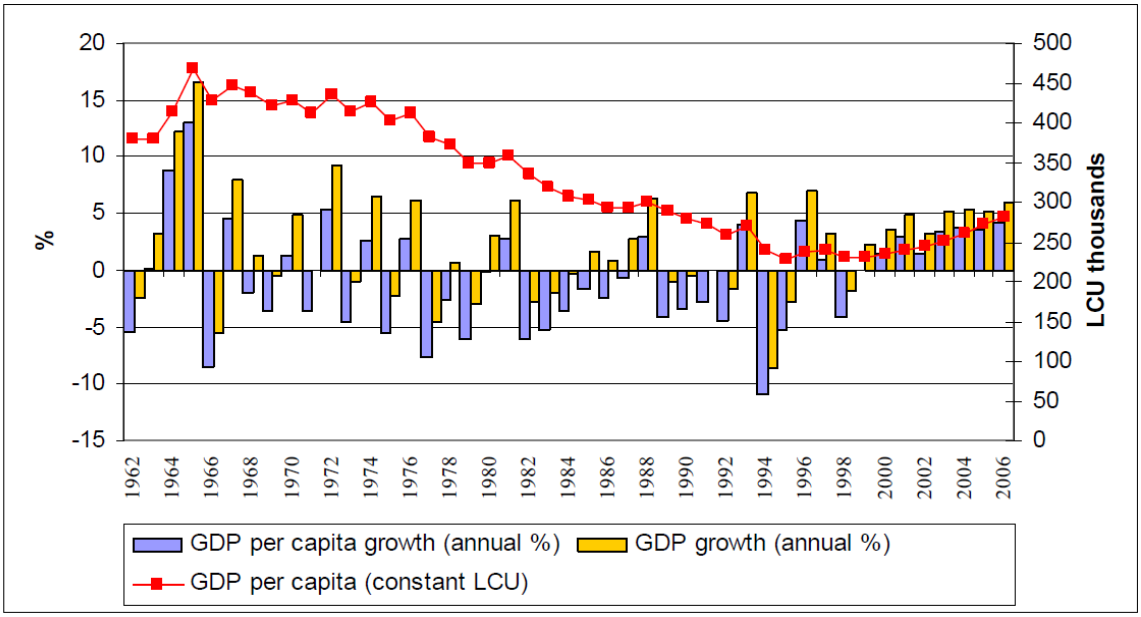
[216] "Data: World Development Indicators: Zambia."

[217] Iliffe, *Africans: The History of A Continent*, 261.

[218] Ibid.

[219] Ibid., 292.

[220] Malcolm F. McPherson, "The Sequencing of Economic Reforms: Lessons from Zambia," Harvard Institute for International Development, 1995, 1, http://www.cid.harvard.edu/hiid/516.pdf.



Source: World Bank (DDP data).

Figure 7. Zambia's GDP Per Capita and Annual Growth, 1962–2006[221]

The continued deterioration of Zambia's economic well-being resulted in regime change. During Africa's "lost decade" of the 1980s, the prices of essential goods continued to increase, which culminated in the announcement that Zambia's staple, maize meal, would increase by 100 percent in 1990.[222] Economic instability galvanized copper miners and ruling party dissidents, who demanded multiparty elections.[223] As noted by Crawford Young, "By 1985, public sector unrest intensified; there were frequent strikes, and the powerful mine workers union escaped party tutelage and flexed its muscles."[224] In 1991, President Kuanda's UNIP was voted out of office in favor of the Movement for Multiparty Democracy (MMD). Elections deemed to be free and fair thus ended Kuanda's 27 years in power. Zambia's political liberalization was the first in anglophone

[221] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 2.

[222] Sishuwa, "Zambia: Recent History."

[223] Iliffe, *Africans: The History of a Continent*, 300.

[224] Young, *The Postcolonial State*, 291.

Africa.[225] The transition appeared a model of democratic regime change and furthered continental political reform efforts.[226]

In 1990, Zambia was one of the poorest countries in the world. Of the country's eight million people, 70 percent were estimated to be poor, with 58 percent of these classified as extremely poor.[227] Rural poverty (88 percent) was greater than urban poverty (48 percent), with 90 percent of rural small-scale farmers classified as poor, and 83 percent extremely poor.[228] Social indicators reflected the country's impoverishment, as its 1990 HDI score of .41 showed a decline from its 1980 score of .42, which placed Zambia slightly ahead of Cambodia and slightly behind Haiti in the index rankings.[229] Its average annual HDI growth from 1980 to 1990 was negative .37.[230] In his 1991 inaugural address, President Frederick Chiluba stated:

> The Zambia we inherit is destitute—ravaged by the excesses, ineptitude and straight corruption of a party and a people who have been in power for too long. When our first president stood up to address you twenty-seven years ago, he was addressing a country full of hope and glory. A country fresh with the power of youth, and a full and rich dowry. Now the coffers are empty. The people are poor. The misery endless.[231]

B. THE TURN TO THE MARKET

As essential aspect of the MMD's winning campaign platform was fiscal discipline. By 1991, the central government's debt had reached 278 percent of its GDP.[232] Inflation (consumer prices annual percent) rose from 98 percent in 1991 to 166 percent in 1992, before reaching a high of 183 percent in 1993 (See Figure 8.).[233] Against

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[225] Young, *The Postcolonial State*, 200.

[226] Ibid., 201.

[227] Republic of Zambia, *Interim Poverty Reduction Strategy Paper* (Washington, DC: International Monetary Fund, 2000), 2, http://www.imf.org/external/np/prsp/2000/zmb/01/070700.pdf.

[228] Ibid.

[229] "Human Development Index, (HDI)."

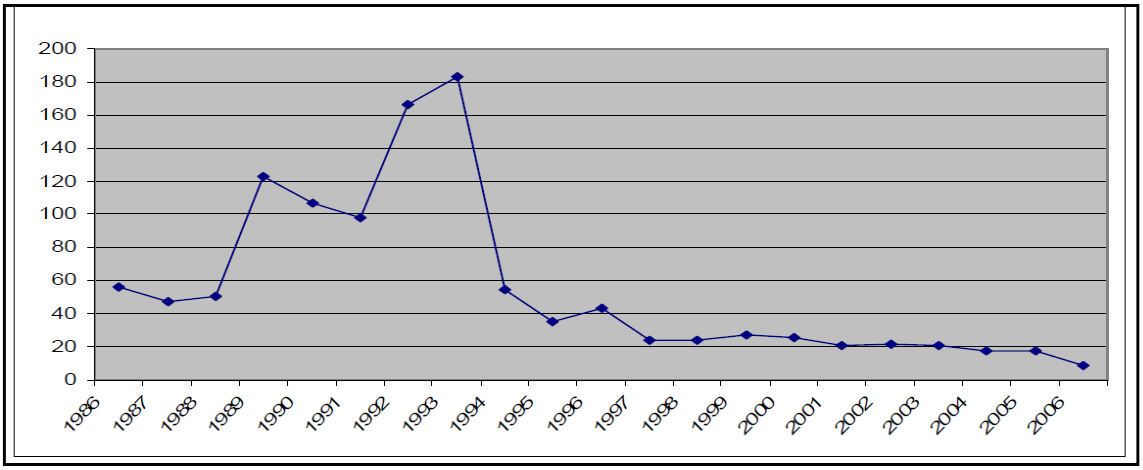
[230] Ibid.

[231] Meredith, *The Fate of Africa*, 411.

[232] "Data: World Development Indicators: Zambia."

[233] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 3.

this backdrop, economic reforms were again attempted, this time by the new government, to secure the country's financial future and to grant access to international finance. The failure of the country's maize harvest and the donor support required to prevent a national catastrophe provided additional impetus for reform programs.[234]



Source: WDI and IMF (2007)

Figure 8. Inflation 1986 to 2006 (Percent)[235]

The collapse of state socialism in Eastern Europe and the Soviet Union echoed in Africa. While the fall of the Berlin Wall did not cause the democratization wave in SSA, it demonstrated the fallibility of autocratic regimes.[236] When the Berlin Wall fell in 1989, 42 of SSA's 47 states had authoritarian regimes.[237] By 1994, not one was officially a one-party state, with 38 having held competitive elections.[238] It was also during this period that Western donors and the international financial community concluded that economic reform programs alone were insufficient for development. Structural adjustment was "denatured by predatory prebendal politics."[239] Better governments were

[234] McPherson, "The Sequencing of Economic Reforms," 10.

[235] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 3.

[236] Young, *The Postcolonial State*, 197.

[237] Iliffe, *Africans: The History of A Continent*, 299.

[238] Ibid.

[239] Young, *The Postcolonial State*, 198.

required for economic growth, in addition to better economic policies. Future financial assistance, desperately needed by the developing world, would be contingent upon state opening.[240] The end of President Kenneth Kuanda's authoritarian regime in 1991 not only opened Zambia's state-based economy, but began the political liberalization of the government as well.

Beginning in 1991 with the new administration, Zambia embraced a variety of market liberalization reforms. In addition to the privatization of previously state-owned companies, such as the Zambia Sugar Company and Zambia Airways, and the removal of loan guarantees for most remaining parastatals, economic reforms included the devaluation of the official exchange rate by 30 percent, the elimination of all export and import licenses, and the opening of the maize and fertilizer industries to market competition.[241] Zambia's turn to the market also resulted in the creation of the Zambia Privatization Agency, and the establishment of both the Lusaka Stock Exchange, and the Zambia Revenue Authority. In 1993, the government introduced a cash budget to restore realistic budgeting and control spending.[242]

Despite economic reform efforts, privatization and government programs intended to curtail inflation and macroeconomic instability were only marginally successful. As noted in a 2002 World Bank Policy Research Working Paper, the implementation of the cash budget actually retained high inflation after initially reducing hyperinflation, did not induce fiscal discipline, and actually exacerbated the country's increasing poverty numbers through the disruption of social services and reduction in government efficiency.[243] The cash budget policy remained in place at the end of the decade, and as noted by the World Bank, so did high debt burdens, "and a weak capacity

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[240] Young, *The Postcolonial State*, 198.

[241] McPherson, "The Sequencing of Economic Reforms," 33–36.

[242] Hinh Dinh, Abebe Adugna, and Bernard Myers, *The Impact of Cash Budgets on Poverty Reduction in Zambia: A Case Study of the Conflict between Well-Intentioned Macroeconomic Policy and Service Delivery to the Poor* (Washington, DC: The World Bank, 2002), 2, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/05/08/000333038_20120508000951/Rendered/PDF/685470NWP0P0450mpact0of0cash0budget.pdf.

[243] Dinh, Adugna, and Myers, *The Impact of Cash Budget*, 1.

to design and implement a strategic budget execution framework."[244] Although the Zambian government knew economic reform was paramount to ensuring its country's financial stability and a sustainable growth path, the country simply lacked the infrastructure and capacity to implement desired policies. Additionally, a World Bank study of 48 non-mining parastatals privatized in the 1990s found a decline in performance partially attributable to a sub-optimal domestic environment.[245] Constraints included fiscal distortions that disfavored local production, lack of long-term financing, and excessive bureaucratic interference.[246]

C. 2002 POVERTY REDUCTION STRATEGY PAPER

Zambia's economy stabilized toward the end of the 1990s, as reform and liberalization policies matured, the macroeconomic environment settled and global copper prices increased. Additionally, evidence indicates Zambia successfully managed to diversify and expand its export base to reduce its reliance on the country's mining industry.[247] The last year of negative GDP growth occurred in 1998, with growth averaging over 6 percent annually from 1999–2013.[248] Annual inflation of consumer prices, which peaked at 183 percent in 1993, has steadily declined since 2000, with the exception of 2008 and 2009, owing to the global financial crisis. For the last three years of available data, 2011–13, inflation (consumer prices annual percent) has remained below 7 percent.[249] The country's first PRSP sought to translate such improving economic advancements into poverty reduction, as the numbers of the country's impoverished had steadily increased since independence.[250]

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[244] Dinh, Adugna, and Myers, *The Impact of Cash Budget*, 27.

[245] John Serlemitsos and Harmony Fusco, *Zambia: Post-Privatization Study* (Washington, DC: The World Bank Group, 2003), v, http://documents.worldbank.org/curated/en/2003/12/19881491/zambia-post-privatization-study.

[246] Ibid., vii.

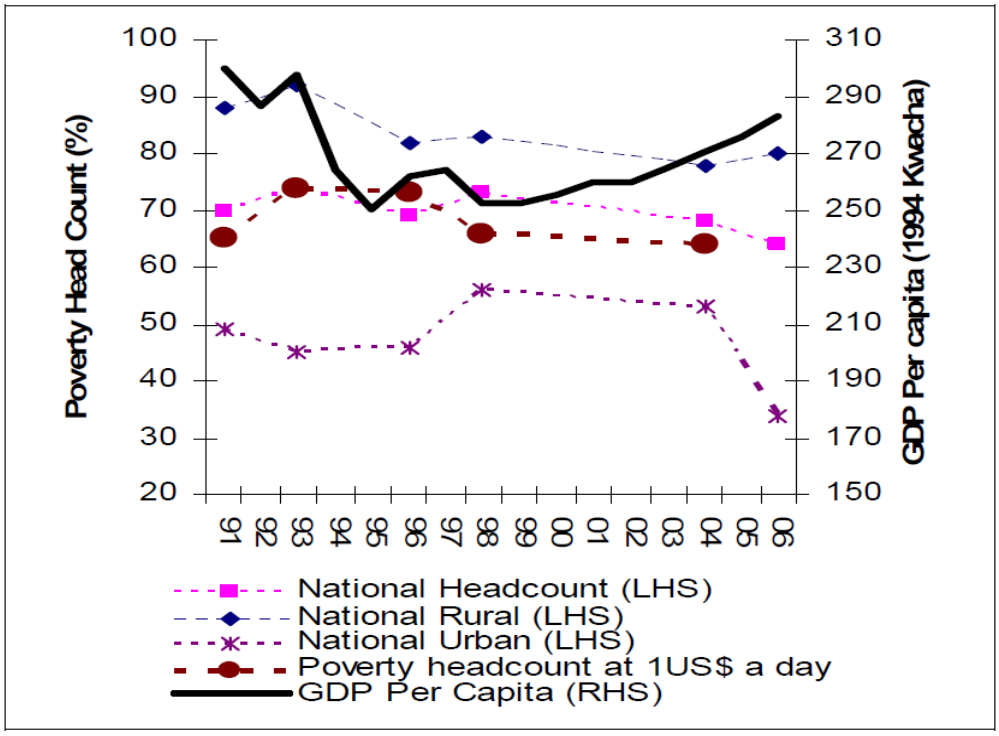
[247] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 5.

[248] "Data: World Development Indicators: Zambia."

[249] Ibid.

[250] International Monetary Fund, *Zambia Poverty Reduction Strategy Paper* (Washington, DC: International Monetary Fund, 2002), 10, http://www.imf.org/External/NP/prsp/2002/zmb/01/.

In the 1980s and '90s, as the Zambian government focused on its economic survival; poverty had increased throughout the country. The majority of Zambians continue to live in poverty (see Figure 9). The country's highest poverty rates are in rural areas (80 percent), where most of the population lives.[251] In 2002, although poverty was still more prevalent in rural areas than urban (83 versus 56 percent, respectively), it was increasing in urban areas due to failing industries and increasing unemployment.[252]



Source: Republic of Zambia (2006a), CSO, WDI, and Bank staff estimates

Figure 9. Zambia Poverty Rates in Rural and Urban Areas, 1991–2006[253]

To combat the country's rise in poverty, the major objectives of the PRSP were to encourage continued economic growth, promote the continued diversification of its products and exports, improve social service delivery, and espouse crosscutting policies

[251] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 8.

[252] International Monetary Fund, *Zambia Poverty Reduction Strategy Paper*, 10.

[253] Ibid., 8.

for HIV/AIDS, gender, and environmental issues.[254] Strengths of the PRSP included comprehensive poverty analyses and the identification of priority sectors in relation to their respective pro-poor growth contributions.[255] However, as noted by the IMF, the strategy lacked specific poverty-reducing activities within priority sectors and adequate financing details, which exemplified institutional and capacity weaknesses within the government.[256]

The PRSP focused the government on obtaining reliable poverty information. In compiling poverty data for the 2002 PRSP, Zambia utilized its Central Statistical Office's (CSO) compilations, which defined the country's poverty line, "as the amount of monthly income required to purchase basic food to meet the minimum caloric requirement for a family of six."[257] The CSO found the number of Zambians below this threshold had increased from 70 percent of the population in 1991 to 73 percent of the population in 1997.[258] The 2002 PRSP cautioned that the state of poverty was actually worse than CSO numbers revealed, as the basic food requirements for this poverty threshold were exceptionally modest and based on the minimum caloric requirement, which excludes meat and fish.[259] The Zambian government acknowledges a broader understanding of poverty to include the material requirements for basic needs, and additional human needs factors, such as life expectancy, literacy, access to health services, and personal security among others.[260] CSO figures, however, do not encapsulate these basic human needs factors.

The 2002 PRSP acknowledged the economic failures of the previous three decades. Foreign borrowing increased to offset global copper and oil prices, as import

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[254] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy Paper Joint Staff Assessment* (Washington, DC: International Monetary Fund, 2002), 1, http://www.imf.org/External/NP/jsa/2002/zmb/eng/050902.PDF.

[255] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy*, 2.

[256] Ibid.

[257] Ibid., 21.

[258] Ibid.

[259] Ibid.

[260] Ibid., 20–21.

substitution industrialization was embraced to reduce the country's over-dependency on mining exports. Even with initial privatization efforts, the PRSP acknowledged that Zambia's average annual growth rate from 1990–1999 was only 1 percent, the lowest rate in the Southern African Development Community (SADC). In addition to attributing the growth in poverty to the lack of economic growth coupled with a growing population, the PRSP acknowledged inadequate expenditures on pro-poor interventions, and unfavorable land tenure and ownership laws that resulted in weak access to real assets.[261]

Appropriately, Zambian agriculture was the main focus of the 2002 PRSP. Employing half of the country's workforce in 1990, those employed in agriculture-related activity rose to 70 percent by 1998.[262] Although the country's major employer, the agriculture sector's capacity to contribute to growth and development remained underexploited.[263] The sector remained a binding constraint on the economy. The PRSP cited the country's abundant arable land and supportive ecology, along with requisite workers, which, the paper noted, situates Zambia for economic success if utilized by appropriate policies. Poverty reduction will only occur if growth in the agricultural sector is complemented by pro-poor policies that include the poor in the sector's growth.[264] Although the paper noted the importance of improving the productivity of smallholder farmers' land, it also simultaneously placed emphasis on encouraging large-scale agricultural farming to take advantage of unexploited land resources.[265] Commercial agriculture is an economic diversification opportunity, to compliment Zambia's mining industry.[266]

Three decades after independence, Zambia had succeeded in diversifying its exports. Although still dominated by mining products, agriculture exports made up an

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[261] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy*, 10–11.

[262] "Data: World Development Indicators: Zambia."

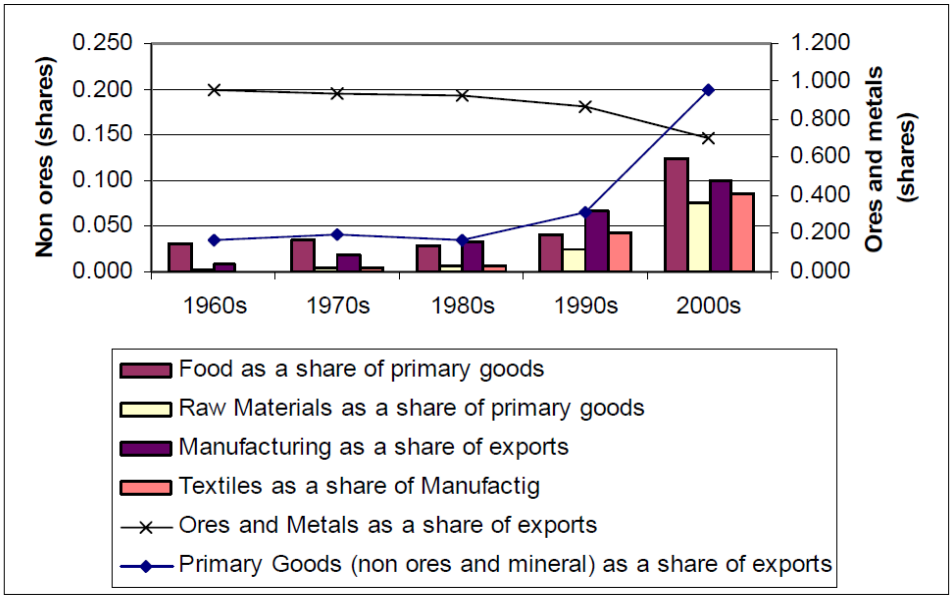
[263] "Data: Country and Lending Groups."

[264] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy*, 11.

[265] Ibid.

[266] Ibid.

increasing share by the late 1990s.[267] Food and other farm products increased from 4 percent of exports in the 1980s to 20 percent at the turn of the century (see Figure 10).[268] The mining sector had also diversified, with base metals and precious stones making up an increasing percentage of the mining sector.[269] Such strong diversification buttressed Zambia's robust 21st century economic growth.



Source: World Bank, Export diversification data, PRMED

Figure 10. Composition of Exports in Zambia[270]

The country's first PRSP was not without its challenges. Fiscal constraints at the time severely limited the socio-economic programs Zambia could initiate or continue, without external support. The delicate economic position, attributed to economic stagnation, and dependence on external resources to fund the PRSP, was specifically referenced.[271] PRSP programs from 2002–2004 were estimated to cost $1.2 billion, with

[267] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 6.

[268] Ibid.

[269] Ibid.

[270] Ibid.

[271] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy*, 121.

donors financing 67 percent of the total cost.[272] A significant portion of Zambia's internal financing calculations was also attributed to debt relief.[273]

The government was also restrained by competing goals in the agricultural sector. Although agricultural development was targeted as the "engine of income expansion for the poor,"[274] a concurrent goal was the development of the country's commercial agricultural capacity. Livelihoods for the majority of Zambia's poor are dependent upon small-scale agriculture and informal sector activities, which tend to be short-term and seasonal.[275] A delicate balance is required to protect and develop the capacity of subsistence farmers while also promoting commercial industrial development. The strategy recognized these competing interests, but proclaimed that the country, "can afford to encourage rural large-scale agriculture without creating land problems although it will require shifting some people."[276] Commercial farms are mainly situated along major transport routes and are held under 99 year leases with the government. They use modern equipment, technology, irrigation, and fertilizing methods and produce most of Zambia's agricultural exports in addition to 80 percent milk exports, 75 percent wheat, and 70 percent soybeans and poultry.[277] Peasant farmers hold nearly two-thirds of Zambia's agricultural land, mainly through traditional agreements managed by local chiefs.[278] These farmers tend to live on less than 5 hectares and use hand-tools or animal draft power to grow mainly food staples. The Zambian government estimated that 60–70 percent of smallholder farmers did not benefit from the liberalization policies of the 1990s, as they live far from markets where reasonable cost inputs may be obtained and their farm products may be sold at profit.[279] The government envisioned increasing rural

[272] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy*, 13.

[273] Ibid.

[274] Ibid., 37.

[275] Ibid., 10.

[276] Ibid., 50.

[277] Republic of Zambia, *Vision 2030*, 17.

[278] Ibid.

[279] Ibid.

productivity by altering the traditional authority governing ownership through demarcating farm blocks for commercial exploitation.[280]

A final impediment to Zambia's poverty reduction efforts at this time was the lack of an overarching national economic framework. The Fourth National Development Plan (1989–1993) was the most recent national plan, which resulted in a decade (1993–2002) without economic guidance. As with the 2002 PRSP, successive PRSPs would present similar medium-term strategic approaches that were expected to compliment the forthcoming long-term strategic guidance of the completed national framework.

In the 2002 PRSP, Zambia committed to augmenting the structural reforms and economic liberalization efforts previously attempted, while also recognizing the need to develop inclusive growth policies.[281] Previous decades without such a comprehensive strategy had proven disastrous to the country's most vulnerable. PRSP objectives of macroeconomic stability and poverty reduction were to be achieved through growth-stimulating interventions and pro-poor interventions. While these interventions focused heavily on the economic sector through the tourism, agriculture, and mining industries, the PRSP also targeted infrastructure development and the social services sector, all of which are affected by crosscutting issues, such as HIV/AIDS and the environment.[282] As the new century began, Zambia faced the herculean tasks of not only arresting the incidence of poverty from increasing in the country, but also reducing the number of those already impoverished, while maintaining growth. The national development vision aspired to establish the long-term strategic framework to guide the country in accomplishing both.

D. VISION 2030: A PROSPEROUS MIDDLE-INCOME NATION BY 2030

In December 2006, Zambia released its first national long-term socio-economic development plan. *Vision 2030: A Prosperous Middle-Income Nation by 2030*

[280] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy*, 50.

[281] Staffs of the International Monetary Fund and International Development Association, *Zambia: Poverty Reduction Strategy*.

[282] Ibid., ix.

encapsulates the benchmark social and economic indicators the country aspires to attain by 2030 to achieve middle-income status. The founding principles of Vision 2030 include sustainable development, upholding democratic principles, respect for human rights, fostering family values, a positive attitude to work, peaceful co-existence, and upholding good traditional values. These principles will guide short- and medium-term national development plans in establishing corresponding social and economic development policies.[283]

Vision 2030 development scenarios are presented from three perspectives: that of the 2005/06 baseline, the "preferred" perspective, and the "optimistic" perspective. Preferred targets include annual GDP growth rates beginning with 6 percent in 2006 and gradually progressing to 10 percent between 2021 and 2030, retained inflation rates below 5 percent, the reduction of the national poverty head count to below 20 percent of the population, to acquire and maintain a Gini coefficient of less than .40, the provision of safe potable water and improved sanitation facilities accessible to the entire Zambian populace, education for all, and the provision for equitable access to health care for all Zambians.[284]

Vision 2030 also details the prerequisite underlying conditions for the successful achievement of the country's middle-income status. Those requirements include increasing the country's annual health expenditures, increasing the shares of manufactures and industry participation in the GDP, in addition to the sustainment of prudent fiscal, monetary, and financial policies.[285] The increased health expenditure targets are in line with comparable middle-income countries (Botswana, Gabon, and Panama). However, the World Bank noted in 2004 that Zambia had recently been unable to release all the planned resources in the health sector.[286] Increased health expenditures are mandatory to arrest the increasing incidence of malaria, combat tuberculosis and HIV,

[283] Republic of Zambia, *Vision 2030*, v.

[284] Ibid., vi.

[285] Ibid., 5.

[286] The Staff of the International Development Association and International Monetary Fund, *The Republic of Zambia: Poverty Reduction Strategy Paper—Progress Report. Joint Staff Assessment* (Washington, DC: The World Bank, 2004), 6.

as well as ensure sufficient infrastructure. such as hospitals. The Vision appropriately emphasizes prudent fiscal and economic policies, as overruns of the wage bill and slippages in fiscal policy had also recently occurred, which negatively affected the government's ability to execute poverty-reduction programs.[287]

Vision 2030 frankly acknowledges Zambia's economic realities. In 2003, Zambia's external debt service accounted for 3 percent of its GDP. With the cancellation of almost all that debt, Zambia is now enabled and expected to allocate increased funds to domestic expenditures. Domestic revenues may now be combined with external grants (over 6 percent of GDP in 2004 and 2005) for infrastructure improvements and expanded health and education programs. An additional economic reality is the fundamental transformation of its economy as it approaches middle-income status. As it grows, Zambia's economy is expected to migrate from a primary commodities-based economy (namely that of the mining and agriculture sectors) to one of manufacturing. Mining and agriculture contributions are expected to decline as a percent of GDP from 3.4 and 23.6 percent, respectively, in 2004, to 2.4 and 10.1, respectively, in 2030. For manufacturing to achieve its targeted 6 percent growth by 2030, Zambia's industrial capacity and infrastructure must be improved.[288]

Almost a decade after the release of Vision 2030, Zambia has made significant progress in its implementation. While annual percentage GDP growth did not achieve the prescribed preferred rates of 8 percent from 2011–2014, the average percentage of GDP annual growth from 2006–2014 was 7.7 percent, well within the 6–10 percent targeted growth rate.[289] Inflation rates (consumer prices annual percent) have been considerably higher than the established Vision 2030 target, although it has been below 7 percent for the past three years.[290] The percentage of Zambians with access to an improved water source and improved sanitation access has consistently increased since 2006, but remains

[287] The Staff of the International Development Association and International Monetary Fund, *The Republic of Zambia*, 3.

[288] Republic of Zambia, *Vision 2030*, 8–9.

[289] "Data: World Development Indicators: Zambia."

[290] Ibid.

well below the targeted 100 percent at 43 percent and 63 percent, respectively.[291] The 2013 98 percent adjusted net enrollment rate for primary and secondary education success contrasts significantly with the delta between the targeted national head count poverty rate of 20 percent of the population and the 60.5 percent rate as of 2010.[292] Vision 2030 did not single-handedly adjust Zambia's economic structure to ensure equitable socio-economic development benefits are permeated through its society. However, in finally establishing the long-term strategic economic framework for the country, it identifies targets and priority sectors of the economy for successive short- and medium-term policies to focus on in advancing its citizenry development and poverty reduction. Initial advancements have been made. The challenge is to sustain the country's economic development progression.

In 2011, Zambia met the objective of Vision 2030 upon its classification as a lower middle-income country. The reclassification was attributable to aid interventions and the increasing global demand for copper.[293] Still economically dependent on copper, favorable market prices coupled with prudent macroeconomic policies resulted in a positive economic environment and subsequent growth. However, Zambia's economy still lacks significant progress in transitioning away from a primary commodities based system into a manufacturing dominant economy. Although agriculture, as a value added percent of GDP, consistently declined from 17.3 percent in 2002 to 9.6 percent in 2013, and will assumingly therefore meet the 2030 target of 10.1 percent, mineral rents as a percent of GDP have not shown such progress.[294] Mineral rents were .5 percent of GDP in 2002 and grew to 20 percent in 2012, well above the Vision 2030 target of 2.4 percent by 2030.[295] Manufacturing (value added as a percent of GDP) has also shown disappointing results in its consistent decades-long decline from 11.3 percent in 2003 to

[291] "Data: World Development Indicators: Zambia."

[292] Ibid.

[293] "World Bank Gives Zambia Middle-Income Ranking," July 14, 2011, http://www.lusakatimes.com/2011/07/14/world-bank-zambia-middleincome-ranking/.

[294] "Data: World Development Indicators: Zambia."

[295] Ibid.

8.2 percent in 2013.[296] Despite the apparent success of Vision 2030 in achieving its main objective, the country's significant national poverty headcount rate reflects a declining social development reality. Successive five-year development plans, built upon the framework of Vision 2030, detail policies and programs targeting wealth creation and poverty reduction, in pursuit of an improved socio-economic position for all Zambians.

E. FIFTH NATIONAL DEVELOPMENT PLAN

Zambia's Fifth National Development Plan (FNDP), also released in December 2006, covered the five year implementation period 2006–2010. It was the first national economic development policy to be implemented since the 1964 "Transitional Development Plan," over 40 years prior. As with the Second and Third National Development Plans, the Fourth NDP (1989–1993) was abandoned amidst the economic re-shuffling of liberalization.[297] Upon its release by the IMF in August 2007, the FNDP also served as the successor 2007 PRSP to Zambia's 2002 PRSP.

In the FNDP's foreword, President Patrick L. Mwanawasa acknowledged the challenges of running a national economy without a guiding national strategy. The President stated that the absence of such guidance focused planning on short-term needs and shortsighted requirements to the detriment of socio-economic development.[298] The FNDP aspired to provide the socio-economic development framework and implementation guidelines in concert with the national vision of becoming a prosperous middle-income country. It was prepared based on Zambia's medium-term macroeconomic, fiscal, and aid policy objectives.[299]

As with the 2002 PRSP, the FNDP core focus areas were strengthening the macroeconomic stability of the country and encouraging continued economic growth, while encouraging the socio-economic development of its citizens. The 2002 PRSP failed to secure broad-based development, as poverty rates continued to increase in rural areas,

296 "Data: World Development Indicators: Zambia."

297 Republic of Zambia, *Fifth National Development Plan 2006–2010* (Washington, DC: International Monetary Fund, 2006), i, http://www.imf.org/external/pubs/ft/scr/2007/cr07276.pdf.

298 Ibid.

299 Ibid.

although they decreased in urban areas. Accordingly, the theme of the FNDP is "broad based wealth and job creation through citizenry participation and technological advancement."[300] The FNDP addressed many sectors of the economy, which resulted in over 400 pages of development policy guidance. As with the previous poverty reduction strategy, the FNDP identified agriculture as the engine of growth that provided the best opportunity for improving the livelihoods of the country's poor. Economic sub-themes of the FNDP included infrastructure, tourism, manufacturing, mining, and energy, while social themes included poverty reduction, social safety nets, issues of disability, social protection, and good governance.[301]

Zambia's economic performance remained strong for the duration of the FNDP. GDP growth averaged 8.7 percent annually, with an average annual inflation rate of 11 percent.[302] Domestic debt increased as expenses outpaced revenues, owing to government securities expenditures, as well as payments on awards and compensations.[303] However, the 2009 domestic debt as 16.2 percent of GDP was a decrease from the 20 percent in 2006.[304] The labor market also showed improvement with a 10 percent increase during the FNDP timeframe, with over 26 percent total employment growth.[305] Although the informal sector grew by 48 percent and formal sector growth was 26 percent, unemployment accounted for 16 percent of the total labor force, with 30 percent in rural areas, and the remaining 70 percent in urban areas.[306]

As with the 2002 PRSP, Zambia's macroeconomic stability and stable growth during the FNDP did not correlate to significant welfare improvements or poverty reductions, as would be expected with such sustained growth. Aggregate poverty

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[300] Republic of Zambia, *Fifth National Development Plan*, i,

[301] Ibid., ii.

[302] "Data: World Development Indicators: Zambia."

[303] Republic of Zambia, *Sixth National Development Plan 2011–2015* (Washington, DC: The World Bank, 2011), 4, http://siteresources.worldbank.org/INTZAMBIA/Resources/SNDP_Final_Draft__20_01_2011.pdf.

[304] Ibid.

[305] Ibid.

[306] Republic of Zambia, *Sixth National Development Plan*, 4–5.

numbers have reduced only slightly due to decreases in urban poverty, and remain high overall. In 2010, Zambia's national poverty headcount was 60 percent.[307] The urban poverty rate in rural areas was 74 percent in 2010, compared to the urban poverty rate of 35 percent, with almost 90 percent of Zambians below the extreme poverty line living in rural areas.[308] Despite a significant GDP average growth rate, the average annual GDP per capita growth rate was 5.7 percent.[309] In 2010, with over half of the country's population living in poverty, Zambia's HDI score was .53, below that of Bangladesh (.54) and the Democratic Republic of the Congo (.57).[310]

Current scholarship supports productive employment as the main instrument for inclusive growth.[311] However, numerous factors condition employment's effectiveness. Analyzing growth sectors and employment data, the World Bank attributed poverty reduction during the previous decade (1996–2006) to the population's migration into urban low and medium cost areas, which offered increased employment opportunities and higher productivity than rural areas.[312] In 2009, the main constraint to a continuing reduction in poverty was low-income growth for the poor, which was identified as low returns to self-employment, as well as the limited growth of and access to wage employment.[313] The African Development Bank (ADB) also cited low labor productivity and the concentration of growth in capital-intensive and urban-based sectors as detrimental to the country's socioeconomic development.[314] In its 2010 Zambia Country

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307 Republic of Zambia, *Sixth National Development Plan*, 4–5.

308 The World Bank, *Zambia Poverty Assessment: Stagnant Poverty and Inequality in a Natural Resource-Based Economy Report no. 81001-ZM* (Washington, DC: The World Bank, 2012), 8, http://documents.worldbank.org/curated/en/2012/12/18286675/zambia-poverty-assessment-stagnant-poverty-inequality-natural-resource-based-economy.

309 "Data: World Development Indicators: Zambia."

310 "Human Development Index, (HDI)."

311 Elana Ianchovichina and Susanna Lundstrom, *Policy Research Working Paper 4851: Inclusive Growth Analytics, Framework and Application* (Washington, DC: The World Bank, 2009), 39, http://elibrary.worldbank.org/doi/book/10.1596/1813–9450–4851.

312 Ibid., 17.

313 Ibid, 19.

314 African Development Bank Group, *Republic of Zambia: 2011–2015 Country Strategy Paper* (Abidjan, Côte d'Ivoire: African Development Bank Group, 2010), 6, http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/ZAMBIA%20-CSP%202011–2015.pdf.

Report, the ADB also noted that revenues had not increased in proportion to the economic growth, while government expenditures continued to grow, therefore hindering the government's ability to provide public services, especially in pro-poor areas, such as health, education, and water among others.[315]

Utilizing inclusive growth analytics, the World Bank concluded that the lack of job creation and returns to labor in Zambia were attributable to coordination failures, such as limited market access, and poor access to services and information.[316] High indirect costs also negatively affect job creation as it undermines Zambia's competitiveness.[317] Similarly, in 2011, the Zambian government attributed the disappointing employment increases during the FNDP to low labor productivity and the labor market's low absorptive capacity for new entrants.[318] Additional identified constraints included inadequate infrastructure, low levels of human capital (scarcity of skilled manpower), high business costs, public expenditure management inefficiencies, and the inadequate administration of land management.[319] To ensure the poor benefitted from future growth, the World Bank recommended continued government emphasis on access to quality secondary and tertiary education, as well as ongoing health care support to combat HIV/AIDS.[320] Cited market coordination failures also hampering shared growth included poor government effectiveness, in addition to agriculture distortionary policies.[321]

F. SIXTH NATIONAL DEVELOPMENT PLAN AND REVISED SIXTH NATIONAL DEVELOPMENT PLAN

Zambia's economy continued its positive growth path from 2006–2010, which resulted in macroeconomic stability and progress in select social-development indicators,

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[315] African Development Bank Group, *Republic of Zambia*, 6,

[316] Ianchovichina and Lundstrom, *Inclusive Growth Analytics*, 39.

[317] Ibid., 37.

[318] Republic of Zambia, *Sixth National Development Plan*, 6.

[319] Ibid., 7.

[320] Ianchovichina and Lundstrom, *Inclusive Growth Analytics*, 37.

[321] Ibid.

such as maternal and infant mortality rates, and school enrollment rates. However, the country's poverty and employment rates remained stagnant. Accordingly, Zambia's Sixth National Development Plan (SNDP) 2011–2015 targets the distribution of growth's benefits. Unlike the country's previous development strategies, the SNDP specifically focuses on inclusive policies more so than economic growth. Its strategic focus of "infrastructure and human development" supports the SNDP's theme of "sustained economic growth and poverty reduction." While acknowledging the importance of all Zambia's economic sectors, the SNDP prioritizes agriculture, livestock and fisheries, mining, tourism, manufacturing, and commerce and trade for prioritized growth.[322]

The SNDP aspires to address Zambia's human development and infrastructure constraints.[323] As seen in previous development plans, the SNDP focuses on improving access to health and education opportunities in addition to increasing labor productivity and skills development for the workforce.[324] Infrastructure constraints not only impede health and education advancement, they also restrict regional integration and trade networks dependent upon road links within regional corridors.[325]

In October 2014, Zambia's Ministry of Finance released the Revised Sixth National Development Plan (R-SNDP) 2013–2015.[326] The R-SNDP continues the pursuit of the Vision 2030 goal of becoming a prosperous middle-income country by 2030, and contains programs to inform sector planning and the budget process in pursuit of that goal.[327] The SNDP was revised to reflect the program spending priorities of the new administration, the Patriotic Front, which defeated the Movement for Multiparty Democracy in 2011.[328] Acknowledging the failures of the market-led economy in reducing Zambia's poverty rate, the new government intends to, "participate in economic

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[322] Republic of Zambia, *Sixth National Development Plan*, xii.

[323] Ibid., 8.

[324] Ibid., 9.

[325] Ibid., 8.

[326] Ministry of Finance, *Revised Sixth National Development Plan 2013–2016* (Lusaka: Republic of Zambia, 2014), ii, http://www.mofnp.gov.zm.

[327] Ministry of Finance, *Revised Sixth National Development Plan*, ii,

[328] Republic of Zambia, *Revised Sixth National Development Plan*, 1.

development through public investments" in pursuit of the retained goals of economic transformation through diversification and industrialization.[329]

Zambia's macroeconomic performance, as determined by select indicators, was better than anticipated for the 2011–2012 period.[330] Annual GDP growth and inflation outperformed projected targets, with budget performance broadly in line with projections.[331] However, economic growth did not result in commensurate job creation.[332] Agriculture, manufacturing, energy, construction, tourism, and mining were identified as growth sectors during this two-year review period, which resulted in the government's decision to target job creation in other strategic focus sectors for growth creation.[333] By 2015, implemented economic policies, measured through their respective targets, are expected to have contributed to the reduction of inequality in the country, as well as to the reduction of the rural-urban divide.[334] The government expects programs to be financed through more efficient revenue collection in addition to dividends from state owned enterprises, and thus, reduce Zambia's dependence on foreign financing.[335]

G. CONCLUSION

Zambia is a SSA success story. With continuous improvements in income growth per capita and increases in average real income, it is one of the 17 emerging countries in Africa.[336] It is one of the top 10 economic performers in SSA, and averages an annual GDP growth rate of over 7 percent from 2000–2013.[337] The country enjoys sustained governance stability, evidenced by successive peaceful alternations of power, and is endowed with natural resources, to include a significant portion of the region's water.

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[329] Republic of Zambia, *Revised Sixth National Development Plan,* 1.

[330] "Data: World Development Indicators: Zambia."

[331] Republic of Zambia, *Revised Sixth National Development Plan*, 5.

[332] Ibid., 19.

[333] Ibid., 7.

[334] Ibid., 12.

[335] Ibid.

[336] Radelet, *Emerging Africa*, 13.

[337] "Data: World Development Indicators: Zambia."

However, the economic prosperity enjoyed by the country has not translated into corresponding advances in social development, although improvements have been seen in non-monetary poverty indicators, such as child mortality rates and education attainment. In 2014, Zambia ranked 141st out of the 187 countries listed in the UN's HDI.[338] Its average annual HDI growth has improved significantly since 2000 at 2.19 percent, as compared with negative .37 and .39 for the decades 1980–1990 and 1990–2000, respectively.[339] However, as of 2010, over 60 percent of the population still remained below the national poverty line, as gains in urban and rural poverty reduction remain uneven.[340]

Zambia has made significant advances toward the Millennium Development Goals (MDGs), the eight internationally agreed targets to reduce poverty, hunger, maternal and child deaths, disease, gender inequality, and environmental degradation, but will not reach all the established benchmarks for 2015. The UN's 2013 progress report for Zambia notes that gains have been made in the prevalence of HIV and tuberculosis, underweight children, and gender equality in primary school, while other indicators, such as sanitation, environmental sustainability, and gender equality in political representation, have actually shown a declining trend.[341]

Zambia will not meet the MDG poverty reduction target by 2015. Although extreme poverty was reduced from 58 percent in 1991 to 42.3 percent in 2010, the target for 2015 is 29 percent.[342] While substantial gains were made in Zambia's poverty rate reduction throughout the country from the mid-1990s to the mid-2000s, recent reductions have been slight and uneven.[343] Improvements have been made in the depth of poverty with decreases in urban areas, while rural areas have experienced only limited

338 "Human Development Index, (HDI)."

339 Ibid.

340 "Data: World Development Indicators: Zambia."

341 United Nations Development Programme, *Millennium Development Goals Progress Report Zambia: 2013* (New York: United Nations Development Programme, 2013), 10, http://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Country%20Reports/Zambia/MDG%20Report%202013.pdf.

342 Ibid.

343 The World Bank, *Zambia Poverty Assessment*, 1.

improvements. The Gini coefficient remains at .65, well above the 2015 inequality target of .34.[344]

As noted by the World Bank, the rural workforce, predominantly employed in agriculture, remains largely unaffected by Zambia's recent economic growth.[345] Rural poverty rates remain stagnant despite recent increases in agriculture production due to adequate rainfall and low rural unemployment rates (less than 2 percent in 2010).[346] Extreme poverty remains concentrated in rural areas, marked by limited infrastructure, such as roads, medical facilities, and electricity. The World Bank notes that rural poverty in Zambia remains both "pervasive and severe" despite recent socioeconomic gains.[347]

Zambia's recent economic growth resulting from strong mining, construction, financial services, and tourism sector expansion has benefited the country's urban population. In 2010, over 80 percent of real GDP growth occurred in urban areas, home to the industrial and service sectors' skilled labor.[348] Productive employment returns have accrued to the urban skilled labor force, even as the urban unemployment rate remains high.[349] Sector expansion fueling the country's economic growth has not created sufficient access to wage- or self-employment throughout the country. The jobs that have been created remain primarily in urban areas, whereas the majority of the country's impoverished reside in rural areas. The MDG progress report attributes the limited poverty reduction that has occurred to population migrations from rural areas to the areas with more employment opportunities, namely urban areas.[350] The report summarizes Zambia's obstacles to poverty reduction as the prevalence of higher poverty rates among

344 "Human Development Index, (HDI)."

345 The World Bank, *Zambia Poverty Assessment*, 1.

346 Ibid.

347 Ibid.

348 United Nations Development Programme, *Millennium Development Goals Progress Report Zambia*, 17.

349 The World Bank, *Zambia Poverty Assessment*, 1.

350 United Nations Development Programme, *Millennium Development Goals Progress Report Zambia*, 17.

female-headed households, low labor productivity, high population growth rate, low growth elasticity, and wide income inequality.[351]

Inclusive growth in Zambia remains hampered by limited productive employment opportunities for the rural poor. Although industrial and service sectors continue to contribute to the country's growth trajectory, binding constraints hinder their effects on job creation. Specific constraints have been identified as coordination failures, high indirect costs primarily from infrastructure, and poor government effectiveness that contribute to market coordination failures.[352] The jobs created are only benefiting a small portion of the skilled labor force, primarily in urban areas.

To encourage national development that includes all Zambians, increased productivity and lower production costs must be managed through prudent monetary and fiscal policies.[353] Economic growth is insufficient to reduce Zambia's incidence of poverty without adequate alterations in the country's income distribution, which begins with equitable access to productive employment opportunities.

[351] United Nations Development Programme, *Millennium Development Goals Progress Report Zambia*, 17.

[352] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 1.

[353] Ibid.

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V. CONCLUSION

Tanzania and Zambia are two of the 17 emerging economies in SSA and share similar characteristics, yet are on significantly different poverty reduction trajectories. While the benefits of Tanzania's high economic growth have translated into societal development and subsequent poverty reduction, Zambia's has not. Tanzania has performed better on poverty reduction, but has grown less slowly. By contrast, and perhaps surprisingly, Zambia has grown faster, which has led to surprising development outcomes, worse performance on poverty reduction and inequality, while experiencing other socioeconomic advancements. Due to Zambia's favorable economic environment and subsequent growth, it was recently reclassified as a lower middle-income country, whereas Tanzania remains a low-income country, yet is able to extend the benefits of economic growth to its populace more effectively. An economic analysis of both countries illustrated less effective than expected poverty reduction results in Tanzania, while Zambia has made substantive socioeconomic advancements while its incidence of poverty remains severe and intractable. Development remains complicated; it is difficult to make generalized, unconditional causal claims about how growth leads to development outcomes.

Tanzania and Zambia both benefit from a stable macroeconomic environment. Each country has enjoyed democratic governance with successive, peaceful alternations of power in volatile SSA, after embracing political liberalization following state-controlled post-independence governments. Both countries have experienced robust economic growth rates averaging over 6.5 percent a year from 2000–2013, as well as low inflation rates.[354] However, positive economic performance has not correlated into expected rates of poverty reductions in either country (see Figure 11).

[354] "Data: World Development Indicators."

	Tanzania		Zambia	
	2000	2013	2000	2013
GDP Growth (Annual %) average, 2000-2013	6.7		7	
GDP per capita growth (annual %)	2.4	3.8	1.2	3.3
Exports of goods and services (% of GDP)	13.4	24.7	23.9	41.9
Imports of goods and services (% of GDP)	20.1	42.7	36.5	39.7
Multilateral debt (% of total external debt)	45.5	48.9	41.4	21.1
Population Ages 0-14 (% of total)	44.8	44.9	45.7	46.6
Employment in agriculture (% of total employment)	82.1 (2001)	76.5 (2006)	71.6	72.2 (2005)
GINI Index (World Bank Estimate)	34.6	37.8 (2012)	42.1 (2003)	57.5 (2010)
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	84.2	43.5 (2012)	55.7 (1998)	74.3 (2010)
Rural poverty headcount ratio at national poverty lines (% of rural population)	N/A	33.3 (2012)	N/A	78 (2010)
Urban poverty headcount ratio at national poverty lines (% of urban population)	N/A	15.5 (2012)	N/A	27.5
Human Development Index	0.38	0.49	0.42	0.56
Improved sanitation facilities (% of population with access)	8.8	12.2 (2012)	40.7	42.8 (2012)
Improved water source (% of population with access)	54.3	53.2 (2012)	53.1	63.3 (2012)
Life expectancy at birth, total (years)	50	60.8 (2012)	41.8	57.0 (2012)
Literacy rate, adult total (% of people ages 15 and above)	69.4 (2002)	67.8 (2010)	69.1 (2002)	61.4 (2007)
Maternal mortality ratio (national estimate, per 100,000 live births)	578 (2005)	450 (2010)	729 (2001)	480 (2010)
Mortality rate, infant (per 1,000 live births)	80.4	36.4	99.5	55.8
Prevalence of HIV, total (% of population ages 15-49	8.2	5	14.5	12.5
School Enrollment, primary (% net)	53	97.6 (2008)	70.7	93.7 (2012)

Figure 11. Select Macroeconomic and Socioeconomic Indicators, Tanzania and Zambia[355]

Tanzania's socioeconomic development is not keeping pace with its economic growth. Fueled by recent growth in its communications, construction, and financial services sectors, Tanzania's economy continues its positive trajectory.[356] However, given the country's stable macroeconomic environment, the distribution of economic growth's benefits throughout the country has been disappointing. Accordingly, although substantive progress has been made in achieving the MDGs, poverty, gender equality, and maternal health goals remain unachievable by 2015.[357] Possible constraints limiting inclusive growth in Tanzania include weak national infrastructure that hampers service delivery, and insufficient participation in the global economy.[358] The country also continues to rely significantly on external financial assistance.

Tanzania's relatively poor performance on poverty reduction is surprising in light of the country's economic growth. While the national headcount poverty rate has indeed

355 "Data: World Development Indicators."

356 United Nations Development Programme, *Millennium Development Goals Progress Report Tanzania: 2014* (United Nations Development Programme:2014), 3, http://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Country%20Reports/MDGR%202014_TZ.pdf.

357 Ibid., xiii.

358 Dagne, *Tanzania: Background and Current Conditions*, 3.

declined, it still accounts for over a third of the population. The majority of the country's poor are concentrated in Tanzania's rural areas and employed in the country's agricultural sector, as is most of the population. Inequality, which has increased since 2000, may account for Tanzania's slow poverty reduction. Although Tanzania continues to make incremental progress in the achievement of the MDGs and the UN's HDI, progress is slower than expected.

Likewise, Zambia's economic growth has produced mixed socioeconomic results. Upon the turn to multiparty democracy and market liberalization policies of the 1990s, the country began to diversify its exports and develop its industrial capacity to reduce its economic reliance on copper, its primary commodity. Production of non-ores and minerals primary exports drastically increased, while reducing reliance on ores and mineral exports.[359] While GDP per capita and inflation declined during this period, so too did national poverty rates.[360] However, since 2006, the national poverty rate has reflected only a slight decline, which is attributable to large reductions in urban poverty and statistically insignificant reductions in rural poverty.[361] Growth constraints limiting national development include significant inequality, limited productive employment opportunities, and the over-reliance on the country's mining sector.

Although successful in lessening the country's economic dependence on its copper industry, expansion efforts and export diversification have benefitted urban areas with productive employment for the skilled labor force. Expansion in the mining, construction, financial services, and tourism sectors reduced urban poverty and brought employment opportunities to Zambia's urban areas with skilled labor, although urban unemployment rates remain high. Industry and service sectors, however, only account for less than 10 percent of the country's employment, as the majority of the country is involved in the agricultural sector.

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[359] Ianchovichina and Lundstrom, *Constraints to Inclusive Growth*, 6.

[360] "Data: World Development Indicators: Zambia."

[361] "Zambia Poverty Assessment," 8.

Given Zambia's practically stagnant prevalence of poverty, the country has made surprisingly better than anticipated improvements in various socioeconomic aspects of the country, to include education and health. Zambia has achieved MDGs pertaining to underweight children, gender equality, and HIV.[362] Its HDI rating also reflects positive development advancements.

Recent economic growth in both Tanzania and Zambia has benefited sectors whose skilled workforce resides in urban areas. The benefits of economic growth are primarily being distributed to society's advantaged. The majority of the impoverished in both countries resides in rural areas and is involved in agricultural activity, which has seen comparatively low sectoral productivity. As reforms benefitted those with employment skills or capital, unskilled workers face increased competition for employment, and are forced to accept lower wages or unemployment. Economic growth encouraged by neoliberal reforms will succeed in promoting human capital and overall development only through inclusive growth policies; inequality will continue to rise if the poor's income per capita remains unchanged.

Recent IMF studies support the importance of labor sector variation in effecting shared prosperity. In an examination of consumption levels in light of increasing growth, the IMF found a rise in average living standards of poor households in Tanzania, which contrasted with the living standards of the poor households in Zambia, which experienced slower growth.[363] When consumption rose, poverty fell. Specifically, the IMF found agricultural incomes contributed to the inclusiveness of growth.[364] Future research could analyze agricultural sector policies of both countries. If agricultural incomes are significant to growth inclusiveness, what specific aspects of Zambia's pro-growth strategies in their agricultural sector failed, and what specific aspects in Tanzania succeeded?

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[362] United Nations Development Programme, *Millennium Development Goals Progress Report Zambia*, 5.

[363] Sayeh, "The Quality of Growth," 15.

[364] Ibid., 16.

Economic prosperity is not necessarily inclusive; it remains elusive for some despite advancements. Although SSA has seen increasing economic growth in the 21st century, the quality and sustainability of that growth has been questioned. One specific question for further research is whether youth will be able to engage in income producing employment.[365] SSA does have favorable demographics for strong economic growth, if employment opportunities are provided.[366] Yet translating growth into employment income remains challenging.[367] Government policies that encourage agricultural productivity, address the geography of impoverished areas, and improve market efficiencies effectively reduce poverty and encourage pro-poor growth.[368]

As underscored by Dani Rodrik, a distinction exists between igniting economic growth in the short term and sustaining such growth over the medium and long term. He notes, "Rapid industrialization without the accumulation of fundamental capabilities (institutions, human capital) produces spurts of growth that eventually run out of steam."[369] For sustained growth in Tanzania and Zambia to encourage improvements in human welfare, such as poverty reduction, each country has to develop inclusive growth policies that limit the effects of inequality, and a supportive institutional framework, in addition to removing historical barriers to growth. The agriculture sector in both countries provides an opportunity to increase total economic production, as each is endowed with adequate capital (land and labor). Technological advancements in the agriculture industry would increase asset productivity and benefit the rural poor, as long as the policies are distributive and do not continue to displace them from productive employment.

The most appropriate assessment of economic growth and prosperity continues to evolve. Recent developments led by the World Bank include a single summary indicator of inclusive growth, reflective of improved income for the bottom 40 percent of a

[365] Sayeh, "The Quality of Growth," 16.

[366] Mkandawire, *Can Africa Turn from Recovery to Development?* 174.

[367] Fine et al., *Africa at Work.*

[368] Ravallion, "Economic Growth and Poverty Reduction," 4.

[369] Dani Rodrik, "Why An African Growth Miracle is Unlikely," *The Milken Institute Review*, Fourth Quarter, 2014, 48.

population.[370] Focusing on the least well-off in society, coupled with household survey data information, is thought to provide the best estimation of growth's societal inclusion. Growth will, therefore, not solely be judged on economic progress, but how well that growth is reaching the most impoverished.[371] If Tanzania and Zambia continue their positive economic progression, such methodologies will ensure the least well-off in both countries are accorded appropriate policy considerations.

[370] The World Bank, *A Measured Approach to Ending Poverty and Boosting Shared Prosperity: Concepts, Data, and the Twin Goals* (Washington, DC: The World Bank, 2015), 9.

[371] Ibid., 11.

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