

BTI 2012 | Tanzania Country Report

Status Index	1-10	5.60	# 64 of 128	
Political Transformation	1-10	6.30	# 54 of 128	➔
Economic Transformation	1-10	4.89	# 84 of 128	➔
Management Index	1-10	5.38	# 54 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

Please cite as follows: Bertelsmann Stiftung, BTI 2012 – Tanzania Country Report. Gütersloh: Bertelsmann Stiftung, 2012.

© 2012 Bertelsmann Stiftung, Gütersloh

Key Indicators

Population	mn.	44.8	HDI	0.466	GDP p.c.	\$	1433
Pop. growth ¹	% p.a.	3.0	HDI rank of 187	152	Gini Index		37.6
Life expectancy	years	57	UN Education Index	0.454	Poverty ³	%	87.9
Urban population	%	26.4	Gender inequality ²	0.590	Aid per capita	\$	67.1

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

No major progress was made toward democracy in Tanzania during the period under review. However, the activities of civil society groups, together with articulate members of some of the opposition parties tacitly supported by factions within the ruling party, have enhanced the framework for free opinion and demand for accountability. Further progress in democratization is dependent on external pressure that can only come from the international community. The country's overall socioeconomic development has continued to improve slightly during the period under review. The elimination of corruption and bureaucratic barriers are key to maintaining growth and combating poverty effectively. The election results of 2010 underlined the continued stability of the mainland, although the opposition parties gained a substantial amount of votes vis-à-vis the ruling Chama cha Mapinduzi (CCM, Party of the Revolution), the party which has ruled the country now for 49 years. The entry of Dr. Wilbrod Slaa, secretary general of the opposition Chama cha Demokrasia na Maendeleo (CHADEMA, Party for Democracy and Progress) into the presidential race caught the ruling CCM and its government machinery, other opposition political parties – and even voters – by surprise. It remains to be seen whether CHADEMA will develop into a real challenge for the CCM.

There are still differences with respect to democratic politics between the mainland and Zanzibar. On the mainland (Tanganyika), government leaders are chosen in generally free, but not entirely fair, elections. There are, however, various factors limiting political participation to some degree. The ruling party won the presidential and parliamentary elections of December 2005, increasing their majority to approximately 80%. In contrast to the mainland, general elections in Zanzibar, in which President Amani Abeid Karume won against Seif Sharrif Hamad, have been neither free nor fair.

The separation of powers is assured, but the executive dominates. The judiciary functions relatively independently; it is regarded as inefficient and corrupt. International donors as well as local reform activists continue to criticize the government for its reluctance in taking the necessary steps to effectively fight corruption. Tanzania has an essentially stable party system that is dominated by the former state party. While the governing party is broadly anchored in society, opposition parties have yet to take sufficient hold in spite of some of their popular issues, such as corruption. The landscape of interest groups is sparse. The majority of citizens support democracy.

Tanzania is one of the world's least developed countries. It is heavily dependent on foreign aid and market competition is limited. The strength of the national economy fluctuates widely; there were some signs of improvement in recent years. Policies regulating price stability had shown positive results until the outbreak of the international financial crisis; Tanzania formerly had one of the lowest inflation rates in Africa. Currency policy has been less successful. Property rights are legally guaranteed in principle, but corruption and inefficiency limit its effective enforceability. A comprehensive program for privatizing state enterprises is underway. Tanzania lacks an efficient state network to combat poverty. Only the latest reform policy focusing on education and health appears to have reversed the decline of health and education indicators. GDP posted a remarkable growth rate of more than 6%, even through the recent world economy crisis. The IMF regards Tanzania's macroeconomic conditions for further structural reforms as stable and favorable. Despite fundamental difficulties, the government is continuing to pursue strategic reform goals, particularly in the economic arena but less clearly in democratization. No major policy changes are expected due to the elections in 2010. The reconciliation in Zanzibar made progress when a government of national unity was formed between the CCM and the Civic United Front (CUF) after the elections of 2010.

History and Characteristics of Transformation

An evaluation of transformation in Tanzania is complicated by the political partitioning of the United Republic of Tanzania (the Union) into the Tanzanian mainland (formerly Tanganyika) and the two semiautonomous islands of Zanzibar (Pemba and Unguja), which each have their own constitution, parliament, government and budget. Developments have unfolded quite differently in these two parts of the country. On the mainland, the one-party system gave way quite peacefully to a multiparty system, while in Zanzibar transformation was marked by violent clashes and sustained repression of opposition parties, especially the Civic United Front (CUF). Zanzibar has remained an authoritarian regime within the Union. However, it should be kept in mind that barely 3% of the total population – less than half the population of the capital city of Dar es Salaam – lives under this authoritarian regime.

Political transformation was initiated by the Union government (1991) after an internal dispute among the elite and controlled from above by the former single party, the Chama Cha Mapinduzi (Party of the Revolution, CCM). This first phase of liberalization and democratization ended in 1995 when the established practice of single-party elections yielded to the first multiparty elections after more than 30 years of one-party rule. As this process unfolded, opposition voices in the party system and civil society were very weak at first, but grew more organized and articulate in their demands as top-down liberalization continued. A presidential commission appointed in 1991 advocated introducing a multiparty system in early 1992; even though over 80% of the more than 30,000 citizens polled at that time expressed support for one-party rule, a majority also favored a greater participatory role for the public in the one-party system. Since the first multiparty elections in 1995, internal fragmentation has only weakened the opposition further, as shown by the former state party's decisive two-thirds majority victory in the 2000 elections and an even better result in 2005, with more than 80% of the vote. Elections continued to be significantly better organized on the mainland than in Zanzibar. In Zanzibar, the major opposition party, Chama Cha Wananchi (CUF, Civic United Front), twice denied victories in 1995 and 2000, won at the polling stations, while the results of the 2005 elections, won by the ruling CCM Zanzibar by a narrow margin, remained controversial. The election results of 2010 were again contentious, but due to a pre-election agreement between the CCM and the CUF to form a Government of National Unity (GNU), no violence erupted as before and after previous elections. On the mainland, the election results confirmed the dominant position of the CCM (about 60% of votes and more than two-thirds of the seats), although the party lost about 20% of its votes compared to 2005, while CHADEMA made substantial gains and became the strongest opposition party with a share of about 25%. The CCM's losses can be blamed partly on very low voter turnout of only 40% of registered voters. However, the National Electoral Commission (NEC) needs to explain why, despite heavy mobilization of voters by both the governing CCM as well as the opposition parties, the voter turnout was so low.

The economic transformation of the formerly socialist-oriented, state-controlled economy began in 1986 with the first IMF structural adjustment program (SAP 1), but was implemented only erratically until the mid-1990s. Market reforms were pursued more consistently after 1995. Since then, progress has been made in privatizing state enterprises, despite lingering resistance, and in deregulating the economy. Furthermore, the rate of inflation was markedly reduced down to a single digit.

No severe economic crises have complicated Tanzania's journey towards democracy; in fact, the opposite is true. The second half of the 1990s brought relatively favorable growth rates, slowly rising to more than 6% and sometimes even more than 7% since 2001, despite weather-related slumps in some years. Nevertheless, despite a prolonged period of macroeconomic stability, reforms have fallen far short of overcoming the structural weaknesses of the Tanzanian economy, namely a heavy dependence on development aid and agriculture (much of it at the subsistence level), and a limited diversification of exports. The government's relatively positive cooperation with the World Bank and the IMF, which has particularly praised Tanzania's macroeconomic management (especially its commitment to fiscal discipline), yielded a new

Poverty Reduction and Growth Facility (PRGF) program in 2000. In 2001, Tanzania qualified for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, and benefited from the Multilateral Debt Relief Initiative (MDRI) with major write-offs of multilateral debts in 2006. In 2010, the IMF approved a new three-year Policy Support Instrument (PSI) satisfied with the country's performance under the first PSI.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

There is no major problem with stateness. The state monopoly on the use of force has been established nationwide. Public safety and order are not assured completely; increasing incidence of crime in Dar es Salaam gave rise to public, official and international concern. The state's monopoly on the use of force is challenged primarily by violent crime, skirmishes arising from socioeconomic conflicts over land and the grazing rights of semi-nomadic groups, which sometimes escalate to the scale of tribal conflicts, spontaneous eruptions of violence and overreactions on the part of the police during demonstrations, although this is mainly seen in Zanzibar. On the mainland, Tanzania does not have a problem with state identity. In a situation that is nearly unique in Africa, Tanzania has, for the most part, achieved a harmonious social integration of its different ethnic groups.

Monopoly on the
use of force

7

For the mainland, defining citizenship and who qualifies as a citizen is not a politically relevant issue, and questions about citizenship arise only in terms of the relationship between the mainland and semiautonomous Zanzibar.

State identity

8

The Zanzibar opposition has launched an effort to achieve a greater measure of autonomy, but this political issue is linked to religious problems. Both governments and opposition leaders in Zanzibar, which is 99% Muslim, want to join the community of Islamic states, but the secular-oriented Union government on the mainland, which is one-third Muslim, one-third Christian and one-third practitioners of native religions, has refused. Only a small, radicalized minority of Muslim fundamentalism in Zanzibar want a religious state. During the previous period under review, some of these groups turned to sporadic violent actions, using small bombs against tourist centers and state installations. Peace has largely been restored partly due to the compromise of forming a Government of National Union on the island.

The separation of church and state is largely assured in Tanzania, but problems arise when some Muslims perceive themselves as victims of social discrimination in areas such as access to public office and education. In this context, radical Muslims have increasingly clashed with police and radical Christians in Dar es Salaam. However, a majority of the religious elite, and probably most of the population, is intent on cooperation with the government and peaceful conflict resolution.

No interference of
religious dogmas
8

The perception of some Muslims that they are victims of “social discrimination” in areas such as education and, recently, public office, has historical roots dating back to the arrival of Arabs who introduced slavery and the ivory trade. They were followed by Germans, who, under Karl Peters, took advantage of the Arab-speaking population in promoting the trade of both people and ivory by making them administrators, or “akidas” as they were called. The British discontinued what the Germans had put together and established their own administration which no longer needed the skills of the predominantly Muslim akidas. The British used churches and missionaries to assist them in training their cadre. This resulted in a lopsided development in education and public employment that favored those who went to mission-based or colonial government schools.

A lot of effort has gone into trying to address this anomaly since the attainment of political independence in 1961. However, some of the undertones in contemporary debates suggest that some constituencies within the community are trying to use religion as a political platform.

The state has a basic infrastructure throughout the territory, though it is weak and often functions poorly. Administrative staff are poorly trained, prone to political interference and, because of low wages, are not very committed to public service and are susceptible to (petty) corruption.

Basic
administration
6

2 | Political Participation

Until 2010, general elections in Zanzibar were neither free nor fair, and the government lacked democratic legitimacy. Although opposition parties and civic groups might have organized and articulated their interests, they were exposed to state repression, sometimes on a massive scale.

Free and fair
elections
7

However, the situation improved significantly following the reconciliation agreement (Muafaka) of October 2001 between the CCM and the opposing CUF. As a result, repression was eased, prisoners were released and most refugees returned. In 2003, by-elections for the Union and Zanzibar parliament were upheld, although not without tensions. The 2005 presidential and parliamentary elections showed no substantial improvement on the previous one. The 2010 elections showed a significant improvement. Hardly any violence occurred. This was caused

by a pre-election agreement (and constitutional amendment) between CCM and CUF leadership to form a Government of National Unity (GNU) after the elections; the only question was which party would be heading the government. Although there were some doubts about the official election outcome, which put the CCM ahead by a tiny margin, the CUF's leaders accepted the result and joined the government.

Although the presidential and parliamentary elections of 2010 showed quite a number of shortcomings in its management, they were probably the least controversial elections with major gains on the side of the opposition. The ruling CCM lost almost 20% of its votes and about 15% of its seats in parliament, which, however, was mainly caused by a drastic decline in participation. Election observers evaluated the elections somewhere between 'free and fair' and 'free, but not fair.'

Elected leaders have full power to govern and the role of the military is muted. The military is effectively co-opted and is politically closely integrated into the ruling party, from its leadership down to the middle ranks.

Effective power to govern

8

The government limits citizens' rights to assemble peacefully. Rally organizers are required to obtain police permission in advance, which can be denied on various grounds. Police forces interfere with these rights, particularly at political rallies and demonstrations during election time. Towards the end of the period under review, opposition groups ignored several official bans on demonstrations for constitutional reform, and the police forces reacted with unprecedented violence, detaining leaders of CHADEMA, the strongest opposition party, and shooting several demonstrators.

Association / assembly rights

6

It is unfortunate that the notion has been established that the police must issue permits for legally constituted bodies (such as political parties) and/or officials (such as members of parliament or councilors) to assemble, meet their voters or host a rally. The police need to be informed so that they are aware of the event and can fulfill their duty to maintain law and order and protect citizens, but they are not the permit issuing authority.

The constitution provides for freedom of speech, but does not expressly provide for freedom of the press, and, in practice, the Union government occasionally limits these rights; the semiautonomous Zanzibar government has done so more often. The law limits the media's ability to function effectively. Print media has been subject to considerable government restrictions, including the enforcement of a code of ethics. However, the mainland government allowed political opponents access to the media; for example, the newspaper of the major opposition party, CHADEMA's Tanzania Daima, is published daily (as are some other opposition papers). In Zanzibar, the media's access to government information is much more curtailed.

Freedom of expression

6

Independent political and civic groups – weak even by African standards – can form freely but are occasionally restricted by undemocratic interventions. Freedom of

opinion is assured in principle, but media that criticize the government are occasionally subject to retaliatory harassment including intimidation, vandalism of editorial offices, prohibitions on publication and advertising bans.

3 | Rule of Law

The advent of multiparty democracy has forced the parliament to reclaim its role in the separation of powers. This has made the executive more conscious of the legislative branch.

Separation of
powers
7

The separation of powers between the executive and legislative branches is fundamentally assured, but the executive clearly dominates. Despite its absolute majority in parliament, the CCM government does not always recognize the legislature in its constitutional role; instead, parliament takes a back seat to party committees, as seen in the debate on the report of the presidential constitutional commission. On the other hand, parliament has also decisively voted down bills proposed by the government.

The judiciary has much more to do internally; for example, there are constant accusations of corrupt practices, and delays in handing down judgments.

The judiciary functions relatively independently, although it suffers from a significant lack of resources and a very heavy workload. It is regarded as inefficient to such a degree that it is questionable that the system can provide an expeditious and fair trial. Corruption, virulent at lower administrative levels as well as among government officials, poses a serious problem. In 2007, parliament passed a new Prevention and Combating of Corruption Bill. The new act transformed the largely ineffective Prevention of Corruption Bureau (PCB) (on the mainland only) into the Prevention and Combat of Corruption Bureau (PCCB), which has extended investigation powers. Although the new law was publicly welcomed as a positive approach in the country's anti-corruption strategy, little has changed since then (see "prosecution of office abuse").

Independent
judiciary
6

In general, corrupt officeholders are not adequately prosecuted. The Prevention and Combating of Corruption Bureau (PCCB) can hardly be seen as a serious attempt at fighting corruption at all levels, even though some government officials have been brought to court. The Bureau did not prevent members of the government from becoming involved in major corruption scandals. The fight against corruption was still a major issue of the election campaigns in 2010, and the issue was forced upon the ruling party by the opposition. The CCM is divided about the issue, because fighting corruption means taking on vested interests in the party and the government.

Prosecution of
office abuse
5

Civil liberties are occasionally infringed upon, especially freedom of assembly and human rights while in police custody; in Zanzibar, these rights are severely limited and sometimes seriously violated. Lower courts are seen as corrupt and inefficient, although they are too overburdened because of personnel and material shortages (hearing rooms and recordkeeping systems, for instance). Administrative deficiencies in the judicial system limit citizens' ability to seek redress for violations of basic freedoms. Distrust of the police and legal processes has often led citizens to take the law into their own hands.

Civil rights
6

The government has been slow in responding to the periodic persecution and murder of albinos for witchdoctor rituals since 2007.

4 | Stability of Democratic Institutions

For the most part, the Union's democratic institutions on the mainland carry out their intended functions, thanks mostly to the fact that the governing party still has an absolute majority in parliament, and problems arise primarily from inefficient administrative systems. In principle, all relevant actors accept democratic institutions, and there are no strong or specifically anti-democratic veto powers. In Zanzibar, the situation is different: formally democratic institutions do not function in the intended way, but rather within an authoritarian framework. With the formation of the Government of National Unity, the system might become more liberal.

Performance of
democratic
institutions
6

Individual state institutions are not always sufficiently accepted by all relevant actors, as even government officials occasionally feel a greater obligation to the former and current state party than to the legislature. This assessment does not apply to Zanzibar, where the government did not accept democratic institutions, a situation which, however, might start to change very slowly with the new government.

Commitment to
democratic
institutions
6

5 | Political and Social Integration

Tanzania has an essentially stable party system, clearly dominated by the former state party, which has garnered at least 60% of the vote and two-thirds of elected offices in all parliamentary elections since the reintroduction of multiparty elections in 1995. Hence, one could classify the party system as a predominant party system, because there are strong indicators of a high degree of institutionalization, despite the fact that not all the elections were really free and fair. There are few differences distinguishing party platforms, and the opposition is fragmented among five parties in the legislature. These parties are heavily personality-oriented (i.e., centered around so-called big men), and have been riven by internal battles that have

Party system
6

repeatedly resulted in membership and leadership realignments. None of the opposition parties were able to field candidates for all constituencies of the parliamentary elections 2005, while the CCM had candidates on all of the ballots. At the same time, the party system is polarized, especially between the CCM and the CHADEMA, which emerged as the strongest opposition party in 2010. CHADEMA won around 40 seats, up from 11 in 2005. Their presidential candidate managed to win about 26% of the popular vote despite standing for the first time as a presidential candidate. The CUF, the second strongest opposition party, has its major stronghold in Zanzibar, especially on Pemba. The CUF boycotted the Zanzibar parliament several times, and occasionally the Union parliament as well, but has now joined the CCM in forming a Government of National Unity on the islands. While the governing party is broadly anchored in society, the opposition parties still show shallow roots and high voter volatility. However, in the last elections, even the ruling party experienced a substantial loss of votes (close to 20%).

The landscape of interest groups is sparse. The trade unions are weak, and though they have managed to free themselves from their dependence on the former state party, they cannot yet be considered a fully independent force, save for some constituents such as the Teachers Trade Unions (TTU), which has often demonstrated the capacity to organize and act. Farmers have their own political interest group, while cooperatives are discredited and view themselves as purely economic organizations. Business interest groups maintain close links to the ruling party and the government.

Interest groups
4

According to the Afrobarometer survey, support for democracy has declined from approximately 85% in 2000, one of the highest percentages in Africa, to 38% in 2005 (in response to the statement, “democracy is preferable to any other kind of government”), but recovered to 71% in the 2008 survey. At the same time, support for multiple political parties declined from 67% (2002) to 52% (2005) and remained at 51% in 2008. About 62% (2000) were satisfied with the way democracy is working; this figure declined to 37% in 2005, revealing an increasing dissatisfaction that, however, has changed since then. About 71% were fairly or very satisfied with the functionality of democracy in 2008. The low level of participation in the elections of 2010, in which only 40% of registered voters cast their ballot, might indicate that dissatisfaction is increasing again. Political protests do not call the regime or its constitution into question (apart from Zanzibar, where small minorities reject the authoritarian regime but are assumed to aspire to a sort of Islamic order). All in all, support for democracy seems to be shallow; in a referendum aimed at establishing multiparty democracy, 80% were against multiparty democracy and only 20% were for it. The Nyalali Commission, which oversaw the referendum, recommended nationwide and continuous civic education for the citizenry.

Approval of
democracy
7

Self-organization in Tanzania has thus far been limited to elitist and urban-based groupings that are out of touch with broader society. This isolation makes them vulnerable to the state's accusations that they lack national authenticity, which deprives them of legitimacy in the eyes of the society they purport to serve. Therefore, civil society groups are politically weak but have been able to consolidate themselves, and, given the weakness of the political opposition, they have a certain importance in public life. Nevertheless, most NGOs are elitist and urban-based, and depend financially and politically (for protection) on international bodies. Christian churches and church-related organizations, together with the Muslim Council, play a relatively prominent role in this respect, although militant representatives of religious organizations have contributed to mounting tensions between religious communities and are directly responsible for violent clashes. Civic organizations are concentrated in the urban centers, where they seek to fulfill an important monitoring function. People organize themselves informally rather than relying on public or formal organizations or the state to improve their situation. For the majority of the rural population, peasant society and its close informal networks of extended families still provide the social capital to balance challenges that emerge from economic, social and natural disasters. According to the Afrobarometer 2008 survey, social trust in Tanzania is not particularly high; Tanzanians claim to distrust people they do not know at a rate about 11% higher than the average of other African countries.

Social capital
5

II. Economic Transformation

6 | Level of Socioeconomic Development

Tanzania is one of the world's least developed countries; it is heavily dependent on foreign aid and market competition is limited. The strength of the national economy fluctuates widely and depends heavily on changing weather conditions for agriculture. Key development indicators show an exceptionally low level of development. In 2010, Tanzania ranked at 148 out of 169 evaluated countries on the HDI. Social exclusion is quantitatively and qualitatively extensive and structurally ingrained. A high percentage of the population lives in absolute poverty, with 35.7% below the national poverty line (2000-2008) and 88.5% living on less than \$1.25 a day (purchasing power parity, or PPP; 2000-2008). Tanzanian women live in relative deprivation, ranking 125th out of 155 evaluated countries on the United Nations Development Program's (UNDP) Gender Development Index (GDI) (no data for 2010). Despite comparatively low income disparities, indicated by a Gini index of 34.6 (2000-10), Tanzania's level of development permits freedom of choice only for a tiny minority of the population.

Question
Score

Socioeconomic
barriers
3

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	16825.6	20715.1	21368.2	23056.5
GDP growth	%	7.1	7.4	6.0	7.0
Inflation (CPI)	%	7.0	10.3	12.1	6.2
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	3.5	1.9	1.9	1.9
Export growth	%	16.8	19.6	15.5	10.7
Import growth	%	16.3	12.3	14.1	10.9
Current account balance	\$ mn.	-1849.1	-2674.8	-1933.6	-1978.2
Public debt	% of GDP	42.4	40.1	40.9	43.8
External debt	\$ mn.	5007.6	5963.5	7323.9	8664.1
Total debt service	\$ mn.	64.1	64.6	164.2	198.7
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	19.3	20.0	19.8	17.6
Public expnd. on edu.	% of GDP	-	6.8	-	-
Public expnd. on health	% of GDP	4.8	4.5	5.1	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.1	1.1	1.1	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Market competition fundamentals are limited in Tanzania; they operate under a weak institutional framework. The informal sector contributes a significant, yet difficult to quantify, share of economic activity, and subsistence farming is common in rural areas.

Market-based
competition
5

Combating monopoly formation is not among the priorities of the economic order in Tanzania, although there are no obvious indications that it should be. There is fair trade legislation in place that was reformed in 2003 by the Fair Competition Act, which established a Fair Competition Commission. Tariffs, down from an average of 15.4% in 2000 to 7.2% (2006) and up again to 10.2% (2009), have been reduced substantially but remain a problem due to non-tariff barriers such as inefficient customs and port authorities. They indicate a high degree of protectionism. The extremely dense thicket of regulations governing foreign trade was pruned back considerably under the structural adjustment program. Still, national rules seriously restrict the freedom to start and operate a business.

Anti-monopoly
policy
5

There are a number of state monopolies in public services, including for example water resource management, port management and operation, and railways.

Despite an official government commitment to liberal market policies and foreign investment, within the state administration and the ruling party on different levels, as well as in wide sections of the society, there is obviously a growing hostility toward foreign business due to the perceived “sellout” of Tanzanian enterprises, in the form of privatization and foreign investment, mainly to (white) South African companies (who are seen as representatives of the former enemy in the fight against apartheid, in which Tanzania played a crucial role). This is partly caused by an uneven application of rules between Tanzanians and foreigners, and “illiberal” differential access to benefits between the two that have accrued from business transactions in favor of the foreigners. “Ugenishaji,” literally “foreignization,” refers to the “illiberal” exclusion of local actors under illicit deals between local political elites and foreign partners, which does not lend itself to local re-investment.

Liberalization of
foreign trade
5

The privatization of the state bank puts the banking system in the final phase of reform, and the licensing of more than 20 commercial banks (2010), of which over 50% are foreign and are also active elsewhere in Africa, represents a positive development trend. The private capital market is exceptionally small with a limited though slowly increasing number of companies listed on the stock change. On the Index of Economic Freedom (2010), the Tanzanian economy has lost ground in six out of 10 categories and ranks 15th out of 46 sub-Saharan African countries, and 108th in the world (out of 179), but is still classified as “mostly unfree” (but close to the “moderately free” benchmark).

Banking system
6

8 | Currency and Price Stability

The government’s price stability policy had less positive results than before. Monetary policy was largely controlled by the IMF, and the rate of inflation was reduced to 1% by 2002, with nearly all price controls lifted and without having to

Anti-inflation /
forex policy
6

tighten monetary policy excessively. This was one of the lowest inflation rates in Africa. But since then, inflation inched up to 13.5% in 2008 and fell again to 6% (2008) and 6.7% (2010, estimate). Currency policy has been less successful. Because of a persistent foreign trade deficit and variable international transfers (such as development aid), the shilling has fallen steadily, apart from a short recovery in early 2008, relative to the U.S. dollar since 2006.

The government generally exercises strict discipline in its fiscal policy through a cash budgeting system and as a result, the IMF and the World Bank regard Tanzania's macroeconomic conditions for further structural reforms as stable and favorable. The budget deficit remains moderate. In 2006, debt was reduced by a substantial write-off down to \$4.2 billion, equivalent to an estimated 30% of GDP, as part of the Multilateral Debt Relief Initiative. Growing international financial confidence in Tanzania's macroeconomic stability is indicated by several events. The PRGF expired in 2006, and since the country no longer needed financial assistance from the IMF, the PGRF was replaced by a Policy Support Instrument (PSI), which earned a favorable review from an IMF mission in 2007 and again in 2010 (PSIs are designed for low-income countries that may not need IMF financial assistance, but still seek close cooperation with the IMF in preparation and endorsement of their policy frameworks). The 2010 report observed that all quantitative assessment criteria were met and that "structural reforms are advancing at a good pace." The country applied for a new three-year PSI-supported program, which was approved by the IMF in June 2010.

Macrostability

7

9 | Private Property

Property rights and property acquisition are legally guaranteed in principle, but corruption and inefficiency in the judicial system limit their effective enforceability. Landownership is regulated by the Land Act of 1999, which upholds the principle of "rights of occupancy under government leaseholds." There is an informal system of land distribution in urban areas that is insecure and has caused increasing numbers of disputes.

Property rights

6

A comprehensive program for privatizing state enterprises began in the early 1990s. After a very slow start, the pace picked up during the period of review, and about three-fourths of 395 state enterprises have been privatized by 2001. However, the privatization of large infrastructure operators – such as telecommunications, electricity, railways and ports – has slowed down and is still incomplete. Only in 2007 was a new effort made to privatize some of the remaining parastatals. Tanzania Railways Corporation was leased for 25 years to a foreign investor. The sale of the National Insurance Corporation (NIC) was not accomplished, raising doubts about the government's commitment to privatization.

Private enterprise

6

10 | Welfare Regime

Because of insufficient financial resources and administrative shortcomings, Tanzania essentially lacks an efficient state network to combat poverty. Basic education and health care systems leave many gaps in coverage. Its health and education indicators – once relatively favorable for an African country – have long since hit bottom. The negative trend, indicated by sinking life expectancy and school attendance and a growing illiteracy rate, persisted into the end of the 1990s despite structural adjustment policy and economic growth. Today, about 27.4% (2009) of Tanzanians are illiterate. Only the latest reform policy focusing on education and health appears to have turned the tide. Numbers of primary schools, teachers and pupils (although less so in secondary schools) have risen substantially. The net primary enrollment ratio is up from 49% (1991) to 99.3% (2009). However, the quality of teaching, classrooms and equipment leaves much to be desired.

There are a number of institutions to compensate for gross social differences, however insufficient they may be. In rural areas, family, clan or village structures still provide a relevant form of social security. However, droughts or other calamities put these structures under stress, and also negatively affect food production. In addition, structural economic reforms have had a negative effect on these “security nets.”

The Tanzanian Constitution prohibits gender-based discrimination, but the country’s legislation has yet to be adjusted to support this principle. In general, legal protection for women remains limited, in part because Tanzania’s judicial authorities take into account both customary and Islamic Shari’ah laws. Fewer women than men have access to higher education. This is partly due to rural traditions (partly ingrained in religious beliefs) that view male children as more of an economic asset than women. Only women who come from privileged families and live in urban areas have access to higher education and public office. In the UNDP gender-related development index, Tanzania was ranked 125 out of 182 evaluated countries in 2007 (no more recent data available).

No evidence exists indicating that a particular ethnic group is subject to discrimination purely because of its ethnicity.

Social safety nets
4

Equal opportunity
4

11 | Economic Performance

For the last seven years, GDP has posted a remarkable (at least for Africa) sustained growth rate of more than 6%, even through the world financial and economic crisis (2006: 6.7%, 2007: 7.1%, 2008: 7.1%, 2009: 6.0% and 2010: 6.7%). However, the country remains heavily dependent on foreign aid. After a period of price stability,

Output strength
6

inflation rebounded, and the current account balance remained structurally negative. Foreign exchange reserves (excluding gold, which is mined in Tanzania) increased quite substantially from 2000 to 2006, but have declined slightly since then. GDP per capita is still very low at \$1,358 (2009), up from \$1,141 (2006). So far, economic development has had little effect on the country's deeply ingrained poverty. Current economic growth rates are still considered insufficient for meaningfully reducing poverty. According to the 2005-2010 National Strategy for Growth and Poverty Reduction (NSGRP, Swahili: MKUKUTA), reducing poverty substantially requires not only growth rates of 8% to 10%, but also a much longer period of implementation. The potential of the national economy is relatively low, in part because of climatic conditions and the dominant agricultural sector (45%), to which there is still no alternative. A booming and fast-growing mining sector, mainly in gold mining, has shown growth rates of more than 15% in recent years (2000-2007), but amounts to less than 3% of GDP (2010).

The formal labor sector is small; only about 12% (2006) of the total labor force is in formal employment, and the official (formal sector) unemployment rate was at 4.3% in 2006. It is generally assumed that the bulk of the population is "employed" in the agricultural sector.

In other words, the majority of people in rural areas live off of subsistence farming.

12 | Sustainability

Environmental awareness is minimal, though growing slightly in urban areas. The government adopted a National Environmental Policy in 1997, which was then translated into the Environmental Management Act passed by parliament in 2004. The policy and the act were both donor-driven; however, little is known about the implementation of the regulations.

Environmental
policy
3

Public expenditure on education amounts to 3.5% of GDP (2000-2007), up from 2.2% (2002-05). Net primary enrollment has improved from 49% (2001) up to 99% (2009). There is no high-quality institution for education and training or research and development, and even many people who have been to school are functionally illiterate. In fact, the youth literacy rate (aged 15-24) has declined to 78.4% (1995-2005), compared to 81.8% (1985-1995). The adult literacy rate is at 72.6% (2005-2008). The standards at the University of Dar es Salaam, the largest institution for higher learning (there are two other universities, formerly colleges), seem to have declined further. A serious public debate has started about the quality of the school system.

Education policy /
R&D
4

Transformation Management

I. Level of Difficulty

Tanzania's very low level of economic and social development, weak basic market economic structures, very poorly educated populace, scant civic traditions, inefficient state administrative system and only moderately established rule of law presented extremely adverse conditions for continuing the transformation process at the start of the period under review. On the other hand, positive factors include the very broad support accorded to the government and an absence of serious ethnic disparities (a degree of national identity and integration that is comparatively high for Africa), at least in comparison to the mainland, Tanganyika.

Structural
constraints

7

The country has a rudimentary modern physical infrastructure that is put under great stress by very heavy use, meaning that new investments such as road repairs are necessary every few years. One major infrastructure improvement was the new bridge crossing the Rufiji River (2003) and linking the southern parts of the country to Dar es Salaam all throughout the year, which was previously not the case.

The HIV/AIDS epidemic has negatively affected life expectancy and infant mortality; life expectancy declined from 53 years (1993) to 45.9 years (2004), but has recovered in recent years to an average of 56.9 years (2010). The adult infection rate in 2007 was 6.2%, down from 6.5% in 2005. This success is partly due to the government's national plan to combat the disease since 2001.

Despite fundamental structural difficulties, the government is able to pursue its transformation strategy with ever-increasing consistency and resolve. In the economic arena, the government achieved a measure of stability through (still inadequate) political reforms. It has also grown more adept at managing multiple institutions.

The impetus towards self-organization within civil society faces an array of social, economic, political and cultural barriers stemming from unfavorable recollections of the mass organizations in Tanzania's socialist past. Due to the dominance of one party in government since independence, the country has one of the weakest traditions of civil society organizations on the continent.

Civil society
traditions

7

In most cases, self-organization makes up for the lack of services that should be provided by the government. Legislation prohibits civil society organizations from being ‘political,’ however that term is understood.

By far the most difficult challenge for the government has been the political confrontation in Zanzibar, a situation rooted in old social and cultural conflicts that has forced the issue of the Union and hence the issue of state identity to the foreground. With the formation of the Government of National Unity (GNU) on Zanzibar, the conflict has been tamed for the time being.

Conflict intensity
5

Another indirectly related problem is the growing social and religious tensions and conflicts between Muslims and Christians.

Yet another area of conflict involves land allocation and land use. There have been flare-ups in the tensions between government authorities and residents in urban areas over the reallocation of land for residential development. In a number of rural areas, tensions have mounted between agriculturalists and herders, necessitating involvement from the state, human rights activists and political entrepreneurs.

II. Management Performance

14 | Steering Capability

Question
Score

The government is pursuing strategic reform goals, particularly in the economic arena but less clearly in democratization. In the context of elections for parliament and the executive, the government is more concerned with keeping itself in power than with furthering the process of democratization. There are still a number of regulations in place that allow the administration in a more or less subtle way to prevent the opposition from competing on equal footing – and the political leadership of the ruling party is in no way eager to change this “flexible” framework, which is suitable for repressive politics if necessary. There are many politicians of the ruling party, as well as administrators down to the local level, who use these regulations for their own interests to keep themselves in a privileged position. For example, this is indicated by the recent excessive use of police force against small groups of demonstrators who had not received a permit for their demonstration; the police killed several people.

Prioritization
6

Overall, economic reforms targeting a market economy are still on track; however, as regards the fight against corruption, for example, the government still fails to tackle the ruling party’s vested interests in the business community. The same applies to foreign trade and investment, which have become liberalized on paper,

but national sentiments and local business stakes are able to influence the implementation of the liberalized rules in their favor (non-tariff barriers).

Despite capacity problems, economic reform and stability policy earned approval from international financial institutions and donors, although the privatization program and particularly the fight against corruption still elicit criticism. Despite international approval for Tanzania's macroeconomic achievements, a number of problems remain.

Implementation
6

The IMF has recommended that further structural reforms are necessary in order to enhance public financial management. Moreover, in order to maintain social gains and growth, more wide-ranging fiscal changes are required to step up domestic revenue mobilization and increase spending efficiency. Public services in health and education need further improvements. Economic growth achieved thus far still needs to be translated into substantial poverty reduction.

Since President Kikwete came to power, there have been no indications of any substantial policy changes, only a continuation of his predecessor's policies. Political leaders are able to learn and have replaced failed policies with innovative ones, albeit often slowly and cautiously. On the negative side, the fight against corruption seems to have lost steam. On the positive side, the government was able to negotiate an agreement on the Government of National Unity in Zanzibar, thereby learning from former mistakes.

Policy learning
6

15 | Resource Efficiency

The government does not make efficient use of available human and organizational resources for its transformation policy. It still allows considerable waste of precious public goods, and often lacks sufficiently qualified personnel to effectively utilize economic and political assets. The battle against corruption has lost previously gained ground. The government started to intensify its anti-corruption policy by focusing on petty corruption at the middle and lower levels, but failed at the top level. With the help of a cash budgeting system, the government can exercise relatively effective control over the use of appropriated funds according to budget plans, even though all quantitative goals have not been met; however, control is inadequate at almost all administrative levels.

Efficient use of
assets
4

The government tries to coordinate conflicting objectives and interests, but a coherent policy outcome can only be seen in economic reform policy. Even in this area, some problems remain: lower levels of the administration are able to obstruct to some degree the government's open market policy; even within the ruling party, a large faction is pursuing a more "nationalist" economic policy in favor of indigenous enterprises (privatization). While "indigenization" was an issue of the

Policy
coordination
5

election campaigns, the nationalist rhetoric in economic policies seems to persist. The idea that the nation is engaged in a “sellout” of the country’s riches is also nourished within the ruling party, which results from the absence of competitiveness among local entrepreneurs and politicians.

The country has one of the longest serving anti-corruption commissions on the continent (since 1968). However, corruption is endemic. Although the president took a strong stance against corruption when he came to power, he has shown a low profile on this issue during the last two years. There were some higher-profile corruption prosecutions in 2008, and some senior members of the CCM were arrested. This policy, although it is popular, has also caused significant splits within the party. No high-profile individuals have yet been tried. International donors continued to criticize the government for its reluctance to take more effective measures to fight corruption, yet there are no indications of a substantial change. During the election campaigns, corruption was an issue taken up by the opposition parties, thereby forcing the topic onto the agenda.

Anti-corruption
policy
4

16 | Consensus-Building

Aside from some members of the government in Zanzibar, no important political actors openly oppose the goal of establishing a market-based democracy. Only a small, non-influential group within the ruling party maintains different ideas about a socialist democracy.

Consensus on goals
6

There are still some politicians in the ruling party – a “conservative” faction partly comprised of Ujamaa ideologues – who are skeptical of market economic goals, and there are of course different interpretations of what Tanzania’s democracy should look like. Some politicians still place greater faith in a socialist rather than a liberal democracy. The majority of the political elite have accepted the principles of liberal democracy, but the democratic convictions of many seem to be shallow. Lip service is often paid to democratic principles, but actual understanding of politics reveals undemocratic thinking.

Anti-democratic
actors
7

Reformers have been able to control and for the most part integrate all relevant actors, again with the exception of the Zanzibar government (before the formation of the Government of National Unity – GNU) and party leadership on the islands, where small sections of the opposition have become more radical and militant. Hence, the Union government has generally managed to reduce the potential for conflict – particularly with regard to Zanzibar – and seeks consensus across lines of conflict on many issues.

Cleavage /
conflict
management
7

All in all, the leadership does very little to promote the role of civic engagement and solidarity, although the rhetoric of solidarity is very popular in public. On the same note, political leaders tend to ignore civil society associations rather than support them or take their issues into account.

Civil society participation
5

Since one-party rule was a tempered authoritarian regime on the mainland, reconciliation efforts have been necessary only in a very few isolated cases.

Reconciliation
4

There is again a major difference between the mainland and the islands, where authoritarian rule was much more brutal. Unresolved cases for reconciliation efforts between victims and perpetrators of injustices still hang heavy on Zanzibar, of which the most recent ones (victims of the events of January 2001 on Zanzibar) have become a central issue of the peace accord. While the Union government's efforts to reconcile the Zanzibar conflict yielded some positive results with the formation of the Government on National Unity, these achievements remain fragile.

17 | International Cooperation

The government has worked constructively with bilateral and international donors to institute Tanzania's transformation to democracy and a market economy. This applies especially to the economic sphere and less to the political one. In pursuit of this goal, the government makes the most of international aid, and seems to have undergone a substantial learning process. However, because of the dependency on international assistance – ODA (net disbursement) was at 11.7% (2008) of GDP and at \$54 (2008) per capita – the government has hardly any alternative but to comply with international donor policy prescriptions. Participation in the IMF's Policy Support Instrument (PSI) indicates that the government's ability to make use of international support has improved over time.

Effective use of support
7

Its international partners have a reliable and largely predictable view of the Tanzanian government. With the new president, who had previously been a Minister of Foreign Affairs for many years, Tanzanian foreign policy has changed its style to a "proactive diplomacy." For example, within the SADC, the Tanzanian government took sides with the governments that criticized Mugabe's authoritarian policies in Zimbabwe.

Credibility
7

However, the donor community is not completely convinced that the government is pursuing its reform policy consistently (e.g., the fight against corruption).

The government is an active member of various international political and economic organizations in south and east Africa, and has sought to deepen its many and varied international cooperative relationships. In 2005, the regional integration of east Africa into the East African Community (EAC) was revived as Tanzania, Kenya and Uganda established the East African Customs Union. The

Regional cooperation
7

implementation of the new union was a matter of political contention. The common market came into operation in 2010. In January 2011, the ECA announced the beginning of negotiations on an East African Monetary Union. However, because the issue is contentious within Tanzania, the government is expected to show little commitment and to act as a brake on closer integration of the EAC, especially for fast-tracking a federation by 2013.

The issue of Tanzania's unresolved membership in the Common Market of East and Southern Africa (COMESA), terminated in 2000, and in the Southern African Development Community (SADC), has been pushed into the background.

Strategic Outlook

During the period under review, the government showed little willingness to continue with democratic reforms. The current president has made no moves to initiate change in his second term. No further progress is to be expected, especially since the opposition has substantially increased its vote share in the elections of 2010. The government and large parts of the ruling party have been severely unsettled by this success. However, it should be kept in mind that the success of the opposition parties is most likely due to low voter turnout. However, the growing unhappiness of the voters with the CCM cannot be underestimated; voters are critical of the CCM's management of state affairs, its inability to make good on its campaign promises and its unwillingness to free itself from corrupt internal elements. But since the Tanzanian voter proved to be "conservative," tending towards support of the status quo and the ruling party, which has been in power since the end of colonial rule, it seems unlikely that the opposition will be able to repeat its successes and increase its vote share significantly.

A major difference in the distribution of power could split the ruling party and make a difference. However, a larger breakaway from the ruling party is unlikely, given that there are no gains to be made by joining the opposition. There are a number of factions and a good deal of infighting within the CCM; this will come to the foreground when discussions begin about the next presidential candidate. The next elections are scheduled for 2015.

An open question is whether CHADEMA will be able to maintain its unity. In the past, after initial successes, Tanzanian opposition parties soon disintegrated and split, partly because of personality issues but also often because of government manipulation. While this statement is true in general, it completely overlooks the history of CHADEMA, which is no longer chaired by its 'founder and his team.' The current chairman is the third since the inception of CHADEMA. The party has managed to win the confidence of the young generation, while the CCM is having difficulties in appealing to the younger generation, despite an established youth wing within the party.

The power-sharing arrangement in semiautonomous Zanzibar has halted the almost permanent crisis and obsession with the conflict with the mainland government. However, it is difficult to anticipate how the new Government of National Unity will operate. Since the opposition is within the government, it can be expected that the usual politics of oppression on the islands will decline in intensity, at least in the near future.

Eliminating corruption and bureaucratic barriers will be one key issue to maintaining growth and combating poverty effectively. Earlier signs of a more resolute stance on fighting corruption have not yielded tangible results. Whether the president, now freed from the burden of getting re-elected, will step up the fight against corruption again, remains to be seen; major interests within his party and within parliament will try to prevent this. Further investment in

infrastructure will be crucial as well, especially to overcome almost chronic power crises. Altogether it is difficult to envision major pro-reform changes coming soon, but political and economic stability will, most likely, persist.