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RESILIENCE AND SUSTAINABLE POVERTY ESCAPES IN **TANZANIA**

Report

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There is a companion policy brief to this research report: Shepherd, A. (2018). Sustaining Poverty Escapes in Tanzania. Washington D.C.: USAID.

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CONTENTS

EXECUTIVE SUMMARY

The focus of this report is on household poverty escapes and what explains why some households escape poverty and remain out of poverty (sustainable poverty escape, or resilience), while other households escape poverty only to fall back into poverty (transitory poverty escape) or descend into poverty for the first time (impoverishment). Analysis of three rounds of the National Panel Survey (NPS) over 2008-2012 for this case study reveals that many poverty escapes in Tanzania are not sustained over time. This report combines analysis from quantitative research (i.e., data from three rounds of the NPS), with qualitative research approaches, (key informant interviews, life histories, and participatory wealth ranking in Iringa, Morogoro and Dodoma) to further investigate the drivers of sustained escapes, transitory poverty escapes or of re-impoverishment. The report investigates the resources (land, livestock, and assets), attributes (household composition and education level), and activities (including jobs and engagement in non-farm activities) of households that enable them to escape poverty sustainably and minimize the likelihood of returning to living in poverty again.

Key findings from the report include those around the:

Initial household resource base

- Asset accumulation significantly increases the likelihood that escapes from poverty will be sustained, as according to the regression results. Qualitative fieldwork reveals how sustained escapers increased investments across the board, including in farming, off-farm businesses, housing and transport vehicles for rent, and had high levels of savings (see Section 5).
- Quantitative results show that owning more livestock significantly increases the likelihood of a transitory, rather than a sustained poverty escape. This could potentially reflect the fragility of investing solely in livestock (rather than investing in a few livestock as one component of a diversified asset portfolio) - a resource that is vulnerable to disease, death and theft as well as grabbing during periods of conflict.
- Qualitative data reveals the significance of loss of land and other assets due to divorce and inheritance disputes, payment of medical bills, theft, and sale or confiscation of assets to meet debts in driving transitory escapes. Female-headed households were particularly vulnerable to property grabbing by husband's family or theft.

Household characteristics

- Household size and dependency ratios matter for the likelihood of sustained poverty escapes. The fieldwork reveals a clear distinction between sustained escapers and the chronically poor with the latter having more children and a higher number of dependents. This is only partly supported by the regression results which show that an increase in the number of children is associated with a significantly higher risk of impoverishment (but not a transitory poverty escape or chronic poverty) relative to a sustained escape.
- The fieldwork finds that education has been a key factor in sustaining poverty escapes for the current generation of household heads, with secondary education in particular playing an important role in ensuring a household's ability to escape poverty sustainably.

Household activities

- Agriculture figures prominently in most life histories. Households often diversified within the agriculture portfolio by expanding agricultural activities over time and/ or made investments in technologies and new crop varieties to add value to farming (see Section 5). Rarely was engagement in non-farm activities accompanied by leaving agriculture.

- In the fieldwork, sustained escapers made investments to diversify into a variety of non-farm businesses. This contrasted to the non-farm activities with low start-up costs of the chronic poor, such as engagement in petty trade.
- Life histories revealed that accessing loans from good finance institutions – and then moving up the finance chain to Savings and Credit Cooperative Society (SACCOs) and bank savings and loans - was a key aspect of building the diversified livelihoods required to achieve a sustained escape from poverty.
- Diversification into nonfarm activities among sustained escapers was supported by entrepreneurship, good business partnerships, and stable, mutually supportive spouse relationships.

Household shocks and stressors

- Sustained escapers in the life history interviews remained resilient in the face of economic instabilities. A key reason for this was their high level of livelihood diversification across agricultural and non-farm activities and their ability to maneuver into new activities and out of unproductive ones.
- For transitory escapers and the chronically poor, by contrast, life histories reveal how the death of a breadwinner, poor health, illness, and associated financial shocks all had a downward push in wellbeing.
- The descent into poverty among those with transitory poverty escapes often occurred amidst concurrent or double shocks.

Household strategies for sustaining poverty escapes

- Stories of sustained escapers point to diversification in livelihoods activities and assets across and within sectors as the bedrock for poverty escapes. They concurrently invest in expansion or value addition to both agriculture and non-farm activities. Diversifying completely out of farming is rare unless the household moves to a city.
- In addition to investing in existing activities, sustained escapers describe how they maneuver into new economic activities as prospects rise (e.g. house and business residence rentals; transport vehicles for crop marketing and transporting people).
- Life histories reveal how investments are supported by beneficial financial inclusion. The pace of borrowing and investing increases enormously as households move up well-being levels.

1. INTRODUCTION

This report examines why some households are able to escape poverty and remain out of it (a sustained poverty escape) while others escape poverty only to return to living in it again (a transitory poverty escape). Transitory escapes and impoverishment are a problem in Tanzania despite a notable fall in poverty since 2000. The National Household Budget Survey (HBS), which is most widely used by policy makers, records poverty incidence of 36% in 2000, 34% in 2007, and 28% in 2012 (based on a national basic needs poverty line).[1] However, our analysis of poverty dynamics using the National Panel Survey (based on a lower national food poverty line) shows that over the same period that while 12% of households escaped sustainably, 2% of households experienced a transitory poverty escape, 5% churned around the poverty line and 3% became impoverished. Meanwhile 5% remained chronically poor, became impoverished or churned around the poverty line and a further 5% remained chronically poor. Thus, the proportion of households experiencing sustained escapes only just exceeds the proportion experiencing transitory escapes, churning around the poverty line or becoming impoverished over that period.

Whilst moving the poor out of poverty is possible with well-designed policies and programming, increasing those who are able to sustain poverty escapes is much more challenging (Devereux, 2017). As such, greater insight into the character and processes of sustained escapes and the associated resilience capacities over the recent past can further guide policy to promote the resilience of those escaped**.** Moreover, preventing impoverishment and supporting sustained escapes is particularly important to study in Tanzania where the literature is concerned with the question of why the poverty reduction rate may not match the growth rate (Mashindano et al 2013a, Mashindano et al 2013b; World Bank, 2015), nor reach national targets for poverty reduction and human development (Kessy et al, 2018a; Kessy, 2015).

Box 1: Definitions of poverty trajectories used in the study

Impoverishment in this study refers to the process whereby a person or household that is non-poor slips into poverty. **Chronic poverty** is long-term poverty that persists over many years or even a lifetime and is often transmitted intergenerationally. **Transitory poverty escapes** refer to individuals or households that used to live in poverty, succeeded in escaping poverty, and then subsequently fell back into poverty. In this work. In this work, resilience is viewed as a set of capacities enabling households to escape poverty and remain out of poverty over the long term (a **sustained poverty escape**), even in the face of shocks and stresses. In other words, in the context of this study, the capacity to be resilient means an individual or household is ultimately able to avoid becoming impoverished or a poverty escape that is transitory. Here you are equating resilience capacities with a sustained escape which are not the same

This case study gathers insights from the following data sources:

- Data analysis from three rounds of the Tanzania National **Panel Survey 2008-2010-2012**.
- **Field Research**[2] from Iringa, Morogoro and Dodoma in 2017/2018, including:

[1] The HBS poverty line uses the cost-of-basic-needs approach (T Sh 36,482 per adult per month). The food poverty line measures minimum nutritional requirements of 2,200 kilocalories per adult per day food (T Sh 26,085 per adult per month). It is the official poverty line in the NPS, having been estimated from the same set of commodity bundle collected within the survey, and accordingly chosen in this analysis. See Ruhinduka et al. (2018) for stochastic dominance analysis of poverty lines, and extrapolations using the international $1.90 measure for comparability.

[2] Note, all life history names have been anonymized in this report.

- A rich set of **focus group discussions (FGDs)** with 24 groups (approximately 200 people total) in ten communities in 3 districts. FGDs were undertaken with groups of men and women separately, in both cases including participants with a range of wealth. These FGDs tracked respondents' understanding of poverty escapes and descents with a focus on the key drivers of escape and descent in a more recent period 2005-2017.
- **Group interviews with knowledgeable people** with 10 groups (approximately 80 people in total) in each of the ten communities to identify key events and processes operating in those areas. Participants included teachers, agricultural extension officers, pastors, chairperson of the hamlet and village executive officers.
- **Life history interviews** with 80 men and women identified in the FGDs being on different poverty trajectories. This choice was embedded in rigorous participatory wealth rankings within gender disaggregated FGDs. 60 of these life histories from Iringa and Dodoma form the basis of our coded analysis of attribution and processes of sustained escape and transitory escapes, with reference to the Morogoro life histories where there were important areas of overlap.

- Interviews from 15 **key informant interviews** on policies and programs to reduce poverty and sustain escapes with officials from the Government, NGOs and civil society actors in Dar es Salaam.
- **The wider literature** on policy, poverty reduction and poverty dynamics in Tanzania.

Throughout this paper we use a Q^2 analysis, which enables us to connect quantitative and qualitative data in a meaningful way to create a new understanding of sustained and transitory escapes in Tanzania. We also analyze data at different levels through macro, meso, household and individual evidence to have a more comprehensive understanding of the drivers of sustained and transitory escapes. This includes an analysis of power in relationships and political economy.

Section 2, following, draws on the literature to introduce the macro-level context for poverty-reduction since 2005. Section 3 relies on the FGDs and interviews with knowledgeable people to relate these macro-level factors to the meso-level drivers of upwards and downwards mobility in the fieldwork communities. Section 4 provides an overview of poverty dynamics in Tanzania based on analysis of the NPS. Section 5 then investigates the role of household resources, capacities, activities and shocks in sustaining poverty escapes, drawing on analysis of the NPS and life histories. Section 6 uses the life history interviews to examine further the processes behind sustained escapes. Section 7 concludes and directs the reader to a companion paper addressing policy for reducing impoverishment and for sustaining escapes.

2. MACRO CONTEXT OF GROWTH AND POVERTY REDUCTION

In this Section we separate out the macro context in Tanzania into three distinct periods, which, based on the literature, correspond to policy phases impacting poverty reduction in the country (see Kessy et al. 2018a) and discuss the key characteristics of these in turn.

1. 2005-2010: MKUKUTA I; Kilimo Kwanza – 'Agriculture First'
2. 2010-2015: MKUKUTA II; National Five-year Development Plan (NFYDP) (early industrialization)
3. 2016-2017: the election of President Magufuli; new sweeping reforms

Our argument, drawing on the literature, is that the policy framework (particularly concerning agriculture, infrastructure and service delivery) and the resources allocated its implementation are key drivers of poverty escapes and descents. This section outlines the macro policy context. In Section 2, we discuss how the context translates into opportunities and constraints for sustained poverty escapes.

PERIOD 1: 2005-2010 MKUKUTA 1 and Kilimo Kwanza – 'Agriculture First'

This period saw the implementation of MKUKUTA with its three dimensions of; (i) economic grwoth and reduction of income poverty; (ii) improved quality of life and social well-being, and (iii) governance and accountability. Related to this was an emphasis on agricultural development through Kilimo Kwanza.

Since 2005 the Tanzanian economy has grown at 7% per annum, in line with the government's target of 6–8% per annum. Moreover, **significant improvements in the provision of public services including education, health, water, energy, telecommunications and infrastructure, particularly roads have been noted** (Ruhinduka et al, 2018). Provision of these services was made possible by **increased domestic revenue collection**, as well as **support from development partners** (ibid).

Tanzania saw little poverty reduction from 2000-2007. However, poverty fell substantially from 2007 to 2012. This is attributed to the implementation of MKUKUTA from 2005 and Kilimo Kwanza (Ruhinduka et al, 2018). These had the following two priorities; (i) well-designed policies for infrastructure and agriculture which were well-resourced (using debt relief and having high-budget allocations); and (ii) greater competition in finance through increased NGO involvement in lending.

PERIOD 2: 2010-2015 MKUKUTA II and National Five-Year Development Plan (NFYDP)

During this period growth continued (on average by 7% per annum). **However, this growth did not translate into the desired rate of poverty reduction, both in terms of income poverty and measures of human development**. This includes infant mortality worsening slightly since 2010 and maternal mortality rising significantly over the period 2010-2015/16 (URT, 2014). Though enrollment figures improved, the literacy rate rose only 1% since 2000 (ibid). In relation to stagnant or declining health outcomes, reasons include that during this period funding for community health struggled with the Community Health Funds (CHFs) scheme covering only 18% of the rural population in Tanzania (URT, 2016b).

In contrast to the previous period, **funding for agriculture fell** as evidenced by changes in the total approved budget for the agricultural sector over this period. The budget grew by 53% in nominal terms from 2007 to 2011, but it declined from almost 13% of total government spending in 2007 to about 9% in 2011. Although **public spending was above the Maputo Declaration target from 2007 to 2009, it has since remained below the 10% target (**Kessy et al, 2018 from FAO, 2013).

In summary, during this period policies remained well-designed to support poverty reduction but, in contrast to the earlier period were less well-resourced. This had implications for their effectiveness at reducing income poverty and improving human development indicators.

PERIOD 3: 2016-2017 Election of President Magufuli and new sweeping reforms

2015 saw the election of President John Magufuli. His 2015 electoral manifesto was centered on a reduction in **corruption, tax evasion, smuggling and waste** in public offices (Andreoni, 2017). This agenda has been vigorously pursued, with rapid action on corruption, reduced expenditure on civil service travel, increased power and drive of the Tanzania Revenue Authority to widen and deepen the collection of taxes, and the centralization of the savings of public institutions in the Bank of Tanzania. The international press has expressed concern for the impact of these policies on the economy (see for instance, The Economist, 2018). Andreoni (2017) suggests this impact on the economy phase maybe a **transitionary one** and provides evidence of the President's attempts to shift towards a **'Builder phase'** which includes continuing with some of the previous government's work, including the implementation of the second National Five-Year Development Plan (NFYDP II) 2016/17-2020/21 (URT, 2016a). By taking the right steps in this 'Builder' phase of work it should be possible to get pro-poor forms of growth on track and prevent any possible impoverishing effects.

3. MESO-LEVEL DRIVERS OF POVERTY MOBILITY ACROSS POLICY PERIODS

In what follows, we rely on the systematic comparison of focus group discussions (FGDs) and group interviews with knowledgeable people in Dodoma and Iringa regions to build on the drivers of upward and downward mobility across those three policy periods. We include reference to the earlier collected FGD findings from Morogoro collected as part of a project funded by the UK's Economic and Social Research Council and Department for International Development, especially where it intersects with the findings from these regions. It is worth emphasizing that this comparison is by no means nationally representative, nor is this representativeness its aim; rather, it is meant to highlight key factors of mobility in the study communities.

Period 1: 2005-2010 MKUKUTA I and Kilimo Kwanza

This period was reported as one of upwards mobility driven predominantly by 'growth from below' through increasing investments in agriculture and greater access to more favorable financial instruments as competition in the finance sector increased. Meanwhile, increasing agricultural incomes increased opportunities for non-farm income. These factors are described in more detail below.

Reflecting national investments in agriculture, including in irrigation, the FGDs reaffirmed that this period was one of strong **agricultural growth**. This period was marked by heavy infrastructural improvements – namely **electricity and irrigation and transport which paved the way for green revolution irrigated dry season cash crops on smaller amounts of land**. Discussants noted that the first to benefit from irrigation improvements and growth of irrigated cash crops (e.g. tomato and onion) accumulated savings from the initial sharp rise in profits that go with early adoption. Some poor farm households sustained escapes from poverty through the intensification of farming irrigation in land scarce areas by **renting in very small (affordable) amounts of irrigated** land to grow cash crops. One irrigated acre could now sustain many tiny rented out farms. Moreover, government-subsidized fertilizers and seeds for maize and rice largely targeted the 1-acre poor farms.

The poor further benefitted from some improvements in the competitiveness of rural finance and wider opportunities for **beneficial inclusion in finance**. This included from NGOs that did not demand collateral and offered mentoring, such as in sunflower production and processing and group savings, as well as access to loans from Saving and Credit Societies (SACCOS), Village Community Banks (VICOBAs) and local Bank branch and mobile services for the relatively less poor.

Poor households benefitted further from **non-farm job creation**, resulting from greater demand for products and services locally ('more money in the economy') through profits from intensification of farming and transport hubs. This created the conditions for **growth from below**. Relatedly, FGD participants repeatedly emphasized that because of economic growth there was money in the local economy available and shops selling clothes, shoes, kitchen utensils, bikes, motorbikes, hardware, cooked food, etc. Hardware shops were particularly lucrative – selling the materials necessary for the housing/building boom. Larger businesses included wholesale crop trading, shops selling farm implements, tractors, and motor vehicle parts, guest houses, hotels and bars; masonry, welding and car repairs is another source of income in the area. Small businesses included processing sunflower oil, crop trading (maize, beans, sugar cane) and food vending.

Period 2: 2010-2015: MKUKUTA II and National Five Year Development Plan (NFYDP)

At the start of this period improvements in wellbeing continued; a continuation of the processes operating in Period 1. However, during this period, FGD participants reported that, overall, improvements in wellbeing slowed-down and that descents, including into poverty, begin to become relatively more prominent from 2012/2013. The meso-level drivers of poverty dynamics during the second half of this period include; (i) agricultural price and market shocks; (ii) illness and the impoverishing effects of health costs in the context of poorly functioning health facilities; and (iii) the high costs of private education perceived as necessary to counterbalance poor quality public education. Meanwhile, in the fieldwork communities, during this period there were reports of adverse financial inclusion and instances of land grabbing. These drivers of downwards mobility are discussed more in-turn below.

FGD participants reported several reasons during this period why agriculture was less able to support upwards mobility, in particular, **price and production shocks,** and **marketing problems**. FGD participants felt that during this period agriculture became relatively less profitable. They pointed to a **fall in prices for cash crops** and **greater incidence of crop disease**. A key reason reported in FGDs for the fall in price of cash crops were crop surpluses. In particular crops were occurring across the country (e.g. tomato, onion, pigeon pea) as an increasing number of farmers adopt the same new cash crop cultivation nationally (and in nearby countries) but without the local market or agro-processing capacity necessary to absorb these surpluses.

The FGD participants said that in their opinion, their localities saw much less in the way of **government services like education, health, water towards the end of this period**. Illness and severely impoverishing expenditure were also said to be key drivers for being impoverished. They argued that the Community Health Funds (CHFs) did not function well, with low contributions by community members, and village dispensaries experiencing critical shortages of medicines. As a result, people were forced to seek medical attention far from their homes. In Kongwa, participants felt that the CHF did not help the community. People had to pay/give bribes to health care providers to get services. Shortage/absence of medicines in the health facilities was also big problem in the Morogoro FGDs.

Free education from primary to secondary schools enabled families to use the money for school fees for other family needs. The government policy of construction of ward secondary schools **saved money for parents** too because earlier they had to incur costs of renting the accommodation 30km away – now they are able to spend it on other productive investments. The establishment of short courses in teaching to solve the shortage of teachers in both primary and secondary schools created employment for some of the educated members of the villages. However, **FGD participants complained that the quality of education was poor** and frequent change of education syllabi exacerbated this. Most participants attributed the decline in the quality of public services (education and health) to weak supervision and corruption. Consequently, **most transitory and sustained escapers tried to send their children to private schools 'at all costs'** saying that they could not depend on the quality of local schools to facilitate the movement of their children to the next level of education. Such educational investment in private education drew savings away from more immediately productive spending on agriculture or off-farm services.

Adverse financial inclusion was an important driver of descent for the non-poor as some financial institutions (e.g. FINCA, an international microfinance organization, and MUCOBA, a national bank) had high interest rates and were very strict on recovering collateral of borrowers after a shock, either directly or through sales of assets to pay for debts. **Financial exclusion** was also a problem for the poor with certain financial institutions demanding high levels of collateral ownership (land and house ownership) and multiple sponsors. FGD participants noted that both of these could be particularly difficult for single women to procure.

FGD participants also indicated the following unresolved security issues as drivers of descent into poverty: **farmer-herder conflicts and farm losses, government confiscation of land for reserves, and land grabbing from widows and separated women** (see below). One FGD participant commented by discussing the period between 2005-2015:

> *Generally, even with those drawbacks, the wellbeing of most people improved over that period (2005-2015) as evidenced by a lot of development in the area. Many people managed to build residential and business houses. Production of maize, sunflower increased a lot hence income of people and even the local government went up. Commercial farming, sunflower processing mills and mechanized agriculture transformed the area from a small village into an active business center more vibrant than the district headquarters. ….. and freedom of self-expression and circulation of money was good. (older Male FGD participant, Kongwa).*

One recent pathway for poverty escapes was through crop investors who assisted in **employment creation for youth and for women**. A male FGD participant from Kilolo said "*The coming of investors [in this case individual Tanzanians] from Dar es Salaam has helped youths from this village to secure some farm employment. Women food vendors [mama lishe] have been able to sell their foods and guest houses have got customers*". **Though demand for agricultural labor and wages also rose** benefiting the youth who sell labor, these same workers are finding it **much harder to rent in land** because rents have risen as well[3].

While rising labor costs benefit some, for local middle level and larger farmers, **production costs have risen** because of the rising cost of labor. Outside investors have more money and larger farms compared to the native farmers. Thus, to secure labor, local farmers must pay the higher wages.

Period 3: 2015-2017 Election of President Magufuli and new sweeping reforms

FGD participants in the study areas reported being hopeful that the current regime will take the steps required to get economic growth and poverty reduction back on-track. The FGD participants cited encouraging factors during this period. These included, improvements in tax collection and increased discipline among public servants and leaders. As part of an **anti-corruption drive**, employees with fake certificates have been sacked, there is commitment in the fight against drugs and for preventing theft of the country's natural resources as well as some greater availability of medicines in the health facilities (Kilolo and Kongwa KP FGDs).

One unintended consequence of the anti-corruption drive specifically for the fieldwork communities was an influx of ex-employees to invest in cash cropping – teachers, doctors, and others who were fired because of fake educational certificates. This has meant that recently the cost of renting farms, a key driver

[3] In the three fieldwork communities in Kilolo external investments and immigration into the area since approximately 2015 are consistently reported as changing the context, and opportunities, for upwards mobility (see also following page). We note here that implementing agencies for USAID operating in Kilolo do not view this as a widespread phenomenon.

of escape in earlier periods, became steeper. This has affected native smallholder farmers as well as the landless youth and women who depend on renting to be able to grow crops. "*The native smallholder farmers with low income have failed to operate the land which they used to rent because of increase in renting price. …most youth have ended up selling labor after failing to run their farms*" (Male FGD participant, Kongwa). This rise in ex-employees may have affected certain communities more than others (e.g. Kongwa). In the three fieldwork villages in Kilolo, 'investors' from Dar es Salaam started before 2015, likely due to the decentralization of government services (such as new high schools in villages) and also the rise in local demand for teachers and doctors. These 'investors' tend to acquire local farms to supplement their salaries.

Severe conflicts between farmers and pastoralists were inherited from the previous period and in response to farmer-herder conflicts, the **government decided to remove the farmers** from Kiteto affected areas in Kongwa district. Following that decision, most farmers who didn't lose their farms due to the conflict now lost their farms, crops, farm implements, houses and other assets. Problems for the better-off farmers were exacerbated by the fact that these farmers had invested heavily in their farms through bank loans. Findings from the fieldwork suggested, paying back the loans became 'a nightmare' for those who could not pay back**. The collateral i.e. houses, tractors, had to be sold by the banks in 2016 to recover the money they owed**. In 2017 SUMA JKT, a company that distributes tractors to farmers based on re- payment scheme, 'came and took **all the tractors** from the farmers who had not finished paying back the loans'.

> *Sad thing is that is no one wanted to escape paying the loan, the bad drought for 3 consecutive years, plus the decision of government to ban farmers from Kibaigwa to farm in Kiteto clearly made them poor and incapable to pay back the loan within the agreed time. In such a complicated situation it would have been wise for government to give farmers more time to pay back the loan (Male FGD participant, Kongwa)*

During this period FGD participants in the fieldwork communities also reported a **steep drop in the price of maize, timber, pigeon pea and other crop prices.** A Kilolo FGD participant exclaimed;

> *The profitability of timber business has dropped down quite tremendously during this period. For instance, an acre of tree farm was, in the past, sold at TZS 8,000,000 to TZS 10,000,000. But, now the same size of tree farm was sold at TZS 2,000,000 or TZS 3,000,000. Therefore, the drop of price is more than 80%. Their land and tree buyers are becoming fewer than before.*

Some **financial institutions left the study regions and others are 'operating slowly'. This** reduces the availability of finance and the financial institutions have become hesitant to offer bigger loans. One FGD participant noted, "*the most they can offer is TZS 100,000*" (Male FGD participant, Kilolo). In addition, according to one national key informant, a key reason (among many) for this fall in liquidity was that;

> *300 + government agencies were banking with CRDB and other commercial banks. They had to transfer deposits to the Bank of Tanzania. These were then not available for lending to the private sector/individuals, so credit has dried up. The Bank of Tanzania pays no interest (which had enabled the enterprises to buy/ provide other services). The Governor of Bank of Tanzania is not happy with the situation. (KI AS Dar es Salaam, 15/11/17)*

Several FGD participants also felt that **some businesses in the study areas have collapsed due to being unable to pay the tax that they owe. Also some business opportunities in these areas have been lost**, including a number of the poorer women who are food vendors, and those who sell sunflower oil, due to a 'slow down' mostly attributed to dwindling of money circulation from the hands of buyers, traders, farmers. Casual laborers have had difficulty getting small loans from employers who have no money. As one male FGD participant narrated: "*This period has had a big impact in people's life and community at large. If you go around Kibaigwa you will see lot of unfinished buildings, and a lot of closed businesses*". After businesses collapsed, people failed to finish construction on their sites.

4. POVERTY DYNAMICS IN TANZANIA BETWEEN 2008 AND 2012

The previous sections highlighted factors that influence poverty dynamics based on information from the literature, FGDs and group interviews with knowledgeable people. In this section, we first descriptively introduce poverty trends according to the National Household Budget Survey (HBS) and National Panel Survey (NPS) and then present descriptive statistics on the extent of different poverty dynamics trajectories, as according to NPS analysis.

Poverty trends:

The trend of poverty reduction in Tanzania holds across poverty indices. However, the **poverty level in each year differs substantially according to different poverty lines used**. The National Household Budget Survey (HBS), which is most widely used by policy makers recorded poverty incidence of 36% in 2000, 34% in 2007, and 28% in 2012 and is based on a cost of basic needs poverty line, incorporating a food and non-food component.

The NPS national food poverty line, used for analysis of the NPS, records 20%, 13% and 9.7% respectively in 2008, 2010 and 2012, a much higher rate of reduction from a much lower base. This food poverty line incorporates just a food component and is based on the cost of ensuring minimum nutritional requirements of 2,200 kilocalories (Kcal) per adult per day. Footnote 1 explains these lines in more detail.

However, using the same data, the $1.90 international extreme poverty line would give 71% in 2008, 65% in 2010 and 63% in 2012– a much higher level of poverty. The level of 63% in 2012 is very close to the Multidimensional Poverty Index, which measures 64% as poor in 2013.

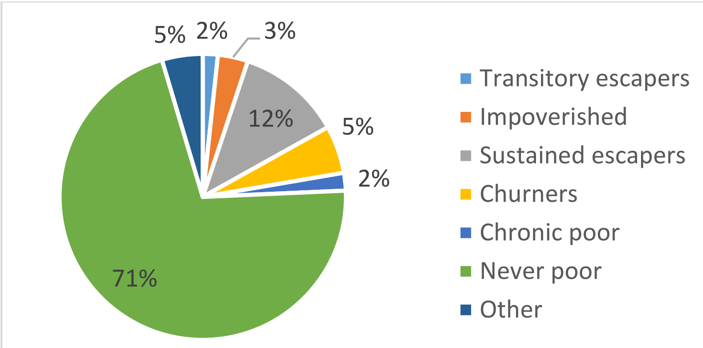
Poverty dynamics: sustained escapes surpassed by impoverishment and chronic poverty

In this section, we examine poverty dynamics according to analysis of the NPS using the national food poverty line; a measure of 'severe poverty'. In summary, during the period 2008-2012: 12% experienced a sustained poverty escape; 5% remained chronically poor and 10% moved into poverty at some point during the period either because they:

a. Experienced a transitory escape (PNP) - moved out of poverty but moved back in (2%), or
b. Churned (PNP or NPN) around the poverty line (5%), or
c. Became impoverished (NNP or NPP)- moved into poverty from being non-poor in 2008 (3%)

Thus, sustained escapes have been surpassed by movements back into severe poverty and remaining in poverty.

Figure I: Poverty dynamics in Tanzania, 2008-2010-2012,National Panel Survey data [N=2,074]



Because the NPS food poverty line is so low, the proportions of households below it and crossing it are also low. It is possible that the proportion of sustained escapers based on other poverty lines is likely to be lower, and proportion of the chronically poor higher.

Meanwhile, there is a clear geography of poverty dynamics with the predominant poverty trajectories varying across different zones. For instance, transitory escapes and impoverishment are associated with riskier natural resource dependent regions, especially the dry central region, remote southern region and southern highlands (Ruhinduka et al, 2018,). The largest share of the chronically poor were in the Western zone (i.e. Kigoma and Tabora), constituting 8.5% of the zonal population.

5. HOUSEHOLD-LEVEL ANALYSIS OF DRIVERS OF SUSTAINED AND TRANSITORY ESCAPES: A Q2 APPROACH

In this section we analyze household level drivers of sustained and transitory escapes. Drivers are grouped into those relating to:

(I) **Resources** including land, livestock, assets, electricity, piped water, and savings.
(II) **Capacities and attributes** including age, household structure, gender, education and skills.
(III) **Livelihoods or 'activities'** which household members engage in including employment, non-farm enterprise and entrepreneurial/business activities, crop agriculture, remittances.
(IV) **Shocks**, including the number and types of shocks, these include for instance, climate, price shocks, death of a breadwinner, and illness and associated costs.

The investigation relies on mixed methods research, comprising:

- Analysis of 2074 households across three waves of the Tanzania Panel Survey for 2008, 2010 and 2012 (see Box 2 for the quantitative approach employed in this paper, and the Annex for regression results);
- Field interviews: 80 life histories and 24 FGDs in three districts: in Dodoma (Kongwa), Iringa (Kilolo) and Morogoro (Mvomero and Kilosa/Gairo districts). The attribution analysis is focused specifically on the sample of 60 life histories from Kongwa and Kilolo (see Annex II). They include 12 chronically poor, 16 transitory escapers, 8 impoverished (non-poor slipped into poverty) and 22 sustained escapers.

Box 2: Approach to quantitative analysis, using the food poverty line

This study employs multinomial logistic regressions to investigate determinants of transitory poverty escapes and impoverishment. Our equation is similar to that employed in Diwakar (2016), where:

$$\boldsymbol{Pr\left(Poverty\ Trajectory_{i,t} = 1 \,\middle|\, \beta,\ v_{i,t}\right) = F\left(\beta_0 + \beta_1 Head_{i,t} + \beta_2 Region_{i,t} + \beta_3 H_{i,t}\right)}$$

for $v_i = (1,\ Head_i,\ Region_i, H_i)$

where $Poverty\,Trajectory_i$ is probability of the household i experiencing a transitory poverty escape, chronic poverty, becoming impoverished, or sustaining a poverty escape,
$Head$ is a vector of variables defining the characteristics of the household head,
$Region$ is a set of dummy variables on household region, and if it is urban or rural, and
H is a vector of household specific controls.

The base outcome is whether a household has experienced a sustained poverty escape. A variable coefficient that is greater than one indicates that a household has a higher risk ratio of the outcome (transitory poverty escape, chronic poverty or impoverishment) relative to the reference group of sustained escapers. In what follows, we only comment on regression results that are statistically significant at $p<0.05$. Those results significant at $p<0.1$ are noted to be marginally significant.

INITIAL HOUSEHOLD RESOURCE BASE

Key messages:

- **Asset accumulation significantly increases the likelihood that escapes from poverty will be sustained, as according to the regression results. Qualitative fieldwork reveals how sustained escapers increased investments across the board, including in farming, off-farm businesses, housing and transport vehicles for rent, and had high levels of savings (see Section 5).**
- **Quantitative results show that owning more livestock significantly increases the likelihood of a transitory, rather than a sustained poverty escape. This could potentially reflect the fragility of investing solely in livestock (rather than investing in a few livestock as one component of a diversified asset portfolio) - a resource that is vulnerable to disease, death and theft as well as grabbing during periods of conflict.**
- **Qualitative data reveals the significance of loss of land and other assets due to divorce and inheritance disputes, payment of medical bills, theft, and sale or confiscation of assets to meet debts in driving transitory escapes. Female-headed households were particularly vulnerable to property grabbing by husband's family or theft.**

Sustained escapers invested in housing, business properties for rent and land through both purchase and rental

From the quantitative analysis, asset accumulation lowers the risk of impoverishment, chronic poverty, and a transitory escape from poverty, all relative to a sustained escape from poverty. This finding is reflected in frequencies of respondent attributions to these drivers according to the life history interviews. Households that sustained poverty escapes frequently reported investing in productive assets across the board. This included investments in house property (including rentals) (10 sustained escaping households compared to 5 transitory escapers and 4 chronically poor households). Sustained escapers in the qualitative fieldwork invested heavily in rental properties and land across the fieldwork sites. [4]

[4] Note, these sustained escapers in the qualitative data may have started at a higher level of wellbeing than some of those in the panel data.

Regression analysis, meanwhile, shows that owning more livestock significantly increased the likelihood that a household experienced a transitory, rather than a sustained, poverty escape. This could potentially reflect the fragility of investing solely in livestock (rather than investing in a few livestock as one component of a diversified asset portfolio) - a resource that is vulnerable to disease, death and theft as well as grabbing during periods of conflict.

Loss of land, livestock, and property exert a toll on the chronically poor and transitory escapers while sustained escapers were able to minimize these losses

Loss of resources featured strongly in the life stories among households with transitory escapes (8 households vs 2 impoverished, 3 chronically poor, and 2 sustained escapers). Those include selling assets, especially land and livestock. The key reasons mentioned are associated with

(i) land disputes in the context of divorce or inheritance,
(ii) court fees where assets have been stolen by criminals,
(iii) medical treatment, and
(iv) payment of outstanding debts to financial institutions seeking collateral for unpaid loans.

Loss of land among the chronically poor life history respondents was relatively high compared to sustained escapers (5 households compared to 1 household) as was loss of livestock (5 households in comparison to 2 households). Two key factors dominated reasons for land loss among the chronically poor: land grabbing by family members, often caused by unclear inheritance customs, especially between the male and female family members; and when husbands decide to sell the land without consulting the wife. Among the chronically poor, **loss of livestock** is often due to inheritance disputes with family members, but also due to accidental death of the livestock, usually associated by the interviewees with some form of witchcraft and poisoning by neighbors. Loss of livestock amongst sustained escapers was narrated by respondents as an inherent risk factor associated with livestock diseases, especially in Kongwa.

Another reported reason for loss of assets included conflict with pastoralists (in both Kongwa and Morogoro) and through government removal of farmers from these conflict areas (Kongwa) to create reserves. This conflict in Kongwa was powerful in its effect on the impoverishment of people from different well-being groups:

> *Mayanga moved to level 5 as he invested a lot in his farm and purchased a further 40 acres of land in 2014, he built 5 houses in the farm, he started livestock keeping goats and chicken, started a crop trading business. In 2015, he lost everything – the farm, crops in store, crops on the farm, livestock, and houses following a conflict and fight between farmers and pastoralists, all burned into ashes. He survives because of his sons. His wellbeing level fell from 5 to level 2. (MLH, PNP, Kongwa)*

Access to favorable finance can support sustained escapes while adverse financial inclusion and theft further drive impoverishment

Rural finance was competitive in the parts of Tanzania studied. Generally, it was experienced favorably, particularly the pro-poor NGOs whose lending includes training on financial literacy (how to pay back from earnings), skill development and/or assets. They are softer on loan non-recovery – the focus is on development not profitmaking and so more likely to make repeat loans. For female-headed households access to this type of favorable finance is particularly important for poverty escapes (Box 3).

Box 3: Access to savings through NGO presence to sustain a poverty escape

Nebichu is 34 and was the child of small farmer parents who didn't have enough food. At 14, she worked as a house-girl in Dar es salaam (age 14) where her work load was heavy. So, she came home and moved in with her uncle who supported her through primary school. She got married and had 2 children. In early 2005, her husband got seriously sick and she became a widow.

Things turned around for her in 2005 when she started taking loans from an NGO – the Mama Bahati Foundation Limited - and opened a small restaurant/food vending. NGOs like MBF (based in Iringa) target the poorest women and provide business training, microloans and savings plan. Nebichu then used **another loan from MBF** to make bricks for her house. Her life improved to level 3.

From 2006-2008, she continued taking loans, **investing in the food vending business and in farming** and begins selling crops to earn income. This enabled her then to **open an NMB account** and deposit her savings. She then **built a house for rent** as well as her own house and a small house for her mother. She accumulated savings up to TZS 3million and she used this to **buy land**. Her life rises to level 4+.

Adverse financial inclusion and seizure of collateral meanwhile was a key cause for downward mobility among transitory escapers and the impoverished according to fieldwork results. However, borrowing from some could lead to harsh forms of loan recovery and impoverishment. They are characterized either by armed bailiffs confiscating assets – usually home – sofa, beds, anything moveable and /or forced sale of assets (land). This is usually associated with very high interest rates. Some financial institutions (e.g. FINCA and MUCOBA) were very strict on recovering collateral (assets) of borrowers even after a fall in price or other shock.

> *No one joins FINCA and escapes poverty because if he/she has a house or other asset, most likely he/she will lose it. A live example is our friend Farida, she had a house worth Tshs 2,000,000, and she took a loan from FINCA, unfortunately her business collapsed and was not able to pay back Tshs 750,000. What happened was that FINCA sold her house for Tshs 1mill to recover the 750,000! (Female FGD participant Kongwa)*

HOUSEHOLD CHARACTERISTICS

Key Messages:

- **Household size and dependency ratios matter for the likelihood of sustained poverty escapes. The fieldwork reveals a clear distinction between sustained escapers and the chronically poor with the latter having more children and a higher number of dependents. This is only partly supported by the regression results which show that an increase in the number of children is associated with a significantly higher risk of impoverishment (but not a transitory poverty escape or chronic poverty) relative to a sustained escape.**
- **The fieldwork finds that education has been a key factor in sustaining poverty escapes for the current generation of household heads, with secondary education in particular playing an important role in ensuring a household's ability to escape poverty sustainably.**

Household demographics and composition: High cost of dependents

The panel analysis reveals that household demographics play an important role in a household's ability to sustain a poverty escape. **An increase in the number of children is associated with a significantly higher likelihood of impoverishment relative to a sustained poverty escape**. Interestingly, according to regression results, an increase in household size by one member is associated with a significantly reduced likelihood of impoverishment by 31% relative to a sustained poverty escape. This finding, coupled with the finding on number of children, reflects the positive impact of increases in productive, income-earning household members. Meanwhile, larger households are significantly more likely to be in chronic poverty than experience a sustained escape.

High dependency shares rather than productive members can exert a toll on many households. **In the life histories, household composition emerged as a key factor in reducing wellbeing in cases of chronic poverty as well as transitory escapes**. Chronically poor respondents (9 times) and transitory escapers (7 times) referred to high numbers of dependents as leading to falls in well-being. There is a clear contrast in the household composition between sustained escape and chronic poverty life stories. The chronically poor narratives include:

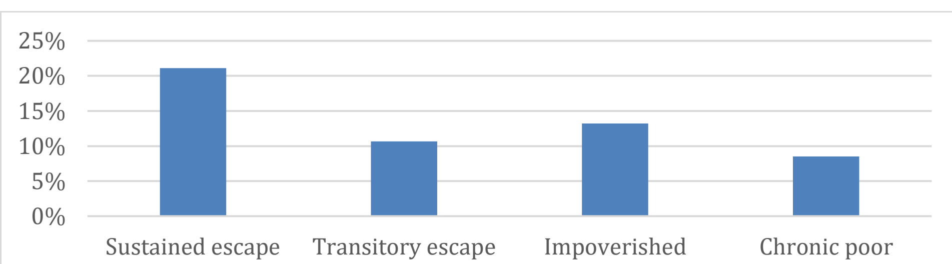
- the costs associated with a large number of children in the context of the high cost of food and clothing, and education user fees as well as the costs associated with their moving into adulthood by inheriting land and paying bride-wealth.
- the costs associated with maintaining extended family dependents, such as younger siblings and family members with a disability.
- the problems associated with polygamy seems to be a salient issue in the life stories of the chronically poor, transitory escapers and impoverished.

In sustained escaper stories, by contrast, they often referred to the simple nuclear family with the limited number of extended economic commitments.

Education of household members: a worthy investment, but not without risks

A related risk to high dependency ratios is around the learning that children in the household and adults accumulate over time. With more children, education costs increase significantly and may reduce incentives or the ability of poor or vulnerable parents to continue to educate their children. However, **education is critical and according to regression results having an educated household head has reduced the risk of impoverishment relative to sustaining a poverty escape (though with marginal significance), with secondary education having a larger effect than primary education on lowering the risk of impoverishment**. Figure 2 shows the proportion of household heads having secondary education by poverty trajectory. Although primary education continues to be crucial for fighting poverty, it alone seems no longer sufficient to increase poor people's opportunities for economic mobility and moving out of poverty for the current generation, according to life history interviews.

Figure 2: Household heads with secondary education



Source: analysis of Tanzania National Panel Survey

From the qualitative fieldwork, the narratives of education among both chronically poor and impoverished are very similar. Both groups mention the lack of education among their parents and the high costs associated with their own education and poor quality of teaching in government funded schools which prevented their progress. **All life history respondents who are sustained escapers are found to invest heavily in forms of private secondary schooling, and the better off sustained escapers invest in private primary schools for their children as well.** For most sustained escapers, **private schooling was a heavy drain on household income.**

Vocational training was also relatively higher among sustained escapers (8 attributions) as compared to transitory escapers (0). The various costs that sustained escapers accrue in education reflects the value they place on its instrumental importance for improved resilience and wellbeing later in life.

HOUSEHOLD ACTIVITIES

Key messages

- **Agriculture figures prominently in most life histories. Households often diversified within the agriculture portfolio by expanding agricultural activities over time and/ or made investments in technologies and new crop varieties to add value to farming (see Section 5). Rarely was engagement in non-farm activities accompanied by leaving agriculture.**
- **In the fieldwork, sustained escapers made investments to diversify into a variety of non-farm businesses. This contrasted to the non-farm activities with low start-up costs of the chronic poor, such as engagement in petty trade.**
- **Life histories revealed that accessing loans from good finance institutions – and then moving up the finance chain to Savings and Credit Cooperative Society (SACCOS) and bank savings and loans - was a key aspect of building the diversified livelihoods required to achieve a sustained escape from poverty.**
- **Diversification into nonfarm activities among sustained escapers was supported by entrepreneurship, good business partnerships, and stable, mutually supportive spouse relationships.**

Diversification into non-farm self-employment

In the quantitative analysis, non-farm occupations are still rare in rural Tanzania: only 6% of households reported some engagement with the non-farm sector. However, census and household survey data also show that between 2002 and 2012, **growth in rural non-farm employment has been very rapid at between 11.1 per cent and 13.5 per cent per annum** (Diao et al, 2018). Moreover, **according to analysis of the NPS, amongst sustained and transitory escapers, the shares involved in non-farm self-employment was higher (9-10%**). Sustained escapers also had the highest share of household heads employed in the public sector (5%, compared to 2% amongst transitory escapers), and the lowest shares in self-employment in agriculture (75%, compared to 80% amongst transitory escapers).

Conditions for pathways out of poverty for petty traders

Engaging in petty trade was common among the chronic poor and transitory poverty escapers (9 chronically poor households compared to 8 transitory escapers, and just 2 sustained escapers). The livelihoods associated with this petty trade are mostly street vending (agricultural goods and cooked produce) and activities such as collection of firewood for sale. Almost all of them are traditionally considered as 'women's jobs', have small starting capital requirements, are labor-intensive and very insecure.

Because of this, pathways to sustained escapes through these jobs can be difficult in Tanzania (Diao, et al, 2018). However, some sustained escapers from the qualitative findings indicated that they started out as petty traders. The pathway to a sustained poverty escape as a result of engaging in petty trade is typically found in villages which are growing agriculturally (as farmers' income rises and they need services), or which are near transport hubs or busy roads (selling to travelers) and where access to favorable forms of finance is available to female street vendors can escape sustainably (see Box 4).

Combining savings from petty trade with taking loans allows for asset acquisition (farms and houses) and the credit reputation needed to be eligible for the Savings and Credit Cooperative Society (SACCO) loans.

The latter was associated with much higher lending amounts needed for investment to expand and diversify further – a clear acceleration in earnings was reported after a SACCO loan in high growth villages.

Diversification within agriculture, but also into business for sustained escapers: diversification across sectors, coupled with simultaneous expansion and value addition investments

Diversification of livelihoods spanning agriculture and non-farm enterprises (and within each sector) was high among sustained escapers (11) relative to the chronic poor (6). Such diversification and response to market changes is reflected in their much higher ability to maneuver into new activities and out of unsuccessful ones (4 sustained escaping households did this as compared to 1 chronically poor one).

The character of diversification was multifaceted. First it was **across sectors** (agriculture and non-farm enterprises) and within sectors (diversification within the agriculture portfolio into irrigated crops and new cash crops). It rarely involved moving out of agriculture (only 1 case). Such diversification involved both **expansion of the scale of same activity** (e.g. increasing acreage or number of rental plots or scale of crop trading) as well **as value-addition in each income source** (growing onions and tomatoes but with improved seeds or irrigation; investing in transport, and upgrading from petty-sales to a retail shop to a hardware shop). What is interesting is that once there was an initial movement to diversify across sectors (adding farm to nonfarm or nonfarm to farm) **subsequent investments were made almost concurrently in both agricultural and non-farm enterprises**, **with expansion, diversification and value addition investments made at each stage.** The ability to sustain escapes was also linked to irrigation followed by movement into retail trade based on the overall growth in the agricultural economy which 'put money in farmer's pockets' as we see in Bahati's escape in Box 4 below.

Box 4: Irrigation and expansion into non-farm activities to sustain a poverty escape

Bahati Maanguko M, 46 grew onions by renting in 0.5 acres of land. He used the profits to **finance a small shop**. This shop and savings from onion farm yields helped him purchase 5 acres of farm land in 2005. He also **purchased an irrigation pump**. He paid TSH 250,000 for 5 acres of land and TZS 350,000 for the irrigation pump. He explained:

"*...As profit increased from my business, also the capital to invest in agriculture increased.* ***I stopped renting land and I bought five acres of land of my own and the irrigation pump*** *because in here we do irrigation farming ... I could not cultivate it all per year, I used 2 acres for onions and may be 1 acre to grow maize for food per season...*"

He used profits to then further **expand his shop** from selling food items to clothes, hand-bags and shoes, then to rent out bicycles as well. He used savings to send his children to school. He stopped farming due to time limitations for supervision of his farm activities and running the business. However, his well-being kept on rising as **he could build two good houses** (both made of bricks and roofed with iron sheet). **One was a rental house and with 3 rooms rented by businessmen for opening their own shops**. He could earn TZS 180,000 per month at a rate of TZS 60,000 per room. By 2013, he was among the few people who were living at level 5.

Business relationships and entrepreneurship: Distortions or competitive spirits

The qualitative findings indicated differences in business relationships and entrepreneurship among transitory escape and sustained escape pathways. Positive business relationships in the fieldwork were much higher among sustained escapers (10 sustained escapers compared to 6 amongst transitory escapers). **Transitory escapers particularly highlight the problems associated with business partnerships, such as fraud, unclear and untrustworthy relations with the 'middle man' who**

are often accused of cheating and not delivering the promised services, as well as stories of money mismanagement leading to debt and bankruptcy, associated with abuse of trust from the close business partner or family member. Sustained escape stories highlight different business-related associations, such as the competition with outsiders, who take advantage of capital to push a local trader out of the market, failed business partnerships and the importance of personal connections in positioning the business on the market, gaining resources and access to services. Various business relationships supported Makdi's diversification within agriculture which further supported movement into retail and moneylending.

> *Makdi from Kilolo used his saved-up wages, made by working in an urban sugar factory, to finance his move into cash crop framing. When he returned home, he used savings to begin to grow 2 acres of potatoes. He then* ***borrowed fertilizers from a middleman friend and yielded 50 bags of potatoes and got 30,000 in net profit****. Repeated potato growing enabled him to diversify into timber, as he purchased a further 3 acres of land and planted trees. He expanded the potato production to 20 acres and practiced mixed cropping by also growing maize and peas. He became able to employ up to 10 laborers and* ***increased his network by becoming a member of the IMUKU Cooperative Union****. His 4 children were growing and each qualified for secondary government school but he decided to take them to private secondary schools. His business continued to prosper, and he opened both wholesale and retail stores and became a money lender, lending money to customers to be paid back in cash with interest or in kind through harvested crops.* ***He has networked with a businessman in Dar es salaam****, so doesn't travel to the market and yet he sells his crops successfully. Now his children have grown, have started own lives and his business continues to prosper. He looks ahead to a big harvest of timber from 20 acres and in 2017 was at level 5+ despite the recession.*

Nonfarm businesses, as well as the desire to engage in entrepreneurial activities, were most common in cases where a household had experienced a sustained escape from poverty. **According to analysis of the qualitative data, entrepreneurship was more common among sustained escapers** (7) compared to 1 transitory escaper and 1 chronically poor household. Sustained escapers mentioned the abilities to develop and implement innovative selling strategies, such as repackaging products into smaller more affordable sizes; knowledge about the market and price fluctuations; ability to identify and branch into more profitable and innovative business ventures. Sustained escapers in the fieldwork also had high formal savings relative to the chronically poor and transitory escapers (6 sustained escaping households compared to 1 chronically poor and 1 transitory escaping household).

Spousal relationships: cooperation creates benefits

An interesting aspect in the life histories of sustained escapers was the mention of cooperation with the spouse who is a vital business partner. For instance, one sustained escaper's wife (Kilolo) farmed his food crops (maize, beans) bore his children and cooked food for his kiosk. In his narration, he declared that he and his wife were cooperating well and that his wife was informed of everything that he did. They helped each other in running the shop as he was not comfortable hiring a person (shopkeeper) and in supervising farming activities. Another successful sustained escaper from Kilolo mentioned: "*I and my wife are one thing and we are like sister and brother. Everything I do we discuss and decide together first, even buying shop items, she sometimes goes to buy, and I stay at the shop.*"

Sometimes, however, men coped with a partnership that did not work for him through separation. This is '**the other side of female abandonment with dependents**'**: men can leave a marriage with land and capital intact, lose dependents, and find another wife and prosper**. For instance,

> *One sustained escaper traded second hand clothes in Iringa and then when married in 1999 he decided to grow tomatoes and green peppers and did quite well. However, in 2005 his wife became chronically*

sick after having her second child and they dropped to wellbeing level 3, considered poor by the community. And so, after seven years of ill health he decided to separate from her and decided to make his own fate. He remarried, invested further in tomato and green pepper farming and rose to wellbeing level 4+ by 2013 and, with his savings, invested in a house, a motorbike which he rents out, and a kiosk, and invested in two houses for rent. He feels he is set in terms of productive assets and investment assets for further upward mobility notwithstanding the current circulation of money problem.

HOUSEHOLD SHOCKS AND STRESSORS

Key messages

- **Sustained escapers in the life history interviews remained resilient in the face of economic instabilities. A key reason for this was their high level of livelihoods diversification across agricultural and non-farm activities and their ability to maneuver into new activities and out of unproductive ones.**
- **For transitory escapers and the chronically poor, by contrast, life histories reveal how the death of a breadwinner, poor health, illness, and associated financial shocks all had a downward push in wellbeing.**
- **The descent into poverty among those with transitory poverty escapes often occurred amidst concurrent or double shocks.**

Death of a breadwinner

According to the qualitative fieldwork, **the death of a breadwinner had particularly negative effects on wellbeing**. Across life histories, this shock was absent amongst sustained escaping households. In contrast, 3 chronically poor households and 3 transitory escapers referenced this shock. This refers mostly to widows, who due to the death of the husband become heads of single-parent households with dependent children.

Adverse gendered relationships with in-laws and dispossession

This can become a double-shock when she is then dispossessed of assets by in-laws.

Mkora Mduka from Kongwa is now 72 and became widowed when her husband died suddenly in 2010 and she was thrown out of the house by her step sons. The legal process took time, and, in the process, she spent all her money. It was not until 2014 that the court gave her right to their three houses and 15 acres of land. This court win was important because she has six dependents to feed and take care of even at her advanced age.

It is particularly interesting that **poor health was rarely cited in life history interviews of households that had escaped poverty sustainably**. An attribution to ill-health among sustained escapers was simply a 'sentence' of coping through savings rather than several paragraphs explaining a descent as in the histories of the transitory escapers and chronically poor. For instance, one male sustained escaper (Kilolo) explains that when his wife underwent caesarean operations while delivering their 3rd and 5th child his life 'did not shake' because they had savings for that. "*That period passed, it did not affect us because we had already saved some money ....as you know when a woman is pregnant you may not know what will happen during delivery*" he said (ILH, Kilolo).

Illness and medical costs

Illness came up time and again in life history interviews with chronic and transitory escapes from poverty (10 households in each trajectory). The chronically poor had difficulties of poor laboring capacity through age and disability in addition to the shocks of illness – medical costs and death of a breadwinner and caring opportunity costs (cannot earn a wage when caring for ill family member).

Transitory escapers in interviews often mentioned their fall back into poverty because of financial shocks associated with the cost of medical treatments but also in terms of inability to work, which in a short timeframe results in a downward movement for the household, bringing about impoverishment and a deeper economic decline of the household.

> *Chanyu Mabati M, 61 was a successful farmer who benefited from cooperative union involvement and agricultural inputs and a loan from PRIDE to increase his farm production as crops were in sharp demand. He moved into agribusiness and level 4. However, the chronic illness of his wife depleted his finances and made him a carer for 4 years until she died. Now he has only 2 acres of land and cannot afford to buy inputs, so harvests are low.*

Economic and climatic shocks

Sustained escapers in the fieldwork, in contrast, endured economic instabilities, reflective of their enhanced resilience capacity – 32 times they explained how they stayed resilient despite shocks – money circulation, crop price drops, drought - whilst 12 transitory escapers and 9 chronically poor explained how the same sort of shocks led to downward mobility. A key reason for this is that **diversification of livelihoods within and between agriculture and non-farm sections was very high among sustained escapers compared to the chronically poor (11, relative to 6) as well as the ability to maneuver into new activities and out of bad ones** (4 sustained escapers compared to 1 chronically poor). These strategies are explored in more depth through the life histories presented in the following section.

Concurrent or double shocks

Most transitory escapers began their escape very similar to sustained escapers, but rarely reaching as high as wellbeing level 5 or 6. More often they were level 4 or low 5. The descent of the high 4s and low 5s o**ften occurred with concurrent or double shocks**. Some of the latter were idiosyncratic concurrent illness and severe crop price fall; or illness and robbery. Others also seemed to go and come 'in pairs' such as:

- any agricultural failure (price, production, drought) and severe debt repayment via seizure or forced sale of collateral (land or house).
- pastoral destruction/ burning of assets and crops, confiscation of farms by the government then automatically followed by lending institutions seizing collateral (house, land) for unpaid debt taken out to farm those vacated farms.
- When in-laws grab a widow's land and court fees are high and indeterminate; or the chronic illness of breadwinner who needs caring and constant medical attention as well; in these cases respondents can fall two wellbeing groups, e.g. 5 to 3, or 4 to 2.

6. INVESTIGATING PROCESSES DRIVING SUSTAINED ESCAPES

Key messages

- **Stories of sustained escapers point to diversification in livelihoods activities and assets across and within sectors as the bedrock for poverty escapes. They concurrently invest in expansion or value addition to both agriculture and non-farm activities. Diversifying completely out of farming is rare unless the household moves to a city.**

- **In addition to investing in existing activities, sustained escapers describe how they maneuver into new economic activities as prospects rise (e.g. house and business residence rentals; transport vehicles for crop marketing and transporting people).**
- **Live histories reveal how investments are supported by beneficial financial inclusion. The pace of borrowing and investing increases enormously as households move up well-being levels.**

In this section we draw on the subset of sustained escapers in the life history data, to examine in more detail the pathways of, and processes driving, sustained poverty escapes. This includes questions around: **What were the initial steps leading to escape from poverty (levels 2 and 3) to level 4? And then what steps were taken to move to resilience level 5 escape which enabled 5+ years of sustained escape?** To this end, there were several key steps noted by sustained escapers which enhanced resilience to downward pressures (Table 1).

As reflected in Table 1, stories of sustained escapers point to diversification in livelihoods activities and assets across and within sectors, together with the ability to maneuver into new economic activities. These strategies are enabled by beneficial financial inclusion. Through savings, accumulated productive assets and careful diversification, sustained escapers built a degree of resilience to shocks. Most households that experienced sustained poverty escapes established this degree of resilience by the middle of MKUKUTA II period (2005 to 2012/13/14), at which point a relatively greater number of shocks beyond the household set-in; price shocks, drought, the sour turn in pastoralist-farmer conflict over land, government policy.

Table 1: Strategies of escape, associated well-being levels and key sources of finance

Step	Action	Typical change[A]	Key characteristics and mode of financing
1.	• **Gain access to assets -** either through very small land rental ordinarily to grow cash crops or small business.	2 +or 3 to >3+	Financed by: • NGO or MFI lending (FDC, MBF, ECLOF, PRIDE) – esp. Women • Savings from urban employment • Local crop trade • Family loan or inheritance • For women, managing terms of spousal relationships and possibly commercial sex for business capital.
2.	• Capital finances **diversification into farming plus non-farm business -** farmers gain non-farm business; small business owners access land via rent or purchase. Notably it is one small business and one small farm at this stage. • At this stage of diversification, the household uses savings from farm to fund a business and vice versa to meet capital and living needs over the season.	3+ to >4-	• Capital acquired through savings from above (can take several years to accumulate) and/or access to second soft loan from MFI. • Still do not have access to large collateral lending and savings – i.e. Sacco or NMB.
3.	• **Diversify and expand:** • Expand of acreage of cash and food crops; diversify crop production; expand/diversify items sold (e.g. from food kiosk to household utensils, clothes, bicycle rental).	4 to > 4+ or 5	• Capital for investment comes from profits accumulated by farm/non-business in good years, combined with borrowing from an MFI. • During this period there is a move to collateral-based borrowing,

	• May begin to move into large scale money-lending and crop trading. • House rental increasingly becoming part of this stage. • Children partly privately educated (usually secondary school) – not primary or tertiary.		which entitles them to larger SACCO and bank loans. • Pace of borrowing and investing begins to increase. Loans may be taken every other year with investment.
4.	• Much **faster pace of borrowing and investing**, so moving up faster • Expansion of shops, e.g. to hardware, tractor, car spare parts. • Expansion of farms -esp. timber • Rental properties purchased (motorcycles, trucks, tractors, house), income gathered. • Tertiary private education – heavy investments in private education to establish resilience in old age.	5 to > 5+ and 6	• Loans from Banks and Sacco – together with profits from diverse enterprises accumulating fast (esp. rentals). • Pace of borrowing and investing increases even faster. Loans taken several times a year. • Deftly manage business relationships.

[A] *Note: the column titled "Typical change" illustrates at which wellbeing level a household is likely to engage in these strategies and then to which wellbeing level these strategies would promote them to.*

Engaging in both agricultural and non-farm activities, is the essential bedrock for all poverty escapes, whether transitory or sustained. In the early stage, farmers use the proceeds from profitable agricultural seasons to add non-farm business to their portfolio, and non-farmer business people acquire or rent in land. Most households concurrently invest in expansion or value addition to both agriculture and off-farm activities.

Sustained escapers then ordinarily expand both existing activities and move into new activities as prospects rise (e.g. house and business residence rentals to profit from the rise in number of outsiders, especially teachers; transport vehicles for crop marketing and transporting people). Diversifying completely out of farming is rare unless the household moves to a city. The pace of borrowing and investing, meanwhile, increases enormously as households move up well-being levels.

Women's sustained escapes differ from men's in key ways: they must negotiate with husbands or leave; they have to overcome gendered obstacles, such as loans or information gained from relationships with influential people and they are unable to access lucrative occupations.

Sustained escapers cope with severe crises by moving from level 5 to 4 – but not into poverty. They are marked by highly ambitious and entrepreneurial nature– constantly striving to save to invest in new profit-making activities; they tend to be relatively young to middle age and healthy; they actively manage marriage partnerships which help to run multiple enterprises; they tend to have education beyond primary and into secondary school. Strategies that sustained escapers adopted included:

- **A rise in the pace and pattern of borrowing and investing over time**. Sustained escapers start with a slow rise out of poverty over years, but once established, the pace and amount of borrowing and investing rises;
- **Irrigation and expansion into retail, riding on overall growth in the agricultural economy.** The ability to sustain escapes was also linked to irrigation followed by movement into retail based on the overall growth in the agricultural economy which 'put money in farmer's pockets';
- **Female escapers: ability to acquire access to favorable finance without assets.** A key problem for most extreme poor women is acquiring favorable finance when they have no assets.

Female-headed households that experienced sustained escapes managed to overcome this obstacle through being involved in NGO finance targeting poor women, borrowing from female networks or getting financial support from brothers.

7. CONCLUDING REMARKS

The qualitative and quantitative research findings discussed in this report investigate the drivers of poverty dynamics at the macro-, meso-, household and intra-household levels. They highlight the importance of the policy framework (particularly that concerning agriculture, infrastructure and service delivery, as well as financial and fiscal policies) and the resources allocated to implementing those policies in driving household poverty trajectories. FGD participants point to the role of the expansion and provision of electricity and irrigation during the Mkukuta period (2005-2010) in supporting poverty escapes. Meanwhile, during the second-half of the Mkukuta II period (2010-15) these improvements in well-being slowed down due to a combination of agricultural price and market shocks; illness and the impoverishing effects of health costs in the context of poorly functioning health facilities; and the high costs of private education perceived as necessary to counterbalance poor quality public education. The more recent regime-change brings opportunities to get growth and poverty-reduction on-track with improved tax collection and greater discipline and accountability of public servants, which nevertheless have had unintended consequences.

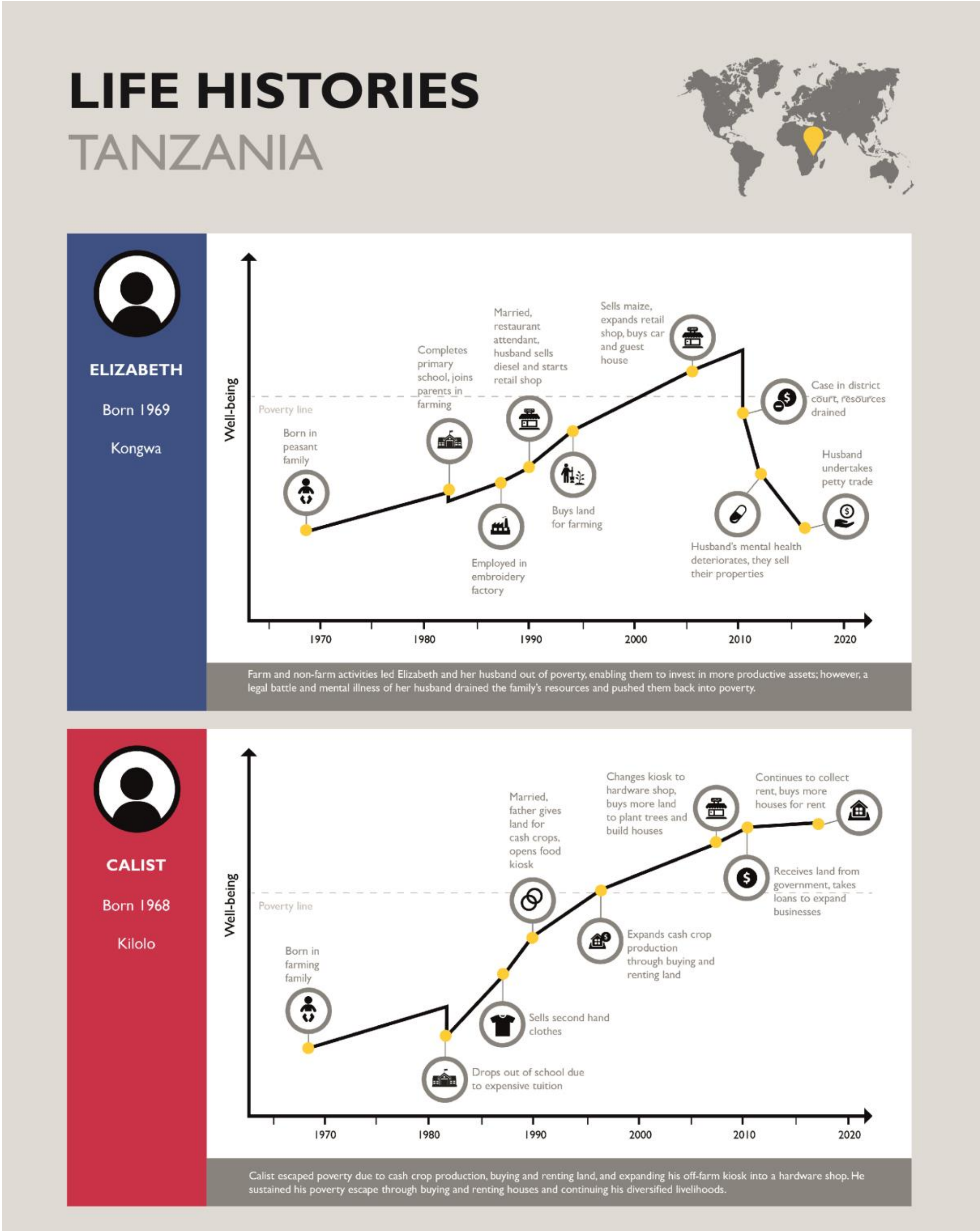
At the household level, the qualitative research revealed that sustained escapers made investments across the board, including in farms, livestock, off-farm businesses, housing for rent and transport vehicles for rent. For all households, very rarely was engagement in non-farm activities characterized by leaving agriculture. Agriculture figures prominently in most life histories and it is often expanded over time and investments made in technologies and new crops to add value to farming. In the fieldwork, sustained escapers are found to make investments to diversify into a variety of nonfarm businesses, which contrasted with engagement petty trade and activities involving low start-up costs which characterized the non-farm activities of the chronically poor. Access to favorable finance and then moving up the finance ladder from NGOs to SACCOs and then bank savings and loans was a key support for sustained escaping households to make these investments. Diversification into nonfarm activities among sustained escapers was supported by entrepreneurship, good business partnerships, and stable, mutually supportive spouse relationships.

Sustained escaping households tend also to be nuclear households, with a limited number of economic dependents. The fieldwork finds education has been a key factor in sustaining poverty escapes for the current generation of household heads, with secondary education in particular playing an important role in ensuring a household's ability to escape poverty sustainably. In the fieldwork, households achieving sustained escapes are now investing significantly in private primary and post-primary education to sustain their escapes for the next generation. This reflects the widespread perception of quality problems in the public education sector.

The fieldwork revealed meanwhile, that transitory escaping households reported significant loss of land and other assets due to divorce and inheritance disputes, payment of medical bills following illness, theft, and sale of assets or confiscation of assets to meet debts to financial institutions in driving transitory escapes. According to life history interviews, women headed households with enhanced assets were often found to be vulnerable to property grabbing by husband's family or theft, so often experienced a transitory poverty escape. While no sustained escaping households had experienced the death of a breadwinner, this had occurred for three households experiencing a transitory escape.

Key policy implications from this study of sustained and transitory escapes is for the government to step up plans to prevent the devastating shocks wrought by illness and medical costs and loss of land through farmer herder conflicts and family land and property grabbing This includes stepping up plans for universal health insurance and land tenure security. At the same time, the government should think of banking on earlier gains in agriculture to re-stimulate growth and link to employment in agro-processing. A companion policy brief gives more information on the policy and program implications of these research findings.

Figure 3: Life history diagrams of a transitory and sustained escape from poverty in Tanzania



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ANNEXES

A. REGRESSION RESULTS

Poverty Trajectory Regression Results of Multinomial Logit Model (Extracted from Ruhinduka et al, 2018)

Variables	Transitory Poverty	Impoverishment	Chronic Poverty
Age of the head of household	1.071	1.029	1.021
	(0.131)	(0.0812)	(0.124)
Age squared	0.999	1.000	1.000
	(0.00130)	(0.000820)	(0.00128)
Number of children	0.939	1.540**	1.070
	(0.229)	(0.320)	(0.254)
Number of seniors	1.837	0.875	1.921
	(1.274)	(0.425)	(1.249)
Number of livestock	1.120***	1.038	0.977
	(0.0448)	(0.0315)	(0.0481)
Land size in acres	0.873	0.965	1.093
	(0.134)	(0.0814)	(0.134)
One member have insurance	5.024	1.360	12.01*
	(8.346)	(1.935)	(17.76)
Head with secondary education	1.88e-07	0.109*	1.91e-06
	(0.000226)	(0.126)	(0.00223)
Household size	1.388	0.688**	1.595**
	(0.309)	(0.129)	(0.349)
Number of rooms	1.396	1.055	1.064
	(0.307)	(0.177)	(0.219)
Male head	0.920	2.200	0.294*
	(0.693)	(1.274)	(0.195)
Ownership of poultry	1.061	1.044*	1.014
	(0.0475)	(0.0248)	(0.0426)
Head is employed	2.905e+06	3.778e+06	0.245
	(7.553e+09)	(6.932e+09)	(0.300)
Head with primary education	1.287	0.484*	4.635**
	(0.690)	(0.187)	(2.936)
Number of assets owned	0.935***	0.960***	0.947***
	(0.0179)	(0.0115)	(0.0154)
Rural dummy	1.218	1.991	0.591
	(1.073)	(1.388)	(0.506)
Electricity connection	3.07e-06	1.64e-06	0.000149
	(0.00654)	(0.00369)	(0.226)
Availability of improved water	2.049	1.647	0.475
	(1.107)	(0.720)	(0.307)
Sanitary toilet	39.49**	0.661	0.728
	(58.74)	(0.316)	(0.462)
Health expenditure(log)	1.017	0.990	0.897
	(0.0887)	(0.0623)	(0.0775)
Presence of shock	1.972	1.659	2.181
	(1.060)	(0.615)	(1.200)
Non-farm business	2.292	1.290	0.659

Variables	Transitory Poverty	Impoverishment	Chronic Poverty
	(1.469)	(0.574)	(0.465)
Head is married	1.588	2.461	1.322
	(1.458)	(1.626)	(0.977)
Central Zone	6.541**	21.41***	36.29***
	(5.684)	(16.14)	(36.91)
Lake Zone	1.85e-07	3.828*	6.162*
	(0.000157)	(2.722)	(6.171)
Northern Zone	2.900	4.406*	6.146
	(3.162)	(3.853)	(9.560)
Southern Highland Zone	1.738	6.434***	18.98***
	(1.440)	(4.314)	(17.67)
Southern Zone	3.211	8.649***	5.889
	(2.733)	(5.698)	(6.560)
Western Zone	2.629	3.557	20.28***
	(2.210)	(3.015)	(19.37)
Log of consumption	0.712	3.245***	0.588
	(0.301)	(1.056)	(0.241)
Decent house	1.98e-07	0.769	1.79e-07
	(0.000188)	(0.596)	(0.000149)
Constant	1.05e-09	0.000	1.945
	(2.74e-06)	(1.85e-09)	(8.008)
Observations	392	392	392

Standard error in parentheses: *** $p<0.01$, ** $p<0.05$, * $p<0.1$

B. THE STUDY REGIONS

The qualitative field research was conducted in three regions:

1. Iringa region, Kilolo district - – between October 2017 to January 2018 – total of 3 villages in the 3 wards of Ruaha Mbuyuni, Boma la Ngombe, Ilula
2. Dodoma Region, Kongwa district – between October 2017 to January 2018 – total of 3 villages in 3 wards Pandamblili, Kibaigwa, Milali
3. Morogoro region in Mainland Tanzania between February and March 2017 – total of 4 villages (2 from Mvomero district, 2 from Kilosa/Gairo districts).

The first two were USAID funded and Morogoro study funded by the ESRC, but field team and leadership overlapped. The wards were sampled based on their diverse economic activities and sources of livelihoods which included both PNNs and PPPs.

Iringa and Dodoma – October- December 2017

Method	Number per village	Total number (across 6 villages)
FGD- with knowledgeable community leaders	1	6
FGD with a cross-section of women	1	6
FGD – with a cross-section of men	1	6
Life history interview – sustained escaper	4*	24
Life history interview – transitory escaper	4*	24
Life history interview – chronic poor	2*	12

Morogoro- February March 2017

Method	Number per village	Total number (across 4 villages)
FGD- with knowledgeable community leaders	1	4
FGD – with a cross-section of women	1	4
FGD – with a cross-section of men	1	4
Final FGD	1	4
LH - Never Poor NNN		5
LH - Sustained escaper PNN		3
LH – Impoverished: Temporary dropper NPN (2) and sustained dropper NNP (3) PNP temporary escaper (0)		5
Life history interview – chronic poor		6

C. FOCUS GROUP ISCUSSIONS

We began with an FGD held with a group of 7 - 8 knowledgeable women and men from the two rural communities. The objective of this was to first obtain insights into the economic, social, policy and political history and context of the community in relation to sustained poverty escapes, anti-poverty policies, and political settlements.

Further, a total of 8 FGDs with 6 - 8 members each were conducted with male and female discussants (4 with each category). The first goal was to define 6 community specific well-being classifications. The objective was to understand the types of characteristics that defined the six categories (see below). The second was to further discuss drivers of upward and downward mobility. The third was discuss the role of gender in up and downward mobility and change in gender norms from men and women's perspectives (hence all male and all female focus groups).

Well-being classification scheme

Levels and name Conceptual Definition		Characteristics and deviations from conceptual wellbeing definitions from respondents	Food access and quality from respondents
1. Destitute = Maskini Hohehahe	People who cannot work, and so depend on others for basic needs (food, housing), They include the very old, physically or cognitively impaired. They tend to be socially excluded.	• Cannot even work as a wage labourer • They are not found in this community	Eat whatever given or supported by other members of the community
2.Very Poor = Maskini Sana Or 'Working Extreme Poor'	Extreme poor working people who are physically able to work but who do not have productive assets. Income is erratic and some days they don't eat. They must accept whatever wage is offered, and often negotiate adverse labor relationships. They eat when they work. Shocks will push them into destitution. They have little or no negotiating	• Usually work as cheap labor/do not have negotiating power in terms of price • Whatever money received is spent for drinking local brews • Cannot change clothes/wearing the	• Have two to one meal per day • Their meals always are ugali/rice and vegetables or beans or mixed of

	power with employers and so tend to be included adversely in labor markets and other institutions (family, community, polity).	same clothes daily so are dirty and torn • Dilapidated shelters • Majority of them do not have families and relatives • If have children normally those children are scavenging and not living together in the same households • The community members can listen to them when contributing in the community meetings	maize and beans • Do not consider about the quality of the food
3. Poor = Maskini	Poor is the classification for people with laboring capacity, and some productive assets but not enough to escape laboring for wages or food to make ends meet. This group also must rely on adverse credit and labor relationships. May have land /cattle/small business but cannot save enough in good years necessary to withstand shocks (health, drought). Often must sell assets to cope in a crisis and go hungry. Vulnerable to downward mobility to 'very poor' category.	• Own small pieces of land • Capable of working as wage laborers and can negotiate the terms as a means of his livelihood • Sent their children to primary schools and government secondary schools and their children at least have got ordinary uniforms • Own iron roofed houses and small thatched houses used as kitchens • Rarely can afford hiring tractors and ploughing	• Can afford two meals per day • Their meals are ugali/rice and vegetables or meat at least twice per week • They use cooking oils to their food
4.Vulnerable but Not Poor = Tete Ila Siyo Maskini	Those who have relatively more productive assets and assets made more productive through inputs and which can provide the income necessary to feed the family through the year. They have some resilience showing as diversification in assets and livelihoods rises. During good times, can save. During bad times, will reduce family consumption. Vulnerable to downward mobility with a significant shock** often worse in urban areas. During bad times, will reduce family consumption, but it isn't regular as above	• Own house for their family use and for renting • Can own 5 to 8 cows • Have more income than the poor • Can own land from 2 acres and above • Is respected among of the community members • Can hire laborers	• Have own and flexible arrangement of what to eat

5.Resilient = Tajiri Kiasi (Mwenye Uwezo)	Sufficient capacity (e.g. assets, social networks) to prevent significant downward mobility relative to overall productive wealth. May employ labor on farm or be involved in small -scale trade	• Have the capacity of hiring more wage laborers • Own more than 20 acres • Own car, tractor, motor cycle, cows and milling machines • Have capacity of employing • Have savings in terms of money and food • Have special respect in the society because can attend community gatherings	• They eat what they want and of good quality • Their meals are accompanied with fruits
6.Rich = Tajiri	Significant assets and local power. Involved in large-scale trade or employment of labor. Owns large scale non-farm assets. May lend money usuriously	• Can employ according to their needs and capacity • Can volunteer to support the community's activities • No any member of the community in this class	• They eat according to their wishes

D. LIFE HISTORIES AND KEY INFORMANT INTERVIEWS

A total of 60 LHs were conducted in the sampled communities. Households were selected to reflect patterns of upward and sustained mobility PNN, NPP and PPP. We obtained our LHIs from the male and female FGDs, we had equal number of male and female interviewees.

The study participants were asked to give their story chronologically from their childhood. They traced changes in well-being levels and highlighted key reasons, including key social, political and economic events, processes, networks, and changes in relationships and norms, and policy impacts that enabled them to escape and sustain poverty or experience other forms of poverty trajectory described above.

At national level, a total of 14 policy makers were interviewed. The same issues were explored with 15 local key informants to understand relevant political settlements at the local level.