

Investigation on Tanzania's Economic History since Independence: The Search for a Development Model

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Abstract The paper investigates Tanzania's economic policies since independence. It examines the inherited colonial market economy; a period in which the economy was in the hands of minority. When the Tanzanian government realised that the system benefited only a score of the population, it abandoned the colonial market economy for an all-inclusive policy of Ujamaa. In the Ujamaa era all major means of production were meant to serve the interests of all the population through the guide and control of the government. However, nineteen years later, the Ujamaa policy was abandoned as it failed to deliver as planned, and therefore made room for neoliberalism which enabled historical economic growth but which, however, fails to reduce poverty significantly especially in the rural areas. The country through the development vision 2025 intends to become a middle income country. Few years before the set time, Tanzania is still poor and seems to be far from the target. Is it still possible for the country to claim its development vision of a middle income country by 2025? What development model should the country adopt in order to attain the vision?

Keywords: *economic history, Tanzania, poverty reduction, Ujamaa, development vision*

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1. Introduction

The United Republic of Tanzania is regarded as one of the poorest countries in the world exhibiting characteristics of weak economies with widespread poverty [1]. In the four categories of the United Nations Development Programme's (UNDP) human development index¹, Tanzania is placed in the last category of low development, with Gross national income (GNI) per capita US\$1,702, life expectancy of 61.5 years, average schooling years being 5.1 and occupying 159th position overall ([2]: 161).

Tanzania intends to fight poverty through the Tanzanian development vision which states that by 2025, Tanzania will become a middle class society with a high level of human development [3]. The country will have transformed its agricultural economy to a semi-industrialized state and will have linked the rural and urban economies [3], ([4]: 54 -55).

To understand the current and the future economic situation as postulated by the national development vision 2025, the paper investigates on the economic history of the country since independence from the British in 1961.

¹The UNDP's Human Development Index divides the world economies (187 countries) into four categories: very high human development, high human development, medium human development and low human development. More than half of the African countries are in the last category of low human development index.

2. Objective

To investigate the economic history of Tanzania since independence and establish its success and failure as informants of the national development vision towards 2025.

3. Methodology

This paper has used a documentary review methodology. The study utilised documentary review in collecting relevant data. [5] and [6] depict the documentary method as the technique used to categorize, investigate, and interpret written documents from both private and public sectors. Moreover, the documentary analysis deals with reliable documents which are cost-effective and reliable as documents needed for the study in the documentary approach should have high accuracy, authenticity, credibility, and representativeness; thus the paper yielded valid findings and conclusions as based to the study's objectives [5,6]. The researchers have used official documents, journal articles, dissertations, magazines, websites of relevant government ministries to strengthen their observations and experiences on development theories. The methodology is suitable in this examination since the development theories information is found in the mentioned sources.

3.1. The Approach to the Country's Economic History

The current economic situation in Tanzania can be well understood through the history of economic policy in the country since independence in 1961. Economic policies in Tanzania have been influenced by modernization, dependency and neo-liberal schools of thoughts. The policies, depending on the motives of analysis, can be divided into several epochs; this paper divides them into four eras: the inherited colonial market economy (1961-1966), the Ujamaa era (1967-1985), the beginning of neo-liberalism (economic restructuring) (1986-2005), and the current era of poverty reduction (2000).

4. Economic eras in Tanzania

4.1. The Market Economy Period (1961-1966)

When Tanzania became independent in 1961, it inherited from the British colonialists a market economy ([7,8]: 14). However, the country was poor, and many parts of the country were dominated by subsistence economy which was predominately agricultural; agriculture accounted for 59 percent of GDP in 1961, whereas the other sectors such as manufacturing produced only 3.6 percent and the rest which included transport, construction, mining, commerce, public utilities and services were reasonably small. The economy depended heavily on the agricultural sector which supported other minor sectors to produce survival output for the majority of the population ([9]: 80). Right from independence, the government agenda was to fight against poverty. [8] argues that while the majority of the people were poor, the economy was in the hands of a few British colonial masters and Asian business people, specifically Arabs and Indians. The major means of economy which included industries, plantations, banks, mines and other major businesses were still in the ownership of British and Asians, and this market economy was characterised by a capitalistic private sector. [10] argue that when African countries became independent, their role model was the community of developed countries that had developed through capital accumulation and industrialisation which African countries could follow and industrialise as well. According to [8] immediately after independence, Tanzania followed an economic programme that depended heavily on foreign investment to run a capital intensive industrialisation and agricultural development to attain its development goals.

[9], argues that the adoption of the market economy called for expansion of production through creation of employment opportunities in productive sectors and that end called for transformation of tribal subsistence into market economy. To meet this objective, the government, through the Three-Year Development Plan 1961-1964, planned to expand the formal wage-earning activities by expanding the public services, industrial and agricultural activities and encouraged workers, through increased minimum wages, to settle permanently in towns. ([9]: 81-82) reveals that the government, through the Three-Year Development Plan 1961-1964 and the First Five Year Development Plan of 1964/65-1968/69, envisaged rapid

economic growth through stimulation of production in the two major productive sectors of agriculture and industry.

([9]: 82) indicates that by 1966, the real output was growing at 4.8 percent and 5.8 percent at current prices while the GDP grew at 6.7 percent yearly, as planned. The non-agricultural sector, especially manufacturing, which did not employ many people, continued to expand. The agriculture's contribution to GDP, which averaged 59 percent from 1961 to 1964, dropped to 54 percent in 1965 and declined further to 53 percent in 1966. The National income, at current prices, increased steadily from 1961 to 1966; except for the 1965 slowdown, the growth averaged 6.7 percent.

According to ([9]: 83), the manufacturing production continued to grow; it rose between 1960 and 1961 at a grand rate of 23 percent. Other industrial sectors experienced limited growth over the same period of time. The annual average growth rates for mining and quarrying was 0.2 percent, electricity and water recorded 4.5 percent and the construction industry 1.8 percent. Agriculture, which involved most common citizens, grew at 4.8 percent yearly from 1961 to 1965, whereas in the same period, transport grew at an average of 4.7 percent and commerce, rent and services at 5.2 percent. The rapid manufacturing output growth, as compared to other sectors, was reflected in the change of its contribution to GDP at current prices over the period. The proportion contribution of the manufacturing sub-sector to GDP in 1961 was at 3.6 percent and had increased impressively to 7.6 percent in 1965.

Therefore, the industrial sector, which involved few people and where manufacturing was a sub-sector, had grown very fast as compared to other sectors. In 1961, it recorded 10.1 percent and rose dramatically to 14.1 percent in 1965. However, ([9]: 83) argues that despite remarkable growth, particularly in the industry sector, this same period experienced market failure and slow growth output in the sisal sub-sector, resulting in poor performance in the agricultural processing sector. This led to a decline in employment in the sisal sub-sector and in agriculture sector, as can be witnessed on the table below; this meant that ordinary citizens suffered the pain, and the government development agenda of poverty reduction was not being met. As it can be seen from the table below, the percentage of people with agriculture as their source of income kept on increasing; this means that the number of poor people was increasing as agriculture's output compared to the industry sector was little.

[8] reiterates that the government had inherited colonial economic system of which it did not have the mandate to rectify economic affairs. Being a capitalistic economy, it entailed private ownership of major means of production and thus market forces drove the economy. In the mid-1960s a number of imbalances were experienced, which led to market failures; however, the government had no power to intervene over the market forces. The people's independence expectations were not met as they lived in more or less the same situation as before independence; they continued to labour for the same colonial masters they had worked for before independence.

In addition, the government development agenda of poverty reduction amongst the people was not being realised. Thus, as argues [8], the government realised that Ujamaa was the right strategy to address inequalities and

thus it was introduced as a measure to address poverty following failures of the first five year plan which was not delivering as planned. The rural and urban development difference was increasing, but poverty was not reducing, and the number of local experts remained insignificant as compared to foreigners while land and labour resources were being underutilised.

4.2. Ujamaa as Poverty Reduction Strategy (1967-1985)

Tanzania embraced Ujamaa in 1967, even though the idea had been contemplated over much earlier, even before its adoption as witnessed in Nyerere's own words "no under-developed country can afford to be anything but socialist" [11]. Ujamaa is an African form of socialism which is different from scientific socialism as it aimed at creating an African socialist society without conflict and exploitation² ([12]: 73), [13]. Ujamaa was introduced by the Tanzanian ruling class as a development strategy [13]. Ujamaa, being a state-centric approach, aimed to fight poverty, ignorance and diseases that were caused by many decades of colonialism exploitation and the market economy in Tanzania [8,13,14].

Moreover, Ujamaa being an ideology, social and economic policy that governed Tanzania few years after her political independence, aimed at creating an egalitarian society with distributive justice through self-reliance [11,12,15,16,17]. Ujamaa followed two paths to meet its objectives: nationalisation and villagisation.

4.2.1. Nationalisation

In nationalisation, all major means of production, which included all the nine commercial banks that existed, nine milling and import-export companies, other industries included large companies, breweries, cement companies, shoes manufacturing industry, mining and tobacco companies and all institutions that were means of production were nationalised [11,18,19], ([7]: 11). Their status changed from being private owned enterprises to being public property. Moreover, the government created a National Bank of Commerce which had monopoly power with banking and financial activities. In addition, the government assumed power over all agricultural products and so became the sole buyer of all crops [18].

The private sector in socialism normally disappears, and so in Tanzania, through Ujamaa, the private sector disappeared completely and, thus the economy was consequently controlled by the state ([20]: 22). Nationalisation of the private major enterprises envisioned economic growth and equity in the society. ([9]: 89-90) argue that the main motives of nationalisation included mobilization of surplus resources generated by nationalised enterprises so as to increase the country's productive capacity secure capital ownership for economic production and use the produced surplus to meet society's needs to

limit multiple forms of income transfer linked with foreign dominated market economy, and to change the investment structure such as sector distribution and employment so as to meet national priorities, especially equal redistribution of social welfares.

In the early years of nationalisation, activities seemed to be moving on well, but at the end due to a number of causes, the running of the enterprises failed. Among other reasons, they failed due to lack of required skills to run the businesses that had been nationalized efficiently and corruption of the bureaucrats [11,18,20]. Moreover, from the civil servants there emerged a class of "state bureaucratic capitalists"; these people used the state capital to enrich themselves [13] and thus weakened the whole Ujamaa economic system. Nationalisation, as the objective of realising Ujamaa, ran concurrently with villagisation.

4.2.2. Villagisation

In this Ujamaa approach, people in the rural areas were grouped in collective villages. The government found it necessary to group people into collective villages as most people lived in scattered settlements in the rural areas. The villagisation process, as a self-reliance strategy, was the core of Tanzania's economic and social strategy as it aimed at revolutionising agriculture to increase production in the country [11,15], ([7]: 13-15). Villagisation was designed as a rural development programme; it was through these Ujamaa villages that people would receive social services and work together as one society.

[21] argues that the ideal Ujamaa villages were expected to assemble farmers who would work on communal farms. Through self-reliance, they would gradually uplift their living standards, and generate surplus income to finance several basic facilities. Moreover, the Ujamaa Villages were perceived as the extension of traditional African norms of cooperation in the villages and therefore, at first, people were not forced to join the Ujamaa villages. To persuade the rural people to join the villages freely, the government provided the villages with basic services such as clean water, schools and health care facilities [21], ([9]: 91-92).

Nevertheless, many rural people were hesitant to join the Ujamaa villages because of one reason or another. Some feared that their ancestral lands would be nationalized by the government, so they resisted to join the villages freely [11]. Therefore, in 1973, the government announced mandatory resettlement of all farmers into villages and used force to enforce the announcement [11]. In a span of 20 months, argues [21], there was a considerable transformation of the rural settings as almost 85 percent of all rural people were now living in some sort of a village. However, the majority of the villages did not perform as they had planned to; in some villages where there was success, there emerged a class of rich peasants "kulak," who cooperated with the bureaucrats in using the Ujamaa villages for personal interest [13]. In some instances, since the peasants had been forced to the Ujamaa villages, they were not well motivated; they either produced enough food only for their survival and/or when they produced surplus, they sold it to the black market instead of cooperative union official markets [7,19].

²Ujamaa was an African form of socialism as it was opposed to Scientific Socialism or Marxism as the former legitimizes class conflict as it "seeks to build a happy society on the philosophy of inevitable conflict between man and man i.e. the working class against the bourgeoisie." Ujamaa was against Capitalism because Capitalism "seeks to build a happy society through exploitation of man by man" Nyerere 1977, Boesen et al 1977: 12.

Consequently, Tanzania moved from being a food exporter to a food importer [19]. Despite the government's efforts to realise the agriculture revolution through the Ujamaa villages, the villagisation strategy, as with the nationalization approach, failed as well. The failure was caused by a number of factors such as lack of enough resources to run the villages or mismanagement of the needed resources. Other reasons included: corrupt civil servants, decline of the crops prices in the international market, drought, poor infrastructure, and rural people's unwillingness to settle in collective villages [11,13,18,22].

4.2.3. Some Achievements of Ujamaa

Ujamaa, as a strategy for poverty reduction and, consequently, eradication recorded achievements and failure in different spheres of life. It addressed both income-poverty and non-income poverty in the country through the nationalisation and villagisation approaches.

On the non-income poverty indicators such as education, health care facilities, and water supply, Ujamaa improved and expanded the services to a bigger population than before. The intention as already stated was to have a fair redistribution of wealth amongst the population. ([9]: 91) argues that in the education sector, education which was designed for self-reliance so as to meet the objectives of becoming a self-reliant nation was spread to the population through several strategies.

An adult literacy campaign was designed and spread in the 1970s, including an increase of primary education enrolment which led to universal primary education in 1977 and the expansion of secondary and tertiary education. In the health sector, a universal primary health care plan, which served people with basic health services, was adopted, thus leading to the spread of rural

dispensaries and health care centres in many rural areas of the country. On water supply, ([9]: 91) argue that the Ujamaa strategy planned to realise universal coverage by 1990.

Table 2 and Table 3 indicate selected income poverty (economic) indicators and non-income poverty (social) indicators during the Ujamaa period. As it can be seen from the tables, the economy was growing at a very low pace, recording its lowest growth of 0.4 percent in 1977 and its highest of 6 percent in 1970. The economy never reached a growth of 7 percent during all the 19 years of Ujamaa strategy implementation. As a newly independent country, Tanzanian economy was supposed to grow at a high rate so that it could be able to address the many ambitious plans that the Ujamaa strategy had intended to accomplish. Nonetheless, it appears that Ujamaa, as an economic strategy and policy, failed to boost necessary economic growth.

At the end of the Ujamaa strategy in 1985, most income poverty (economic) indicators scored poorly as observed in Table 3. The inflation rate tripled from 12.2 percent in 1967 to 33.3 percent in 1985 while the export rate decreased from 26.5 percent in 1967 to 6.8 percent in 1985; the import rate decreased from 26.2 percent in 1967 to 16.8 percent in 1985. The reduction should have been good news, if exports increased, but when compared with the export rates, one realises that the ability of the economy even to import important goods had reduced by the end of the strategy. This means that at the end of Ujamaa, as an economic strategy, Tanzania failed to become a self-reliant nation as witnessed from Table 2 and Table 3. Tanzania became an importer nation as its exports capabilities declined enormously while the import rates, though smaller than in 1967, were higher than export rates in 1985.

Table 1. Total Employment in the Agricultural Sector 1962 - 1966

| Sub-sectors | 1962 | 1963 | 1964 | 1965 | 1966 |
|----------------|---------|---------|---------|---------|---------|
| Sisal | 117,898 | 94,537 | 96,396 | 76,493 | 64,593 |
| Tea | 19,239 | 14,900 | 13,882 | 11,757 | 12,106 |
| Coffee | 15,958 | 12,713 | 13,823 | 13,616 | 14,983 |
| Sugar | 8,704 | 8,275 | 8,442 | 8,739 | 8,758 |
| Sub-Total | 161,799 | 130,425 | 132,543 | 110,605 | 100,440 |
| Agriculture | 192,924 | 155,506 | 153,410 | 127,336 | 114,319 |
| Percentage (%) | 83.9 | 83.9 | 86.4 | 86.9 | 87.9 |

Source: Adapted from Sansa (2010) Table 5, Table 6.

Table 2. Tanzania: Income Poverty and Non-income poverty Indicators 1967-1975

| Some Income Poverty Indicators | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 |
|--|------|------|------|------|------|------|------|------|------|
| Real GDP Growth (%) | 4.8 | 5.1 | 2.3 | 6.0 | 3.8 | 5.3 | 3.5 | 2.5 | 5.9 |
| Per capital GDP growth (%) | 1.7 | 2.0 | -0.8 | 2.8 | 0.6 | 2.0 | 0.2 | -0.8 | 2.7 |
| Inflation, consumer, prices annual (%) | 12.2 | 15.6 | 16.4 | 3.5 | 4.8 | 7.6 | 10.4 | 19.6 | 26.1 |
| Official Exchange rate (Tsh/US \$ -period average) | 7.14 | 7.14 | 7.14 | 7.14 | 7.14 | 7.14 | 7.02 | 7.13 | 7.37 |
| Exports (% of GDP) | 26.5 | 24.2 | 24.7 | 24.0 | 24.1 | 24.6 | 22.4 | 21.3 | 18.2 |
| Imports (% of GDP) | 26.2 | 26.7 | 24.4 | 28.4 | 33.0 | 29.8 | 29.3 | 34.8 | 31.0 |
| Some Non-Income Poverty Indicators | | | | | | | | | |
| Populations (millions) | 12.4 | 12.8 | 13.2 | 13.6 | 14.0 | 14.5 | 15.0 | 15.5 | 16.0 |
| Life Expectancy at birth | 45.6 | 45.9 | 46.3 | 46.7 | 47.0 | 47.4 | 47.9 | 48.3 | 48.7 |
| Primary School Enrolment (% gross) | | | | 33.8 | 35.2 | 37.2 | 40.2 | 43.5 | 53.1 |
| Secondary School Enrolment(% gross) | | | | 2.7 | 2.7 | 2.7 | 2.8 | 3.0 | 3.1 |

Source: Adapted from Edwards, 2012, Table 4 and Table 5.

Table 3. Tanzania: Income Poverty and Non-Income Poverty Indicators 1976- 1985

| Some Income Poverty Indicators | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|--|------|------|------|------|------|------|------|------|------|------|
| Real GDP Growth (%) | 5.4 | 0.4 | 1.2 | 3.4 | 3.0 | 0.5 | 0.6 | 2.4 | 3.4 | 4.6 |
| Per capital GDP growth (%) | 2.2 | -2.8 | -1.9 | 0.2 | -0.2 | -2.7 | -2.6 | -0.8 | 0.2 | 1.4 |
| Inflation, consumer, prices annual (%) | 6.9 | 11.6 | 6.6 | 12.9 | 30.2 | 25.7 | 28.9 | 27.1 | 36.1 | 33.3 |
| Official Exchange rate (Tsh/US \$ -period average) | 8.38 | 8.29 | 7.71 | 8.22 | 8.20 | 8.28 | 9.28 | 11.1 | 15.3 | 17.5 |
| Exports (% of GDP) | 21.7 | 19.5 | 14.6 | 14.1 | 13.2 | 12.2 | 8.5 | 8.0 | 9.0 | 6.8 |
| Imports (% of GDP) | 23.9 | 22.8 | 29.7 | 26.9 | 26.3 | 20.7 | 17.7 | 14.1 | 16.7 | 16.8 |
| Some Non-Income Poverty Indicators | | | | | | | | | | |
| Populations (millions) | 16.5 | 17.0 | 17.5 | 18.1 | 18.7 | 19.3 | 19.9 | 20.5 | 21.1 | 21.8 |
| Life Expectancy at birth | 49.0 | 49.4 | 49.7 | 49.9 | 50.2 | 50.4 | 50.6 | 50.8 | 50.9 | 51.1 |
| Primary School Enrolment (% gross) | 63.1 | 71.1 | 90.7 | 94.2 | 95.6 | 97.2 | 93.3 | 91.5 | 86.9 | 76.4 |
| Secondary School Enrolment(% gross) | 3.2 | 3.3 | 3.3 | 3.4 | 3.3 | 3.1 | 3.0 | 3.1 | 3.1 | 3.3 |

Source: Adapted from Edwards, 2012, Table 5 and Table 6.

Table 2 and Table 3 above portray non-income poverty (social) indicators, including life expectancy at birth, primary and secondary school enrolments and the population. Life expectancy at birth kept on increasing throughout the Ujamaa policy implementation; it increased from 45.6 years in 1967 to 51.1 years in 1985. The improvement in life expectancy was influenced by the improvement of health care services, as argued by ([9]: 91) that the universal health care services led to the spread of dispensaries and health care centres countrywide. The primary and secondary school enrolment increased as well; the secondary school enrolment averaged at 3.07 percent in all the 16 years since the capturing of the information. The enrolment rate rose from 2.7 percent in 1970 to 3.3 in 1985. The primary school enrolment was phenomenal as it rose from 33.8 percent in 1970 to a maximum record of 97.2 percent in 1981 and reduced to 76.4 percent in 1985. The impressive increase in the primary school enrolment can be explained by the universal primary education which was adopted in 1977.

The improvement in social indicators is astonishing as it goes contrary to economic deterioration as witnessed in Tables 2 and 3. The economy was in a weak state, yet the social indicators were performing fairly well. This mismatch between economic deterioration and social well-being improvement can be explained by the argument of [18] that despite poor performance of Ujamaa as an economic policy, the international community continued to give aid to Tanzania and in some occasions, the international community participated in the planning and execution of some of the strategies.

Moreover, Ujamaa, as a social and political policy, is credited for being able to unite the people of Tanzania. Notwithstanding a huge number of ethnic groups, over 120 tribes, the sense of national identity amongst Tanzanians is strong. This fact has made Tanzania remain as one of those most stable countries in the continent [11,23].

4.2.4. Some Failures of Ujamaa

The failures of Ujamaa as an economic policy were enormous; they included significant reduction in agricultural production which was caused by a number of reasons such as poor infrastructure due to lack of maintenance which, in turn, limited distribution of products. Some farmers who were forced to move to the Ujamaa villages refused to obey the order and thus

reduced or stopped farming, and matters were made worse by the decline of crop prices in the international market [18]. Inflation³ went high and reached the maximum of 36.1 percent in 1984 as can be seen on Table 3 above. Shortage of basic goods was severe, and there was constant blackout (load shedding) in all regions in the country, which limited production in the factories. Moreover, there emerged a severe black market for foreign exchange [18,23]. Furthermore, many of the industrial projects that were financed by the international community, mostly by the Nordic countries, were facing difficulties, and the state run industries were performing below their capacity.

Furthermore, the biggest failure of them all in the Ujamaa strategy was on villagisation; it failed to work according to plan. This was supposed to be the most important approach in realising the goal of Ujamaa. It was envisioned that through villagisation, which would have stimulated industrialization, Tanzania would become a self-reliant nation. The plans were that people would move voluntarily to the Ujamaa villages, but when the figures of compliance were low, the government applied force to the peasants [11,15,18]. The peasants retaliated in a number of ways such as selling crops to the black markets instead of official cooperative government markets [18,19]; consequently, agricultural production and exports declined significantly, and thus as argued critics of Ujamaa: Ujamaa as an economic policy failed the people of Tanzania; it misused the development opportunity, de-industrialized little industries in the country, and consequently, gave rise to rural poor people and corrupt and inefficient civil servants; conditions that continue to affect and under develop the country. These failures that occurred during the Ujamaa era provide a good avenue for a new development model to learn from so that such mistakes will not be repeated once the new model will be implemented to attain the national development vision 2025.

[15] and [18] argue that in the late 1970s and early 1980s, the weaknesses and failures of Ujamaa became

³ Is the sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation increases every Shilling, for Tanzanians, that one owns or buys a smaller percentage of goods or service. The value of a currency does not stay stable when there is inflation. The value of a currency is observed in terms of purchasing power, which are real goods that money can buy. When inflation goes up, there is a decline in the purchasing power of money. (<http://www.investopedia.com/university/inflation/inflation1.asp>)

apparent, and it was necessary to change the economic policy. The changing of policy was facilitated by the relinquishing of power by President Julius Nyerere in 1985 [10,18,24]. From then on, Tanzania moved from socialism to capitalism, from state-controlled and driven economy to neo-liberalism in the market oriented economy [8].

4.3. Economic Restructuring 1986 – 2005

The Tanzanian economy continued to deteriorate due to the failure of the Ujamaa economic policies [18,23]. However, following changes in political leadership in 1985, Tanzania adhered to the IMF conditions for economic recovery. Even before giving in to the IMF conditions, Tanzania had started some form of home grown structural adjustments when it adopted a National Economic Survival Program (1981-82) and continued up to 1986 [15]. [23] argue that as economic conditions worsened, and following continual pressure from external donors, in 1986, Tanzania gave in to the IMF conditions and introduced a comprehensive SAP called the Economic Recovery Program (ERP) which was intended to restore economic stability and quicken the structural reforms that had been started by the government.

[25] argues that SAPs are programs which make it possible for countries to get a loan from either the IMF or the WB. These loans are accompanied by conditions such as significant policy reforms which have to be adhered to before getting the loan. The SAP normally includes a lot of different policies which interact with each other so as to fight poverty in a given country. Policies and variables which could influence poverty and which the SAP addresses include: currency devaluation, reductions in the budget deficit⁴ and changes in growth rates, inflation rates and interest rates [25].

[18] discloses that for Tanzania the bigger part of the ERP package was on currency devaluation. The Shilling devaluation would be followed by structural reforms geared to liberalise the economy, increasing efficiency and productivity and stimulating growth. In 1986, the currency was depreciated from 17 TSh per US Dollar to TSh 40 per US Dollar, and a number of structural reforms followed in two different stages.

[23] argue that the economic restructuring in Tanzania took place in two different phases - the first one starting in 1986 to 1995 and the second one in 1996 to 2006. In the first stage, a number of changes were enacted including: (i) Liberalisation of exchange and trade regimes. (ii) Liberalisation of agricultural marketing system and domestic prices, and (iii) initiation of parastatals and civil services reforms. In the second stage, more reformation continued and that included: (i) Privatization and reform of parastatals (ii) Liberalisation of financial sector (iii) Creation of market-oriented regulatory framework (iv) Trade reform, regional integration (v) Reversal of fiscal dominance of monetary policy (vi) Fiscal consolidation, and (vii) Sizable finance assistance from donors.

⁴Budget deficit is a situation when the government's spending exceeds revenues from its sources of income such as taxation, customs duties etc. In such a situation the government is obliged to borrow money from other sources so as to meet its needs.

When the first phase of change took place between 1986 and 1995, some progress was recorded. However, [23] argue that the large part of the economy continued to be under government control. Many parastatals and large state owned banks continued to operate under losses. The government continued to experience large budget deficits, and the economic growth continued to be slow. [23] argue that with the implementation of the second phase of structural reformation and privatisation, big and conspicuous progresses were noticed which included: economic growth which reached 7 percent and inflation rate dropped to a single digit rate. There emerged a strong growth of non-traditional exports and turnaround in balance of payments, and government international reserves increased. Part of the government's funds could now be directed towards poverty reduction programs such as MKUKUTA I and II. Creation of efficient, competitive banking systems and most sectors of the economy became more competitive and productive. [8] argues that following all these reforms, Tanzania has fully embraced a capitalist economy which is market-oriented and driven by the private sector. In addition, the major features of the Tanzanian economy are those of the relatively free market forces of demand and supply.

4.4. The Poverty Reduction Era 2000s

At the beginning of the new millennium, the Tanzanian economic policy, just like in most developing countries, changed the focus more to poverty reduction [10]: 54. Tanzania followed the move that was initiated by the WB and the IMF as a strategy to reduce the debts that developing countries owe to the international financial agencies and other countries. However, this objective is addressed in the name of poverty reduction [26]. Therefore, in the early 2000s, Tanzania signed and committed herself to implementing the UN's MDGs. Since then, Tanzania formulated development strategies aimed at poverty reduction and human development. Some of the prominent development agenda formulated in this period include: Tanzania Development Vision (TDV) 2025, National strategy for Growth and Reduction of Poverty (NSGRP) – MKUKUTA in Kiswahili, and Kilimo kwanza ([10]: 55-56, [27]: 10-11).

TDV 2025 envisions Tanzania in the category of medium human development by 2025. It is perceived that the country will have transformed from a low productivity agricultural economy to a semi-industrialized one led by modernised and highly productive agricultural activities linking industrial and service activities in the rural and urban areas. The development indicators in the vision are (1) high quality livelihood (2) unity, peace and stability (3) good governance (4) well educated and learning society (5) competitive economy capable of producing sustainable growth and shared benefit [10,28]. MKUKUTA was designed to attain goals of both the TDV 2025 and the MDGs.

Since mid-1980s as discussed above, Tanzania liberalised its economy and adopted the neo-liberal policies to govern its economy following failure of the dependency theories through Ujamaa [10,18,24]. In the era of neo-liberal policies, there have been impressive economic growth in the country; however, this economic growth fails to

reduce poverty significantly amongst the rural people who are the majority in the country [10,29,30,31,32]. It is more than two decades of economic liberalisation and neo-liberal policies in Tanzania, yet the majority rural people continue to be poor or even poorer; this suggests inefficiency of neo-liberalism as a remedy to poverty in that sub-Saharan country. Findings suggest change in the development model or otherwise, if the country continues with the same trend of economic growth and slow pace of poverty reduction then it is obvious that Tanzania will not be able to attain its development vision 2025.

5. Recommendations

The paper recommends that Tanzania repositions itself and become a developmental state so as to attain her development vision. A developmental state takes an active role in planning and acting in the development process of its economy; through diversification of export structures, industrialisation and engagement in new international economic order through negotiations with industrialized economies [3]. Tanzania can take the East Asian model to end poverty and become a middle income country as according to her development vision.

6. Conclusion

The failures and successes of the past economic policies have been clearly highlighted in the investigation. The lesson learnt from the previous economic policies should inform well policy makers in the country. The obvious question is how the economic history of the country influences the national development vision 2025. Does the investigated economic history of this great East African nation allow it to attain its development plan and become a middle class country by 2025? Findings advocate for a new development model if Tanzania is to attain her development vision. However, the question is what development model should the country follow to be able to realise her vision in the proposed time?

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