

BRIEF REPORT OF THE 7:30 BREAKFAST DEBATE – AUGUST 26th 2011

GOVERNANCE AND RENT SEEKING IN TANZANIA: BEYOND THE CORRUPTION AGENDA?

The debate centered on the new Tanzania Governance Review 2008-2009 which reviews official documents, statistical data, aid agency, academic and civil society publications and press reports. According to the governance review there are still major failures in both revenue collection and spending during 2008-2009. Revenues are lost through unjustified tax exemptions, the undervaluation and taxation of natural resources, and corrupt practices by tax collectors.

Public expenditure is extremely inefficient as a result of systemic looting by officials, including corruption in procurement that also involves rent-seeking by private interests.

This is why Policy Forum dedicated its August 2011 debate on the issue of Governance, Rent-Seeking and Corruption in Tanzania, the debate is titled: Governance and Rent-Seeking in Tanzania: Beyond the Corruption Agenda?

The debate included two presentations:- One was done by Mr. Brian Cooksey of Tanzania Development Research Group (TADREG) and the other was done by Mr. John Dominic the Government Technical Advisor, Ministry of Natural Resource and Tourism.

The Debate was facilitated by Alex Ruchyahinduru from Policy Forum.

The first presentation was done by Mr. Brian Cooksey, who focused on Tanzania Governance Review 2008/09: How has the fourth Government performed?

He started by defining key terms of his presentation as follows: Governance is the ways in which people organize, manage, and discipline their collective affairs, both public and private.

Rents are politically derived resource transfers including money and credit, subsidies, import licenses, tax breaks, land title, contracts that benefit particular individuals or groups through non market mechanisms.

He said that, Rents can be good or bad, depending on how they affect public goods creation, economic opportunities, efficiency and equity. Bad rents are usually associated with corruption involving private and public sectors.

He defined corruption as the misuse of an official position for personal gain.

He mentioned the types of rents as, looting which is theft of public resources, extortion which occurs in private sectors, regulations which can enhance or hinder private sector development, depending on how rents are created and used.

He said that state capture limits competition and market development.

He continued to mention some of the sources of rents in Tanzania as follows: Foreign Aids, Research shows that aids encourages corruption and waste, aids are given by international states, for instance in 2009/10 donors provided USD 750 million in General Budget Support (GBS). In 2008, a forensic audit found that half the value of \$ 50 million NRM development Programme funded by Norway had been lost to corruption and waste centered in the Ministry of Natural Resources and Tourism.

He said, taxes account for about 16 percent of GDP, instead tax exemptions totaled Tshs 814 billion in 2008 and Tshs 752 billion in 2009, he gave an example of Norway which pays 40% of income tax while Tanzania pays 60% of the same, this explains why a lot of tax evasions occur, some people prefer to put their money in private sectors than in public sectors because of the inadequacy of social services in return.

He suggested that Non Governmental Organizations, churches etc should also pay taxes.

He continued to say, state and private actors collude to distort policies, laws and regulations in order to favor particular individuals, companies or groups.

He mentioned some of the examples of patronage spending as, MP's salaries and benefits, military expenditure and procurement, allowances and per diems.

He also defined subsidies as large transfers and gave an example of TANESCO.

He classified mineral rights, urban and rural land, forests, fisheries and wildlife to fall under natural resource rents.

Lastly, he concluded by saying that, MKUKUTA is designed in part to transfer rents from taxes and aid to the majority poor through subsidized basic services. Rents from extortion, looting and biased economic regulation discourage investment and risk taking and prevent companies from growing and creating jobs.

The second presenter, Mr. John Dominic focused on Democratic Community Based Natural Resource Management (CBNRM). His presentation basically supported investment in natural resources.

He said CBNRM is about self governance of natural resources use or about applying democratic processes to natural resource management by user group.

He said, CBNRM in Tanzania started way back in 1970's. In 1974 wildlife started but in other countries it is very recent. Natural resources have not been developed so natural resource ecosystem services are unappreciated, they are not treated as an economic good so most people do not believe that they should pay for it hence high poverty level, instead they believe that it is owned by the state and not the community.

He suggested the decentralized natural resource is the key to achieve economic development, that is the producers and the economic community should all be involved in CBNRM.

He said that, 40% of natural resource of protected areas is managed by central government. We fail to comprehend the value of our natural resources. If we look at statistics certain districts have economic value to the natural resource we have today, the whole system operates when the central government works with all levels including the subsistence producers who are mostly located at the villages.

Lastly he suggested some way forward as follows; strategic economic assessment of natural resources and develop user friendly harmonized natural resource guides and toolkits, easy to use tools to institutionalize CBNRM.

The discussant of the event was Mr. Hamza Johari, Tanzania Civil Aviation Authority Consumer Consultative Council, Executive Secretary who started by commenting on the two presentations and suggested that they should have addressed the legal framework for combating corruption.

He said that, way in 2003 Tanzania started developing market economic tools to assist the government in economic development, the biggest mistake was that legislations were enacted out of problems. Back then we didn't have policy cycle in this particular area, legislations were only made out the problems which had occurred.

He continued to say that, if you want to have a good system in combating corruption there should be; the government willingness, the regulatory bodies put in place must be independent from the government, accountability which depends on the penal sanctions.

He concluded by saying that, Tanzania needs a new constitution, if we don't have a good constitution we cannot have good governance.

Comments and Questions from Plenary Discussion:

- Yes, we need a new constitution but we also need to change our attitude and take action from the point that we are.
- People need to be accountable so as to avoid corruption.

- According to rules and regulations of this country all military transactions are not to be disclosed, if this is the case then why has the first presenter listed military expenditure and procurement as an example of patronage spending?
- What are moral hazards?
- What is the potential or need of the people to protect their natural resources?

Respond to the comments and Questions:

- User right is what makes us entitled to our natural resources.
- All states have secrets or important issues that the public are not supposed to access to. The discussion of MKUKUTA shows who is the biggest user of our resources.
- We loose a lot of time talking about laws, policies, constitution, they have been in the books for a long time but no implementation, what happens on the ground is the opposite of what the law says.
- Moral hazard is a concept that comes out in economic analysis example foreign aid, using income for public rather than for private interests, under taxing of natural resources.

Mr. Alex Ruchyahinduru closed the discussion and he welcomed again participants for the next 7:30 Breakfast Debate.