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Tanzania Economic Performance from Pre-Independence to the Current Period: Did We Pursue the Right Way?

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Author's contributions

This Whole work was carried out by the author OB.

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ABSTRACT

This study has gone a long way in showing the trend of economic performance before and after independence. The study aimed at shedding light on the kind of economic trend that Tanzania experienced from the Arusha declaration--a declaration that paved the way for Tanzanian socialism under the *Ujamaa* policy--all along to the current policy reforms. The study was a case study design focusing on Tanzania economic performance before and after independence.
The methodology that was used involved reviewing various documents and publications that explain the trend of economic performance that cover the period under review. In a

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way, a descriptive analysis of the information/data from those sources took a centre stage. The results show that after independence some achievements were sustained in terms of economic growth but were then eroded by the negative impacts that emanated from waging a war against Uganda in 1978. By the time the war ended in 1980, Tanzanian economy was hardest hit. It was due to this deteriorating economic performance that Tanzania launched policy reforms under the name of Structural Adjustment Programmes (SAPs). In the late 1980s and early 1990s some economic achievements that had far reaching effects to the rural people were sustained following the implementation of the reforms. Since then, Tanzania further pursued other policy reforms that ranged from Poverty Reduction Strategy (PRS) all along to National Strategy for Growth and Reduction of Poverty (NSGRP). Indeed, all these policy reform programmes have indeed influenced economic growth that is not inclusive because a sector like agriculture that employs over 75 percent of Tanzanians has been left aside and as such the economic growth that has been sustained has not trickled down due to poor distributional dynamics. To this end, agriculture has been hit the hardest because it has been excluded in contributing to the economic growth. In a way, the rural people are increasingly becoming poorer. The study concludes that in order to have a balanced reforms strategy, equal distribution of the national cake is of paramount importance. This can only be achieved if economic growth is inclusive of all sectors of the economy and in particular inclusive of the agricultural sector that employs the majority of Tanzanians.

Keywords: Policy reforms; economic performance; poverty reduction.

1. INTRODUCTION

At independence, Tanzania inherited a colonial export oriented economy. Agricultural production in 1961 exhibited a typical economy associated with the colonial mode of production with reliance on export-oriented crop production Omari [1]. Agriculture made up more than 50 percent of the GDP and three cash crops, namely sisal, coffee and cotton accounted for 57 percent of exports Schultheis [2]. Food crops in particular, and grain production in general were not a priority. Tanzania (Tanganyika mainland by then) as a whole was one of the underdeveloped Eastern African Countries in terms of infrastructure and the general feature of economic development. However, Tanzania enjoyed a relatively high degree of external monetary stability, and was able to cope with several economic crises.

Between 1961 and 1966 Tanzania's economy operated primarily under free market conditions and the government adopted the World Bank's "transformation approach" to agricultural development as a component of its first five year development plan Ndulu [3]. However, between 1962 and 1963 Tanzania implemented the Agricultural Products Board Act, which reintroduced government marketing boards for "scheduled" crops. The National Agricultural Products Boards managed maize, wheat, rice, cashew nuts, and oil seeds through market purchase; price regulation; and regulation of storage, transport, and processing Lofchie [4].

In 1967 the government passed the first national economic declaration that led to establishing Tanzania's era of socialism. The "Arusha Declaration", named after the location of the conference, clearly meant to address the deficiencies in Tanzania's economic development, but it explicitly endorsed socialism and a planned economy, which the country's new leaders thought appropriate at the time. With the best of intentions, a particular African style of socialism was formulated, embedded in traditions found in Tanzania's families, villages, and societal structures. *Ujamaa,* a Kiswahili word meaning family-hood and relationships, became the expression for Tanzania's socioeconomic system and a synonym for Tanzanian socialism.

The birth of the "Arusha Declaration" in 1967 expressed the search for a balanced social policy, which the country had been pursuing for the first five years of independence. A new institutional framework for planned economic development was set. Major means of production like banks, insurance and foreign companies were nationalised while the national companies, industries, and parastatals were established to manage the national economy. Some big plantations and estate farms were also nationalised. In rural areas, the new policy encouraged the formation of "*Ujamaa*" villages (*social units*) as a step to realising a socialist and self-reliant economy.

Ujamaa villages created in locations with greater accessibility to input and output markets. Improved economic infrastructure--such as transport systems, water, energy supply, and health and education facilities--was meant to increase the availability of productive inputs, the capacity of human capital, and the sales prospects for agricultural production. Accordingly, overall national productivity and efficiency in agricultural production would theoretically increase, leading to a rise in per capita income, improved equity of national income distribution, and increased economic welfare Wobst [5]. In fact, the World Bank with other donors initially supported the strategy of development of *Ujmaa* policy associated with African socialism uncritically and enthusiastically through a number of projects. The World Bank alone, by 1982, had invested in 26 agricultural projects in what was among the Bank's largest programmes in Africa OED [6].

Despite all the efforts that were made to sustain socialism through *Ujamaa* policies, Tanzania found herself in economic hardship by the late 1970s that was further exacerbated by the war against Uganda that started from 1978 all along to early 1980. Due to this war, Tanzania economic performance was severely affected; and two years after the war Tanzania recorded negative Gross Domestic Product (GDP) for the first time in her history. This forced Tanzania into implement policy reforms that were both internally and externally initiated. The question that arises is, did the policy reforms really have impact no the welfare of Tanzanians?

1.1 Objectives

Generally, the main objective of this study was to examine the Tanzanian trend of economic performance from pre-independence period all along to the current period. Specifically the study sought to:

1. Examine the trend of Tanzania economic performance before and after independence;
2. Examine the influence of policy reforms of the early and mid 1980s on the Tanzanian economic performance
3. Evaluate the extent to which the 1980s and 1990s policy reforms influenced the welfare of Tanzanians.

2. MATERIALS AND METHODS

2.1 Material: Reforms of the Early and Mid 1980s

The deteriorating economic performance forced Tanzania into embarking on a new development model that became popularly known as the Structural Adjustment Programmes (SAPs). SAPs stressed the efficiencies of the free-market allocation of resources and emphasised deregulation and export orientation so as to achieve international competitiveness based on the comparative advantages. The model thus supported the notion of globalism or one world in which a single market for goods, capital, services, skills and technology prevails. The new focus was on structural adjustment as a precondition for growth and implicitly for poverty reduction. The Newly Industrialising Countries (NICs) provided good examples for this paradigm. Their success was attributed to the development of strong export-oriented manufacturing sectors. This led to the belief that other developing countries could achieve a similar performance, provided they were able to stabilise and restructure their economies.

In fact, 29 Sub-Sahara African countries (apart from South Africa) implemented Structural Adjustment Programmes between 1982 and 1986 World Bank [7]. With respect to Tanzania, the adoption of the Economic Recovery Programmes reflected, to a large extent, this shift in the world opinion. Until the mid-1980s, development policies and the production system and export regime tended to discriminate against private sector development and exports, and chiefly benefited public sector agencies and import-substituting firms due to the policies of African socialisms. However, since the adoption of the reform programmes of SAPs there has been a policy reversal. A notable feature became the policy emphasis on the restructuring of the supply side of the economy from an inward-oriented import-substitution strategy towards an outward-oriented export-led growth strategy. The new policy advocated for an enhanced role of the private sector and the shift of resource allocation away from the production of non-tradables by changing the structure of incentives through exchange rate adjustment, changes in the domestic prices, and the relaxation of wage-control policies.

During the early 1980s, Tanzania economic performance deteriorated considerably despite all efforts under the “African Socialism” in the name of “*Ujamaa*”. Tanzania’s economy remained largely inefficient, resulting in low growth rates and poor product quality by the international standards. Indeed, GDP growth rates for 1981 and 1983 were -0.5 and -2.3 percent respectively Mbele and Mashindano [8]. Moreover, the extremely overvalued exchange rate decreased the country’s competitiveness in the area of meagre traditional export commodities, thereby diminishing export earnings. In addition, Tanzania’s terms of trade deteriorated severely in the early 1980s because of collapsing world market prices. Consequently, the trade deficit increased, foreign capital inflows decreased and overall indebtedness exceeded critical levels. These challenges forced the country to reconsider its development strategy away from the policies of “*Ujamaa*”.

In response to declining economic performance, Tanzania launched its first and self-guided National Economic Survival Programme (NESP) in 1981. The objective of this programme, among other issues, was to liberalise the economy; however, NESP failed because of retaining “African Socialism” economic policies. Nevertheless, in 1982 the government adopted a three-year Structural Adjustment Programme (SAP) prepared with the cooperation of the World Bank but based on suggestions of the Tanzania Advisory Group. Again, this was an exclusively national effort; it was a home-grown SAP, without any World Bank or IMF support. On the whole, SAP did not achieve significant changes in improving economic performance because the government was very slow or reluctant to implement the policy reform measures. It was not until a fiscal year 1984/85 that Tanzania launched its first significant reforms in liberalising the economy. The policy of "*Ujamaa*" started changing toward a liberalised free-market economy Wobst [5].

Although the international donor community welcomed these measures as first steps in the right direction, they only marginally improved the overall economic performance. Furthermore, international organisations increased their pressure on Tanzania's government to take further actions and to pursue a strict coordination of its economic policies. It was not until the fiscal year 1986/87 when Tanzania officially accepted and implemented externally initiated Economic Recovery Programmes (ERPs). Since then, Tanzania development strategy has been the liberalisation of all sectors of the economy, so as to achieve a sound, self-sustaining economic growth.

The ERP's medium-term objectives were to achieve a positive growth rate in per capita income, a GDP target growth rate of 4.5 percent, an inflation rate below 10 percent in 1988/89, a fiscal government deficit below 13 percent of GDP, an adjustment of the exchange rate toward an "equilibrium" exchange rate by mid 1988, an increase of between 30 and 80 percent in nominal producer prices for cash crops, and a decontrol of domestic prices over a period of three years URT [9]. During the execution of the ERP, Tanzania obtained an 18-month standby arrangement with the IMF in August 1986 and a Multisector, Rehabilitation Credit from the International Development Assistance (IDA) and donor governments in November 1986. Furthermore, Tanzania became eligible for the rescheduling of loans in the so-called Paris Club, including the postponement and cancellation of existing principal and interest in October 1986. The objectives of the ERP were incorporated in the 1988/89-1992/93 five-year development plan and were reinforced by the Economic and Social Action Programme (ESAP) in 1989.

However, during the period (1990-95), government showed a much lower commitment to reforms, which led to deteriorating macroeconomic management performance and instability. In reaction, the IMF, World Bank, and most bilateral donors sharply reduced their support, suspended payments for development projects and balance of payments assistance, and refused any further assistance; World Bank [10]. In 1995, the first presidential and parliamentary multiparty elections were held and President Benjamin William Mkapa was elected. The new government immediately approached the IMF to revive Tanzania's economic reform efforts of the late 1980s.

In November 1996, the IMF approved a three-year credit under the Enhanced Structural Adjustment Facility (ESAF) to support Tanzania's new ERP for 1996/97-1998/99. The new ERP emphasised fiscal performance and structural reforms, namely:

- Building administrative capacity for improving development management;
- Maintaining a stable fiscal stance and using public resources more efficiently;
- Promoting the private sector by deregulating investment and divesting parastatals;
- Providing greater support for primary education and basic health care;
- Supporting the development of basic infrastructure, especially giving impetus to rural agricultural development;
- Restructuring the financial sector to respond to the needs of the private sector.

Despite all the efforts done under ERPs and ESAF to revamp the economy, not much was attained. This called for other reform programmes and Tanzania, like other Sub-Saharan

African countries, was caught in the process to replace previous structural adjustment policies and conditionalities by the Poverty Reduction Strategic Paper (PRSP), as well as parallel initiatives promoted by the donor community. These initiatives included the move from project to programme funding, fiscal stance pursed through a rolling Medium Term Expenditure Framework (MTEF), coordination between donors, sector wide approaches, and decentralisation of local government Ellis and Mdoe [11].

Tanzania started to move in the direction of a comprehensive poverty reduction in the mid-1990s, and adopted a plan entitled the National Poverty Eradication Strategy (NPES) in 1997. The status and the role of this plan subsequently became somewhat confused, because no longer after its publication Tanzania began to be drawn into the PRSP process, whereby the preparation of a PRSP and its acceptance by the donor community became a precondition for debt relief under the Highly Indebted Poor Countries (HIPC)[1] initiative.

The PRSP report came up with the overall characteristic of Tanzania poverty. According to the report URT [12]; *Poverty is largely a rural phenomenon*. In rural areas incomes are lower and poverty is widespread and deeper, than in the urban centres. *The poor are concentrated in subsistence agriculture*. Within the rural areas, farmers are poorer than non-farmers, and in addition, farmers that grow cash crops have higher incomes than those who grow non cash crops. *Urban poverty is also widespread and increasing*. Although poverty is less acute in the urban areas, it is still a serious challenge, especially in urban areas other than Dar es Salaam.

The urban poor are concentrated in the informal sectors. *Women are generally perceived to be poorer than men*. Women represent 51 percent of the total population and head 14 percent of the households. Women-headed households are not necessarily poorer than male-headed households.

Tanzania found herself developing a successor to its first Poverty Reduction Strategy Paper. This strategy was very different and was named the National Strategy for Growth and Reduction of Poverty (NSGRP I) and it is better known by its Kiswahili acronym of MKUKUTA (Mkakati wa Kukuza Uchumi na Kuondoa Umaskini Taifa). It was argued that NSGRP I was strongly outcome focused and deliberately set out to mainstream cross-cutting issues as an integral to the strategy and not as ‘an add on’. The NSGRP I was based on the achievement of three major clusters of broad outcomes for poverty reduction, namely:

- Growth and reduction of income poverty
- Improved quality of life and social well being and
- Good governance and accountability

For each cluster a set of goals were defined with an associated set of operational targets with specific numeric or no-numeric targets and timeframes. For each operational target, the NSGRP I identified specific cluster strategies and intervention package to achieve these targets. The operational targets in each cluster were reinforced in NSGRP II that commenced in 2010.

[1] The HIPC Initiative was launched by the IMF and the World Bank in 1996 as the first comprehensive effort to eliminate unsustainable debt relief in the world’s poorest, most heavily indebted countries. In October 1999, the international community agreed to make the initiative broader, deeper and faster by increasing the number of eligible countries raising the amount of debt relief each eligible county would receive, and speed up its delivery.

2.2 Methods

The methodology that was used in this study involved reviewing various documents and publications covering the period under review, that is from pre-colonial all along to the current period. The trend of economic performance in each publication/document that was reviewed was analyzed critically. To this end, a descriptive approach of the information obtained from those documents and publications occupied a central place. These publications and documents have been sited often in this study and are also listed in the list of references. It should be noted at this juncture that information/data from those publications were those that show macroeconomic performance such as trend of the national income, inflation, sectors performance, export and imports etc. It is through the improvement of these macroeconomic indicators that the overall economic growth is sustained. Poor performance of the macroeconomic indicators of an economy leads to poor performance of the overall economy of a country. This leads to poor standard of living of citizens due to the rise in the cost of living emanating from poor economic performance. Furthermore, improved performance of the economy may not necessarily lead to improved in the wellbeing of the citizens if the national cake is not shared equally among all citizens.

3. RESULTS AND DISCUSSION

3.1 The Trend of Economic Performance under the 1990s Reforms

The general macroeconomic performance since the commencement of the economic recovery programmes in 1986 was good. The economy responded positively up to early 1990s with an average annual GDP growth rate of around 4 percent. However, there was low commitment to reforms especially during the period 1990-95, which led to the deteriorating general economic performance during this period World Bank/IMF [13].

Under the new ERP of 1996/97-1998/99, the general performance of the economy improved. Since 1996 Tanzania pursued substantial structural policy reforms to achieve further trade liberalisation, enhance fiscal consolidation, streamlining of civil service sector, privatisation of parastatals, tight monetary growth, better delivery of social services and poverty alleviation Bilame [14]. Although the 1996/97 drought and the 1997/98 El Niño floods posed a negative effect on economic performance, real per capita income increased between 1995 and 2000, while inflation declined and external position continued to strengthen. Following the adoption of the 1996 ERP, GDP growth regained levels that permitted positive per capita growth, but remained below the target (Fig. 1). Over the period 1999-2000 GDP continued to grow at a level between 4.7 and 4.9 percent.

Inflation was at an annual rate of 12 percent by end of June 1998 and 7 percent by the end of December 1999. It continued to decrease and reached a rate of 5 percent in 2001, which was the lowest rate in more than 30 years. International reserves increased by more than 10 percent and outperformed the target of an equivalence of three months of imports of goods and non-factor services. The Tanzanian Shilling depreciated by only 7 percent against US dollar during 1997/98, which translated into a real appreciation given the inflation rate of 12 percent during this period Bilame [14].

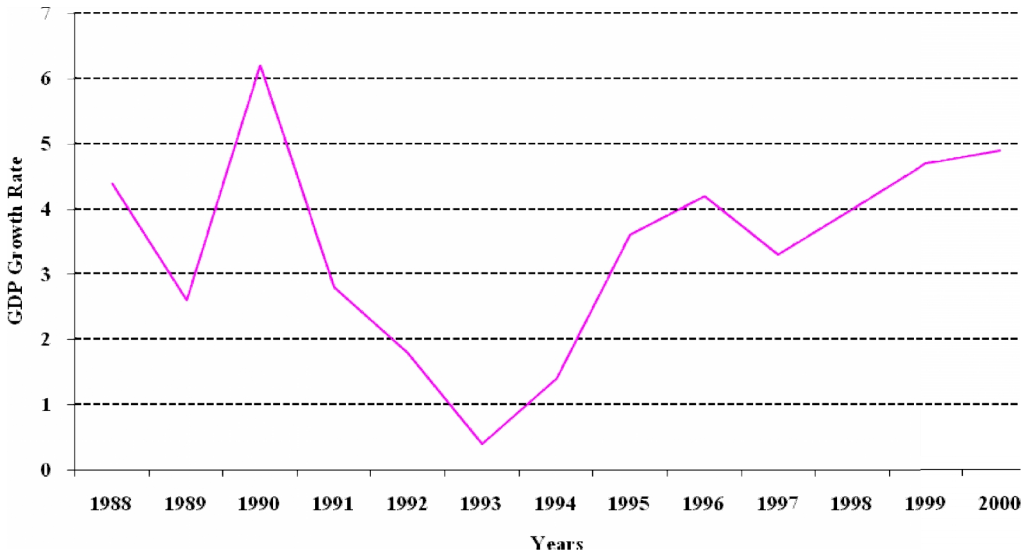

Fig. 1. Real annual growth rate of GDP at factor costs, 1988-2000
Source: Various economic surveys

Although the general performance of the economy was improving over 1996 - 2000; agricultural growth was far below the target, mainly because of weather-related factors. The total GDP growth of 3.4 percent in 1997/98 could only be achieved through growth in some non-agricultural sectors. Exports declined by 19 percent in 1997/98; the current account deficit, excluding official transfers, increased to 14.7 percent of GDP, and government revenue fell by 1.2 percent points to 12.3 percent of GDP IDA/IMF [15].

Despite the GDP growth rates to have looked somehow promising at first sight, Tanzania's population, which was 34.5 million people in 2002 (now around 45 million), continued to grow at an annual rate of around 2.9 percent. With real GDP per capita of US$ 129.5 in 1995, Tanzania had one of the lowest per capita in the world. It required substantial and continuous growth over a medium-term horizon even to reach other poor Sub-Saharan Africa that was averaging about US$ 500 in real GDP per capita World Bank [16].

Generally, the importation of goods was liberalised significantly. By year 2000, it was only the security and health related items that required special licensing owing to their sensitivity, and therefore required close supervision. To this end, structural adjustment policies achieved a commendable performance with respect to the importation of goods, which were not available in the country before policy reforms.

Table .1 shows the percentage shares of imports, exports, and investments in percentage of GDP over the period 1998 - 2000. The trade gap declined over the years from 29% in 1988 to 13% in 2000. The investment rates were not very high and slowed down over the last five years.

With respect to manufacturing, improvements were sustained in the performance of the manufacturing sector since the commencement of the economic recovery programme. According to Mjema and Shitundu [17], the real annual growth of the manufacturing export sector was -15 percent during 1980-85. However, during the first phase of reforms between

1986 and 1989, the annual growth of the manufactured exports increased to 30.3 percent due to the import liberalisation of spare parts and other inputs.

Table. 1. Investments, exports and imports as percentage of GDP

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Investments	22.1%	20.3%	25.5%	27.9%	27.2%	23.8%	23.7%	19.5%	18.5%	17.7%	19.4%	18.4%	18.8%
Exports	10.8%	11.2%	11.6%	10.2%	12.4%	15.9%	17.5%	22.4%	21.5%	15.6%	16.5%	19.0%	21.4%
Imports	40.0%	39.3%	40%	37.9%	39.3%	43.3%	40.8%	41.85%	36.8%	25.5%	34.6%	36.4%	34.6%

Source: Author's computation basing on data from Tanzania Bureau of Statistics

However, there was a drop in the performance of the manufacturing sector between 1990 and 1995 due to the slow commitment to reforms by the government as pointed out earlier (Fig. 2).

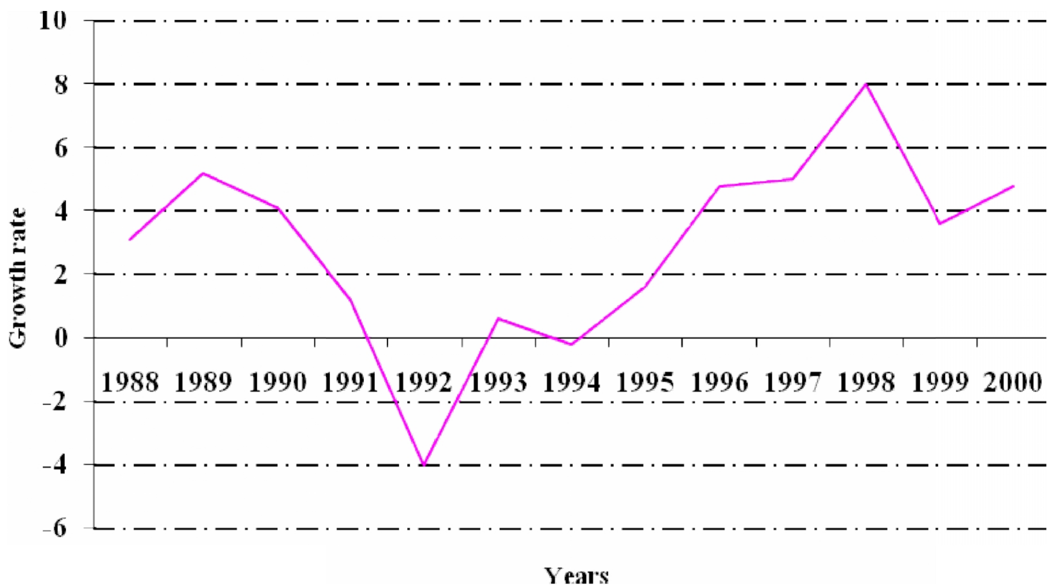

Fig. 2. Real manufacturing GDP growth rate in (%), 1988-2000
Source: Tanzania bureau of statistics

The industrial sector performed fairly well due to the liberalisation policies. The manufacturing sector grew by 4.8 percent in 2000 compared with 3.6 percent in 1999. The manufacturing sector's contribution to gross domestic product was 8.4 and 8.3 in 2000 and 1999 respectively URT [18]. However, production in some industries was still far below capacity. Generally, there was a commendable achievement in the industrial sector when compared to the pre-reforms period.

With respect to the exchange rate and exchange rate policy there were tremendous changes. The exchange rate was effectively unified in August 1993 after the introduction of an auction system in July 1993. One year later, the foreign exchange market was further liberalised when the auctions were replaced by an interbank market Wobst [5]. Furthermore, the surrender requirement on proceeds (cash) from non-traditional exports was abolished in July 1993 and for traditional exports (excluding coffee) in June 1994. The exchange system for current international transactions was completely liberalized.

3.2 Challenges of the 1990s Reforms

Generally policy reforms of the 1990s are commendable given the success stories that have been highlighted. Nevertheless, majority of rural farmers particularly those that farmed food crops, did not benefit much from policy reforms. It is only export crops that benefited from policy reforms somewhat. Export crops production responded more positively than food crop production to the 1990s policy reforms. The higher supply response of export crops was mostly due to two effects: *firstly,* the shift of relative agricultural prices in favour of export agricultural crops, an outcome that generated high returns for export crops farmers, and *secondly* the higher profitability in using imported inputs on export crops rather than on food crops, especially after the removal of input subsidies in 1994. Production of food crops responded to policy reforms of the mid and late 1980s but declined since the mid 1990s for almost all food crops with the exception of paddy and to a lesser extent, millet which registered growth rates of 5.3% and 2.7% respectively during this period.

Indeed policy reforms enabled market liberalisation and significantly enabled private traders to enter into food and export crop markets. However, the returns to farmers were greatly reduced by high marketing costs associated with poor transportation facilities and the removal of input subsidies. The impacts of the removal of fertiliser subsidies on maize farmers were escalated by the costly transport facilities. The decline in production growth from an average of 11.2% annually over 1984-87 to an annual average growth of 2.0% over 1988-2000 is a clear indication of the negative effects of the removal of fertiliser subsidies. However, the decline in farm gate price, partly due to high marketing costs and unreliable weather conditions were also responsible for the fall in maize production. The decline in maize production had a direct effect on agricultural GDP since maize accounted for 23% of agricultural GDP. Furthermore, liberalisation of agricultural markets did not take into account interests of farmers. While export crop producers could sell their crops abroad, it was a different case for food crop producers; they were not allowed to sell their crops beyond the borders. Food crop farmers have been affected in two ways; *firstly* they sell their crops at prices that are not competitive because they are not subjected to the international market prices; and *secondly* they buy agricultural inputs that are not subsidised. Since the government prohibits farmers from selling their crops beyond borders, it should be the role of the government to buy those crops at international market prices with view to improving the welfare of food crop farmers.

The implication of the decline in agricultural production, food crops production in particular, was the increase in poverty among rural population that depends entirely on agriculture. To this end, policy reforms up until now have not benefited rural farmers despite the increase in the overall GDP under the influence of 1990s reforms.

3.3 Trend of Economic Performance under the Post 1990s Reforms

Improvement in economic performance was sustained at the macro-level. GDP growth rate consistently rose reaching 7.2 percent in 2002 as highlighted in Fig. 3.

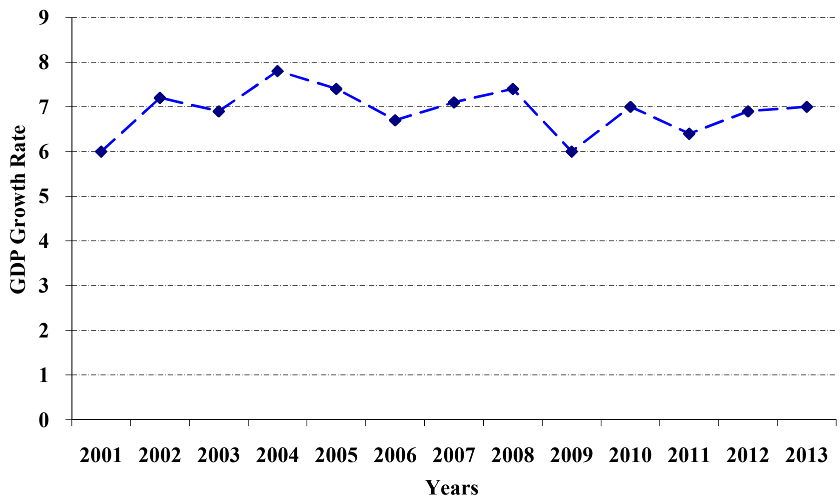

Fig. 3. Real annual growth rate of GDP at factor costs, 2001-2013
Source: Various economic surveys

Generally, the performance of the economy continued to show an upward trend for the period between 2001 and 2008, except for the years that followed the global financial crisis that hit the whole world. Following the crisis, in 2009 Tanzania recorded a low GDP growth rate of 6 percent - a low record that was sustained 8 years back (See Fig. 3).

Despite the positive trend in GDP growth, the National Accounts estimates dropped to 5.6 percent in 2003 due to drought that led to reduced food supplies and decreased power supply. In 2004 there was a remarkable rise record of 7.8 percent GDP growth rate. During the same period, inflation was under control. The annual inflation rate was 4.3 percent in 2003 compared to 6 percent in 2000. Foreign reserves reached 8.9 “months of imports” compared to 6.3 “months of imports” in 2000. At the end of March 2004, the reserves could cover imports of goods and services for about 8 months that was above the target of 6 months URT [19].

Increases in investments in infrastructure such as roads, telecommunications, mining and tourism were recorded under the PRS period owing to increased inflows of foreign direct investments (FDIs) and domestic revenue effort. Progress was noted in the social services and public support services. Significant improvement in performance was further evident in areas such as primary education and road networks. Of course, levels of delivery of services required further improvements in quantity and quality, which called for sustained investments in all sectors.

These positive performances reflected years of enduring structural reforms in a stable social-political environment, underpinned by implementation of the three years of the PRSP that focused more on priority social sectors. A number of challenges remained, including maintaining socio-political stability as the country strived for still higher economic growth, equity and improved quality of life.

With NSGRP I, Tanzania macroeconomic management was further geared towards improving public finance management, keeping spending in line with the national development priorities and resource constraints, and instituting supportive monetary policy to ensure macroeconomic stability. Maintenance of macroeconomic stability was achieved, despite several external and internal shocks. Real GDP recorded an average growth rate of about 7 percent over the period 2002-2010. The sector that recorded significant growth rates, to mention a few are communications, construction, electricity and gas and financial intermediation URT [20].

3.4 Few Specific Success Stories Indicators under NSGRP I Are Briefly Discussed Hereunder

3.4.1 Inflation

The inflation rate that had dropped to just below 5 percent during the early years of 2000 started to rise in 2005, and kept an upward trend to 12.1 percent by December 2009. As of today, it stands around 19 percent. This rise has been attributed to drought-instigated food shortage, insufficient power supply which increased production costs as producers shifted to using generators; and increases in petroleum prices, which raised the import bill and production costs. To this end, the target of controlling inflation was not sustained by MKUKUTA I.

3.4.2 Foreign direct investments (FDIs)

The value of foreign direct investments has been increasing since 2005, averaging USD 603 million annually. The largest share of FDIs inflows went to the mining and tourism. However, foreign direct investments have been affected by low level of local human resource development in terms of quality and skills to serve in more sophisticated undertakings. Improvements in human capital and business environment can unleash investment potentials in all sectors.

3.4.3 Financial intermediation

Efficiency, effectiveness and probity of the financial system are important for growth and stability. One of the indicators of the efficiency of the banking system is the interest rate spread (i.e. the difference between the deposit rate and lending rate). A large interest rate spread highlights, among others, the inefficiency of the banking sector; deposit rates are so low while the lending rates are extremely high. Credit to the private sector has been growing at an average rate of 33.8 percent per annum from 2002 to 2010, declining to 9.60 percent in 2009 before picking up to 20 percent in 2010. The banking sector continued to be financially sound. The ratio of core capital to total risk- weighted assets by December 2010 was 18.8 percent, compared to the minimum requirement of 10 percent. The ratio of non-performing loans to total loans was 6.7 percent, which was within the acceptable range. In spite of the soundness of the banking system and the financial sector as a whole, the government remains with the challenges of overseeing the banking system given the lessons from the 2008/09 global financial crisis.

3.4.4 External balance

Since 2005, the exchange rate has been fluctuating with negative effects on the import bill, official reserves, and macroeconomic stability. The import bill has been rising faster than export earnings. Thereby causing increases in the trade deficit. The proportional of the exports as a percentage of GDP ranged between 21.7 percent and 23.1 percent for the period 2005-2010, mainly sustained by increases in exports of non-traditional commodities particularly minerals and a modest increase in the export of manufactured goods.

3.4.5 Fiscal position

Despite several measures to improve domestic revenue, the ratio over GDP has been low. The average domestic revenue to GDP ratio from 2001/02 to 2009/10 was 12.2 percent. This rate is quite low and has necessitated reliance on budgetary support from Development Partners (DPs). Starting from a low base of 11.8 percent in 2004/05, the ratio improved to 15 percent by 2009/10. Even though the situation has been improving, the objective is to expand the tax base, particularly by transforming the informal sector into the formal economy. Other measures include reducing tax exemptions, particularly discretionary exemptions, and maximizing the rents collected by the government from the exploitation of natural resources such as minerals and forest products.

On the expenditure side, containing government expenditure could contribute towards ensuring that macro-economic stability is maintained. This requires enhancing expenditure control and accountability as well as ensuring value for money. One important area of expenditure is wages and salaries. Consolidation of most of the fringe benefits such as housing, transport and allowances into salaries and wages would be fundamental in creating an appropriate incentive structure.

3.4.6 Provision of social services

The implementation of NSGRP/MKUKUTA I with respect to the provision of social services focused at achieving two broad outcomes, namely:

- Improved quality of life and social wellbeing, particularly of the poorest and most vulnerable groups in the population and;
- Reduced inequality in education, survival, and health across geographical areas, age, gender and other attributes

To this end, the interventions that have been made have recorded considerable improvements in the delivery of social services--notably in education, health, water, sanitation and social protection. The investments in education and health during MKUKUTA I have enabled Tanzania to record improvements on Human Development Index (HDI) ranking from 163 position in 2000 to 151 position in 2009; thereby moving from the Low Human Development Group of Countries to Mid Human Development Group.

Interventions in the education sector were guided mainly by the Education and Training Policy (ETP) and the education Sector Development Programme (ESDP), through the Primary Education Development Programme (PEDP), Secondary Education Development Programme (SEDP), Higher Education Development Programme (HEDP), Folk Education Development Programme (FEDP), Adult and Non-formal Education Strategy (ANFES), Teachers Development and Management Strategy (TDMS), Vocational Education Act, the Technical Education and Training Policy, and Higher Education Policy. The government also implemented cross sectoral programmes such as TASAF. The main result has been increased access to education at all levels. The rapid increase in enrolment has also led to challenges with regard to quality due to overstretched educational infrastructure as well as human resource capacity.

In the health sector, interventions brought about positive outcomes under MKUKUTA I. Although total fertility rate remained relatively high at 5.4 children per woman in the 15-49 age group; life expectancy increased from 51 years in 2002 to 54 years in 2008, mainly due to decline in HIV prevalence and improved child survival. The Demographic Household Survey (DHS) [21] shows that the neonatal mortality rate declined to 26 per 1000 live birth, compared to 29 in 2007/08.

In 2010, the maternal mortality ratio during the ten-year period before the survey was estimated at 454 maternal deaths per 1000, 000 live births. This ratio is somewhat lower than the ratio estimated for the 10-year period prior to 2004/2005 DHS (578 maternal deaths per 1000, 000 live births). The challenge is that maternal mortality is characterized by wide disparities across regions, and between rural and urban areas, education groups, and wealth groups.

Access to water supply and sanitation is very important for improved quality of life and wellbeing, especially when linked with other social services, as well as economic growth. In the past eight years, key structural developments were initiated in the water sector. These included the Water Sector Development Programme (WSDP) which started in July 2007. WSDP is a twenty year national wide programme for improving the provision of water supply and sanitation services, and ensuring water for productive activities through integrated water sources management for socio-economic development. For efficiency, and effectiveness of interventions, the WSDP strives to strengthen the overall sector institutional and personnel capacity.

On the issue of sanitation and according to Household Budget Survey data (HBS) [22], only 24 percent of households used improved sanitation facilities. Hygiene was also constrained by shortages of water and poor waste disposal practices. Adequate sanitation and hygiene facilities for education, and health institutions and other public places such as passengers' stations, were also critical URT [20]. The need for a decent shelter posed another challenge for both rural and urban areas. The situation was more pronounced in urban areas because of high population growth. Most urban settlements are increasingly developed outside the formal planning and management system.

With respect to social protection and the wellbeing of vulnerable group, the National Social Protection Framework (NSPF) identifies vulnerable groups, whose rights are unprotected, to include orphans and vulnerable children, widows, people with HIV, youths, young mothers, people with disabilities and eligible elders over the age of 60 years. According to MKUKUTA I, disability prevalence was 7.8 percent in 2008. The prevalence was higher in rural areas (8.3 percent) than in urban areas (6.3 percent) and tends to increase with age. People with disabilities find difficulties in accessing reliable transport and buildings due to unfriendly housing infrastructure. They suffer from limited access to information, and social stigmatization. Directly or indirectly, these factors reduce the chances of vulnerable groups accessing social services as well as contributing to economic growth and poverty reduction efforts relative to other groups.

3.5 Challenges of the Post 1990s Reforms

Much as SAPs did not achieve substantial achievements, the new reforms namely the PRSP and NSGRP I did achieve commendable achievements. The overall goal of the reforms has been to help poor Tanzanians to get rid of poverty. What is seen today in the opposite, the number of Tanzanians that are falling below the poverty line is increasing and there are no optimistic scenario that it will decline in the near future. In fact, policy reforms have been accelerating the gap between the rich and the poor which is contrary to the essence of the reforms.

In fact, the major challenge with reforms in several instances has often been designed in a top-down approach whereby beneficiaries have not been given opportunities to participate. In this regard, rural people have not been participating in the formulation of policy reforms that have been often designed without taking their interest into account. Not only were the rural population neglected in the process of formulating and implementing policy reforms but also the civil servants. For instance, in the process of privatising public enterprises, neither the urban nor the rural people were consulted; since the enterprises belonged to all Tanzanians, it would have been wise to consult them before privatising the enterprises, but to the contrary they were never consulted. Furthermore, liberalisation of agricultural markets did not take into account interests of farmers.

Again, past reform programmes did not address poverty alleviation concerns. Policy reforms have only addressed overall economic growth and have neglected distributional issues. Reform programmes that have tried to pay attention to poverty issues are NSGRP/MKUKUTA I & II but have not produced tangible results. Maybe MKUKUTA II that is currently in its implementation will produce tangible results on poverty reduction. However, no optimistic scenario that MKUKUTA II will produce tangible results on reducing poverty since majority of Tanzanians depend on agriculture whose performance has been declining. It can be noted, at this juncture, that during 1980s and early 1990s agriculture contributed around 50 percent to GDP; today the contribution of agriculture to GDP is less than 25 percent. Decline in poverty levels will just main a dream under the current performance of the agricultural sector. It is true that some sectors of the economy are likely to growth faster and may contribute to economic growth significantly but then such an economic growth that is not inclusive cannot reduce poverty in rural farming communities.

4. CONCLUSION

The trend of Tanzania economic performance showed a positive trend with sustained welfare effects in the early days of independence. This was manifested in the good performance of the agricultural sector that employs over 75 percent of Tanzanians. The trend performance of the economy started to dwindle in the late 1970s when Tanzania waged a war against Uganda. The early 1980s were the turning point in the history of the Tanzanian economy; it was during this period that Tanzania sustained negative economic growth and all sectors, agricultural sector inclusive, registered poorest performance. This led to the early 1980s reforms that were home initiated; however, they did not achieve anything. The failure of the home initiated reform programmes led to externally initiated reform programmes that were supported by the IMF and the World Bank in the mid 1980s. The reforms initially influenced the performance of the economy and in particular the performance of the agricultural sector. Indeed, the mid 1980s reforms improved the performance of the agricultural sector substantially. But then the reform programmes of the 1990s that eliminated agricultural inputs subsidies had far negative effects on the agricultural sector in Tanzania. Since then, the agricultural sector never sustained production levels that were sustained in 1970s and mid 1980s. It should be noted that in 1970s and mid 1980s the contribution of the agricultural sector to GDP was around 50 percent; today the contribution of the agricultural sector to GDP is less than 25 percent.

Indeed, reform programmes cannot be avoided since Tanzania is not an island. Tanzania needs reforms that can bring tangible results. Revision of previous and formulation of new policy programmes would be a blessing for Tanzanians. In the past, Tanzania had no concrete and viable plan that spells out the kind of development goals that Tanzania wants to achieve in a specified period of time. To this end, since she has currently planned and formulated her five year Development Plan [23] and the Long Term Perspective Plan [24] that set a roadmap to mid income country; it is the right time for Tanzania to mainstream revisions and formulation of new policy programmes in the five year development and the long term perspective plan. Indeed, this should be the turning point in the right direction by formulating new agricultural policy strategies that could bring back accelerated productivity in the agricultural sector. Of course, the revision of the old reforms and enacting new policy reform programmes should not only focus on agriculture alone but also on other sectors of the economy.

To this end, Tanzania’s new agricultural policy strategies should aim at attaining sustainable agriculture by transforming traditional subsistence agriculture into a modern and commercial one. However, such a transformation requires adequate changes in technology. This transformation requires a major breakthrough from many practices and behaviour of all stakeholders. At this juncture, applaud should be given to “Kilimo kwanza” programme, meaning “agriculture first”. This programmes aims at transforming the Tanzanian agriculture that has been neglected for so long.

Thus, the “Kilimo kwanza” programme, once incorporated in the national five year development plan for 2011/2012 - 2015/2016 and the long term perspective plan for 2011/2012 - 2025/2026 which set a roadmap to mid income country, should aim at ensuring food security and eradicate malnutrition, protect the environment, alleviating poverty, improving transportation, storage and processing of agricultural products. Above all, the “Kilimo kwanza” programme should stimulate production, respond to demand and raise the standard of living of the rural population. The emphasis is on agriculture for the reason that has been mentioned that it employs most of the rural population (over 75 percent of all Tanzanians) who are the majority; and by neglecting or abandoning agriculture means increasing poverty in rural settings.

COMPETING INTERESTS

The author has declared that he has no competing interests.

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