

BTI 2016 | Tanzania Country Report

	scale	score	rank	trend
Status Index	1-10	5.58	# 62 of 129	
Political Transformation	1-10	6.15	# 59 of 129	➔
Economic Transformation	1-10	5.00	# 80 of 129	➔
Management Index	1-10	5.14	# 60 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	51.8	HDI	0.488	GDP p.c., PPP \$	2591.2
Pop. growth ¹	% p.a.	3.2	HDI rank of 187	159	Gini Index	37.8
Life expectancy	years	61.5	UN Education Index	0.426	Poverty ³	% 76.1
Urban population	%	30.9	Gender inequality ²	0.553	Aid per capita \$	68.3

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

Executive Summary

During the period under review, some progress was achieved regarding democracy, social welfare and economic development. The country has a stable political system, dominated by the former state party Chama Cha Mapinduzi (CCM). CCM is broadly anchored in society and opposition parties have yet to take sufficient hold, in spite of advancing popular issues such as anti-corruption. Though the dominant position of CCM is in decline, it remains strong enough to secure a victory in the 2015 presidential and parliamentary elections. While a separation of powers is enshrined in the constitution, the executive dominates and the legislature and judiciary are not truly independent. Despite efforts by President Kikwete to enforce the national anti-corruption strategy, corruption levels remain very high. As a result, international donors as well as local reform activists continue to criticize the government for its reluctance in taking the necessary steps to effectively fight corruption.

Since the beginning of the constitutional revision in 2010, the country has experienced more political engagement from opposition parties, civil society and interest groups. This has stretched restrictions set by the government on freedom of expression, assembly rights and participation in political decision-making. Pressure from the international donor community has been important in supporting this process. The constitutional review process has been dominated by CCM. As a result, opposition parties withdrew from the official dialogue process and are opposing the constitutional referendum planned for 2015. Nonetheless, the simple fact that a new constitution is being developed indicates a new openness by government. The government now appears willing to discuss the fundamental framework of the state and the rules that govern the political system. It is within this process that the main opposition parties (Chadema, CUF, NCCR Mageuzi and NLD) have formed an alliance to propose a common opposition candidate for the presidential elections in October 2015. All in all, there are still differences with respect to democratic politics between the mainland (Tanganyika) and Zanzibar. On the mainland, government leaders are chosen in generally free, but not entirely fair, elections. Elections in Zanzibar have been neither free nor fair.

Tanzania's overall economic development has continued to improve. Economic growth has been stable above 6%, driven by mining, transport, communications, manufacturing and agriculture. The government has shown fiscal discipline and controlled inflation, foreign direct investment has been increasing (mainly in mining, energy and infrastructure), and international trade with the EU, China, India, SADC, COMESA and EAC is steadily growing. Oil and gas production may promise particularly fruitful new avenues for growth. Nonetheless, Tanzania still shows a very high dependency on foreign aid and little innovation in the agricultural sector (employing 80% of the working population) and industry (still highly dominated by the state). The elimination of corruption and bureaucratic barriers remain major policy challenges.

In terms of social policies, there is a general lack of improvement. The country's Human Development Index (HDI) scores have improved over the years (moving from a score of 0.353 in 1990 to 0.488 in 2013). This improvement can be attributed to achievements including a very high primary school enrollment rate and clear reductions in the under-five mortality rate (through high vaccination coverage and the wide distribution of mosquito nets, which lowered malaria infection rates)(MDG 4). Even so, these improvements have not change the fact that Tanzania continues to rank among the countries with the lowest human development, ranking 159th out of 187 assessed countries on the 2014 HDI. Tanzania's economic progress has still not had an impact on the country's alarmingly level of poverty. More than 30% of the population live in severe poverty and almost 70% live on less than \$1.25 a day (MDG 1). While the country has succeeded in increasing the enrollment of girls in school and the representation of women in parliament, much must still be done to achieve gender equality (MDG 3). According to a 2013 Commonwealth Foundation report, improving maternal health (MDG 5) as well as combatting HIV/AIDS, malaria and other diseases (MDG 6) remain critical issues for Tanzania's post-MDG agenda. The World Bank noted in 2014 that another major concern is the lack of quality and accessibility in secondary and tertiary education; in 2013, gross enrollment was 35% for secondary and 3.9% for tertiary. These numbers make clear why Tanzania is facing a youth unemployment crisis: unskilled young people are not being absorbed into the education system and instead start looking for jobs in the informal sector.

History and Characteristics of Transformation

An evaluation of the transformation in Tanzania is complicated by the political construction of the United Republic of Tanzania (the Union) into the Tanzanian Mainland (formerly Tanganyika) and the two semiautonomous islands of Zanzibar (Pemba and Unguja). Each part of the Union has its 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 in the 1990s. In Zanzibar, transformation was marked by violent clashes and the sustained repression of opposition parties, especially the Civic United Front (CUF). The Union experienced high political stability after the Nyerere era, with three presidents (Ali Hassan Mwinyi, Benjamin Mkapa and

Jakaya Kikwete), each ruling for two consecutive five-year terms. Zanzibar has remained an authoritarian regime within the Union. However, barely 3% of the total population (1.3 million people) lives under this authoritarian regime. Political transformation was initiated by the Union government, controlled by the Chama Cha Mapinduzi (CCM), in 1991. A presidential commission appointed in 1991 advocated introducing a multiparty system in early 1992, even though more than 80% of approximately 30,000 polled citizens at that time expressed support for one-party rule; a majority favored a greater participatory role for the public in the one-party system. This first phase of liberalization and democratization ended in 1995 when the 30-year practice of single-party elections yielded to the first multiparty elections. In the 2000 elections, CCM managed to attain a decisive two-thirds majority victory. This majority was further enlarged in 2005 when CCM secured in excess of 80% of the vote. The 2010 Zanzibar election results were contentious (as they had been in 1995, 2000 and 2005) but no violence erupted due to a pre-election agreement between the CCM and CUF to form a Government of National Unity (GNU). Since the 2010 elections, amid growing dissatisfaction with the performance of government, by-election (special election) results show the opposition party Chadema making further gains.

The economic transformation of the formerly socialist-oriented, state-controlled economy began in 1986 with the first IMF structural adjustment program (SAP 1), but was implemented only erratically until the mid-1990s. Market reforms were pursued more consistently after 1995. Since then, progress has been made in privatizing state enterprises and in deregulating the economy. The inflation rate was markedly reduced down to a single digit. The second half of the 1990s brought relatively favorable growth rates, slowly rising to more than 6% and sometimes even more than 7% since 2001, despite weather-related slumps in some years. Nevertheless, reforms have fallen far short of overcoming the structural weaknesses of the Tanzanian economy, namely a heavy dependence on foreign aid, mining, and agriculture (much of it at the subsistence level) and limited development of the manufacturing sector – hence, little diversification of exports.

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

Transformation Status

I. Political Transformation

1 | Stateness

There is no major problem with stateness. The state's 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 Mainland has, for the most part, achieved harmonious social integration of its different ethnic groups. On the mainland, citizenship and who qualifies as a citizen is regulated by the constitution. In recent years, however, especially in the review process of the constitution, the opposition and civil society groups have claimed political exclusion. In 2012, these groups became involved in the constitutional review process, including previously unrepresented sectors of the population and opening up a political system mainly dominated by the ruling party, Chama Cha Mapinduzi (CCM). However, opposition parties abandoned the process in April 2014 claiming intimidation and abuse. Opposition members have been arrested and the leader of the main opposition party, Chadema, was interrogated by the police. The opposition parties have announced that they will protest the new constitution, which will be decided upon in a referendum in 2015. They consider the proposed changes as too limited: lacking the establishment of a federal system and limiting of executive power. So far, calls for protest by Chadema have not led to large demonstrations against the constitutional review process. In response to this public apathy, the four main opposition parties (Chadema, CUF, NCCR Mageuzi and NLD) have allied to jointly run a presidential candidate in the October 2015 elections.

Questions have also arisen in terms of the relationship between the mainland and semi-autonomous Zanzibar. The opposition in Zanzibar launched an effort to achieve greater autonomy. Only a small, radicalized minority of Muslim fundamentalists in

Question
Score

Monopoly on the
use of force
8

State identity
7

Zanzibar wants to form a religious state. In the past, some of these groups have turned violent, bombing tourist centers and state installations. Since the 2010 forming of the Government of National Unity (GNU) in Zanzibar, which was based on a compromise between the ruling CCM and the opposition Civic United Front (CUF), peace has largely been restored. According to an April 2014 survey by Twaweza, 80% of Zanzibar respondents agree that the new constitution should enshrine three governments (Union, Mainland and Zanzibar), with more autonomy for Zanzibar.

The separation of religion and state is largely assured in Tanzania. On the mainland, the population is divided into three almost equally large religious groups (Muslim, Christian and practitioners of native religions). In Zanzibar, 99% of the population is Muslim. However, as there are no official records of religious affiliation in Tanzania, it is difficult to gather accurate numbers. On the mainland and in Zanzibar, the coexistence of diverse religions has led to a certain degree of tension as well as differentiated influence of religion on politics.

Though conceived of as secular, the Tanzanian state is often portrayed by radical Muslim groups as biased towards Christianity. These groups claim that the Muslim population has been discriminated against since German colonial rule, when mostly Arabs and Swahili were trained as regional administrators or “akidas.” Under British rule, this practice was dismantled and the “akidas” dismissed, as the British chose missionaries and other members of the church for their administrative posts. This bureaucratic swap resulted in an imbalance of representation within public administration and education, as most of these posts went to those who attended missionary schools and/or colonial government schools. Since independence in 1961, this anomaly has been addressed by implementing a secular system with certain religious freedoms for Muslim communities on the mainland and especially in Zanzibar, where Islamic courts (kadhi) coexist with secular courts and Islamic law is predominant in personal matters. Some radical Muslims have vowed to use force to redress what they see as a Christian-oriented government that works against them. A more common perception among Muslims is that they have been short-changed by their Christian counterparts since independence, even though it was Muslim groups that spearheaded the struggle for independence.

In recent years, religious tensions between Christians and Muslims have been escalating. Working under the aegis of the Association for Islamic Mobilization and Propagation (Uamsho, or Awakening, registered as political party in Zanzibar) and the Islamic Council, Islamic militants have engaged in violent acts in both Zanzibar and mainland Tanzania. After a series of attacks against at least 10 Christian churches in 2012, the sectarian violence has eased, although a few more recent incidents have shown the conflict is not over. In 2013, there was a bomb attack on a Catholic church in Arusha and another bomb attack in front of an Anglican cathedral. In 2014, there was a bomb attack on Zanzibar at a tourist bar near a mosque. There have also been acid attacks and shootings targeting religious leaders, both Christian and Muslim.

No interference of religious dogmas

8

The state maintains a basic provision of public services throughout the country. The national administrative structure is divided into three levels (national, regions and districts). Administrative capacity however is weak and ineffective and financial resources are low. Staff is poorly trained and often unprepared to carry out government goals; what's more, the administration suffers under political interference, a result of more than 50 years of one-party rule (despite, according to the constitution, the country's multiparty democracy established since 1992). As pay is low, administrative staff is uncommitted, often not accountable and susceptible to corruption.

Basic
administration
6

In 2014, Vice-President Dr. Mohamed Gharib Bilal stated that nearly half of the population does not have access to adequate sanitation due to insufficient investment in the country's water infrastructure, resulting in a decline in clean and safe water sources.

Since 2014, the government has been tackling the problem of poor public service delivery by advancing a new countrywide reform policy under the banner of "Big Results Now." In cooperation with the World Bank, other international development partners and learning from best practices developed in Malaysia, the Tanzanian administration is aiming to provide quality basic services in the eight priority areas of education, energy, agriculture, water, transport, health, business environment and resource mobilization. The expected impacts shall set the foundation for Tanzania's strategy to move from a low-income to middle-income country by 2025.

2 | Political Participation

The president of the United Republic of Tanzania and the members of the National Assembly are elected regularly for five-year terms by direct popular vote. Several parties with competing platforms are able to run. The governing party Chama Cha Mapinduzi (CCM), and the main opposition parties Chadema and Civic United Front (CUF) are the most important parties participating in elections. Up to now, the president and the ruling party, CCM, have had a strong political influence on both national and sub-national election processes. According to the constitution, the president appoints the National Electoral Commission, diminishing its autonomy and the inclusion of independent candidates.

Free and fair
elections
7

The 2010 presidential and parliamentary elections were largely free in terms of opposition parties being able to organize and run their campaigns throughout the country. However, opposition parties and election observers issued serious complaints regarding fairness, especially concerning the independence of the electoral authority. The elections resulted in major gains for Chadema and significant losses for the ruling CCM (which saw a nearly 20% loss in the presidential election as well as a 15% loss of its parliamentary seats). This loss was partially attributed to

a drastic decline in voter participation. The next presidential and parliamentary elections are scheduled for October 2015. Local government elections held in December 2014 also showed a loss for the ruling CCM, which won a total of 9,406 (down from 12,042 in 2009). The opposition won 3,211 seats.

By-elections (special elections) in June 2013 were marked by major violence and irregularities. In Tanzania's second biggest city, Arusha, a bomb blast targeting the opposition party Chadema's campaign, killed several children as well as the head of Chadema's women's association in Arusha; more than 60 people were injured. Furthermore, there was chaos and violence in some of the polling stations in Arusha and other parts of Tanzania (Makuyuni, Shinyanga, Igunga and Ruvuma), with the consequence that members of parliament as well as party followers of CCM and Chadema were seriously injured. In general, the perpetrators of these irregularities and violent acts against the opposition remain unidentified and are rarely prosecuted.

Until 2010, general elections in Zanzibar had been neither free nor fair and the government lacked democratic legitimacy. Although opposition parties and civic groups have been able to organize and articulate their interests, as groups they were repressed by the state, sometimes on a massive scale. The political situation improved significantly following the reconciliation agreement (Muafaka) of October 2001 between the CCM and the opposition CUF. As a result, political repression was eased, prisoners were released and most refugees returned. In 2003, by-elections for the mainland and Zanzibar parliaments were upheld, although not without political tension. The 2005 presidential and parliamentary elections showed no substantial improvement over the previous contest. The 2010 elections, however, were a turning point, as the contest was held with little violence. This was attributed to the pre-election agreement (and constitutional amendment) between CCM and CUF leadership to form a Government of National Unity (GNU) after the elections. Though a question still remained over which party would head the government. Although there were some doubts about the official election outcome, which gave CCM a tiny lead, CUF leaders accepted the results and joined the government.

In general, elected leaders have full power to govern and the role of the military is muted. For a number of decades, the political elite has followed a clear policy to co-opt the military leadership, down to the middle ranks, using material privileges and effectively integrate them both ideologically and politically into the ruling party. Growing bureaucratic and political corruption is a major problem, with strong interests undermining the decision-making power of elected political representatives.

Effective power to govern

8

The country's 1977 constitution provides for freedom of association. In practice, the government limits citizens' right to assemble peacefully.

Association /
assembly rights

6

According to a Freedom House report, there is freedom for civil society to organize in the form of nongovernmental organizations (NGOs). There are over 4,000 NGOs registered in Tanzania. Currently, state interference in NGO activity is low, bearing in mind that by law the government can de-register any NGO at will. Within this context, there are independent NGOs, such as the Legal and Human Rights Centre (LHRC) and Research and Education for Democracy in Tanzania, that publish reports that are critical of the government. Also, trade unions are ostensibly independent from government, acting under the Trade Union Congress of Tanzania and Zanzibar Trade Union Congress. Tanzania's agricultural sector is mainly represented by the Tanzania Federation of Cooperatives. Essential public services workers are barred from striking and other workers are restricted by complex notification and mediation requirements. This is one of the reasons why strikes are infrequent, both on the mainland and in Zanzibar.

By law, rally organizers are required to obtain police permission in advance, which can be denied on various grounds. The police interfere with these rights, particularly at political rallies and demonstrations during election and by-election (special election) periods. The government has decided that the police must issue permits for legally constituted bodies (such as political parties) and/or officials (such as members of parliament or councilors) to assemble, meet their voters or host a rally. In practice, the police are often not informed of an event and are usually not the permit issuing authority. During the period under review, the Chadema party ignored several official bans on demonstrations and the police reacted with unprecedented violence, detaining leaders of the leading opposition party and shooting several demonstrators. Furthermore, several activities of opposition parties were banned by the police, such as a Civic United Front (CUF) demonstration in June 2013 and a joint opposition rally in September of the same year.

Tanzania's 1977 constitution provides for freedom of expression and the rights to seek, impart, and receive information on important societal issues and prominent persons. Freedom of the press is not expressly provided for in the constitution. In practice, the government occasionally limits these rights while the semi-autonomous government in Zanzibar limits rights more often.

Freedom of
expression

6

There are approximately 13 daily newspapers on the mainland (two owned by the government, one each by CCM and Chadema), but only one daily newspaper in Zanzibar (owned by the government). The law limits the media's ability to function effectively. Print media has been subject to considerable government restrictions, including the enforcement of a code of ethics. However, the mainland government allowed political opponents access to the media (e.g., the newspaper of the major opposition party, Chadema's Tanzania Daima, is published daily as are some other opposition papers). In Zanzibar, the media's access to government information is much more curtailed.

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 2014, Freedom House noted that “the Committee to Protect Journalists recorded 22 attacks or threats against members of the press in 2013; among the most notable incidents was the severe beating of New Habari reporter Absalom Kibanda in March. The ban on the newspaper MwanaHalisi imposed in July 2012 continued, and in September the newspapers Mwananchi and Mtanzania were shut down for 14 and 90 days, respectively.” This trend was reflected in the 2013 Press Freedom Index, where Tanzania was ranked 70th out of 179 countries, dropping more than 30 places compared to the 2012 index (Reporters Without Borders 2013). In January 2015, the government banned the regional newspaper The EastAfrican from circulating in Tanzania, as it had allegedly been circulating without registration. Just before banning the paper, the bureau chief of The EastAfrican was interrogated by the director of Information Services, who expressed dissatisfaction with the reporting and the negative agenda the newspaper had against Tanzania.

Press freedom in Zanzibar is even more constrained. The Zanzibari government owns the only daily newspaper and private media other than radio is nearly non-existent. Internet access, while limited to urban areas, is growing. The authorities monitor websites that are critical of the government. A number of journalists were arbitrarily arrested by the authorities during the period under review.

3 | Rule of Law

The governing structure comprises of the executive, the legislature and the judiciary. These three bodies were established by Article 4 of the 1977 constitution. The separation of powers between the executive and legislative branches is fundamentally assured, but the executive clearly dominates. The constitution demands that – on recommendations – the president appoints the chief justice (head of the judiciary branch); the speaker (the head of the legislature) comes from the party with the most votes in parliament (up to now CCM). Despite its absolute majority in parliament, the CCM-led 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 presidential constitutional commission. On the other hand, parliament has also decisively voted down bills proposed by the government.

The judiciary is exposed to political pressure regarding which cases to consider and how to work on them. Diminishing the role of the executive in the political system as well as assuring the independence of the legislature and the judiciary are critical corner stones in the constitutional reform process. The Tanzanian Constitutional Review Commission’s (CRC, Warioba Commission) latest draft constitution

Separation of
powers

6

suggests, among others reforms, a three-tiered federal state, fewer cabinet members, independent candidature, limits on executive appointment and an explicit Bill of Rights. The CRC collected views from the public. Results indicated a wish for a clear separation of powers, the accountability of each pillar to the public, the accountability of civil servants and political leaders, more effort to fight corruption, and justice for the people of Tanzania.

The independence of the judiciary is not completely assured as, constitutionally, the judges of the highest court (the Court of Appeal) and second highest court (the High Court) are appointed by the president in consultation with the Judicial Service Commission of Tanzania. Furthermore, the judiciary suffers from a significant lack of resources, a very heavy workload and the lingering suspicion on behalf of the populace of corrupt practices when dispensing justice; it is regarded as inefficient to such a degree that it is questionable that the system can provide an expeditious and fair trial. Its structural weaknesses contribute to a reduction of its independence, functionally and financially. Corruption, virulent at lower administrative levels as well as among government officials, poses a serious problem. In 2007, a bill to prevent and combat corruption was passed in parliament. The act transformed the largely ineffective Prevention of Corruption Bureau (PCB) (on the mainland only) into the Prevention and Combat of Corruption Bureau (PCCB) with extended investigation powers. The PCCB has 24 regional offices and an office in every district on the mainland. Although the law was publicly welcomed as a positive approach in the country's anti-corruption strategy, little has changed since then. Zanzibar has its own judicial system, which is strongly influenced by Islamic jurisprudence.

In general, corrupt officeholders are not adequately prosecuted. The creation of the Prevention and Combat of Corruption Bureau (PCCB) can hardly be considered a more serious attempt at fighting corruption at all levels, although some government officials have since been brought to court. The bureau has not prevented many government officials getting involved in wide-reaching corruption scandals. The fight against corruption was a major issue of the 2010 election campaign, with the issue forced upon the ruling party Chama Cha Mapinduzi (CCM) by opposition voices. CCM is divided on the issue, as fighting corruption means taking on vested interests within the party and in the government. There is little accountability within government offices. Government officials estimate that each fiscal year corruption is responsible for about a 20% loss from the government's budget.

Particularly in the energy and mining sector, matters over land and investment are prone to corruption. In May 2012, the president dismissed six ministers and two deputy ministers who were allegedly involved in issues of corruption or mismanagement within their ministries. In 2014, a major corruption scandal developed related to the state-owned energy company TANESCO. Several high ranking politicians, including the prime minister, minister of energy, housing minister and attorney general, were accused of being involved in transferring \$124 million from the central bank to a private energy company. As a consequence, foreign donors

Independent
judiciary

6

Prosecution of
office abuse

4

withheld aid. In 2013, the previous energy minister had been forced to step down after a report uncovered a massive abuse of taxpayers' money in 2012.

The constitution assures freedom of expression, assembly and the protection of human rights. Civil liberties, in particular the freedoms of assembly and human rights while in police custody, are occasionally violated. In Zanzibar, these rights are severely limited and sometimes massively violated. Three particular targets of harassment are citizens generally opposing the CCM-led government (the police and state security organs exert heavy-handed intimidation), people opposing specific government policies (such as a community of 70,000 Maasai in Loliondo) and members of the LGBT (lesbian, gay, bisexual, and transgender) community (who are generally highly discriminated against in Tanzanian society).

Low expectations on behalf of the populace regarding the judicial system's performance as a result of corruption and the absence of civic education means that citizens are generally unaware of their rights and often do not know where to submit grievances. Based on data from the Legal and Human Rights Centre (LHRC), in the first half of 2013, at least 22 people were killed by security forces, 597 deaths were counted attributed to mob violence, and 303 people accused of witchcraft were murdered. Lower courts are seen as corrupt and inefficient, although because of personnel and space issues (a lack of hearing rooms, poor record keeping systems) they are essentially overburdened with cases. These administrative deficiencies limit a citizen's ability to seek redress for violations of basic freedoms. Distrust of the police and of the legal process in general has often led citizens to take the law into their own hands. Furthermore, there are not sufficient state institutions to protect human rights and to address complaints from the population. Although established by the 1977 constitution, the Commission for Human Rights and Good Governance (CHRAGG), an independent government department, was only officially inaugurated in March 2002. CHRAGG commissioners are appointed by the president, already diminishing the department's independence. With offices in Dar es Salaam, Zanzibar, Mwanza and Lindi, only a very small portion of the population has physical access to this institution – although a SMS-Complaint Service was established in 2013. Since December 2014, there is also an insurance ombudsman to mediate between consumers and private insurance companies. A taxation ombudsman is planned for 2015.

4 | Stability of Democratic Institutions

For the most part, democratic institutions on the mainland exist on the national, regional and local levels. There is a unicameral parliament dominated by the ruling party Chama Cha Mapinduzi (CCM) and a judiciary with few resources and little independence. The administrative structures are inefficient, slow and affected by corruption. To address the issue of corruption, the Prevention and Combat of Corruption Bureau (PCCB) was established in 2007. Between 2013 and June 2014, the PCCB received more than 8,000 corruption allegations, leading to a record of more than 1,700 prosecuted cases, with more than 170 successful prosecutions and approximately 110 acquittals.

In Zanzibar, the situation is more critical since the formally democratic institutions function within an authoritarian framework. With the formation of the Government of National Unity (GNU) between CCM and CUF (Civic United Front) in 2010, the system has become more liberal but is still far from democratic. Despite addressing political challenges successfully, the coalition of the GNU has created new problems. The total lack of opposition voices in the House of Representatives in Zanzibar reduces control and oversight functions to a bare minimum.

In principle, all the relevant actors accept democratic institutions, but the ruling party Chama Cha Mapinduzi (CCM) shows resistance to opening the political system to a functioning multi-party democracy (formally established in 1992), with a vibrant and critical civil society and media, which would challenge the dominant position it has held since independence. 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 CCM-led government was forced by the mainland government to accept democratic institutions and a compromise with the former opposition. Whether this has been basically changed with the new national unity government is still an open question. The structure of the union, state and government is being arduously discussed in the constitutional review process, which began in 2012. Within the constitutional review process, there is also discussion of reforming the Zanzibar constitution and its institutional setting.

Performance of
democratic
institutions

6

Commitment to
democratic
institutions

6

5 | Political and Social Integration

Since the transition from a one-party system to a multiparty system (formally established in 1992 and practically in effect since the 1995 elections), six parties have shaped the essentially stable party system. The ruling Chama Cha Mapinduzi (CCM, Revolutionary Party) clearly has the highest voter support on the mainland, winning 62% of the votes in the 2010 presidential elections, and holds an absolute majority in parliament with 259 of the 350 seats. With a history dating back to TANU in 1954 and the creation of CCM in 1977, the ruling CCM is very much socially rooted. The parties formed after 1992 must still find their “social roots.” Yet voter support for the opposition parties is growing. The biggest opposition parties are Chama Cha Demokrasia Na Maendeleo (Chadema, Party for Democracy and Progress) and Chama Cha Wananchi (CUF, Civic United Front). The Tanzania Labor Party, Mageuzi (National Convention for Construction and Reform) and United Democratic Party are smaller parties with growing constituencies.

One could classify the party system as a dominant-party system. There are few differences distinguishing party platforms and the opposition is fragmented among five parties in the legislature. These parties are heavily personality-oriented 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 in 2005, while CCM candidates covered all regions. At the same time, the party system is polarized, especially between CCM and Chadema, which emerged as the strongest opposition party in 2010. Chadema won 48 seats (compared to 11 in 2005). Their presidential candidate managed to win approximately 27% of the popular vote despite standing for the first time as a presidential candidate. CUF, the second strongest opposition party, has its major stronghold in Zanzibar, especially on Pemba. CUF boycotted the Zanzibar parliament several times and occasionally the mainland parliament as well, but joined the CCM in 2010 to form the Government of National Unity (GNU) on the islands. While the governing party CCM, being the party of the revolution, is broadly anchored in society, opposition parties show growing bonds with voters. According to Afrobarometer, in 2012 84% of those interviewed felt close to a specific political party.

Based on recent by-election (special election) results and opinion polls, CCM appears to be losing ground while Chadema is gaining. High-level corruption cases within the government, mismanagement, poor services and little distributive effects despite continued high growth rates contribute to widespread dissatisfaction with the CCM government. Looking ahead towards the 2015 presidential and parliamentary elections, according to Twaweza (November 2014), CCM’s support is falling but the party retains a comfortable lead over its closest rivals (Chadema and CUF) and voters

Party system
6

have stronger preferences regarding political parties than individual candidates (almost half of the current members of parliament risk being voted out). Factional strife within the ruling party over the nomination of a presidential candidate for the elections in October 2015 has exacerbated problems. However, most observers do not expect a major change of the party system and that CCM dominance will continue at least until after the next election. A major innovation is the alliance among the opposition parties CUF, Chadema, NCCR Mageuzi and the National League for Democracy (NLD) formed during the Constituent Assembly process under the name UKAWA (Umoja wa Katiba ya Wanachi). This alliance has agreed to present one joint candidate for the presidential elections in 2015.

The spectrum of non-governmental institutions representing societal interests is narrow and their scope of action is clearly limited by the government. According to a Freedom House report, there is freedom for civil society to organize in the form of nongovernmental organizations (NGOs). There are over 4,000 NGOs registered in Tanzania. Currently, state interference in NGO activity is low, bearing in mind that, by law, civil society organizations are prohibited from engaging in political activities and that the government can de-register any NGO based on the NGO's Law Act No. 24 of 2002. Despite their growing numbers, most organizations are dependent on foreign funding. Generally, NGOs lack organizational, advocacy and lobbying skills. Most organizations are involved in issues concerning human rights, democracy, basic needs, women and gender, civic education and the environment. In this context, important independent NGOs, such as the Legal and Human Rights Centre (LHRC) and Research and Education for Democracy in Tanzania, have developed to articulate critical points of view vis-à-vis the state.

Although weak, trade unions are ostensibly independent of the former state party Chama Cha Mapinduzi (CCM), acting under the Trade Union Congress of Tanzania and Zanzibar Trade Union Congress. The Tanzania Teachers' Union (TTU) is a strong union, having often demonstrated the capacity to organize and act. Tanzania's agricultural sector is mainly represented by the Tanzania Federation of Cooperatives and more oriented towards economic interests. Essential public services workers are barred from striking and other workers are restricted by complex notification and mediation requirements. This is one of the reasons why strikes are infrequent, both on the mainland and in Zanzibar. One exception was a series of the doctors' strikes in 2012, which led to major government reprisals and the kidnapping and torture of one of the strike's leaders, Dr. Stephen Ulimboka (although any government involvement was denied by the President Kikwete).

National and international business interest groups, linking the extraction of natural resources, the manufacturing industry, trade and services (telecommunication, tourism), are growing in Tanzania. They are often also perceived as one of the causes for growing corruption, as they usually maintain close links to the ruling party and the government. The extraction industry (gold, diamonds, coal, gas and oil, and, since

Interest groups
4

2012, also uranium) is of concern. The government has shown itself incapable of implementing self-established safeguards protecting the population and ecosystem as a result of a lack of financial, technical and human resources. This has led to serious human rights violations, land grabbing and damage to the natural environment.

In 1991, the government set up the Nyalali Commission to determine whether Tanzanians wished to have a multiparty system or retain the one-party state. Through a survey, the Commission found that 80% of those interviewed were against a multiparty democracy, which is why the Commission recommended continuous nationwide civic education for the citizenry. According to Afrobarometer surveys, in response to the statement, “democracy is preferable to any other kind of government,” support for democracy has declined from approximately 85% in 2000 (one of the highest percentages in Africa) to 38% in 2005 (59% answering “don’t know”), but recovered to 71% in the 2008 and 85% in the 2012 survey. At the same time, support for multiple political parties declined from 67% (2002) to 52% (2005) and 51% (2008), rising again to 76% in 2012. Furthermore, satisfaction with democracy has improved: 62% were satisfied with the way democracy was working in 2000, 37% in 2005, 71% were fairly or very satisfied with the functionality of democracy in 2008, rising to 75% in 2012. The low level of participation in the 2010 elections, in which only 40% of registered voters participated, may indicate that dissatisfaction with government and its dominant position in the political system is increasing. Political protests – mainly coordinated by the opposition parties – call the regime and its constitution into question. According to Afrobarometer (2013), 83% of those interviewed agreed that the existing constitution is rife with inadequacies and should be revised.

Approval of
democracy
6

For the majority of the rural population, most of whom are farm laborers, close informal networks of extended families still provide the social capital to manage everyday life and to balance challenges that emerge from economic, social and natural disasters. According to a 2012 Afrobarometer survey, general social trust was not particularly high a few years ago: 88% claimed that one must be very careful in dealing with people in general. Yet, according to a recent survey by Twaweza (September 2014), community trust is high with 98% saying that their community would pull together following an unfortunate event. Families are the most trusted network (when compared to neighbors and acquaintances): 88% trust their relatives and 76% trust their neighbors.

Social capital
5

People organize themselves informally rather than relying on public or formal organizations or to improve their situation. 72% of those interviewed by Twaweza (2014) were involved in a community organization, such as a religious group or a saving and loan group. Political self-organizing has been rather limited to urban-based groupings. This isolation makes them vulnerable to state accusations that they lack national authenticity, which deprives them of legitimacy in the eyes of the society they purport to serve. Therefore, civil society groups are politically weak but

have been able to consolidate themselves, and, given the past weakness of the political opposition, they have a certain importance in public life. Most NGOs depend financially and politically (for protection) on international supporters. Christian churches and church-related organizations, together with the Muslim Council, play a relatively prominent role in this respect, although militant representatives of religious organizations have contributed to mounting tensions between religious communities and are directly responsible for violent clashes.

II. Economic Transformation

6 | Level of Socioeconomic Development

Although Tanzania has made considerable improvements in its Human Development Index results (moving from a score of 0.353 in 1990 to 0.488 in 2013), it continues to rank among the countries with the lowest human development, ranking 159th out of 187 countries assessed on the 2014 HDI. Tanzania is heavily dependent on foreign aid and market competition is limited. The strength of the national economy fluctuates widely, depending heavily on changing weather conditions for agriculture. The majority of the population lives in rural areas, living from subsistence farming. Social exclusion is extensive and structurally ingrained. A high percentage of the population lives in absolute poverty, with 28.2% below the national income poverty line (2002 to 2012) and 73% living on less than \$2 a day (PPP, 2012). At an increasing rate, the gap between the very few rich and the many very poor is widening. Despite comparatively low-income disparities, indicated by a Gini coefficient of 0.3786 (2011), Tanzania's level of development permits freedom of choice only for a tiny minority of the population (World Bank 2014). Tanzanian women live in relative deprivation. The country has developed slowly on the Gender Inequality Index, from 0.585 (2005) to 0.553 (2013), which is clearly higher than the Sub-Saharan African average of 0.578 in 2013 (UNDP 2014). On the Gender Inequality Index, Tanzania ranks 127th of 178 countries. The female labor force as a percentage of the total is about 49.8% (World Bank 2014). The ratio of female to male enrollment is 103.2% for primary school, 87.5% for secondary school and 54.7% for tertiary education (World Bank 2014). The gross enrollment ratio in general is 93% for primary school, 35% for secondary school and 3.9% for tertiary education. The adult literacy rate among the total population is 67.8%; 60.8% among men and 75.5% among women (World Bank 2014).

Question
Score

Socioeconomic
barriers
3

Economic indicators		2005	2010	2013	2014
GDP	\$ M	16930.0	31105.4	44333.5	49183.9
GDP growth	%	8.2	6.4	7.3	7.0
Inflation (CPI)	%	5.0	6.2	7.9	6.1
Unemployment	%	2.5	3.0	3.5	-
Foreign direct investment	% of GDP	5.5	5.9	4.2	-
Export growth	%	0.4	6.8	0.6	17.7
Import growth	%	-1.8	14.7	11.0	2.9
Current account balance	\$ M	-1092.6	-1960.1	-4703.4	-
Public debt	% of GDP	46.8	27.3	30.9	35.2
External debt	\$ M	8400.0	8987.2	13024.3	-
Total debt service	\$ M	133.2	198.3	159.8	-
Cash surplus or deficit	% of GDP	-	-1.9	-	-
Tax revenue	% of GDP	-	12.1	-	-
Government consumption	% of GDP	17.0	14.7	16.3	13.8
Public expnd. on education	% of GDP	4.6	4.6	-	3.5
Public expnd. on health	% of GDP	1.9	2.8	2.7	-
R&D expenditure	% of GDP	-	0.52	-	-
Military expenditure	% of GDP	0.8	0.9	0.9	1.0

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Tanzania is the second largest economy in the East African Community (EAC), following Kenya. Agriculture accounts for 25% of GDP, 50% to 80% of the employed workforce and 85% of exports. Industry accounts for 25% of GDP and services for about 50%. The fundamentals for domestic and foreign market competition are installed, but within a weak institutional framework. Although the majority of state-owned enterprises were privatized, the government still controls the agriculture sector (price controls are still applied), telecommunications, banking, energy and mining. International investment has concentrated on mining and services (telecommunication, finance and tourism). Labor regulations are not efficient and the

Market-based
competition

5

informal sector contributes a significant, but difficult to quantify, share of economic activity. The state owns all land, which can be leased for up to 99 years. Foreign land ownership is still highly contested and uncommon. Since 2011, Tanzania scores 3.6 on the Global Competitiveness Index (World Economic Forum 2014), with the main competitiveness requirements lying in infrastructure, higher education and training, goods market efficiency, and technological readiness. The most problematic factors for doing business identified are corruption, access to finance, inefficient government bureaucracy and tax rates.

Combating monopoly formation is not among the economic priorities in Tanzania, although there are no obvious indications that it should be. Fair trade legislation is in place and was reformed in 2003 by the Fair Competition Act, which established a Fair Competition Commission. Still, national rules seriously restrict the freedom to start and operate a business. Credit allocation follows largely market rules, and various commercial credit instruments are available. There are a number of state monopolies in public services, for example: water resource management, port management and operation, power distribution, airspace and railways. These authorities are prone to corruption and a high degree of mismanagement and inefficiency. No major improvements have been observed during the period under review.

Anti-monopoly
policy
5

Since market liberalization and privatization of the former socialist economy began in 1986, with its first structural adjustment program coordinated with the IMF, trade has been continuously liberalized mainly within the context of the East African Community (EAC), with the aim of establishing a common market in 2015.

Liberalization of
foreign trade
6

As an active member of the WTO since 1995, Tanzania aligns with positions of the group of least-developed countries (LDC) in the African, Caribbean and Pacific Group of States (ACP) members. As a founding member of the East African Community (EAC) the country is undertaking trade liberalization within this customs union and applies the EAC Common External Tariff (CET). The aim is to have a common market established by 2015 (liberalizing capital and investment, labor and services) and a monetary union by 2024. Regional trade flows have increased significantly from \$2.24 billion in 2005 to \$5.65 billion in 2013, Tanzania's share in EAC trade being 27% with a trade surplus of \$723 million (Kenya is the country's main trading partner).

At the EAC level, several regulations were adopted to harmonize the members' trade policies vis-à-vis third countries. EAC countries' multiple memberships in regional economic communities, such as the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), continue to provide the main impediments to full harmonization. Tanzania grants tariff preferences on a reciprocal basis to SADC members. Furthermore, EAC members are granted preferences in trade with the EU under the Economic Partnership Agreement (EPA). However, negotiations for a comprehensive EPA are

ongoing. Tanzania concluded bilateral treaties for the promotion and protection of foreign direct investment with a number of EU members. All in all, Tanzania's biggest trading partners are the EU, India and China. Tanzania experienced continuous trade deficits, mainly due to a high domestic demand in capital goods, a lack of domestic consumer goods and the low value of export goods. The EAC signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2008.

According to the WTO, Tanzania bound 13.5% of its tariffs lines, with ceiling rates of 120% for both agricultural and non-agricultural products. During the period under review, Tanzania continued to implement a customs modernization strategy. Tariffs, down from an average 15.4% in 2000 to 7.2% in 2006, rose again to 10.2% in 2009 and then fell to 9.7% in 2013. Trade barriers in general have been reduced substantially but remain a problem due to non-tariff issues, such as inefficient customs and port authorities. Such problems indicate a high degree of protectionism, ranking 125th of 144 countries in relation to limiting the influence of non-tariff barriers on imported goods to compete in the domestic market (World Economic Forum 2014). The extremely dense thicket of regulations governing foreign trade was streamlined considerably under a structural adjustment program.

Since the privatization of state banks, 45 commercial banks have been registered (as of 2011) of which the majority is foreign-affiliated. Foreign-owned banks hold almost 50% of the banking industry's total assets, enhancing efficiency and the quality of financial services. By this, international banking standards are mostly met. The banking sector has increased liquidity, witnessed an upsurge in deposits and loans and experienced higher asset growth during the period under review. Three banks control about 40% of the banking sector: the Federal Bank of Middle East (FBME), the National Micro-Finance Bank (NMB) and CRDB Bank; they account for 45% of loans, 48% of assets, 52% of deposits and half of the industry's employees. Seven other banks control another 40% of the sector. Domestic interest rates of about 17% (December 2014) are still relatively high. According to the Central Bank of Tanzania, the country's banking sector has remained "strong, stable and robust" due to reforms in 2009, when the Financial Sector Stability Department (FSSD) and other reform programs were established. In December 2014, the Bank of Tanzania (the central bank) announced that the required reserve ratio for commercial banks would be reduced by two percentage points to 8% in January 2015 to boost the levels of commercial credit extended to agriculture. Connected to the energy sector, the central bank has been involved in a huge corruption scandal. Several high-ranking officials seem to have benefited from the illegal release of funds held in an escrow account at the central bank. According to EIU (December 2014), the Bank of Tanzania is expected to maintain a cautious monetary stance in order to limit inflation over the years to come. The private capital market is limited with only a small, although slowly increasing, number of companies listed on the stock exchange.

Banking system
6

8 | Currency and Price Stability

The government's price stability policy has experienced a retreat in positive results. Monetary policy was previously largely controlled by the IMF and by 2002, the rate of inflation was reduced to 1%, with nearly all price controls lifted and without having to excessively tighten monetary policy. This figure was one of the lowest inflation rates in Africa. But since then inflation has been inching up, to 13.5% in 2008 but then fell again to 5.9% (October 2014), remaining above the medium-term target of 5% set by the Bank of Tanzania. It is expected that average inflation will rise to 8.2% in 2015 as a consequence of expansionary fiscal spending in the context of the elections as well as a weaker Tanzanian shilling, which will offset the impact of lower oil prices (EIU 12/2014). Currency policy has had mixed results. Because of a persistent foreign trade deficit and variable international transfers (such as development aid), the shilling has fallen steadily since 2006 relative to the U.S. dollar, apart from a short recovery in early 2008. However, during the review period the exchange rate remained comparatively stable, at about TZS 1,600 to \$1, thanks to tight monetary policy.

Anti-inflation /
forex policy

7

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 moderate. Only in 2006 was debt reduced by a substantial write-off to \$4.2 billion, equivalent to an estimated 30% of GDP, as part of the Multilateral Debt Relief Initiative. In 2014, year-end external debt reached \$15.4 billion compared to \$9 billion in 2010. Public debt ascended from \$37.8 in 2010 to \$43 billion in 2014 (EIU 12/2014).

Macrostability

7

Growing international financial confidence in the country's macroeconomic stability is indicated by several events. In 2006, Tanzania's PRGF expired, and since the country no longer needed IMF financial assistance, it was replaced by a Policy Support Instrument (PSI) which gained a favorable review by an IMF mission in 2007, 2010 and in 2013 agreeing on a new unfunded three-year PSI (a PSI is designed for low-income countries that may not need IMF financial assistance but still seek close cooperation with the IMF in the preparation and endorsement of their policy frameworks). After discussing the first review in October 2014, the IMF underlined the importance of strengthening fiscal discipline.

9 | Private Property

With the Land Act of 1999, Tanzania introduced land reform. According to the Land Act, land is owned by the government, which can lease land for up to 99 years. Property rights and property acquisition are, in principle, legally guaranteed. Corruption and inefficiency within the judicial system limit their effective enforcement. Foreigners and foreign companies are not allowed to own land directly, save for investment purposes through the Tanzania Investment Centre (TIC). Furthermore, the Tanzania National Parks Authority (TANAPA) regulates hunting blocks and Export Economic Zones Areas (EPZA) under the Special Economic Zones Act of 2006, making foreign investment in land possible. This has attracted foreign investors to demand huge areas for various uses, including agricultural purposes and hunting blocks, leading to issues of land grabbing for agriculture. Studies indicate that there is land grabbing due to a huge demand for bioenergy, food for export and carbon credits. Illegal poaching and, recently, also the extraction of uranium are growing markets for foreign investment in protected areas.

There is an informal system of land distribution in urban areas, which is insecure and causes much dispute. Due to corruption and unfair application of the law, Tanzania is rife with disputes over land, and some disputes have escalated to human displacements as well as violent incidents. This was the case of the Loliondo Game Reserve within the Serengeti National Park, where an investor from the United Arab Emirates was given a hunting permit and bought entire Maasai villages. These villages were partly evicted by the government, causing major conflicts. In 2013, the prime minister tried to end the conflict by indicating a specific area for Maasai use only. Politically, some land disputes are categorized as “land conflict between farmers and pastoralists.”

A comprehensive program for privatizing state enterprises began in the 1990s and private business has become more and more important since then. After a very slow start, the pace increased so that by 2014, around 80% of some 400 state enterprises were privatized. Breweries, the tobacco industry, cement and banks can be seen as success stories of privatization. However, the privatization of large infrastructure operators – such as of telecommunications, electricity services, airspace, railways and port authorities – has stopped or is incomplete. In 2006, the government repurchased 49% of the privatized shares of Tanzania Airways. The privatization of the Tanzania Railways Corporation (2007) to a state-run Indian investor (Rites) failed in 2010. In 2011, the government attempted anew to sell 51% of the company. The sale of the National Insurance Corporation (NIC), although fiscally sound, was not successful. This again raised doubts about the government’s commitment to privatization.

Property rights
6

Private enterprise
6

10 | Welfare Regime

Even though Tanzania went through a socialist development period, the state was not capable in establishing a national social safety net for the broad population. Since 2005, the two phases of the National Strategy for Growth and Reduction of Poverty (MKUKUTA) mainly showed positive results in the area of education. Enrolment in basic education today is pervasive, with over 95% of all children being enrolled in primary school, but the quality of teaching, the state of classrooms and equipment, and other amenities are deficient. Furthermore, access to secondary and tertiary education is very limited (for more on education see 6.1 and 12.2).

Until the 1990s, health care was financed by the state. Although it lacked in quality, it was free of charges for all citizens. With the financial crisis in the 1990s, mixed financing mechanisms were initiated, introducing private actors as well as user fees. Until today public health expenditures remain low (2.8% of GDP in 2013, World Bank indicators), hence the health care system is underdeveloped and highly dependent on donor financing, which accounted for 40% of total health sector expenditure in 2012. The largest share of donor funding is focused on HIV/AIDS. Targeting specific diseases such as HIV/AIDS and malaria, increasing vaccination coverage, and facilitating mosquito net distribution led to a decline in the under-five mortality rate (from 147 per 1,000 live births in 1999 to 81 in 2010) and to a rise in life expectancy at birth (from 51.9 years in 2003 to 60.8 in 2012). Access to public health care is especially limited in rural areas. In contrast, private health care has been developing in urban areas, establishing new health standards for the growing urban middle class. Pension funds were established in Tanzania by the end of the 1990s. There are four main schemes of public health insurance, the National Health Insurance Fund and the Community Health Fund being the biggest. In addition, there are a few private insurance companies. All in all, about 20% of the population is covered by health insurance. Since 2013, the government is developing new instruments for health care financing, aimed at establishing universal health care at some point. A new cash transfer initiative, targeting the bottom 10% and aiming to reach one million households, requires that children go to school and get regular health checkups.

In 2014, the government announced its aim to move from low-income to middle-income country status by 2025. Under the label of “Big Results Now,” this initiative determines results-based development goals in the sectors of education, agriculture, water, transport, energy, health, business environment and resource mobilization, which all target poverty eradication and social development.

Social safety nets
5

Tanzania's constitution prohibits gender-based discrimination, but legislation has yet to be adjusted to support this constitutional principle, for instance in the case of access to land based on the Land Act of 2009. Customary laws and Islamic Shari'ah laws strongly support gender-based discrimination. In general, legal protection for women remains limited. One reason for this is that Tanzania's judicial authorities take into account both customary and Shariah laws. Fewer women than men have access to higher education. This is partly due to rural traditions (which are partly ingrained in religious beliefs) in which male children are considered more of an economic asset than women. Usually only women who come from privileged families and live in urban areas have access to higher education and public office. Although 36% of parliamentary members are female – a comparatively high percentage – this does not reflect the overall status of women in Tanzanian society. In fact, the high representation of women is almost entirely due to a legally fixed quota of 30%, not based on electoral success in single-member constituencies, but rather by presidential appointment. Merely 6% of the women in parliament have been elected. In the context of the new constitution, there is the innovative approach of always having two (a female and a male) mandates per constituency. As a consequence, in the future parliament would be divided equally between women and men. As part of the UNDP gender inequality index, Tanzania was ranked only 124th out of 187 evaluated countries in 2013. Issues such as child marriage, child pregnancy and female genital mutilation are sensitive topics being discussed in the media as factors limiting women's rights.

Equal opportunity
4

There is no evidence that any particular ethnic group is being discriminated against purely because of its ethnicity.

11 | Economic Performance

At least in comparison to other African countries, Tanzania's GDP showed a remarkable sustained growth rate of more than 6% since 2008 (2008: 7.4%, 2009: 6.0%, 2010: 7.0%, 2011: 6.5%, 2012: 6.9%, 2013: 7.0% and projected around 7% until 2019 by EIU), despite the world financial and economic crisis. However, Tanzania remains heavily dependent on foreign aid. After a period of price stability, inflation rebounded, and the current account balance has remained structurally negative (-\$4,703 Million in 2013, World Bank 2014). International reserves increased quite substantially between 2010 (\$3,905 million) and 2013 (\$4,815 million). Per-capita GDP is still very low at \$1,775 in 2013, an increase from \$1,141 in 2006.

Output strength
6

So far, economic development has had little effect in alleviating on the country's deeply ingrained poverty. Current economic growth rates are still considered insufficient for meaningfully reducing poverty levels. 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. When the 2011-2015 MKUKUTA II was launched, reviews of the previous strategy identified several crucial shortcomings, including: the weak link between growth and employment (the creation of jobs in particular) being the main factor for the slow reduction in income poverty; insufficient attention (not to mention funding) given to the nexus of poverty, population and the environment; a lack of local processing resulting in most of Tanzania's minerals being exported in a raw state; and a dearth of local processing in agricultural products.

The potential of the national economy is relatively lacking, in part because of climatic conditions and the dominance of the agricultural sector (30% of GDP and more than 75% of the employed labor force), to which there is still no legitimate alternative. The growth of the mining sector (mainly in gold, diamonds and iron), had shown growth rates of more than 15% from 2000 to 2007, but now contributes only about 3% to GDP (2012) and will continue to be held back by declining gold prices. The government wants to expand mining's share of GDP to 10% by 2025. The formal labor sector is small, only about 12% (2006) of the total labor force is involved in formal employment, and the unemployment rate was at 11.7% (2012). Tanzania is facing a youth unemployment crisis with an official unemployment rate amongst youth (15 to 34 year olds) at 13.4% (among women the rate stands at 14.3%). Almost half of Tanzania's population is under 15 years of age. Although it is generally assumed that a majority of the population is essentially "employed" or involved in agricultural production, engaged in subsistence farming on small plots of land, it will be a major challenge for the government and the market to create jobs for the approximately 900,000 people entering the labor market every year. Dar es Salaam has to cope with the highest pressure, as most youth are seeking work in Tanzania's main metropolitan area.

12 | Sustainability

The effects of environmental degradation and climate change are clearly visible in Tanzania. Diverse factors are at play: mining and the extraction of oil and gas, massive tourism and growing infrastructure, less rainfall and a rise in temperatures within sweet water reservoirs (e.g., Lake Victoria; directly implying less water for human use), a reduction in agricultural and fishery productivity, the loss of economic traditions (such as the Maasai community's keeping of cattle), and the spread of malaria. Compounding these factors, the government has failed to promote viable energy alternatives to charcoal and wood. Since 2005, the government has allowed uranium extraction, including in protected areas such as the Selous Game Reserve; yet there are no measures for coping with the self-imposed safety regulations or assessing the impacts for human life and the environment.

Environmental awareness is minimal within Tanzania's political elite and the broader population. The National Environment Management Council (NEMC), located under the vice president's office, exists since 1983 (it was re-established in 2004) and plays the role of environmental watchdog – supervising national environmental legislation and taking legal action against institutions or companies infringing the law. The government adopted a National Environmental Policy only in 1997, which was translated into the Environmental Management Act passed by parliament in 2004. It also became part of the National Strategy for Growth and Reduction of Poverty (NSGRP) of 2005. The policy and the act were both donor-driven; yet, little is known about the implementation of the regulations. Furthermore, Tanzania has ratified several multilateral environmental agreements. Facing a dramatic loss of natural forest, which covers between 30% and 40% of the nation's territory, as a result of degradation and deforestation, Tanzania passed a National Strategy and Action Plan on REDD+ in 2013.

Public expenditure on education amounts 6.2% of GDP (2010), down from 6.8% (2008) but significantly up from 2.2% (2002-2005). As a result, net primary enrollment percentages rose from 59% in 2000 to 93% for students 7 to 13 years old in 2013. The abolition of primary school fees in 2001 contributed to this positive development. The country's principal education challenge is the low enrollment percentages for secondary (35%) and tertiary education (3.9%). The ratio of female to male enrollment is 103.2% (primary), 87.5% (secondary) and 54.7% (tertiary). According to the World Bank, the adult literacy rate is 67.8% (total population), 75.5% (male) and 60.8% (female). Regarding the low level of higher education and training, Tanzania scores only 2.45 (scale ranges from 1, worst, to 7, best), ranking 134th out of 144 countries on the Global Competitiveness Index 2014-2015. Consequently, an inadequately educated workforce is identified as a problematic factor for doing business in the country.

Besides the low enrollment in secondary and tertiary education, the low quality of education in primary school is of major concern. Average classroom size rose to 66 students in government primary schools in 2011, yet the number of trained teachers has not increased to meet rising demand. The student-teacher ratio is 49 to 1. These numbers reflect the average, which disguises major regional differences. The negative quotas of traditionally poorer regions in central and northwestern parts of the country (e.g., Tabora and Mwanza) are higher than for richer regions such as Kilimanjaro. Together with the international donor community, the government is targeting the education sector as part of its "Big Results Now" initiative as one of eight pillars to upgrade Tanzania from low-income to middle-income country status by 2025. It remains an open question whether the education reforms initiated in 2015, which ease access to secondary education and phase out English as a main language, will achieve positive impacts or just fill up classrooms and alienate Tanzania's youth from the surrounding English-speaking EAC countries.

Education policy /
R&D

3

Regarding R&D, there exists no high-quality public institution in Tanzania. Public expenditure on R&D is at 5.2% of GDP (World Bank 2014). 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. Construction of the University of Dodoma (UDOM), formally established in 2007, is still in process. In line with Tanzania's Development Vision 2025, UDOM will be the country's biggest university, able to enroll 50,000 students (double the size of the University of Dar es Salam). The number of privately owned universities has increased. Most such institutions are owned by faith-based organizations (such as the Aga Khan University). The quality of education they provide seems to be fair and sustainable, yet it is not affordable for all Tanzanians.

Transformation Management

I. Level of Difficulty

Tanzania's very low level of economic and social development, weak basic market economic structures, poorly educated populace, scant civic traditions, inefficient state administrative systems and only moderately established rule of law presented extremely adverse conditions for a strong and committed transformation process. On the other hand, positive factors include the 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. In the context of the constitutional review, new problems have arisen regarding the union of Tanganyika and Zanzibar. Zanzibar is seeking more independence from the mainland. This issue is fueled by expected oil and gas finds offshore Zanzibar. Religious issues are also used in the debate as Zanzibar has an almost completely Muslim population, while the mainland is perceived as mainly Christian, despite its high share of Muslims, particularly on the coast, but also upcountry.

Structural
constraints

7

The country has a rudimentary modern physical infrastructure, which is stressed by heavy use, meaning that renewed investment in road construction is necessary every few years. According to PricewaterhouseCoopers, the biggest necessities for infrastructure investment are in the natural gas sector and in transport/trade/logistics in the context of national and regional integration. The construction of the new port of Bagamoyo (expected to be operating in 2017) and the construction of the gas pipeline from Mtwara to Dar es Salaam are two of the major infrastructure upgrades needed to ease foreign trade and boost the national economy.

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), but has recovered in recent years with an average of 60.8 in 2012. According to government, in 2012 around 5.1% of Tanzanians age 15 to 49 were HIV-positive.

Despite fundamental structural difficulties, the government is pursuing its transformation strategy, with increasing consistency, in tight coordination with the international donor community and the East African Community. In the economic arena, the government achieved a measure of stability through (still inadequate) political reforms aimed at becoming a middle-income country by 2025. However, the

government has failed to combat structurally ingrained corruption and (youth) unemployment and make any serious attempts to modernize the economy (i.e., reduce dependence on the commodity-based export sector).

The impetus toward 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. The one-party-state era saw no need for independently organized civil society organizations, as youth, women, workers and other cooperative movements were all organized as party wings. Due to the dominance of one party in government since independence, the country has one of the weakest traditions of civil society organizations on the continent. In most cases, self-organization makes up for the lack of public services. Legislation prohibits civil society organizations from being "political," a criterion that remains hazily defined and is increasingly being contested by civil society in the context of the constitutional review process begun in 2011. There are a few influential civil society organizations, though most are dependent on foreign funding.

Civil society
traditions

7

Until the 1990s, under the umbrella of a socialist system and the rule of one state party, there were strong barriers preventing ethnic conflicts. The most difficult challenge for the government has been the political confrontation with Zanzibar's aspirations for greater independence from the Mainland; a situation rooted in historical, social and cultural conflicts that has forced the issue of the country's union and hence the issue of state identity to the foreground (see 1.2). With the formation of the Government of National Unity (GNU) on Zanzibar, the conflict has been temporarily tamed. However, expected offshore discoveries of gas and oil as well as the review of the constitution have contributed to a revival of questioning the union of Zanzibar and Tanganyika (Mainland Tanzania). Islamic radicals demanding complete separation, although a minority position, have exacerbated the situation.

Conflict intensity

5

Another indirectly related problem is growing religious tensions between Muslims and Christians. Although the general population lives peacefully in an intercultural context, there are radical groups, such as the Association for Islamic Mobilization and Propagation (Uamsho) and the Islamic Council, which facilitate Islamic militants engaging in violent acts in Zanzibar and Mainland Tanzania. A series of attacks against at least 10 Christian churches in 2012 was followed by a bomb attack on a Catholic church in Arusha in 2013, another bomb attack in front of an Anglican cathedral and a bomb attack on Zanzibar at a tourist bar near a mosque in 2014. There have also been acid attacks and shootings targeting religious leaders, both Christian and Muslim (for more details see 1.3).

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

II. Management Performance

14 | Steering Capability

Since 2005, the government has pursued strategic reform goals as formulated in the two phases of the National Strategy for Growth and Reduction of Poverty (MKUKUTA) as well as in the Tanzania Development Vision 2025. These strategies have been directly coordinated with the international donor community and include issues of economic and social development – and, less clearly, steps towards greater democratization. In the context of elections for parliament and the executive as well as the constitutional review process, the government is more concerned with keeping itself in power than with furthering the process of democratization. There are still a number of regulations in place that allow the administration in a more or less subtle way to prevent the opposition from competing on equal footing – and the political leadership of the ruling party is in no way eager to change this “flexible” framework, which is suitable for repressive politics if necessary. There are many politicians of the ruling party Chama Cha Mapinduzi (CCM), as well as administrators down to the local level, who use these regulations for their own interests and maintain their privileged position. For example, this is indicated by the excessive use of police force, including the death of protesters, against small groups of demonstrators who did not receive a permit for their demonstration.

Despite capacity problems, economic reform and stability policy earned approval from international financial institutions and donors, although the privatization program and particularly the fight against corruption still elicit criticism. Despite international approval for Tanzania’s macroeconomic achievements, such as its sustained growth rate of over 6% since 2008, a number of problems remain. The IMF, like other international institutions, has recommended further reforms necessary for enhancing public financial management. Moreover, to maintain social gains and growth, more wide-ranging fiscal changes are required to step up domestic revenue mobilization and increase spending efficiency.

One of the main concerns is wide spread poverty (30% of the population live in severe poverty and almost 70% live with less than \$1.25 a day) and the little impact poverty reduction programs have had. The lack of impact is a result of poverty reduction programs not focusing on supporting the majority of Tanzanians living from agriculture. As a result, MDG 1 (eradicate extreme poverty and hunger by 2015) will not be met. Although Tanzania has been fully meeting the budgetary requirements for primary education and basic health, public services in health and education need further improvements. Nonetheless, a few important achievements have been made

Question
Score

Prioritization
5

Implementation
6

in the social sector, including the abolition of primary school fees, which has boosted the enrollment of children in primary school from less than 50% in 1999 to almost universal enrollment by 2008, sustained into 2015 and probably meeting MDG 2. Even so, achieving certain goals, such as increasing girl's enrollment in school and female representation in parliament (MDG 3, measuring gender equality) will not be met. Also, there have been clear reductions in the under-five mortality rate as a result of high vaccination coverage and the lowering of malaria infection rates through the wide distribution of mosquito nets (over 70% of children under age five slept under an insecticide treated mosquito net in 2012) – these efforts helped Tanzania meet MDG 4. According to the Commonwealth Foundation, the improvement of maternal health (MDG 5) as well as combatting HIV/AIDS, malaria and other diseases (MDG 6) remains critical for Tanzania's post-MDG agenda. According to the International Labor Organization, introducing universal old age pensions and child benefits for school-age children would reduce the poverty rate 35% among the entire population and 46% among households with children and the elderly.

Regarding good governance, much improvement is necessary. There is no progress in democratization. The fight against corruption is poorly implemented, despite many years of public declarations and new institutional arrangements. Many investigations in major corruption cases drag on for many years, without results; such cases, however, represented just a first step in anti-corruption and not a serious attempt in combating deeply ingrained corruption among the political elite (see 3.3 and 15.3).

Since President Jakaya Kikwete came to power in 2005, he has not instituted any substantial policy changes but continued those of his predecessor. Political leaders in general exhibit policy learning and have replaced failed policies with innovative ones, often without significant impacts. While cooperation with the international donor community appears decisive for policy enhancement and innovation as well as the introduction of new instruments for planning, executing, monitoring and evaluating development measures, exchange with national/international academia and civil society is still very low. Policy successes and failures are generally not openly debated in public nor accessible to the public and civil society actors.

On the negative side, there has been no improvement in the fight against corruption, in the poor management of energy and power, in creating jobs or in implementing policies to improve the lot of Tanzania's poor (who mainly live from agriculture). On the positive side, at least from a governance perspective, the government was open to start a constitutional review process, even knowing that this might stem its own power position and question the state of the Union between Mainland Tanzania (formerly Tanganyika) and Zanzibar. Furthermore, social policy changes showed positive results in fighting child mortality and enhancing primary education.

15 | Resource Efficiency

The government does not make efficient use of its available human, organizational and financial resources for its national development process. It still allows the considerable waste of limited public goods, and often lacks sufficiently qualified personnel to effectively utilize economic and political assets. Combating corruption has lost momentum, although the government started to intensify its anti-corruption policy by focusing on petty corruption at the middle and lower levels, but failed at the top level (see 3.3). With the help of a cash budgeting system, the government can exercise relatively effective control over the use of appropriated funds according to budget plans, even though all quantitative goals have not been met; however, control is inadequate at almost all administrative levels. According to estimates by the Controller and Auditor General (CAG), at least 20% of the national budget is lost to mismanagement and corruption. A balanced state budget has not been achieved and the IMF has cautioned the government about its rapidly growing debt level. As the CAG, increases its independence from the executive, effective and independent auditing is improving.

Efficient use of assets

4

The government tries to coordinate conflicting objectives and interests primarily within the decision-making structures of the ruling party Chama Cha Mapinduzi (CCM) and only to a lesser degree within the bodies foreseen by the constitution (such as the legislature). The overall coordination style is based on a bureaucratic and highly centralized hierarchy as well as on informal structures (holdovers from the single party era) which counteract bureaucratic rules and procedures (neo-patrimonialism). Informal structures – such as neighborhood representatives – still exert power on the local level, keeping clientelism and patronage alive, especially during election periods. As required by international development partners, the administration has established policy coordination units across the territory. However, efficient coordination cannot really take place as relevant decisions are made elsewhere (and usually not communicated to the coordination units). Furthermore, the decentralized administrative structure is chronically underfinanced.

Policy coordination

4

Coherent policy outcomes can be seen in a few economic and social areas. Even in the economic area, problems remain; lower levels of the administration are able to obstruct to some degree the government's open market policy. In addition, even within the ruling party, a large faction is pursuing a more "nationalist" economic policy in favor of indigenous enterprises. While "indigenization" was an issue of past election campaigns, the nationalist discourse in economic policies seems to persist. The idea that the nation is engaged in the "sellout" of the country's riches is also encouraged within the ruling party, which results from the absence of competitiveness among local entrepreneurs and politicians.

Corruption is structurally ingrained, especially among the political and economic elite stemming from the one-party era. The country has one of the longest serving anti-corruption commissions on the continent (since 1968). Formally, legislation is clear on how to contain corruption. The Prevention and Combat of Corruption Bureau (PCCB), established in 2007, is in a position to fight corruption, yet is “politically” constrained (see 3.3). Nonetheless, the PCCB, with its 24 regional offices and an office in every district on the mainland, received more than 8,000 corruption allegations, leading to a record of more than 1,700 prosecuted cases, with more than 170 successful prosecutions and approximately 110 acquittals (see 4.1). Based on responses to its executive opinion survey, the 2014 Global Competitiveness Report identifies corruption as the most problematic barrier for doing business in Tanzania. This survey also found that executives in Tanzania reported the diversion of public funds to companies, individuals, or groups due to corruption was common, responding with an average grade of 2.8 (1 = very commonly occurs; 7 = never occurs). The Global Competitiveness Report also shows that Tanzania ranks 124th out of 144 surveyed countries concerning the question about how common it is for firms to make undocumented extra payments or bribes.

Although President Kikwete took a strong stance against corruption when he came to power, implementing the revised National Anti-Corruption Strategy and Action Plan (NACSAP), he has since taken a low profile in the fight. Although the fight against corruption is popular, it has also caused significant splits within the ruling party. No high-profile individuals have yet been tried in the courts. International donors continue to criticize the government for its reluctance to take more effective measures to fight corruption, up to the point of withholding aid in 2014 following a major corruption scandal in which officials were accused of transferring \$124 million from the central bank to a private energy company. Yet there are no indications of substantial change. During election campaigns and within the legislature, corruption has been a key opposition issue, as opposition voices have forced the topic onto the agenda and pushed the government to react on blatantly obvious cases. The problem, however, is that the ruling party is split into two factions on how to deal with the issue. Restrictions on the freedom of the press and association limit the role they can play in the fight against corruption. Against this backdrop, corruption is still rampant and an issue of particular concern in the context of the country’s growing extractives industry. Corruption both within the public and private sectors risks undermining any benefit that citizens can gain from the extraction of natural resources.

Anti-corruption
policy
4

16 | Consensus-Building

The fact that President Kikwete and the ruling party Chama Cha Mapinduzi (CCM) initiated a constitutional review process is a major sign that the established political elite, opposition and civil society groups agree on the necessity of reforming the country's political framework. Beyond this basic agreement, however, there is little common ground. The various actors have not found agreement on the review procedures nor on the content of the constitutional reforms (to be voted on during a referendum in April 2015). The opposition parties have decided to withdraw from the joint coordination process and announced that they intend to protest against the constitutional drafting and the referendum process. Nonetheless, the constitutional review process as well as the 2015 presidential and parliamentary elections are mobilizing sectors of civil society and the opposition, which are willing to challenge the established rules of the game. Depending on the outcome of the constitutional referendum and the elections, the established political elite will probably have to open up the political system in line with a multi-party democracy and with new mechanisms for including civil society.

Aside from some members of the government in Zanzibar, no important political actors openly oppose the path laid in the 1990s towards establishing a market economy in line with the National Development Vision 2025. Nevertheless, the stagnation of economic reforms, the low levels of development in the agricultural and industrial sectors, the lack of social welfare, and persistently high poverty as well as the continuingly high dependence on foreign aid clearly demonstrate the existence of powerful veto-players within the political system and especially within the ruling party CCM. Only a small, non-influential group within the ruling party holds views more in tune with the former socialist-based economy, but there is also no broad majority identified with a (neoliberal) free market economy or the establishment of a functioning and universal welfare state.

Some politicians in the ruling party – a “conservative” faction partly comprised of Ujamaa ideologues, more in tune with the doctrines of African socialism as stated in the 1967 Arusha Declaration – are skeptical of market economic goals, and there are different interpretations of what a Tanzanian democracy should look like. Some politicians still place greater faith in a socialist rather than a liberal democracy. Nevertheless, the majority of the political elite has accepted the principles of liberal democracy, but the democratic convictions of many seem to be shallow. Lip service is often paid to democratic principles, but actual understanding of politics reveals autocratic thinking. This is especially the case in Zanzibar, where democratic institutions and rules are undermined by a conservative and religiously oriented political elite.

Consensus on goals
6

Anti-democratic
actors
7

The main social cleavages in Tanzania are related to the nature of the state and the Union (conflict between the mainland and Zanzibar, centralists versus federalists, see 1.2) as well as to religion (Christians versus Muslims, see 1.3). Reformers in government have been able to control and for the most part integrate all relevant actors, again with the exception of some members of the government in Zanzibar and party leadership on the islands, where despite the Government of National Unity, small sections of the opposition continue to hold more radical or militant positions. Hence, the 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. Since 2014, the process around the Constituent Assembly and the reform of the constitution has hardened the lines between the Chama Cha Mapinduzi (CCM) and opposition parties/civil society. There has been a clear lack of conflict management able to bring the opposing sides to negotiate peacefully.

Cleavage /
conflict
management
6

All in all, government leaders do very little to promote the role of civic engagement. To the same tune, political leaders tend to ignore civil society associations or even try to control them rather than supporting them or taking their issues into account. Civil groups are welcome as long as they help compensate for the lack of state services and, above all, remain “non-political.” According to a Freedom House report, there are over 4,000 NGOs registered in Tanzania, these are largely dependent on foreign funding (see 5.2).

Civil society
participation
5

Independence was achieved without civil war and basically led directly to one-party rule on the mainland. Reconciliation efforts have been necessary only in very isolated cases. There is however a major difference between the mainland and the islands, where authoritarian rule was much more brutal. Unresolved cases of reconciliation efforts in Zanzibar between victims and perpetrators of injustices related to the conflict between Chama Cha Mapinduzi (CCM) and Civic United Front (CUF), which started with the widely disputed victory of CCM in the 1995 general elections in Zanzibar and were exacerbated when CCM won in the subsequent October 2000 elections under controversial circumstances. In October 2001, the ruling CCM and opposition CUF signed a reconciliation agreement (known by the Kiswahili word Muafaka). While the government’s efforts to reconcile the Zanzibar conflict yielded some positive results with the formation of the Government of National Unity in 2010, these successes remain fragile until today in the context of the constitutional revision.

Reconciliation
5

17 | International Cooperation

The OECD reported in 2014 that, with ODA to Tanzania totaling \$1.96 billion (2012 to 2013), the country ranks seventh among ODA recipients worldwide. According to Aid Effectiveness, ODA has accounted for around 40% of the general and 80% of the development budget. Key donors of ODA in Tanzania are the IMF, World Bank, the United States, Japan, AfDB and several European countries as well as the EU. The government has worked constructively with these bilateral and multilateral donors to institute Tanzania's transformation to democracy and a market economy. In this the government makes the most use of international aid, and seems to have undergone a substantial learning process, synthesized for instance in the "Big Results Now" initiative aimed at establishing Tanzania as a middle-income country by 2025 (see 10.1 and 12.2). However, because of the dependency on international assistance the government has hardly any alternative but to comply with international donor policy prescriptions. In 2014, the Tanzanian government had to learn that ODA flows are bound to specific limitations when the international donor community froze aid disbursements totaling more than \$400 million in the context of a major corruption scandal related to the energy sector (see 3.3). Tanzania's participation in the IMF's Policy Support Instrument (PSI) program indicates that the government's ability to make use of international support has improved over time.

Effective use of support

7

Since the 1990s, the government has put a lot of effort in working with bilateral and international donors to win their confidence. Its international partners have a reliable and largely predictable view of the Tanzanian government. Bilateral and multilateral development partners tend to view Tanzania positively, which is why Tanzania is among the top 10 biggest ODA recipients. With President Kikwete, previously the foreign affairs minister, Tanzanian foreign policy changed in style to embrace "proactive diplomacy." For example, within the Southern African Development Community (SADC), the Tanzanian government took the side of governments that criticized President Robert Mugabe's authoritarian policies in Zimbabwe. However, the donor community remains unconvinced that the government is pursuing its reform policy consistently (e.g., good governance, the fight against corruption).

Credibility

6

The Tanzanian government is an active member of various international political and economic organizations in southern and eastern Africa, and has sought to deepen its many and varied international cooperative relationships during the administration of President Kikwete, himself a former foreign minister.

Regional cooperation

7

In 2005, the regional integration of eastern Africa into the East African Community (EAC) was revived as Tanzania, Kenya and Uganda established the East African Customs Union, which became fully active in January 2010. In 2010, following ratification by all the five partner states, the Protocol on the Establishment of the EAC Common Market came into force, focusing on the free movement of goods,

labor, services and capital. For Tanzania and Burundi, the elimination of restrictions regarding the free movement of capital had a special timeframe until 2015. In January 2011, the EAC announced the start of negotiations over an East African monetary union to be realized by 2024. The fourth and last milestone in the East African integration process is the formation of the East African Federation.

However, as issues such as liberalizing capital and labor are contentious within Tanzania, the government has been reluctant (and is considered a brake) on closer integration of the EAC. This is partly explained by the former collapse of the EAC in 1977, which put Tanzania politicians and citizens in a cautious frame of mind, in order to avoid past mistakes. As of today, regional trade flows have increased significantly, from \$2.24 billion in 2005 to \$5.65 billion in 2013. Tanzania accounts for 27% of EAC trade (with a trade surplus of \$723 million), Kenya being its main trading partner.

The issue of Tanzania's unresolved membership in the Common Market of East and Southern Africa (COMESA) ended in 2000 when Tanzania, facing a proposal to reduce customs tariffs for member countries by 90%, decided to withdraw from COMESA. Nonetheless, COMESA continues to represent one of Tanzania's biggest trading partners, next to EAC and the Southern African Development Community (SADC). As of 2013, Tanzania was exporting more to SADC and COMESA than to EAC. Furthermore, Tanzania is an active member in the AU, hosting the African Court of Human and People's Rights in the city of Arusha. Besides minor irritations with Rwanda and Kenya, Tanzania did not have bilateral conflicts during the examined period.

Strategic Outlook

2015 is an important year for Tanzania's development. First, a referendum will be held on highly contested constitutional reforms. This referendum was originally planned for April, but then postponed because of problems with the country's new electronic voter register. Critically, central issues, such as the union between the mainland (Tanganyika) and Zanzibar, the power division between the executive, legislature and judiciary, the distribution of revenue from oil and gas, and greater decentralization have not yet been resolved. The new constitution might bring about a new political framework for Tanzania, with more independence for Zanzibar and less power of the Union. While the government of the ruling party Chama Cha Mapinduzi (CCM) continues to try to thwart a loss of power, the opposition is gaining strength. The opposition strongly opposes the current constitutional draft and is directly all of its efforts against an affirmative referendum. Second, the outcome of the constitutional referendum will surely have impacts on the presidential and parliamentary elections set for October 2015. In 2014, the main opposition parties united, agreeing to run just one presidential candidate against the CCM in 2015. This gives the pre-election process a new dynamic and it is foreseeable that the opposition will achieve even better results than it did in the 2010 elections.

Within the CCM, there is also turmoil. Opposing factions are competing to choose the next candidate for president (who should be named in May 2015). Nonetheless, most forecasts (EIU, TWaweza) predict that the CCM will still win the elections, though with a weaker mandate. This will force the CCM to confront the main policy issues that the opposition wants to put on the government agenda.

With a strengthened opposition and an increasingly reluctant international donor community (which has recently gone so far as to withhold development aid) it is possible that for the first time the government will have to pursue more effective policies to combat corruption, eliminate bureaucratic barriers, deliver efficient public services and tackle poverty. This shift goes hand in hand with the goals set out by the government in its National Development Vision 2025, which aims to elevate Tanzania to middle-income country status. In addition, the "Big Results Now" initiative, carried out by the government in cooperation with the international donor community, is based on results-oriented development goals targeting poverty eradication and social development across the sectors of education, agriculture, water, transport, energy, health, business environment and resource mobilization. As such, though progress towards democratization and social welfare was nominal during the period under review, a foundation was laid for far greater development over the next ten years. Key social policy challenges for the years to come include enhancing the quality of education and the health system as well as creating job opportunities, especially for the young and unskilled labor force. Today, half of Tanzania's population is under 15 years of age and the total population is projected to reach 138 million by 2050. Up to now, the formal labor market could not cope with the growing demand for work and increasing migration

from rural to urban areas, which is a very recent development. Dar es Salaam, Tanzania's largest city, almost doubled in size between 2002 and 2012, from 2.5 to 4.4 million residents.

Tanzania has a growing economy with a prevailing yearly growth rate of over 6%, which is projected by the IMF and EIU to increase further to over 7% by 2019. Compared to other countries in Sub-Saharan Africa, such as South Africa and Kenya, Tanzania is still a small market (\$28 billion) and has reacted rather late to enhance its infrastructure, seek new sources of foreign investment and develop strategic economic areas. Nonetheless, a few important infrastructure projects, such as the construction of the gas pipeline between Mtwara and Dar es Salaam, the construction of the Bagamoyo port (designed to decongest the port of Dar es Salaam and strengthen Tanzania as a gateway to East Africa), are central to sustained economic development in the coming years. Acknowledging that 80% of the population lives from agriculture, financial and technical investment and access to innovative cultivation and marketing instruments are needed to achieve modern farming in Tanzania and give farmers the chance to enhance their production and sell it to a wider market within and beyond the EAC. PricewaterhouseCoopers predicts that Tanzania, together with the DRC, may become Africa's breadbasket. The main challenge for the next years, and crucial for sustained economic growth, will be setting up a modern and efficient energy sector. This will require, in part, effectively diminishing the endemic corruption within the state-run Tanzania Electricity Supply Company (Tanesco). Only 20% of the population has access to power and daylong power outages that disrupt business and production are still a regular occurrence. The discovery of oil and gas offshore may help to solve shortages in the energy sector, though not before 2020. Given the current lack of accountability, these new discoveries also have a huge potential to yield further corruption. One questionable area of economic development is the extraction of uranium in, among others, world natural heritage areas such as the Selous Game Reserve. Concessions have been granted mainly to international investors, yet there are no measures for coping with the self-imposed safety regulations or assessing the impacts for human life and the environment.

Tanzania is committed to improving regional integration within the EAC and SACD, though its biggest trading partners are and will certainly continue to be China and the EU. Regarding the EAC, the country's next big steps will require concrete commitments towards the common market, which was formally established in 2010. Tanzania must also decide the pace with which it will join the EAC monetary union set for 2024. A two-speed EAC integration process seems quite probable, with Kenya, Uganda, and Rwanda leading and Burundi and Tanzania following. Concerning trade with China and India, the major policy challenge entails changing the substantial trade imbalance and minimizing price and demand fluctuations. Currently, the Asian trading partners mainly import minerals, gas and agricultural products from Tanzania, whereas Tanzania imports manufactured goods (transport equipment, machinery, construction materials, fertilizers, industrial raw materials and consumer goods). This trade configuration does nothing to help the country develop its own domestic manufacturing sector. Moreover, China is aiming to become the biggest foreign investor in Tanzania in the coming years, overtaking the United Kingdom. The impact if this investment shift is unclear.