

TANZANIA ECONOMY: STRUCTURAL ADJUSTMENT TO WHAT?

by

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ABSTRACT

The study makes an assessment of the effects of structural adjustment programmes introduced in Tanzania in living standard of the people. The author utilised a regression analysis model to regress several measures of living standard i.e. life expectancy at birth, infant mortality, accessibility to safe water, primary school enrolment and electric consumption per household.¹ The study observed that during the period of 1975 to 1995 when the structural adjustment programmes were introduced, the GNP grew up and to some significant level improved the living standard of the general public. However, the introduction of structural adjustment programmes which have brought in the market economy system may lead to deterioration of social achievements. As it can be observed currently, there is hiking of prices for health services, high education fees, mass unemployment through the retrenchment exercise. The government should not delegate all economic and social activities that affect directly the quality of life of its citizen to the private sector whose operations are governed by profit motives. The author also suggested some amendments to the current adjustment packages.

Introduction

Structural Adjustment is firmly on the declared policy agenda of many African countries. However, few of them have any significant in this direction. A major reason for this has been the lack of a realistic assessment of the requirements and capabilities needed to carry out successful structural adjustment - terms of financial support, policy initiatives, investment promotion, and mostly important, human resource development.

In its classic form structural adjustment has been taken to mean the complementary application of two broad types of policy i.e. one of these is the orthodox approach to stabilization of the balance of payments, using fiscal and monetary restraint together with exchange rate devaluation. The other is an extensive range of sectoral or microeconomic measures designed to improve supply conditions in an economy, which includes widespread deregulation of product and factor markets (including labour markets), privatization

of state enterprises, public sector resource mobilization and institutional reform, especially of government institution (Toye, 1997).

The United Republic of Tanzania present some interesting challenges to policy makers concerned with developing strategies for rehabilitating and regenerating agricultural processing and manufacturing capacity.

Overview of the Economy

In the 1960's, Tanzania economy performed well, despite its dependence on subsistence agriculture, small industrial base and limited number of educated and trained personnel. Overall growth in real gross domestic product (GDP) from the mid 1960's to the early 1970's was around 5 percent per annum (Green et al - 1970:5). In response to growing concern about widespread poverty and income inequality, the first interventionist programme was superseded by the publication of Arusha Declaration of Feb-

ruary 1997 which heralded the adoption of a full socialist and self-reliance programme of economic development (Hanley and Assaf, 1993). The government nationalized the major means of production, major businesses, commercial banks, major agricultural estates, transport, export and import trade, wholesale trade. Thus, the public sector was given a leading role and state control was extended throughout the economy. The basic assumption of the government was that nationalization would bring about a re-distribution of income and assets. Also nationalization would enable the government to take control and utilize the surplus generated by nationalized firms to provide free social services such as education and health to the general public and thus improve their living conditions/standard. With the commitment of the government to policies of socialism and self-reliance, ideas of equality, provision of education, health and other social services, Tanzania was successful in improving social conditions and forging a unified nation.

While GDP continued to grow at 5 percent into the early 1970s, structural weaknesses which signalled the eminence of economic crisis in the near future within the economy began to emerge. The weaknesses included poor pricing policies, reduced farmers incentive to produce, larger investments in inefficient parastatals, inhibited private sector competition and drained public finance. The nationalized firms did not generate significant amount of surplus as was expected. For example, by June 1978, while government investment in the commercial parastatal sector stood at Tz. Shs. 41 billion, the government obtained only Tz. Sh. 2.2 billion, representing a mere 5 percent of financial returns (Bukuku 1988). Government intervention impaired the efficiency of financial intermediation and undermined private sector development.

The effect of the economic policies pursued combined with other factors led to protracted economic crisis in Tanzania in the 1980's. The other factors are the first and second round of oil price increase in 1973 and 1979, the sharp decline in the terms of trade in 1977, recurring poor climatic conditions; the breakdown of the East African Community in 1977 which necessitated

substantial investments to provide services that were formerly rendered by the community; and the 1978 Kagera War against Iddi Amin's invasion. The economic crises were characterized by the decline of output and balance of payment, which resulted into an extensive and acute shortage of goods and foreign exchange. By the early 1980's economic decline and macro-economic imbalances were severe. Industrial output fell by 15 percent a year, and capacity utilization fell to less than 25 percent, imports were compressed to the point that they were no longer sufficient for the normal functioning of the economy and there were wide spread shortages of goods. Budget deficits reached above 10 percent of GDP, inflation remained unabated at over 30 percent, and external debt began to mount (World Bank report 1993, pg. 469).

The economic problems experienced in the 1980s began to erode the social progress that was achieved in the 1970s to the extent that there was a wide and open public cry of the fall of education, health service standards and many other social services rendered by the government.

The Response to the Economic Crisis

Starting in 1981 the government introduced a series of measures aimed at restoring macroeconomic balance and stimulating growth. These are discussed below:

The Build-up to the 1986 IMF Agreement

As Tanzania economic problems gradually intensified after the middle 1970s' the government increasingly needed external help to deal with the situation and particularly the deficit in the country's balance of trade. The IMF was the logical source of support in such predicament. So the government launched a programme called National Economic Survival Plan (NESP - 1981-2) pending a loan of \$180 million from the IMF under the conditions that the government will freeze wages, abolish price control, higher interest rates, expenditure on social services, and devaluation of shilling (Wangwe 1987).

The programme emphasized an increase of agricultural output and timely procurement and payment of cash crops, articulated export targets and the provision of transport and storage facilities, and, in industry, on adequate supplies of inputs and substitution of imports with local inputs where feasible. However NESP failed because it depended much from foreign financing from where a loan of \$180 million from the IMF failed to materialize as the government refused to adopt the IMF conditionalities. It also failed because of inadequate formulation of the plan over ambitious targets which had no clear mechanism for their implementation and the general weaknesses in the country's general infrastructure which are essential for supporting such programme.

The Structural Adjustment Programme (SAP)

In view of the poor performance of NESP, and the further deterioration of external conditions, the government, on its own, introduced SAP in 1982.

The SAP commitments were:- A tighter control on parastatal expenditure; a tighter monitoring of capital projects; the formulation of general guidelines on management recruitment and other measures to improve the quality of personnel in the holding companies; the linking of expenditure to performance indicators; the freezing of overhead expenditure and penalties for those parastatals departing from budget limits (Malya 1994).

The government also liberalized trade in 1984, allowing Tanzanians with foreign exchange to import goods to close the gap that existed between the supply and demand of common goods which were acutely short in supply. Tanzania introduced key policy reforms commonly associated with economic liberalization packages and of particular importance in this regard were:- devaluation of its currency; increase in import facilities; an adjustment of the prices paid to agricultural producers to more accurately reflect the prices obtained in the world market, and an increase in the prices of consumer goods.

However, the success of SAP depended on the mobilization from external sources for the three year period of \$900 million, of which \$690 million were required from the IMF and the World Bank in the form of balance of payments assistance. The rest was provided by bilateral donors, mainly by shifting resources from project aid to support for imports (Wagao, 1989).

The Economic Recovery Programme I (1986-89)

In June 1986 the government launched ERP to continue to intensify the earlier adjustment initiatives. ERP relied on macroeconomic and sectoral measures. Its specific objectives were to increase the output of food and export crops, funnel investment resources towards the rehabilitation of physical infrastructure and directly productive activities, elevate capacity utilization in industry, restore internal and external balances and augment the foreign exchange earnings from exports. The measures adopted included a substantial devaluation of the shilling; to be followed by gradual adjustment; the adoption of tight fiscal and monetary targets, additional measures aimed at getting the prices right for rural producers, and a schedule for the dismantling of the controls over prices and distribution.

The Economic Recovery Programme II (1989-92)

The ERP II was introduced as a follow-up on programme from the first major reform package, its initiation indicated that the IMF had been satisfied with the direction Tanzania was taking so far as economic reforms was concerned. This programme, gave priority to the following:- the strengthening of social services delivery by creating an enabling environment for improved efficiency, accountability and community support; the improvement of education facilities; the restoration of an adequate supply of essential drugs in health facilities; the improvement of food distribution and security; the rehabilitation and improvement of existing water facilities; and the acceleration of employment creation and income generating activities in small scale manufacturing and services.

The Investment Promotion Policy: Green light to Privatization:

The most remarkable U-Turn since the pronouncement of the Arusha Declaration was in 1990 when the government's new investment policy was unveiled. The policy was clearly intended to unlock some of key policy areas which were highly sensitive politically due to their implications for the governments socialists. programme and particularly the opening of the door to foreign capital and the encouragement of domestic private capital to operate freely in areas of the economy which hitherto reserved for state. The policy removed one of the pillars on which Tanzania socialism rested: public ownership of the major means of production. The investment policy opened all sectors to private capital, foreign and local.

The new policy's main objective was to enhance resource mobilization from external investors as well as domestic sources. In 1991/92 the government enacted a law allowing foreign and local individuals and institutions to set up private banks and a call for parastatals that were in survival difficulties to enter into joint ventures or sell to private investors in order to save employment.

Review of Literature

Structural adjustment as already stated is firmly on the declared policy agenda of many African countries. However, few of them have made any significant progress in this direction. A major reason for this has been the lack of a realistic assessment of the requirements and capabilities, needed to carry out successful structural adjustment in terms of financial support, investment promotion, and mostly important, human resource development.

Jespersen (1992), while discussing on the external shocks, adjustment policies and economic and social performance concluded that structural adjustments failed to achieve the desirable objectives because of the inadequate implementation of adjustment programmes; a deterioration in exogenous conditions like public infrastructure and communication; inadequate ex-

ternal funding; and policy conflicts and inconsistencies in the design of adjustment programmes.

Wagao (1990) analyzed adjustment policies in Tanzania and their impact on Growth, structure and human welfare argued that, the effects of structural adjustment in the developing world under score the need for alternative policies for example, adjustment must address the issue of external balance in the context of long-term development; it must deal with both the domestic and international aspects of development problems, and it must take into account feasibility and political acceptability.

Seshamani (1990) critically analyzed the economic policies of Zambia in the 1980s towards structural transformation and concluded that the success of economic programmes depends on theoretical soundness and consistence of the programmes but also on the ability of the economic "agents" formulating and implementing the programmes. Hence improvement in the quality of human resources would be important steps in enhancing the technical and professional competence of economic agents.

Cornia et. al (1987) while discussing on the supply side and the changing production structures and accelerating growth argued that the revival of supply is one of the first challenges any development package must face in Africa. However, markets, institutions and interactions among social groups should be organized in such a way that the supply of goods and services caters directly or indirectly for the need, especially the basic needs of the region's population.

Stewart (1987) while discussing the short-term policies for long term development for African countries argued that, the stabilization and adjustment policies advocated by the IMF and World Bank and widely adopted in Africa have not succeeded in restoring growth in most countries, indeed, they have often been accompanied by continued economic deterioration. Moreover, in many respects the policies are pushing African economies away from a desirable

long-term structure especially because they are dampening local capabilities. Hence an alternative policy reform is clearly needed since the current packages are not satisfactory.

Davies et al (1988) when discussing adjustment policies and the Welfare of Children in Zimbabwe argued that policies like devaluation, privatization, trade liberalization, deficit reduction and cost recovery, jeopardized the popular goals of the liberation struggle of Zimbabwe like education, health, and land reform because of orthodox adjustment policies, particularly the reduction of subsidies.

Mkandawire (1989) while discussing structural adjustment and agrarian crisis in Africa argued that the orthodox adjustment policies applied on a massive scale in Africa in the 1980s are not contributing to the achievement of the long-term objective of development.

IMF (1988) the package giver, agreed that structural adjustment does not deal primarily and explicitly with the removal of those structural weaknesses and distortions (in human capabilities production and trade structures, and in transport and rural infrastructure) which are to a large extent responsible for the macroeconomic disequilibria.

Most of the studies done have come up with different opinions on the effect of structural adjustment on social, economic and political environment, especially in developing countries. This paper will examine the case of Tanzania.

The Problem

The adjustment policies advocated by IMF and World Bank e.g. structural adjustment policies, stabilization and privatization policies and widely adopted in Africa have not succeeded in restoring growth in most countries. In many respects the policies are pushing African economics away from a desirable long-term structure especially because they are damping local capabilities. This is so, especially in the expenditure cuts in areas essential for the development of capacity and human capabilities eg. in health, educa-

tion and public infrastructure which are important elements in development; (this was also observed by Stewart 1987.)

This paper will examine the effects of structural adjustment on standard of living of people in Tanzania. The paper aims to find out whether the living standards of the people declined or improved during the period when Tanzania experienced structural adjustments in 1980's up to 1995. The paper will also try to come up with amendments to the current adjustment packages.

Methodology

The study utilizes time series data for twenty years. (1975 - 1995) for a single country (Tanzania) (appendix 1). It relied mainly on secondary data (library research). No field survey was conducted. Data for infant mortality per 1000 population, life expectancy at birth per year, primary school enrolment per year, rural population accessible to safe water, and electricity consumption per household have been used as measures of standard of living. These measures have been arbitrarily selected. Other authors use different measures since there are no measures which are universally accepted as representing the standard of living. The sources of information included are statistical abstracts from Tanzania Bureau of Standards, United nation's Statistical year Books (various years), Bank of Tanzania Economic Bulletins; Tanzania Economic Surveys Reports (various years) and Africa Development Report (various years).

Measures of standard of living mentioned above were regressed (from 1975 - 95). The t-statistic test and the coefficient of determination " r^2 " were used to verify whether there is a strong relationship between the economic growth and the improvement of living standard at 5 percent level of significant. The Durbin Watson Statistic was used to test for auto-correlation. The dependent variable in this study was the standard of living while the independent (explanatory) variable was the growth in the real gross national product.²

The following regression model was used in our investigation to estimate the relationship: (See appendix 1)

$$L_{it} = a + bY_{it} + E_t$$

Where L_{it} stand for the average of the measure of living standard.

- L_1 = Life expectancy at birth in years
 L_2 = Infant mortality rate per 1000 population
 L_3 = Proportion of the rural population accessible to safe water
 L_3 = Proportion of the rural population accessible to safe water
 L_4 = Primary school enrolment ratio
 L_3 = Electricity consumption (KWH/household).
 Y_{it} = The GNP growth - (absolute increase of GNP in million Tanzania shillings).
 E_t = The error term

a, b are constants.

This technique of analysis was adopted from Hicks et. al (1975) whereby they computed the unweighted average of the correlation coefficient to determine the overall correlation between gross national product and seven social indices based on the data obtained from the world bank social data bank.

Empirical Findings

The result of regression analysis for each measure of standard of living and coefficient of determination are reported below:

- (a) Life Expectancy at Birth (L_1)

$$L_1 = 37.0354 + 0.0082 Y_1 \quad r^2 = 0.79$$

$$t = (-5.977) (7.2331) \quad df = 18$$

$$F(1,18) = 104.9973$$

- (b) Infant Mortality Rate (L_2)

$$L_2 = 23.2802 - 0.0004 Y_1 \quad r^2 = 0.87$$

$$t = (0.72341) (3.2750) \quad df = 18$$

$$t = (31.4389) (-14.3155) \quad F(1,18) = 168$$

- (c) Rural Population Accessible to Safe Water (L_3)

$$(L_3) = -58.2933 + 0.0042 Y_1$$

$$r^2 = 0.76$$

$$(10.3281) (0.00043)$$

$$df = 18$$

$$t = (-6.5447) (9.5731) \quad F(1,18) = 81.4415$$

Durbin Watson stat. = 0.2739

- (d) Primary School Enrolment L_4

$$L_4 = 18.447 + 0.003 Y_1 \quad r^2 = 0.08$$

$$(30.357) (0.0016) \quad df = 18$$

$$t = (0.6673) (1.8410) \quad F(1,18) = 4.1014$$

Durbin Watson Stat. = 0.5641

- (e) Electricity Consumption per Household

$$(L_3)$$

$$L_3 = -104.4531 + 0.0084 Y_1 \quad r^2 = 0.82$$

$$(10.8231) (0.0007) \quad df = 18$$

$$t = (-11.1435) (18.6773) \quad F(1,18)$$

$$= 276.3341$$

Durbin Watson stat. = 0.7153

Calculating the average overall coefficient for determination we found that the average $r^2 = 0.664$. It tells us that about 66 percent of the increase in standard of living of people are due to structural adjustment policies.

The absolute t - values of /10.6731/ for life expectancy at birth (model L_1); /14.3155/ for infant mortality (model L_2); /9.5731/ for rural population accessible to safe water (model L_3) and /18.6773/ for electricity consumption (model L_4) are greater than the 2 - t table value at 5 percent level of significance (2.201). This implies that the estimated slope coefficient for the models (L_1 , L_2 , L_3 , and L_4) are significant, and not equal to zero. On the other hand the t - ratio of /1.8410/ for primary school enrolment (model L_4) is less than the 2 - t table value, ie. /1.8410/ < t 0.05/2 * 18 df. This leads us to agree that the primary school enrolment (model L_4) is not significant at 5 percent level of significance.

Looking at the Durbin Watson table for 20 observations and one explanatory variable, we found the lower bound unit dL is 1.273 and the upper bound limit dU is 1.411 at 5 percent level of significance. The calculated Durbin - Watson statistic test of 0.63445, 0.06814, 0.2739, 0.5641

and 07153 for the five measures of standard of living L_1, L_2, L_3, L_4, L_5 respectively, fall below the lower bound limit $dL = 1.273$ indicating the presence of positive autocorrelation in our data which may lead to overestimation of the t -value, the F -value and the coefficient (r^2). One major source of the autocorrelation is due to model specification bias i.e. exclusion of variables which also improve standard of living. However, no attempt was made to correct autocorrection.

Discussion of Findings

The slope coefficient for infant mortality model (L_2) is negative (-0.0004) and statistically significant at 5 percent level. The negative slope coefficient indicate that during the period 1975 - 1995 (when the structural adjustment programmes were introduced), Tanzania managed to decrease infant mortality rate. Infant mortality for Tanzania decreased from the high level of 145 deaths per 1000 live birth in 1971 to 115 deaths in 1986 and 104 deaths in 1995³. It can be argued that the reduction in mortality rates is due to better access to curative care and the success of vaccination programmes in controlling the spread of certain diseases. However, there is much less evidence for progress in limiting the incidence and morbidity levels of ailments, such as undernutrition, respiratory infections and sexually transmitted diseases, that are generally more directly related to socioeconomic and environmental factors. Currently for example, there is hiking of prices for health services. This may lead to not many people affording to go to hospitals hence increased death rates and poor health of the people. The slope coefficient for the remaining measures of living standard are positive, that is, 0.0082 for life expectancy at birth, 0.0042 for rural population accessible to safe water, 0.0031 for primary school enrolment and 0.0084 for electricity consumption. The signs of the estimated coefficient are in accordance with the theoretical expectation of the structural adjustment programmes which states that the programmes will improve the economic growth which in turn will lead to improvement of the standard of living assuming that part of the growth in national income is allocated to the social sec-

tors that affect the quality of life directly. The correlation coefficient (r^2) of 0.79, 0.87, 0.76 and 0.82 for life expectancy at birth, rural population accessible to safe water and electricity consumption per household respectively are high. This implies that the structural adjustment programmes which have the impact on the GNP growth are significantly correlated with these measures of standard of living. On the other hand, the coefficient of determination (r^2) of 0.08 for primary school enrolment indicate a weak correlation between the GNP growth and primary school enrolment. These results are consistent with those of Eva Jespersen (1992) when discussing the external shocks, adjustment policies and economic and social performance in Africa 1990s. Macro data for primary school enrolment increased from 34 percent in 1971 to over 90 percent in 1980 and then started to decline to 62 percent in 1990 (Quarterly Economic trends 1990). This could be the result of the government reducing the education budget from more than 20 percent in 1970s to less than 5 percent in 1995 (Daily news, July 29 1995). The concept of education cost - sharing with household (families) have raised a number of problems: first, schools built by local communities were generally inferior to government-built schools; second, communities were increasingly unable to meet their responsibility to construct schools and housing for teachers; thirdly, the income for teachers are so much reduced, that it worsened the quality of education, as teachers increasingly resorted to secure income either through tutoring or any other activities outside schools. This led to a decline in the number of schools operating in rural areas; fourthly, the rise in the cost of education faced by families caused a drop in enrollments. In Tanzania, a "typical" family with three teenagers in school would have to spend 58 percent of their household income to pay for educational expenses (Malya 1994).

The findings of the study reveal that the introduction of the structural adjustment and the market economy system in Tanzania has reduced to a great deal the role of the government in the management of the economy. Goods and social services which were formerly provided by the government freely or at a subsidized price are now

paid for or the government subsidy has been reduced. Although the structural adjustment programme has brought in economic growth in Tanzania, it is likely to have a negative impact to the living standard of the general public, because not all the people can afford to pay for the health and education facilities and many other social services which they used to obtain force of charge or at a subsidized price. The real economic development should have a goal of improvement of the standard of living of people (human resources improvement) rather than profit motives.

Conclusion and Recommendations

It has been observed that during the period of 1975 to 1995, the period when several structural adjustment programmes were introduced, the GNP grew up from a negative to a positive 4.2% (1995), hence to some extent improving the living standard of the general public.⁴ However, the government should not be complacent. The introduction of structural adjustment programmes which have brought in the market economy system may lead to deterioration of social achievements. For instance, as it can be observed currently there is hiking of prices for health services, leading to more deaths of children and making the general population unhealthy, and even increased deaths, particularly to the people who are living in rural areas, whose income are small; high education fees making the enrolment to primary school to drop down and the number of children attending and completing the secondary school to decrease; prohibitive electricity charges and mass unemployment through the retrenchment exercise, hence reducing the purchasing power of the people and increasing the burden to those who are working because they have to take care of the retrenches. These are some few only to mention. The conclusion observed by this study is that, the government should continue to set and implement economic and social policies that have direct effect on the living conditions of the people. The government should not delegate all economic and social activities that affect directly the quality of life of its citizen to the private sector whose operations are government by profit motives, hence

it could continue to provide the social services which are necessary in improving the living standard of people particularly in the areas of education, health and communication/transport.

Since a number of policies in the adjustment package in Tanzania have had both positive and negative effects in the medium term: positive because they correct past distortions, but negative because they do not provide essential complementary changes or because they are too market oriented, then some amendments are needed to the policy reforms in adjustment packages to bring about desirable results, these amendments include:-

- While a more market - oriented approach is desirable in Tanzania, markets should be structured to ensure the allocation of foreign exchange and credit to small-scale and rural sectors. Similar structuring of government expenditure is necessary to ensure that priorities are met in rural infrastructure and the social sector.
- The import liberalization which is currently operating is disenable, as stringent controls have served neither efficiency nor equity. However, import liberalisation should be selective to allow goods that permit a build-up capacity in industries, instead of importing children toys, and spirits etc which they do not have any direct impact on the improvement in the standard of living of people, particularly those in the rural.
- Regional trade liberalization eg. SADAC countries, the E.A. Community etc should be a priority in order to permit countries to combine some protection and greater competition and exploitation of economies of scale.
- Though some financial deregulations which are currently existing are desirable, some supplementary reforms are needed to secure credit for vulnerable group like women, incapacitated persons etc, as well as small - scale credit

for youths who are left as if they do not pose a problem.

New forms of collaboration with foreign investors et. partnership, share buying (a limited amount) should be encouraged. This will allow also Tanzania citizen to have a to chance in participating to the economic development, and learn the managing techniques as well as import technology. Direct foreign investment should only be promoted when the partnership have failed.

Privatization which is in the speedy, should play a role where local private ownership can be substituted for public ownership (instead of current foreign private ownership). Elsewhere the reform of parastatals should be a high priority through reduction or the elimination of direct government regulations and subsidies, thus increasing competition and allowing parastatals to go out of business if they fail; new parastatals which involve small decentralized units should be encouraged. The current trend of privatizing parastatals to foreign private ownership, is killing the local manufacturing base which was starting to take off. It also increases the unemployment rate through retrenchment exercise, while at the same time the foreign private owners import their own labour from the countries they originate, hence disadvantaging more the local manpower.

NOTES

1. *The concept of "standard of living" is a widely but loosely used by the general public, however it is very difficult to specify what it is. Livingstone and ord (1981) say that "people's standard of living refers specifically to the flow of real goods and services which they can command by earning income or receiving transfer payments" p. 13. Sen (1973) and Brahmananda (1993) explain the standard of living as the well being of the people which has to do with being able to live long, being well nour-*

ished, being health, being literate, and so on. In this study, the word standard of living refers to the people's intrinsic achievement, their beigns and doing (that is achievement in material, physical and social well - being). Scholars are yet to come up with a single index with which to measure the standard of living, research is still being done in an effort to develop standard of living index (see Sufian (1993), Lind (1992) McGillivray (1991) and human development report 1990). There are, However, social indicators and some aspects of the economy that have most bearing effect on the quality of life of the population which are used to gauge and assess changes in the standard of living in society. Such indicators includes Employment and unemployment rate, wages, housing, poverty level, nutrition, morbidity and mortality experiences, health, education and so forth. Life expectancy at birth, Infant mortality rate, Rural population accessible to safe water. Primary School enrolment and Electricity consumption per household were taken as measures of living standard. The selection of this measures was based on the convenience of availability of national statistical data for the period under study.

2. **Gross National Product growth.**

Economist define GNP as the total domestic and foreign value of final goods and services claimed by residents. Therefore, GNP growth refers to the growth of total domestic and foreign value of final goods and services claimed by residents over a period of time. Because the value of the total output of goods and services can rise due to increase in prices, the measure of material well-being is usually corrected for price changes to reflect only real goods and services produced. Therefore, GNP growth will refer to an increase from one period to the next in the real gross national product. Typically GNP growth is calculated and measured in terms of annual percentage rates of growth. However, GNP

growth in this study is measured by the absolute increase of real GNP value in Tanzanian shillings. Due to non availability of GNP figures, we used the annual increase in real GDP as a proxy for GNP growth.

3. These were calculated from UNICEF and WHO various annual reports

4. This was also noted in Budget Speech of Ministry of Finance July 1997 (Dodoma).

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- (e) United Republic of Tanzania, the Economic Survey (Various years 1975, 1985, 1995).

Appendix 1:
GDP Growth (economic growth) and measures of living standard:

Year	GDP growth (%) (a)	GDP growth Tshs Million (a)	Infant Mortality per 1000 population (b)	Life expectancy at birth (years) (b)	Primary School enrolment (%) (c)	Electricity consumption per household (Kwh) (d)	Rural population access to safe water (%) (e)
1975	1.3	20,602	142	48	53	39.3	19.6
1976	9.1	21,652	139	48	62	40.4	21.2
1977	6.1	21,739	135	49	76	56.0	23.0
1978	4.0	22,202	133	49	81	52.1	25.0
1979	2.1	22,849	130	49	93	63.0	26.0
1980	2.9	23,419	128	52	92	64.2	33.0
1981	2.5	23,301	125	52	93	61.6	37.5
1982	-0.5	23,439	123	52	88	63.8	40.0
1983	0.6	22,882	122	52	79	65.5	41.0
1984	-2.4	23,656	120	53	73	77.4	41.5
1985	3.4	24,278	119	53	69	77.6	43.0
1986	2.63	25,070	116	53	66	83.3	44.0
1987	3.3	26,345	115	53	64	85.6	45.0
1988	5.1	27,460	115	54	63	92.1	45.0
1989	4.2	28,377	115	54	63	97.2	45.0
1990	5.5	29,368	115	54	63	100.1	45.0
1991	3.4	31,609	115	54	63	100.1	45.0
1992	3.8	32,724	115	54	63	101.0	45.0
1993	3.9	34,088	114	55	62	101.0	45.5
1994	3.0	35,122	114	55	62	101.0	45.5
1995	4.5	36,113	113	55	61	102.1	45.5

Sources:

- (a) National Accounts of Tanzania, Bureau of Statistics National Accounts section, Presidents Office, Planning Commission, Dar es Salaam, August 1992. Also Bank of Tanzania Economic Bulletin for the Quarter ended 31st December 1995 Vol XXXIV No 4.
- (b) Statistical year books (Various years 1975, 1985, 1990 and 1995) United Nations.
- (c) African Development Report, African Development Bank 1990
- (d) Statistical Abstract: Bureau of Statistics Planning commission, February 1994.
- (e) United Republic of Tanzania, the Economic Survey (Various years 1975, 1985, 1995).