

THE STRUCTURAL ADJUSTMENT PROGRAM (SAP) AND THE POLICY  
TRANSFORMATION IN TANZANIA

Ibrahim KESKIN <sup>1</sup>

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Moh'd Juma ABDALLA<sup>2</sup>

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ABSTRACT

Keywords

Liberalization,  
SAP,  
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Privatization,  
Foreign exchange.

During 1967 Tanzania declared to follow the Ujamaa policy as the national policy for socio-economic and political development. But in 1970s Tanzania began to face stiff challenges which hindered the development of its policy, due to the increasing tensions in politics and economic set-up during the Cold war politics in Third World Countries. In Tanzania the tensions created an atmosphere of misunderstanding between the policy makers and bureaucrats, either to follow the capitalist system of free-market economy or to continue with the Socialist system under the Ujamaa policy. This circumstance was caused by interference of the International Monetary Fund (IMF) and World Bank (WB) since they imposed harsh conditions for economic support. At the beginning Tanzania found its self in dilemma to either accept the IMF conditions for its policy reforms or to adhere with the existed policy of the Ujamaa. But, at the end the policy transformation in Tanzania was inevitable because during the last quarter of the 20th century the Soviet Union lost its supremacy to compete against the Capitalist bloc. Thus, the failure of the Soviet Union to support the minor socialist countries like Tanzania led the Ujamaa policy into failure. When the Ujamaa policy proved failure, the government of Tanzania had no other option except to change its economic set-up. Therefore, this article will analyze the SAP conditions in the policy transformation and their impacts in the Tanzania economic system.

YAPISAL UYUM PROGRAMI (YUP) VE TANZANYA'DAKI POLITIKA DÖNÜŞÜMÜ

ÖZ

Anahtar Kelimeler

Serbestleşme,  
SAP,  
Ekonomik Kurtarma Programı,  
Ticaret serbestleştirme,  
Özelleştirme,  
Döviz.

1970'lerden itibaren Tanzanya'nın ekonomik gelişimi güçlü zorluklarla karşı karşıya kalmaya başladı. Bu süreçte Tanzanya, Sosyalist Politikayı, ekonomik ve sosyal kalkınma için birincil politika olarak uyguluyordu. Üçüncü Dünya Ülkelerinde Soğuk Savaş politikalarının artan dalgaları, hükümetler ve bürokratlar arasında anlaşmazlığa yol açtı. Bu durum, Uluslararası Para Fonu (UPF) ve Dünya Bankası (DB) tarafından kurulan ekonomik desteğin sert koşullarından kaynaklanmaktaydı. Ne yazık ki Tanzanya, kendisini ülke içinde ve dışında sert bir çekişmenin içinde bulmuştu ve bu da birçok reformun yapılmasını gerekli kıldı. Tanzanya'daki politika dönüşümü zorunluymuştu çünkü 20. yüzyılın son çeyreğinde Sovyetler Birliği Kapitalist blokla rekabet etme üstünlüğünü yitirdi. Böylece, Sovyetler Birliği'nin Tanzanya ve diğer sosyalist ülkeleri destekleyememesi Ujamaa politikasının uygulanmasının sekteye uğramasına neden oldu. Ujamaa politikasının başarısızlığı, hükümetin ekonomi politikasını değiştirmek zorunda bıraktı. Ayrıca Kapitalistler, iç Bürokratlar ve Ekonomistler hükümet üzerinde liberalleşme politikasına doğru evrilmesi için baskı kurdular. Bu makale, Tanzanya'daki sosyal ve ekonomik faaliyetlerin iyileştirilmesinde politika dönüşümüne yönelik süreçleri ve performansları analiz edecektir.

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<sup>1</sup>Associate Professor, Bursa Uludağ University, Faculty of Art and Science, Department of Sociology, ikeskin@uludag.edu.tr

<sup>2</sup> Master Degree candidate in Sociology Bursa Uludağ University. mohd01001@gmail.com

## **1. INTRODUCTION**

The majority of the literatures which examined the policy changes in Tanzania pointed-out the using 'coercive means' by the capitalist countries over the government. Biermann & Wagao (1986) for example identify that the Capitalists were the main players who pressurized the government of Tanzanian to transform its policy from the Ujamaa to economic liberalization policy. The economic assistances from the capitalist countries contained pressures and conditions which Tanzania leadership was not ready to accept. But, at the end the pressures resulted in the abandoning of Ujamaa policy from which political leaders of Tanzania gained their political supremacy. (Biermann & Wagao,1986). The demand of policy change led to an open clash among the capitalist donors and the leaders of Tanzania government. For example, the first president of Tanzania Julius Nyerere in his writing argued that when he tried to reject the IMF conditions, he could get threatening notes that without accept the conditions, Tanzania will never receive any economic support. (as cited in Holtom,2005).

Apart from the capitalist pressures, there was a sort of “tug of war” between two groups. The first group which included the government officials who refuted the policy transformation. They argued that, if they could accept the policy transformations, they would become losers from the reforms. The second group involved those who expected to benefit from the policy transformation towards liberalization and free-market oriented economy. This group included peasants and other groups. (Edwards,2014). In this context, Arkadie (1995) indicates that liberalization involved more than the adjustment of economic policy, since it established a process that led to pulling into pieces the previous economic system. So, the ideas of rejecting the liberalization and free-market economy was a normal response for those who committed themselves to the Ujamaa policy; just it was as same as supporters of liberalization policy who wished to see future of their country.

At the beginning, the government started to make short-term reforms. In 1984 and after increasing of pressures from the capitalist countries, the government of Tanzania decided to open a small window towards the world and revealed a mechanism for importing some products by introducing “The Own Foreign Exchange.” A couple of months later the government took the extra step forwards the liberalization, whereby the exporters were allowed to save some of the foreign exchange which made from their

exports. (Edwards,2014). But, the liberalization of imports and other initial improvements which were executed in the last years of Nyerere's presidency (1984-85) interpreted as temporary strategies, which reassured the leadership needs to either oppose the systemic failures of the Ujamaa in previous decade or to fashion a complete improvements program and spell out its political implications. (Arkadie,1995). Even though the government continued with these reforms until 1986 when officially decided to make transformation in its policy towards the so-called economic liberalization, the policy transformation was under the supervision of the Structural Adjustment Program (SAP).

### **STRUCTURAL ADJUSTMENT PROGRAM (SAP)**

The process of accepting SAP's conditions started around the 1970s through the round table negotiations between Tanzania and the IMF. According to Edwards (2014) argued that the conversations resulted in the acceptance of the SAP conditions by the Tanzanian government in 1982. The implementation of SAP conditions based on the following conditions

- Deflation of the Tanzanian Shilling.
- The postponement of the funding of staple food.
- The suspension of the government price control system.
- Setting government salaries.
- The decrease of the shortfall in the national budget
- The reduction of state borrowing from the National Bank
- The general decrease in central government involvements in the economy, and the reassurance of private enterprise. As mentioned by Essays, UK. (2018)

But, from a Tanzania perspective, the SAP's reforms appeared as serious efforts to adjust its economic policy. Thus, after the negotiations, the Tanzanian shilling was devaluated more than 80 percent; although it was expected at motivating local exporters, the delivery of assistances endured with Tanzania's leading exporters and importers. Also, during this period cash crops developed inexpensive while the value of imported merchandises as expressed in market prices increased. The deflation contains advantages for the overall economic performance because it led to the improvement in exports to fill-

up the foreign exchange assets and stimulate imports. (Biermann & Wagao,1986). It was the SAP that designed at increasing productivity, reducing the shortage of foreign exchange, reductions in the government budget and upholding the social attainments of equality. (Essays, UK. 2018)

### **ECONOMIC AND SOCIAL REFORMS AND THEIR PERFORMANCES AFTER 1986**

Tanzania commenced the conversation reforms and made the preliminary changes in the early 1980s. It approved an economic and social restructuring program in 1986 after suffering a lot from the declining in economic performance in the late 1970s resulted by financial and oil crisis in the early 1980s. The crisis was somewhat a consequence of economic policies which were followed by the country under a state control economy entrenched in the 1967 Arusha Declaration, and entirely a resulted in exogenous factors including worsening in terms of trade in the late 1970s and early 1980s, the failure of the East African Community (EAC) in 1977, and the war with Uganda during 1978–79. (Gabagambi,2013). The economic reforms in Tanzania had been adopted to resolve the ongoing financial crisis of the country. Through these reforms, Tanzania was able to achieve macroeconomic constancy which facilitated the improvement of economic development. According to Essays. UK (2018) the government of Tanzania made the economic reforms by focusing on:

- Liberalization and opening-up of the economy
- Improving the obtainability of resources
- Appropriate relocation of resources to minimize disparity in the country
- To balance different economic sectors
- Diminishing poverty by reducing the rate of unemployment
- Minimizing budget shortfalls by creating more revenue.

To fulfill the above-mentioned goals, the new government which was under the leadership of president Mwinyi took sudden economic changes with the support of SAP. In the 1986/87 budget, the new régime introduced a three-year program known as Economic Reform Program (ERP) (1987-1990). The ERP aimed to increase food production and exportation of crops by setting suitable tactics in different areas such as in production activities, refining market system, and increasing the basic resources

accessible in the agricultural sector. Also, rehabilitation of the physical infrastructures to support the direct process in the production activities and raising-up the capacity operation in the industrial activities through assigning shortage of foreign exchange system, and finally the re-establishment of internal and external equilibria by following fiscal judicious, and trade policies.

During the application of the ERP program, the government of Tanzania began to receive a standby support of 18 months from the International Monetary Fund and from multisector rehabilitation credit institutions like the International Development Association (IDA). Edwards (2014) argued that under the SAP's conditions, the IMF gave Tanzania a loan of about US\$67.9 million through the Special Drawing Rights policy (SDR) to support the ERP. Also, Tanzania received a financial support from IDA of about US\$300 million and US\$50 million from the United Kingdom, Switzerland, Netherlands, and the Federal Republic of Germany. But the new funding did not concentrate on large investment projects instead, focused on supporting small programs. (Edwards,2014). In 1989 the government of Tanzania introduced the Economic and Social Action Program (ESAP) to reinforce the ERP. The ESAP focused on specific targets such as to upgrade the structure of the individual income tax and sales tax, to excise new taxes on national and imported goods and to record public expenditures both recurring capital in favor of restoration and maintenance of physical infrastructure, and the rehabilitation and provision of essential social service.

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After the first multi-party election in 1995, the new government immediately loomed to the IMF to seek further economic supports. Thus, Tanzania signed the obligations of Article VIII of IMF. By such action made the government of Tanzania to regain the sureness of the external donors' communities as a serious pledge in the creating strong economic policies. Under the Enhanced Structural Adjustment Facility policy (ESAF), the IMF blessed a three-years credit support to strengthen Tanzania's new ERP program from 1996 to 1999. According to the World Bank (1999), ERP concentrated on the following areas:

- Shaping-up managerial capacity to improve development of the government's managerial system.
- Upholding a stable financial policy and allocating public resources equally.
- Encouraging the private sectors through creating a conducive environment for investment and divesting parastatals.

- Creating a supportive environment for primary education system and basic health care services.
- Assisting the improvement of necessary physical infrastructures, mainly for providing motivation to the agricultural development especially in rural areas.
- Rearrangement of the monetary system to solve to the needs of the private sectors.

The policy transformation in agricultural sector refers to the following of the development footpaths of the Western countries especially the former colonizers of African continent by generating well-organized techniques of production in agricultural activities. Matunhu in his writing indicates that the transformation of agricultural sector the farmers are encouraged to use new crops, new production approaches, new selling skills, the introduction of hybrids, the greenhouse technology, and genetically improved food, the use of artificial manures, pesticides, tractors, and application of other scientific techniques to substitute the traditional one. (cited in Gwera, 2017) During the 1980s onwards, the government made various agricultural reforms to encourage agriculturalists to participate in the market economy, since many projects were focused on the improvement of rural areas. (Essays, UK, 2018). The government also introduced the New National Agricultural Policy which avowed a commitment to improve agricultural production, restoring agrarian cooperatives, and to reduce the role of the crop authorities. Also, the government pledged to increase investment in agriculture by encouraging an expansion role for large-scale private agriculture, and accepting the position of the traditional local food trade (Arkadie, 1995). Meanwhile, in 1986 the government removed transportation restrictions for the crops. In 1987 the regional cooperative unions were allowed by the government to sell crops direct to private traders. In 1988 grain trade was liberalized and input circulation officially freed. In 1992 the cashew nut market was sufficiently improved, and in 1993 the Crop Board Act was passed for the liberalization of selling and processing agricultural exports. (Edwards,2014). Liberalization of traditional exports which began in 1993 concentrated on the improvement of the production of Coffee, Cotton, Tobacco, and Cashew. Under the Crop Board Act (CBA), private traders allowed to buy, process, and export crops. Individual traders commenced functioning legally not only in the coffee and cotton sectors but also in the tobacco sector. In that time private tea estates had already accounted for 70 percent of production, and the Tanzania Tea Authority (TTA) was officially privatized. Bitegeko in his paper mentioned that this idea was to make the government away from direct

involvement in both production and marketing. In other words, the government had to deal with essential public services such as research, extension, sanitary regulations, and excellence control. (cited in World Bank report, 2000). During the post-reform agricultural GDP performance grew by 3.5% in 1985-90, 3.3% in 1990-1998, and 4% in 1998-2005. Since 1990, production of food crop growth somehow decreased due to the increase of population. Meanwhile, crops exportation grew up to 7.7%. Export liberalization and exchange rate devaluation enhanced the motivations for export crop production, and Tanzanian agriculturalists re-joined in spite of ongoing institutional and credit difficulties in the sectors. (Gabagambi, 2013). Also, the government in its efforts of improving agricultural investment introduced Southern Agricultural Growth Corridor of Tanzania (SAGCOT) and the Tanzania Agriculture and Food Security Investment Plan (TAFSIP) to upsurge output and develop commercial agriculture in the southern strip. (OECD, 2013)

Despite the disagreements of politicians and bureaucrats that existed during that time, in 1984 the government introduced the "Homegrown Program." Through this program the government made progress on the exchange rate policy. In 1988 the Open General License Scheme (OGLS) was introduced to facilitate the distribution of foreign exchange more flexible. (Muganda, 2004). The succeed measure of policy toward perpetuating liberalization of the foreign exchange proceeded through the extension of the coverage of OGL by vanishing of import controls. (Arkadie, 1995). In 1992 the Exchange Foreign Act was passed to create a conducive environment for market-determined exchange rates, and the transmission of accountability for yielding approval of foreign exchange imports from the Bank of Tanzania (BoT) to commercial banks and foreign exchange bureaus. (Edwards, 2014). The liberalization of foreign exchange led to the abolition of the Exchange Control and Input Control Departments of the Bank of Tanzania (BoT) in 1993. This process gave prestige to new functions, including fiscal programming, open market processes, and bank management. Thus, through these reforms led the sales to be substituted by interbank market operations in 1994. As a result, in 1996 the exchange rate drifted easily. (Muganda, 2004). Such action of permitting the foreign exchange expected as a measure that would lessen the severe transport restrictions that the economy confronted. This was a remarkable method since it became a cornerstone for the future pattern of liberalization in Tanzania. (Arkadie, 1995).

In 1984 the government began to make some trade improvements with incomplete import liberalization actions through an “Own-Funded Imports Scheme” (OFIS). From this scheme, people took part in the importation of goods without divulging their foreign exchange. The OFIS increased more importation manufactured goods even more than it had been intended. Also, the government liberalized the Export-Retention Scheme (ERS), in which exporters were allowed to hold a share from their exports. Both of these schemes succeeded, for instance the OFIS increased in the importation of foreign goods than it was assumed and ERS led to the increase of authorization of exportation of raw-materials. (Muganda,2004).

The National Investment Act passed in 1990, to eradicate all barriers to Foreign Direct Investment (FDI) and found the Investment Promotion Center. (IPC), thus through this reform, the external foreign exchange was further liberalized particularly when the Foreign Exchange Act passed in 1992. (Edwards,2014). Foreign direct investment intensified to higher stages, mainly in the 1990s, from which the investment increased from US\$150 million in 1995 to US\$517.4 million in 1999. These achievements demonstrated the increasing of Tanzania’s share from Foreign Direct Investment flows to Africa, from GDP of 1.1% in 1997 to 5.1% in 2000. (Muganda,2004). According to the IMF report indicates that in the current years the amount of exports and imports has ascended from 45.6% in 2009-2010 to 59.5% of GDP in 2012-13. Exports averaged 22% of GDP in imports and exports have augmented correspondingly by 51% and 59.5%. (as cited in OECD, 2013)

To ensure the implementation of the complex process of parastatals rearrangement and privatization, the government concentrated on specific objectives. Some of those objectives include: improving both the operational effectiveness of enterprises that are presently in the parastatal sector and their roles to the national economy, to decrease a load of loss-making parastatal enterprises on the government budget. Also, to enlarge the role of the private sector in the economy, approving the government to deal public resources on its role as provider of rudimentary services, such as health, education, and social and economic infrastructure, and to increase and inspire a broader participation of the people in the running and managing the economy. Thus, in the 1980s the government took actions in substituting crop authorities into co-operating and marketing boards, and various parastatals merged into other agencies. These

processes were under the supervision of the Presidential Parastatal Sector Reform Commission (PPSRC) (Edwards,2014). The government also made major reforms in the public sector for services delivery through the participation of private sectors and the establishment of executive agencies to commence none-core public services delivery. Privatization of distributing public services in Tanzania was under the control of the government's Public Service Reform Program. (PSRP). The program was intended to support the accomplishment of a high rate of economic growth and to safeguard that delivery of high-quality services within urgency sectors conforms to public prospects of value for money, satisfaction, and relevance. (Ngowi, 2008). For example, the privatization of Tanzania Breweries Limited (TBL) increased its sells worth from US\$50 to US\$470 million during 1993-2003. (Mugala,2004). Privatization also applied as a means to boost the investment environment. The increasing of investment in tanzania perpetuated the innovation of new technology in the production activities which paved way for increasement of both quality products and skilled labors. Customers also benefited from the supply of quality products and adequate price and the privatization program has also stimulated to the accumulation of the capital providing and opened the doors for the Tanzanian stakeholders in the participation local investment. (Mugala,2004)

The government drafted the National Transport Policy (NTP) in 1987. The policy was supported by "The Program for Transport Sector Recovery" and five-year Core Rural Roads Program (CRRP) for assuring access to vital agricultural areas. In 1990 the Integrated Road Project I was launched. The prime targets of the projects were to develop the capacity of the Ministry of Communications and to restore Tanzania's trunk and regional roads network. The Railways Restructuring Project (RRP) was launched in 1992 which the main objectives were to strengthen the Tanzania Railways Corporation (TRC) and to rehabilitate infrastructure assets, as well as to provide limited new investments with the prospects for traffic growth. (Edwards,2014). Through these programs, by 1995 and 2003 almost 249 kilometers of tarmac roads were constructed and more than 68 kilometers of roads were expanded to boost accessibility of marketplaces through the transport network. The bridge of Rufiji River was constructed as a major link connected major regions between Dar es Salaam and the South-eastern regions of the Tanzania especially the regions which cashew nuts are produce. The government fixed the budget of US\$2 million for each month to encourage investment by constructing many roads in rural areas. (Mugala,2004) Moreover, in the mid of 1980s and early of 1990s, the

government launched the Port Rehabilitation Project (PRP) or Port Modernization Project (PMP). The primary target of the project was the expansion of physical, managerial, and operational capacities of the Tanzania Harbors Authority (THA) to meet anticipated traffic volume in the 1990s. Also, other objectives were; to execute the second phase container terminal expansion to handle 2.4 million tons, to maintain and operate cargo handling equipment, to carry out a development study, to determine the next phase of port expansion, and to establish a computer-based management information system (MIS). (World Bank,2005). The consequence of this project was the expansion of port's capacity in taking number of containers in short time under what is known as container crane per hour (cph), for instance, from 1999 to 2002 the cph capacity increased from 10 to 16.8 cph. Also, the number of ships increased in the port for more than 40%; the increasing of the port activities has also contributed to the facilitation of the accountability of the THA (Mugala,2004). The result has been an overall increase in the quality of services to port users and significant growth in the movement of containers in the port, example from about 100,000 in 1997 to 260,000 in 2004. The increase in container traffic continues to be secure in 2005. (World Bank,2016)

In 1992 the government also made reforms in the telecommunications system through the introduction National Telecommunications Policy (NTP) which involved the participation of private sectors. In 1993 the government with the support of World Bank launched the Telecommunication Restructuring Program. The targets of this program were; to establish a market-oriented policy and regulatory framework, to facilitate the commercialization and corporation of Tanzania Post and Telecommunication Corporation (TPTC) and to remove the existing obstacles in the availability of telecommunication services. At the same year, further reforms were made to facilitate telecommunication system, for example, Tanzania Communication Commission Act, Tanzania Telecommunication Company Act, and Tanzania Posts Corporation Act had passed by the parliament, and 1994 the first mobile license was awarded to Mobitel. (Edwards,2014). Through these Acts communication system started to become more comfortable every day. According to World Bank reports mentioned between 1994 and 2002 the number of telephone operators increased from one to five; also, from 1997 to 2001 the number of mobile phones users became greater increased from one user out of 1,000 people to 12 users out of 1,000 people. Access to the Internet and use of computers

also is rapidly spreading. It estimated that up to 2015 the number of internet users was 7,590.794. (as cited in Mugala,2004).

The liberalization process of the economic sectors has greatly changed the industrial sector into a competitive structure. This process was facilitated by the Banking and Financial Institutions Act which allowed the creation of private financial organizations. Thus, through this Act, the government received the financial assistance of about US\$ 275 from the World Bank to privatize the banking sector and the market entry of foreign exchange bureaus and foreign banks. (Edwards,2014). Until the beginning of the 1990s, there were 22 private commercial banks of in which 13 of them were under the foreign ownership. Also, there were 12 non-bank fiscal organizations, pension fund institutions, 14 insurance corporations, foreign exchange bureaus were more than 63, and there were more than 1,000 savings and credit cooperatives (SACCOs). The liberalization of banking system encouraged to a rapid increase of the flow of Foreign Direct Investment into the banking sector, this led to the rise of banking credit system to the private sector. For instance, from 1996 up to the end of 2002 the GDP increased from 2.5% to about 6%. The Bank of Tanzania has figured out that, the number of non-performing assets to the entire loan properties has increased suddenly up to 15.9% at the end of 2000. Other achievements included the innovation of using new banking products such as payment cards and credit transfer. Initially, about four banks started to use the Automatic Teller Machines (ATMs), and later on the ATM uses increased rapidly from 6 ATMs in 1998 to 43ATMs in 2002. Also, during this period the number of ATM cardholders has increased from 11,000 to about 83,000. The government went further in expanding the scope of liberalization process by passing the Access to Credit Law. This law laid-down the specific guidelines to the microfinance institutions with the target of improving availability of credit in the rural areas by and enabling the sustainable of financial intermediation. To ensure the proper application of the Access to Credit Law, the National Microfinance Bank (NMB), has opened almost 40% of the bank branches all over the country whereby more than 50% of these branches provide micro-credits to local entrepreneurs. In 2000 the NMB Bank lent the almost US\$58 million dollars to finance some of the economic activities which included small-scale agriculture to micro-trades. (Mugala,2004). The individual deposits in the banking system have increased, with financial sector assets expanding tenfold between 2001 and 2009. In 2012 the financial sector contributed to the growth of GDP up to 13.2% (FSSD, 2010, NBS, 2013, cited in OECD, 2013:31).

## **SOCIAL REFORMS**

The government under the World Bank support initiated the Education Planning and Rehabilitation Project (EPRP) in 1990. The World Bank report pointed out some aims of this project which included; reinforcement the institutional capacity, to plan and implement educational policies and program, improvement the quality of education at the primary and the secondary levels, and to strengthen the mobilization and finally the effective utilization of non-government resources. (as cited in Edwards, 2014). From this project, the Ministry of Science Technology and Higher Education was established. From 2000 to 2001 the primary school registration increased from 65% to 85%, this ratio rose up to 100% in 2002 which exceeded the program's target of 85%. These achievements went hand-in hand with the elimination of school fees and the concentration in the school enrollment in which both the government and school communities were engaged in school development program. Also, many schools were built and many teachers with different skills were recruited, and finally the government enhanced school nutrition programs. These achievements were under the Primary Education Development Plan (PEDP) which has intended in the increasing of the improving of teaching and learning facilities. This circumstance motivated school teachers and improved a conducive environment of teaching and learning activities. Moreover, during the reforms, the authorities of the local government were given the responsibility by the government to oversee the development of the primary education program under their jurisdictions by providing a full participating framework for the school communities and also by playing a supportive and organizing role to enable school communities to participate in the implementation of decision-making. The responsibility the school communities and the village councils are to implement school development plans. This structure provided a direct link between the central government, local authorities, and the village governments which ensures transparency and accountability of the school programs. (Mugala,2004)

Apart from that, the government introduced a Systematic Financial Institutional Arrangement (SFIA) which focused on financial management of primary school funds by ensuring the transparency and accountability. This plan entrenched in the Integrated Financial Management System (IFMS) reinforced by business organization and procurement legislation. Thus, the program provided a direct link in the transferring and spending funds from the Ministry of Finance (MoF) to the local government authorities,

and finally to the school communities. (Mugala,2004:18) During 1990 the government under the World Bank credit support of US\$ 47 million launched the Health and Nutrition Project (HNP). This project had specific aims like raising the quality, coverage, and effectiveness of family planning nutrition and to provide essential health services in the country. In 1993 the Medical Stores Department (MSD) was created after the parliament Act passed. MSD was a semi-autonomous body responsible for supplying and fixing drugs prices. (Edwards,2014)

The Health Sector Development Program (HSDP) improved the provision of funds for the medical supply in the primary health service units. Through the HSDP the expenditures for the district health services has also increased because the government introduced the Drug Revolving Fund (DRF) in all district hospitals. Also, the government launched the Community Health Funds (CHF) in 37 districts. Thus, through these health reforms, every civil servant must be registered under the National Health Insurance Fund scheme. The HSDP led to an increasing number of births rate; from 1999 to 2002 the birth rate increased from 50% to 80%. Also, through this program the number of children who immunized against dangerous diseases such as measles, diphtheria, pertussis, and tetanus increased. for instance, from 1999 to 2003 the figure of children who immunized ranged from 74% to 85%. The government also strengthened the fight against HIV/AIDS by introducing an HIV/ AIDs campaigns, mainstreaming HIV/AIDS activities in all sectors. The government increased its efforts in fighting against HIV/AIDS by establishing the Tanzania Commission on AIDS (TACAIDS), which is a multisectoral coordinating institution for the national against HIV/AIDS. In fulfilling its aims, the HSDP receives different support from different development stakeholders who shared their efforts to the victims and the the government in particular. (Mugala,2004)

Generally, the SAP was the main reason for modernization and liberalization in Tanzania which encouraged many positive changes in all aspects of development, since the reforms boosted the Growth rate rising with real GDP increasement from a 1.8% average rate of increasing in the period from 1977 to 1986 to a 4.4% average rate of inflation between 1987 and 1994. (Brown,1998:89). Also, Tanzania's economic growth is expected to average 6.2% between 2017 and 2026. All of these is due to the improvement of physical infrastructures and a growing consumer base. Massive infrastructure investment into rail, port, and road is expected to be one of the main drivers of GDP

growth between 2017 and 2026. The increasing investment in infrastructural development targeted to expand the trade performances around 2017 and 2019. It also focused on valuing the Tanzanian currency as demand for capital imports increases. (Deloitte,2017).

## **CONCLUSION**

The transformation processes improved all most all sectors which turned as the catalyst for development. The decisions made by Tanzanian leaders to accept economic and political changes directed the country to a free-market policy where many Tanzanians used it as a golden opportunity to improve their living standard. Since the introduction of the free-market system, many private sectors from both internal and external investors began to take part in the building of the national economy by providing taxes and employment opportunities to natives. The increasing number of social services delivers simplifies the production of better and quality products in both the industrial and agricultural sectors. The expansion of educational system fostered the young generation to improve their skills by engaging in various entrepreneurship courses which stimulated the establishment of different micro-economic activities by getting financial support from financial institutions. The wideness of information communication technology broke-up all communication barriers which Tanzanians confronted since independence. Nowadays people are free to receive and deliver information; even though the government seemed to interfere with such freedom. The policy transformation, however, did not only took place in economic and social changes but also penetrated in the political sphere. SAP also forced the Tanzanian leadership to change its political set-up from one party to multiparty system, and thus after a long time of hot discussion between Donors and the government resulted in the occurrence of the first general election in 1995. The transformations also operated in the establishment of civil societies, the rule of law and encouraging gender equality.

Despite these improvements, Tanzania still faces different challenges for further developments. Their many parties in the country lack reliable physical infrastructures, roads which are in use are seasonal; hence it becomes difficult to transport goods in interior parts of the countries. Therefore, to solve this and other problem the government must ensure all development policies are taken into action rather than putting in the shelves.

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