Chapter 2 The Political Economy of Tanzania 1967-2017: Reimagining the State

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This chapter uses the concept of political economy to structure a brief economic history of Tanzania and to consider Tanzania's current plans and strategies. A short final section examines some of the challenges that face the present leadership.

Political Economy

The classical economists, notably Adam Smith, David Ricardo and Thomas Malthus wrote about how wealth was created, and how profit was distributed between classes – landlords, owners of finance, and workers. This they called *political economy*.

Karl Marx in *Das Kapital Volume 1*, turned this into a determinist theory of development. Societies would proceed, from a state of primitive existence, to feudalism, which would give way to capitalism, which would pave the way for a socialist revolution in which the working class would take over the state. A capitalist economy would grow when manufacturing entrepreneurs, part of the urban elite or bourgeoisie, invest and create new capacity to create goods and crises of capitalism would occur when the demand or purchasing power for these goods was not sufficient to buy what could be produced. In his later years, however, Marx recognised that the stages were not pre-determined, that some feudal, and some "Asiatic", societies would be stable and might innovate and develop, and hence that each society should be studied on its own terms. A path to socialism was far from inevitable (Shanin 1983; Ramirez 2011; Coulson 2014).

However Marxists in the mainstream tradition stayed with the earlier Marx, and Lenin, in *The Development of Capitalism in Russia* (1899) and *Imperialism the Highest Stage of*

Capitalism (1917), took determinist theory as given. In the 1950s this approach was applied to third world development in what became known as *dependency theory* (e.g. Baran 1957, Prebisch 1963, Amin 1977). Colonies were exploited by the capitalist classes of their ruling countries for their raw materials: minerals and agricultural products; and after independence, this exploitation continued through the activities of large multinational companies. The only way to respond to this imperialism (and the neo-colonial imperialism which succeeded it) was for socialist political parties to take over the state, create surpluses, and invest them in factories. Neo-Keynesian economists also argued that these countries had to industrialise, and that, in the short term, the only means to accumulate the surpluses for this was to increase their exports of primary raw materials (Nurkse 1953; Rostow 1960; Lewis 1955).

Hindess and Hirst (1975), among others, attempted to specify ideal types for "pre-capitalist modes of production" and the transition from feudalism to capitalism. There was a reaction against this by scholars who pointed out that classes do not inevitably act in their class interests and that this kind of sociology takes the history and agency out of political economy. Leaders have choices, and how they make them influences what happens in their countries (Hussain and Tribe 1981: 148-9). Coulson (1982, 2013) used political economy in this way to provide a framework for a historical approach to events as they unfolded in Tanzania.

In 1981 Robert Bates published a study of marketing boards in Africa, and showed how they operated to transfer resources from the agricultural sector to the state. This led to research on institutions in African countries, and in the 1990s reinforced the emphasis of the Washington consensus in favour of market-based policies. The language of political economy began to be used by economists and political scientists who recognised that political power and resulting policies and strategies impact on economic growth, and reacted against the narrow empiricism which characterised much of economics and development economics. This is how Wikipedia summarises this approach:

> *Today, political economy, where it is not used as a synonym for economics, may refer to very different things, including Marxian analysis, applied public-choice approaches emanating from the Chicago school and the Virginia school, or simply the advice given by economists to the government or public on general economic policy or on specific proposals. A rapidly growing mainstream literature from the 1970s has expanded beyond the model of economic policy in which planners maximize utility of a representative individual toward examining how political forces affect the choice of economic policies, especially as to distributional conflicts and political institutions.*
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> (Wikipedia, "political economy" accessed 17 May 2014, at
>
> http://en.wikipedia.org/wiki/Political_economy)

However, when used in this way, the language of political economy often ignores the way in which surpluses (or in Marxist language surplus value) are transferred from one economy to another. This may happen through direct exploitation – transfer of profits out of the country or through marketing arrangements which under-reward (or exploit) primary producers, such as the marketing boards studied by Bates. It can also occur through transfer pricing in which a company pays high prices for what it imports but receives low prices for what it produces. If the international dimension is ignored, the scope of political economy reduces to a discussion of individual economies, a form of nationalism.

It also avoids discussions of how classes within an economic system hold power, the discretion they have, and how one class may exploit another. Those ideas underlie the argument in this chapter.

The Political Economy of the Tanzanian State

In 1970, Issa Shivji published his essay "Tanzania: The Silent Class Struggle", as a special issue of the student magazine *Cheche* [i]. His 1976 book *Class Struggles in Tanzania* developed these arguments. Independence meant that the class enemy - the ruling classes and owners of large companies in the West – now colluded with a "bureaucratic bourgeoisie" inside Tanzania. Power had passed to a small educated elite, recruited into political leadership, the civil service or other parts of public administration after Independence. It was this group that signed contracts and had some discretion in what transpired, even if, overwhelmingly, the underlying power was held outside the country.

In 1961, when Tanzania gained independence, it could only be dependent on others. The number of graduates was tiny, and there were only a handful of Tanzanian graduate engineers. Most of the factories or workshops, and all but the smallest trading activities, were in the hands of an Asian minority. Investments in infrastructure had been neglected by the British. As late as in the 1950s all-weather roads had not been constructed between towns already connected by railways. Thus the only roads from Dar es Salaam to Mwanza that were reliable in the rainy seasons were either via Mbeya and Tabora, or via Nairobi. Kenya was a more attractive location for private investors. There was African leadership and initiative in the co-operative movement, but this was young and weak – cooperatives in the cotton growing areas around Mwanza had been permitted for less than ten years before Independence.

The political economy, and the strategies, before and after Independence in 1961 (1964 for Zanzibar), were therefore not materially different from those that could be found elsewhere in Africa. However, agricultural production and exports grew, largely based on small scale agriculture and cooperative marketing ("the improvement approach"). The First Five Year Plan, for 1964-9, also promoted the "transformation approach" (large scale agriculture and irrigation), and especially "settlement schemes" similar to those in Kenya, where individuals would have their own farms but work together co-operatively. However, by 1966, it was clear that the settlement schemes would not be viable and that the country was most unlikely to catch up with Kenya in its industrialisation.

It was in that context that Nyerere developed his thinking on African Socialism. The 1967 Arusha Declaration had two balancing components – "leadership conditions" designed to prevent an elite becoming distanced from the rest of the population; and use of state power to take over the large-scale means of production. Nationalisation of the banks and major industries was followed by that of other financial institutions, most of the sisal estates, all imports, including consumer goods, and most purchasing of crops, including food crops such as maize. A second 1967 policy statement "Education for Self-Reliance" proposed a reorientation of education to make it directly relevant to development challenges.[ii] A third policy statement, "Socialism and Rural Development", was a commitment to *"ujamaa"* (socialist) villages. These were to be voluntary cooperatives of farmers, but from 1969 onwards "villagization", i.e. living in villages, was imposed by force, and cooperative farming, such as it was, largely ceased. Nationalization of the major industries was followed by a rapid rise in the number of factories, almost all sponsored by the state. However, these were open to exploitation, for example by companies more interested in the profits from the sales of machinery than in what could be earned from sales of the resulting products.

Even when they were profitable, most of these industries required tariffs to be imposed on imports of the products they made, which led to higher prices for customers and pressures on wage rates.

The forced villagizations of 1969-1970 had an adverse impact on agriculture in the parts of the country where they were implemented.[iii] State control of the import trade led to shortages of many essential items. By 1979 the IMF had made it clear to Tanzania that there was a structural imbalance in the balance of payments, and recommended retrenchment in the public finances, and devaluation. Nyerere refused. He was supported internally by the academic turned Minister of Finance, Kighoma Malima, and externally by a number of academics including Ajit Singh of the University of Cambridge and the former advisor to the Treasury, Reg Green.[iv] Informally in 1982 and more formally in 1984-5, under the auspices of the IMF, a group of economists including Gerry Helleiner, Knud Eric Svendsen, Tony Killick and the Tanzanians Benno Ndulu and Ibrahim Lipumba tried to broker a deal. Significant devaluations ensued, but not enough to deal with the rampant inflation and the rising disparity between the official foreign exchange rate and the unofficial rate. In 1985 Nyerere stood down as President and was succeeded by Ali Hassan Mwinyi.

Mwinyi quickly came to terms with the IMF. The Tanzanian shilling was devalued significantly followed by further depreciation[v]. The marketing of some crops and the import of consumer goods were opened to the private sector. Much of Tanzania's accumulated national debt was written off and a number of foreign donors again started lending to Tanzania. The cuts in government spending were such that many of the achievements of the Nyerere period, notably near-comprehensive primary education, a health point in almost every village, and large-scale drinking water supplies, were threatened.

As Debbie Bryceson put it at the 2017 REPOA Research Workshop, structural adjustment pushed Tanzania back 25 years. The position of all but the highest paid became very difficult. Wages and salaries did not rise in line with the rapidly rising prices. Families could barely survive on government (or university) salaries. Michael Lofchie, in the next chapter of this book, shows how, to survive those years, a family needed additional sources of income, from small businesses, essentially extending into the informal sector - keeping chickens, owning a *daladala* (small bus), or purchasing foreign exchange at official rates and using it to import goods which could be sold at much higher black market prices. Others moved from the public sector and set up businesses, consultancies or NGOs.

President Benjamin Mkapa was elected in 1995 in the first multi-party general election following a decision, made in 1992, to allow other parties to compete with CCM. Under Mkapa many state enterprises were privatized. Factories closed. Salaries rose. But most living in the rural areas, or employed in the informal sectors in the urban areas, were little better off (Atkinson and Lugo 2010). The population grew to 48 million by 2013, with Dar es Salaam exceeding 4 million – Tanzania was becoming an urban economy – but with overall population growing at just less than 3% annually, the numbers in the rural areas also continued to increase. The state was no longer willing to support many of the industries that had been created, and, even after the devaluations, many could not compete. A more measured process might have enabled more of them to adapt and survive.

However, from around 2000 until the present, Tanzania has recorded significant growth in its GDP – at close to 7% annually in real terms GDP (Adam, Collier and Ndulu 2017). The game parks of Northern Tanzania and the beaches of Zanzibar became attractive to long haul tourists – especially when there was instability in neighbouring Kenya – and tourism became the single biggest source of foreign exchange.

The world price of gold rose to unprecedented levels in the crisis years at the end of the decade, and five large mines opened in an area around Lake Victoria, in a strange synergy with semi-official artisanal mining in which Tanzanians took their lives in their hands by digging in tunnels and mines – thereby showing where there was gold - and large companies followed and dug much deeper (Bryceson and Jønsson 2013); Tanzania became for a time the third largest producer of gold in Africa (after South Africa and Ghana).

Natural gas had been discovered on Songo Songo island near Kilwa some years earlier; now it started to be exploited, and more gas was discovered in the far South of the country. When prospecting took place off-shore, huge reserves were found, and for a time it appeared as if Tanzania would become a major supplier of gas on world markets, even though this gas would be expensive to bring ashore. World prices of gas and oil subsequently halved, and there is less optimism now about when or whether this may happen in a world determined to reduce uses of carbon fuels to combat global warming.

Mobile phones spread to all but the smallest centres of population, and settlements on main roads were linked to the internet by fibre optic cables. The road network was improved by new tarmac and bridges (e.g. over the Rufiji South of Dar es Salaam, creating an all-weather land link to the South for the first time, over the Ruvu river near Bagamoyo, and at the far end of Dar es Salaam harbour). There were building booms in urban centres, but especially in Dar es Salaam, including hotels, supermarkets, and high-rise offices and apartments. The boom in construction was partly financed by overseas investors attracted by the stability of the country relative to many other African countries, but also by money from the Middle East and elsewhere, often with few questions asked about its origins.

There was a revival in manufacturing. Some of the firms that had survived were able to export to nearby countries. Ambitious plans were prepared for duty-free industrial areas, new or revitalized ports and new forms of public transport (notably the advanced bus-based rapid transit system for Dar es Salaam, where the construction involved extensive demolition and road widening). Agriculture became a qualified success, growing, according to the official figures, at a little under 4% per annum, above the rate of population growth, and the country became close to self-sufficient in maize and significantly increased its production of rice. Only a little of this prosperity trickled down to less well off Tanzanians, and more in some parts of the country (especially where agriculture prospered, as in the Southern Highlands) than in parts of the country where it struggled (e.g. the Kilimanjaro and Kagera regions).

John Magufuli was elected to be Tanzania's fifth president in October 2015. He was the candidate of the ruling party, CCM, chosen after one of the front-runners , Edward Lowassa, who several years earlier had resigned from the cabinet because of his associations with one of the corruption scandals, defected to the main Opposition party, CHADEMA, and became their candidate. Magufuli campaigned as the candidate who would end corruption, and as soon as he was elected he declared war on waste, inefficiency and corruption, especially in the civil service. Foreign travel by ministers and civil servants was reined in. Extra payments for attendance at conferences were removed. Over 19,000 "ghost workers" were removed from government payrolls. The processes of clearing goods through the ports were speeded up, rates of tax collection increased, teachers with forged certificates lost their jobs, and special courts were created to deal with corruption. Many top managers lost their jobs when their performance was perceived as ineffective. He also introduced pro poor policies including the abolition of school fees.

All these measures were popular. But there was an authoritarian and at times defensive side. The President could criticise unacceptable behaviour, but he made it harder for the Opposition to do so, or the press. Political rallies by Opposition parties were banned. Laws were introduced requiring only official data to be quoted. There was of course only so much that one person could do. Certain areas of public administration, such as the poor performance of the port, were given repeated attention; others such as the dynamiting of fish (which destroys both the coral reefs and the young fish) were left largely unchecked. And information continued to flow through social media and blogs. The whole of Africa was watching to see how far this attack on corruption and waste would go.

Strategies, Plans and the Ruling Class

The key economic strategy statement of the 1960s was the 1969-74 Second Five Year Plan, drafted in 1968 by a team coordinated by Brian Van Arkadie, under the direction of Cleopa Msuya who was then Principal Secretary at the Ministry of Economic Development and Planning, and later Minister of Finance.[vi] Volume 1, an in-depth analysis of policies, based on the detailed studies of about 50 working parties, was based on an assumption that it was possible for the country to grow at 6.5% per annum. The target growth rate for marketed agriculture was 7.3% per annum. Volume 2 set out proposals for specific investments. These included investments in infrastructure, especially improvements in roads, hydroelectricity and water supplies (the agreement by the Chinese to build the TAZARA railway from Dar es Salaam to Zambia came a year later and was not part of the Plan). It referred to a list of 380 industrial projects – mostly import substitution or processing of agricultural products such as cotton - but there was little discussion of how these might be coordinated, or funded. Most were never implemented.

At face value the plan set out to implement the policies of the Arusha Declaration. But some of the commitments were skin-deep. Thus Brian van Arkadie has described how the word "*ujamaa*" (socialist) was added at almost every place where the word "village" appeared in the draft. There were strong commitments to rural water supply projects, health and education. In terms of political economy, the Plan reinforced the centralizing role of the state, as the deliverer of projects, and so consolidated the power of the bureaucratic bourgeoisie. The industrial projects were of obvious attraction to potential board members or executives. They were also attractive to the donors and investors who would expect to be their partners.

But in 1971 the Tanzanian economist Justinian Rweyemamu was awarded a doctorate for his PhD at Harvard, published two years later as *Underdevelopment and Industrialization in Tanzania; a study of perverse capitalist industrial development* (Rweyemamu 1973). This was an attack on an uncritical adoption of the import substitution strategies of the First and Second Five Year Plans, proposing instead a "basic industries strategy" in which industrialization would proceed through the deliberate creation of factories producing intermediate goods – steel, chemicals, cement, plastics, textiles, as well as electricity generation and machines to make machines. In 1975 the Caribbean economist C Y Thomas then at the University of Dar es Salaam formalized this. He categorized basic industries as those which, in a developed economy, have forward linkages to a wide range of other sectors. A country that possessed these, could, he argued, manufacture almost any consumer good. This was how the Soviet Union had industrialised in the 1930s, and small countries in Africa and the Caribbean should follow a similar strategy (Thomas 1975). Whether and how it would work in a country as backward and open as Tanzania was another matter. In 1978 this thinking was incorporated in a Third Five Year Plan, but it quickly became clear that the rapid rises in the world price of oil meant that the wherewithal to invest in factories, most of which would not be profitable for several years, was not there. Meanwhile another group of left-inclined academics was looking at the tiger economies of Asia, especially at that time South Korea and Taiwan, and arguing for an industrialization in which the state did not necessarily own the factories, but steered them to make key investments (Kay 1975, Warren 1980, Foster-Carter 1985, Sender and Smith 1986).

There were no five year plans in the years of structural adjustment. But by the start of the new Millennium it was clear to both donors and to the Tanzanian elite that strategic visions were needed. Numerous plans or strategies for sectors were published, most with donor support and influence. The *Tanzanian Development Vision 2025*, launched in 1999, aimed to transform the country in 25 years, i.e. by 2025, "from a low productivity agricultural economy to a semi-industrialized one, led by modernized and highly productive agricultural activities which are effectively integrated and buttressed by supportive industrial and service activities in the rural and urban areas." Its aim, still frequently quoted in speeches and official documents, is for the country to become "a middle income economy by 2025". *MKUKUTA*, the National Strategy for Growth and Reduction of Poverty, prepared in 2005 and revised in 2010, set out policies to combat poverty, demonstrating how Tanzania was responding to the targets of the UN's Millennium Development Goals – and thereby to make it acceptable for donors to write off much of the country's foreign currency debt. The emphasis was on social policies, especially health, education, and domestic water supplies, rather than economic policies, agriculture or manufacturing.

A five year "Sustainable Industrial Development Policy" had been published in 1996. Its purpose was to consolidate the position of recently privatized businesses and to reassure private sector investors. A second phase (2001-2005) was mainly a programme to establish export processing zones. A third was to be about establishing plants to process Tanzania's minerals, especially coal and iron (Mussa 2014).

An *Agriculture Sector Development Strategy* was prepared in 2001. Funding proposals for the period 2006-2013 were agreed in the *Agriculture Sector Development Programme* (ASDP). This was prepared jointly with the World Bank, USAID, British Aid and other donors, who agreed to contribute funds to a "basket" which would pay for some revenue costs as well as capital costs. [vii]

In 2005, when the ASDP was in its final stages of preparation, and in the run up to the 2005 election at which President Jakaya Kikwete was elected, the Government made commitments which led to almost 80% of the money in the ASDP being allocated for irrigation (Therkildsen 2011, pp.14-21; ASDP 2013; Coulson 2015). Much of this was to rehabilitate irrigation schemes from earlier years, without much examination of the economic and/or social reasons which had caused them to fail. Most of the remaining 20% was to be allocated to policies to support small farmers, especially through extension workers, now paid through District Councils. However, a policy that only money that had reached the Treasury could be allocated, agreed earlier to control deficits in government budgets, meant that much of this did not materialise, and this affected all parts of the spending by local governments, including that on agriculture. A further ASDP was prepared in 2013 but not officially launched, again proposing large sums for irrigation (URT 2013).

Meanwhile 2009 saw a commitment to *Kilimo Kwanza* (“Agriculture First”). At that time there were shortages of maize and rice on world markets, and private sector investors from around the world were looking for opportunities to grow these crops and also “biofuels” that could be converted into fuels to replace petrol or diesel. *Kilimo Kwanza* was the first public policy document since the early years of Independence that favoured large scale private agriculture. It can be seen as a reaction, or correction, to some aspects of the ASDP. It was prepared, not in the ministries responsible for agriculture, but by two organisations which included representatives of large farmers, the Tanzania National Business Council and the Agricultural Council of Tanzania, who asked a group of academics from Sokoine University of Agriculture to write a first draft. It comprises broad-brush policies, set out in ten “pillars” (URT 2009). Pillar 5 strengthened the power of the state to allocate land for large scale agriculture. Pillar 2 committed the country to substantially increased spending on agriculture, and especially on irrigation, so meeting the Maputo Declaration target that 10% of the Government budget be spent on agriculture, and to creating a Tanzania Agricultural Development Bank, among other measures.

A year later similar thinking influenced SAGCOT , the Southern Agricultural Growth Corridor of Tanzania, launched in Dar es Salaam in 2010 and then at the World Economic Forum in Davos, Switzerland, with the aim of attracting private investment. It covers more than a quarter of Tanzania’s land area – from Dar es Salaam and Kilwa on the coast across to Lakes Tanganyika, Rukwa and Nyasa, including almost the whole catchments of the Rufiji, Wami, Ruvu and Malagarasi rivers – not a “corridor” in the normal use of the word. The proposals were prepared by two small British companies, AgDevCo and Prorustica, with support from the Norwegian fertilizer producer Yara International and a range of powerful international organisations and donors, who were also involved with proposals for large-scale agricultural investments along the Zambezi River in Mozambique and Zambia. Its website describes it as “an inclusive, multi-stakeholder partnership to rapidly develop the region’s agricultural potential.” But when it came to implementation it turned out that biofuels could not easily be profitable, and it was not easy to find large areas of virgin land that could be allocated to large-scale foreign investors. So SAGCOT did not live up to its initial expectations, and it was not until about five years later that it started to make progress, this time giving more emphasis to clusters of small “outgrower” farmers.

A *Five Year Development Plan 2011/2012-2015/2016* was published in 2011 (URT 2011)[viii]. It was written in the Planning Commission, with assistance from two UK government-supported agencies, the International Growth Centre and the Overseas Development Institute. Its subtitle was “unleashing Tanzania’s latent growth potential”, and it included chapters on both social policies and directly productive sectors, and costs for a large number of investment projects. The main source of finance would be direct investment from the private sector. The public sector would be confined largely to social projects and infrastructure.

South to South Exchanges

By the end of the 2000s, many Tanzanians began to realize that, while an open economy and the ready availability of consumer goods was desirable, completely unfettered markets had not served the country well. This was especially the case with manufacturing, where liberalization had forced many factories to close, including in sectors such as textiles where local producers should have been able to compete with imported products. It was also the case in agriculture, where the private sector had not coped well with the marketing of products grown by small farmers such as cashewnuts or cotton. They looked to the tiger economies of South East Asia for models of how to get the best of both worlds. [ix]

The first comparisons were with Vietnam, which had survived a long and unpleasant war, followed by a period of socialism, and then, in the mid-1980s, structural adjustment. Tanzania and Vietnam had similar GDP per capita in 1986, but thereafter growth in Vietnam had been much faster (Van Arkadie and Mallon 2003; Van Arkadie and Dinh 2004; Dinh 2012, 2013; Kilama 2013; Gray 2014). Many factories were privatized but the state had kept control of key aspects of the economy. The Vietnamese Professor Do Duc Dinh, who spoke in Dar es Salaam at the 2012 REPOA Research Workshop, compared the paper mills in Tanzania and Vietnam: two projects of similar size, both built with support from the Government of Finland. The Tanzanian project was sold to a South African investor for $1; the Vietnamese mill was retained in Government ownership, and became one of their most profitable companies (Dinh 2012; 2013). In contrast, the Tanzanian leadership did not succeed in preserving key factories and sectors. Having failed in their stand against the IMF and devaluation, they now followed its advice rather uncritically.

Links were also maintained with China – which had successfully built the TAZARA to Zambia in the 1970s. Now their contracting firms increasingly won building contracts in international competition, and there was talk that they would transfer a large part of their manufacturing technology to Africa, building perhaps 700 factories, many of which would be in Tanzania.

President Kikwete visited Malaysia in 2011, and was impressed with their “delivery lab” approach to planning, in which stakeholders from both the public and private sectors worked together to create action plans for their sectors. The Malaysians agreed to send key experts from PERMANDU, their Performance Management and Delivery Unit, to explore how such an approach might work in Tanzania (Tan 2013). In October 2012 six “focus areas” were agreed by the Cabinet: Agriculture, Education, Energy, Transportation, Water and Resource Mobilization (but surprisingly not manufacturing). Between February and April 2013 the six “labs” worked long hours at the White Sands Hotel outside Dar es Salaam. Their proposals, branded as *Big Results Now*, were then agreed by the Cabinet (BRN 2013a; 2013b; 2013c). The total cost was estimated at over $10b over 3 years. However for the first year less than half of this was available from the government budget or other sources; it was hoped that the balance would come from the private sector (BRN 2013a). The key targets, to be achieved in just two years, are shown below.

Big Results Now - Targets

Sector	Big Results by 2015
Agriculture	▪ 25 commercial farming deals for paddy and sugarcane ▪ 78 collective rice irrigation and marketing schemes ▪ 275 collective warehouse-based marketing schemes
Education	▪ Pass rate of 80% for primary and secondary school students ▪ Improve students' mastering of 3R in Standard I and II by implementing skills assessment and training teachers
Energy	▪ Increase generation capacity from 1,010 to 2,260 MW ▪ Access to electricity to 5 mil more Tanzanians ▪ Eliminate EPP reliance
Transportation	▪ Passage of 5 mil tons per year through the Central Corridor ▪ Increase port throughput by 6 mil tons, rail by 2.8 mil tons ▪ Reduce road travel time from 3.5 to 2.5 days
Water	▪ Sustaining water supply to 15.2 mil people ▪ Restoring water supply to 5.3 mil people ▪ Extending water supply to 7 mil new users
Resource mobilisation	▪ Increase tax revenue by Tsh 3 trillion ▪ Implementation of PPP projects valued at Tsh 6 trillion

Source: BRN (2013a) *Presentation to PER Annual Review Meeting, 4th October 2013*

Such an approach is plausible in sectors such as transportation, where projects can be identified (such as rebuilding the Central Line railway, or improving the capacity of the ports) or energy (a series of power generating projects). It is less clear that it can lead to radically improved pass rates in education. Getting a water supply to 15 million people involves detailed work in very many different places and cannot be planned in a few weeks at a workshop in Dar es Salaam.

The plans for agriculture were extremely ambitious (BRN 2013b). 25 commercial farms for rice and sugar cane, in total over 350,000 hectares, with almost the same area to be farmed by smaller scale "outgrowers" supplying their crops to one of the commercial farms, all to be under development in three years. To achieve this there would be fast-track routes for the private sector to gain access to the necessary land, and a dedicated unit to attract outside investors. A “land task force” would visit the areas affected, to work with the existing small scale farmers on “pre-engagement training” and conduct soil surveys, environmental assessments, and land use plans (including demarcating the sites and erecting beacons). Rice yields on the 78 collective rice irrigation and marketing schemes were expected to double. The 275 warehouse-based marketing schemes were designed to assist farmers in the Southern Highlands, Rukwa, Mpanda and Songea.

What followed was a harsh reality check on the dangers of planning from the top. Sites were identified for a few large farms, but nowhere near the number or sizes targeted. Warehouse Receipt Schemes did not win the trust of farmers. There were problems with the management of large-scale irrigation projects. The plans to improve the efficiency of the port of Dar es Salaam were more successful (Ndulu and Mwase 2017, p.39), and there was some success in rehabilitating rural drinking water supplies. But the plans did not deal quickly with the problems of electricity supply (Policy Forum 2015), or in education. *Big Results Now* was quietly sidelined after President Magufuli’s election in 2015.

It epitomised top-down planning. Plans were drawn up by committees of technical experts and investors or potential investors with interests in the specialist areas. Only a fraction of the money needed was identified. Many of the targets were unrealistic – as with those for irrigated agriculture, or improvements in education. Villagers or local residents were involved, if at all, in a cursory manner – as the objects of a process not the subjects. As far as ambitions for large-scale agriculture are concerned, nothing on this scale had been seen since the Groundnuts Scheme of the 1950s – and what was proposed risked repeating many of the mistakes made at that time.

The new Second Five Year Development Plan 2015/16-2020/21

The five year plan for the period 2011-2016 was low key. It successor, from 2015, had a higher profile. It set out to bring together the social strategies of MKUTUTA and the economic strategies of the sectoral plans, though industrialization. Production of the plan was coordinated by Dirk Willem te Velde of the Overseas Development Institute in London, working with researchers there, in the Planning Commission and in the consultancy REPOA in Dar es Salaam (ODI 2016).

A *Human Development Report*, funded by UNDP and published in 2015 had set out to show what was needed to produce "economic transformation for human development". It also related investments in human development and poverty alleviation to directly productive investment, though without specifying detailed projects (URT 2015). One of its working papers (Wuyts and Gray 2017) suggested that many of the problems in the Tanzanian economy lay in the failure of industrialisation to produce goods at affordable prices for the mass of the population, especially in the rural areas and argued for a close integration of economic and social policies to ensure that the mass of the people benefited.

The strategy of the Plan was different. Following the approach of the Centre for International Development at Harvard University and its Director Ricardo Hausmann, it cautioned the government to avoid attempts to "pick winners" and instead to concentrate on creating conditions that would attract private sector investment, without asking too many questions about what they would invest in. In his presentation at the 2017 REPOA Annual Research Workshop, Hausmann's colleague Lant Pritchett showed that one of the main differences between developed and less developed countries was the number of products they exported, and from that concluded that, to be successful, Tanzania needed to export a wider range of products. The governments should not attempt to identify these in advance. He also argued for a strategy that could be compared to that of a starfish. This does not have a central brain, only tentacles with sensors, and when a tentacle finds food it pulls the others in that direction.

This was noticeably less proactive than the approach proposed at the previous year's REPOA Workshop by the Chinese-American Professor of Economics at the University of Beijing, Justin Lin, previously Chief Economist at the World Bank. His argument was that many countries in Africa now have wage rates lower than those in South East Asia. They should therefore examine their cost structures and identify sectors where they can undercut producers in Asia; then they should provide the infrastructure to attract clusters of investors in those sectors, mainly oriented to exporting globally. Wages would be low but the companies would be profitable, and there could be many of them. The resulting industrialisation should be sustainable (Lin 2012; 2016). Whether the ruling classes in countries like Tanzania were ready to commit to such large low-paid labour forces was another matter.

All these plans and strategies have in common that they support the emerging Tanzanian middle class and business class. They also serve the interests of large multinational companies and associated financial institutions, not least the World Bank. They do not present proposals to reduce inequality, and in so far as they propose solutions based on large scale agriculture rather than small scale and large modern factories rather than the informal sector, they offer little to the majority of the people.

Corruption

Corruption had been a feature of the Cooperative Unions as early as 1966. From there it spread to the newly created parastatal bodies, and then, in the hard years of the 1980s and

1990s, it emerged at a low level, where police and civil servants introduced charges and penalties for anything that would earn them some money. But it also became overt at high levels, involving senior politicians and administrators. Multi-party democracy meant that political parties needed funds to pay staff and fight elections and this made them open to corrupt proposals. The Government connived in this. Thanks to Wikileaks, and to court cases inside and outside Tanzania, the details of many corrupt deals are well known (see for example Kelsall 2013, pp.58-61; Policy Forum 2015, pp.1-11).

The ability to influence governments affected taxation. The World Bank economist Barak Hoffman, writing in 2013, identified the five wealthiest Tanzanians at that time as Said Salim Bakhresa (of the Bakhresa Group and Azam Industries), Gulam Dewji of Mohammed Enterprises, Rostam Aziz of Tanzania International Container Services, Vodafone and other companies, Reginald Mengi of IPP Media and Coca Cola (the last "a license to print money"), and Ali Mufuruki of Infotech. Only one of these (TICTS) was one of the top corporate tax payers in Tanzania. This was also the only company in this list with significant Tanzanian ownership – the rest were overseas owned. "Airtel, with 28% of the mobile market is the eighth largest taxpayer, while Vodafone, which has 43% of the market, is not on the list at all. … Aziz owns close to one-fifth of Vodacom Tanzania" (Hoffman 2013 p.15).[x]

Corruption is not always completely dysfunctional. It may, as Lofchie argues, have beneficial consequences if it enables entrepreneurs to break free of bureaucratic regulation and red tape, and get a problem sorted out quickly. To have a monopoly of a market for an initial period in which to get established without having to face the full blast of international competition from the start, is similar to a tax, but paid to an individual instead of to a Government (Lofchie 2014: 179-80; Khan e.g. 2000; Chang 2008: 160-181). But it is also debilitating, and creates an atmosphere of resentment and disillusion. Corrupt practices that lead to successful investments may be a necessary evil. Corrupt practices which enable individuals to move money outside an economy with no economic return in that economy are a disaster.

Class Dynamics in Contemporary Tanzania

The term “bureaucratic bourgeoisie” still provides the closest specification of the ruling class. It controls the government, the military, parastatal bodies, and the agencies of law and order. It includes leading politicians, many of whom have technocratic backgrounds as economists, engineers or scientists.

Large parts of business are externally owned, including most of the former state-owned companies that were privatized, and new investments in mobile phones, mining, banking, international-standard hotels, supermarket chains, and other parts of the economy. The larger companies all have means and contacts for liaising with the top decision-makers.

The number of powerful Tanzanian business leaders is growing, including those already referred to in areas of near monopoly, such as beer and soft drinks, the milling of imported wheat and its conversion into bread and biscuits, mobile phone networks, and media, especially TV. Others run transport companies, hotels, building contractors, large farms, and consultancies. Some of the Asian families who ran smaller businesses before independence are still doing so, most making products for local consumption.

This local business class includes executives who worked for state-owned industries and stayed in business when these were privatised, as well as politicians and civil servants who have retired and gone into business, for example in farming (some still in office). Some control large amounts of assets, however acquired, but the richest Tanzanians are probably, as noted earlier, of Asian extraction, from families that were already involved in business. Some of their businesses are highly diversified, for example the Bakhresa Group sells a wide range of food products, while Mohammed Industries includes textile factories, oil milling, soaps, detergents, and large scale farms, as well as an insurance company.[xi]

The bureaucratic bourgeoisie govern in close alliance both with this emerging business class and with donors and their organisations. Many of them depend on the large international companies. Their interests are in exploiting Tanzania's raw materials, including agricultural products produced on large farms, and in developing industries, primarily to substitute for imports, especially to meet the demands of the expanding middle classes.

Below this is a class of petty bourgeoisie, owning smaller businesses, but aspiring to grow them into larger ones, in transport, construction, hotels, and many other activities. This in turn overlaps with the owners of the more successful businesses in the informal sector who employ others, in construction, trading, wood or metal working workshops, hotels and restaurants, and many other activities. Competition ensures that most of these make only small profits, but a few are very successful. To these may be added the majority of teachers, health workers, extension officers and other middle level civil servants, professionals such as accountants and lawyers, and the middle managers in many parts of the private sector.

The numbers of formal sector jobs created have not kept up with the growth of cities, especially Dar es Salaam. So the great majority are in informal employment. The working class in regular jobs with employment rights, is still small.

For at least a generation a majority of Tanzanians will live in rural areas and depend mainly on agriculture for survival and their needs for cash. Their numbers are increasing, despite migration to the cities. Any transition from small scale to large scale farming will employ less labour, so small scale agriculture will be needed to grow food and find incomes for very large numbers of people. In recent years the productivity of small scale agriculture has increased, as have agricultural surpluses, and this may continue, but only if the bureaucratic bourgeoisie recognise its potential and importance, and the need of small farmers to adopt strategies that minimise their risks. Much of the work is done by women, but they are not necessarily involved in the decision making about cash crops, and are at risk of losing their land and livelihood if anything goes wrong (Da Corta and Magongo 2011). They will not gain much from large scale farming (Koopman and Faye 2012).

The greatest constraints on increased production from small scale farmers lie in marketing – if farmers are not paid, or not paid on time, or not paid fairly, for export crops, or if they have no way of preventing them deteriorating when stored, they will choose crops that can be sold in small quantities on local markets, or look for other means of earning the cash they need. Thus the emphasis on warehouses and storage makes good sense, as well as small scale irrigation, provided these are run without corruption and without the benefits arising only for larger farmers. There is potential in the South and South-West to expand the "green revolution" based on hybrid maize and fertilizer (Rasmussen 1986), and to increase production of other foods such as potatoes, sweet potatoes, onions, tomatoes and cassava.

In many parts of the country the investments that would most help small-scale agriculture are in feeder roads and better market information systems. It would be possible to write a political manifesto for the rural areas of Tanzania, just as the "peasant parties" did in Central Europe between the two World Wars – and won large numbers of votes (Mitrany 1951). But so far there is little indication in Tanzania that small farmers can organise themselves as a political force, and contest elections, or that "worker-peasant alliances" can be formed in which the workers produce the agricultural implements, inputs and consumer items needed to improve productivity in the rural areas, while the farmers produce the food to feed both urban and rural areas. The politics of Tanzania remains urban, and, in the last resort, elitist and clientalistic.

Last but not least there is the proletariat - in the rural areas those with no land or insufficient to survive without other income, who depend on casual *kibarua* work, often on a daily basis; and in the urban areas those who queue up for work as casual labourers. If population numbers continue to increase, and urbanisation continues, the size of this proletariat will increase, and so will the challenges both for them and for the country.

The future

Any forecast for the future in this time of great uncertainty throughout the world, risks looking foolish. But the analysis above brings out some of the requirements for Tanzania to grow and for the majority of its citizens to prosper. So this chapter concludes with ten prescriptions which may assist the ruling class as it endeavours to expand the forces of production.

1. For the next generation at least, there is no realistic alternative other than to work with monopoly capitalists – companies, donors, international organisations, firms of consultants. But this must not be uncritical. There will be occasions, perhaps many, when the advice they give is inappropriate; then those who have commissioned it must have the confidence to reject it or to seek out different advice. South-South relationships may turn out to be easier to negotiate and more relevant to the current situation.

2. Tanzania needs to be at the forefront of technical changes and interpretations, not only reacting to conventional wisdom. Good examples of the need to think ahead come from climate change, where it appears that renewable forms of energy, from solar, wind, hydro and other sources are likely to increasingly displace the burning of hydrocarbons. This may not be the best time to become a major exporter of natural gas, and it may not happen anyway.
3. Tanzania also needs to think imaginatively about public health. Tobacco has long been recognised as a killer, and if the country does not reduce its consumption it will, as its population ages, end up with an epidemic of lung cancer. Sugar is the next target for campaigners because it destroys teeth and leads to heart diseases; many Western countries are considering taxes of sugary bottled drinks. Health is also badly affected by poor air quality, from polluting factories, but especially from diesel-powered lorries and cars. Diesel vehicles are undoubtedly causing respiratory conditions and death in Dar es Salaam, and it is time to explore how they can be phased out of urban areas.
4. Tanzania needs a culture of conservation and maintenance, to make the most of what it has. Planned maintenance of roads, water supply systems, irrigation infrastructure, and hydroelectric schemes, implies a culture of ownership and responsibility. Revenue budgets need to be carefully allocated, and funded, not just new capital spending.
5. There is a need to be ruthless with inefficiency, waste and corruption. These are some of the main planks of President Magufuli's administration, but they need to be embedded in systems such as strong regulatory bodies, audits, inspections, efficient and non-corrupt police and courts. Maybe the problems are so widespread that Tanzania needs a Reconciliation and Truth Commission in which those who admit crimes are spared

severe sentences, provided they come clean and explain who else was involved, and return money illegally acquired.

6. The leadership must we willing to let go, wherever it can. It needs an effective and self-supporting and profitable banking system. It also needs cooperative organisations, as far as possible self-policing. It needs to trust markets where they work effectively. It needs to encourage local innovation and to accept the resulting local centres of power.
7. It needs to be patient. Creating skills and training workforces takes time. So does research and development, especially agricultural research. Tanzania can learn much about how to create a climate of innovation and the right institutions from Vietnam.
8. It needs realistic targets. If targets are overambitious they become depressing for all involved when they are not achieved, and there is likely to be a lot of waste when facilities are built earlier than they are needed. Much better to have modest targets, and then to celebrate when they are achieved.
9. Western capitalism has many crises and has not solved its fundamental contradictions. There is need for strong states, but also more equality. More equal societies are happier, and more innovative. That means new forms of taxation – perhaps on transactions, land values, property above a certain value, and products which have a cost to society, e.g. those that create poor environmental conditions, or bad health.
10. An open society. Tanzania needs its critical friends, to identify corruption, inefficiency and waste. This includes a critical but responsible press and media, civil society organisations at national and local levels, and a self-confident academia involved internationally but able to speak out and contribute on local issues.

Together these give an indication of the kinds of strategies and self-confidence that the bureaucratic bourgeoisie will need if it is to make Tanzania a middle income country. Whether it can rise to this kind of challenge remains a very open question.

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[i] This was reproduced by Zenit Publishers, Lund, Sweden, with commentaries by Tamza Szentes, Walter Rodney and John Saul, 1970. The four papers were then reprinted in Lionel Cliff and John Saul eds. *Socialism in Tanzania Volume 2*, East African Publishing House 1973, pp.303-358. For the background and flavour of the period see Hirji ed. (2010).

[ii] One of the paradoxes was that the commitment to self-reliance made the country attractive to aid donors. Financial assistance to Tanzania rapidly increased, especially from the Nordic countries and the World Bank. Sebastian Edwards titled his book *Toxic Aid* (2014), on the basis that the donors were uncritical of what was happening at this period, and should have reduced their aid or at very least threatened to do so.

[iii] This was not the whole country, because the coffee-growing highland areas were deemed already to be in villages, and much of the cotton-growing area South of Lake Victoria was already densely settled, as were cities such as Dar es Salaam. Thus Edwards' claim that the numbers of people living in villages was 9 million by 1975 and 13 million – nearly the whole population – by 1977 is an overestimate; people living in the coffee and most of the cotton producing areas did not move, nor in the cities (Edwards 2014: 88); Lofchie's figure of 1.6 million by the end of 1974 is nearer the mark (Lofchie 2014: 81).

[iv] This paragraph draws on Edwards (2014:96ff.)

[v] The exchange rate issue in Tanzania is discussed in more detail in Chapter 12.

[vi] The Three Year Plan First 1961-4 was written by the colonial civil servant Sir Earnest Vasey before Independence. The First Five Year Plan 1964-9 was heavily influenced by the World Bank and expatriate civil servants and consultants. The 1969-74 Plan was the first that Tanzanians could properly call their own.

[vii] Basket funding meant that the consortium agreed on the projects, and agreed to fund a high proportion of their costs, and to monitor their implementation. The ASDP basket for agricultural support was funded by the World Bank, African Development Bank, IFAD, the European Union, and Japan. Other donors, including DfID, dropped out during the negotiations. One of the problems in the implementation was that the Government of

Tanzania found it hard to meet its obligations, especially the large components of recurrent funding delegated to the district councils.

[viii] In reality this was the fourth Five Year Plan. The choice of title suggests a reluctance to make comparisons with earlier plans.

[ix] The point was made at the Annual Research Workshops of the organisation REPOA in 2012 by speakers from Vietnam and China, in 2013 by a keynote speaker from Malaysia, and in 2014 by speakers from Japan.

[x] Aziz and Dewji both come from long-established business families. In 2013 both were reported to be dollar billionaires, the first from Tanzania. Both also became MPs. By the time Aziz was forced to resign in 2011 he had enabled all his constituents to have access to water, electricity and a dispensary (Wikepedia, *Rostam Aziz* and *Gulam Dewji*, quoting *Forbes Magazine*, downloaded 15 May 2017).

[xi] It's website explains that the "$1.5 billion revenue from our group of companies constitutes a little over 3.5% of the GDP of Tanzania and employs 5% of the formal employment sector. By 2018 we expect to hit revenues of $5 billion."