50 years of economic convergence

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When the United Republic of Tanzania was formed in 1964, the two parts of the country, mainland Tanzania and Zanzibar, already had long-established trade relations, albeit not formalized. Both economies enjoyed good economic performance right up to the mid 1970s, driven mainly by agriculture, with Zanzibar relying on single crop: cloves. The economic crisis that unfolded in mid- and late 1970s reversed this trend.

It is from this time that the economic character of the Union unfolded, displaying coexistence lacking in the political sphere. First was the way the two economies tackled this crisis through economy wide reforms.

The Mainland adopted the Economic Recovery Programme in 1986 and Zanzibar followed suit in 1988. The success in reviving the growth rate was made possible through having a common monetary policy overseen by the Bank of Tanzania.

The second was the way the two economies addressed the mismatch between high economic growth and widespread poverty, the latter proving difficult to eradicate. Tanzania set out its Development Vision 2025 in 1999, while Zanzibar launched the Zanzibar Vision 2020 in 2002. Growth strategies were also formulated. Mainland Tanzania launched the National Strategy for Growth and Reduction of Poverty in 2005 (MKUKUTA to use the Swahili acronym) with Zanzibar launching the Zanzibar Strategy for Growth and Reduction of Poverty or MKUZA the Swahili acronym in 2006. Both strategies were rolled over in 2010 to last up to 2015.

Tanzania's strategic plan for the development of agriculture from 2005 to 2010 was a major input into MKUKUTA II. It addressed critical issues such as creating a favourable climate for private-sector activities and strengthening the institutional framework for managing agricultural development.

The various economic reforms that have been implemented have resulted in convergence of key macro-economic indicators (though no criteria were set for the Union). In 2013 the mainland economy grew by 7.0 per cent; in Zanzibar the figure was 7.4 per cent. The services sector is now driving economic growth in both economies. In 2013, inflation was 6.1 per cent for the mainland and 5.0 per cent for Zanzibar. In same year, per capita Gross Domestic Product had reached US$742 on the mainland, and US$667 in Zanzibar; up from US$652.2 on the mainland, and US$656 in Zanzibar. Abject poverty has been halved between 1990 (baseline for Millennium Development Goals) and the present; on the mainland from 21.6 per cent in 1990 to 10.8 per cent in 2012; and Zanzibar from 25 per cent to 12.5 per cent between 1990 and 2011.

The current development strategies for mainland Tanzania and Zanzibar continue to focus on accelerating economic growth, reducing poverty and improving the standards of living and social welfare, as well as governance and accountability. They also recognize the large disparity in poverty between the country's urban and rural areas. Though the two strategies are compatible, they rely on separate institutional frameworks for implementation. Other national guidelines relevant to rural poverty reduction include policies on gender, HIV/AIDS, land, microfinance, trade, water and cooperative development.

Competing or complementing economies?

There is no formalized agenda for economic relations between the Mainland and Zanzibar, but realities dictate sustainability. As such the two economies cannot be thought of as being in competing with each other for a variety of reasons. One, their respective sizes is quite different. The Mainland has a population of about 44 million people compared to 1.3 million for Zanzibar. Gross Domestic Product in 2013 was US$33.3 billion for the Mainland and only US$0.8 billion for Zanzibar.

The nature of the two economies does not attract completion. The mainland is a vast area with abundant agricultural produce and mineral resources while Zanzibar is a small island economy. Each economy thus has its own niches that cannot compete with each other.

How to sustain convergence now and in future

The differing realities of the two economies dictate planning together on key resources such as in energy Such planning was happening in the 1970s and 1980s with development planning being done together and Five Year Development Plans being a single document displaying the plans of both sides of the Union. This has only remained for key reports such as Millennium Development Goals report.

Second is the need for fiscal harmonization, since fiscal issues have remained one of the main economic challenges of the Union. F