

## **BRIEF REPORT ON THE 7:30 BREAKFAST DEBATE – 30 OCTOBER 2009**

### **KIKWETE'S FIRST TWO YEARS: TANZANIA GOVERNANCE REVIEW 2006-07.**

Tanzania Governance Review (TGR) is the first Policy Forum's (PF) publication produced since the installation of the fourth phase of Tanzania government. PF's mission is to strengthen linkages between the public money and the government at all level. This means enabling citizens to know how public money is sourced, managed, and spent, raising public awareness and access to information on the key issues of governance and accountability and increasing the capacity of the non-state actors to contribute to societal change. Breakfast Debate organized by Policy Forum at the British Council Conference Room decided to invite Brian Cooksey Researcher of TDRG, Dr Semboja Haji from Department of Economics University of Dar es Salaam to make presentation. And Mr. Alex Ruchyahinduru facilitated the debate.

Mr. Cooksey started by giving out the summary of Tanzania Governance Review conducted in 2006/07, he said that TGR examines the sources and uses of public finance, the governance processes involved in allocating and controlling public expenditure and the outcomes of these processes in terms of generating public goods and welfares. It also examines governance in the private sector and civil society and the role of donors in supporting governance initiatives in the country.

TGR reveals that numerous major projects have been undertaken with the objective of financing the continued dominance of the ruling party. The report says this would not matter if the projects were economically viable, national priorities based on least cost considerations. Yet not one of the recent examples of large scale contracting and procurement reviewed in the report seems to meet this report. On the contrary, they have had serious negative consequences for the economy, the efficiency of public spending and the legitimacy of the state in the eyes of the public.

On local governance, the misuse of public resources by the central government effectively prevents public goods from reaching majority poor, particularly in rural areas. The condition of roads and access on clean water are more acute problems in rural than urban areas. Research also suggest that the vast majority of poor farmers receive no benefits whatsoever from the state that could serve to improve their livelihoods and give them the means to escape from poverty.

It pointed out that at both national and local levels, the Tanzania state suffered from serious problems in regulating the private sector effectively during the review period. Many Tanzania remained unconvinced that the market economy, foreign investment, and privatizing public companies will bring about development and regulatory practices reflect these views. Internal comparisons suggest that Tanzania became increasingly investor friendly during the 1990s but that since then progress has stalled.

The research also pointed out that most CSOs are financed by foreign aid, which leads criticism to accuse them of following external agendas. Research suggests that CSOs are not particularly respected by the general population. There are widespread criticism of one man or one woman briefcase NGOs and suspicions that certain NGOs are vehicle for politicians to earn side incomes by sponsoring relatives and cronies. Moreover, there is evidence that financial fraud plagues the sector, particularly in big money areas like HIV-AIDS.

Also, the TGR reveals that donor agencies have been heavily involved in promoting governance policies in Tanzania, in funding programmes and projects designed to improve public accountability and in providing budget support for Tanzania's MKUKUTA, which has a governance component. Critics maintain that budget support which financed over a third of the national budget in the review period undermines internal accountability processes. A critical view is that donors' commitment to respecting and using national accountability procedures is somewhat undermined by their direct support for non-state actors. Compared to earlier period donors were not particularly critical of GOT's governance performance during the review period, particularly regarding corruption control.

On his conclusion remark he stressed that from the review Tanzania does well in terms of political stability, though there has been some slippage in recent years, particularly in Zanzibar and also some improvement in corruption control in the last 5-6 years moving from near the bottom to near the middle of the African pecking order. Many believe that good governance and anticorruption policies and programmes are largely donor inspired and therefore lacking in local ownership and commitment. They are seen as half hearted reactions to donor pressure rather than determined attempts to deal with the routine abuses of power and authority that continue to plague the country.

The second presentation was done by Dr Semboja Haji; he started by presenting the situation of corporate accountability in Tanzania. Currently, many large scale firms in Tanzania have explicit codes of businesses in place but however many micro, small and medium scale firms do not have explicit code of business conduct and ethics. He said some have simple codes developed by owners and management to guide behavior of their employees and ensure smooth and effective operations.

Dr Semboja pointed out that large scale firms in Tanzania are present to make super profits and not to solve domestic (poverty) problems. Policies, laws and regulations are in place but the institutional framework is weak thus the success of the voluntary approach to cooperate accountability in Tanzania has been premised on two beliefs; first, business must respond to new social political agendas and second, that social and environmental performance makes good business sense. However, the situation in Tanzania is different as there are weak high correlation between good environmental management and super profits & higher stock prices and Modern large scale private firms have not been able to translate financial returns into improvements in occupational health and safety, worker satisfaction and environmental management.

Further more he pointed out the problems, constraints and limitations of corporate entities in Tanzania; Size and level of technological development, Limited institutional relation and networking, lack of effective management information and communication systems, lack of knowledge and information on the need for codes, no effective national laws and regulations ensuring that firms have codes in place and that private sector associations and business supporting institutions are less concerned on the use of codes and its impact on corporate governance.

On his conclusion remark he said that it is very difficulty to establish and monitor corporate accountability due to fact that companies in Tanzania have not been subjected to a proper system of accountability. The root causes being; conventional attitude among most corporations that their primary, indeed sole duty, is to further the interests of their shareholders, failure of institutional framework to control the conduct of corporations sufficiently, deficiencies in the legal mechanisms for holding corporations to account and lack of practical access to justice for those on the receiving end of corporate wrongdoing.

**Comments/Recommendations from Plenary Discussion:**

- Are there any suggestions received from donors putted forward on the next GBS?
- Does the performance of corporate governance pursuing good political governance?
- The whole trend indicates that money lost in grand corruption. Where did then money go? To the private sectors or to social delivery services?
- What is the correlation between corporate governance and commercial governance, particularly in a situation whereby the government officials are involved in business?
- We need to get an independent referee who is credible, integrity and who does the assessment of our past performance and give results and make it public rather than having corridor discussion. Then, ask ourselves what we can do next.

**Comments and Responds:**

- I would encourage people not to pay taxes if what they pay is embezzled.
- If the money is invested on let say Hotel, infrastructure and building schools and Hospital then we can say there is a trade off, however, this is not justifiable in our case.
- The problem is how corruption should be dealt with and managed in Tanzania. I wonder if it is not the problem of the society.
- Ideally government officials should not involve themselves in business but however it has never been the case in our country. The systems in place seem to be weak and hence not holding leaders into account.

Mr. Alex Ruchyahinduru closed the debate by thanking the presenters for their time with us and the participant for their attendance. He welcomed all for the next 7:30 BD on November 2009