

# BTI 2008 | Tanzania Country Report

<b>Status Index</b>	1-10	<b>5.84</b>	# 62 of 125	
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Market Economy	1-10	4.82	# 84 of 125	➔
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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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## Key Indicators

Population	mn.	38.3	HDI	0.43	GDP p.c.	\$	662
Pop. growth <sup>1</sup>	% p.a.	1.8	HDI rank of 177	162	Gini Index		34.6
Life expectancy	years	46	UN Education Index	0.62	Poverty <sup>3</sup>	%	89.9
Urban population	%	24.2	Gender equality <sup>2</sup>	0.60	Aid per capita	\$	39.3

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

## 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. There are, however, various factors limiting political participation to some degree. The ruling party won the presidential and parliamentary elections December 2005 with an increased majority of approximately 80%. In contrast to the mainland, general elections in Zanzibar, in which President Jakaya Kikwete won against Benjamin Mkapa, 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 in taking the necessary steps to 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 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 reversed the decline of health and education indicators. The GDP showed a remarkable growth rate of more than 6% in recent years, but declined slightly in 2006 due to the impact of drought. 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 continuing to pursue strategic reform goals, particularly in the economic arena but less clearly in democratization (especially in Zanzibar). No major policy changes are expected from the new president. Efforts on the part of the Union of Tanganyika and Zanzibar government to advance reconciliation in the Zanzibar conflict did not yield any further positive results.

No progress was made toward democracy. The country's overall socioeconomic development has continued to improve slightly during the period under review. Further progress in democratization is dependent on external pressure that can only come from the international community. Eliminating corruption and bureaucratic barriers are key to combating poverty effectively. The election results of 2005 underlined the continued stability of the mainland, and to some degree also for semi-autonomous Zanzibar, in which the lingering conflict remains unresolved. The political division will persist and may endanger the Union of Tanganyika and Zanzibar.

## History and Characteristics of Transformation

An 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 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. 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 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 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 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 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 win in the 2000 elections and an even better result in 2005, with more than 80%. Elections continued to be 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 in 2005. The results of the 2005 elections, won by the ruling CCM-Zanzibar by a narrow margin, remained controversial; Zanzibar was divided between one island, Pemba, clearly dominated by CCU and another, Unguja, dominated by CCM. Violent confrontations between police and opposition followers date back to the election outcome of 1995 and escalated further after the disastrous 2000 elections, 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. Since then, however, no major progress has been achieved. The election campaign in 2005 was again marred by violence, but to a lesser degree than in 2000. The winner still ignored the envisioned government of national unity.

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 mid-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; in fact the opposite is true. The second half of the 1990s brought relatively favorable growth rates, slowly rising to more than 6% and 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.

## Transformation Status

### I. Democracy

#### 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 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 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.

Monopoly on the use of force

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 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.

State identity

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

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, particularly during 2005 and 2006, gave rise to public, official and international concern.

Basic  
administration

## 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 and even more so of 2005 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. Before the elections in Dec. 2005 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. 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). 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. While SADC and AU observers viewed the election as free and fair, reflecting the voters' will, others (EISA, NDI, Commonwealth) were much more critical, reporting numerous irregularities, selective media coverage, violent overreaction of the police and an overly close relationship between the security forces and the ruling party.

Free and fair  
elections

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 advance of the 2005 elections, lecturers of the University of

Effective power  
to govern

Dar es Salaam were officially warned they could lose their jobs if they got actively involved in (opposition) party politics (2004).

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 during the period under review. Rally organizers are required to obtain police permission in advance, which can be denied on various grounds.

Association /  
assembly rights

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 is considering introducing "press cards" for journalists. Observers view this as a tool to control journalists voicing political criticism.

Freedom of  
expression

### 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.

Separation of  
powers

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. 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.

Independent  
judiciary

In general, corrupt officeholders are not adequately prosecuted. The PCB record is poor: of the more than 10,000 cases reported only a paltry several hundred have been prosecuted, and even fewer convicted. Hardly any high-level government leaders were tried on corruption charges. Only approximately 5% of corruption cases reported to the PCB's regional offices from 2000 to 2005 were heard by a court of law.

Prosecution of  
office abuse

Civil liberties are occasionally infringed, especially freedom of assembly and human rights 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.

Civil rights

#### 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 has an absolute majority in parliament, and problems arise primarily from inefficient administrative systems. In principle, all the relevant actors accept democratic institutions, and there are no strong or specifically anti-democratic veto powers.

Performance of democratic institutions

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.

Commitment to democratic institutions

#### 5 | Political and Social Integration

Tanzania has an essentially stable party system, clearly dominated by the former state party, which garnered more than two-thirds of votes and elected offices in 2000 and even more in 2005: 206 out of 232 seats in parliament. There are few differences distinguishing party platforms, and the opposition is fragmented among five parties in the legislature. These parties are heavily personality-oriented ("Big Men"), and have been split by internal battles that have repeatedly resulted in membership and leadership realignments. None of the opposition parties was able to field candidates for all constituencies of the parliamentary elections 2005, while CCM covered all. At the same time the party system is polarized especially between the CCM and the CUF, the strongest opposition party, with its major stronghold in Zanzibar, especially on Pemba. CUF boycotted the Zanzibar parliament several times, and occasionally the Union parliament as well. The issue between the parties is the conflict in Zanzibar, but also the future of the Union. While the governing party is broadly anchored in society, the opposition parties still show shallow roots and high voter volatility.

Party system

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

Interest groups



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).

Consent to  
democratic  
norms

Self-organization in Tanzania has been so far limited to elitist and urban-based groupings out of touch with the larger society. This isolation makes them vulnerable to the state's accusations that they lack national authenticity, which delegitimizes them in the eyes of the society they had purported 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 tension 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.

Associational  
activities

## II. 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, and market competition is limited. There were some substantial improvements from 2000 to 2006; fiscal management and price stability has improved, but the value of the national currency continued to decline. 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.

### 6 | Level of Socioeconomic Development

Key development indicators show an exceptionally low level of development. In 2004, 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 57.8% living on less than \$1 a day (purchasing power parity, or PPP). Tanzanian women live in relative deprivation, ranking 123rd out 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 34.6, Tanzania's level of development permits freedom of choice only for a tiny minority of the population.

Socioeconomic  
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	9,772	10,291	11,311	<b>12,111</b>
Growth of GDP	%	7.2	7.1	6.7	<b>7.0</b>
Inflation (CPI)	%	1	3.5	0	<b>8.6</b>
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	4.4	5.1	4.2	<b>3.9</b>
Export growth	%	3.9	5.8	-7	<b>-1</b>
Import growth	%	3.9	16.1	2.2	<b>-0.5</b>

		2002	2003	2004	2005
Current account balance	\$ mn.	22.4	-111.0	-246.2	<b>-536.3</b>
Public debt	\$ mn.	5,719.5	5,722.4	6,226.4	<b>6,183.0</b>
External debt	\$ mn.	6,840.3	6,989.6	7,804.8	<b>7,763.3</b>
External debt service	% of GNI	1.1	0.9	1.1	<b>1.1</b>
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	9.6	11.4	12.8	<b>13.6</b>
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	1.7	1.6	1.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.5	1.3	1.2	<b>1.1</b>

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

## 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, but difficult to quantify, share of economic activity and subsistence farming is common in rural areas.

Market-based competition

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 15.4% in 2000 to 8.2%, 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

Despite an official commitment of the government towards 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 “sell out” of Tanzanian enterprises, in the form of privatization and foreign investment mainly

Liberalization of foreign trade

to (white) South African companies (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 “Foreignisation” 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.

The privatization of the state bank puts the banking system in the final phase of reform, and the licensing of 22 international banks (2006) that are also active elsewhere in Africa represents a positive development trend. The private capital market is exceptionally small with only a small, although slowly increasing number of companies listed on the stock change. The Tanzanian economy ranks as “mostly unfree” on the Index of the Economic Freedom (2007).

Banking system

## 8 | 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 1% by 2002, but since then it has been inching up again to about 6% in 2006, with nearly all price controls lifted and without having to tighten monetary policy excessively. This was one of the lowest inflation rates in Africa. The increase in 2006 was mainly due to increased food prices and high world fuel prices. 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; in 2006 the shilling lost about 15% against the U.S. dollar without any major intervention of the Bank of Tanzania.

Anti-inflation /  
forex policy

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 continued to be very high overall at about \$8.1 billion (2005) or about 70% of the GDP (estimates). Tanzania’s participation in the heavily indebted poor countries (HIPC) initiative (2001) did not reduce its external debt, largely because of new borrowing from multilateral institutions. Only in 2006 the debt was reduced by a substantial write-off down to \$4.7 billion as part of the Multilateral Debt Relief Initiative.

Macrostability

## 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. 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.

Property rights

However, the privatization of large infrastructure operators—such as for telecommunication, electricity, railways, port— has slowed down and is still incomplete.

Private enterprise

## 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 the structural adjustment policy and economic growth. Today about 31% 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 between 1998 and 2003. Net primary enrollment ratio is up from 49% (1991) to 86% (2004). There are a number of institutions to compensate for gross social differences, however insufficient. In rural areas, family, clan or village structures still provide a relevant form of social security. However, drought or other calamities put these structures under stress, and also negatively affect food production. In addition, structural economic reforms have also had a negative effect on these “security nets.”

Social safety nets

Fewer women than men have access to higher education. This is partly due to rural traditions (partly ingrained in religious beliefs) in which male children are considered 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.

Equal opportunity

## 11 | Economic Performance

For the last five years the GDP showed a remarkable (at least for Africa) sustained growth rate of more than 6% (2002: 7.2%, 2003: 7.1%), declining slightly to an expected 5.8% in 2006. It is expected that growth will rebound to more than 6.0% in 2007 and 2008. Debt relief 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. So far, economic development has had little effect on the country's deeply ingrained poverty. Current economic growth rates are considered insufficient for reducing poverty meaningfully. 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 has shown growth rates of more than 15% in recent years, but contributes only 3% to the GDP (2005).

Output strength

## 12 | Sustainability

Environmental awareness is minimal, though growing slightly in urban areas.

Environmental  
policy  
Education policy  
/ R&D

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. There are no figures available for public expenditure on education. The standards at the University of Dar es Salaam, the biggest institution for higher learning (there are two other universities, formerly colleges), seem to have declined further.

# Transformation Management

## I. 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) – at least related to the mainland, Tanganyika.

Structural  
constraints

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 negatively affected life expectancy and infant mortality; life expectancy declined from 53 years (1993) to 45.9 years (2004). The adult infection rate is at 6.5%; 1.4 million adults between the ages of 15 to 49 are infected. The infection rate is much lower in rural than in urban areas. Since 2001 the government has established a national plan to combat the disease, designed in a multi-sectored approach. This includes plans to provide anti-retroviral drugs to about 500,000 infected people by the end of 2008. Testing facilities are to be rolled out to 82 hospitals countrywide. The aim is to stop the increase in prevalence before 2010. Since many well-educated people are infected this will have negative effects on development perspectives. 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.

Civil society traditions

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. Another indirectly related problem was the growing socio-religious tension and conflict between Muslims and Christians.

Conflict intensity

## II. Management Performance

### 14 | Steering Capability

The government is clearly continuing to pursue strategic reform goals, particularly in the economic arena but less clearly in democratization. Before the 2005 elections, there were a number of indicators that the government was again more concerned with keeping itself in power than with furthering the process of democratization. First, there were 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 that facilitate his arbitrary manipulations in favor of the government. Second, there has been an increase in a very subtle form of 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 in the end (after a couple of months), could not be substantiated. Third, orders by the University administration (2004) prohibit partisan political activities of lecturers, although this rule has not been applied consistently (there still are a number of national leaders of opposition political parties in the teaching trade at the University of Dar es Salaam that ran in the 2005 elections). Fourth, parliament dominated by the ruling party amended the electoral law, ruling out the formation of a coalition government for the union, and the proposal of independent candidates was again rejected. Fifth, public activities of opposition parties are frequently obstructed by local administrators, ruling party officials and cadres in rural areas outside Dar es Salaam. Local governments (District Councils) taken over by opposition parties have been administratively and politically obstructed

Prioritization



Despite capacity problems, 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. Despite international approval for Tanzania's macroeconomic achievements, a number of problems remain. The IMF review noted 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 a process that needs 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. The preservative power crisis, which affects not only private households but industries as well, was poorly managed and remained basically unresolved.

Implementation

Since President Kikwete came to power, there are 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 only slowly and cautiously.

Policy learning

## 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 manpower to effectively utilize economic and political assets. The battle against corruption has gained some ground. The government started to intensify its anti-corruption policy by focusing on petty corruption at 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.

Efficient use of assets

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). While "indigenization" was an issue of the election campaigns, the nationalist rhetoric in economic policies seems to persist. The sentiment of what is understood as the "sellout" of the nation's riches is also nourished within the ruling party – which results from the absence of competitiveness among local entrepreneurs cum politicians.

Policy coordination

The Transparency International (TI) Corruption Perception Index (CPI) 2004 ranks Tanzania 93rd of 163 countries. 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 2.9 in 2004 and 2005 of a possible 10 points. International donors continued to criticize the government for its reluctance to take more effective measures to fight corruption. Like his predecessor, the new president has publicly taken a strong stance against corruption, yet there are no indications that anything substantial has been implemented to translate that stance into reality.

Anti-corruption  
policy

## 16 | Consensus-Building

Aside from the government in Zanzibar, no important political actor openly opposes the goal of establishing a market-based democracy.

Consensus on goals

However, there are still some politicians in the ruling party – a “conservative” faction of partly Ujamaa ideologists – who are skeptical about the market economy orientation, and there are naturally different interpretations of what Tanzania's democracy should look like.

Anti-democratic veto  
actors

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 with regard to Zanzibar – and seeks consensus across lines of conflict on many issues.

Cleavage / conflict  
management

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. To the same tune, political leaders tend to ignore civil society associations rather 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.

Civil society  
participation

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 before the 2005 elections, the achievements remain fragile. Since the new union government took over, there was no major effort to push the reconciliation process further, despite the fact that the opposition is challenging the very close

Reconciliation

election results. The union government did not push the Zanzibar government for a “government of national unity.” Tensions seem to increase on the two islands towards the end of 2006, since the leader of the opposition is calling for new elections after having waited patiently for one year for the new president to make a move towards a new initiative for reconciliation. The situation might become tenser and more dangerous because the CUF is internally split over their political strategy against the CCM government. There seems to be an increasing dissatisfaction with the conciliatory policy of the current CUF leadership.

## 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 and less to the political sphere. In this ambition 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.

Effective use of support

Its international partners have a reliable and largely predictable view of the Tanzanian government. With the new president, who previously has been a Minister of Foreign Affairs for many years, Tanzanian foreign policy has changed its style to a “pro-active diplomacy.”

Credibility

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 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 implementation of the new union was a matter of political contention. At the same time, parts of the business community revived the debate about rejoining the Common Market of East and Southern Africa (COMESA membership terminated in 2000). The situation is complicated, since Tanzania is also a member of the Southern African Development Community (SADC). Membership in all the three regional organizations will not be feasible for the long run.

Regional cooperation

## Strategic Outlook

The government shows little willingness to continue with democratic reforms. Very much a party insider within the long-ruling CCM, the new president has made no moves to initiate change. Further progress in democratization would require external pressure to compel the government introduce more reforms. A stronger impetus can hardly be expected from opposition political parties. Although the state finances all political parties represented in parliament, the opposition parties are too weak to challenge the ruling party in the near future, even if united. In fact, they lost ground in the 2005 election. The same is true of voices of opposition within civil society. A larger split-off from the ruling party is unlikely, given that there are no gains to be made by joining the opposition. However, a split in the ruling party could make a difference. There are two issues potentially capable of fragmenting the ruling CCM (although both are unlikely): first, the relationship between Zanzibar and the mainland, and second the privatization and open market policy of the government. While the new president has consolidated his position within the party and in the government, the fierce competition for the presidential nomination has left many disgruntled among the party establishment. This state of affairs owes to the structural weakness of oppositional forces in the country. However, this weakness is also an effect of the very subtle, but effective politics of repression carried out by the government, which goes largely unnoticed by many external observers. In some cases, a blind eye is turned to this repression, as political stability is preferred over unrest. However, the international community must acknowledge that no further progress in democratization will be made without greater pressure exerted on the Tanzanian leadership to implement reforms.

Eliminating corruption and bureaucratic barriers are key to combating poverty effectively. Observers have voiced optimism about an apparent newfound dynamic in several ministries since the new president has taken office. However, the almost chronic state of power crisis has kept the government otherwise occupied. Early signs that of new president showing a more resolute stance on fighting corruption have yet to bear fruit. Thus it is difficult to envision major pro-reform changes coming soon. The unresolved Zanzibar crisis will be a major challenge for the government in the near future. New tensions emerged toward the end of 2006 as a more radical faction within the CUF apparently lost patience with the current leadership's conciliatory tone. In fact, since the 2005 elections, neither the Zanzibar nor the Union government has made any major effort to reconcile the opposition, which felt betrayed for the third time.