



The Long-Run Economic Impact of Policy Reforms in Tanzania: A Theoretical Review from the *Post-Arusha Era* to the Present

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Received: October 12, 2025; Accepted: February 27, 2026; Published: March 16, 2026

Abstract: *The trajectory of Tanzania's economic development since the mid-1980s offers a critical lens through which to examine the efficacy of major policy reforms in a developing African context. This paper provides a comprehensive theoretical review of the influence of these reforms on the nation's economic growth, from their inception following the Arusha Declaration era to the present day. While Tanzania transitioned from a state-led to a market-oriented economy, the long-term, nuanced impacts of these sequential reforms; from the early Structural Adjustment Programmes (SAPs) to contemporary policies; on growth, sectoral performance, and citizen welfare remain unevenly understood. This study employs a qualitative, critical review methodology, synthesizing and analyzing a wide array of published documents, economic surveys, and scholarly articles spanning from the early 1960s to 2025. The review reveals a complex and phased impact. Initial reforms (mid-1980s) spurred a positive but modest supply response, while a slowdown in reform commitment in the early 1990s led to economic stagnation. A more consistent reform period from the mid-1990s onwards, coupled with strong macroeconomic fundamentals, underpinned a sustained upward growth trend, culminating in Tanzania's attainment of lower-middle-income status in 2020. However, this growth has been characterized by significant structural imbalances: a declining relative contribution of agriculture, a manufacturing sector with fluctuating performance, and a persistent disconnect between macroeconomic growth and equitable welfare improvements for ordinary Tanzanians. The COVID-19 pandemic and subsequent global shocks have further highlighted the economy's vulnerability. The study's primary contribution is the periodization of reform impacts, demonstrating that the pace and consistency of reforms matter critically for economic responsiveness. It provides a nuanced theoretical understanding of the "trickle-down" failure in the Tanzanian context, offering empirical evidence for the widening gap between GDP growth and broad-based poverty reduction. Policy reforms successfully dismantled the inefficient, state-controlled economy of the Ujamaa era and established a foundation for growth, yet they have not fully addressed structural inequalities or fostered a resilient, inclusive economy. To translate aggregate growth into tangible welfare gains, future policy must prioritize targeted interventions that enhance the productivity of the agricultural sector, stimulate broad-based job creation for a young workforce, and ensure that the benefits of high-growth sectors like construction and ICT are more equitably distributed.*

Keywords: *Economic liberalization, Structural Adjustment Programmes (SAPs), Inclusive growth, Welfare analysis, Tanzania*

1. Background Information

The final quarter of the 20th century marked a pivotal juncture in global economic history, characterized by a profound reorientation of development thinking. The late 1970s and early 1980s witnessed a global economic recession, precipitated by a confluence of factors including high interest rates in developed economies, a secular decline in primary commodity prices, and burgeoning internal and external imbalances (Bagachwa & Limbu, 1995). For much of the developing world, and Sub-Saharan Africa (SSA) in particular, this period represented a "lost decade," as pre-existing structural distortions and inefficiencies in production, distribution, and financial systems were brutally

exposed and exacerbated (Bilame, 2003). This pervasive crisis not only rendered many developing economies dysfunctional but also created fertile ground for the ascendance of a new global development paradigm (Bilame, 2009).

This paradigm shift represented a fundamental departure from the post-colonial consensus that had favoured state-led, import-substituting industrialization and welfarist policies. As the world recession deepened, influential multilateral institutions; spearheaded by the International Monetary Fund (IMF) and the World Bank; attributed the economic stagnation in developing countries to these very strategies.



The prevailing diagnosis was that an overextension of the state, excessive regulation, and a neglect of price mechanisms had crippled economic vitality (World Bank, 1994). Consequently, the perception of the government as the primary engine of economic growth was supplanted by a new orthodoxy that championed the efficiency of market forces and an enhanced role for the private sector in both production and economic management (Bilame, 2009; Williamson, 1990).

This new development model crystallized into what became known as Structural Adjustment Programmes (SAPs). Rooted in neoliberal economic theory, SAPs prescribed a comprehensive set of policies designed to restore macroeconomic stability and reignite growth. These programmes stressed the efficiencies of free-market resource allocation, emphasized deregulation, and advocated for an export-orientation to achieve international competitiveness based on comparative advantage (Mosley *et al.*, 1995). The underlying philosophy supported economic globalism, the creation of a unified global market for goods, capital, services, and technology. Structural adjustment was framed not as an end in itself, but as a necessary precondition for sustainable growth and, implicitly, for poverty reduction (World Bank, 1994). The apparent success of the Newly Industrializing Countries (NICs) of East Asia, with their strong export-oriented manufacturing sectors, served as a powerful exemplar, reinforcing the belief that similar performance could be replicated elsewhere, provided economies were sufficiently stabilized and restructured (Bilame, 2003).

The influence of this paradigm was pervasive. Between 1982 and 1986, 29 Sub-Saharan African countries (excluding South Africa) embarked on SAPs under the auspices of the Bretton Woods institutions (World Bank, 1994). Tanzania's own adoption of Economic Recovery Programmes (ERPs) must be understood within this broader global and regional context. Prior to the mid-1980s, Tanzania's development policies, production systems, and export regimes were heavily influenced by the Ujamaa ideology, which prioritized state control, collective agriculture, and import-substitution. This framework, while socially ambitious, systematically discriminated against private sector development and exports, primarily benefiting public sector agencies and parastatal industries (Bilame, 2003, 2014; Coulson, 2013).

However, the adoption of SAPs from the mid-1980s onwards signalled a decisive policy reversal. The new policy framework mandated a fundamental restructuring of the economy's supply side. This involved a strategic shift away from an inward-oriented, import-substitution strategy towards an outward-oriented, export-led growth model. Central to this transformation was an enhanced role for the private sector and a reallocation of resources away from non-

tradable goods. This was to be achieved by altering the structure of economic incentives through a combination of policy instruments: significant exchange rate adjustments to reflect market realities, the liberalization of domestic prices, and the relaxation of wage-control policies (Bilame, 2014; Ndulu *et al.*, 2007). This background sets the stage for a detailed examination of how these profound policy shifts have shaped Tanzania's economic growth trajectory from the mid-1980s to the present day.

2.0 Theoretical Framework

The analysis of policy reforms and their influence on Tanzania's economic growth requires a strong theoretical foundation capable of capturing the multifaceted nature of economic transformation in developing economies. This framework synthesizes several complementary theoretical perspectives to provide a comprehensive lens through which Tanzania's reform experience from the mid-1980s to the present can be systematically analyzed, drawing upon neoliberal adjustment theory, export-led growth theory, structuralist critiques, and institutional theories of policy change, each contributing unique insights into the complex dynamics of economic reform in the Tanzanian context.

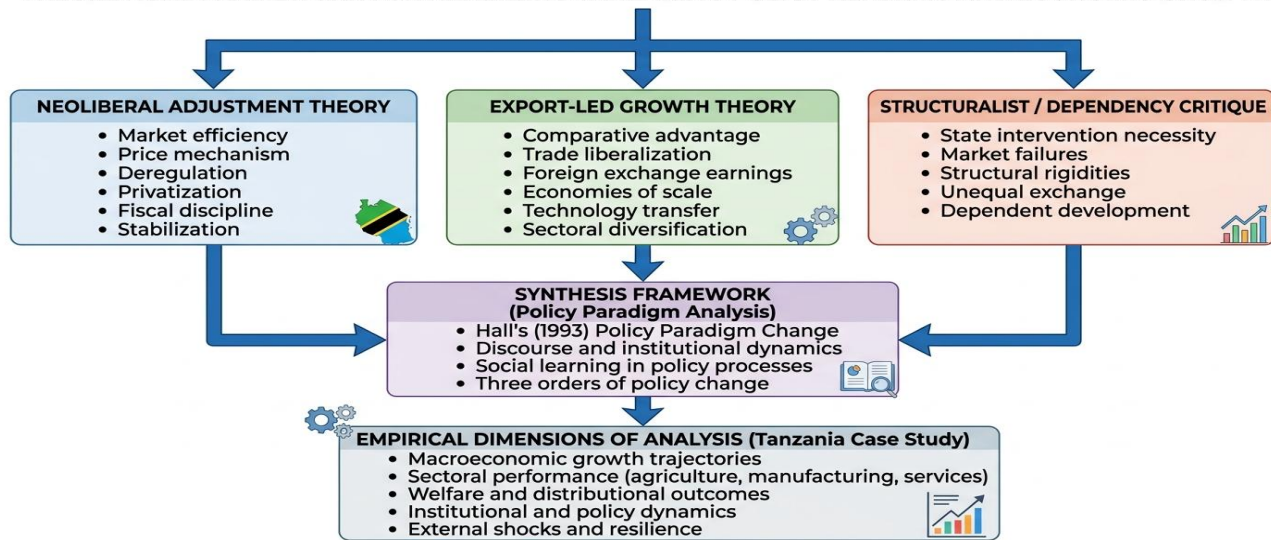
The theoretical underpinnings of the Structural Adjustment Programmes implemented in Tanzania from the mid-1980s are rooted in neoliberal economic theory, which gained ascendancy in the late 1970s and 1980s. This perspective, often associated with the "Washington Consensus" as articulated by Williamson (1990), posits that market mechanisms, when allowed to operate freely, generate optimal resource allocation and economic outcomes. The core propositions of this theoretical tradition include the efficiency of free markets, the distorting effects of state intervention, and the primacy of price signals in coordinating economic activity (Williamson, 1990). In the context of developing economies, neoliberal adjustment theory attributes economic stagnation to policy-induced distortions arising from excessive state intervention, overvalued exchange rates, protectionist trade regimes, and subsidized public enterprises (World Bank, 1994). The prescribed remedy involves a comprehensive package of stabilization and structural adjustment measures: fiscal consolidation, monetary restraint, exchange rate realignment, trade liberalization, privatization of state-owned enterprises, and deregulation of domestic markets (Mosley, Harrigan, & Toye, 1995). The application of this theoretical framework to Tanzania is evident in the Economic Recovery Programmes initiated in 1986, which embodied the core elements of the neoliberal prescription, with the theoretical expectation that removing price distortions, liberalizing trade, and enhancing the role of the private sector would stimulate supply response, restore macroeconomic balance, and set the economy on a sustainable growth path (Bilame, 2003). However, as the empirical evidence from Tanzania



demonstrates, the actual outcomes of these policies have been more nuanced and complex than the theory would predict (Utouh & Kitole, 2025).

policy direction in Tanzania, articulated through the Dira 2050 long-term development blueprint, explicitly prioritizes export-led growth as a pathway to sustainable development.

THEORETICAL FRAMEWORK FOR ANALYZING TANZANIA'S POLICY REFORMS AND ECONOMIC GROWTH



The shift from import-substitution industrialization to export-oriented strategies in Tanzania's reform programme reflects the influence of export-led growth theory. This theoretical tradition, which draws upon the experience of East Asian newly industrializing countries, posits that export expansion serves as an engine of economic growth through several mechanisms: the realization of comparative advantage, economies of scale in production, foreign exchange earnings that finance capital goods imports, technology transfer and learning effects, and increased competition that enhances productive efficiency (Bilame, 2014). The theoretical rationale for export orientation in the Tanzanian context was articulated in policy documents emphasizing the restructuring of the supply side of the economy from inward-oriented import substitution to outward-oriented export-led growth (Bilame, 2003). The mechanism for achieving this transformation involved altering the structure of incentives through exchange rate adjustment, changes in domestic prices, and the relaxation of controls; all designed to shift resource allocation toward the production of tradable goods. Recent empirical evidence supports the relevance of export-led growth theory to Tanzania's economic experience. A study examining the period 1984 to 2023 found that agricultural exports are the most significant driver of GDP growth, with a 1% increase leading to a combined GDP growth of approximately 0.71% after two to three years, indicating a delayed but substantial positive effect (Vedasto, 2025). Granger causality tests further confirm a unidirectional causal relationship from agricultural exports to economic growth, highlighting the key role of exports in driving GDP performance (Vedasto, 2025). These findings align with the theoretical predictions of export-led growth theory, emphasizing that exports stimulate foreign exchange earnings, investment, and productivity gains. The recent

Following reforms to the National Trade Policy in 2023, exports rose by over 14% to approximately \$16.89 billion in 2025, reflecting a decisive shift toward export-led growth, with agriculture being repositioned as a modern, market-driven sector linked to processing industries (The Citizen, 2025). This policy orientation is theoretically grounded in the export-led growth framework and its empirical validation in the Tanzanian context.

While neoliberal adjustment and export-led growth theories have significantly influenced Tanzania's reform trajectory, a comprehensive theoretical framework must also incorporate structuralist and dependency perspectives that offer critical insights into the limitations and contradictions of market-oriented reforms. This theoretical tradition, associated with scholars such as Prebisch, Singer, and later contributors to structuralist macroeconomics, emphasizes the structural rigidities and asymmetries that characterize developing economies and constrain their responses to market signals (Cowan, 1994). From a structuralist perspective, developing economies are characterized by fundamental features that distinguish them from advanced industrial economies: the coexistence of modern and traditional sectors (structural heterogeneity), incomplete and fragmented markets, production rigidities, and dependent insertion into the international division of labor. These structural characteristics imply that price adjustments alone may be insufficient to generate desired supply responses and that state intervention remains necessary to address coordination failures, overcome structural bottlenecks, and guide the structural transformation of the economy. A postcolonial perspective on Tanzania's reform experience highlights the negative impacts of neoliberal free trade practices on Third World countries. The Structural Adjustment Programmes



that enforced trade liberalization and adherence to free trade rules have been associated with economic imbalances and poverty, leading toward social insecurity and ecological crisis (Postcolonialism perspective on the negative impacts of neoliberal free trade practice in Third World countries, n.d.). This critical perspective draws upon postcolonial theory to explain the complex traumatic legacy left in the psychology of the colonized that underpins problematic political economy realities in Third World countries, including the excesses of neoliberal free trade (Postcolonialism perspective on the negative impacts of neoliberal free trade practice in Third World countries, n.d.). The relevance of structuralist critiques to the Tanzanian case is evident in the empirical patterns documented in this study. While policy reforms generated positive macroeconomic responses, these were characterized by significant structural imbalances: a declining relative contribution of agriculture, a manufacturing sector with fluctuating performance, and a persistent disconnect between macroeconomic growth and equitable welfare improvements for ordinary Tanzanians. These patterns suggest that market-oriented reforms, while addressing some distortions, have not adequately resolved deeper structural constraints on inclusive and sustainable development.

Understanding the dynamics of policy change in Tanzania requires theoretical tools that can capture the processes through which economic ideas gain ascendancy, shape policy choices, and become institutionalized. Peter Hall's (1993) work on policy paradigms and social learning provides a powerful analytical framework for this purpose. Hall's framework distinguishes between three orders of policy change: first-order changes involve adjustments to the settings of existing policy instruments; second-order changes involve the adoption of new policy instruments while maintaining underlying policy goals; and third-order changes represent a radical shift in the overarching goals and framework of policy, a paradigm shift (Hall, 1993). Hall's analysis suggests that policy paradigms come to circumscribe the realm of the politically feasible, practical, and sensible. Until the paradigm changes, only first and second-order changes are possible. Third-order change, because it represents a radical break with past policy, has far-reaching consequences and is more likely to be overtly politicized. Such change depends not only on the outcome of conflict between experts but also on their ability to mobilize wider support by having their view accepted as authoritative (Hall, 1993). The application of this framework to Tanzania's reform experience illuminates the nature of the policy transformation that occurred in the mid-1980s. The shift from the Ujamaa paradigm, with its emphasis on state-led development, collective agriculture, and self-reliance, to the SAP paradigm, emphasizing market liberalization, private sector development, and export orientation, constitutes a classic third-order policy change. This paradigm

shift was not merely a technical adjustment but a fundamental reorientation of development philosophy, involving contestation between competing visions of economic organization and requiring the mobilization of political and intellectual support for the new paradigm (Holtom, 2005). The process through which this paradigm shift occurred in Tanzania involved complex interactions between domestic policymakers, international financial institutions, and expert communities. The breakdown of negotiations with the IMF in 1979, the subsequent formation of the Tanzania Advisory Group, the gradual acceptance of reform measures, and the eventual adoption of comprehensive Economic Recovery Programmes in 1986 can be understood as a contested process of paradigm change (Holtom, 2005; Kim & Saito, 2009). This theoretical lens helps explain why Tanzania's reform implementation was characterized by periods of slow commitment and policy reversals, as actors within the policy process grappled with the implications of the new paradigm and sought to reconcile it with domestic political realities and institutional legacies (Konzo & Others, 2025).

The theoretical perspectives outlined above are not mutually exclusive but can be synthesized to provide a comprehensive analytical framework for examining Tanzania's reform experience. The synthesis framework adopted in this study recognizes that neoliberal adjustment theory provides insights into the rationale for market-oriented reforms and the mechanisms through which price liberalization, trade opening, and private sector development were expected to generate growth, though this perspective alone is insufficient to explain the uneven outcomes and persistent structural constraints observed in Tanzania. Export-led growth theory illustrates the mechanisms through which export expansion can drive economic growth and has received empirical support from recent Tanzanian data, yet this perspective must be qualified by recognition that the distributional consequences of export growth depend on sectoral composition, linkages to the domestic economy, and the policy environment within which export expansion occurs. Structuralist and dependency critiques draw attention to the structural rigidities, asymmetrical integration into global markets, and distributional consequences that market-oriented reforms may generate or fail to address, helping explain why aggregate growth has not translated into commensurate welfare improvements for ordinary Tanzanians and why sectoral performance has been uneven. Institutional and policy paradigm theory provides the meta-theoretical framework for understanding how policy change occurs, how economic ideas shape policy choices, and why reform implementation has been characterized by periods of acceleration and slowdown, situating Tanzania's reform experience within broader processes of social learning, discursive change, and institutional evolution. The application of this synthesized framework to Tanzania's



reform experience proceeds along several analytical dimensions: examining the trajectory of macroeconomic growth and its determinants; analyzing sectoral performance, particularly in agriculture and manufacturing; assessing welfare and distributional outcomes; tracing the evolution of policy paradigms and institutional arrangements; and evaluating the economy's resilience to external shocks. This multi-dimensional analysis, informed by diverse theoretical perspectives, enables a more nuanced understanding of the influence of policy reforms on Tanzania's economic growth than any single theoretical lens could provide, while also contributing to broader theoretical debates about the nature, determinants, and consequences of policy reforms in developing economies by periodizing the reform experience and demonstrating that the pace and consistency of reforms matter critically for economic responsiveness, by documenting the persistent disconnect between macroeconomic growth and broad-based welfare improvements, and by extending institutional theories of policy change to the African context.

3.0 Methodology

This study employs a qualitative, critical review methodology to examine the influence of policy reforms on Tanzania's economic growth trajectory from the mid-1980s to the present. The methodological approach is designed to synthesize and analyze existing knowledge while providing theoretical and empirical contributions appropriate for high-impact publication.

Table 1: Methodological Framework Summary

Component	Description
<i>Research Design</i>	Qualitative critical review with historical-period analysis
<i>Data Sources</i>	Peer-reviewed journal articles, economic surveys, government publications, World Bank/IMF reports, doctoral dissertations
<i>Time Coverage</i>	1961-2025, with emphasis on reform period 1986-2025
<i>Analytical Approach</i>	Thematic analysis, periodization, critical synthesis
<i>Quality Criteria</i>	Source triangulation, temporal consistency checks, theoretical saturation

The methodology encompasses systematic review of diverse documentary sources spanning from the early 1960s through 2025. Data were derived from multiple sources including: official government publications (URT economic surveys, national accounts statistics, development plans); international financial institution reports (World Bank, IMF, African Development Bank); peer-reviewed journal articles; academic books and monographs; doctoral dissertations; and credible media sources reporting official statistics. This multi-source approach enables triangulation of findings and enhances validity (Bilame, 2003, 2017).

The analytical framework employs periodization to examine economic performance across distinct policy regimes: the immediate post-independence era (1961-1966); the *Ujamaa* socialist period (1967-1985); the early reform phase (1986-1995); the consolidation phase (1996-2015); and the contemporary period (2016-2025). This periodization facilitates systematic comparison of economic outcomes under different policy frameworks (Bilame, 2014; Ndulu *et al.*, 2007).

Critical documentary analysis constitutes the core analytical method. Documents were evaluated for authenticity, credibility, representativeness, and meaning following established protocols for qualitative document analysis (Bryman, 2016). Macroeconomic indicators examined include GDP growth rates, sectoral performance, inflation, export-import dynamics, foreign exchange reserves, and social service delivery metrics. The analysis recognizes that improved macroeconomic performance may not automatically translate into enhanced citizen welfare if distributional mechanisms are inadequate (Bilame, 2009; Utouh & Kitole, 2025).

Methodological limitations warrant acknowledgment. Reliance on secondary data means the analysis is constrained by the availability, quality, and consistency of existing sources. Variations in statistical methodologies across different periods and institutions necessitate careful interpretation. Additionally, establishing causal relationships between policy reforms and economic outcomes is inherently complex given the multiplicity of confounding factors including external shocks, climatic variations, and global economic conditions (Mosley *et al.*, 1995; World Bank, 1994). The study addresses these limitations through source triangulation, temporal consistency checks, and theoretical grounding that enables contextualized interpretation of observed patterns.

4.0 RESULTS AND DISCUSSION

This section presents a synthesized analysis of Tanzania's economic performance across distinct policy regimes, from the immediate post-independence period through the contemporary era. The analysis integrates historical context with reform period outcomes to illuminate the relationship between policy frameworks and economic transformation.

4.1 Pre-Reform Era: Colonial Legacy to Arusha Declaration (1961-1985)

At independence in 1961, Tanzania inherited a colonial export-oriented economy with agriculture constituting more than 50% of GDP. Three cash crops; sisal, coffee, and cotton; accounted for 57% of exports (Omari, 1989; Schultheis, 1981). Between 1960 and 1962, these crops generated approximately 60% of foreign exchange earnings (Wenzel & Wiedemann, 1989). From 1961 to 1966, the



economy operated under free market conditions, adopting the World Bank’s “transformation approach” to agricultural development within the first five-year plan (Wenzel & Wiedemann, 1989). However, the Agricultural Products Board Act (1962-1963) reintroduced government marketing boards for scheduled crops (Bryceson, 1993).

Table 2: Agricultural Performance Indicators, 1961-1980

Period	Agricultural Production Growth (%)	Agricultural GDP Growth (%)	Agriculture Share of Exports (%)	Key Policy Regime
1961-1966	n/a	n/a	~60	Free market / Transformation approach
1967-1970	4.5	n/a	78-88	Early Ujamaa
1970-1975	2.3	3.9	78-88	Ujamaa villagization
1975-1980	1.8	1.2	78-88	Late Ujamaa / Crisis period

Source: Compiled from Kaduma (1994); Wenzel and Wiedemann (1989); Omari (1989)

The Arusha Declaration of 1967 established the era of socialism and self-reliance, with *Ujamaa* (familyhood) becoming the foundation for Tanzania’s socioeconomic system (Omari, 1989; Coulson, 2013). Major means of production were nationalized, and the villagization program resettled approximately 7 million people within a decade, concentrating villagers into larger settlements with improved infrastructure access (Wobst, 2001). As Table 2 illustrates, agricultural production growth declined progressively from 4.5% annually during 1967-1970 to 2.3% during 1970-1975 and 1.8% during 1975-1980, with agricultural GDP growth contracting from 3.9% to 1.2% across the latter two periods (Kaduma, 1994). Despite this decline, agriculture continued contributing 78-88% of total exports throughout the 1970s.

A series of external shocks; the oil price shocks of 1973/74 and 1979, dissolution of the East African Community in 1977, and the Uganda war commencing in 1978; undermined economic gains, precipitating the crisis of 1980-1985 (Ndulu, 1994; Wenzel & Wiedemann, 1989). GDP growth registered -0.5% in 1981 and -2.3% in 1983 (Mbelle & Mashindano, 1995). A severely overvalued exchange rate undermined export competitiveness, terms of trade deteriorated due to collapsing world market prices, and indebtedness exceeded critical thresholds (Mbelle & Mashindano, 1995; Bilame, 2003).

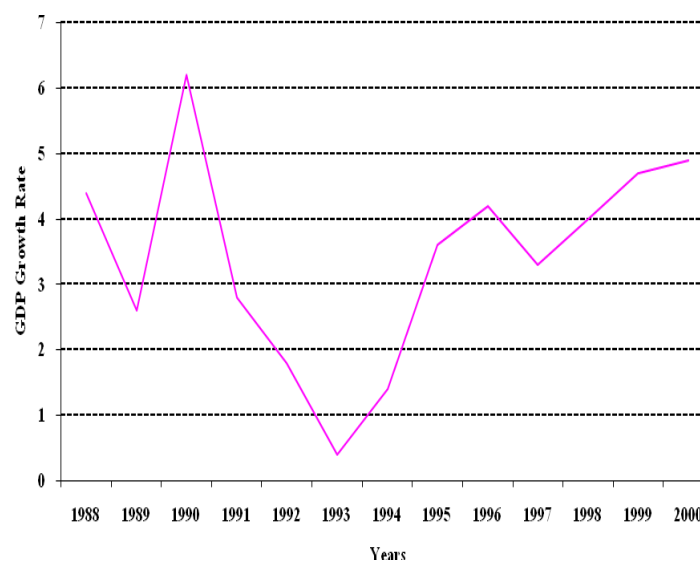
Tanzania launched its first self-directed reform, the National Economic Survival Programme (NESP), in 1981, but it failed due to retention of core socialist elements (Bilame, 2003). The three-year Structural Adjustment Programme (SAP) adopted in 1982, though home-grown with World Bank cooperation, achieved no significant improvement due to reluctance in implementing comprehensive reforms (Holtom, 2005). The fiscal year 1984/85 witnessed first substantial

liberalization: agricultural producer price increases of 46-55%, reintroduction of cooperative unions, 40% currency depreciation, 30% salary increases, and domestic food trade liberalization (Wobst, 2001). However, impact remained marginal. Not until fiscal year 1986/87 did Tanzania officially accept externally initiated Economic Recovery Programmes (ERPs), marking definitive transition to market-oriented development strategy (Bilame, 2003; World Bank, 1994).

4.2 Early Reform Period: Economic Recovery Programmes (1986-1995)

The general macroeconomic performance following ERP commencement in 1986 was positive. The economy responded with average annual GDP growth of approximately 4% through the early 1990s. However, low commitment to reforms during 1990-1995 led to deteriorating performance (World Bank, 1999a, 1999b). Figure 2 illustrates the fluctuating growth trajectory during this period.

Figure 2: Real Annual Growth Rate of GDP at Factor Cost, 1988-2000



Source: Various Economic Surveys (URT)

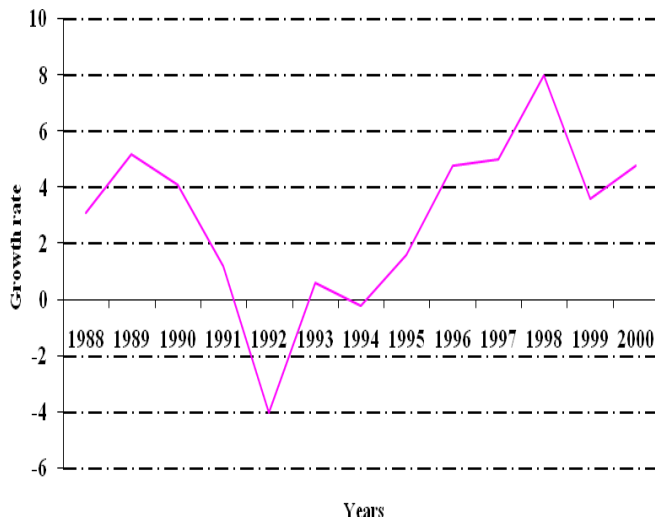
Import liberalization progressed significantly. Permission to import from own funds was granted in 1984, accounting for over one-third of total imports by 1998. Under the 1986 ERP, quantitative import restrictions were replaced by Open General Licenses, with the negative list substantially reduced by 1994 to only health and security-related goods (World Bank, 1996b).

The manufacturing sector demonstrated variable performance. Real annual growth of manufacturing exports was -15% over 1980-1985 but increased to 30.3% during 1986-1989 due to import liberalization enabling access to spare parts and inputs (Mjema & Shitundu, 1995). However,



performance dropped between 1990 and 1995 due to slow reform commitment. Figure 3 depicts manufacturing sector volatility during this period.

Figure 3: Real Manufacturing GDP Growth Rate (%), 1988-2000



Source: Various Economic Surveys (URT)

Exchange rate policy underwent tremendous changes, with effective unification in August 1993 and complete liberalization of the exchange system for current international transactions by June 1994 (Wobst, 2001).

4.3 Reform Consolidation and Acceleration (1996-2015)

Under the new ERP of 1996/97-1998/99, general economic performance improved. Tanzania pursued substantial structural reforms including further trade liberalization, fiscal consolidation, civil service streamlining, parastatal privatization, and poverty alleviation (Wobst, 2001; IDA/IMF, 2000). Over 1999-2000, GDP continued growing at 4.7-4.9% (URT, 2001). Inflation declined to 5% in 2001—the lowest rate in over 30 years.

Table 3: Education and Health Expenditure as Percentage of GDP, 1989-2000

Year/Service	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Education (%)	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.1	1.2
Health (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.5	0.6

Source: Various Economic Surveys (URT)

Social service provision during adjustment did not perform well. Primary school enrolment rates declined to 66% in the 1990s from 93% in 1980 (World Bank, 2000), attributable to cost-sharing introduction. Life expectancy at birth declined from 51 years in the early 1980s to 48 years in the 1990s (World Bank, 2000). Poverty increased from 51% in the early 1990s to 58% by 1995 (Bilame, 2003). Table 3 demonstrates persistently low education and health

expenditure shares in GDP, reflecting limited government commitment.

Table 4: Government Expenditure on Social Services as Percentage of Total Expenditure, 1995/96-2000/01

Service	1995/96	1996/97	1997/98	1998/99	1999/0	2000/1
Education	6.8%	9.8%	5.7%	5.8%	13.5%	19.0%
Health	3.7%	3.6%	4.5%	4.8%	5.4%	5.2%
Water and Housing	1.1%	2.4%	1.5%	4.2%	3.1%	3.2%

Source: Computation from Various Economic Surveys (URT)

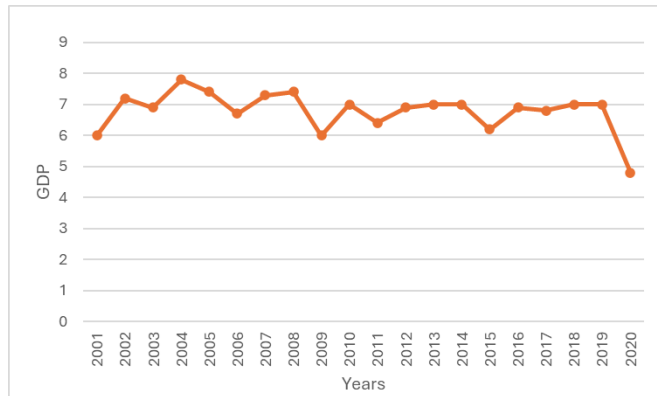
Agricultural performance showed mixed results. Export crop growth rates during reforms varied considerably, with dramatic improvement during the 1990s compared to the 1980s (Bilame, 2003). Food crop production responded positively to mid-1980s reforms but declined from the mid-1990s, with staple food crops growing at only 2.4% over 1988-2000—below population growth of 2.9% (Bilame, 2003). This decline was partly explained by removal of agricultural input subsidies, which accelerated food insecurity that hardly existed in the pre-reform period.

4.4 Contemporary Period: Middle-Income Status and External Shocks (2016-2025)

Improved macroeconomic performance has been sustained in the contemporary period. Figure 4 illustrates the growth trajectory from 2001 to 2020.



Figure 4: Annual Growth Rate of GDP at Factor Cost, 2001-2020



Source: Various Economic Surveys (URT)

GDP growth rate reached 7% in 2018. On July 1, 2020, Tanzania attained lower-middle-income country status. Annual inflation declined to 3.5% and 3.4% in 2018 and 2019 respectively (NBS, 2020). Foreign reserves reached 8.9 months of imports, remaining above the six-month target.

Significant performance has been sustained in social service delivery. By 2019, health facilities increased from 7,519 in 2015 to 9,104 (NBS, 2020). However, these achievements were eroded by the COVID-19 pandemic. Tourism, constituting over 26% of total exports, was severely affected by international travel bans (World Bank, 2020). The pandemic depressed global demand, disrupted trade links, and reduced capital inflows (World Bank, 2021).

Table 5: Selected Macroeconomic Indicators, 2015-2025

Indicator	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GDP Growth (%)	6.2	6.9	6.8	7.0	6.9	4.8	4.3	4.7	5.1	5.5	5.6
Inflation (%)	5.6	5.0	4.5	3.5	3.4	3.3	3.7	4.3	3.8	3.1	-

Source: Various Economic Surveys (URT); NBS (2020); World Bank (2023, 2024); BoT (2025)

In 2022, Tanzania’s economy performed relatively well despite challenging external environments, with GDP growth reaching 4.7% and rising to 5.1% in 2023, supported by improved business climate and structural reforms (World Bank, 2023; URT, 2024). Strong macroeconomic fundamentals enabled Tanzania to emerge from the pandemic in relatively good shape, but recovery has been moderate due to headwinds from the Russian invasion of Ukraine.

In 2023, growth concentrated in sectors employing few workers from poor households; construction, ICT, and real estate; benefiting wealthier households and widening income inequality (World Bank, 2023). Job creation becomes increasingly urgent as a young, growing workforce intensifies labor market pressure.

The livestock sector, an important employment source for poorest rural households, grew faster than crop production

between 2010 and 2021, averaging 4.9% annually compared to 2.4% for crops (URT, 2021). However, growth has been driven by livestock population expansion rather than sustained yield increases (World Bank, 2024).

In 2025, Tanzania’s economy demonstrated resilience with real GDP growth of 5.6%, slightly surpassing 5.5% registered in 2024. Key growth drivers included agriculture, mining, construction, financial services, and manufacturing (BoT, 2025; African Development Bank, 2022). Nevertheless, moderate post-pandemic recovery has not attained pre-pandemic growth levels.

4.5 Discussion: Patterns and Implications

The evidence reveals several critical patterns in Tanzania's reform experience. First, policy reforms have generated positive but uneven macroeconomic responses across different periods. The economy responded positively to mid-1980s reforms, was less responsive to early 1990s reforms due to implementation slackness and accelerated from the mid-1990s through 2019 with consistent reform implementation. This pattern underscores that the pace and consistency of reforms critically influence economic responsiveness, a finding consistent with Hall’s (1993) policy paradigm framework, which emphasizes that fundamental paradigm shifts require sustained commitment to achieve transformative outcomes.

Second, a persistent disconnect exists between

macroeconomic growth and welfare improvements. Despite sustained GDP growth and attainment of lower-middle-income status, poverty reduction has been limited and inequality has widened. This aligns with structuralist critiques suggesting that market-oriented reforms, while addressing certain distortions, may not automatically resolve deeper structural constraints on inclusive development (Cowan, 1994). The concentration of growth in capital-intensive sectors with limited employment linkages to poor households explains this disconnect.

Third, sectoral performance has been markedly uneven. Export agriculture responded more robustly than food crop production to reforms, reflecting differential incentive structures and the impact of input subsidy removal. Manufacturing demonstrated initial dynamism followed by fluctuating performance. Services, particularly tourism and ICT, emerged as growth drivers but with limited poverty-reducing effects. This sectoral unevenness suggests that



complementary policies addressing structural bottlenecks and supporting broad-based productivity growth remain necessary.

Fourth, external shocks have repeatedly disrupted Tanzania's growth trajectory. The oil crises of the 1970s, commodity price collapses of the 1980s, COVID-19 pandemic, and recent geopolitical tensions demonstrate the economy's vulnerability to exogenous factors. Building resilience through diversified economic structures and adequate buffer mechanisms emerges as a critical policy priority.

Finally, the social sector outcomes during reform implementation raise fundamental questions about the distributional consequences of adjustment. Declining education enrollment, deteriorating health indicators, and persistent poverty despite macroeconomic growth suggest that the mechanisms linking growth to welfare improvement remain weak. This finding supports Bilame's (2009) contention that policy reforms have not been adequately pro-poor, highlighting the need for more intentional distributional policies.

5.0 Conclusions and Recommendations

5.1 Conclusion

This thorough review has examined the influence of policy reforms on Tanzania's economic growth trajectory from the mid-1980s to the present, with contextual analysis of the pre-reform era. The evidence demonstrates that policy reforms have fundamentally transformed Tanzania's economy from a state-led, inward-oriented system under the Arusha Declaration to a market-based, outward-oriented economy. This transformation, while generating significant macroeconomic gains, has produced uneven outcomes across sectors and periods, with persistent challenges in translating growth into broad-based welfare improvements.

The empirical evidence reveals several definitive patterns. First, the pace and consistency of reforms critically influence economic responsiveness. The economy responded positively to the initial Economic Recovery Programmes of the mid-1980s, stagnated during the early 1990s when reform commitment waned, and accelerated from the mid-1990s through 2019 with sustained implementation. This periodization confirms that policy credibility and implementation consistency are as important as policy design in determining outcomes.

Second, Tanzania achieved remarkable macroeconomic transformation, attaining lower-middle-income status in July 2020. GDP growth consistently averaged 6-7% during the 2015-2019 period, inflation remained historically low, foreign reserves strengthened, and infrastructure development accelerated. These achievements reflect the cumulative impact of three decades of market-oriented

reforms and demonstrate Tanzania's successful transition from the crisis-ridden economy of the early 1980s.

Third, sectoral performance has been markedly uneven. Export agriculture responded robustly to reforms, while food crop production stagnated following input subsidy removal. Manufacturing demonstrated initial dynamism followed by fluctuating performance. Services, particularly tourism, construction, and ICT, emerged as growth drivers but with limited employment linkages to poor households. This sectoral unevenness has profound implications for inclusive growth.

Fourth, a persistent disconnect exists between macroeconomic growth and welfare improvements. Despite sustained GDP growth, poverty reduction has been limited, inequality has widened, and social indicators during the reform period often deteriorated or stagnated compared to pre-reform levels. Primary school enrollment declined from 93% in 1980 to 66% in the 1990s, life expectancy fell from 51 to 48 years during the same period, and poverty increased from 51% to 58% between the early 1990s and 1995. These patterns challenge the assumption that growth automatically translates into poverty reduction.

Fifth, external shocks have repeatedly disrupted Tanzania's growth trajectory. The oil crises of the 1970s, commodity price collapses of the 1980s, the COVID-19 pandemic, and recent geopolitical tensions demonstrate persistent vulnerability. The pandemic reduced GDP growth from 7% in 2018 to 4.8% in 2020, and recovery to 5.6% by 2025 remains below pre-pandemic levels. Building economic resilience emerges as a critical imperative.

Sixth, the livestock sector has demonstrated strong growth potential, averaging 4.9% annually between 2010 and 2021 compared to 2.4% for crops. However, this growth has been driven by herd expansion rather than productivity gains, indicating untapped potential for sustainable intensification.

5.2 Policy Implications and Recommendations

The findings of this study carry significant policy implications for Tanzania's continued development trajectory.

First, enhance the inclusiveness of growth through targeted interventions. The persistent disconnect between macroeconomic growth and poverty reduction necessitates deliberate policies to ensure growth benefits reach poor households. The government should strengthen social protection mechanisms, expand access to productive assets for poor households, and implement progressive taxation to finance inclusive development. The experience of the 1990s, when cost-sharing in education and health led to declining enrollment and deteriorating health outcomes, underscores



the importance of protecting vulnerable populations during reform implementation.

Second, address structural constraints in agriculture through productivity-enhancing investments. The stagnation of food crop production following input subsidy removal and the widening gap between export and food crop performance require urgent attention. The government should invest in agricultural research and extension services, improve access to affordable credit for smallholders, rehabilitate rural infrastructure to reduce marketing costs, and promote climate-smart agriculture. The livestock sector's growth through herd expansion rather than productivity gains indicates significant potential for sustainable intensification through improved breeds, animal health services, and market linkages.

Third, strengthen the manufacturing sector's contribution to employment creation. Manufacturing demonstrated initial dynamism during early reform periods but failed to sustain momentum. The government should implement targeted industrial policies that address specific constraints facing manufacturers, including access to affordable finance, reliable energy, and skilled labor. Special economic zones, strategic public procurement, and targeted investment incentives could catalyze manufacturing growth. The experience of successful industrializers demonstrates that strategic state intervention, combined with market mechanisms, can accelerate structural transformation.

Fourth, build economic resilience to external shocks. Tanzania's repeated vulnerability to external shocks; from oil crises to pandemics to geopolitical tensions; requires systematic resilience building. This includes diversifying the export base beyond traditional commodities, strengthening foreign reserve buffers, developing domestic productive capacity to reduce import dependence, and establishing contingency mechanisms for crisis response. The COVID-19 pandemic's disproportionate impact on tourism, which constituted over 26% of exports, highlights the risks of sectoral concentration.

Fifth, prioritize job creation for Tanzania's young and growing workforce. With population growth at 2.9% annually and a youthful demographic structure, employment creation must become a central policy priority. This requires supporting labor-intensive sectors, improving education and training to enhance employability, reducing regulatory barriers to private sector investment, and promoting entrepreneurship. The concentration of post-pandemic growth in capital-intensive sectors with limited employment linkages; construction, ICT, and real estate; exacerbates labor market pressures and widens inequality.

Sixth, strengthen social service delivery while maintaining macroeconomic stability. The deterioration of social indicators during reform implementation demonstrates that fiscal discipline, while necessary, must be balanced with adequate investment in human capital. The government should maintain the recent momentum in health facility expansion; from 7,519 in 2015 to 9,104 in 2019; while addressing quality concerns. Free education policies at primary and ordinary secondary levels should be complemented with investments in teacher training, learning materials, and infrastructure to ensure quality outcomes.

Seventh, accelerate implementation of remaining structural reforms while protecting vulnerable populations. The Tanzania Development Vision 2050 target of 8% annual growth remains elusive, with current growth averaging 6-7%. Achieving the higher growth trajectory necessary for poverty eradication requires accelerated reforms in areas including: improving the business environment to attract investment, strengthening governance and reducing corruption, enhancing infrastructure connectivity, and deepening regional integration. However, reform sequencing must protect vulnerable populations from adjustment costs, learning from the negative social consequences of rapid liberalization in the 1990s.

Eighth, leverage Tanzania's lower-middle-income status strategically. Attaining lower-middle-income status in 2020 represents both an achievement and a challenge. It opens new opportunities for accessing international capital markets and attracting investment, but also implies reduced access to concessional financing and preferential trade arrangements. The government should develop a comprehensive strategy for navigating this transition, including diversifying development finance sources, strengthening domestic revenue mobilization, and enhancing the competitiveness of exports in non-preferential markets.

Ninth, address the spatial dimensions of inequality. Growth has concentrated in urban areas and capital-intensive sectors, leaving rural populations; still comprising over 70% of Tanzanians; with limited benefits. The government should strengthen rural-urban linkages, invest in secondary towns and rural growth centers, and ensure that infrastructure investments benefit rural producers. The villagization program's original intent of concentrating populations for improved service delivery remains relevant, though its implementation requires learning from past mistakes.

Tenth, strengthen the evidence base for policy making. This review's reliance on secondary data highlights the importance of strengthening national statistical systems, conducting regular household surveys to track welfare outcomes, and supporting rigorous policy evaluation. The government should invest in building analytical capacity



within ministries, universities, and research institutions to generate the evidence needed for informed policy decisions.

5.3 Empirical Contributions and Future Research Directions

This study contributes empirically to understanding policy reform impacts in several ways. First, it periodizes Tanzania's reform experience, demonstrating that the pace and consistency of reforms critically influence economic outcomes. Second, it documents the persistent disconnect between macroeconomic growth and welfare improvements, providing evidence for structuralist critiques of market-oriented reforms. Third, it traces sectoral performance patterns, revealing the differential responsiveness of export versus food crops, manufacturing versus services, and capital-intensive versus labor-intensive sectors. Fourth, it extends Hall's policy paradigm framework to the African context, demonstrating its utility in analyzing developing country policy processes.

Future research should address several questions that this review could not fully explore. First, rigorous impact evaluations using micro-level data are needed to establish causal relationships between specific reforms and household welfare outcomes. Second, comparative studies with other African countries that implemented similar reforms could identify context-specific factors explaining differential outcomes. Third, political economy analysis of reform processes could illuminate why implementation slackness occurred during certain periods and how to sustain reform momentum. Fourth, research on the distributional consequences of growth in high-performing sectors like ICT and construction could inform policies to make growth more inclusive. Fifth, studies on the livestock sector's potential for poverty reduction through productivity-enhancing investments could guide agricultural development strategy.

In closing, Tanzania's reform experience demonstrates that market-oriented policies can successfully transform a crisis-ridden economy into a stable, growing middle-income country. However, the experience also reveals that growth alone is insufficient for poverty reduction and that deliberate policies are needed to ensure that the benefits of reform reach all citizens. The challenge for the next phase of Tanzania's development is to build on the macroeconomic foundations established over four decades of reform while addressing the structural inequalities and inclusion deficits that remain. This requires not continued adherence to any single policy paradigm, but pragmatic adaptation that combines market mechanisms with strategic state intervention, fiscal discipline with social investment, and growth acceleration with equity enhancement. The evidence from 1961 to 2025 provides both lessons and warnings for this continuing journey.

Declaration of Conflict of Interest

I hereby declare that there are no known competing financial interests or personal relationships that could have influenced the research and findings presented in this paper.

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