

Tanzania

Status Index (Democracy: 6.45 / Market economy: 4.86) 5.65		Management Index 5.92	
HDI	0.418	Population	36.9 mn
GDP p. c. (\$, PPP)	621	Population growth¹	3.0 %
Unemployment rate	-	Women in Parliament	21.4 %
UN Education Index	0.60	Poverty²	19.9 %
		Gini Index	38.2 (1993)
Source: UNDP: Human Development Report 2005. Figures for 2003 – if not indicated otherwise. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (average 1990-2003).			

A. Executive summary

There is no major problem with stateness in Tanzania. On the mainland (Tanganyika), government leaders are chosen in generally free, but not entirely fair, elections; various factors limit political participation to some degree. The ruling party and the government increased the pressure on opposition parties in 2004. General elections in Zanzibar 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 continued to criticize the government for its reluctance to take necessary steps to fight corruption.

Tanzania has an essentially stable party system, dominated by the former state party. While the governing party is broadly anchored in society, opposition parties still have not taken hold. 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; during recent years there were some signs of improvement. Policy regulating price stability shows positive results; Tanzania has 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 under way. Tanzania lacks an efficient state network to combat poverty. Only the latest reform policy focusing on education and health appears to have turned the decline of health and education indicators. The GDP showed a remarkable growth rate of more than 5% in recent years. The IMF and the World Bank regard Tanzania's macroeconomic setting for further structural reforms as stable and favorable.

Despite fundamental difficulties, the government is clearly continuing to pursue strategic reform goals, particularly in the economic arena but less clearly in democratization (especially in Zanzibar). Yet, the United Republic of Tanzania government's efforts for the reconciliation of the Zanzibar conflict yielded positive results.

No progress was made toward democracy but rather regress was noted, although not in a significant way. The country's overall socioeconomic development has improved slightly during the period under review. Further progress in democratization is dependent on a push factor, which can only come from outside the country (international community). For the economy, the main task continues to be the elimination of corruption and bureaucratic barriers so that reforms can have the ultimate effect of reducing poverty. The elections in 2005 are not only essential for the peace and democratization of semi-autonomous Zanzibar, but also for the future of the Tanzanian Union.

B. History and characteristics of transformation

The description and evaluation of transformation in Tanzania is complicated by the political partition of the United Republic of Tanzania (the Union) into Tanzania mainland (formerly Tanganyika) and the two semiautonomous islands of Zanzibar (Pemba and Unguja), which 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. Zanzibar 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 Dar es Salaam - lives under this authoritarian regime.

The 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 Mapunduzi (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 the top-down liberalization continued.

A presidential commission appointed in 1991 advocated introducing a multiparty system early in 1992; even though over 80% of more than 30,000 citizens polled

at that time expressed support for one-party rule, a majority favored for more participation 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 convincing two-thirds majority win in the 2000 elections, which were significantly better organized on the mainland than in Zanzibar.

In Zanzibar, the major opposition party, Chama Cha Wananchi (CCU, Civic United Front), twice denied victories in 1995 and 2000, won at the polling stations. Violent incidents between police and opposition followers increased until the 2000 elections and escalated further after its disastrous outcome, sending a flood of more than 2,000 refugees to Kenya. The violence began to subside in 2001 after talks between the opposition and the government gave way to a peaceful conflict resolution process that included new partial elections in 2003.

The economic transformation of the formerly socialist-oriented, state-controlled economy began in 1986 with the first IMF structural adjustment program, but was implemented only erratically until the middle 1990s. Market reforms were pursued more consistently after 1995 under Mkapa's governments. Since then, progress has been made in privatizing state enterprises, despite lingering resistance, and in deregulating the economy. Furthermore, the rate of inflation has been markedly reduced.

No severe economic crises have complicated Tanzania's journey towards democracy, and in fact the opposite is true. The second half of the 1990s brought relatively favorable growth rates, slowly rising to 5% and reaching a peak of 6.2% in 2002, despite weather-related slumps in 1997 and other years. Nevertheless, 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, 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.

C. Assessment

1. Democracy

1.1. Stateness

There is no major problem with stateness. The state monopoly on the use of force has been established nationwide. It is challenged primarily by violent crime,

skirmishes arising from socioeconomic conflicts over land and the grazing rights of semi-nomadic groups, which are sometimes presented as tribal conflicts, and by 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 nearly unique in Africa, Tanzania has, for the most part, achieved a harmonious social integration of its different ethnic groups. For the mainland, defining citizenship and who qualifies as a citizen is not a politically relevant issue, and questions arise only in terms of the relationship between the mainland and semi-autonomous Zanzibar.

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 secularly-oriented Union government on the mainland, which is one-third Muslim, one-third Christian and one-third practitioners of other, native religions, has refused. Only during the last two years, a small, radicalized minority of Muslim fundamentalism in Zanzibar has turned to sporadic violent actions using small bombs against tourist centers and state installations.

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.

The state has a basic infrastructure throughout the territory, though it is weak and often functions poorly. Public safety and order are not assured completely; increasing incidents of crime in Dar es Salaam gave rise to public, official and international concern.

1.2. Political participation

On the mainland, government leaders are chosen in general, free, but not entirely fair elections, and compared with the very problematic first democratic elections in 1995, the elections of 2000 showed definite improvements. Factors limiting political participation include unequal access to the media, radio broadcasting in particular, limited distribution of the qualitatively weak press, and police restrictions on rallies and events held by opposition parties.

The Constitution provides for freedom of speech, but does not expressly provide for freedom of the press, and in practice, the Union government partially limited these rights; and the semi-autonomous Zanzibar government heavily limited these rights. The only private newspaper published on Zanzibar, *Dira*, remained banned. 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.

The government limits citizens' rights to assemble peacefully in a number of cases. Police forces interfered with these rights particularly at political rallies and demonstrations. Rally organizers are required to obtain police permission in advance, which can be denied on various grounds.

With the next elections expected, it seems that the ruling party and the government increased the pressure on opposition parties during 2004; the few local governments (district councils), run by opposition parties, were confronted with serious blockages by the administration and local CCM cadres to implement their policies.

Elected leaders have full power to govern and the role of the military is muted. 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. In 2004, lecturers of the University of Dar es Salaam were officially warned they could lose their jobs if they got actively involved in (opposition) party politics. The local government elections in December 2004 were poorly organized, causing violent conflicts between supporters of contending parties. The ruling party won approximately 90% of the local government seats, mainly because the opposition parties were not in a position to field their own candidates; correspondingly, voter turnout was very low.

General elections in Zanzibar since the transformation have been neither free nor fair, and the government lacks democratic legitimacy. Although opposition parties and civic groups may organize and articulate their interests, they are exposed to state repression, sometimes on a massive scale. Opposition delegates have been arrested and held for years without being charged, many people have been killed during demonstrations, and 2,000 refugees fled to Kenya in 2000. However, the situation improved significantly following the reconciliation agreement (*muafaka*) of October 2001 between the CCM and the opposing Civic United Front (CUF). Before the end of 2004, most of the 37 issues of the agreement were implemented. As a result repression was eased, prisoners were released and most refugees returned. Above all, in 2003 by-elections for the Union and Zanzibar parliament were upheld, although not without tensions. All parties accepted the results of the

elections. Apart from this obvious progress the situation on Zanzibar remains fragile.

1.3. Rule of law

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, the parliament has also decisively voted down bills proposed by the government.

The judiciary functions relatively independently, although it suffers from a significant lack of resources and a very heavy work load; it is regarded as inefficient to a degree that it is questionable that the system can provide an expeditious and fair trial. Corruption is a serious problem, virulent at lower administrative levels as well as among government officials. The institution responsible for fighting corruption on the mainland only, the Prevention of Corruption Bureau (PCB), lacks constitutional recognition, and is under the authority of the office of the president—two factors that hinder its ability to resist political pressure and prosecute high-level corruption cases. On the whole, corrupt officeholders are not adequately prosecuted. The PCB record is poor: between 1995 and June 2004, the PCB received 10,319 reports of corruption and investigated 9,507 of them. Of the cases investigated, 357 were prosecuted, resulting in 48 convictions. Hardly any high-level government leaders were tried on corruption. Only approximately 5% of corruption cases reported to the PCB's regional offices from 2000 to 2005 were heard by a court of law.

Civil liberties are occasionally infringed, especially freedom of assembly and treatment while in police custody; in Zanzibar they are severely limited and sometimes massively violated. Lower courts are seen as corrupt and inefficient, although they are too overburdened because of personnel and material shortages (hearing rooms, record keeping systems). Administrative deficiencies in the judicial system limit citizens' ability to see 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.

1.4. Stability of democratic institutions

For the most part, the democratic Union institutions on the mainland execute their intended functions. The main reason is that the governing party has an absolute majority in parliament, and problems primarily result from inefficient

administrative systems. In principle, all the relevant actors accept democratic institutions, and there are no strong or specifically anti-democratic veto powers. However, 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 does not accept democratic institutions.

1.5. Political and social integration

Tanzania has an essentially stable party system, clearly dominated by the former state party, which has garnered more than two-thirds of votes and elected offices. There are few differences distinguishing party platforms, and the opposition is fragmented among five parties in the legislature. These parties are heavily personality-orientated (“African big men”), and have been split by internal battles that have repeatedly resulted in membership and leadership realignments.

While the governing party is broadly anchored in society, the opposition parties still show shallow roots and high voter volatility. The landscape of interest groups is sparse. The trade unions are weak, and though they have managed to free themselves from ties to a dependence on the former state party, they cannot yet be considered a fully independent force. Farmers do have their own political interest group, while cooperatives are discredited and see themselves as purely economic organizations.

According to the Afrobarometer, in 2002 the majority of citizens (approximately 85%) agreed with democratic principles and supported democracy. This is one of the highest percentages in support of democracy ever recorded by the Afrobarometer. However, Tanzanians seem to have a more substantive, economic understanding of democracy than a procedural one. While the Afrobarometer again recorded the highest percentage for Tanzanians (89% to 92%) for the rejection of any kind of authoritarian rule, this does not apply to the rejection of one-party rule - this is rejected by only 62%. About 50% think that they live in a democracy (complete democracy or with minor exceptions), and 62% are satisfied with the way democracy is working. 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).

The impetus towards self-organization with 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. 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. 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 tension between religious communities and are directly responsible for violent clashes. Civic organizations are concentrated in the urban centers, where their ambit includes an important monitoring function.

2. Market economy

Tanzania is one of the world's least developed countries. It is heavily dependent on foreign aid, the level of development is very low, market competition is limited, and currency and price stability are unsatisfactory, although there were substantial improvements from 2000 to 2005. The strength of the national economy fluctuates widely depending heavily on changing weather conditions for agriculture; again, there was some degree of improvement due to better management of failing rains and a bad harvest.

2.1. Level of socioeconomic development

Key development indicators show an exceptionally low level of development. In 2002, Tanzania ranked 162 of 177 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, and 59.6% living on less than \$2 (purchasing power parity, or PPP) per day. Tanzanian women live in relative deprivation, ranking 131 of 145 evaluated countries on the United Nations Development Program's (UNDP) Gender Development Index (GDI). Despite comparatively low-income disparities, indicated by a Gini index of 38.2 (1993), Tanzania's level of development hardly permits even a minimum freedom of choice.

2.2. Organization of the market and competition

Market competition fundamentals are limited in Tanzania. The informal sector contributes a significant, but difficult to quantify, share of economic activity and subsistence farming is common in rural areas. Combating monopoly formation is not among the priorities of the economic order in Tanzania, although there are no obvious indications that it should be. Tariffs, down from an average 19.5% to 15.4% in 2000, have been reduced substantially but remain high. Together with non-tariff barriers such as inefficient customs and port authorities, they indicate a very high degree of protectionism. The extremely dense thicket of regulations governing foreign trade was pruned back considerably under the structural adjustment program.

However, more recently (2004) foreign business representatives reported of an increasing unwillingness on the side of the Tanzanian bureaucracy to deal with foreign investments. This has even caused President Mkapa to warn the administration that open markets and the continuation of privatization is the official policy of his government and should not be subverted by state officials. Within the party and the state administration on different levels, as well as in wide sections of the society, there is obviously a growing hostility toward foreign business because of what is perceived as the "sell out" of Tanzanian enterprises, due to privatization and foreign investment, mainly to (white) South African companies (seen as representatives of the former enemy in the fight against apartheid in which Tanzania played a crucial role).

The privatization of the state bank puts the banking system in the final phase of reform, and the licensing of 23 international banks that are also active elsewhere in Africa represents a positive development trend. The private capital market is exceptionally small with only five companies listed on the stock change. The Tanzanian economy ranks as "mostly unfree" on the Index of the Economic Freedom.

2.3. Currency and price stability

The government's price stability policy shows positive results for the period. Monetary policy is largely controlled by the IMF, and the rate of inflation was reduced to less than 6%, reaching 1% by 2002 and increasing only to about 4% by the end of 2004, with nearly all price controls lifted and without having to tighten monetary policy excessively. This is one of the lowest inflation rates in Africa. 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 relative to the U.S. dollar, though it began to stabilize in 2000, without reversing its downward trend.

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 setting for further structural reforms as stable and favorable. The budget deficit remains very moderate, although debt continues to be very high overall at about \$7.5 billion (2004) or 77% of the GDP (estimates). Although Tanzania participates in the heavily indebted poor countries (HIPC) initiative (2001), its external debt has started to rise again, largely because of new borrowing from multilateral institutions.

2.4. Private property

Property rights and property acquisition are legally guaranteed in principle, but corruption and inefficiency in the judicial system limit their effective

enforceability. 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 had been privatized by 2001.

2.5. 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 the structural adjustment policy and economic growth. Only the latest reform policy focusing on education and health appears to have turned the tide. Numbers of primary schools, teachers and pupils, though less in secondary schools, have risen substantially between 1998 and 2003.

2.6. Economic performance

The GDP showed a remarkable (at least for Africa) sustained growth rate of 5.7% (2000) to 6.3% (2002) and an expected 5.8% for 2004. The approved PRGF loan - the necessity of which was seriously debated for a while - will further support the economy. However, the country remains heavily dependent on foreign aid. Price stability was assured, but the current account balance remained structurally negative. Foreign exchange reserves (excluding gold, which is mined in Tanzania) increased quite substantially from 2000 to 2005. The per capita GDP is still very low at \$580 (PPP) in 2002, but has risen during the previous years from \$520 in 2000 and \$501 in 1999. However, to reduce poverty substantially growth rates of 6% to 8% are required for a much longer period.

The potential of the national economy is relatively low, in part because of climatic conditions and the dominant agricultural sector to which there is still no alternative despite a booming mining sector with growth rates of 15% to 17%, but contributes only 1.9% to the GDP (2003).

2.7. Sustainability

Environmental awareness is minimal, though growing slightly in urban areas. 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. The standards at the University of Dar es Salaam as the biggest institution for higher learning seem to decline further.

The country has a rudimentary modern physical infrastructure, which is stressed by very heavy use, meaning that new investments such as road rehabilitations are necessary every few years. One major improvement for the infrastructure 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 and AIDS epidemic has affected life expectancy and infant mortality negatively; life expectancy declined from 53 years (1993) to 45 years. The adult infection rate is at 8%; 1.5 million adults in the between the ages of 15 to 49 are infected. Little progress has been made on developing a national policy to combat the pandemic. Only in 2001 did the government establish a national plan to combat the disease designed in a multi-sectored approach. This includes plans to provide anti-retroviral drugs to about 1.6 million infected people. Since many well-educated people are infected this will have negative effects on development perspectives.

3. Management

3.1. Level of difficulty

Tanzania's very low level of economic and social development, weak basic market economic structures, very poor 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 study. 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).

Despite fundamental structural difficulties, this has enabled the government to pursue its transformation strategy with ever-increasing consistency and resolve, especially in the economic arena, and to achieve a measure of stability in (still inadequate) political reforms as it has grown more adept at managing multiple institutions. 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 forced the issue of the Union and hence the issue of state identity to the foreground. Another indirectly related problem was the growing socio-religious tension and conflict between Muslims and Christians.

Profile of the Political System

Regime type:	<i>Democracy</i>	Constraints to executive authority:	5
System of government:	<i>Semi-presidential</i>	Latest parliamentary election:	29.10.2000
		Effective number of parties:	1.3
1. Head of State:	<i>Benjamin William Mkapu</i>	Cabinet duration:	1995- present
Head of Government:	<i>Frederick Sumaye</i>	Parties in government:	1
Type of government:	<i>unified government</i>		
		Number of ministries:	17
		Number of ministers:	17
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum pi^2)$; pi is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

3.2. Steering capability

The government is clearly continuing to pursue strategic reform goals, particularly in the economic arena but less clearly in democratization. There are a number of indicators that the government is again more concerned with keeping itself in power than with furthering the process of democratization. First, there are more frequent complaints by opposition parties about the registrar of political parties, who is a nominee of the president with ill-defined powers that comprise administrative as well as juridical functions and which give way to a wide range of arbitrariness in favor of the government. Another indicator is the poor organization of local government elections (2004). Third, there has been an increase in a very subtle repression against single, but well known opposition figures threatening the livelihood of their families by withdrawing professional licenses or putting them into remand for dubious allegations which could in the end (after a couple of months) not be proved. Fourth, orders by the University administration prohibit partisan political activities of lecturers. Public activities of opposition parties are frequently obstructed by local administrators, ruling party officials and cadres in rural areas outside Dar es Salaam.

The police fail to prevent CCM supporters' attacks on the opposition CUF headquarters. Local governments (District Councils) administratively and politically obstructed, taken over by opposition parties. In May, during by-election campaigns, police arbitrarily arrested numerous members of the opposition parties (all were eventually released and no charges were brought). All this must be seen as a foreboding for the presidential and parliamentary elections in 2005. In this context it is important to note that the government is planning to amend the Political Parties Registration Act before the elections. The official aim will be to curtail the proliferation of numerous very small parties that play no political role. An intended side effect will be that even the parties which are

represented in parliament will have problems as well - if only they are kept busy for a while to comply with the new formal requirements (that is, to have a permanent register of members in every region of the country which none of the opposition parties has).

At the same time, the Union government's efforts to reconcile the Zanzibar conflict yielded positive results; by-elections were held successfully in Zanzibar which was seen as being most crucial for the reconciliation process, and most of the issues of the muafaka agreement have been implemented. However, achievements remain fragile and tensions high on the two islands as indicated by the controversy about the voter register and the redrawing of voting districts for the general elections in 2005. Only these elections will show whether the Union government's conflict management was successful, and moreover, whether the semi-autonomous islands will finally be democratized as well.

Nevertheless, the 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. International approval yielded a new Poverty Reduction and Growth Facility Trust (PRGF II) in 2003, however a number of problems remained. The IMF review noted that although the government has made clear progress with macroeconomic reforms there has been insufficient translation of macro level achievements to the micro level; tax loopholes and inefficient finance administration at the local level are other issues. The implication is that the government is seen as being only at the start of the process that needs a greater effort to ensure that the achieved growth translates into poverty reduction. Major problems include capacity constraints, which hinder the implementation and consolidation of reform efforts.

Political leaders are able to learn and have replaced failed policies with innovative ones, albeit often only slowly and cautiously.

3.3. 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 manpower to effectively utilize economic and political assets. The battle against corruption continues to gain ground. The government started to intensify its anti-corruption policy by focusing on petty corruption on the middle and lower levels.

With the help of a cash budgeting system, the government can relatively effectively control the use of appropriated funds according to budget plans even though all quantitative goals have not been met; however, control is inadequate at the lower administrative levels.

The Transparency International (TI) Corruption Perception Index (CPI) 2004 ranks Tanzania 90th of 146 countries. Since his election, President Mkapa has spoken very clearly in favor of combating corruption, but little improvement was recorded. International donors continued to criticize the government for its reluctance to take necessary steps to fight corruption. The nation's CPI improved somewhat during the period under study: Tanzania earned only 1.9 points in 1998, but rated 2.7 points in 2002, and 2.8 in 2004 of a possible 10 points

The government tries to coordinate conflicting objectives and interests, but a coherent policy outcome can only be seen for the economic reform policy. And even in this ambit some problems remain: lower levels of the administration are able to obstruct to some degree the open market policy of the government; even within the ruling party a large faction is pursuing a more "nationalist" economic policy in favor of indigenous enterprises (privatization). Toward the elections in 2005, the government might react more sensitively to these demands especially since the opposition parties will take up the issue and nourish the increasing sentiment among the electorate against what is understood as the "sellout" of the nation's riches.

3.4. Consensus-building

Aside from the government in Zanzibar, no important political actor openly opposes the goal of establishing a market-based democracy. However, there are still some politicians in the ruling party (primarily Ujamaa ideologues) who are skeptical about the market economy orientation, and there are naturally different interpretations of what Tanzania's democracy should look like. But the reformers have been able to control and for the most part integrate all the relevant actors, again, with the exception of the Zanzibari government 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 in regard to Zanzibar - and seeks consensus across lines of conflict on many issues.

All in all, the leadership does very little to promote the role of civic engagement and solidarity, although the rhetoric of solidarity flies high in public. In the same tune, political leaders rather tend to ignore civil society associations than supporting them or taking their issues into account. Since the one-party rule was a tempered authoritarian regime, reconciliation efforts have been necessary only in a very few isolated cases. However, there is again a major difference between the mainland and the islands where authoritarian rule was much more brutal and still causes cases for reconciliation efforts between victims and perpetrators of injustices of which the most recent ones (victims of the events of January 2001 on Zanzibar) have become a still unresolved issue of the peace accord.

3.5. 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 and less to the political sphere. In this ambit the government makes the most use of international aid, and seems to have undergone a substantial learning process. However, because of the dependency on international assistance, the government has hardly any alternative but to comply with international donor policy prescriptions. Its international partners have a reliable and largely predictable view the Tanzanian government.

Carrying on a longstanding tradition, the government continues to be active in international affairs such as the Rwanda Tribunal, and tries to mediate in all the conflicts around the Great Lakes. The country has been host to several hundred thousand refugees from this area. 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 2004 the regional integration of east Africa was pushed forward as Tanzania, Kenya and Uganda revived the East African Community (EAC) by signing the protocol to establish the East African Customs Union.

4. Trend of development

4.1. Democratic development

During the period of review, stateness, political participation and the rule of law did not change significantly. Stateness remained at the same fragile level over time. The same applies to the rule of law. Probably related to the elections (2005) an authoritarian and repressive attitude against the opposition increased in a very subtle way during 2004, which remained almost unnoticed among foreign observers in the country, but was reported by many Tanzanians. Frequently harsh overreactions by the police against political opponents of the ruling party remained common. The poor organization of the local government election was no proof that the government took democracy at the local level very seriously. To such an extent, no significant progress was made toward democracy, but quite to the contrary, regress, although not in a significant way, characterized the period under review. Political and institutional stability were not affected by these developments.

Positive developments were observed in Zanzibar, where elections were successfully conducted within the framework and as a core element of the peace accord, and the reconciliation process continued to be implemented, although slowly and under high tension. However, whether the semi-autonomous islands

will become democratic and remain peaceful will depend on the 2005 general elections and how the Zanzibari government handles them.

4.2. Market economy development

The country's overall socioeconomic development has improved slightly during the period of review as indicated by the HDI (1995: 0.406; 2000: 0.403; 2002: 0.407). The GDP experienced an ongoing substantial growth of more than 5%. Hence, the per capita GDP has risen from \$501 in 1999 to \$580 (PPP) in 2002.

The institutional framework for the economy has not changed in a significant way during the period of review.

Overall there was continually a substantial growth of more than 5% from 2000 to 2004, which was quite remarkable compared to most African countries. Even changing weather conditions, which in the past usually caused severe setbacks for economic growth, were controlled and managed in a way that they did not have significant negative effects. However, little progress was made in diversifying the economy, although the share of mining continued to increase.

Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	5.7	6.1	6.3	5.6*	5.8*
Export growth in %	18.4	17.1	16.2	26.6	8.1
Import growth in %	-3.4	14.1	-3.1	30.5	0.04
Inflation in % (CPI)	5.9	5.1	4.6	3.5	5.2
Investment in % of GDP					
Tax Revenue in % of GDP					
Unemployment in %	n.a.	n.a.	n.a.	n.a.	n.a.
Budget deficit in % of GDP				-0.5	-0.9
Current account balance in billion \$	-498.6	-479.6	-251.3	-334.3	-343.0
Total external debt (US\$ bn)	7.4	6.7	7.2	7.4	7.5
Debt-service ratio, paid (%)	14.7	10.2	8.9	8.8	8.2
* EIU estimates					

Source: Economist Intelligence Unit, Country Report (various issues), own calculations

D. Strategic perspective

The forces for reform in the government have lost some of their ability to shape the course of democratization. There is little willingness on the side of the government to continue with the process. Further progress in democratization is dependent on a push factor that would compel the government to further reforms. A stronger impetus can hardly be expected from opposition political parties. Even a united opposition will not make a major difference. The ruling party has duly made note of what happened to the ruling party in Kenya in face of a united opposition. However, although the state financed the Tanzanian opposition parties, they are too weak for the near future to be a challenge for the ruling party, even if united. Only a split in the ruling party could make a difference. The same is true of forces within civil society; they are too weak as well. A larger split-off from the ruling party is hardly to be expected because it is quite clear that joining the opposition "does not pay". There are only two issues which might become an unlikely reason for the fragmentation of the ruling CCM: first the relationship between Zanzibar and the mainland, and second the privatization and open market policy of the government.

This state of affairs is certainly due to the structural ingrained weakness of oppositional forces in the country. However, what has become clearer is that this weakness is also the effect of very subtle, but very effective politics of repression on the side of the government, largely unnoticed by many external observers - or quietly accepted because of the political stability of the country and traded for comparatively effective economic reforms).

Hence, it is only the international community, which can observe that there will be no further regress from democratic standards and, perhaps, to pursue politics that will enhance the willingness of the Tanzanian government to further democratization more actively.

As regards the economy, the main task continues to be the elimination of corruption and bureaucratic barriers so that implemented reforms can take hold for the longer term and have the ultimate effect of reducing poverty.

The elections in 2005 are not only essential for the peace and democratization of semi-autonomous Zanzibar, but also for the future of the relationship and institutional arrangements between the islands and the mainland, which puts the future of the Tanzanian Union into question.

Consequently, a very early and comprehensive international monitoring of the 2005 presidential and parliamentary elections, especially on Zanzibar, seems to be most advisable.