President’s Office
Public Service Management

Consultation Paper

National Development Strategy of Tanzania
In View to
Korea’s Development Experience

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<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AGOA</td>
<td>African Growth and Opportunity Act</td>
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<td>ASDP</td>
<td>Agricultural Sector Development Programmes</td>
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<td>ASDS</td>
<td>Agricultural Sector Development Strategy</td>
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<td>ASSP</td>
<td>Agricultural Service Support Programme</td>
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<td>AU</td>
<td>African Union</td>
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<td>BEST</td>
<td>Business Environment Strengthening for Tanzania</td>
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<td>BET</td>
<td>Board of External Trade</td>
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<tr>
<td>CCM</td>
<td>Chama Cha Mapinduzi (Party of Revolutionary)</td>
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<tr>
<td>CHC</td>
<td>Consolidated Holding Corporation</td>
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<td>CHF</td>
<td>Community Health Funds</td>
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<td>COBET</td>
<td>Complementary Basic Education in Tanzania</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<tr>
<td>DAC/OECD</td>
<td>Development Assistance Committee, Organization of Economic Cooperation and Development</td>
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<tr>
<td>DADPs</td>
<td>District Agricultural Development Plans</td>
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<td>D by D</td>
<td>Decentralization by Devolution</td>
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<td>DfID</td>
<td>Department for International Development</td>
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<td>DPG</td>
<td>Development Partners Group</td>
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<td>DPs</td>
<td>Development Partners</td>
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<td>DSR</td>
<td>Debt Service Ratio</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>EDCF</td>
<td>Economic Development Cooperation Fund</td>
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<td>EDZ</td>
<td>Economic Development Zones</td>
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<td>EEP</td>
<td>Economic Empowerment Policy</td>
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<td>EPZA</td>
<td>Export Processing Zones Authority</td>
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<td>ERB</td>
<td>Economic Research Bureau, University of Dar es Salaam</td>
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<td>ERP</td>
<td>Economic Recovery Programmes</td>
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<td>ESDP</td>
<td>Education Sector Development Programme</td>
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<td>ESRF</td>
<td>Economic and Social Research Foundation</td>
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<td>ETP</td>
<td>Education and Training Policy</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FY</td>
<td>Financial Year</td>
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<td>GBS</td>
<td>General Budget Support</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNP</td>
<td>Gross National Products</td>
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<td>GoT</td>
<td>Government of Tanzania</td>
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<td>HBS</td>
<td>Household Budget Survey</td>
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<td>HIV/AIDS</td>
<td>Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome</td>
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<td>HSSP</td>
<td>Health Sector Strategic Plan</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>ILFS</td>
<td>Integrated Labor Force Survey</td>
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<td>Acronym</td>
<td>Description</td>
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<tr>
<td>IMTC</td>
<td>Inter-ministerial Technical Committee</td>
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<td>JAST</td>
<td>Joint Assistance Strategy for Tanzania</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>KOVs</td>
<td>Korea Overseas Volunteers</td>
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<td>KOICA</td>
<td>Korea International Cooperation Agency</td>
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<td>LDC</td>
<td>Less Developed Country</td>
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<td>LGAs</td>
<td>Local Government Authorities</td>
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<td>LGRP</td>
<td>Local Government Reform Programme</td>
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<td>MMAM</td>
<td>Primary Health Care Service Development Programme</td>
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<td>MDAs</td>
<td>Ministries, Departments and Agencies</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<tr>
<td>MoFEA</td>
<td>Ministry of Finance and Economic Affairs</td>
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<td>MOHSW</td>
<td>Ministry of Health and Social Welfare</td>
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<td>MoVET</td>
<td>Ministry of Education and Vocational Training</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>NHIF</td>
<td>National Health Insurance Fund</td>
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<td>NSGRP/ MKUKUTA</td>
<td>National Strategy for Growth and Reduction of Poverty</td>
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<td>NTP</td>
<td>National Telecommunications Policy</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>PBA</td>
<td>Program-Based Approaches</td>
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<td>PBFP</td>
<td>Property and Business Formalization Programme</td>
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<td>PC</td>
<td>Planning Commission</td>
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<td>PEDP</td>
<td>Primary Education Development Programme</td>
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<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PMO-RALG</td>
<td>Prime Minister’s Office – Regional Administration and Local Government</td>
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<td>PO-PSM</td>
<td>President's Office – Public Service Management</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>PRBS</td>
<td>Poverty Reduction Budget Support</td>
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<td>PRS</td>
<td>Poverty Reduction Strategy</td>
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<td>PSRC</td>
<td>Public Sector Reform Commission</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>SADC</td>
<td>South African Development Community</td>
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<td>SEDP</td>
<td>Secondary Education Development Programme</td>
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<td>SEZs</td>
<td>Special Economic Zones</td>
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<td>SGFSR</td>
<td>Second Generation Financial Sector Reforms</td>
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<td>SIDO</td>
<td>Small Industries Development Organization</td>
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<td>SIDP</td>
<td>Sustainable industries Development Policy</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>SWAPs</td>
<td>Sector-Wide Approaches</td>
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<td>TA</td>
<td>Technical assistance</td>
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<td>TANESCO</td>
<td>Tanzania Electric Supply Company</td>
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<td>TANU</td>
<td>Tanganyika African National Union</td>
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<td>TAS</td>
<td>Tanzania Assistance Strategy</td>
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<td>TDMS</td>
<td>Teacher Development and Management Strategy</td>
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<td>TDV</td>
<td>Tanzania Development Vision</td>
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<td>TIC</td>
<td>Tanzania Investment Centre</td>
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<td>TMTP</td>
<td>Tanzania Mini-Tiger Plan</td>
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<td>Tsh.</td>
<td>Tanzanian Shilling</td>
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TSIP        Transport Sector Investment Programme
TTB        Tanzania Tourism Board
UNDP       United Nations Development Programme
URoT       United Republic Of Tanzania
WTO        World Trade Organization
ZGS        Zanzibar’s Growth Strategy
ZNSGRP/MKUZA  Zanzibar Strategy for Growth and Reduction of Poverty
Executive Summary

Not more than 50 years of its modern history, Tanzania has undergone an arduous path of national independence and foundation. Experienced one of the most outstanding socio-political integrations in the world, more recently the nation have gone through a profound transition from an extremely experimental socialist country to a market-oriented capitalist economy and made substantial progress in economic reform and liberalization. No other single country in the African continent has achieved so much progress in consolidating the social solidarity and projecting the national identity than the United Republic of Tanzania since her independence. Particularly the nation’s leadership succeeded in providing the socio-political stability and national confidence through the promotion of human rights, freedom and democracy.

Entering the new millennium the Mainland Tanzania disclosed the national development vision respectively which aims at transforming the nation’s low productivity economy into a semi-industrialized one led by modernized and highly productive agricultural activities. With her quite different historical background and socio-economic endowments from the mainland, the Revolutionary Government of Zanzibar projected her own development vision and the strategy of growth and poverty reduction. And the recent performance of their economies is encouraging sustaining high rate of economic growth and reducing the incidence of poverty.

Tanzania is yet to materialize her potential for an accelerated growth and sustainable socio-economic development. Despite the rehabilitation and revival of her economy in recent years poverty is still widespread many parts of the country and the nation is suffering from lack of development resources and infrastructure: financial; human and entrepreneurial; technological; and physical. Blessed with abundance in natural resources and cultural and bi-ecological diversities, Tanzania enjoys the nation’s geo-political location exercising a strategic role in the East African region and her neighbors. By consolidating a highly multi-racial society into a unified national identity, Tanzania built a sound and strong foundation for further accelerated advancement of social progress and economic development.

Korea, once a heavily agrarian poor nation with scarce natural resources and scant base of industry, transformed herself into a highly industrialized country climbed out of poverty and rapidly joined the group of developed nations. Setting out the nation’s development strategy toward modernization and industrialization in the early 1960s as Tanzania launched her own development strategy of socialist policy emphasizing self-reliance and social equity, Korea adopted a market-oriented and outward-looking strategy focusing on economic growth based
on comparative advantages. The growth-first, en-even development strategy by which
priorities were given to some strategic productive industries was implemented under a
authoritative but visionary leadership. After gaining a substantial edge of economic
competence, a policy for gradual expansion of social services such as education and health
has followed, accumulating a unique and intriguing development experiences.

The Tanzania’s development vision has projected lofty and high goals of economic and
social aspirations, however, it seems to be void of practical and feasible policy measures of
preference and concentration making full use of comparative advantages and optimizing
scarce development resources. Still mired by the socialist legacies of emphasis on public
social services, the main objectives of the nation’s development strategy are directed to
broad-based equitable growth and social welfare. The internationally agreed Millennium
Development Goals (MDGs) mistakenly mitigated the growth-oriented national vision and
development targets of Tanzania toward result-driven outcomes of poverty reduction and
social development. The immediate goals of Tanzania’s national development are to promote
pro-poor growth for poverty reduction and to preferably expand public educational and health
services over the industrial promotion.

Korea’s development experiences clearly shows that the virtuous circle of growth and
development under which productive sector development generates industrial production and
national incomes, then create the demand of social services and this exponential circulation
enables the young economy to engineer and continue the perpetual path of accelerated
economic growth and sustainable development. ‘Growth-first’ and ‘Make the pie bigger’,
then ‘Distribute’ and ‘Share the fruit of the growth’. A succession of small cases of success
and excellence detonated the industrial production and created a chain of exponential
expansion of the economy generating incomes, increasing both consumption and savings
which led to increased investment both in productive and service sectors. The creation of
employment contributed to higher income and poverty reduction much more than the social
policy of redistribution and pro-poor spending in health and education.

The history of the developed countries tells us that they took a similar step toward the
nations’ modernization by adopting policies and strategies in which they share in some
essential ingredients in common and those are just what Korea learned and followed. It is
time for the Tanzania’s national leadership to assess the overall situation regarding the
national development vision, policies and strategies in view to the alternative development
experiences of Korea and other outstanding developing economies taking the similar
development path. It is recommended that the Tanzanian leadership make an extensive and
intensive review on the paradigm of the current development policy and strategy both in
historical and international context. And it is strongly advised to reorient its policy direction
toward strategic growth promotion in the productive sectors from broad-based equitable
growth and social equity.
The shift of policy paradigm does not mean the withdrawal of support for poverty reduction and social development. It means the adjustment of investment priority in terms of igniting the virtuous circle of growth and development away from the consumptive repetition of recurrent expenditures focused on public social services. A bigger proportion of increasing financial and human resources should be allocated to the promotion of strategic productive industries including agriculture, manufacturing and tourism. While an absolute level of investment in social sector are to be maintained in a modest rate of expansion, the investment in the productive sectors should be expanded in a considerable extent. Instead of compensating the basic needs of the poor, the purchasing power of the poor is to be strengthened by job creation and income generation in the productive sectors. The people’s high expectations for social welfare and protection spawn by the government should be replaced by the aspirations for economic well-being they are creating and achieving by themselves.

To attain these Tanzania’s futuristic development leadership should be reengineered. Beyond national unity and social solidarity, a renewed visionary leadership should take a innovative and decisive role for shifting the development paradigm and the subsequent reorientation of national policies and strategies: From equity and growth to growth and equity; from broad-based even growth to un-even strategic growth; Strengthening outward-looking mindset away from the lagging inward-looking inertia; from public social welfare to privatization and economic well-being; and balancing the local autonomy and participation of decentralization by devolution with the responsible development stewardship led by the government leadership.

**Virtuous Circle of Growth and Development**

**Visionary Development Leadership**

Creativie and Innovative Policy Initiative and Stewardship

Take-off toward Next Stages of Development

Expanded Resources
Mobilization and Increased Investment – Economic and social, R&D, S&T Promotion

Growth-Priority Strategic Productive Sector Development
Outward-looking & Government-led

Productive Sectors Promotion – Accelerated Growth and Expanded Economy

Trickle-down to Other Sectors: Private and Social Job Creation and Income generation
Development of Non-productive Sectors
It is the recent phenomenon that Korea as one of the emerging donors renewed the willingness and commitment to international development cooperation through which Korea could share her development experiences and expand the volume and area of assistance programs. Tanzania is one of the core development partners of Korea’s international cooperation and the Korean government plans to expand the cooperative programs. In particular, since the Korean government launched ‘Korea’s Initiative for Africa’s Development’ in 2006 which projected to triple Korea’s aid to Africa by 2008, the cooperative relationship between the two countries has been strengthened.

For the time being the Korea’s commitment to Tanzanian development efforts is quite limited in its volume and areas of intervention. But the potential for future engagement and intervention is unlimited considering the huge demand for development investment in all the spheres and the applicability of Korea’s development experience and know-how into Tanzania’s development policies, strategies and programs in various fields. There is need for Korea to increase the volume of support and concentrate her intervention in some strategic areas or themes. The areas or themes of focused intervention should be in which Korea has comparative and competitive advantages based on her accumulated development experiences and contemporary competence, and the elements of advantages should be those which could be utilized in full extent.

Most of all, the new programs to be implemented could be most fruitful in case they are consulted and identified in the context of Tanzania’s paradigm shift and reorientation of her development policy and strategy toward productive sector promotion.

Based on the inborn characters of Tanzanians and the endowments the nation inherited more than abundant, the nation could build a nation of lofty pride and highly advanced economy. With the renewal of the nation’s pride and cultural identity, Tanzania could be a nation of dignity and affluence escaping from the plight of poverty and laggardness. The nation’s leadership and the people’s willingness will sure to make it. And Korea could be able to contribute to it through mutually beneficial international cooperation programs in the future.
National Development Strategy of Tanzania
In View to Korea’s Development Experience

I. Introduction: An Inside Story of an Outsider

1. For Japanese study, *The Chrysanthemum and the Sword* is considered as a must reading. Written by Ruth Benedict, a well-known American anthropologist, the book depicted the Japanese society and culture on the whole accurate and incisive enough to support the formulation of a nation’s war-ending strategy. I was astonished to find out that the writer never travelled Japan unable to visit the nation in a war with her own country. She produced the study at a distance, making use of the secondhand information and materials. And I am here in person, in the place of Dar es Salaam for a certain kind of study and consultation on national development strategy of Tanzania and was wondering whether I could make some valuable observations and recommendation worth of reference, apart from producing a prominent study which is lucid and insightful.

2. Being an expatriate in Tanzania came most for the first time far away from the continent, it is true that I was not able to escape from experiencing the culture shock. Approaching half an year in Dar es Salaam at the end of this month, I am going to enter the third phase of ‘Adjustment’ after the first ‘Honeymoon’ phase and the second ‘Negotiation’. It seemed that I might have grown accustomed to the newness of Tanzania and developed routines. And as have been told that most of the culture shocks are being felt for the first three months or more, I could have been able to see the most impressed things and some interesting differences between the two countries, Tanzania and Korea, in terms of socio-economic features as well as cultural characteristics. Therefore, the followings could be an inside story told by an outsider with a different but fresh view which is somewhat naïve and straightforward.

3. The purpose of this consultation project is the exploration of possible alternative ways for improving Tanzanian national development strategy in view to Korea’s development experience which is unique but quite unfamiliar to Tanzanians. In addition to the review on the development policy and strategy an observation is made on the development cooperation between Tanzania and the international community. And this report is the results of the major findings and observations my colleague and I made during the past

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1 It is the thinking and opinion of the advisor, neither those of the host ministry PO-PSM(President’s Office-Public Service Management) of the United Republic of Tanzania nor the sponsored agency Korea International Cooperation Agency (KOICA) of the Republic of Korea.


five months and more.\textsuperscript{4} It was an intriguing and meaningful process of working through which we had not only a series of numerous facts finding visits to and serious discussions with quite a number of ministries, public and private organizations, and several international development organizations, but also several field trips to the regional and rural areas.\textsuperscript{5} Distinctive dissimilarities and differences rather than similarities are being observed in both the endowments and the accomplishments of the two nations. Apparent differentiation and generalization was possible in their development backgrounds, the pursuit of their own policy objectives and the exercise of each one’s development strategies.

4. Due to the striking contrast and distinction in their policies and strategies as well as the development paths, it was indispensable for us to make some recommendations including the reorientation of the development policy and strategic approaches to socio-economic advancement and national modernization which might be considered as provocative and highly controversial. However, those observations and recommendations are not derived from an exquisite theory of economic development, but from the particular standpoint of a rather conspicuous case of economic transformation Korea has experienced during the last several decades. Therefore, I want to make it clear that they are neither orthodox nor imperative in their application and they are subject to further debate and deliberation. It is my sincere hope that they could be able to contribute to deepening the understanding on the complexity of socio-economic development as well as broadening the perspective of development policy and strategy.

5. Both the time constraint and the physical distance to Zanzibar made difficult for us to engage in reviewing and discussing on the development issues and agendas of the Unguja Islands. As the economic affairs are not included in the union matters, they are handled by their respective authorities of the Tanzania mainland and the Revolutionary Government of Zanzibar. And as much as different are their socio-economic endowments as well as their cultural and historical backgrounds each other, the development policy and strategy of Zanzibar could not be reviewed or consulted in the same context of those of the Tanzania Mainland.

6. Only a few visitations were made to international development partners including the World Bank, the United Nations Tanzania, DFID, JICA, and BTC. However, I found that the mechanism of aid coordination and harmonization among DPs as well as between the

\textsuperscript{4} Mr. Elias Nicodemus Luvanda worked for me from the onset of my assignment at PO-PSM early June this year. As an economist, Policy Development Division, he assists me by getting information, arranging visits and meetings, providing lots of advice, and doing many chores.

\textsuperscript{5} In addition to several field trips to local and rural regions, there were more than 30 facts finding and discussion visits to various ministries, agencies, institutes and international development organizations.
GoT and DPs was well organized and operating under the framework of the Joint Assistance Strategy for Tanzania (JAST).

7. During my assignment in the President’s Office - Public Service Management (PO-PSM), Mr. Mathias Kabundugulu, Director of Policy Development, supported me in his full capacity as well as encouraged every time and therefore my first thanks go to him. Dr. Faisal Issa, Director of Human Resources Development, rendered me valuable advice from time to time which helped me a lot. Mr. Ngosha Magonya, Commissioner for External Finance of the Ministry of Finance and Economic Affairs, and Mr. Abihudi Baruti, Director of International Relations Cluster, the Planning Commission, were the two of the few most frequently visited persons for our discussions during my assignment and contributed much by supplying me with various policy ideas and information. Dr. Bohela Lunogelo and Dr. Oswald Mashindano of the Economic and Social Research Foundation (ESRF) helped us by giving me their insightful thinking and constructive comments in a fresh point of view. I was able to expand my view on development issues of Tanzania owing to an extensive discussion with Mr. Oscar Fernandes-Taranco, UN Resident coordinator, who possesses a comprehensive and lucid understanding on various issues of developing economies. And other numerous people from different DPAs and organizations contributed by supporting my work of facts finding and review on specific issues and subjects. Most of all I indebted to Mr. Nam Kwon-Hyoung, KOICA Resident Representative, who took the initiative for progression of this project and provided me with all the assistance during the time. Through a series of intensive discussion with him once every couple of weeks or so, we could be able to reach on the much similar understanding on Tanzania’s development context, current situation and future policy agenda to be addressed. And most of the observations and recommendations made here go with the same track Mr. Nam has developed for the last one year and half here in Dar es Salaam. During my inception here in PO-PSM and Dar es Salaam Mr. Ngunda William advised me so as to become familiar easily with Tanzanian culture and customs which were much new to me. Mr. Luvana, my assistant and co-worker of this consulting project, shared the office and helped me all the time. I thank them all very much indeed.
II. Tanzania’s National Development Strategy

1. Context of Tanzania’s Development

1.1. Historical Background

1.1.1. Tanzania has a history of overcoming obstacles. Mainland Tanzania, then known as Tanganyika, came under German colonial rule in the late nineteenth century. At the same time, the island of Zanzibar became a British protectorate. Resistance to foreign rule came to a head in 1905, when the Maji-Maji rebellion broke out; lasting for two years, the uprising resulted in the deaths of an estimated 120,000 Africans. A League of Nations mandate gave control of Tanganyika to Britain after the First World War, and after the Second World War, the territory became a UN trusteeship still administered by Britain.

1.1.2. Since the UN trusteeship in 1946, Tanganyika moved toward self rule and in 1954 Julius Nyerere, a school teacher educated abroad, founded the Tanganyika African National Union (TANU). That set off a chain of key events. In 1961, Tanganyika gained independence with Nyerere at the helm as prime minister, while a year later it became a republic with Nyerere as president. Zanzibar followed shortly afterwards, celebrating independence from British rule in 1963. In 1964, Tanganyika and Zanzibar formed a republic later renamed the United Republic of Tanzania.

1.1.3. Nyerere, with Chinese backing, issued the so-called Arusha Declaration in 1967, which called for self-reliance and pursued the ideal of an African socialism. Despite the backing of major institutions such as the World Bank, the Arusha plan ultimately failed due to inefficiency and corruption. An early tripartite economic link between Tanzania, Kenya and Uganda, although promising, came to an end in 1977 due to political differences. That same year, Nyerere consolidated his power by merging the TANU party with Zanzibar’s ruling party, the Afro-Shirazi Party, to form the CCM (Chama Cha Mapinduzi), Revolutionary Party of Tanzania.

1.1.4. President Nyerere remained in power until 1985, when Tanzania changed direction from a centralized socialist economy to an outward-looking market-oriented nation. After Nyerere’s resignation, his successor Ali Hassan Mwinyi attempted to a certain degree to rescind some of his predecessor’s more restrictive economic policies by dismantling government control and attracting foreign investment. This policy continued under Benjamin Mkapa who was elected president in 1995.

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6 Most of this part is borrowed from the introductory articles of Corporate Tanzania 2007/2008 – The Business, Trade and Investment Guide.
1.1.5. The United Republic Of Tanzania (URoT), the Mainland Tanzania and the Tanzania Zanzibar, have enjoyed an somewhat uneasy but dependable union for the past more than four decades. That is unique in itself as it is Africa’s only surviving union of states. All state authority in the United Republic is exercised and controlled by two organs: the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar.

Table 1: Socio-economic Indicators – Tanzania Mainland & Zanzibar

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Tanzania Mainland</th>
<th>Zanzibar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population(2007)</td>
<td>40,213,162</td>
<td>1,137,000</td>
</tr>
<tr>
<td>Real GDP Growth rate(2007)</td>
<td>7.1%</td>
<td>6.5%</td>
</tr>
<tr>
<td>GDP Composition(%)</td>
<td>Agriculture, hunting and forestry 28.2, Fishery 1.4, Industry and construction 23.1, Services 47.3</td>
<td>Agriculture 27.3, Industry 15.4, Service 43.9, Amortization 13</td>
</tr>
<tr>
<td>GDP Per Capita(Nominal USD)</td>
<td>460</td>
<td>416</td>
</tr>
<tr>
<td>Inflation Rate(2007, %)</td>
<td>7.0</td>
<td>13.1</td>
</tr>
<tr>
<td>National Basic Needs Poverty Line</td>
<td>36%</td>
<td>49%</td>
</tr>
<tr>
<td>Gini Coefficient</td>
<td>0.35</td>
<td>0.31</td>
</tr>
<tr>
<td>Maternal Mortality Rate/100,000</td>
<td>578</td>
<td>377</td>
</tr>
<tr>
<td>Under Five Mortality Rate/1,000</td>
<td>112</td>
<td>101</td>
</tr>
<tr>
<td>Life Expectancy at Birth</td>
<td>51 years</td>
<td>57 years</td>
</tr>
<tr>
<td>Literacy Rate</td>
<td>69%</td>
<td>73.4%</td>
</tr>
<tr>
<td>Net Primary Enrollment Rate</td>
<td>Girl 90%, Boy 91%</td>
<td>100%</td>
</tr>
<tr>
<td>Economic Aid Recipient(USD)</td>
<td>1,505 billion</td>
<td>-</td>
</tr>
<tr>
<td>External Aid as % of National Budget est.</td>
<td>25 ~ 45%</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Strengthening Aid Effectiveness in Tanzania, Ministry of Finance and Economic Affairs, August 2008m

1.2. Endowments

1.2.1. People and Their Mindset

1.2.1.1. Tanzania is an African melting pot a number of ethnic groups and much more diverse tribes inter-mingled and amalgamated. The Tanzanian society experienced a massive migration during the period of Ujamaa villagization movement in 1960s and 1970s, promoting social mobilization and racial integration. Therefore, a racial grouping of Tanzanians seems neither appropriate nor accurate. However most of the people carry their tribes or clans as their family names. Among the more than one hundred tribes of indigenous people, Sukuma, Haya, Chagga, Nyamwezi, Makonde, Hehe, Gogo, and Masaai are the more frequently called name of the people. And none of them consists of less than ten per cent of the total population, being a minority by themselves. It must be
dangerous if we generalize the identical features of the extremely complex social entity into some stereotyped national characters and mindsets. However, it may not impossible to do it, because they have developed their communal group dynamics of collective social values, cultures, and way of thinking.

1.2.1.2. Tanzanians seems to be quiet and prudish. Whether it is originated from long-suffering and mistreatment by the foreign oppression or they are brainwashed by extraordinary strictness requiring national unity and harmonization, self-reliance and prudence in the course of far-extreme socialist experimentation, Tanzanians look seldom impatient and frustrated. If their basic needs were met, there would be no cause for concern. As some Africans are prototyped as lacking the sense of ambition and aspirations, “People cling to life and are not yet at the stage where they will fight for the quality of that life.” And Tanzanians seem not an exception to this.

1.2.1.3. The quietness and prudence the Africans developed over the years might have made Tanzanians alienated themselves from their meticulous attachment to the zest of everyday life and living except something particular and important. Despite the abundance of flora and fauna which could be planted in their front yard, the surroundings of the houses and the villages are usually devoid of them. I tried repeatedly by asking several local residents to find out the name of a wild flower which is common at the country side, however, I really disappointed because I could not. Knowing that the common English name of the wild flower is ‘bindweed’ which also has its local name in Korean, still I wonder what the local name of the species in Kiswahili is.

1.2.1.4. As much as they are tolerant to their surroundings, they seem also to be generous to time of one’s own and the other’s as well. The two old sayings represents the people’s attitude toward the sense of time and the way of living and doing work in Tanzania: *Haraka haraka, haina Baraka* meaning ‘If you do hurry, you are not entitled to the blessing’; and *Safari pamoja na Mungu* ‘Travel together with the God’. They seldom blame for being late or delayed as they are not as much conscious as about the procrastinations of others.

1.2.1.5. The single-hearted respect for one’s clan and family seems to be one of the prominent characteristics of Tanzanian people are possessing. As usual as in many other pre-industrial societies, in Tanzania the deep-rooted consciousness of affiliation to a clan or a tribe precedes the sense of belonging to a local community or a regional society. It is considered as essential that every member should abide by the cause of the clan and the family more than any other personal aspirations. The prestige and the wealth one may achieve through his own endeavors are thought to be shared with other members of the

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7 Robert Calderisi, *The Trouble with Africa: Why Foreign Aid Isn’t Working*, p. 86  
family and the clan. Tanzanians seem to share the same behavior of other Africans. ‘If someone succeeds, however modestly, relatives will often insist on sharing in the fruits of that accomplishment. Africans are not savers. Those who accumulate capital can be considered traitors to their family rather than investors in its future well being.’\(^9\) The family order and tribal attachments tells the rank of the society more important than any other social values. And this might have developed the inertia for inward-looking alienating themselves from others.

1.2.2. Blessed with Abundance and Diversity

1.2.2.1. (The Land) The land size of Tanzania equals to the sum of France and Germany, twice the size of California. Accounting the inland water area such as Lake Victoria, Lake Tanganyika into the territorial jurisdiction, it is almost ten folds bigger than that of South Korea. Apart from the sheer size of the territory, the nation boasts of being endowed with diverse geographical features as well as varied climatic conditions. The Kilimanjaro, the roof of Africa, is well-known as the only snow-capped mountain in the continent. Unlike the continental and temperate climate of the Korean Peninsula, the most part of Tanzania features her tropical or semi-tropical climate almost of the year around which enables farmers to engage in agricultural activities throughout the whole year. Two or three crops are common in Tanzania, but in Korea only crop is possible in a year. However, the inland area of high altitude could produce a variety of agricultural commodities from temperate zones. Hombolo Village located in the foothill of Mt. Hombolo, 1,995 meters high above sea level and fifty kilometers away northeast from Dodoma was harvesting the second crop of their grape cultivation. TACEWICO(Tanzania Central Winery Company Limited) in Hombolo which I visited later last month was producing some superb wines with its own brand names such as Presidential, Ambassador, The Last Supper, and Mon Trésor.

1.2.2.2. (Natural Resources) Apart from the sheer size and the diversities of geographical features, Tanzania is well endowed with abundant precious minerals as well as energy resources. Its broad range of highly valuable mineral resources includes proven deposits of tin, phosphate, iron ore, diamonds, gemstones, gold, and nickel. The nation has substantial reserves of coal and natural gas and the option of uranium for nuclear power that will enable her to reduce its dependence on hydropower\(^10\). Tanzania is known to be rich in alternative energy resources which are free and renewable. These includes biomass, hydro, solar, geothermal, wind, tidal and wave power. New technologies and the depletion of non-renewable fossil fuels will make the nation’s rich renewable sources of energy more dependable and profitable in the future.

\(^9\) Robert Calderisi, p.83
1.2.2.3. (Wilderness and the Natural World) The largest country in East Africa, the territorial boundary of Tanzania is largely defined by natural borders which make the natural resources of the nation intact and distinctive from other neighbored regions. To the east is the Indian Ocean, to the north lies the Lake Victoria, and the River Ruvuma supplies the southern frontier. The border with Kenya may be an artificially straight line, skirting just north of Mount Kilimanjaro, but the western boundary is one of the most spectacular geographical features of Africa: the Great Rift Valley, and along it the two mighty lakes Malawi and Tanganyika. And ‘Tanzania has it all’. Tourist magazine or tourism promotional brochure of Tanzania may use this title in copywriting as a slogan or catchphrase for attracting foreign tourists. That’s because Tanzania a quarter of her land is reserved for wilderness reserve and national parks processes almost all of the varieties and wonders of the natural world. There are 15 national parks and 32 game reserves. Some of them are the most spectacular natural sites in the world and are among the 7 UNESCO World Heritage Sites including the Stone Town of Zanzibar, the Kondoa Rock Art Site and the Ruins of Kilwa Kisiwani and Gongo Mnar. The Olduvai Gorge, often called the Cradle of Mankind, is located in one of the vast wilderness of the Northern Tanzania adds an extra dimension to the depths of the history of mankind. The ‘Savanna Syndrome’ we might have experienced when we visited nearby ‘endless plain’ Serengeti, the vast grassland sanctuary, seems to revive our déjà vu into a traceable memory imprinted in vivid remnants and footprints of hominids, the earliest human creatures.

1.2.3. Strategic Location and Geopolitics

1.2.3.1. Tanzania has boarders in the coastal region on Kenya and Mozambique and is the gateway to the sea of the landlocked countries of Uganda, Rwanda, Burundi, Zambia, Malawi and the eastern interior region of the Democratic Republic of Congo. The East African Community (EAC) region which comprises of Kenya, Uganda, Rwanda, Burundi and Tanzania as well is endowed with rich and varied natural resources that include vast fertile lands, minerals, water, energy, forestry and wildlife. All of these offer great scope for agricultural, industrial, tourism and trade development and expansion. With a combined population of 93 million, the EAC region has a considerable human resource base to stimulate and sustain the development of a viable single market and investment area. And the United Republic of Tanzania is in the center of this region as a geographically strategic location being the nucleus of the regional integration and international cooperation.

12 The sociologists propose a “Savanna Syndrome”: Encoded in our DNA is a preference for open grassy landscape resembling the short-grass savannas of Africa on which we evolved and spent our first few thousand years. A grassy plain dotted with trees provides safety from predators and a suitable environment for grazing animals.(Michael Pollan, Second Nature: A Gardener’s Education, Dell Publishing, 1991)
1.2.3.2. Since the foundation of the nation in 1960s, Tanzania became an active player in regional politics, supporting anti-colonial movements in the African continent and becoming a political Mecca for liberal and socialist progressives all over the world\textsuperscript{14}. In 1964, Tanganyika and Zanzibar formed a united republic rarely seen in the Third World politics and is lasting to this day. Although it came to an end in 1977 due to political difference, the Tanzanian leadership played a leading role to construct an early tripartite economic and regional cooperation between Tanzania, Kenya and Uganda. Tanzania’s vision for a regional entity envisaged in the previous tripartite cooperation has been revived in 1999 by founding the East African Community. As Rwanda and Burundi joined the community in 2007, Tanzania’s influence is increasing over the regional cooperation under which framework the expanded plans for a single common market and a single currency are being discussed and consultations on political integration are also have been taking place.

1.2.4. Social Stability and National Unity

1.2.4.1. Tanzania is a highly multi-racial society comprised of more than 120 tribes speaking a quite number of indigenous local languages. In spite of the complexity of its ethnicity and cultural diversity along with its vastness of regional circumferences, the united republic has largely been spared the internal strifes and conflicts raging across many parts of the continent. As a new-born country in the early 1960s, Tanzania established a sound and strong tradition of cultural identity, social solidarity and national unity which is enough to be respected and revered by the world and the other African countries. \emph{Mwalimu} Julius Nyerere, the Father of the Nation\textsuperscript{15}, carries the symbol of national independence and unity based upon the principle of self-reliance and human dignity and equity. Even the lofty ideal of the African socialism leaded by Julius Nyerere, the first president and the founding father of the nation, could not have been realized, the legacies Nyerere left behind are deep-rooted and profound, and could become a sound step stone for the nation to take off toward a civil and modernized society with a high vision and national pride in the future.

\textsuperscript{14} Martin Meredith, \emph{The State of Africa: A History of Fifty Years of Independence}, p. 250

\textsuperscript{15} Julius Nyerere was known throughout Tanzania affectionately as \emph{Mwalimu}, a Kiswahili word meaning teacher. Also called as \emph{Baba wa Taifa} meaning Father of Nation, Nyerere was widely regarded as a leader of outstanding ability with his personal integrity and modest lifestyle and highlighted by his contribution to the development and inculcation of ideas of socialism in Africa, to the struggle against poverty and backwardness, as well as to the cause of African liberation from colonialism and racism. Leading the Tanganyika African National Union (TANU) since 1954, Nyerere was appointed as the Prime Minister of the nation upon independence in 1961. Elected as the president in 1962, he ruled the country up to 1985 when he stepped down as president of his own free will.
1.2.4.2. (Umoja and Ujamaa) Though most Tanzanians may have a mixed feelings about the two words *Umoja* and *Ujamaa*, evoking a complicated ethos, these might be the prevailing values in the Tanzanian society. More deep-rooted pathos in Tanzanian society seems to be *Umoja*, a sense of collectiveness, togetherness and social solidarity, which origins are running through since the tribal society formed in the continent. *Umoja*, a social value cherished by all the tribes and clans for a long time, had been abused as a means of divide and rule and more recently prototyped as *Ujamaa* by the socialist ideology pursued during the earlier stage of national foundation and development in the late 1960s and 1970s. Now Tanzanians very seldom mention about *Ujamaa*, however, it left a profound imprint on the whole of the Tanzanian society and actually contributed to the social integration and national harmonization more than anything else. As the Tanzanian economy and society are becoming more dynamic and complex in the course of sustained economic growth and social diversification, those community values will be of more importance in promoting national unity and conciliation.

1.2.4.3. Since the peaceful transition of power made by the first president of the republic in 1985 the new political leadership put a monumental milestone toward the political development of the nation. The tradition of sound political governance and democracy has been strengthened by the introduction of political pluralism and a successive and smooth transfer of the government during the time. Although yet the full-fledged democracy and political pluralism should be geared by a further development in this arena, Tanzanians have developed a highly stable and peaceful society guided by the credible political leadership. The somewhat delicate relationships between Zanzibar and the mainland could bring a kind of turbulence in the course of concluding the sovereignty matters pending over the years.

1.3. Legacies of the Past

1.3.1. Colonial Legacies

1.3.1.1. People don’t want to remember unpleasant history, but it cannot be forgotten. No longer people are mentioning about the colonial past, but very few are free from the feelings hidden in the bottom of their consciousness: a sense of loss and persecution, economically, spiritually and culturally; and a sense of inferiority?

1.3.1.2. People seemed to be pro-Westernized in their attitude and the way of thinking, but intrinsically adamant to stick to their own way of living and thinking preserving their own

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16 Upon Nyerere’s resignation in 1985, Ali Hassan Mwinyi succeeded the long time ruler as president and governed for the next 10 years. Benjamin Makpa, the country’s first democratically elected president since 1961, took the office in 1995 and after the second term of Makpa’s presidency the leadership of the nation was transferred to the current president Jakaya Kikwete in 2005.
social norms, values and spirits. Benign hospitality and outward-looking mindset sometimes are distorted into a sudden remembrance of hostility and a reclusive mentality of inward-looking.

1.3.2. Socialist Legacies

1.3.2.1. It may not be appropriate for us to find out the legacies left behind from the past socialist regime existed two decades ago, in the sense that the Constitution of the United Republic of Tanzania of 1977 contains the controversial provision that the country is a socialist state. In respect of constitutional fundamentality, the Republic still remains a socialist country. However, practice and experience have shown that Tanzania, a former avid socialist nation, is no longer a socialist state and further that the country are silently succumbing to the capitalist ideology. The ideology and principles of TANU’s socialist nation had forgotten and become obsolete. But some of the societal systems and people’s mindsets brainwashed by the socialist ideals and principles are lingering on up to now as such some of the socialist values and principles persist in the Constitution.  

1.3.2.2. (Self-reliance and Inward-looking) For a long time of its history before the coming of the colonizers, the African continent was rather isolated and self-reliant more than any other else. Foreign pressure prevailed by the colonial exploitation and oppression made the Africans self-defending and obsessed with a strong sense of deprivation and their aspirations for self-help and self-reliance has been never abraded among themselves. Countered by the external oppression, their perception of the outer world was highly negative and disapproving and they developed an apparent mentality of alienation from alien culture and its influence. These attitudes with an overwhelming yearning for independence was highly susceptible to endorse the ideology of socialism which values the spirit of communal works and discipline based on self-help and self-reliance. Attaining national independence and unifying the nation with her lofty and grand vision as a modern state of unique sovereignty in the early 1960s, Tanzania adopted this ideology of

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17 Article 3(1) of Part 1 of the Constitution of the United Republic of Tanzania of 1977 stipulates in Chapter One at page 14 that: “The United Republic of Tanzania is a democratic and socialist state adheres to multi-party democracy.” Article 8(1) declares that the United Republic of Tanzania is a state which adheres to the principles of democracy and socialism. Some articles which could be probably controversial appear: Article 9 The state authority and all its agencies are obliged to direct their policies and programmes towards ensuring - (d) that the national economy is planned and promoted in a balanced and integrated manner; (i) that the use of national resources places emphasis on the development of the people and in particular is geared towards the eradication of poverty, ignorance and disease; (j) that the economic activities are not conducted in a manner capable of resulting in the concentration of wealth or the major means of production in the hands of a few individuals; (k) that the country is governed according to the principles of democracy and socialism.
socialism\textsuperscript{19}. It was very natural for a nation deprived of its national identity and lack of economic competence and social foundation. In retrospect the new revolutionary approach of national foundation and development was highly experimental and proved less effective and inefficient in motivating and mobilizing the people’s creativity and endeavors for national modernization and the advancement of the society.

1.3.2.3. The Report of the South Commission\textsuperscript{20} produced in 1990 by an independent group of intellectual and political leaders from the South also stressed self-reliant and people-centered development in reorienting development strategies of the Third world countries. The socialist ideology which preaches an orthodox self-reliance no longer is considered as a prime tool of sustained national development in this age of inter-dependence and international cooperation. However, the deep imprint of its tradition is consisting of the undercurrent of the every corner of the society. The spirit of self-help and self-reliance per se is one of the paramount values required for a self-respected society and a healthy and robust economy as well. Reclusiveness and obsession to and excessive and prerogative emphasis on those qualities may develop inward-looking way of thinking and hamper broadening our wider perspective and the horizon of more open and outward-looking developmental mindset.

1.3.2.4. (High Consciousness on Social Equity) The Arusha Declaration which stipulated the ideology and principle of Tanzanian socialism led by TANU proclaimed as the very first creed that all human beings are equal. Social justice and equal right of every individual were stated as the prime values of the society: all citizens together possess all the natural resources of the country in trust for their descendents; in order to ensure economic justice the State must have effective control over the principal means of production; and it is the responsibility of the State to intervene in the economic life of the Nation ..... so as to prevent the accumulation of wealth to an extent which is inconsistent with the existence of a classless society. Thereafter, all the policies and development strategies followed the guidelines in a strict and totalitarian manner for about the next two decades. The highly experimental socialist policies made deep and long-lasting imprints on the mentality of the people. Even in contemporary Tanzania the virtues of social equity are prevailing over the respect for merit or reward, not as the socialist ideal, but as the barometer of balanced social advancement in multi-racial development context.

1.3.2.5. (Strong Emphasis on Public Social Services) Under the socialist system of totalitarian intervention of the State in the economic life of the people, not only the means of industrial production but also the instruments for operating and delivery of social services were nationalized and the supply of goods and services was entrusted to the various state enterprises and public organizations. So as to prevent the exploitation of one person or

\textsuperscript{19} \textit{The Arusha Declaration and TANU’s Policy on Socialism and Self-reliance}, 1967

\textsuperscript{20} \textit{The South Commission, The Challenge to the South}, Oxford University Press, 1990
group by another, and so as prevent the accumulation of wealth to an extent which is inconsistent with the existence of a classless society, the profitable businesses and industries were not on the development agenda of the nation. The Arusha Declaration stated clearly that ‘in addition to make a mistake to choose money, another big mistake was made by putting too much emphasis on industries.’ Instead the emphasis of development policy objectives was placed on the maximization of social well-being. The bulk of budget expenditures were allocated for expanding the provision of social services including education and primary health care. Regardless of racial and social strata, people were able to receive education and medical service free and fair.

1.3.2.6. Once accustomed to the system of easy and convenient fringe benefit, the customary practice of public social services is most persistent even after the market-led economic system began to replace the government-controlled socialist one more than two decades ago. A strong drive for privatization of state and public enterprises are pursued during the time and most of them were handed over to the private hands, however, most of the public social services, especially education and health care, remain the responsibility of the government.

1.3.2.7. (Mistrust in Government Intervention) The drive for socialism President Julius Nyerere took single-handedly after the Arusha Declaration in 1967 was determined and decisive. The State began to intervene in the life of the people by controlling all major means of production and exchange. With a drastic proposal for collective farming and rural villagization campaign known as Ujamaa, a Kiswahili word meaning ‘familyhood’, a mass nationalization programme had been followed soon in a vigorous manner. All private banks and insurance companies, the major food processors and foreign export trading companies were nationalized. Controlling sisal plantations and manufacturing companies producing cement, cigarettes, shoes and beer, the government later put the entire wholesaling system, all commercial buildings, apartments and even houses under state management. In 1973 the government announced that all small business conducted by non-indigenous people, in villages, should be taken over by indigenous people. By mid-1973 the number of Ujamaa village had increased to 5,000, involving some 2 million

21 The Arusha Declaration and TANU’s Policy on Socialism and Self-reliance, p. 11
22 Op., cit. p. 3, The major means of production to ensure to be under the state control stipulated in the Declaration are: the land; forests; mineral resources; water; oil and electricity, communications; transport; banks; insurance; import and export trade; wholesale business; the steel, machine tool, arms, motor car, cement and fertilizer factories; the textile industry; and any other big industry upon which a large section of population depend for their living, or which provides essential components for other industries; large plantations, especially those which produce essential raw materials.
23 Martin Meredith, p. 252
24 Lois Lobo, They Came to Africa: 200 Years of the Asian Presence in Tanzania, Sustainable Village, 2000, p. 64
people, or about 15 per cent of the population. Between 1973 and 1977 some 11 million people were placed in new villages, in what amounted to the largest mass movement in Africa’s history. Despite the backing of the major institutions such as the World Bank, the Arusha plan ultimately failed due to inefficiency and corruption. A radical change usually brings a corresponding repercussion. These unpleasant experiences the Tanzanians underwent imbedded an intrinsic disgust against state control and intervention. Due to the failure of the government centrally-administered with immense authority, the people’s high aspirations for economic and social advancement could not have been fulfilled and they bred a strong sense of mistrust in the role and function of the government.

1.4. Recent Reform and Transformation of the Economy

1.4.1. From a Socialist Economy

1.4.1.1. Tanzania has passed through two main economic regimes. The first policy regimes was between 1976 and 1985, which mainly based on socialism and self-reliance with the state owning almost all major means of production and acting as a provider of essential social public services. The second regime started from 1986 to date, in which the main role of the government becomes to provide socio-economic policy guidance that entrust private sector to act as an engine of economic growth.

1.4.1.2. During the first policy regime Tanzanian socialism led by Julius Nyerere, much was achieved, notably in the fields of education, health and social services. Primary school enrollment increased from one-quarter of the school-age population to 95 per cent; adult literacy from 10 to 75 per cent; four in ten villages were provided with clean tap water, three in ten had clinics; life expectancy increased from forty-one years to fifty-one years. However, what progress made could not be sustained. Agricultural productivity of communal farming in Ujamaa villages plunged far below the level of previous peasantry farming. A multitude of state enterprises and public corporations proved inefficient, overstaffed and corrupted, and incompetently managed, making huge loss and accumulating surmounting debts. Far from being self-reliant and reducing its dependence on foreign market economy, Nyerere’s socialist program made Tanzania more dependent on foreign assistance. By the end of the 1970s Tanzania was in dire straits. The problem reached in the early 1980s, whereby the government formulated internal initiatives in response to the crisis resulted from the policy failure.

25 Martin Meredith, p. 255
26 Corporate Tanzania, p. 12
27 Ministry of Finance and Economic Affairs, Reference Note, August 2008
28 Martin Meredith, p. 259
1.4.2. Transition to the Market Economy

1.4.2.1. Since 1985, the nation has undergone a rather smooth transition to a market-led mixed economy and made substantial progress in economic reform and liberalization. After Nyerere’s resignation in 1985, the new government undertook a comprehensive review of the country’s development strategy. A profound shift of development policy and strategy was made from a centrally-planned extreme socialist economy to a market-oriented capitalist economy. While dismantling the restrictive socialist policies and government control on the one hand, the government implemented the Economic Recovery Programmes (ERP)\(^{30}\) on the other hand. Under the ERP supported by the international development institutions, wide range of reform and structural rehabilitation programs were carried out: liberalizing agricultural market and input distribution; deregulating prices, exchange rates, wages and interest rates; rationalizing the tariff structure; adopting national investment policies; civil service reform; restructuring parastatals; and financial sector reforms. Later the ERPs replaced by the medium-term three year Rolling Plan and Forward Budget Framework (RPFB), which now is called the Medium Term Expenditure Framework (MTEF). Furthermore, sector policies and development programs are formulated in a more coherent and consistent manner.

1.4.2.2. Over the period of policy reform and transition, the political leadership provided a reliable and credible policy environment. Sustained political and macro-economic stability for more than a decade enables the nation to launch further aggressive policies and strategies for an accelerated economic growth and development. Gaining confidence and competence in policy reform and economic management, the government advances in performing more comprehensive reform programs and addressing more integrated development agenda through a holistic approach.

1.4.3. Economic Policy and Public Sector Reform

1.4.3.1. (Economic Policy and Structural Reform) The socio-economic reforms in the economy initiated in mid 1980s have managed to improve the economic situation, both stabilizing and rehabilitating the economy. Since the 1990s, political stability and sound fiscal and monetary policies have allowed Tanzania to make substantial progress in macro-economic stability and structural reforms. This has laid down the foundation for economic growth and a wide range of structural reforms, which have resulted in an annual average GDP growth of more than 6 per cent for the last five years.\(^{31}\) Based on the past performance, The Tanzanian government embarked further on policy reforms to sustain

\(^{30}\) The ERP I and the consecutive ERP II were implemented 1986-1989 and 1989-1992 respectively.

\(^{31}\) Corporate Tanzania, p. 21
and accelerate economic growth as well as to strengthen the economic systems and industrial structure. At the center of the reform policy is the program for private sector promotion aiming to facilitate business investment and to strengthen the industrial competitiveness: Private Sector Competitiveness Project; Property and Business Formalization Programme (PBFP); Reform in the Business Registration and Licensing; Land Registration Reform; and Labor Law Reform. Tanzania’s financial sector remains small in relations to the requirements and the regulations of banking institutions are excessively restrictive and precautionary. To strengthen the contribution of the financial sector to investment promotion, the government is carrying out the Second Generation Financial Sector Reforms (SGFSR). The SGFSR consolidates achievement made during the first generation reforms and are attempting to address remaining structural constraints to the sector’s development. The emphasis includes: establishment of a framework for lease mortgage financing; a credit information data bank; and a legal and regulatory basis for a credit information bureau.\footnote{AfDB/OECD, \textit{Tanzania-African Economic Outlook 2008}, p. 580} Privatization program pursued vigorously during the time. Since the government introduced a parastatal sector reform policy in 1992, the Public Sector Reform Commission (PSRC) has concluded more than 900 divestiture transactions before its function handed over to the Consolidated Holding Corporation (CHC) at the end of 2007.

1.4.3.2. (Fiscal and Budget Policy Reform) Even though the private sector continues to expand, the public sector plays a dominant role in sustainable growth with equity as well as poverty reduction. Fiscal management and budgetary performance has been improving over time. Domestic resource mobilization has improved following tax administrative reforms and rationalization of the tax regime. The Tanzania Revenue Authority implements the 5-year Corporate Plan as part of the tax reform and modernization program. The adoption of the Public Expenditure Review (PER) and Medium Term Expenditure Framework (MTEF) has improved budget management and accountability. Macroeconomic objective and policy targets are set up in line with the national development strategy and MTEF priority sectors are identified in a medium-term rolling planning paradigm.

1.4.3.3. (Public Service Reform) With a review the whole public sector, the reform process started in 1991. UNDP funded a study of the weakness and problems in the civil service and in 1993 the Public and Parastatal Sector Reform Project was launched with support from the World Bank. The initial step of civil service reform focused on cost containment and government restructuring in the 1990s proved far from complete. Since 2000 Tanzania’s Public Service Reform Programme (PSRP) has been implemented in longer-term strategic perspective. The PRSP Phase 1 originally planned from 2000-2005 carried out by June 2007 focusing on instituting performance management system. The 2nd phase
of PRSP aiming at enhancing performance and accountability is under implementation from August 2007. The public service reform program will be further developed into the 3rd phase for quality improvement by 2015.33

1.4.3.4. (Local Government Reform) In the context of public service reform the Local Government Reform Programme (LGRP) was launched in 1999/2000 which reflects the policy shift from state control and central planning of the national economy and government administration to liberalization and local autonomy. The LGRP was preceded in 1995 by the policy pronouncement that it would decentralize the powers and functions from the central government. This was formalized in the 1998 Policy Paper on Local Government Reform that spelled out a policy of decentralization by devolution, which has come to be known as ‘D by D’.34 Focused on instituting autonomous local government system which is strong and effective through decentralization by devolution, the 1st phase of the LGRP implemented from 1999/2000 to 2007/2008. Now the D by D is under new stage of the 2nd phase of LGRP 2008/09-2012/2013 which aims at enhancing political, fiscal, administrative autonomy, strengthening clear and robust legal framework, and improving governance for better service delivery.35

1.4.4. The Current Economy and the General Trends

1.4.4.1. Tanzania is one of the fastest growing economies in the African continent. Since 2000, the real GDP of Tanzania has grown at an annual rate of more than 6 per cent. In 2007 the economic growth rate reached 7.1 per cent. The economy is projected to expand by 7.8 per cent in 2008 and 8.1 per cent in 2009.36 The African Economic Outlook 2008 shows that Tanzania is the best performer among the oil-importing countries in the continent with the average economic growth rate of 6.7 per cent per annum between 2000 and 2007, surpassing Ghana’s 5.2 per cent and Tunisia’s 4.9 per cent.37 The high growth performance gives cumulative real GDP growth of 51.7 per cent over the period. The growth was driven by public and private investment and government consumption. Household consumption grew far more slowly, by 46.8 per cent.

33 PO-PSM, Medium Term Strategy 2007/08-2011/12, Public Service Reform Programme Phase II, August 2007
35 PMO-LARG, Local Government Reform Programme II(Decentralization by Devolution ), July 2008-June 2013
36 Ministry of Finance and Economic Affairs, Medium Term Plan Outlook 2008/09-1010/11, June 2008
1.4.4.2. According to the revised national accounts estimates for Tanzania Mainland in 2007, the GDP share of the primary sector including Agriculture, hunting, forestry and fishing accounts for 27.1 per cent in 2007 decreased from 30.7 per cent in 2001. Owing to the expansion of the mining and quarrying, and construction sectors, the proportion of industry and construction increased to 21.2 per cent from 18.0 per cent during the same period. The services sector accounts for 43.3 per cent in 2007 declined slightly from 45.5 per cent in 2001.

Table 2: Gross Domestic Product and Expenditure
(At 2001 constant prices, Tsh. billion)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2007</th>
<th>Growth(%) 2001/07</th>
<th>Growth per capita(%) 2001/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>9,100.2</td>
<td>13,801.9</td>
<td>51.7</td>
<td>27.8</td>
</tr>
<tr>
<td>Final Consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Households</td>
<td>6,826.4</td>
<td>10,021.7</td>
<td>46.8</td>
<td>23.7</td>
</tr>
<tr>
<td>Government</td>
<td>1,075.4</td>
<td>2,496.0</td>
<td>132.1</td>
<td>95.5</td>
</tr>
<tr>
<td>Investment</td>
<td>1,587.7</td>
<td>3,358.3</td>
<td>111.5</td>
<td>78.2</td>
</tr>
<tr>
<td>Exports</td>
<td>1,547.6</td>
<td>2,768.7</td>
<td>78.9</td>
<td>50.7</td>
</tr>
<tr>
<td>Imports</td>
<td>-1,936.9</td>
<td>-4,842.8</td>
<td>150.0</td>
<td>110.6</td>
</tr>
</tbody>
</table>

Sources: The Economy Survey 2007, Ministry of Finance and Economic Affairs

Table 3: Structure of Gross Domestic Product
(At market current prices, Percentages)

<table>
<thead>
<tr>
<th>Economic activity</th>
<th>2001</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Hunting and Forestry</td>
<td>29.0</td>
<td>25.8</td>
</tr>
<tr>
<td>Crops</td>
<td>21.4</td>
<td>19.0</td>
</tr>
<tr>
<td>Livestock</td>
<td>5.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Hunting and forestry</td>
<td>2.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Fishing</td>
<td>1.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Industry and construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quarrying and mining</td>
<td>18.0</td>
<td>21.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Services</td>
<td>8.4</td>
<td>7.8</td>
</tr>
<tr>
<td>Trade and repairs</td>
<td>45.5</td>
<td>43.3</td>
</tr>
<tr>
<td></td>
<td>13.0</td>
<td>11.5</td>
</tr>
</tbody>
</table>
1.4.4.3. Due to the sustained growth, the level of poverty has steadily decreased during the time. The 2007 Household Budget Survey (HBS) shows that the proportion of people living in poverty has decreased by 2.4 per cent, from 35.7 per cent in 2001 to 33.3 per cent

<table>
<thead>
<tr>
<th>Table 4: Trends in Selected Macroeconomic Indicators 2000 – 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category</strong></td>
</tr>
<tr>
<td>Real GDP Growth - %</td>
</tr>
<tr>
<td>Inflation - annual average - %</td>
</tr>
<tr>
<td>Exchange Rate (shs/USD) - annual</td>
</tr>
<tr>
<td>Exchange Rate (shs/USD) – end of period</td>
</tr>
<tr>
<td>Merchandise Exports (mil. USD) –</td>
</tr>
<tr>
<td>Merchandise Imports (mil. USD) –</td>
</tr>
<tr>
<td>Export/Import ratio (Goods) - %</td>
</tr>
<tr>
<td>Current Account Balance (mil. USD)</td>
</tr>
<tr>
<td>Investment/GDP ratio - %</td>
</tr>
<tr>
<td>Foreign Direct Investment (FDI) –</td>
</tr>
<tr>
<td>Foreign Reserves (months of)</td>
</tr>
<tr>
<td>2000/01</td>
</tr>
<tr>
<td>Govt. Domestic Revenue (% of GDP)</td>
</tr>
<tr>
<td>Total Govt. Expenditure¹ (% of GDP)</td>
</tr>
<tr>
<td>Fiscal Balance (before grants) - %</td>
</tr>
</tbody>
</table>

### Fiscal Balance (after grants) - % of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>GDPmp</th>
<th>Fiscal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1.2</td>
<td>-1.1</td>
<td>-1.7</td>
</tr>
<tr>
<td>-4.0</td>
<td>-4.5</td>
<td>-6.6</td>
</tr>
<tr>
<td>-5.4</td>
<td>3.9</td>
<td></td>
</tr>
</tbody>
</table>

### Growth of Money Supply (M2) - %

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth of Money Supply (M2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.5</td>
<td>12.3</td>
</tr>
<tr>
<td>13.0</td>
<td>14.2</td>
</tr>
<tr>
<td>19.2</td>
<td>27.5</td>
</tr>
<tr>
<td>24.5</td>
<td>28.8</td>
</tr>
</tbody>
</table>

### Average Deposit rate - %

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Deposit rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2</td>
<td>3.5</td>
</tr>
<tr>
<td>3.1</td>
<td>2.4</td>
</tr>
<tr>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td>2.6</td>
<td>2.61</td>
</tr>
</tbody>
</table>

### Average Lending rate - %

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Lending rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.6</td>
<td>16.4</td>
</tr>
<tr>
<td>15.7</td>
<td>14</td>
</tr>
<tr>
<td>14.4</td>
<td>15.4</td>
</tr>
<tr>
<td>16.4</td>
<td>16.03</td>
</tr>
</tbody>
</table>

### Disbursed External Debt (mil. USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Disbursed External Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>6312.2</td>
<td>6559.7</td>
</tr>
<tr>
<td>6413.4</td>
<td>6730.8</td>
</tr>
<tr>
<td>6999.6</td>
<td>6743.6</td>
</tr>
<tr>
<td>4409.0</td>
<td>5367.7</td>
</tr>
</tbody>
</table>

### Total Debt Stock (mil. USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>7482.1</td>
<td>7464.0</td>
</tr>
<tr>
<td>7268.1</td>
<td>7890.7</td>
</tr>
<tr>
<td>9219.3</td>
<td>9383.9</td>
</tr>
<tr>
<td>7188.4</td>
<td>7041.3</td>
</tr>
</tbody>
</table>

### Notes

* Provisional results
  1. Including amortization
  2. As at end December 2007
  3. As at end December 2007
  4. Including interest on disbursed debt and as at end Dec 2007

Sources: Ministry of Finance and Economic Affairs, August 2008

### Socio-Economic Conditions in Reality

The reduction in the poverty ratio indicated by the 2007 HBS data has, however, not been able to compensate for the growth rate of the population of about 2.6 per cent per year. As a result, the reduction in the proportion of poor translates into an increase of 1.0 million people living in poverty in Mainland Tanzania between 2001 and 2007 from 11.7 million in 2001 to 12.7 million in 2007.

According to the Integrated Labor Force Survey (ILFS) 2006, there are an estimated 20.6 million economically active people in Tanzania Mainland in 2005/06 compared to 17.8 million in 2000/01. This population has increased by 2.8 million since 2000/2001 representing an annual increase rate of 3 per cent with approximately 560,000 people entering the workforce each year. About 18.3 million or 89.0 per cent of the active labor force are employed, of which 9.0 million were male while 9.3 million were female. The unemployment rate declined to 11.0 per cent in 2005/06 compared to 12.9 per cent in 2000/01.

The result of ILFS 2006 shows that the majority of the workforce is employed in the agricultural sector representing 77.0 per cent in 2005/06. Significantly, the share of agriculture in total employment has declined by 8.0 percentage points in 2005/06 from 84.0 per cent in 2000/01, indicating that employment growth is shifting away from agriculture towards private non-farm activities, including informal sector employment. 9.3 per cent of the total workforce is employed in informal sector, while 8.0 per cent in the private formal sector.

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1.5. Socio-Economic Conditions in Reality

41 Ibid.
1.5.1. Incidence of Abject Poverty

1.5.1.1. In spite of the remarkable achievement of economic progress and social advancement in recent years, the realities of socio-economic conditions in the country are highly disappointing. Without noting the major economic and social development indicators, we can easily recognize the wide-spread incidence of abject poverty and under-development throughout the nation. The situation in the rural area is even more striking. According to the result of HBS 2007 less progress has been made in reducing rural basic poverty. 37.4 per cent of the rural population lived below the basic needs poverty line\textsuperscript{42} in 2007 compared to 38.7 per cent in 2001 and 40.8 per cent in 1991.

| Table 5: Percent of Population below Basic Needs Poverty Line |
|---------------------------------|----------------|-----------------|-----------------|-------|
| Tanzania Mainland | Dar es Salaam | Other Urban Areas | Rural Areas |
| 1991/92 | 38.6    | 28.1    | 28.7    | 40.8  |
| 2000/01 | 35.7    | 17.6    | 25.8    | 38.7  |
| 2007 | 33.3    | 16.2    | 24.1    | 37.4  |

Sources: The HBS 2007, Ministry of Finance and Economic Affairs

1.5.1.2. Wage is one of the barometers of the incidence of poverty. Apart from the rareness of job opportunities, the wage earned in the region shows us the level of income poverty. The New Minimum Wage Order of 2007 effective from January 1, 2008 tables a scale of minimum wages according to the professions of the workers employed. The rates are varied from Ths.65,000 in agricultural sector, the lowest, to Tsh.350,000 in mining and big and international companies, the highest, per month. The reality is that the temporary laborers at the coffee plantation I visited in the outskirts of Arusha July this year, were paid by their performance: Tsh.600 for picking coffee fruit in a bag of 20 kilograms and an ordinary worker could pick an average of 3 bags per day from 6 to 8 hours work. It meant that the worker working 22 days a month could earn about Tsh.39,600 monthly, slightly over half of the minimum wage rate. According to the result of a random inquiry, a house keeper staying at the place, one of the most common employment in informal sector, receives about from Tsh.10,000(in Tabora region), Tsh.15,000(in Dodoma and Morogoro region), to Tsh.25,000(in Dar es Salaam region) per month.

1.5.2. Insufficiency of Basic Social Services

1.5.2.1. Through a field trip to the rural area not so much remote from the coastal region, I could witness rampant poverty as well as considerably insufficient provision of adequate

\textsuperscript{42} The basic needs poverty line is 13,998 Tsh. per month per adult(equivalent to US$0.40 per day per person – expressed in current US$). Expressed in Purchasing Power Parity(PPP) dollars the basic needs poverty line is approximately 1.1 PPP$ a day.
basic human needs: primary education, primary health and family planning, housing, water, electricity as well as food. Needless to refer the data on the workforce and employment, we could be able acknowledge the actual level of unemployment and under-employment apart from the high fluctuation of the seasonal unemployment.

1.5.2.2. The primary school with 10 class rooms which had 19 classes and 800 school children was taking two-shift operation, one in the morning and the other in the afternoon. I was startled to find that 6(six) students should use the same single textbook, so-called “one for six”. And I found that many of them studied in a classroom without blackboard, even chairs and desks. Half of the class rooms constructed in 1967 were without windows in their frames. The educational indicators show that the national average book-pupil ratio (BPR) in 2006 ranged from 1:5 to 1:12 compared to an average of 1:3 in 2001.43

1.5.2.3. The medical dispensary of the rural area was much short of medical equipment and supplies as well as doctors and nurses. In the ward for daily medical practice, one patient bed seemed to be the medical facility in normal operation. Only one million shillings were allocated for the medical prescription and the maintenance of the dispensary for the three-month period. It meant that only 10 thousand shillings went for more than 50 patients treated on average one day among some 13,000 residents in the villages. There was no vehicle for the out-going medical practice or the transfer of patient in emergency. I seeded difficult for the field workers to go round for pre-emptive and family planning instruction to the resident in the remote areas.

1.5.2.4. We must have felt somewhat scared when we see the figures on the spread of HIV throughout the nation. It is known that the infection rate in some regions is alarmingly high over 14 per cent.44 It seems not strange that a key reason for health care workers leaving government services is lack of protection from HIV. It is even more startling that not the family planning but the epidemic of HIV/AIDS would curb the population growth in the years to come. A population estimate was projected that by the year 2035, Tanzanian population will grow up to 86.6 million people from about 36 million in 2005. According to the forecast, if Tanzanians were free from the HIV/AIDS scourge, population growth would have reached 95.4 million by the projected year.45 The nation is losing the hundreds of thousands most precious resources for national development every year due to the incidence of HIV.

1.5.3. Lack of Socio-economic Infrastructure

43 Ministry of Education and Vocational Training, Reference Memo, September 2008, p.15
44 The Daily News, August 4, 2008
45 The Guardian, June 24, 2008
1.5.3.1. Clearly the nation lacks social and economic infrastructure: not only education, primary health and medical care but also road, railway, electricity and water. The two roads I travelled from Dar es Salaam to Morogoro and Arusha considered as the main arteries of the nation and connect the mid-western and northern major corridors respectively. Both of them have several sections of bottleneck and the traffics on the sections of two-lanes are already beginning to be clogged by the increasing transportation of heavy container trolleys, trucks and passenger vehicles. The main road to Seronera from the entrance of the Ngorongoro Conservation Area around 200 kilometers was not paved and seemed difficult to pass in some sections in case of heavy rain during the wet season. The railroads running in parallel with the land roads in some places seemed not under proper utilization.

1.5.3.2. Access to utilities such as electricity and protected water sources are unchanged or even declining in recent years. The percent of households in Dar es Salaam connected to the electricity grid dropped from 58 per cent in 2000/01 to 50 per cent in 2007. Most part of the rural areas where more than 70 per cent of the people reside could not access to electrical power supply. Overall connection to the electricity grid remains at about 10 per cent. The house of Ms. Besta, located in a newly created housing in the outskirts of Morogoro municipal town, was not equipped with electricity and piped water. Dar es Salaam saw a large drop in access to piped water from 86 per cent in 2000/01 to 58 per cent in 2007. The drop in access to piped water could be a result of the large growth of Dar es Salaam in recent years, with the new neighborhoods relying on alternative sources of drinking water.46

1.5.3.3. Even in the virtual capital city of Dar es Salaam, dependable water supply is fairly limited to the privileged areas. And the supply of the water in these areas is often disconnected from time to time. I advised Mr. Hussein to cultivate a kitchen garden for growing some vegetables for his family. He has accumulated some know-how of taking care of gardening at my residence and is willing to try a very small plot at his house. However, the lack of water prevents him from running his kitchen garden. In order to keep the crops growing, he has to get the water from a stream nearly one kilometer away. And this is a job he can’t do every day. Even they are unevenly distributed both in time and region, Tanzania boasts its abundant water resources with an amount of more than 1,600 millimeters of rain a year. The inadequacies of in national capacity to manage and utilize the water resources are the main constraints of water scarcity and shortages. Only 0.6 per cent of the total rainfall the country receives annually is estimated to be utilized.

1.5.3.4. An appalling news appeared on the cover page of the Guardian in the Friday morning of July 4, 2008. Titled the headline as ‘Vegetables in the city gardens declared as silent

46 The DP Monitoring Group, Briefing on the preliminary results of the 2007 Household Budget Survey, Tanzania Development Partners, October 6, 2008, p.6
killers’, the news article was warning consumers of fresh vegetable grown from Dar es Salaam city gardens and river valley. Extending the results of a recent research carried out by an institute at Ardhi University, the news revealed that a great deal of water used for gardening was highly polluted by chemical byproducts discharged into city’s creeks and valleys. According to the study, nearly all river streams used to irrigate vegetables in city gardens contain heavy metals which are harmful to humans when consistently consumed. The city dwellers read it must have been shocked. The Msimbazi River running under the Salender Bridge toward the mouth of the Msimbazi Bay was one of the streams highly contaminated. Occasionally I could see the water pitchy black below when I was passing the bridge. Apart from undermining the capacity for sustainable development, pollution and environmental degradation caused by the mismanagement endanger the lives of our own.

1.5.4. Weak Socio-economic Structure

1.5.4.1. The socio-economic structure of Tanzania has remained largely untransformed in terms of national production, industrial diversification, employment, investment and fiscal management, international trade and development cooperation. Due to partly from the deep-rooted legacies of colonial economy and partly from the lingering inertia of inward-looking development strategy based on self-help and self-reliance, it took a considerable period of time for rehabilitation and smooth and stable transformation and rehabilitation toward market-oriented capitalist economy.

1.5.4.2. The industrial structure the Tanzanian economy can be characterized by its substantial dependence on the primary sector including subsistent agriculture, fisheries, mining and quarrying, accounting nearly one third of its GDP. It is estimated that nearly 80 per cent of the workforce are employed in the primary sector, most of them in the agricultural sector. The GDP proportion of manufacturing is meager less than 8 percent, while the remaining bulk of the products are originated from the tertiary sector of commerce, social services, economic infrastructure, construction, and tourism. Industrial base on which productive outputs and incomes are generated is scant and the level of investment in the productive sectors is deficient in inducing a virtuous circle of sustainable growth with equity.

1.5.4.3. The rate of savings and investment is being increased considerably in recent years largely due to the increase of domestic resources mobilization. But the accumulation of socio-economic infrastructure falls short of its requirement. Only half of the required investments for the attainment of development objectives are being realized largely dependent on foreign investment. Especially the public investment expenditures are heavily dependent on external financing. The financial resources of public development expenditures, accounting a third of the budget of the central government, should be mobilized from borrowing or foreign assistance.
1.5.4.4. The structure of international trade reflects those of national production and investment. Over the last four years, the rate of export expansion is encouraging more than 13 per cent annual average increase. Though non-traditional exports have substantially increased over the years, the structure of the exports has remained predominantly primary products less processed including fisheries and mining products. Surged imports in the last few years has widened the chronic gap of trade and current account balance in deficit, with the latter going from 3 per cent of GDP in 2004 to about 10 per cent in 2006 and 11 per cent in 2007. And the large deficit of trade is narrowed significantly by the contributions of robust tourism earning. Foreign aid and investment offset most of the remaining gap of the deficit.

1.5.5. Divergence and Dichotomy

1.5.5.1. While the informal underground portion of the economy is still prevailing over the rapidly expanding formal sector, the divergence of productivity improvement is evident among the sectors. The agricultural sector containing more than the three quarters of total workforce produces only one quarter of the national product. Instead of stagnating agricultural export, the importation of food stuff is on the rise in recent years.

1.5.5.2. There seems no evidence of urban bias of growth between the rural and urban people or increased inequality between the poor and rich. The disparities in the rural and urban growth due to the lagging agricultural output appear to be offset by rural-urban migration. There was indeed faster growth in urban areas but there was also faster population growth, especially in Dar es Salaam which saw 100 per cent population growth against a national average of 20 per cent. The data shows consumption of the poor growing at close to the average and hence no evidence of any rise in inequality. However, it should be noted that those variations of sector performances and productivity gap may further aggravate the existing income and poverty gap between the urban rich and the rural poor.

1.5.6. Acknowledgement of Cultural Assets and Soft Power

1.5.6.1. (Lack of Interests in Intangible Cultural/Intellectual Assets) In comparison with great emphasis on the protection and conservation of natural resources and wildlife, it seems that awareness on the nation’s cultural and intellectual assets which are intangible is lacking.

1.5.6.2. The wood carving workshops at Mwenge, Dar es Salaam, is one of the must-visiting place of interests for not only foreigners but local residents also. Tens of souvenir shops and wood-carving workshops are congregated in a compound where numerous kinds of

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47 AfDB/OECD, p. 578
wood carving are on display for sale and a number of sculptors mostly from Makonde tribe living in the Tanzania-Mozambique border are running their studios. The humble shops connected in rows wall by wall with rusty galvanized roof have narrow corridors displaying wood carving and others of various styles, stuffy and dim inside. Sculptors work using the most elementary tools only in their studios not more than a hut. Each shops and sculptors depict and represent their own artistic styles and distinctive sculpture, however, none of them carries their own brands, trademarks or the names of the shops. The identities or distinctions of the shops are represented only by either their products or the Arabic number given on a small plate to each shop just for reference.

2. National Development Strategy of Tanzania

2.1. Paradigm of National Development Strategy

2.1.1. Framework of the Development Policy and Strategy

2.1.1.1. The basic framework of the current policy and strategy for national development is constituted under the Tanzanian Development Vision 2025 which aims at transforming the nation’s low productivity economy into a semi-industrialized one led by modernized and highly productive agricultural activities. A subsequent strategic action plan for the realization of the Vision was formulated and a consecutive national strategy for poverty reduction and broad-based economic growth has been designed and implemented. Poverty Reduction Strategy Phase One (2000/01-20002/03) and the Phase Two (2003/04-2005/2006) which embodies the Millennium Development Goals of Tanzania was followed by the National Strategy for Growth and Reduction of Poverty(NSGRP) 2005-2010. The new strategy known as MKUKUTA outlines the mid-term agenda of the mainland of Tanzania for accelerated economic growth and social advancement targeting the attainment of MDGs as well as the long-term goals of the Tanzanian Development Vision 2025.

2.1.1.2. Under the long-term and medium-term framework of national development, sector policies, strategies and thematic strategic plans are prepared and being undertaken. They are the key vehicles for implementing country development goals. The current sector policies and strategies derived its objectives from MKUKUTA which acts as a medium term strategy to implement the long term development objectives. Decentralization by Devolution(D by D), the decentralization policy of 1998, spells out government’s objective of devolving powers and responsibilities to autonomous local authorities.

2.1.1.3. The Revolutionary Government of Zanzibar has her own strategic paradigm for the islands’ socio-economic advancement. With her quite different historical and cultural background and socio-economic endowments from the mainland, the semi-autonomous government projected her own development vision and growth and poverty reduction
strategy. The Zanzibar Vision 2020 was launched in 2000, and subsequent strategic poverty reduction program had been carried out in line with the goals and objectives of the Tanzanian MDGs. And contemporary policies and programs for the accelerated economic growth has been strengthened by inaugurating a fairly advanced framework for sustainable development: Zanzibar’s Growth Strategy (2006-2015) in 2006; and Zanzibar Strategy for Growth and Reduction of Poverty (ZNSGRP) in 2007.

2.1.2. Mechanism of Policy Making and Strategic Planning

2.1.2.1. (Development Leadership and Policy Initiative) The process of policy making and strategy formulation in Tanzania is participatory in nature, whereby sector specific or development issue oriented is required to come up with critical analysis of the policy or strategy that is going to be tabled. Even the policy initiative is being taken by the higher authority, the policy making decision is starting from downward to the national level depending on the relevance of the issue being addressed. The formal policy making process at the national level centers around the cabinet paper. A cabinet paper is a proposal made by a respective sector or coordinating agency for a government decision either in form of legislation or executive/ministerial directive. After integrating comments from the Cabinet Secretariat, the subject for decision is circulated for the meeting of Permanent Secretaries that is Inter-ministerial Technical Committee (IMTC) for further modification before being tabled to the Cabinet Meeting. Consensus through mutual consultation and moderation is more valued than an innovative initiative and prominence taken by the authoritative development leadership which could be more visionary and insightful.

2.1.2.2. (Policy R & D and Strategic Planning) A rather turbulent history of economic planning authority may reflect an intrinsic reluctance to the centralized strategic planning and government intervention. The Planning Commission, an agency for strategic thinking on the national economy, a government think-tank, which mission is to provide advice to the Government on medium and long-term strategies for socio-economic development, has been revived early this year. Disappeared from the chart of the government organization in 2003, when the Ministry of Planning, Economy and Empowerment had been introduced, the Planning Commission was recreated in February 2008. Instead, the former Ministry of Planning, Economy and Empowerment was dissolved transferring the role of economic policy planning and strategy formulation and the function of policy research and development to the Ministry of Finance and Economic Affairs(formerly Ministry of Finance) and the Planning Commission respectively. The Tanzanian Development Vision 2025 disclosed in 1999 was projected by the Planning Commission. MKUKUTA 2006-2010 was prepared by the Vice President’s Office. And responsibility for the implementation of the MKUKUTA and its subsequent planning was handed over to the Ministry of Finance and Economic Affairs. Economic and Social Research Foundation(ESRF), an independent non-profit research institute, and Economic Research
Bureau (ERB), an affiliated research institute of Dar es Salaam National University, provide the policy makers in the government with entrusted socio-economic survey and analysis, policy research and development.

2.2. National Development Vision

2.2.1. Tanzania Development Vision (TDV) 2025

2.2.1.1. The Tanzania Development Vision (TDV) 2025 was formulated in 1999. The Vision outlines the broad national long-term social and economic development goals and perspectives. The Vision describes the kind of society that Tanzania will be achieved by the year 2025 with respect to improving quality of life, improving governance and rule of law and transforming the economy to a middle-income country. Vision’s core objective is to awaken, co-ordinate and direct the people’s efforts, minds and national resources towards those sectors to enable Tanzanians to attain their development goals and withstand the expected intensive economic competition faced by their nation. 48 The Vision aspires Tanzania of 2025 to be a nation imbued with five main attributes which are:

- high quality livelihood;
- peace, stability and unity;
- good governance;
- a well educated and learning society; and
- a competitive economy capable of producing growth and shared benefits.

2.2.1.2. In order to realize the Vision, development goals and targets were identified for each key sector for effective implementation 49, and review on the progress of the Vision was to be undertaken every five years. In the process of implementing the TDV 2025 several measures have been put in place in terms of policies, strategies and institutional frameworks for implementation. The Vision is implemented through medium and long-term strategic interventions and some coordinated institutional frameworks. Such tools include the Tanzania Mini-Tiger Plan (TMTP) 2020 and the National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA).

2.2.1.3. While Vision 2025, and MKUKUTA provide guiding frameworks on cross-sector and general issues, sector policies and strategies provide guidance on sector specific issues. These sector policies and strategies are linked to the national frameworks and in a specific and systematic way show how to achieve the national goals and objectives by identifying sector interventions. Some of the sector policies and strategies include:

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48 Planning Commission, Reference Note, July 2008
49 Planning Commission, Composite Development Goal for the Tanzania Development Vision 2025, February 2000
2.2.2. Zanzibar Development Vision (ZDV) 2020

2.2.2.1. The Zanzibar Vision 2020 foresees a longer term social and economic development perspective and envisions the development goals and objectives for the economic well being of the people. The overall Vision 2020’s objective is to eradicate poverty in the society. To attain the grand objective, the Vision specifies the policy objectives and strategies. The document acknowledges that the Vision is part and parcel of the general United Republic of Tanzania Vision.

2.2.2.2. The Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP) known as MKUZA in its Kiswahili acronym provides the framework of development policy and strategy to implement Vision 2020 in line with MDGs. The MKUZA in tuning with the programming modality of the MKUKUTA took the cluster development approach setting goals and operational targets and strategic interventions in each of the three clusters.

2.2.2.3. In recognizing the growth as the paramount objective of MKUZA, the Zanzibar government and launched the Zanzibar’s Growth Strategy/ZGS(2006-2015) in February 2007. The ZGS is designed to promote pro-poor growth aiming at result oriented implementation of cluster 1 goal: growth and reduction of income poverty.
Figure 1: National Development Strategy Framework

TANZANIA DEVELOPMENT VISION 2025 (1999)

MKUKUTA – National Strategy for Growth & Reduction of Poverty 2005-2010 (NSGRP)

CRUSTER 1
Growth and Reduction of Income poverty

Agricultural & Rural Development
- Agricultural Sector Development Strategy (ASDS)
- Co-operative Development Policy 2002
- Land Reform Programme
- Rural Development Policy (RDP)

CRUSTER 2
Improve Quality of life and Social Well-being People

Education
- Primary Education Development Programme (DEDP)
- Secondary Education Development Programme (SEDP)
- Education Sector Development Programme (ESDP)
- COBET (Complementary Basic Education in Tanzania)

CRUSTER 3
Good Governance and Accountability

Economic Governance
- Public Financial Management Reform Programme (PFRMP)

Health & HIV/AIDS: Population
- Health Sector Strategic Plan 2003 – 2008
- National Health Policy (NHP)
- Health Sector Reform Programme
- National Multi-Sector Strategy for HIV/AIDS

Political Governance
- Legal Reform Programme (LRP)
- Anti-Corruption Strategy and Action Plan (NACSAP)

Public Governance
- Public Service Reform Programme (PSRP)
- Local Government Reform Program (LGRP)

Cultural Mind set

Economic Infrastructure Development
- The National ICT Strategy
- Special Development and Developmental Corridors (SDC)
- The National Information and Technology Policy
- Power system and Rural Energy Master Plan

Water Sanitation Environment
- Land Use Management Plan

Social Protection and Security
- National Employment Policy
2.3. National Development Policy and Strategy

2.3.1. NSGRP/MKUKUTA

2.3.1.1. NSGRP/MKUKUTA is building on broad objective enshrined on the long-term development vision, the National Development Vision 2025. It also builds on lessons learned from PRS (Poverty Reduction Strategy). The Strategy which accords top priority to poverty reduction in Tanzania’s development agenda seeks to strengthen private sector development; foster effective participation of civil society; enhance country ownership; and build smart partnership with development partners.

2.3.1.2. Unlike the PRS, NSGRP is a five-year strategy, a period considered feasible for a more sustained resources mobilization and result-oriented implementation. Implementation, monitoring and evaluation of the Strategy is based on key principles – national ownership; political commitment to economic and structural reforms; local partnerships; harmonized assistance; equity; sustainable human development; macro-micro linkages; and mainstreaming cross-cutting issues. The Strategy identifies three cluster outcomes aiming at achieving the Vision 2025 and the Millennium Development Goals (MDGs). The three clusters are as follows:

- Growth and reduction of income poverty;
- Improvement of quality of life and social wellbeing; and
- Good governance and accountability.

2.3.2. Zanzibar’s Growth Strategy and MKUZA

2.3.2.1. The Zanzibar Strategy for Growth and Reduction of Poverty provides a strategic framework for attaining sustainable growth and poverty reduction. The strategic approach is to create an enabling environment for high and sustainable growth and to promote sustainable pro-poor and broad-based growth with three main clusters outcome: (1) Growth and reduction of income poverty; (2) Social Services and Well-being; and (3) Good governance and national unity. And the strategy is to ensure the each cluster outcome by achieving cluster goals with its concrete operational targets. The Cluster 1 has three goals, the Cluster 2 eight ones, and the Cluster 3 eleven ones.

2.3.2.2. The Zanzibar Growth Strategy (ZGS) (2006-2015) is an implementing path for Cluster 1 in ZSGPR. The ZGS is a result oriented strategy which is built on a
comprehensive framework for promoting growth.\textsuperscript{50} Defining the fundamentals for growth as rapid, broad-based and sustainable growth, the Strategy aims at promoting competitiveness by focusing on areas of comparative advantage and transforming them into competitive advantage over time. In this context, the two key sectors for strategic intervention have been identified: trade and tourism. These two sectors which takes advantages of the strategic geographical position of Zanzibar in the region and the rich history and natural resources, receive the highest priority in policy intervention, investment and institutional development. Agriculture and manufacturing sectors support the developing the leading sectors.

3. Sector Review: Policies and Development Programs

3.1. Agricultural Development

3.1.1. Agricultural Development Context

3.1.1.1. Agriculture is the base and backbone of Tanzania’s economy. Since the colonial economy placed an utmost priority in agricultural production over other industrial development, the agricultural sector played a central role in production, employment, external trade and industrial investment. The Arusha Declaration proclaimed that ‘Agriculture is the base of development’.\textsuperscript{51} Kilimo cha kufa na Kupona. ‘Do or die in Agriculture’ was the catch phrase in the earlier decades of the nation’s development. Agriculture highlighted the nation’s development vision of self-reliant economic and social progress. Agriculture-first sentiment is prevalent and the agriculture-based development strategy pursued avidly in the era of the socialist economy still reigns over the people’s development mentality. And though agriculture produces only slightly over one fourth of domestic national income, the sector employs around three fourth of its total workforce. The agricultural sector provides more than 90 per cent of foods to the Tanzanian population. The sector supplies the raw materials of agro-based industries while the export of agricultural commodities contributes about one third of foreign earnings. The similar portion of the people employed in agriculture live in rural area where subsistent farming is dominant and the traditional values and customs of an agrarian society are prevailing over their way of living. The community and family ties are tight and the social mobility is still very low.

3.1.1.2. The natural endowments in this sector are more than abundant. Of overall 94.5 million hectares of the land area, 44 million hectares are suitable for agricultural production and 38.8 million hectares forest and woodland. Around 60 million hectares


\textsuperscript{51} The Arusha Declaration, p.14
could be utilized as rangelands for livestock farming and bee-keeping.\textsuperscript{52} Though the precipitation is unevenly distributed both in season and region, the average rainfall throughout the nation is more than 1,600 millimeters annually. More of its sheer size of the arable land area, the climate of the nation is predominantly tropical and the wide range of its temperature and topography classified into seven (7) agro-ecological zones over the nation ensures an ample diversity of agricultural production from major stable foods to traditional and non-traditional cash crops.

3.1.1.3. In spite of its great potential for development, the performance of Tanzania’s agricultural sector has been highly disappointing. The growth rate of the sector has been increasing from an annual average of 3.2 per cent during 1990~2000 to 4.9 per cent during 2000~2004. In recent years the agricultural sector continued a positive growth around 4 per cent, slightly outpacing the rate of population increase: 4.3 per cent in 2005; 3.8 per cent in 2006; and 4.0 per cent in 2007.\textsuperscript{53} These poor performances led to a noticeable dwindling of the share of agricultural production in national domestic products (GDP) to a meager 26.5 per cent in 2007. Although the agricultural labor productivity grew by 1.8 ~ 4.6 per cent in recent years, the sector is still being captured in the low level of productivity yet to recover from a serious setback to a dire conditions in the late years of state-controlled economy. More than 90 per cent of the farmers are small-holder subsistent producers and depend on traditional cultivating tools of hand-hoe and ox-plough. Only a small portion of arable land is in cultivation and most of them depend on the rainfall. Only 289,000 hectares, less than 3 per cent of cultivated land and only around one percent of the existing potential of 29.4 million hectares irrigated farming, are currently under irrigation. Agriculture within Tanzania remains vulnerable, burdened with an unproductive workforce, still heavily reliant upon rainfall, restricted by poor quality inputs and a lack of technological innovation.\textsuperscript{54}

3.1.2. Agricultural Development Policy and Strategy

3.1.2.1. The government and stakeholders in agriculture share an agricultural development vision of TDV 2025 which envisages a modernized, commercial, highly productive and profitable agriculture by utilizing natural resources in an overall sustainable manner and acting as an effective base for inter-sectoral linkages. In line with the development vision, the Agricultural Sector Policy 1997 was embodied its directions and development targets through the implementation of the Agricultural Sector Development Strategy (ASDS) 2001 and the Agricultural Sector Development Programmes (ASDP) 2006. The Livestock Development Policy, the Rural Development Policy and the Rural Development Strategy, and the Economic Empowerment Policy (EEP) are reinforcing each other in attaining the

\textsuperscript{52} The Ministry of Agriculture, Food Security and Cooperatives, \textit{Reference Note}, August 2008
\textsuperscript{53} Op. cit.
\textsuperscript{54} Maliyamkono and Mason, The Promise, p.251
agricultural development goals and targets. The National Strategy for Growth and Reduction of Poverty (NSGRP/MKUKUTA) 2005–2010 which aims at poverty reduction through sustainable and broad-based growth emphasizes the widening of the actors’ spectrum in the economy and the strengthening the link between agriculture and industry with specific operational targets and strategic actions.

< Goals and Targets of Agricultural Development in NSGRP >

- Reduced proportion of rural poor from 27 per cent in 2001 to 14 per cent in 2010
- Increased agricultural growth from 5 % in 2002/03 to 10 % by 2010
- Increased growth rate for livestock sub-sector from 2.7% in 2000/01 to 9% by 2010
- Increased food crops production from 9 million tons in 2003/04 to 12 million tons in 2010
- Maintained Strategic Grain Reserve of at least 4 month of national food requirement

< NSGRP Strategic Actions for Sustainable Agricultural Development >

- Increasing the number of irrigation schemes and area under irrigation and promoting rainwater harvesting
- Increasing productivity and profitability in agriculture through technological innovations such as use of improved high-yielding and pests-, disease- and drought-resistant varieties, improved tools and equipment and better soil and water management, improved extension services, training and promotion of Integrated Pest Management(IPM)
- Promoting efficient utilization of rangeland, empowering pastoralists to improve livestock productivity through improved access to veterinary services, reliable water supply, recognizing pastoralism as sustainable livelihood
- Providing targeted subsidy to selected food crops, identifying and promoting modern farming technologies especially in rural areas and providing support for increased utilization of improved technologies for crop and livestock production
- Identifying research activities and promote food storage technologies/facilities and enhance agro-processing as well as environmentally friendly farming technologies and practices especially for rural areas

3.1.2.2. While a new agricultural sector policy is under finalization based on a sector-wide comprehensive review on agricultural sector including livestock, irrigation, capacity building, marketing and agro-processing, rural infrastructure and environmental conservation, the ASDS adopted in 2001 aims to achieve a sustained agricultural growth rate of 5 per cent per annum which later upgraded to 10 per cent by 2010 in the MKUKUTA and the ASDP. Core features of the strategy are to strengthening public-private partnership across all levels of the sector and implementation of the District Agricultural Development Plans (DADPs) as the comprehensive tool for agricultural development at district level.\(^5\) The ASDS strategy focuses on five(5) major strategic interventions: (1) Strengthening the institutional framework for managing agricultural

\(^5\) The United Republic of Tanzania, *Agricultural Sector Development Programme (ASDP)*, 25\(^{\text{th}}\) May, 2006, p.7
development (central and local government, public sector organizations, farmer groups and the public sectors); (2) Creating a favorable climate for private sector investment (commercial activities); (3) Identifying and promoting public and private sector roles in improving support services such as agricultural extension, research and training; (4) Strengthening market efficiency for agricultural inputs and outputs (support to agribusiness, promoting agro-processing, rural industrialization and market information); (5) Mainstreaming planning for agricultural development in other sectors and cross-cutting issues namely, road, energy, trade, environment, gender and HIV/AIDS.

3.1.2.3. The ASDS was implemented through the Agricultural Service Support Programme (ASSP), prepared by a joint government-development partner team in 2004, and the government support programme for the DADPs, completed in May 2005 before the two programmes are integrated into the ASDP framework in 2006. The ASDP, programmed by a sector-wide approach (SWAp), aims to enable farmers to have better access to and use of agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability, and farm incomes, and to promote private investment based on improved regulatory and policy environment. The programme, an advanced operational response to the ASDS, identifies five key operational components as a focus for implementation at: (1) District level through DADPs; (2) National level including zones; (3) Cross-cutting and cross-sectoral issues. The components are: the policy, regulatory and institutional arrangements; agricultural services (research, advisory and technical service, and training); public investment; private sector development, market development, and agricultural finance; and cross-cutting and cross-sectoral issues including gender mainstreaming and implementation of the land acts.

3.1.2.4. The ASDP has a 15 year programme horizon, but is phased in a flexible manner to allow all Local Government Authorities (LGAs) time to adjust to the new funding mechanisms and to manage the proposed reforms. The programme cost is calculated for seven years from 2006/07-2012/13 and the seven year period is divided into a three-year first phase and a four-year second phase. Adopting a decentralization policy ‘D by D’, the main components of the ASDP are forwarded toward the local level support for the DADPs.

< Program Components and Costing of the ASDP >

- Component 1 : Local Level Support (Tsh.1,876 billion)
  - Sub-component 1.1: Local Agricultural Investments (Tsh.1,629 billion)
  - Sub-component 1.2: Local Agricultural Services (Tsh.190 billion)
  - Sub-component 1.3: Local Agricultural Capacity Building and Reform (Tsh.57 billion)
- Component 2 : National Level Support (Tsh.615.9 billion)
  - Sub-component 2.1: Agricultural Research and Extension Services (Tsh.107 billion)
  - Sub-component 2.2: National Irrigation Development (Tsh.474 billion)
- Sub-component 2.3: Market and Private Sector Development (Tsh.11.4 billion)
- Sub-component 2.4: Food Security (Tsh.5.3 billion)
- Sub-component 2.5: Coordination, Monitoring and Evaluation (Tsh.17.9 billion)

3.1.2.5. (Programme Financing Arrangement) The majority of ASDP expenditures are being allocated to LGA level and are provided through three fiscal grant transfers: (1) the District Agricultural Development Grant (DADG); (2) the Extension Block Grant (EBG); and (3) the Agricultural Capacity Building Grant (A-CBG). The two funds for irrigation development are established: the District Irrigation Development Fund (DIDF) and the National Irrigation Development Fund (NIDF).

3.1.2.3. However, the agricultural sector, the hungest sector in every standard, does not receive its due attention in terms of government expenditure and public investment. Apart from the government investment target in agriculture manifested in the Maputo Declaration which urges the governments of developing economies in African continent to allocates at least 10 per cent of their public spending to agricultural development, the government budget of FY 2008-09 plans to spend no more than 6.4 per cent of its expenditures for agricultural development programs. There are five basket funds for agricultural sub and cross-sectoral programs are under implementation and some of the standing-free technical cooperation projects are being carried out through several channels of bilateral cooperation. The scheme of general budget support (GBS) which account more than half of external financing by donors may constrain the flow of foreign assistance in the agricultural sector, because the GBS investment portfolio are going to set aside a bulk of its resources for social development and other investments. Without credit lending or investment programs preferred for the agricultural sector development over the other industrial sectors, farmers and investors in the field of agriculture should compete with others investors whose business prospects are usually more promising and productive in comparison to those of agriculture.

3.1.2.4. It is expected that the financing gap between the required investment and the public sector support could be filled by the private sector participation. Anticipating an extended role of the private sector, the government initiated a drive for promoting private and foreign investment in agriculture by providing investors a package of investment incentives: (1) Zero-rated duty on capital goods, all farm implements including fertilizer, insecticides and pesticides; (2) Reduced import tariff on project capital items to 0 per cent for large investor as related to Tanzania Investment Center; (3) Favorable investment allowances and deductions i.e. 100 per cent first year capital allowance on agricultural

56 The Maputo Declaration was made by Heads of States of African Countries in 2003. This resolution requires that each member of AU allocate at least 10 per cent of respective national budgets to agriculture by 2008/09.
plant and machinery; (4) Zero-rated VAT on agricultural products and for domestically produced agricultural inputs, etc.

3.1.3. Future Agricultural Development Prospects

3.1.3.1. First as the potential of agricultural development is considered as more than substantial, the performance of the sector has been always disappointing. Agriculture endured tens of thousands years as a form of subsistent farming, a way of living itself rather than a business activity. And the most part of Tanzania’s agriculture remains as was in the past traditional farming, with neither modern farm inputs and techniques nor effective incentives for production of more quantity and better quality. As experienced earlier during the colonial eras, the agriculture and agro-business are integral but part of the entire economy and they are highly dependent each other upon the effective demand and the reliable supply. Not only the external demand for export and before blaming the conditions of commodity index in the international market, there should occur an effective and sustained demand for agricultural products in the domestic market at the same time. It means that the all endeavors and integrated programs for agricultural development should go side by side with the creation of effective demand for the products which is supported by the increase of the purchasing power within the sector as well as of the numerous consumers domestic and abroad. The agricultural development could not be sustained without the growth of viable consumers’ market for agricultural products and the related industries.

3.1.3.2. The Agricultural Sector Development Programme (ASDP) under implementation provides stakeholders with a well designed policy framework and elaborate programmes all over the sector. While the programme deals with every matters related to agricultural development in a wider perspective, it seems that the central government refrains from intervening in regional strategic planning and programming and promoting strategic fields or programmes instead of making general enabling environments work and mandating the development stewardship to local district government in a great extent. Neither strategic crops or commercial plantations, nor focused areas of strategic intervention appear on the programme document. Considering the quite limited resources allocated to this sector, this broad-based and thinly decentralized approach may contribute to an even slower growth across the sector, but could not be able to motivate a viable and dynamic growth in certain particular fields or areas of which performance spill over the other fields or areas and accelerate the process of higher growth. Without a stronger engagement and intervention of the public sector in some strategic promotional programs and activities, the prospect of agricultural development in Tanzania seems not to be much different from the previous performance.

3.1.3.3. For the expansion of external demand for agricultural products of Tanzania, the quality as well as price competitiveness of the products should be secured and this needs
an integrated and concentrated investment in some strategic crops or regions from improvement of farmland and related infrastructure, development of farming techniques and technologies, and increased farm inputs and mechanization to quality management and marketing. Sustainable agricultural development cannot be solely dependent on the external market. A bigger portion of perpetual demand for agricultural products should be created from the domestic market where the purchasing power of non-farmers is steadily increasing owing to the continued expansion of the other productive sectors. The healthy growth of the other sectors could be able to bear the burden of price support for the strategic agricultural commodities which enables farmers to produce more and get higher income.

3.2. Industrial Development

3.2.1. Industrial Development Context

3.2.1.1. The basis of all modern economies is industry and trade. During the colonial era both Tanganyika and Zanzibar were seen as exporters of agricultural produce and importers of finished manufactured products. Following independence and the initiation of the policy of ‘African Socialism’ the trade and industry plan change to dramatically to one close to autarky. A strategy of import substitution was followed and industries, mostly parastatal industries, were developed behind a tariff barrier that restricted the import of manufactured products, particularly those that competed with local industry.\(^57\) The industrial sector deadlocked by less competition, low investment and productivity declared a total failure and sought for a solution. Considering Tanzania’s reclusiveness\(^58\) from industrial promotion during the earlier stage of her development, the subsequent policy shift made in the late 1980s and thereafter was remarkable. Overhauling the trade regime and the industrial policy, a bold counter policy shift was made toward the liberalization of the economy and a balanced development of the industrial sector. Tanzania has realized that political enthusiasm does not build the economy and that socialism requires modern economy.\(^59\) Before an adoption of new industrial policy in mid 1990s, a comprehensive structural adjustment program had been started and this included macro-economic stabilization, privatization and governmental reorganization.

3.2.1.2. The process of structural adjustment and economic liberalization was painful and difficult causing a serious counter response of demise of local industries and massive layoffs of numerous parastatal companies which lost competitiveness against foreign

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\(^{57}\) Maliyamkono and Mason, The Promise, p.161

\(^{58}\) Stating that ‘We have put too much emphasis on industries’ in the Arusha Declaration, Tanzania made a drastic change of trade and industrial development policy to inward-looking import substitution and protection.

\(^{59}\) Maliyamkono and Mason, p.64
counterparts. While the production of traditional products were declined due to weak demand and low prices, the non-traditional industries could not be able to catch up the productive and technological gap widened during the time. Acknowledging the structural problems, the third government introduced a new policy, the Sustainable industries Development Policy (SIDP).

3.2.1.3. Since the Investment Promotion Authority (IPA) was established in 1990, an industry friendly policy has been developed. However, it was in 1997 when the Tanzania Investment Act was enacted and the IPA was institutionalized as the Tanzania Investment Centre (TIC) that a pro-investment policy was adopted away from investment controlling to investment promoting approaches. The Sustainable Industrial Development Policy (SIDP) 1996-2020 formulated in 1996 aims to mobilize industrial stakeholders’ efforts for the development of the sector and enhancing its contribution towards the achievement of national development goals. And years later the Tanzania’s development vision disclosed in 2000 endorsed the long-term goals of the SIDP. This Policy also renders the basic policy targets of the lately projected growth and poverty reduction strategy MKUKUTA. And in line with the Policy and the Vision, some important policies and plans were formulated. The National Trade Policy and the Small and Medium Enterprise Policy were implemented in 2003. And the Tanzania Mini Tiger Plan (TMTP) 2020, an integrated strategy for promoting industrial development promotion was designed and implemented in 2004.

3.2.1.4. Contemporary policies for industrial promotion are focusing on providing an enabling business environment that would facilitate the development of the private sector. Among other initiatives is the Business Environment Strengthening for Tanzania (BEST) program. The BEST, a multi-sectoral five-year program launched in 2003, contributes to reducing the administrative and regulatory burden in doing business in Tanzania and improving government and judicial services to the private sector. Specific areas targeted by BEST include business licensing, land regulations and labor law reforms.60

3.2.2. Industrial Development Policy and Strategy

3.2.2.1. The SIDP 1996~2020, a roadmap for Tanzania’s industrial development, lays down the short-term, medium-term and long-term industrial development strategy, where the focus was placed on restructuring the existing capacities through privatization, soliciting new capacities through Foreign Direct Investment (FDI) and the transformation of the industrial sector. The key feature of SIDP is a redefinition of the role of the government and the private sector, where the private sector is tasked with driving industrialization through market forces.61 Since the primary investment and the management of industries was seen as the responsibility of the private sector, the role of the government in

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60 Tanzania Investment Centre, Tanzania Investors’ Guide 2007 and Beyond
61 Maliyamkono and Mason, p.108
facilitating the strategy and achieving the objectives of the policy was seen as the creation of an 'enabling environment'. The Policy redefines the role of the government as the provider of a suitable environment and the facilitator of support policies and programs covering fourteen main areas as follows: (1) The creation of liberal market mechanism through the economy; (2) selective protection for particular industries with the framework of Tanzania’s adherence to the World Trade Organization (WTO) Agreements; (3) the formulation of a favorable trade policy; (4) the creation of fiscal policies favorable to the development of indigenous industry; (5) the development of monetary policies favorable to industry; (6) improvement in the Investment Promotion Act; (7) the promotion of standards and quality assurance; (8) the creation of an adequate physical infrastructure; (9) the development of sectors complementary to industrial growth, especially in the areas of agriculture, minerals and tourism; (10) the improvement of human resources both at entrepreneurial and managerial level, and by apprenticeship and other schemes for training labors; (11) the implementation of new and modernized labor legislation; (12) the rationalization of land tenure and transfer arrangements; (13) the encouragement of research and development; (14) the provision of adequate legislation for the protection of both foreign and local investment in private industry.

3.2.2.2. Along with the privatization and rehabilitation of parastatal industries, the policy of new industrial promotion was geared by extending the role of private sector and inducing foreign direct investment. In line with the SIDP the legal framework and institutional arrangements were strengthening by enacting the Tanzania Investment Act. The restructured Tanzania Investment Centre (TIC) coordinate, encourage, promote and facilitate investment both domestic and foreign as one-stop facilitation center for all investors. Investment incentives including a number of tax exemptions and deductions are granted to both local and foreign investors. The TIC provides other investment services such as company registration, land acquisition, immigration procedures and issuance of business licenses.

3.2.2.3. The TDV (Tanzanian Development Vision) 2025 recognizes the role of industrial sector in transforming the nation from a least developed country to a middle income semi-industrialized country by 2025. It is recognized that the transformation path from a low productivity agricultural economy to a semi-industrialized economy characterized by modernized agriculture constitutes the necessary but not sufficient condition for achieving the desired level of economic development. The industrial sector, through its role in creating wealth and employment as well as provision of basic needs and facilitating the process of stimulating growth, is critical in sustaining broad based growth and achieving poverty reduction.\footnote{Industrial Sector Performance in Tanzania, Ministry of Planning, Economy and Empowerment, August 2007, p.2}
3.2.2.4. The industrial sector is one of the multi-sectors which receive fairly broad-based growth spectrum under the strategic framework of MKUKUTA, the 2nd generation NSGRP which emphasizes the role of the private sector. For sustainable and broad-based growth, the manufacturing sector is expected to grow up to 15 per cent annually by 2010 from 8.6 per cent. The export proportion of value-added minerals is expected to increase to 3.0 per cent by 2010 from 0.5 per cent. The two major strategic actions for promoting accelerated industrial development are to be taken by implementing the BEST programme and the Tanzania Mini-Tiger Plan (TMTP) 2020.

3.2.2.5. The Tanzania Mini Tiger Plan 2020 aims at fast tracking implementation plan with the private sector participation. It is an instrument of getting the country out of poverty trap through the adoption of the Asian Development Model. The model is focusing on employment creation by attracting FDI and promoting exports by developing Special Economic Zones (SEZs)\(^63\). The theory of ‘Ponds and Birds’ which is believed to have been successfully applied in the Asian countries including ASEAN\(^64\), China, India and more recently Vietnam is the background of the plan: Creating ‘Ponds’, SEZs, and attracting ‘Migrating Birds’, investment especially FDI. The plan pursues a three stage strategy: (1) Build SEZs and aggressively promoting most promising industries such as primary and light industry and tourism by use of well proven SEZ concept ‘Ponds and Birds Theory’; (2) Quickly improve the national balance sheet by expanding exports from $1.0 billion to $2-3 billion within 3-4 years and then expand badly needed public projects in power/energy/water/transport sector by long-term borrowing from multilateral and bilateral development banks; (3) Solving as many bottlenecks by additional borrowing and foreign currency earning plus FDI, expand investment activities further more into high value-added sectors and moving into larger investment projects. Recommended specific programs and projects of the plan includes (1) 4 light industry SEZ programs by 2006 and 25-30 by 2020, (2) 3 cash crop based SEZs by 2006 and 50 by 2020, (3) One tourism based SEZ by 2006 and 5 by 2020, (4) Out-board ship engine project in fishing fleets and ship-breaking project by 2008, (5) Biomass energy program, (6) National heritage/cultural park project, (7) and nation-wide program such as ‘One Village One Product(OVOP)’ program and Village scholarship tree planting program. Expected results and targets of the plan by 2020 are as follows:

- GDP to be growing at an average of 8-10 per cent and reach $40 billion
- Exports expanded from $1.1 billion to $20 billion
- Per capita income to be increased from $280 to at least $1,000
- Creating 2-3 million new jobs by 2020

\(^{63}\) The Special Economic Zones (SEZs) Act 2006 outlines areas such as industrial parks, export processing zones(EPZ), free trade zones, free ports, science and technological parks, etc. And the Export Processing Zones Authority (EPZA) is responsible the establishment and management of SEZs including EPZs.

\(^{64}\) Association of South East Asian Nations
3.2.2.6. (Promotion of Small and Medium Enterprises) In promotion of industrial development the small and medium enterprises (SMEs)\textsuperscript{65} receives greater emphasis as the SMEs in Tanzania play a crucial role in employment creation and income generation as well as private sector-led growth. The vast majority of Tanzanian manufacturing enterprises are small and medium enterprise employing less than 100 people. The Small and Medium Enterprises Development Policy launched in 2003 focuses on three main areas namely; the creation of an enabling business environment, developing the financial and non-financial services and putting in place supportive institutional infrastructure.\textsuperscript{66} The Small Industries Development Organization (SIDO) established in 1973 intervenes to tab the full potential of the sector by providing sustainable, integrated and coordinated promotional measures.

3.2.2.7. (Trade Promotion) The economic reform programs implemented in the 1990s onward toward market-led economy came through the opening of the market and trade liberalization. Tanzania acceded to the WTO in 1995 as one of its founding members, and is bound by all its agreements and has to comply, taking into consideration the country’s status as a LDC (Less Developed Country).\textsuperscript{67} Even some of the waiver clauses, the Trade Defense Instruments, are granted within a limited-timeframe, it means that the external trade of Tanzania is exposed to trade liberalization and globalization which lead to the integration of the domestic market into the world market, shedding off the trade defense measures as well as eliminating tariff and non-tariff barriers. In these circumstances, the Tanzanian government strides to promote both internal and external trade and aims to spurring the export-led growth and balancing the external trade. The Trade National Policy launched in 2003 outlined the trade policy toward a competitive economy and export-led growth. The policy projected some specific targets in line with basic policy objectives: (1) Contribute to raising per capita income to levels targeted in National Development Vision 2025; (2) Trade development measures to stimulate and expand domestic demand through product and market diversification; (3) Limited interim safeguard of domestic economic activity threatened by liberalization while building economic competitiveness; (4) Achieving and sustaining a rate of growth in trade of not less than 14 per cent i.e. an average of twice the targeted rate of growth of GDP; (5) Achieving and sustaining the long-run share of exports in GDP of about 25 per cent and reversal of the declining trend in the import-coverage ratio; (6) Attainment of a two-fold increase in manufactured exports for every ten-year interval, and a two-fold increase in trade in services at intervals...

\textsuperscript{65} In Tanzania, small enterprises are categorized by the number of employees between 5 and 49 or with the amount of capital investment in machinery from Tsh.5 million to Tsh.20 million, medium enterprises between 50 and 99 employees or from Tsh.200 million to Tsh.800 million.

\textsuperscript{66} Ministry of Industry and Trade, \textit{Small and Medium Enterprises Development Policy}, April 2003, p.2

\textsuperscript{67} Ministry of Industry and Trade, National Trade Policy Background Papers, February 2003, p.61
of 6 years; and (7) Raising the value of merchandise export earnings in absolute terms to US$1,700 million within five years as envisaged in the EDS (Export Development Strategy). To achieve the targets a policy implementation matrix was designed to facilitate an integrated support for trade promotion. And the interdependent matrix of trade development includes (1) Improvement of macro-economic environment, (2) Enabling business environment, (3) Competition policy and law, (4) Human skills development, (5) Hard infrastructure (Transportation and communication systems), (6) Hard infrastructure (Utilities, water and power), (7) Soft infrastructure (Finance and insurance), (8) Electronic commerce, (9) Consulting services, (10) Travel and tourism service industry, (11) Intellectual properties services (TRIPS), (12) Trade support network for trade development, (13) Regional trade arrangements (RTA), (14) WTO and Multilateral Trading System (MTS).

3.2.3. Industrial Development Prospects

3.2.3.1. In spite of great growth potential the contribution of the industrial sector to the Tanzanian economy is marginal. The industrial sector accounts not more than 10 per cent of the nation’s GDP, contributing quite minimum impact on GDP growth also less than 10 per cent. The industrial growth is mainly attributable to increased production in areas such as cement, beverages, corrugated iron sheets, steel products, cigarette, plastic products, textile and leathers. The industrial outputs have been increased due to the boosting of domestic demand rather than external demand which expands the market domain with a competitive edge. The export of industrial products contributes only around 11.4 per cent to total export in 2006. The overall performance of the industrial sector is below than expectations envisaged in the policy and strategy documents.

3.2.3.2. Policy makers and planners are wondering about the frustrated results produced in the industrial sector and trying to find out the reason why the policy and strategy doesn’t work as they are expected to perform. In the course of monitoring and reviewing on the MUKUKUTA in 2007 a special attention was paid on the framework of Tanzania’s growth strategy. The 2007 Poverty and Human Development Report diagnosed that Tanzania’s growth performance had been poor for years, in part of limited resources, but also because of the country had chosen to spread its resources too thinly. Being aware of countries that have focused resources in carefully chosen growth drivers have achieved high economic growth and development, the report concludes that given the limited resources there is need for a clear direction for resource mobilization and a concentration efforts – Tanzania needs a well focused national growth strategy. And the report

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68 Ministry of Industry and Trade, National Trade Policy, February 2003, p.36
69 Op. cit., p.82
recommends that the general direction of Tanzania’s growth strategy should be translated into practical links to available resources and markets based on comparative and competitive advantages and through a number of selected interventions which have synergies and complementarity.

3.2.3.3. Years after the implementation of the TMTP 2020 and the National Trade Policy, a general review on the existing policies was made and the subsequent process of conceptualization on a new industrial development approach is under progress. Acknowledging that a more integrated development strategy is needed for the promotion of the targeted sub-sectors, a new proposal of ‘Water Front Export Platform Approach’ is being developed as a part of the Integrated Industrial Development Strategy and Master Plan. The concept is to streamline the integrated efforts for promoting industrial development by concentrating on the identified industries in some selective business locations. Three export platforms at water front in the coastal regions where the business can be done best are proposed: Mbeagni (Bagamoyo) for Central Corridor; Mwanbani for Tanga Corridor; and Mtawara for Mtawara Corridor. A reorientation of policy direction is recommended from import substitution to export promotion. And strong government leadership is advised in setting up the development vision to be followed by policy mix support to the identified industry. The new approach which reflects the fundamentals of the industry and the reality of the manufacturing sector requires a policy shift from the previous approach by which the establishment of SEZs are spread all over the region throughout the country without any preference or concentration in terms of the available resources and development capacity.

3.2.3.4. There has been a lengthy debate on the institutional development of the supporting agencies in both industrial development and trade promotion. A newly drafted act is under preparation for proposal in which the Export Processing Zones Authority (EPZA) responsible for the matters of EPZs development and management will be strengthened so as to implement the newly developing Integrated Industrial Development Strategy and Master Plan under a unified umbrella and a streamlined concept of Economic Development Zones (EDZ), comprising ESZs and EPZs. Tanzania does not have any subsidy schemes for export promotion and has few conventional export facilitation institutions and instruments rendering export facilitation services. An extensive review and study was carried out regarding the institutional and program development for trade promotion. The study entrusted by the Board of External Trade (BET) proposed a reform program making some substantial change in the landscape of trade promotion in Tanzania. It describes the way forward for BET, proposing its transformation into a Tanzania Trade Development Authority, TanTrade for short which envisions to enable

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71 The Ministry of Industry, Trade and Marketing prepared a Concept Paper recently.
72 Trade and Integration Development Programme, University of Dar es Salaam, Technical Proposal Project for the Board of External Trade: The Way Forward, January 2007
Tanzania to become and remain a strong and competitive trading nation, by being an effective focal point for building and sustaining Tanzania’s trading capabilities. In a proposed hybrid financing instrument, TanTrade shall benefit from budgetary allocations to cover at least 30 percent of its budget for the next fifteen years, an import levy of 0.5 percent to be charged on dutiable imports, limited to six years. And TanTrade shall, with assistance of the government, undertake initiatives to establish a Trade Development Endowment Fund (TDEF).

3.2.3.5. Tanzania’s industrial sector is already well integrating into the regional economy as well as the world market. Not only taking part in the WTO mechanisms, but also Tanzania participates in regional, multilateral and bilateral trading arrangements including the EAC, and the SADC(South African Development Community). The other inter-regional trade and cooperation schemes include ACP/EU cooperation and the AGOA(African Growth and Opportunity Act). The proposal to merge the three African regional blocs, EAC, SADC, and COMESA(Common Market for Eastern and Southern Africa), and create a huge tariff-free market made by President Jakaya Kikwete at a summit meeting in Kampala recently was endorsed by the heads of states and governments from 26 member nations. These expanded cooperative relationships with countries in the region and the other part of the world will contribute to promoting Tanzania’s trade and industrial development.

3.3. Tourism Development

3.1. Tourism Development Context

3.3.1.1. Endowed with abundant natural resources, diverse topography and biology, and rich cultural heritages Tanzania is a country of blessing envied by the people all over the world. Tanzania’s great grassland savannas are the places where people believe that the humankind in earlier years might have lived with every kind of other creatures for a long time. And there is an ancient archaeological site which is believed to be one of the places where a human species had been originated there in Olduvai George. The fact that Tanzania is one of the ancient places of human trade and mistreatment recalling atonement adds an extra dimension to the depth of human pathos and conscience. Tanzania has a

73 The Lome Convention, that has now been succeeded by the Cotonou Agreement came into effect in 1975 as a comprehensive trade, economic and development cooperation framework between 71 African Caribbean Pacific countries and 15 EU countries.

74 In January 2000, the US Congress passed legislation, authorizing a new trade and investment policy for SSA(Sub-Saharan Africa), renewing the Generalized System of Preferences(GSP) and re-authorizing the trade assistance programme. The Act grants eligible SSA countries enhanced access to the US market and provides economic and technical assistance to the countries to take advantage of these opportunities.

75 Daily News, October 23, 2008, p.1
wealth of natural, cultural, historical and man-made attractions more than plenty in all parts of the country which are untapped from the standpoint of tourism development.

3.3.1.2. Owing to the insightful guidance to the preservation of the natural resources in earlier independence era, the natural resources represented by wildlife has been largely conserved and protected during the time. At independence the nation’s commitment to wildlife conservation was extra-ordinary. The President of Tanganyika released a statement, the famous ‘Arusha Manifesto’ in 1961.\(^\text{76}\) The manifesto has been used to guide wildlife conservation in Tanzania until 1998 and this made the basement of tourism development since then. The present framework of Wildlife Protected Areas(PAs) in Tanzania comprises of National Parks(NPs), Game Reserves(GRs) and Game Controlled Areas. Tanzania’s wildlife protected area network covers 24 per cent of the total land surface area of which about 4.38 per cent is 14 National Parks, 0.88 per cent Ngorongoro Conservation Area, 12.98 per cent 34 Game Reserves, and 5.54 per cent 38 Game Controlled Areas(GCAs).\(^\text{77}\)

3.3.1.3. Previous to the National Tourism Policy of 1991, the tourism industry was intentionally de-emphasized and was thus underdeveloped.\(^\text{78}\) Under the 1991 policy, considerable achievement was secured such as the establishment of the Tanzania Tourism Board(TTB), the improvement of private sector participation, and the approval of many tourism-related projects. In 1999 a new National Tourism Policy, the revised one, which accounts the considerable change of the socio-economic environments in domestic and international arena, was formulated. Not only the shift of tourism paradigm due to rapid development of technology and transportation, but also the international commitment to sustainable development such as the 1992 Rio Declaration of Environment and Development and the Agenda 21 for Travel and Tourism Industry led to the revision of the

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\(^\text{76}\) The Arusha Manifesto 1961 states as quoted: The survival of our wildlife is a matter of grave concern to all of us in Africa. These wild creatures amid wild places they inhabit are not only important as a source of wonder and inspiration but an integral part of our natural resources and of our future livelihood and well-being. In accepting the trusteeship of our wildlife we solemnly declare that we will do everything in our power to make sure that our children’s grandchildren will be able to enjoy this rich and precious inheritance. The conservation of wildlife and wild places calls for specialist knowledge, trained manpower, and money, and we look to other nations to cooperate with us in this important task the success or failure of which not only affects the continent of Africa but the rest of the world as well.

\(^\text{77}\) Tanzania has 17 per cent of her surface area devoted to wildlife in PAs where no human settlement is allowed and 6.4 per cent of its surface area to Pas where wildlife coexists with humans. The forestry sector has also followed conservation policies that greatly increase the total coverage of Pas in the country. A total of about 570 Forest Reserves(FRs) cover around 15 per cent of Tanzania’s surface area, of which 3 percent overlaps with Pas devoted to wildlife conservation. Wetland which constitutes a considerable part of Tanzania’s wildlife covers 10 per cent of the total land area, of which 5.5 per cent is presently 4 Ramsar Sites.

\(^\text{78}\) Economic and Social Research Foundation, Tanzania Quarterly Economic Review, Vol. 8 Issue 4, October-December 2005, p.22
policy. In order to attain the policy objectives, the Tourism Master Plan, a strategic action plan, was prepared in 2002. The wildlife, one of the most protected natural resources which includes wildlife protected areas and wetlands, receives particular attention, therefore, Tanzania had had a age-old wildlife policy until 1998 when the Wildlife Policy of 1998 was projected for comprehensive conservation, management and development of wildlife in Tanzania. In the context of ‘sustainable conservation of natural and cultural resources and development of responsible tourism’, the revised Wildlife Policy of Tanzania was put into implementation in 2007.

3.3.1.4. While growth is welcome, the number of safari tourists is kept down consciously through higher park fees than competitor countries such as Kenya and South Africa and higher taxes on operators. Though this means that Tanzania has not attracted as many tourists, this conservation-minded policy has turned out to be wise as Tanzania’s parks remained attractive while Kenya, which operates on a lower cost, higher volume model, is generally regarded as having overexploited its resources. In terms of absolute quantity and quality of existing natural resources as well as the immense possibility of resources renewal, Tanzania has great potential of sustainable tourism. The tourism sector has a number of characteristics, which suggest that it can make a significant contribution to the economy of the country. In 2007 the tourism sector earned US$800 million, 25 per cent of the nation’s export revenues from 719,031 tourists and this contributed 17.2 per cent to the GDP. Yet the tourism industry has the ample capacity for satisfying increased number of foreign tourists in case an effective measures for promoting sustainable tourism which is acceptable to the community culturally, economically and environmentally. Furthermore, the industry inter-linked with other sectors such as agriculture and traditional handicrafts could generate pro-poor growth which leads to improve employment and contribute to poverty reduction.

3.3.2. Tourism Development Policy and Strategy

3.3.2.1. (The Wildlife Policy 2007) In prior to tourism promotion Tanzania considers the protection and conservation of natural and cultural resources including wildlife and wetlands as prerequisite to sustainable development and poverty reduction in long term perspective. The wildlife policy of 1998 and the revised policy of 2007 highlight the biological value of the species and habitats found in Tanzania and also pay great attention to the economic value of the resources and their potential to contribute to the sustainable development of Tanzania. The Wildlife Protected Area (PA) network ensures the appropriate protection and conservation of wildlife and wetlands. And the policy aims to utilize the wildlife resources as a means of sustainable tourism such as game viewing,

79 Economic and Social Research Foundation
80 Recognizing the importance of the tourism sector in the Tanzanian economy, the ministries and agencies concerned a Tourism Satellite Account (TSA) within the system of national accounts.
tourists and residents’ hunting, wildlife farming, breeding and ranching as well as eco-tourism, cultural tourism and game sanctuary. Public awareness, research and monitoring, human resources and capacity building on wildlife protection and preservation are among the objectives of the policy. The government facilitates international cooperation in the conservation of trans-boundary eco-systems and natural resources.

3.3.2.2. (The National Tourism Policy 1999) The 1999 tourism policy recognizes that though Tanzania’s tourism sector is among the sectors with great growth potential, there are lots of constraints and limitations in exploiting the sector’s full potential as an attractive tourist destination as well as a lucrative business market. Among others, there is need for easier access, higher quality accommodation, and lower operational costs. Most tourist attractions need to be better developed and utilized, and tourist related infrastructure, facilities and services should be much improved. Addressing the tourism promotion as a multi-dimensional task of economic, social, environmental and cultural components, the policy attempts to boost the tourism industry at an annual growth rate of 10 per cent by 2005 and envisages that the number of tourists will be increased to 1 million by 2010.

3.3.2.3. In sequence to the revised national tourism policy of 1999, a strategic action plan was developed in 2002. The Tourism Master Plan – Strategy and Action reviews the current conditions and characteristics of Tanzania’s tourism sector and identifies the strengths and weaknesses of her tourism products and service management. Based on detailed review and analysis, the future character of Tanzania tourism is defined as possessing a diverse component of superior and competitive tourism assets to be developed. The plan proposes to designate Tourism Development Zones and recommends six(5) zones of priority development among the ten(10) zones throughout the country that could most effectively support tourism development within the 10-year planning period of the Tourism Master Plan. The six priority tourism zones are Northern Wildlife Zone, Kilimanjaro Arusha Zone, North East Mount and Coast Zone, Coastal Zone, Dar es Salaam and Environs Zone, and Southern Wildlife Zone. The others are Southern Coast and Mafia Island Zone, Southern Highlands Zone, Lake Tanganyika Zone and Lake Victoria Hinterland Zone.

3.3.2.4. The master plan recommends the designation of Tourism development zone be accompanied by the development of tourism products which comprise of (1) Special interest and activity products, (2) Resorts products, and (3) Cultural/historical tourism products. Development of tourist circuits is to respond to the demand of the international market which requires a tourism product with several different tourism experiences connecting some tourist attractions and activities in a round of journey. Two tourist circuits are indentified: The Northern Circuit which stretches from Lake Victoria in the west to Tanga in the east through the northern wildlife areas of the Serengeti, the Ngorongoro Conservation Area, Arusha and Kilimanjaro National Parks; and the Southern Circuit which connects from the Coastal Zone of Dar es Salaam, Bagamoyo and Mafia to Southern Wildlife Zone of Ruaha and Selous. The development strategy is composed of
three strategic components: (1) Product, (2) Infrastructure, and (3) Enabling environment of which specific action strategies are put in place.

3.3.3. Tourism Development Prospects

3.3.3.1. African idleness and romanticism, pristine natural wonders, unique and mystic scenery, biological and cultural diversity, remotely wildered vastness, pre-historic human heritages…. Tanzania possesses every ingredients and elements of exotic journey and exciting travel which are not fully tapped more than any other country in the African continent. The wealthy natural resources are extraordinary if they are appropriately preserved and cultivated in an environmentally sound and ecologically harmonious way.

3.3.3.2. The identity of journey to Tanzania could be refined as a pilgrimage to the birth of human species and a tour for homage to natural sanctuary. In addition to having the pleasures of entertained excursions and delighted adventures the travelling to Tanzania could be itinerated so as to renew and awaken the human tradition of harmony with the nature and other living creatures.

3.3.3.3. The natural assets and the inventory of tourism resources should be meticulously compiled and evaluated regularly as heritages blessed to whole mankind in terms of both absolute enumeration and relative qualitative value. In parallel with continued rehabilitation and conservation efforts, a sound and sustainable tourism program which attracts increased number of tourist from all over the world should be promoted. Based on extensive research and study, a comprehensive plan for revitalizing and propagating the healthy natural environment should be implemented together with the upgrading of the accommodation and other tourism services. The activities of research and study which are interdisciplinary and consolidated should be undergone not temporarily but on a permanent stewardship.

3.3.3.4. The agenda of economic development is not included in the category of ‘Union Matters’. More than any other issues, however, subject of tourism development must be handled in a manner of union matters between the mainland of Tanzania and the Revolutionary Government of Zanzibar. The group dynamism and system dynamics of tourism development could be well manifested in case a collaborative endeavor of the two facilitators is ensured.

3.4. Education

3.4.1. Educational Development Context

3.4.1.1. At independence the formal education system of Tanzania operated at three levels without the provision of higher tertiary education: primary; middle; and secondary, each
with four standards of grades. A World Bank study published prior to independence in 1960 showed that only 45 per cent of children at school age enrolled in Standard One.\footnote{Maliyamkono and Mason, p.398} Social equity and the policy of self-reliance were underpinning principles of Arusha in 1967, which set out to provide adequate ‘Education for All’. Under the first phase of government, Tanzania had abolished fees in state schools and had built up an enviable reputation for comprehensible primary schooling. The approach was strengthened in 1974 by policy that pushed rapidly towards Universal Primary Education (UPE) and universal literacy in the shortest possible time. The results were highly encouraging, upgrading the enrollment ration of children at primary school age to 93 per cent in 1979 and the literacy rate to 60 per cent from just 10 per cent in 1961.

3.4.1.2. Yet by the early 1980s it proved that the programs for UPE could not be sustained anymore. The public expenditure could no longer support the massive investment in education due to the dwindled economy and its weakened financial capacity, also causing the declining public capital input into health. Together with the strategy of import substitution industrialization, the state control on major means of production spawned a multitude of inefficient parastatal organizations and public enterprises which made huge loss and accumulated surmounting debt. The further deterioration of the economy in the early 1980s made the government withdraw from heavy involvement in the education sector. There was a severe lack of resources throughout the system both in terms of quantity and quality. By 1995 the net enrollment ratio of primary school had fallen considerably to a little over 66 per cent.\footnote{Op. cit., p.9} This fiasco also resulted in greater inequality of education provision in regions, income strata, and gender.

3.4.1.3. In the course of introducing macro-economic policy reforms that emphasized, inter alia, increased role of the private sector, continued liberalization of the economy and increased investment in infrastructure, a review and structuring of the education and culture system was carried out and this led to the formulation of the Education and Training Policy (ETP) in 1995. The EPT and other socio-economic reforms brought some amendment toward the liberalization of education, formalization of pre-primary education, universal and compulsory primary education. The formulation of the Higher Education Policy was followed in 1997 and the Education Sector Development Programme (ESDP) was prepared in the same year for the implementation of the new policies. The ESDP was revised in 2001 in order to endorse the TDV 2020’s educational vision and the Tanzanian MDGs to eradicate poverty as well as the goals and targets of the MUKUKUTA. A comprehensive revision of the ESPD was carried in 2007 and the new ESPD covers the period of 2008 through 2017. In implementing the ESDP the Government launched the Primary Education Development Programme (PEDP) 2002-2006, and the Secondary Education Development Programme (SEDP) 2004-2009. The PEDP is now under the
implementation of the Phase 2 PEDP 2007-2011 and the process of developing a higher education development programme (2009-2014) is in the finalization stage.

3.4.2. Educational Development Policy and Strategy

3.4.2.1. Education is regarded as the one coherent entity, from basic to higher education. The components of Tanzania’s education sector includes pre-primary, primary, secondary, teacher education, adult and non-formal education, folk education, technical education and vocational training, and higher education. All sub-sectors falls under the authority of the parent ministry, the Ministry of Education and Vocational Training (MoVET) except for folk education sub-sector which falls under the Ministry of Community Development, Gender and Children (MCDGC). Delivery of pre-primary, primary and secondary education is on the hands of the local government authorities under the Prime Minister’s Office - Regional Administration and Local Government.

3.4.2.2. In response to the TDV 2025, Tanzania’s education aims at creating ‘well educated, knowledgeable and skilled Tanzanian who can competently and competitively cope with political, social, economical and technological development challenges at national and international levels.’ While a set of medium term development goals and targets are specified in the MKUKUTA 2005-2010, the policies and strategies for attaining those developmental progresses are defined in the new phase of ESDP 2008-2017 and the respective sub-sectoral development programmes. In achieving the goal of improving quality of life and social well-being, the educational sectors try to ensure equitable access to quality primary and secondary education for boys and girls, universal literacy among women and men and expansion of higher, technical and vocational education. The major operational targets are as follows;

A. Early Childhood
   • Increase in the number of young children for school and life

B. Primary Enrollment
   • Increased gross and net enrolment of boys and girls, including children with disabilities in primary schools from 90.5 per cent to 99 per cent by 2010

C. Secondary Enrolment
   • At least 50 per cent of boys and girls aged 14~17 years are enrolled in ordinary level secondary schools by 2010
   • At least 25 per cent of boys and girls are enrolled in advance level secondary schools by 2010

D. Primary Achievement and Quality
   • Achieving an average daily attendance in primary schools of at least 85 per cent
   • At least 95 per cent of cohort complete standard 4 and 90 per cent of standard 7

E. Secondary Achievement and Quality

• At least 70 per cent of girls and boys pass at Division 1-3 in Form 4 examination and girls
• 90 per cent of primary and secondary schools have adequate, competent and skilled teachers by 2010

F. Higher and Technical Education
• Increased enrolment in higher and technical education in universities and in technical colleges to 30,000 full time students, 10,000 part time, and 15,000 distance learners by 2008

G. HIV/AIDS
• Effective HIV and AIDS education and life skills programmes offered in primary, secondary schools and teachers colleges

H. Adult and Non-FORMAL Education and Culture
• At least 80 per cent of adults, especially women in rural areas, are literate
• Reduced number of illiterate adults from 3.8 million in 2004/05 to 1.5 million in 2007/08
• Reduced number of young people involved in COBET (Complementary Basic Education in Tanzania) from 234,000 in 2004/05 to 70,566 in 2007/08
• Expanded and improved public participation in cultural activities

3.4.2.3. For the attainment of policy objectives encompassing the capacity building from educational information system, teaching talents and competence, teaching methods and environment to institutional development, the ESDP focuses on improving educational system function through:

(1) Achieving sector-wide harmonization and coordination through uniting educational activities within the stakeholder ministries;
(2) Activating the sub-sectors to ensure the intra- and inter-synchronization of Basic Education, Higher Education, Technical and Vocational Education and Training, and Folk Education;
(3) The participative development of rolling three-year plans within each of sub-sectors, each consistent with ESDP and aimed at enhancing that sub-sector within the broader education sector context;
(4) The delineation within sub-sectors of agreed objectively verifiable indicators in relation to outcomes within each key result area, including ‘unit costs per graduate’;
(5) The establishment of delivery strategies and actions that emphasize the achievement, improvement and evaluation of learning outcomes and outputs;
(6) The adoption of strategic planning and budgeting, including the reassessment on costs-benefits bases of current investment practices(such as teacher housing, laboratory and library construction, special schools for talented pupils, and student loans) examining alternative approaches and opportunities for public-private partnerships;
(7) The installation of an Education Sector Management Performance System for monitoring educational outputs and outcomes;
(8) Strengthening nationally controlled, locally delivered quality assurance systems; and
(9) Reviewing and modernizing school/college/institutional management.

3.4.2.4. In primary education the achievements recorded during the implementation of PEDP 2002-2006 were impressive. Though there remains a large room for enhancing the quality of the education, the figures realized are extra-ordinary. The Gross Enrollment Rate(GER)
and Net Enrollment Rate (NER) improved from 84 per cent and 66.5 per cent in 2001 to 112.7 per cent and 96.1 per cent in 2006 respectively. The number of primary schools increased from 11,873 in 2001 to 14,700 in 2006. Transition rate from primary to secondary school increased from 22.4 per cent in 2001 to 49.3 per cent in 2005. And a total number of 50,800 under-qualified teachers have been upgrading professionally to attain the minimum qualifications for Grade A teachers. Almost attaining the MKUKUTA goal already, the PEDP 2007-2011, a medium term sub-sectoral programme of five years, focuses on quality enhancement through improved teaching approaches and methods in classrooms, ensured availability of quality teaching and learning resources, and strengthened support for maintaining educational standards.

3.4.2.5. The Secondary Education Programme (SEDP) 2004-2009 outlines the framework for achieving greater access to secondary education while simultaneously tackling equity, quality, cross cutting and management issues at secondary level. The SEDP started operating using the normal local government budget funds and a credit from the World Bank. Activities for improving science and technical education which were supported by a credit from the African Development Bank (AfDB) were mainstreamed into the SEDP when the plan was operationalized. The secondary education gross enrollment ratio (Form 1-6) increased from 7.5 per cent in 2003 to 26.1 per cent in 2008. The number of students that joined high school (advance secondary education) in public schools increased from 21,789 in 2007 to 25,240 in 2008, an increase of 16 per cent. Since the initiation of SEDP in 2004 much has been achieved and the enthusiasm for expanded access and quality secondary education among the Tanzanian community has been awakened to the extent that improvement in strategies and targets are necessary to address the felt needs.

3.4.2.6. Higher education sub-sector which is guided by the Higher Education Policy in 1999 is in the process of developing a Higher Education Development Programme 2009-2014. This programme which addresses the objectives of the Educational Sector Development Programme (ESDP) is aimed at providing the nation with the critical mass of experts to realize Vision 2025 goals of making Tanzania a medium level industrialized country. In 2007/2008 academic year a total of 82,428 students out of whom 25,342 were female and 54,919 were male enrolled in higher learning institutes.

3.4.2.7. The provision of technical and vocational education is directly linked to the goal 1 of cluster 2 of MKUKUTA which is in line with TDV 2025 and MDGs. The goal addresses the improvement of the quality of technical and vocational education as well as equitable access at all levels of the education and expansion of the education and training. There are 922 VET (Vocational Education and Training) centres, of which 12 are Regional Training and Service Centres (RVTSCS) and 9 Vocational Training Centres (VTCs) managed by the Vocational Education and Training Authority (VETA). And there are currently a total of 210 technical institutions in the country which offer technical education programmes in different fields; Agriculture, natural resources and environment; business and
management; engineering and other sciences; health and allied science, and planning and planning and welfare. In 2007, a total of 120,644 attended long and short courses in different skills from public and non-public institutions. In 2007/08 a total of 47,079 students were enrolled in technical education institutions, an increase of 17.5 per cent from the previous year.

3.4.2.8. The educational sector is the top prioritized area of public investment alluring around one fifth of government expenditures. Tsh.1,430.4 billion was allocated for the educational sector in FY 2008/09, equivalent to 19.8 per cent of the total government budget. Among them the budget of the MoEVT accounts slightly over one third of the total educational sector budget allocation amounting Tsh.527.5 billion of which three fourth are for recurrent expenditures and the remains for development expenditures. A fully subsidized compulsory primary education is provided and similar supports for the secondary and higher education are being delivered through the public educational system. In addition to the whole provision of the school facilities and manpower, a fee subsidy amounting Tsh.13,485.2 per secondary student in FY 2007/08 was provided and an average amount of Tsh.11,340 and Tsh.2,242 respectively for government schools and non-government schools, Capitation Grant (CG) for purchasing teaching and learning materials were given to each student of the secondary schools.

3.4.2.9. People’s high aspirations for education and the policy of D by D produced a cost-sharing approach in primary and secondary education. For instance the construction of classrooms and the operation of the school board are being processed by the school authority in close collaboration with local community. The local community and students’ parents co-finance the classroom construction costs by rendering locally procured building materials and their labors. A cost sharing approach is being attempted in higher educational sector. The Higher Education Students Loan Board provides students in both public and private institutions in and outside the country with loans for tuition as well as school boarding.

3.4.3. Educational Development Prospects

3.4.3.1. The recent drive for promoting education which occupies the first priority of the nation’s development agenda remind us the heavy intervention made by the first phase government in the 1970s and 1980s. The global social democracy popular at that time emphasized the eradication of absolute poverty and the fulfillment of basic human needs(BHN) including food, education, health and housing. Both the international community and the recipient countries prepared a kind of basic needs strategy in which the provision of social services and the improvement of income distribution were sought for a prime objective of development. Embedded by its own inertia for socialist ideals and propelled by the internationally agreed agenda for development ‘MDGs’, Tanzania is in full swing for an accelerated investment in educational sector. Public expenditure for
educational development in FY 2008/09 accounts about 20 per cent of the nation’s government budget and this is equivalent to 5.58 per cent of GDP.\textsuperscript{84}

3.4.3.2. Owing to the increased investment in the educational sector, an outstanding performance is being made in recent years. It is assured that the goals of Tanzania’s MDGs in educational development are to be met years ahead of the targeted year 2015. A progressive programme for enhanced education is on the track with an added importance very recently. Some rapid expansion targets for the MoEVT include, but not limited to each village having a primary school and each ward having a secondary school. This expansion programme requires an increase in employment of ‘non-existent’ teachers. In line with the Teacher Development and Management Strategy (TDMS) 2004, THE Ministry has, as an emergency response, embarked on the Teacher Training Crash programme, a one year training course instead of the normal two years.\textsuperscript{85} Employing around 200,000 teachers nearly half of the government job, the education sector requires more than the existing number of pre-primary, primary and secondary teachers for the next five years up to 2012/13.\textsuperscript{86}

3.4.3.3. The commitment of the government is strong and is willing to meet the increasing demand for education at different levels the recent achievements has led to the public in recent years. And this requires even a greater sums and portion of public expenditures in the years to come, considering that the government has no clear strategy of shedding-off or burden-sharing of the cost for expanded educational services. The new phase of the ESDP which aims at enhancing the quality of education will bring an extra burden for financing in the sector. And certainly these may cause an apparent crowding effect affecting the resources allocation both financial and human to the productive sectors such as agriculture and other industries. And in the long-run, the aggressive programmes for promoting education could not be sustained as experienced earlier.

3.4.3.4. The sheer expansion of education per se may bring a considerable positive effect conducive to socio-economic development of the nation in a loner-term perspective. However, the sub-sectoral educational programs carried out under the different time and independent framework may fail to bring an integrated outcome forwarded by a clustered approach pursuing the accelerated high growth of the economy. The very rapid expansion of the educational sector spearheaded by the government focusing on the promotion of public investment in education may incur a heavy fiscal burden for the recurrent

\textsuperscript{84} Ministry of Finance and Economic Affairs, \textit{Budget Speeches FY 2008/09}, June 12, 2008
\textsuperscript{85} Joshua Mushauri, \textit{Assessment of Assistance Needed to Develop and Institute a System for Planning for Human Resources in the Health and Education Sector}(A Working Paper), PO-PSM, Sept. 2008, p.7
\textsuperscript{86} The Ministry of Education and Vocational Training, \textit{Reference Note}, p.33. The demand for new teachers at different levels is 265,373 from 2008/09 to 2012/13.
government expenditures in this sector in the long run, causing a crowding out effect on the other sectors of public investment. The highly increasing demand for educated manpower in need of new teachers also may bring a distortion of manpower supply in favor of the social sector over the industrial sector.

3.5. Health

3.5.1. Health Development Context

3.5.1.1. Health provision is a basic human right; it also plays a vital role in the development of economies. A vibrant and robust workforce increases levels of productivity and efficiency, creating an attractive investment climate both domestically and internationally. In the course of earlier socialist development, the government focused heavily on providing free healthcare to all. In 1972 ‘private for profit’ was abolished, abandoning private healthcare schemes. Via a ‘basic needs’ approach, the government aimed to provide basic services to the whole population, using uniform population-based standards.\(^{87}\) The policies through the 1970s emphasized public spending on health. This revealed some positive outcomes of public health development. However, the impending economic crisis forced a major-appraisal of these policies.

3.5.1.2. In 1991 the government reinstated the ‘private for profit’ policy, leading in recent years to the rapid growth of the private sector. While this has helped to expand the health service and increase flexibility, it has also exacerbated regional imbalance, particularly the rural-urban divide. This was followed in 1993 by the introduction of cost-sharing within public hospitals. The aim was to reduce the financial deficit in an attempt to recover costs, while improving the availability and quality of health services and increasing ownership and community participation.\(^{88}\) The Health Sector Reform (HSR) started in 1994 placed its focus in decentralization of health services; financial reforms, such as enhancement of user-charges in government hospitals, introduction of health insurance and community health funds and public/private partnership reforms such as encouragement of the private sector to complement public health service.\(^{89}\) However, health service depends heavily on public health care in terms of the number of health workers. The majority of health staff about 74 per cent works in the government health facilities, followed by faith-based facilities with a share of 22 per cent. Private facilities employ about three percent and parastatal owned facilities have one per cent of total workforce in the health sector.\(^{90}\)

\(^{87}\) Maliyamkono and Mason, p.448  
\(^{88}\) Ibid.  
\(^{90}\) Ministry of Health and Social Welfare, Annual Health Statistical Abstract, April 2006, p.1
3.5.1.3. In spite of rehabilitation and reform measures for improving healthcare services during the 1990s, the health sector faced a period of stagnation. Local health services were characterized by severe shortages of essential drugs, equipment and supplies and deteriorating infrastructure and were plagued by poor management, lack of supervision and lack of staff motivation. The sector also faced stagnating and deteriorating hospital care. There were little cooperation in health service delivery between the public sector, faith-based organizations, and private service providers. Health services were severely under-funded, with public health sector spending at US$3.46 per capita. There was also little coordination of support to the health sector by development partners.\textsuperscript{91}

3.5.1.4. In advent of the new millennium the health sector received an added attention as an essential ingredient of poverty reduction and sustainable development. The nation’s development visions and the poverty reduction strategies put a high priority on health issues especially in reproductive health and HIV/AIDS. Of the eight of MDGs, three are entirely about health: (1) Reduce by two thirds, between 1990 and 2015, the under-five infant mortality rate; (2) Reduce by three quarters, between 1990 and 2015, the maternal mortality rate; and (3) Have halted by 2015, and begun to reverse the spread of HIV/AIDS, malaria and other major diseases. Under the umbrella of the MDGs and the TDV 2025, the Poverty Reduction Strategy Paper, the first generation poverty reduction strategic plan, and the consecutive strategic plan MKUKUTA 2005-2010, the second generation one, in which health issues are one of the prime concerns, are being carried out.

3.5.1.5. For attaining the development goals and targets in health sector, specific policies, strategies work plan and programmes have been produced, which guide the implementation of activities in those areas: Health Sector Strategic Plan Phase One and Two; National HIV/AIDS Policy(2001); Health Education Strategic Plan(2003-2007); National Adolescent Health and Development Strategy(2004-2008); National Tuberculosis and Leprosy Programme (2004/05-2008/09); national Roadmap Strategic Plan to Accelerate the Reduction of Maternal and Newborn Deaths(2006-2010); National Malaria Medium Term Strategic Plan (2008-2013); Human Resources for Health Strategic Plan, etc.

3.5.1.6. The government has formulated a new National Health Policy in 2007 replacing 1990 policy. Ongoing socio-economic changes, new government directives, emerging and re-emerging diseases and changes in science and technology necessitated the update of the policy. For the time being, a strategic planning process is under way for updating the existing Health Sector Strategic Plan Phase Two based on the Health Sector Policy 2007 and the Joint External Evaluation on the Health Sector in Tanzania in 2007.

3.5.2. Health Policy and Development Strategy

3.5.2.1. (Vision) The TDV 2025 identifies health as one of the priority sectors contributing to a higher quality livelihood for all Tanzanians. This is expected to be attained through strategies, which will ensure realization of the following health service goals:

- Access to quality primary health care for all;
- Access to quality reproductive health service for all individuals of appropriate ages;
- Reduction in infant and maternal mortality rates by three quarters of current levels in 1998;
- Universal access to clean water and safe water;
- Life expectancy comparable to the level attained by typical middle-income countries;
- Food self sufficiency and food security; and
- Gender equality and empowerment of women in all health parameters.

3.5.2.2. Perhaps influenced by the high priority given to health in the MDGs, and to facilitate the much-needed improvements within the sector, the MKUKUTA strategy attempts to provide a long-term development approach to sustain efforts toward poverty reduction. The specific targets by 2010 are grouped under six main categories: infant and child health; child nutrition; maternal health; HIV/AIDS; and human resources and management. And some of them are as follows:

1. Infant and Child Health
   - Reduced infant mortality from 95 in 2002 to 50 in 2010 per 1,000 live births
   - Reduced child under five mortality from 154 to 79 in 2010

2. Child Nutrition
   - Reduced prevalence of stunt in under fives from 43.8 per cent to 20 per cent in 2010

3. Maternal Health
   - Reduced maternal mortality from 529 to 265 in 2010 per 100,000
   - Increased coverage of births attended by trained personnel from 50 per cent to 80 percent

4. HIV/AIDS
   - Reduced HIV prevalence among 15-24 year old pregnant women from 11 per cent to 5 per cent in 2010

5. Human Resources and Management
   - Health Boards and Facility Committees in place and operation in all districts
   - Service delivery agreements operational and effective

3.5.2.3. The objectives of new Health Sector Policy 2007 focuses on health services for those most at risk and the needs of the citizens in order the lifespan of all Tanzanians. Specifically the government aims to:

1. To reduce morbidity and mortality in order to increase the lifespan of all Tanzanians by providing quality health care;
2. To ensure that basic health services are available and accessible;
3. To prevent and control communicable and non-communicable diseases;
(4) To sensitize the citizens about the preventable diseases;
(5) To create awareness to individual citizen on his/her responsibility on his/her health and health of the family;
(6) To improve partnership between public sector, private sector, religious institutions, civil society and community in provision of health services;
(7) To plan, train, and increase the number of competent health staff;
(8) To identify and maintain the infrastructures and medical equipment; and
(9) To review and evaluate health policy, guidelines, laws and standards for provision of health services.

3.5.2.4. In 2007 the Ministry of Health and Social Welfare (MOHSW) developed the Primary Health Care Service Development Programme 2007-2017 known as MMAM in Kiswahili acronym. The objective of the Programme is to accelerate the provision of primary health care services for all by 2012, while during the remaining five years of the programme consolidation will be achieved. The third phase of Health Sector Strategic Plan (HSSP) 2009-2015 which is under preparation has developed a strategic framework in four dimensions; (1) Types of services; (2) Levels in the health sector; (3) Development strategies; and (4) Crosscutting issues, which each serve as entry point for addressing key strategic choices, and which together result in one consistent strategic plan.

(1) Types of services - Health promotion; Preventive health services; Care and treatment; Rehabilitation services; and Services to the chronically ill
(2) Levels in the health sector - Council health services in district or municipality; Regional health services; and National level services
(3) Eleven development strategies – (1) District Health Service; (2) Referral Hospital Service; (3) Central Support; (4) Human Resources for Health; (5) Health Care Financing; (6) Public Private Partnership; (7) Maternal, Newborn and Child Health; (8) Disease Prevention and Control; (9) Emergency Preparedness; (10) Social Welfare and Social Protection; (11) Monitoring and Evaluation.
(4) Crosscutting issues – quality; equity; gender sensitivity; community ownership; coherence; and complementary in governance.

3.5.2.5. Most of the health programs including HIV/AIDS strategies are funded by the government expenditures, partly financed by development partners both on-budget and off-budget. In recognition of surmounting needs for public health spending, the government tries to target resources to the priority interventions and to find out some alternatives for shedding off the costs borne by the public sector. The first approach is the initiative of cost sharing in government health facilities through the Community Health Funds (CHF) and National Health Insurance Fund (NHIF). This approach includes the receipt of user fees and the operation of Drug Revolving Fund. The second attempt is the application of Public Private Partnership (PPP) collaboration by which it is expected that an increased participation and contribution of the private sector in achieving accesses to
health services will be encouraged and equality between players will be created through a common accreditation for government and private sector.

3.5.3. Health Development Prospects

3.5.3.1. As in the case of the educational sector development, a high priority is placed on the health care services, fueling more than 10 per cent of the nation’s government budget into the health sector.\(^92\) The health sector is one of the two pillars which ensure the improvement of quality of life and social well-being. Over the years positive trends on different health indicators have been seen with a decreasing rate of child and infant mortalities. Other positive developments have been seen concerning the coverage of child immunization and vitamin A supplementation. Contrary almost three third of children under five are anemic and chronic malnutrition is still common.\(^93\) And the recently disclosed data are disappointing. According to the HBS 2007, the proportion of people who reported being sick or injured in the last four weeks of the survey did not change compared to 2000/01 HBS. The proportion of people who reported that they consulted a health service provider for this sickness or injury also remained unchanged.\(^94\)

3.5.3.2. MMAM, the Primary Health Care Service Development Programme 2007 -2017 as well as the draft third phase Health Sector Strategic Plan focuses on strengthening the health systems, rehabilitation, human resource development, the referral system, health sector financing and the provision of medicines, equipment and supplies. The first element of the Programme is to increase the workforce in health by upgrading the throughput in the existing training institutions by 100 per cent. The rehabilitation of existing health facilities and construction of new ones is planned as well as improving the outreach services. This includes 8,108 primary health facilities, 62 district hospitals, 128 training institutions by year 2012.\(^95\) The referral system is to be strengthened by improving information communication system and transport. The Programme will address the new Health Policy 2007 and the health related MDGs in the areas of maternal health and priority diseases. However, the programme costs are estimated to be around 9.66 trillion shillings, which are far beyond of the presently available budget range.\(^96\)

3.5.3.3. In recent years public investment in health sector has been expanded considerably both in terms of value and the portion of government expenditure. The proportion of health spending in FY 2008/09 government budget accounts for 11.1 per cent increasing

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93 Ministry of Health and Social Welfare, p.8
94 The DP Poverty Monitoring Group, *The preliminary Results of the 2007 Household Budget Survey (HBS)*, October 6, 2008
95 Ministry of Health and Social Welfare, p.16
significantly from 9.7 per cent in 2007/08. The figure may reach 13 per cent in case the Consolidated Fund Service charges are included. Tanzania is apparently on track to meeting the 15 per cent target under the Abuja Declaration. As same as the case of education, the emphasis on the health sector will certainly burden the government treasury by increasing the development expenditures and the recurrent costs as well. And even with increased portion of government spending on health, the expansion of quality health care seems not feasible if not an aggressive burden-sharing and shedding-off initiative, a kind of health sector privatization program, is taken immediately.

3.6. Economic and Social Infrastructure Development

3.6.1. Overview

3.6.1.1. Infrastructure development is a pivotal sector that plays a critical role in the growth of the national economy. It enables the industries to invest and produce, facilitates trade, contributes to national integration, and provides access to jobs, health, education and other activities and facilities. All socio-economic sectors and activities are dependent both on physical and infrastructures such as road, railway, electricity, telecommunications and information technology, water supply system, etc., and economic and social infrastructures including manpower, institutional system of innovation, and research and development (R/D) as well as education and health services. Investment in physical and socio-economic infrastructure development is required ahead of industrial and productive sector investment. And the virtuous circle of infrastructure investment, socio-economic growth and development should be sustained, going hand in hand. Infrastructure development is the backbone of providing enabling environments for investment promotion and economic empowerment.

3.6.1.2. The lack of physical infrastructures and the weakness of socio-economic infrastructures simply explain the contemporary conditions of the Tanzania’s economy and the status of socio-economic development. Of Tanzania’s 124 airports or airstrips, 114 of them have yet to have their runways paved; and of the existing 79,000 kilometers of road, more than 72,000 kilometers are unpaved to say nothing of many thousands of kilometers of new road which remains to be built. Though the use of wireless solutions and the implementation of new fixed-line infrastructure mean that number is continuing to grow, internet access in the country is limited to 1 per cent of the population. Around

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97 In 2001 in Abuja, the government of Tanzania, together with other countries, committed to reserving 15 per cent of its national budget for health. (The Health Sector in Tanzania, 1999-2006, p.90)
99 Corporate Tanzania, p.9
700 thousand households are benefitted from the supply of electricity, just 10 per cent of the whole households. Less than 2 per cent of the people in rural areas are the beneficiaries of having electricity. Largely dependent on renewable bio-mass energy sources, the electricity accounts only 1.2 per cent of the total energy consumption. The investment in research and development is negligible, not more than 0.3 per cent proportion of R & D expenditures to GDP.

3.6.2. Transportation

3.6.2.1. Tanzania’s transport network not only facilitates the movement of people and trade within the country, it serves as an essential conduit to international markets for goods to and from neighboring land-locked countries Burundi, Malawi, Rwanda, Uganda and Zambia. The country’s roads, rail network, air links and ports are undergoing modernization in partnership with international public and private investors. Considerable investment in the road networks is planned in the immediate future, with the help of development funds from, among others, Millennium Challenge Corporation. Privatization of the country’s major rail networks is ongoing, with the Indian company RITES taking over management of the Tanzania Railway Corporation (TRC) in 2007.\textsuperscript{100}

3.6.2.2. Up to 2002 the emphasis was placed on road transportation. Two consecutive Integrated Road Projects Plans (IRPP) were implemented from 1991 to 2002. In 2002 the government formulated the National Transportation Policy which aims to develop safe, reliable, effective, efficient and fully integrated transport infrastructure and operation in the country. In order to encourage the development of the transport sector, the government is implementing the Transport Sector Investment Programme (TSIP), which commenced in 2006 and will run until 2016. Unlike the previous segregated sub-sectoral approaches, the TSIP adopts a sector-wide approach encompassing major systems of transport: road, railway, and marine and air transportation. The investment is focused on strengthening the four main corridors connecting the coastal major port cities to the interior regions of the nation and the neighboring land-locked countries: (1) The Dar es Salaam Corridor; (2) The Central Corridor; (3) The Tanga Corridor; and (4) The Mtwara Corridor.

3.6.2.3. Many challenges are ahead in implementing the TSIP, a two five-year step programme. Among others, the inadequacy of financing for investment and maintenance is the most acute constraint. The government tries to facilitate the mobilization of local and external resources, by increasing public investment in this sector on the one hand and introducing various schemes for private sector engagement including Build Operate and Transfer (BOT), Build Own Operate and Transfer (BOOT), etc. Allocation of funds to the transport sector has increased from Tsh.215.5 million in 2001/02 to Tsh.687.1 million in

\textsuperscript{100} Ibid.
2007/08. The road infrastructure only accounts for 13.0 per cent of the government expenditure amounting to Tsh.973.4 billion in FY 2008/09. However, funds are far short of the TSIP implementation. Of US$6.2 billion required for the 1st step of TSIP investment, US$ 2.5 billion, only 40 per cent of the requirements have been secured.

3.6.3. Telecommunications and IT

3.6.3.1. Telecommunications and IT in Tanzania constitute one of the most dynamic sectors of the economy and communication infrastructure in the country is developing rapidly. The government policy of liberalization and deregulation, as well as its innovative licensing regime, has encouraged the entrance of new participants into the market. The mobile market is experiencing particularly rapid growth – in 2007, the number of mobile phone customers increased to 8.4 million from 5.6 million in 2006, equivalent to an increase of 50 percent. As far as the telecommunications concerned, Tanzania is skipping the conventional development stage of universal access to land lines. The number of land line subscribers was around 146 thousands, far less than the number of mobile subscribers.

3.6.3.2. If noting the 1974 Prohibition Order on Electronic Computers and Television Sets, Tanzania achieved notable progress in deploying information and communications technologies (ICT) and providing ICT-related services. It was only in 1997 that the National Telecommunications Policy (NTP) was formulated following the enactment of the Communications Act in 1993. The policy allowed a partial liberalization and deregulation of the telecommunication sector in parallel with the privatization process of the sector in 1990s. The National Information and Communications Technologies Policy of 2003 replacing the NTP of 1997 deploys a broad-based strategy to address the sector-wide challenges Tanzania is facing. The new policy stipulates ten main focus areas in harnessing ICT in Tanzania which include strategic ICT leadership; ICT infrastructure; ICT industry; human capital; legal and regulatory framework; productive sectors; service sectors; public services; local content; and universal access. Among the policy objectives and statements of each main focus area, the role of the government as a powerful development facilitator, and the active involvement of the private sector in ICT industrial development were emphasized.

3.6.3.3. ICT is both cross-sectoral and a sector in its own right. ICT policy has to relate to the most other sector policies and the deployment of ICT in any sectors or areas affects profoundly in their activity operation and institutional management. And the application of ICT became indispensable from government to private and from developed nations to developing countries. It means that the construction of ICT infrastructure and the

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101 Ibid.
application of ICT throughout the entire economy are of paramount importance and the facilitation of corresponding enabling environments and regulatory framework are also becoming increasingly more important than ever before. All MDAs (Ministries, Departments and Agencies) are eager to introduce their own ICT application and promotional programs with their different standards and qualifications. However, since the new ICT policy was launched in 2003, the subsequent implementation plan or strategy of this policy was not properly developed. That seems partly because the government leave matters of ICT development to the liberalized environment and the private sector too much and also because the responsible policy authority was not be able to secure the policy coherence and integrity due to the repeated change of the ICT development stewardship. The policy mandate of the government was given to the Ministry of Infrastructure and Communications away from the Ministry of Communications and Transport, then now to the Ministry of Communications, Science and Technology.

3.6.4. Energy and Electricity

3.6.4.1. The energy consumption level of Tanzania is very low and the structure of energy sources is highly sustainable, heavily dependent on renewable energy sources such as biomass and hydropower. Bio-massed fuel such charcoal and firewood accounts for around 90 per cent of primary energy supply. Commercial energy sources i.e., petroleum and electricity, account for about 8 per cent and 1.2 per cent respectively of the primary energy used. Coal, solar and wind energy contributes less than 1 per cent of energy used. Tanzania’s electricity market is still in its infancy, with little more than 10 per cent of the population having daily access to it. Only 2 per cent of the rural population benefits from electric power supply.

3.6.4.2. Most of the indigenous energy sources which are abundant are not appropriately tapped for development so far. Oil exploitation projects is on-going and other indigenous energy sources include forests, hydropower, coal, natural gas, uranium, and renewable alternative energy sources such as solar, wind and geothermal. Tanzania has forest area of about 35.5 million hectares. Hydro potential is estimated at 4.7 GW (Giga Watt), of which only 12 per cent is developed. Coal reserves are estimated at about 1,200 million tones, of which 304 million tones are proven. Natural gas was discovered in 1977 with reserves estimated at some 737 billion cubic feet. Nearly thirty years after the discovery of natural gas, first electricity was generated from gas produced in Tanzania. With discovering a second well of significant gas reserves, it is hoped that Tanzania could signal an end to over dependence on unreliable hydro-electricity and costly imported fuel oil.

3.6.4.3. The National Energy Policy revised in 2003 retains the objective of the 1992 National Energy Policy which aims to provide an input in the development process by establishing an efficient energy production, procurement, transportation, distribution, and end-user systems in an environmentally sound manner. The new policy focuses on market
mechanisms and means to reach the objective, and achieve an efficient energy sector with a balance between national and commercial interests.\textsuperscript{103} And the plan gave priority to power generation capacity based on indigenous energy resources. In the context of privatization drive, the role of the Tanzania Electric Supply Company (TANESCO) has been adjusted mainly for the buying, transmission, distribution and sale of electricity nation-wide. By introducing independent power producers (IPPs) system, Tanzania encourages the private investors to invest in electric power generation projects of their own. TANESCO buys electricity from the Independent Power Tanzania Limited (IPTL) and IPPs, and sells it to the customers with ‘pay-before-use’ payment system just similar to that of mobile phone payment.

3.6.4.4. Domestic energy demand has grown rapidly due to population growth and the increase in economic activities in recent years. With positive prospect of the Tanzanian economy in years to follow, the demand of energy will increase higher than the expected rate of economic growth. The high elasticity of electricity consumption will bring a substantial increase of electricity demand which already surpasses the capacity of reliable supply. In order to meet the energy demand in a longer term perspective an intensive long-term plan for development of electric power sources based on a progressive forecast of energy and power demand should be developed and implemented immediately. One of the alternatives for securing the sources of stable and economic power generation could be the development of nuclear power. Tanzania has uranium deposits, the primary sources of atomic energy and nuclear power is one of the lowest in its production costs. It is to be seen whether the development stewardship which is somewhat segregated and rendered to the private sector according to the privatization and liberalization policy would work well or not in addressing the challenges of constructing infrastructures and modernizing distributional logistics as well as rural electrification.

3.6.5. Human Resources and Institutional Capacity Development

3.6.5.1. All history as well as all current experience points out to the fact that it is man and the human, not material and the nature which provides the primary source of progress and advancement and that the key factor to all economic development comes out of the mind of man. Human resource formation, the human and social infrastructure, seems to be the single most important contributor to growth. Of all endowments, human capital probably does most to fuel long-term economic growth. Simply put, countries with human capacity grow faster. And socio-economic systems and institutions are the culmination of human capacity through which progress or retreat is made and reform and innovation are generated as well. The well-educated and trained people are the base of institutional

capacity by which systems and institutions are working and all the resources are mobilized and applied for better performance.

3.6.5.2. Amid abundant natural resources and physical endowments, what Tanzania lacks most seems the educated and motivated human resources notwithstanding insufficiency of financial resources. Despite the rapid expansion of the education system and the universal primary education in the past decades, human resources remain largely underdeveloped. Not many of the working population have adequate knowledge and skills to meet the demand of rapid socio-economic development. Obsessed by the paramount objective of the educational MDGs the focus of education has been placed the expansion of school facilities in primary and secondary level. Under the umbrella of 1995 Education and Training Policy the approach of sub-sectoral development was adopted implementing sub-sectoral programs such as the PEDP, the SEDP, the Higher and Technical Education Development Programme and the Teacher Development and Management Strategy. The concept of human resources development in some strategic industries or areas is newly forming in recent years.

3.6.5.3. The Tanzanian government acknowledges the important reality that “people are the most valuable asset of any organization.” Based on the understanding of the need for human resources development in some strategic sectors the government began to take a piece-meal approach to meet immediate mid-term objectives. PO-PSM (President’s Office – Public Service Management) places great emphasis on improvement of human resource management and capacity development in the public sector. During the 1st phase of PRSP (2000-2007), a wide-range of tools and processes were created and rolled out to MDAs to manage the HRD process. Both the Teacher Development and Management Strategy 2006-2013 and the Human Resources for Health Strategic Plan 2008-2013 recognize that the two sectors are facing a serious need for human resource development. However, this kind of independent emergency measures may bring a crowding-out effect on the other sectors by misallocating the scarce resources. A strategic program for human resources development both in public and private sector inter-linked closely with the socio-economic policy and employment strategy as well as education and vocational training policy should be developed. An extensive survey and research on manpower and the demand of workforce is advised to be carried out so as the results could be used as reference data.

3.6.6. Innovation, Research and Development

3.6.6.1. It seems not easy to grasp the landscape of Tanzania’s science and technology since the concept of innovation is yet premature and the level of R&D is also beyond concrete apprehension. During the time the popular subject of debate, development policy and

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104 Joshua Mushauri, p.3
strategy was reform, governance, growth and poverty reduction, education and health, development finance, and private sector empowerment. It was rare and beyond reach that the subjects searching for the essential factors or driving forces of successful reform, good governance, and socio-economic progress were on the table of debate and discussion. If I count just three of the factors or forces, they might be leadership, human resources and science and technology. It is the time to think and talk more about those issues, not the results we enjoy, but the ways and means of those accomplishments. In particular, science and technology is what makes a country superior to others. And it is an important tool to bring about development.

3.6.6.2. The National Science and Technology Policy for Tanzania projected in 1996 acknowledges the critical importance of science and technology as well as research and development through which innovation and technological progress are achieved. The revised policy based on the review on the previous National Science and Technology Policy of 1985 identified resources limitation as the primary constraint of poor performance. The lack of financial and human resources as well as institutional capacity for research and development considered as hindrance the nation could not have overcome. Then the later policy set up the target of R&D investment and designed specific objectives and strategies of science and technology promotion in major sectors: (1) Food and agriculture; (2) Industry; (3) Energy; (4) Natural Resources; (5) Environment; (6) Health, Sanitation and Population Planning; (7) Transport and Communication; and (8) Science and Technology Education and Manpower. The initial target of investment was the allocation of funds for scientific research and technological development about 1 per cent of GDP by the year 2000. Currently the target is upgraded up to 1.5 per cent by 2011 in the Ministry’s MTEF 2008/09-2010/11.

3.6.6.3. It is generally recognized that the stages of science and technology development begins from imitation and proceeds to internalization, then to generation. Imitation through acquisition and assimilation is the most prevalent policy of science and technology development in the stage of economic take-off and semi-industrial development. Importation of intermediate technology, transfer of technologies through international development projects and foreign direct investment are the practical means of acquisition and assimilation. A gradual approach of research and development is indispensable even though the late-comer’s advantages are fully utilized. Tanzania’s science and technology policy does not pay attention to this simple but crucial aspect of R&D strategy. It is estimated that expenditures for R&D are meager 0.3 per cent of GDP far below than the target.

3.7. Rural and Regional Development

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105 Won-Young Lee, *S&T Development: Experience of South Korea*(Presentation Material), Technology and Management Graduate Program, Seoul National University, November 2004
3.7.1. There seems to be several categories of ‘region’ according to how the concept of region is defined. Most of all, the United Republic of Tanzania consists of the two administrative territories, the Tanzania Mainland, the former Tanganyika, and Zanzibar comprising Unguja and Pemba Island. Though Zanzibar is small in its land size and the number of constituents\textsuperscript{106}, the entity of Zanzibar retains a particular significance in the nation’s unity and polity. In terms of agriculture the country is parceled into 7 agro-ecological zones mainly characterized by their climate and topographic features.\textsuperscript{107} For efficient administration of education, the Ministry of Education and Vocational Training divides the mainland into 12 educational administrative regions accounting the socio-economic regionalism and their localities. For protection and conservation of natural resources and wildlife, the Ministry of Natural Resources and Tourism focuses on the designated Protected Areas (PAs), around one fourth of the land area including national parks, game reserves, and conservation areas.

3.7.2. Tanzania is administratively divided into 26 regions: 21 regions in the mainland and 5 in Zanzibar. Regions are divided into districts which are then sub-divided into wards. Villages are the basic unit of regional community, but as far as Central Government is concerned ward is the basic administrative unit. The local government authorities on the other hand are separated into rural and urban authorities. Urban authorities consists of City, Municipal and Town Councils whereas the rural councils include all district councils with Township Council and Village Council Authorities. In Mainland Tanzania there are 133 district-level authorities, rural and urban. 50,836 Kitongojis make 10,397 Villages throughout the mainland.

3.7.3. Tanzania is still basically a largely agrarian society. Around 80 per cent of the people live in rural areas. For most of the time regional development meant rural development. In earlier period of national development, Ujamaa, a massive and extensive movement of community development was initiated by the nation’s leadership. The nation-wide movement aimed both the consolidation and unity of Tanzania’s multi-racial and diverse society and the development of rural region into modern communities from tribal and clans’ villages. The government-led mega project which cost lots of investment and administrative effort could not be able to be sustained and produced a profound counter-response. Mistrusts in government intervention and centrally-initiated program led to the change of the mode the government administers and the development programs are carried out. In the course of economic transition and government reform in 1980s and 1990s the role of the central government had been reviewed and a comprehensive restructuring program was implemented toward economic liberalization and empowerment of the

\textsuperscript{106} The land size of Zanzibar, the Unguja Island is far less than 1 per cent of the Tanzania Mainland. The number of population in Zanzibar constitutes around 3 per cent of the total population.

\textsuperscript{107} Ministry of Agriculture, Food Security, and Cooperatives, \textit{Reference Note}, August 5, 2008, p.2t
private sector. Regarding government administration the policy of deregulation and decentralization was adopted.

3.7.4. Under the new regime of reform and market-oriented economy, the policy and strategy of rural and regional development are undergoing in two directions. The first one is the program of poverty reduction which is pro-poor and rural-oriented. Major socio-economic development programs are targeting the improvement of social welfare and livelihood of the rural poor in the district level. The focus of the MMAM, PEDP and SEDP, SMEDP, and ASDP, of course, is placed on the rural area in the district region where the majority of the people are living. The other is the policy of D by D, by which the mode of regional administration and local governance is determining and every program for regional and community development is formulated and implemented.\(^{108}\)

3.7.5. The Prime Minister’s Office – Regional Administration and Local Government (PMO-RALG) is responsible for policy formulation, coordination, standard setting for quality assurance, etc. The core policy program of PMO-RALG is the Local Government Reform Program (LGRP) which is now in the 1\(^{st}\) year of the Phase Two(2) from 2008 to 2012. Actually the program is an executive plan of D by D Policy and aims to facilitate the role and function of the local government authorities so as to build capacity and further take charge of the responsibilities. Other key programs under PMO-RALG includes Local Government Support Program (LGSP), Local Government Transport Program(LGTP), and Village Travel and Transport Program(VTTP). In order to address disparities among the regions and districts a formula based resource allocation system has been developed under which disadvantaged regions get more resources.\(^{109}\)

3.7.6. Though the local autonomy and administrative capacity are secured in a great extent due to the decentralization and devolution process, the financial plans of the local government authorities depend heavily on financial support from the central government and development partners. The base of local tax revenues is very weak and mobilizes only 5 per cent of local government budget expenditure. Around 95 per cent of the expenditure are financed by transfer from central government and external assistance of development partners.

\(^{108}\) The present Local Government System is based on the Decentralization by Devolution Policy where by functions and resources are decentralized and devolved within the framework of unitary state. According to the D by D Policy 1998, functions and responsibilities of Centre(Ministries) and Regions have been changed to facilitate, advisory and coordinative role rather than actual execution. Local Government Authorities (District Authorities) hold the responsibility of planning, implementation, monitoring and evaluation and capacity building of LGAs personnel.

\(^{109}\) The formula takes account of 70% population, 20% land area and 10% poverty count.
III. Korea’s Experience and Tanzania’s Development Strategy

1. Development Experiences: The Korean Case

1.1. Introduction

1.1.1. It is widely recognized that Korea's economic accomplishment was remarkable especially in its earlier stage of development in the 1960s and 1970s. From a subsistent heavily-agrarian economy, Korea transformed itself into one of the outstanding newly industrializing countries (NICs) in the late 1970s, within less than two decades since the launch of an aggressive strategy for national development in the early 1960s.

1.1.2. The sources of Korea's economic success cannot be attributed to one or two prominent factors or inputs. It was a result of a complex and dynamic process in which a number of

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110 This Chapter is the summary of an extensive research study on Korea’s development experience and international cooperation titled *Development Assistance and Cooperation to Korea (In Korean)* conducted in 2004 by Lee Kyong Koo, a senior research fellow of the Korea International Cooperation Agency.
factors were interwoven and integrated and every factor was marshaled to contribute to attain the prime objective of economic and social advancement.

1.1.3. Factors contributing to Korea's successful social and economic development, political democratization, and growth of civil society have been labeled and explored as sources of one of the world's most impressive examples of post-World War II development. The most significant factor was the free market economy where an ardent desire for development and growth can be freely pursued. In addition, political and social stability, outward-looking development strategies, a strong leadership committed to national advancement and dynamic entrepreneurship in the private sector should all be taken into account for that extra-ordinary achievement. Pro-growth socio-economic policy based upon free trade and investment along with great emphasis on education and human resources development made the war-stricken and resource-scarce poor country able to build development capacity and to become a nation stepping into the ranks of other developed nations.

1.1.4. Another indispensable factor for success was the international community's support of Koreans and their development efforts. Korea had received a substantial amount of development assistance. While the country was experiencing severe hardship and was in dire need of help, the international community was generous enough to extend a helping hand, for which all Koreans were, and still are, thankful. International development cooperation forwarded to the Korean people decades ago, nearly forgotten from their memories nowadays, once was a lifeline for survival and became the stepping stone for a new beginning for the nation's building and progress.

1.1.5. Korea is now standing as an emerging donor in the international community. However, not long ago the nation was a heavy recipient of foreign assistance. Through such aid, Korea adopted various techniques, know-how and institutions introduced by developed countries and acquired the necessary investment and technology needed for its development.

1.1.6. In the early phase of the period now referred as the “Development Decades”, the years leading up to the 1960s and 1970s including the nation's founding years in the 1950s, development assistance and cooperation provided from the international community was

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111 In 1989 the per capita GNP of the Republic of Korea reached above US$4,700, the threshold of the Net Contributor Country (NEC) set by the UNDP. After the three-year grace period, Korea became to hold the status of the NEC. Korea established the Economic Development Cooperation Fund (EDCF), the apparatus for the provision of concessional development loan in 1987, and institutionalized the Korea International Cooperation Agency (KOICA), a governmental arm of grant aid and technical assistance in 1991.
crucial in laying the foundation and building a framework for social and economic advancement.

1.2. Korea's Indebtedness: Development Assistance and Cooperation

1.2.1. Koreans received various forms of emergency relief and development assistance. While grant aid over the late 1940s and 1950s was the sole dependable source of foreign exchange and daily necessities, foreign assistance after the early 1960s was a major source of capital for investment as well as a channel for the introduction of management skills and industrial technology. The forms and modalities of assistance were different and modified in accordance with the needs and requests of the recipient. Heavy reliance on external aid in the early years of development was gradually decreased in the early 1970s.

1.2.2. In the early years of the nation's foundation, Korea survived by receiving foreign aid. The lack of electricity caused by the division of the peninsula in 1948 was supplied for many years by the electricity generation ship sent by the United States. Basic daily necessities such as clothing, fuel, medical supplies and food were provided through UN agencies and international NGOs during and after the Korean War. For the reconstruction and stabilization of the devastated economy, a substantial amount of financial assistance was channeled to the nation's treasury.

1.2.3. When Korea launched an aggressive outward-looking development strategy in the early 1960s, development assistance was the sole source of investment for business promotion, research and development, and infrastructure. Owing to the initiatives taken by the political leadership, a bulk of the external aid was channeled into various sectors of the economy.

Table 6: Foreign Aid to Korea

<table>
<thead>
<tr>
<th>Classifications</th>
<th>Period</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Assistance by USAMGIK¹</td>
<td>1945~1949</td>
<td>○GARIOA (Government Appropriations for Relief in Occupied Area) assistance</td>
</tr>
<tr>
<td>(2) War Relief and Reconstruction</td>
<td>1950~1960</td>
<td>○Emergency aid during the Korean War(1950~1953) by UNCURK², CRIK(Civil Relief in Korea) and UNKRA³</td>
</tr>
<tr>
<td></td>
<td></td>
<td>○Aid for reconstruction and economic recovery by the United States and the UN</td>
</tr>
<tr>
<td>(3) Development Assistance in the Earlier Decades</td>
<td>1961~1975</td>
<td>○Bilateral development assistance by the United States, Japan, West Germany, etc</td>
</tr>
<tr>
<td></td>
<td></td>
<td>○Multilateral development assistance by UNDP, IDA⁴,</td>
</tr>
<tr>
<td>(4) Development Assistance in the Later Decades</td>
<td>1976~1990</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>○ Graduated from IDA assistance in 1975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>○ Graduated from USAID assistance eligibility in 1976</td>
<td></td>
<td></td>
</tr>
<tr>
<td>○ Introduction of large-scale development and structural adjustment loans</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(5) Transition from Recipient to Emerging Donor</th>
<th>1991~2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>○ Transition to NCC (net contributor country) of technical assistance in 1991 (UNDP)</td>
<td></td>
</tr>
<tr>
<td>○ Establishment of KOICA (Korea International Cooperation Agency) in 1991</td>
<td></td>
</tr>
<tr>
<td>○ Graduated from the World Bank assistance eligibility in 1995</td>
<td></td>
</tr>
</tbody>
</table>

Note: 1 The US Army Military Government in Korea
2 UN Commission for the Reunification and Rehabilitation of Korea
3 UN Relief and Reconstruction Agency
4 International Development Association (IDA)

1.2.4. Over the course of rigorous investment in the nations socio-economic development under consecutive five-year plans up to the 1980s, numerous projects and programs were executed within the bilateral and multilateral frameworks of international development assistance. Plants, equipment and machinery as well as techniques and industrial technology were transferred and filled the gap of capital and technology. Consulting and training services were provided and help for the building of institutions strengthening the development capacity of the public and private sectors. Thousands of Peace Corps volunteers worked for schools, hospitals, and social charity organizations from the late 1960s to early 1980s.

1.2.5. Large structural adjustment loans were provided though the World Bank and the International Monetary Fund when the nation underwent massive structural reform during the financial crisis of the early 1980s and late 1990s. The only form of assistance Korea had not received was debt relief and rescheduling. As far as international cooperation is concerned, Korea is a living museum of development assistance.

1.2.6. Statistics show that Korea had received development assistance worth US$13,976 million until the nation’s status graduated to a developing country receiving aid in 2000. Some US$12,776 million or 91.4% had been channeled through official development assistance (ODA). This included development loans which were concessional. The remaining US$1,200 million was extended through private individual Donors and non-governmental organizations (NGOs). Public development loans and non-concessional loans totaled US$31,196 million.

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112 Korea moved to the group of the More Advanced Developing Countries and Territories in Part II Countries and Territories in Transition, OECD/DAC List of Aid Recipients, in 2000.
Table 7: Development Assistance and Public Finance to Korea

<table>
<thead>
<tr>
<th>Development Assistance</th>
<th>Public Finance Non-concessional</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODA 12,776</td>
<td>Total 13,976</td>
</tr>
<tr>
<td>Assistance by NGOs 1,200</td>
<td>Total 31,196</td>
</tr>
</tbody>
</table>

Source: Lee Kyong Koo, *Development Assistance and Cooperation to Korea (In Korean)*, The Korea International Cooperation Agency, 2004

1.2.7. Among the US$12,776 million in ODA received by Korea, approximately 55% or US$6,997 million were grants and the remaining US$5,779 million were concessional loans. 93% of the total ODA or US$11,808 million were bilateral with the remaining US$968 million being multilateral aid.

Table 8: Official Development Assistance (ODA) to Korea

<table>
<thead>
<tr>
<th>Classification</th>
<th>Volume</th>
<th>Composition (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>By Type</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>6,997.5</td>
<td>54.8</td>
</tr>
<tr>
<td>Loan</td>
<td>5,778.8</td>
<td>45.2</td>
</tr>
<tr>
<td>By Donor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bilateral</td>
<td>11,808.0</td>
<td>92.4</td>
</tr>
<tr>
<td>Multilateral</td>
<td>968.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Total</td>
<td>12,776.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: op. cit.

1.2.8. Considering that grants were provided in various forms and through numerous channels, it is quite difficult to break them down by sector. Grant aid was extended for various programs and projects for the provision of commodities, machinery, and/or equipment, and provision of consulting and training services.

Table 9: Public Loans to Korea by Sector

<table>
<thead>
<tr>
<th>Agriculture, Fisheries, Mining</th>
<th>Regional Development</th>
<th>Private Enterprise</th>
<th>SME Promotion</th>
<th>Housing</th>
<th>Health</th>
<th>Environment</th>
<th>Education / R &amp; D</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,706 (4.3)</td>
<td>1,338</td>
<td>4,941 (12.5)</td>
<td>761 (1.9)</td>
<td>576 (1.5)</td>
<td>550 (1.4)</td>
<td>221 (0.6)</td>
<td>1,734 (4.4)</td>
<td>889</td>
<td>39,341</td>
</tr>
</tbody>
</table>

(Unit: Installations, US$ in millions)
1.2.9. Nevertheless, statistics show that about US$5,527 million or 15% of public loans totaling US$36,723 million endorsed by the government was invested primarily in the sectors of economic infrastructure and production through the 1960s, 1970s and 1980s. In the case of non-concessional loans that continued through the 1990s, the share of general programs for structural adjustment and financial stability significantly increased.

1.2.10. As the economy grew and the wide-spread poverty gradually decreased, the provision of grant aid diminished significantly over the years and public loans for development began to pour into various sectors of the economy. The volume of official development assistance was relatively stable over the years while the portion of grant aid decreased.

### Table 10: Official Development Assistance by Development Decades

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>3,045.6</td>
<td>1999.0</td>
<td>750.4</td>
<td>1,202.5</td>
<td>6,997.5</td>
</tr>
<tr>
<td></td>
<td>(98.3)</td>
<td>(50.7)</td>
<td>(21.4)</td>
<td>(54.0)</td>
<td>(54.8)</td>
</tr>
<tr>
<td>Concessional Loans</td>
<td>52.3</td>
<td>1,942.4</td>
<td>2,760.4</td>
<td>1,023.7</td>
<td>5,778.8</td>
</tr>
<tr>
<td></td>
<td>(1.7)</td>
<td>(49.3)</td>
<td>(78.6)</td>
<td>(46.0)</td>
<td>(45.2)</td>
</tr>
<tr>
<td>Total</td>
<td>3,097.9</td>
<td>3,941.4</td>
<td>3,510.8</td>
<td>2,226.2</td>
<td>12,776.3</td>
</tr>
</tbody>
</table>

Note: % of proportion in parenthesis
Source: op. cit.

### Table 11: Public Loans to Korea by Decade

<table>
<thead>
<tr>
<th>Decade</th>
<th>1960s</th>
<th>1970s</th>
<th>1980s</th>
<th>1990s</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960s</td>
<td>1,090</td>
<td>9,474</td>
<td>10,928</td>
<td>17,904</td>
<td>39,341¹</td>
</tr>
<tr>
<td></td>
<td>(2.7)</td>
<td>(24.1)</td>
<td>(27.8)</td>
<td>(45.5)</td>
<td>(100.0)</td>
</tr>
</tbody>
</table>

Note: % of proportion in parenthesis
¹ The total is not equal to the sums of the respective brackets because of technical difficulties in calculating.
Source: op. cit.
1.3. Introduction to Some Examples of Aid Projects and Programs

1.3.1. CASE 1: Technical Assistance by the UNDP (UN Development Programme)

1.3.1.1. Since its foundation in 1961, the United Nations Development Programme (UNDP) has extended numerous projects and programs for nearly 40 years. Most of them were for free-standing technical assistance (FSTC), ranging from policy development, institution building, and executive development to promotion of industry, development of science and technology, and environmental protection.

1.3.1.2. The sectoral focus as well as the program priority of the UNDP evolved in response to the ever-changing needs and conditions of the economy. In the 1960s the emphasis was placed on enhancing agricultural and fishery productivity and expanding the base of primary education and basic health. In the 1970s the focus of the programs moved to strengthening the indigenous institutional capacity for public administration, research and development, and industrial development. In the later stages of development, areas of priority were government reform and governance, environment, and social development.

1.3.1.3. The UNDP implemented 249 projects and programs with a combined total of US$95.4 million. This means the average size of each project or program was about US$500 thousand. The volume of assistance gradually declined in later years, however, the flows of aid resources were very stable most of the earlier decades.

1.3.1.4. The continued and consecutive support for capacity development under the comprehensive framework of the UNDP was tangible and produced outstanding performance during the time. It helped a lot to build basic institutions and to develop human capacity in many ways.

<table>
<thead>
<tr>
<th>1962-1975</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Soil Fertility and Soil Research/1963-1971/US$1,027 thousand</td>
<td></td>
</tr>
<tr>
<td>Deep Sea Fishing Training Center/1964-1971/US$2,877 thousand</td>
<td></td>
</tr>
<tr>
<td>Soil Survey/1964-1971/US$1,672 thousand</td>
<td></td>
</tr>
<tr>
<td>Fine Instrument Centre Phase I,Ⅱ/1966-1974/US$2,984 thousand</td>
<td></td>
</tr>
<tr>
<td>Project Description</td>
<td>Duration</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Nakdong River Basin Delta and Tributary Studies</td>
<td>1966-1981</td>
</tr>
<tr>
<td>Uplands Development and Watershed Development</td>
<td>1967-1976</td>
</tr>
<tr>
<td>Forestry Survey and Development</td>
<td>1968 US$1,968</td>
</tr>
<tr>
<td>Tubewell Irrigation Project</td>
<td>1969-1974</td>
</tr>
<tr>
<td>Costal Fishing Training Center-Shipjack Fishing</td>
<td>1968-1982</td>
</tr>
<tr>
<td>Central Vocational Training Institute - Phase I, II/1968-1982</td>
<td></td>
</tr>
<tr>
<td>Regional Physical Planning</td>
<td>1970-1974</td>
</tr>
<tr>
<td>Strengthening Plant Protection Research and Training</td>
<td>1972</td>
</tr>
<tr>
<td>Disease and Insect Pest Control on Plants</td>
<td>1969-1973</td>
</tr>
<tr>
<td>Food Processing Centre Phase I, II, III/1973-1982</td>
<td></td>
</tr>
<tr>
<td>Establishment of Hotel Management School</td>
<td>1973-1982</td>
</tr>
<tr>
<td>Shipbuilding Industry Technical Services</td>
<td>1974-1984</td>
</tr>
<tr>
<td>Korean Ocean Research and Development Institute</td>
<td>1973-1983</td>
</tr>
<tr>
<td>Mechanical Engineering Research Institute of KIST</td>
<td>1975-1986</td>
</tr>
<tr>
<td>Forestry Training Institute for Fire Suppression</td>
<td>1975-1983</td>
</tr>
<tr>
<td>Outdoor Hydraulics Laboratory of Irrigation, Drainage and Flood Control</td>
<td>1975-1985</td>
</tr>
<tr>
<td>Drainage Improvement</td>
<td>1975-1987</td>
</tr>
<tr>
<td>Shipbuilding Welding and Steel Fabrication</td>
<td>1975-1984</td>
</tr>
<tr>
<td>Semiconductor Materials Technology of KIST</td>
<td>1979-1985</td>
</tr>
<tr>
<td>Korea Electro technology and Telecom Research Institute</td>
<td>1978-1985</td>
</tr>
<tr>
<td>International Management Institute</td>
<td>1977-1982</td>
</tr>
<tr>
<td>Reliability and Environmental Test Centre</td>
<td>1982</td>
</tr>
<tr>
<td>Assistance in Development Planning(4th, 5th &amp; 6th Economic and Social Development Plan)</td>
<td>1975-1988</td>
</tr>
<tr>
<td>Assistance Towards Korea Institute for Energy and Resources</td>
<td>1979-1986</td>
</tr>
<tr>
<td>Productive Forest Resource Management</td>
<td>1983-1989</td>
</tr>
<tr>
<td>Strengthening Meteorological Research Activities</td>
<td>1983-1988</td>
</tr>
<tr>
<td>Civil Aviation Training Centre</td>
<td>1984-1988</td>
</tr>
<tr>
<td>Toxicology Research Centre Phasen&amp;II/1983-1990</td>
<td></td>
</tr>
<tr>
<td>Korea Energy Management Corporation(KEMCO)</td>
<td>1985-1994</td>
</tr>
<tr>
<td>Improving Production of Food and Agriculture through the Aid of Nuclear and Related Technology</td>
<td>1985-1990</td>
</tr>
<tr>
<td>Assistance to Korea Electro technology and Telecommunication Research Institute</td>
<td>1985</td>
</tr>
<tr>
<td>Establishment of CAD Section within the Die and Moulds of KIMM</td>
<td>1986-1993</td>
</tr>
<tr>
<td>Training of Science and Engineering Professors</td>
<td>1988-1993</td>
</tr>
</tbody>
</table>

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1.3.2. CASE 2: Vocational Training Program by West Germany

1.3.2.1. Aid programs for vocational training were one of the most conspicuous sectors of development assistance by which a strong impact was made. Both effectiveness and sustainability were achieved to a great extent. Various forms of assistance were delivered by individual donors. A comprehensive consulting service for aid programming in vocational training was carried out in the midway through the 1960s prior to the inception of the main program.

1.3.2.2. The first project for vocational training was begun with the support of the UNDP and was implemented in association with the ILO. However, the Korean government turned its attention toward one of the leaders in this field. West Germany, a new post-world war industrial power in Europe was the targeting partner for international cooperation. Under the cooperative framework established by the mutual understanding of both parties the two countries implemented a series of bilateral projects and programs in a consistent and systematic manner. Korea sent mine workers and nurses to Germany and the latter provided a well prepared aid program of vocational training for training Korean laborers and educating technicians to Korea.

1.3.2.3. A comprehensive program for institution building, facility construction, and capacity development of vocational training was being implemented from the mid-1960s and continued for more than three decades up into the late 1990s. Equipment and facilities along with trade curricula and management systems were being introduced through the establishment of the German-style vocational training centers and polytechnic schools. Management consulting services as well as technical advice were provided in accordance with various project and programs executed in this field by the donors of different places.
1.3.2.4. German tradition, which put emphasis on direct linkages between vocational training schools and industry, were practical and pragmatic and played a crucial role in strengthening the capacity and expanding the base of industrial manpower without which smooth industrialization could not have been achieved. The results of the assistance program were impressive and outstanding in every standard of assessment and evaluation.

Table 13: German Assistance Programs of Vocational Training for Korea

<table>
<thead>
<tr>
<th>Programs</th>
<th>Projects</th>
<th>Volume</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of VT Institute and College</td>
<td>○ Busan Vocational Training Institute</td>
<td>DM16.0 Mil.</td>
<td>1967–1975</td>
</tr>
<tr>
<td></td>
<td>○ Changwon Industrial Masters’ College</td>
<td>DM13.0 Mil.</td>
<td>1979–1886</td>
</tr>
<tr>
<td></td>
<td>○ Korea Poly-technique College</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting and Technical Advice</td>
<td>○ The 1st Consulting Project</td>
<td>DM 3.0 Mil.</td>
<td>1976–1978</td>
</tr>
<tr>
<td></td>
<td>○ The 2nd Consulting Project</td>
<td>DM12.5 Mil.</td>
<td>1978–1983</td>
</tr>
<tr>
<td></td>
<td>○ The 3rd Consulting Project</td>
<td>DM 4.0 Mil.</td>
<td>1984–1986</td>
</tr>
<tr>
<td></td>
<td>○ The 4th Consulting Project</td>
<td>DM 5.0 Mil.</td>
<td>1987–1988</td>
</tr>
<tr>
<td></td>
<td>○ The 5th Consulting Project</td>
<td>DM 3.7 Mil.</td>
<td>1989–1990</td>
</tr>
<tr>
<td></td>
<td>○ The 6th Consulting Project</td>
<td>DM 6.0 Mil.</td>
<td>1991–1993</td>
</tr>
<tr>
<td></td>
<td>○ Follow-up Consulting</td>
<td>DM 0.7 Mil.</td>
<td>1994–1996</td>
</tr>
</tbody>
</table>

Source: op. cit.

1.3.3. CASE 3: Korea Institute of Science and Technology (KIST) Project

1.3.3.1. The KIST project is the single most important project which reflected the strategic interests of both the donor and the recipient. The strategic alliance that formed between the Republic of Korea and the United States during the Cold War era in the 1960s created an extra-ordinary project for development in the field of science and technology. As Korea needed to build the very basic foundation of research and development in applied science and industrial technology, the United States provided extensive assistance. In return for Korea’s engagement during the Vietnam War, the US Government provided full support for the establishment of an R&D institute of both scale and quality in Korea.

1.3.3.2. The United States surveyed, assessed, planned, and designed the entire aid project in partnership with Korea and provided substantial core components for the project on a turn-key based modality: project and programming consultancy, R&D equipment and facilities, managerial skills and system software. Korea, the encouraged recipient, cleared the project site, constructed buildings and recruited competent scientists and researchers at home and abroad. The national development plan was adjusted to reflect the added strategic importance of science and technology. A special law was enacted to speed up the execution of the project. The Bureau of Technology Management, within the Ministry of
Economic Planning Board was expanded to become the Department of Science and Technology, an independent authority under the Prime Minister's Office.

1.3.3.3. Begun in 1965 through a comprehensive preliminary feasibility survey\(^{113}\), the project progressed smoothly and four years later, in 1969, the institute opened and began operations. Over the course of its implementation, the volume of investment for the project totaled US$23.4 million; surpassing the initial estimated investment of US$21.1 million. The planned contribution of the United States of US$6.8 million increased to US$9.1 million.

1.3.3.4. Operating as the nucleus of Korea's applied science and industrial technology, KIST produced and accumulated a number of legacies over the years, and the institute is expected to play an even more important role in the future.

1.3.4. CASE 4: Geom-o Poly-technique High School Project

1.3.4.1. Korea has little in the way of natural resources, and its industrial infrastructure was very poor. With scarce endowments, the country achieved national development by making maximum use of its human resources. The realization of human potential and the development of human technology and science, made the nation possible to sustain high economic growth and to upgrade the industrial structure step by step.

1.3.4.2. In earlier stages of national development, indigenous skills and technologies were negligible and the saving of national income, negative in its accounts, left no room for expenditures on research and development. Most of the skills, techniques, and technology the nation needed were to be imported by way of foreign aid and investment, but the pace of those flows were too slow to meet the increasing demand for skilled manpower. The rapid industrialization required a stable, credible, and greater supply of skilled workers and technicians.

1.3.4.3. In this context policy attention was paid to the surplus of young talent at the age of high school. Younger people who didn't have the opportunity of obtaining techniques and expertise could be trained at a newly-equipped and well-programmed vocational high school. However, this idea could not be realized without addressing the two intrinsic constraints the Korean society faced at that time. The first was the mindset of the Korean people. Koreans placed priorities on human science and literature rather than on pragmatic

\(^{113}\) The Battelle Memorial Institute, *Report to the President Regarding the Feasibility of Establishing in Korea with United States an Institute for Industrial Technology and Applied Science*, August 1965
science and technology. The second was the absence of those qualified training institutes at home.114

1.3.4.4. The policy makers made breakthroughs by making use of external aid. They introduced a complete set of systems, facilities, and infrastructure which enabled the provision of superlative education and intensive training by way of receiving development assistance. Through fierce policy consultation with the Japanese Government on this matter, an agreement was made between both governments regarding the establishment of a model high school specialized in technical education and vocational training. All the equipment and facilities were provided by the Japanese side and imported teaching curricula and training manuals were developed apt to the contemporary needs and conditions.

1.3.4.5. For the reorientation and motivation of young people toward realistic pragmatism, Korea took initiatives to give extra-ordinary incentives for applicants to enroll in the school and finish the course. Tuition fees and lodging at the school dormitory were free and every cadet received allowances for daily necessities. The compulsory military service every man should join was waved in case he successfully completed the whole three-year schooling, and every graduate of the school got a guaranteed job at a prospective company or public enterprise.

1.3.4.6. The project proposal was made in 1970, and in 1971 an assistance agreement115 was signed between Japan and Korea. Under the agreement, training machines and equipment, as well as teaching aids and materials, were provided along with the consultancy of Japanese instructors for five years. The first batches of 360 cadets passed the entrance exam and entered the school in 1973 and were classed into 13 trades in five departments including machinery, electronics, welding, and metallics. Since the first crop of skilled technicians graduated in 1976, more than 10 thousand graduates poured into industrial companies and enterprises. Geom-o Technical High school located in the vicinity of an industrial complex named Gumi became Korea's model technical and vocational high school, and many schools flourished throughout the nation based on its foundation.

1.3.5. CASE 5: Korea Medical Center Project by Scandinavian Countries

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114 Oh Won Chul, Building the Korean-style Economy - Series 7(in Korean), the Research Institute of Korean Style Economic Policy, October 1999, p.252~265
115 Grant Agreement on the Support for Establishing Geom-o Poly-technique High School between the Government of the Republic of Korea and the Government of Japan, August 1971
1.3.5.1. Korea was one of the poorest countries in the world when the nation became independent from the colonial rule of the Japanese in 1945. The over-populous nation was further devastated by the Korean War of 1950-53, and throughout the 1950s famine relief and reconstruction were the immediate task of the nation. The UN and other friendly countries extended their helping hands in doing this task.

1.3.5.2. Beside the massive assistance from the United States and several UN agencies, three Scandinavian nations - Denmark, Norway and Sweden - took an initiative to help in the area of health and medical care. Living merely at subsistence level after the Korean War, medical service both in quantity and in quality could not have been much worse. Seeing this situation, the Scandinavians offered the Korean government the construction of a medical center and the provision of medical services for the Korean people.

1.3.5.3. Welcomed wholeheartedly by the Korean people, the Korea Medical Center Project was launched in 1956. Partnered with the United Nations Korea Reconstruction Agency (UNKRA), the UN coordinator of relief and reconstruction activities, the Scandinavian countries provided Korea with a turn-key base assistance program. On land in eastern Seoul, a complex of modern buildings was constructed and medical equipment and facilities were installed, medicines and medical supplies supplied and medical doctors, technicians, nurses, and administrators dispatched. The single most modern public hospital, the Korea National Medical Center opened in 1958. The key medical posts and staff were filled with Scandinavian doctors and experts. The operation and management of the Center was handled by the Scandinavian Mission. Korean medical staff, technicians, and doctors were sent to universities and medical institutes in Scandinavian nations for education and training. After their overseas education and training they joined the Center as Korean counterparts and worked with Scandinavian personnel.

1.3.5.4. For this project UNKRA provided US$2.4 million, and the three modern buildings of 34,095 square meters, housing 450 patient beds, were constructed and inaugurated by this fund. More than US$2.0 million worth of medical equipment and supplies were provided by the Scandinavian governments. For the five years under the patronage of the Scandinavian Mission, US$6.5 million was extended for the operation of the Center between 1958 and 1963. At the request of the Korean Government, the Center was operated and administered by the Scandinavian Mission for the next five years from 1964 to 1968 and the Scandinavian responsibilities regarding the operation of the Center transferred to the Korean authorities in September 1968.

1.3.5.5. The Center has been the real center of medical care and services for a long time and still functions as one of the nation's important institutes for medical research and practice.

1.3.6. CASE 6: Pohang Steel-mill Company (POSCO) Construction Project
1.3.6.1. Many foreigners who pay a visit to POSCO (Pohang Steel-mill Company) will find a very big banner posted on the entrance gate that reads “Resources are Limited, but Creativity is Unlimited.” Visitors who shake their heads at that catch-phrase when they pass the gate would probably nod and turn their heads back to see the banner again when they leave the company after the one-hour field trip at the site. The case of POSCO is more outstanding than any other development project both in the spectacular performance that the company has achieved and in the lessons learned over the course of its foundation and ever-growing innovative investments.

1.3.6.2. Most of all, the POSCO project is a symbol of successful accomplishment achieved after repeated failure. The very first dream-project of the new government which took office in the early 1960s wasn't a new one. Previously, a similar project was conceptualized and there was lots of talk and discussion on the matter. Every time, the project proposals were rejected and set aside due to economic feasibility, financial constraints, and technical and managerial difficulties.\(^{116}\)

1.3.6.3. Recognizing that the steel-mill project was one of the very basic investments for the nation's industrialization and modernization, the political leadership took a bold initiative to realize this project regardless of its cost. With a very strong leadership committed to this project, there were two very big hurdles to overcome. The first was finance and the second was technology.

1.3.6.4. The project required hundreds of millions of dollars. Experiencing chronic shortages of hard currency and a balance of payment deficit, it seemed impossible for the nation to mobilize the funds necessary for the construction of the steel plant. The political leadership made a breakthrough by taking a big risk of adjusting the agreed PAC appropriations between the governments of Japan and Korea. More than US$30 million allocated to the promotion of the agricultural sector was transferred for steel-mill construction. Owing to the arduous negotiations with the Japanese government, the Korean government got the large sum of credit both on concessional and commercial terms. More than US$130 million was borrowed from abroad; US$46.4 million from Japan's concessional loan scheme EOCF\(^{117}\), US$52.5 from the Japanese Export and Import Bank(Export Credit), and US$38.3 million from the suppliers of the plant facilities(supplier credit). Substantial portions of investment capital were filled with external provisions of various kinds of

\(^{116}\) The Korea International Steel Associates(KISA), a special consulting group in which several international investment companies were taking part, conducted a feasibility study on the construction of steel-mill facility in Korea in May 1967, but the result was negative. The 1968 IBRD report on Korea's economic review concluded that the construction of an integrated steel-mill in Korea was premature.

\(^{117}\) Overseas Economic Cooperation Fund
financial contributions. A relatively small sum of internal finance was invested in building infrastructure such as road, rail, seaport, water supply, and electricity.

1.3.7. CASE 7: Gyung-bu Highway Construction Project\textsuperscript{118}

1.3.7.1. Foreign observers often recall the can-do spirit of the Korean people. One by one they built factories and constructed highways, steel-mills, and petrochemical plants. They gained confidence through trial and error and learned how to run the businesses on their own. Among the numerous projects initiated by the political leadership, the Gyung-bu Highway Construction Project (1968-1970) was probably the first and the most symbolic case of success in terms of securing the country's ownership of national development as well as enabling the Korean people's capability and potential for socio-economic advancement.

1.3.7.2. The planners of the project anticipated a substantial contribution from foreign capital sources. However, international development agencies such as IDA (International Development Associations) and IBRD (International Bank for Reconstruction and Development) rejected Korea's proposal for financial support for this project. Other donors were more skeptical because the project lacked economic profitability and the uncertain financial feasibility.\textsuperscript{119}

1.3.7.3. Frustrated by the unfavorable response of the international community, the Korean government made a bold decision to launch the mega-project on its own. At 33.0 billion Korean Won or one-tenth of the national budget, the project was a highly risky endeavor both in economic and financial feasibility. Rejected by donors, the government worked hard to mobilize internal sources of income. Around 90\% of the project cost, which increased to Korean Won43.0 billion was channeled from domestic financial sources including the national budget and funds raised by the sale of commodities provided by the PL480 aid scheme of the United States. Only 10\% of the costs were supported by foreign sources, of which most was for technical consultancy and construction equipment. The main source of foreign components was from a concessional loan from Japan which the Korean government had the right to withdraw from in return for the normalization of diplomatic relations in the mid-1960s.

1.3.7.4. For the successful implementation of the national project, the government organized an ad hoc committee presided over by the president and placed priority on the project.

\textsuperscript{118} Considering the government capacity at that time, it was a super project for developing the central corridor of the Korean peninsula by connecting the capital city Seoul in the north and the second largest port city Busan in the south.

Very often the president of the nation appeared at the construction sites of the project and encouraged technicians and engineers to work harder to make the grand project a success.

1.3.7.5. Owing to the strenuous efforts and dedication of the Korean people, the project on the national agenda was completed in 1970 one and a half year in advance of the construction plan scheduled at the outset in 1968. The average cost of construction was Korean Won100 million or worth of US$300 thousands for every one kilometer of the four-lane 428-kilometer highway. The project connected the capital through the heartland of the nation with the 2nd largest southern port city of Busan. The highway became the symbol and the backbone of the nation's industrialization and modernization.

1.4. Lessons Learned and Their Implications

1.4.1. A Summary

1.4.1.1. Development assistance and cooperation forwarded to Korea continued during the whole period of its development and advancement. Not a single assistance program was reported as seriously disappointing or failed. None of the development projects financed by loan assistance were rescheduled or subject to debt relief negotiations.

1.4.1.2. Assistance programs and projects offered to Korea have been remarkably successful because both the recipient and the donors pursued desirable policies and programs marked by accountability, ownership and mutual participation. The example and experience of Korea as an aid recipient provides many lessons and implications to countries currently on the path to development.

1.4.1.3. Though all of the assistance programs employed in Korea pursued the common goal of development, they were initiated for complicated and strategic reasons. Outcomes were positive when such mutual interests were smoothly coordinated and addressed in a cooperative manner. Distinctive features of the assistance programs to Korea, particularly during the Development Decades, are that of future-oriented leadership, sound policy, good governance, strong commitments, strategic initiatives, and a high level of participation by the receiving nation. Soft elements like manpower, technology, efficient systems and institution building were also critical instruments for the success of international development assistance and cooperation.

1.4.2. The Importance of Visionary Initiatives with a Longer Perspective

1.4.2.1. For many years after the Korean War most of the programs for reconstruction and economic rehabilitation were implemented under the auspices and patronage of international organizations and the powerful donor agencies. Famine relief and social stability were the prime concerns of the nation's authority. Overwhelmed by plenty of
liberty and talking without action, the vision of the nation drifted and the consensus on the nation's future could not be reached.

1.4.2.2. The new leadership established in early 1960s, after the socio-political chaos and economic turmoil of repeated government failures, made initiatives to move toward a totally different direction for its policies and strategies. A lofty vision of national development - industrialization and modernization - was projected. Economic policies regarding the market economy and based on free trade and investment were introduced. An outward-looking development strategy which valued openness and comparative advantage was adopted instead of inward-looking approaches on which the nation relied for a long time. The leadership, which was firmly committed to the cause of the nation's development, marshaled limited resources for investment to the strategically chosen priority projects and programs to force growth. Creativities of the people and the spirit of the entrepreneurs were encouraged by emphasizing education and human resources development (HRD).

1.4.2.3. Having no other options than development assistance from the international community, consecutive actions to induce resources and technology from abroad were taken by the nation's leaders rather aggressively. International donors and development agencies were persuaded by the incredible but visionary and ambitious development plan which reflected insight, strategic consideration, local ownership and accountability of the recipient in a longer-term perspective. All the cases of development assistance shown previously were prepared and implemented through clear vision and long-term perspective.

1.4.2.4. Most of all, experience shows, that wise and strong leadership constitutes the very basis of good governance.

1.4.3. Policy View - Policy Dialogue, Preferences and Concentration

1.4.3.1. Donor initiatives led to the launching of development assistance programs in the early years of the nation's independence and during the reconstruction period in the 1950s. However, programs offered and funds donated were pooled and coordinated under the unified umbrella of aid implementation headed by the United Nations. At the end of the War, UNKRA (United Nations Korea Reconstruction Agency) conducted a comprehensive study on the war damage and economic conditions of Korea and prepared the relief and reconstruction program. In 1954, one year after the armistice, a Combined Economic Board was formed by way of an agreement signed between the Unified Command of the United Nations and the Government of the Republic of Korea.

1.4.3.2. Through the Decades of Development, policy dialogues and aid consultations were made by the Korean Government. Except for population, Korea needed everything from the international community; capital, technology and managerial skills as well as
significant portions of food, energy and daily necessities. The government knew that the scant altruism based on humanitarian considerations could not meet the huge demand for development investment in the future. Special missions included the head of the nation knocking on the doors of every donor and international development agency to request the required assistance for the realization of the ambitious plan for national development.

1.4.3.3. Persuaded by the Korean lead, the IBRD (International Bank for Reconstruction and Development) organized an ad hoc consultative group meeting for Korea, the IECOK, and the International Economic Consultative Organization for Korea in 1966. Since the first IECOK meeting was convened in London, the meetings in which the major donors and international development agencies took part were held annually or biannually. At the meetings the development plans and strategies were presented by the Korean government and policy advice and recommendations were given by the donors. Based on the deepened understanding and confirmed priority of the investment projects, bilateral and multilateral programs for development assistance were pledged and coordinated.

1.4.3.4. In response to donor contributions, Korea took responsibility for mobilizing internal resources. In order to maximize the utilization of scarce funds for investment Korea selected priority programs and projects which reflected the nation's strength and comparative advantages.

1.4.4. Technical View - Importance of Soft Elements such as Human Capital, Technology, Policies and Systems

1.4.4.1. It has been increasingly recognized that human resources play an important role. The World Bank (1993, 1994) sees it as the single most important contributor to growth. Of all endowments, human capital surely does the most to fuel long-term economic growth and sustainable development.

1.4.4.2. Among the various research studies on Korea's remarkable economic development many point out the importance of human factors which propelled the rate of economic growth and explained correlations between human resources and sustained development. A research paper by the UNDP disclosed that the human capital was more critical to sustaining high economic growth than many economists had previously conceived.\(^\text{120}\)

1.4.4.3. Starting with high levels of literacy and educational provision, Korea was apt to absorb the techniques and technology of the developed economies. In addition, it was possible for the nation to accelerate the formation of human capital by adopting outward-looking development strategies and pursuing equitable income policies which in turn

enabled expanded investment in education and human resources development and thereby contributed to high economic performance.

1.4.4.4. Experience shows that assistance projects with higher portions of soft components including human and technological factors were highly successful. Most of the projects conducted under the patronage of the UNDP contained soft elements more than hard ones such as equipment, facilities and materials. Emphasis was placed on the provision of consultancy, education and training, system development, and institution building.

1.4.5. Socio-cultural View - Social Behavior and Cultural Values in Development

1.4.5.1. The inward looking traditions of Korea’s forefathers gave way to a highly open and progressive way of thinking due to the consistent adherence to an outward looking strategy for socio-economic development. The tight authoritarian cultural atmosphere based on Confucian tradition has diminished greatly. Political freedom has expanded to its full extent, while western values have prevailed over traditional ones.

1.4.5.2. The rapid industrialization and massive development of the nation caused the opening of Korea’s indigenous society to the outside world. The flow of foreign capital and technology were the conduit and ignition for the drastic transformation of social behavior and cultural values. The projects of development assistance themselves were the real transformer of the static and closed Korean society.

1.4.5.3. Counting socio-cultural aspects into the development assistance process is an issue of controversy. Until very recently, debates on socio-cultural factors in development assistance seemed taboo. However, recently some rigorous discussions on this issue are under way and are being studied with fresh perspective. The conclusions being made are that the social behavior of the people matters and the cultural values of the recipient count in the performance of development activities.

1.4.5.4. A group of economists who gathered to discuss the subject of social behavior and cultural values in development analyzed what cultures valued more than anything. They looked at the cases of Ghana and Korea, as both were at similar stages of development in the 1960s. Yet, after decades of development work, each country looked very much different from each other regarding performance. The Korean people who valued thrift, investment, hard work, education, organization, and discipline produced extra-ordinary performance in contrast with the case of Ghana, who valued them not so much.121

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121 Lawrence E. Harrison & Samuel P. Huntington, Culture Matters: How Values Shape Human Progress, Basic Books, 2002
1.4.5.5. A micro analysis on some development assistance projects shows us that social and cultural factors in the base of a society are either powerful enough to leave footprints of culture or resistant enough to deny those footprints.

1.4.5.6. Forty years after the transfer of the Korea Medical Center from the Scandinavian Commission to the Korean government was made, we could not find any foreign remnants of assistance on the site. Renovated buildings and newly installed medical facilities no longer remind us of the work of foreigners made many years ago. However, in one corner of the hospital compound there is still a restaurant offering northern European style food in operation; the first buffet restaurant in Korea. Though not a core element of the project, a supplementary component survived and presents the distinctive cultural features to us even long after the name of the Center changed.

1.4.5.7. In contrast, the case regarding the introduction of the German Meister System teaches us that even if the system or the institution was ideal and desirable, the strong opposition and resistance which could not be tolerant because of its prevailing social values or behaviors hindered the full adoption of the excellent system of technical education and vocational training. The deep-rooted propensity for preference to literary arts and values over pragmatic reality and usefulness didn't allow a smooth application of the Meister System.

1.4.6. Institutional View - Authoritarian Governance and Centralized Administration

1.4.6.1. One of the most conspicuous features of Korea's development paradigm is the system of governance and administration. Even with the visionary and articulate development plans and strategies led by the powerful leadership, it could not have succeeded without the creative and strong stewardship. Every project and program for development assistance was implemented under the unified command and streamlined system of a centralized administration. All the external contributions were marshaled and incorporated into the national investment pool and were subject to redistribution according to strictly assessed priorities.

1.4.6.2. Korea was fortunate in at least two ways. Firstly, the strong and wise leadership by which a sound economic policy which stressed basic economic principles reflected Korea's socio-economic conditions and took advantage of its comparative excellence and strength, and set up consecutive development plans successfully due to social stability. The adoption of an outward-looking development strategy emphasizing trade and investment based upon market mechanisms and free trade enabled the heavily agrarian economy to overcome industrial infancy in a considerably short period of time. The renewed vision and decisive initiatives made it possible for the nation to take off toward a more advanced stage of economic power. Secondly, the authoritative and centralized system of governance and public administration executed ambitious strategic plans. A strict authoritarian hierarchy
borne from a dynastic regime and colonial rule could be more efficient and effective in extending centrally planned policies and programs.

1.4.6.3. No one can predict the results or outcome if the same strong leadership had chosen the other strategy of inward-looking import substitution and accelerated decentralization which would have allowed for greater autonomy of the local government.

1.4.7. North Korea vs. South Korea - Beyond Their Rivalry and Confrontation

1.4.7.1. Koreans are one ethnic family who speak one language. Koreans are among the purest ethnic strains in the world. Before being divided at the end of World War II, for more than one thousand years, both North and South Korea were under the reigns of the same rulers, shared the same customs, and cultivated the same culture.

1.4.7.2. After the separation of the peninsula, the two entities became more divided than any other nation in the world. Everything from the political ideologies, economic system to social values and culture became extremely different. It is indeed unbelievable that such dramatic divergence and discontinuity could occur in such a short period of time. Beyond the power rivalry and ideological confrontation, the alienation seems unbridgeable nowadays.

1.4.7.3. Apart from their extremely different political ideologies, their different approaches to international development cooperation explain, in part, the reason why such a contrasting gap and formidable disparity occurred between the two entities.

1.4.7.4. South Korea made full use of international development assistance in an open and outward-looking manner and made remarkable and dynamic progress in its socio-economic development. North Korea, also eager to receive foreign aid closed her door to the world and looked inward; containing itself into the small domestic arena. The results are the backwardness and sluggishness which, even to this day, remains. The foreign assistance the North and South received was received due to the competitive delivery of aid by both the Cold War superpowers. The experiences of both North and South Korea clearly indicates that development assistance can only be effective and fruitful when it is used to pursue sound economic policy and for development strategies based on market mechanisms and out-ward looking openness.

1.5. Development Issues Reviewed from the Korean Experience

1.5.1. Development Strategy - Outward vs. Inward, Even vs. Un-even

1.5.1.1. Without growth there can be no redistribution. Without equity there can be no sustained growth and development. Growth and equity should be placed on a higher
echelon of development strategies. The point is how growth and equity can be achieved more effectively with a longer perspective and by which development theories and strategies: outward-looking vs. inward-looking or even vs. un-even growth approaches.

1.5.1.2. Korea’s experience shows a very plain and peculiar case of extra-ordinary performance and sustained growth. This was achieved through the adoption of outward-looking development and un-even growth strategies. With scarce natural resources and abundant labor, Korea had no other option than to break through the grim socio-economic conditions of extreme poverty and social deprivation.

1.5.1.3. During every stage of its development, Korea kept an eye on the advantages and opportunities of outward-looking perspectives and insights. The repeated trials of the nation for upgrading its industrial base and sophisticating its structures from one to another were made by concentrating on key sectors in industry and strategic projects and programs.

1.5.1.4. From labor intensive and cheap garments and footwear to technology intensive electronics, automobiles, and semiconductors, from light processing and assembly to heavy industries such as petrochemical, machinery, and shipbuilding, the core industries targeted sectors which had preferred resource allocation and private investment. For the promotion of strategic industries, the government provided entrepreneurs and investors with various kinds of preferred treatment and incentives in budget, fiscal and tax policy as well as in construction of infrastructure. The high growth in these strategic sectors generated the overall expansion of the economy in the long run. The leading edge of the key sectors inspired the remaining segments of the economy.

1.5.1.5. Always, in the course of the nation’s development, international assistance played a critical role in filling the capital and technology gap. Without the outside world and the favorable support of the international community, even the wise and decisive Korean strategy for national development could not have succeeded. International development cooperation was one of the two pillars of outward-looking development and un-even growth strategy.

1.5.1.6. It is ironic that development cooperation in the later decades took place in the area of regional development and structural adjustment. Most of the public loans of the 1980s and 1990s were multi-sector or structural adjustment loans provided to straighten the disparity and the development gap caused by the industries that sprung from the un-even growth strategy of the 1960s and 1970s.

1.5.2. Late-Comer's Advantages and Penalties

1.5.2.1. Development was once considered as granted and national independence was attained and sovereignty secured. It was also thought that there were advantages to being a
latecomer to economic development since late developers could learn from the mistakes of early starters and adopt the latest technology and skills. Evidence does not prove this for the time being and unfortunately, we have witnessed common mistakes made by the political leadership in the developing world. Impatience has often led to bad government and bad policies which have resulted in haste, waste, and corruption. The gap between rich and poor nations is now so large that it seems almost unbridgeable. The sharp divergence in growth rates within the developing world itself is notably conspicuous.

1.5.2.2. Past experience shows that development was not achieved by any revolutionary change but by the slow accretion of income over a lengthy period of time. Development needs investment in people and infrastructure which are conducive to sustainable growth with equity in a longer-term perspective. Political leadership that provides sound economic policy and social stability are crucial to motivate development and mobilize national resources toward socio-economic development.

1.5.2.3. Globalization and information technology will surely create the opportunity to share capital, technology, and knowledge. Remarkable advances in technology and information open up new possibilities for a realistic path to economic growth and development with a refreshed vision in the new global context of interdependency and reciprocity. This could help developing countries take advantage of the global-knowledge-based society. On the other hand, the intensified competition and the diverging disparity in knowledge and information technology may widen further the development gap between rich and poor nations, creating a new dividing line between the "knows" and "don’t knows"; the "digital divide".

1.5.3. Foreign Capital, Debt and Dependency

1.5.3.1 There were at least two crises of confidence in debt repayment in Korea. During the decades of development, the chronic shortages of capital were usual and there was ever-increasing demand for foreign capital in spite of the risk of local currency devaluation. During these years, most foreign capital flowed through channels of international development assistance and cooperation.

1.5.3.2. Due to massive investments made in the public sector and the strategic sectors of industry, the volume of foreign debt soared at an unprecedented rate. The oil shock of the late 1970s widened the trade deficit and made worse the situation of balance of payment. When the economy experienced a serious setback in the early 1980s a grave concern regarding foreign debt became the popular and serious subject of national debate. In the mid-1980s the debt service ratio (DSR) reached above 15% before liability curved to a manageable level.
1.5.3.3. The second crisis of debt came when the financial crisis hit Korea in the late 1990s and was different from the previous crisis of liability. Excessive investment in the private sector through massive foreign borrowing brought about the crisis of financial credibility. DSR soared to 25% in 1999 nearly bankrupting Korea. Once again the international community assisted Korea and helped it undertake a heavy structural reform and adjustment program along with severe austerity measures both in the public and private sectors.

1.5.3.4. It was fortunate that Korea overcame those adversities and once again began moving toward becoming a highly advanced economy. The road taken by Korea was neither smooth nor uniform, but it was dynamic enough to say that the risks taken paid a higher return than doing things ‘as usual’. As Korea moved toward becoming a net creditor, the debate regarding the dependency theory of under-development and subordination with deep-rooted Marxist traditions, could terminate.

1.5.4. The Role of the Government in National Development

1.5.4.1. One of the prominent features of Korea’s development is that the drama was led by the government. Regardless of political leadership, the government also includes governance which in turn includes consistency and coherence in policy, clarity of the strategy, sustenance of social stability, rule of law, institution building and capacity development, and corruption control.

1.5.4.2. During the early stages of Korea’s economic growth, the government was the sole candidate for negotiation and borrowing. Only the government could become the channel of capital and technological inflow. Only the state could mobilize substantial sums of investment and supply dependable amounts of human resources.

1.5.4.3. Korean entrepreneurs who had the energy and spirit to exploit new opportunities could not have played the crucial role in constructing the economy without the strong intervention of the government. Numerous incentives for the introduction of foreign capital and technologies were given to any competent businessman and some of the international investment projects were guaranteed by the government. This strategy was unprecedented.

1.5.4.4. The overly excessive interventions of the government made errors which resulted in negative side-effects which caused a distorting of market mechanisms and the industrial structure. Chaebeols, Korean conglomerates or giant groups of private businesses, might be the natural outcome of the strong interventions of government, but debates on chaebeols cannot be easily quelled. Whether the chaebeols played the ever-crucial role of industrial development at home and abroad should be understood from the standpoint that it was the strategic concentration for the advantage of the economy-at-large, or was the byproduct of a strong relationship between politics and business.
1.5.4.5. Nevertheless, the Korean government was not so adamant that it controlled everything all the time. Over the decades, the government gave way to liberalization and decentralization step by step. The target-oriented five year development plans were replaced by indicative plans to project the nation’s vision. Active measures and initiatives for internationalization and government reform were made from time to time. The age of government dominance has since gone.

1.5.5. Economic Development and Poverty Reduction

1.5.5.1 There is a general consensus that poverty alleviation should be the prime target for national development and the development efforts of the international community must be ushered into combating wide-spread global poverty. Reconfirming the resolution of the World Summit on Social Development in Copenhagen in 1995 and the collective initiative for the 21st century taken by the OECD member nations in 1996, the leaders of the world and the heads of the governments gathered at the Millennium Summit in 2000, engineered the global agenda of the New Millennium for international development and set forth MDGs, the Millennium Development Goals in which poverty reduction should be the paramount objective to be obtained within the early years of the 21st century. And added efforts for reducing poverty are being made more than ever both by developing and developed countries.

1.5.5.2 More than four-fifths of the people of the world live in developing countries. Although the overall standard of living in the Third World has improved by more than fifty percent in the past three decades, a large portion of the people are in abject poverty and unfortunately the number of the poor are not lessened as we have expected. With a few exceptions in several high-performing developing economies, the development efforts of many nations for the last half a century are disappointed and disheartening as well. In spite of an encouraging signs in the betterment of the people in absolute poverty, the gap between rich and poor nations has widened, not lessened. The sharp divergence in growth rates within the Third word itself is notably conspicuous.

1.5.5.3. In this grave situation it is surely natural that the issue of poverty comes first on the lists of global agenda to be addressed. Considering that the concept of poverty is not only understood as the standard of living in income and basic needs perspective but also means the capacity development of the people in securing for human dignity and security, it is thought that a greater emphasis of both the nations and the international community should be placed on addressing the poverty issue.

1.5.5.4. However, the point of the problem is how we can cut the poverty at least eliminate the absolute poverty to which nearly one billion people of the world are subject. For the time being the targets of MDGs are clear and intuitive, but concrete ideas and strategies for
actions are not elaborated in a realistic vision. In a point of view, the unanimous voice of the international community clamoring poverty reduction seems void of its contents and realities claiming for sustained growth and development in a longer perspective. In other words, poverty alleviation might be urgent and desirable in the short run, but it could not give the impetus for generating growth and development at the same time.

1.5.5. Korea's development experience shows that not just combating poverty in itself, but educating people and growing the economy of the country is the realistic way and means of getting out of the poverty. By seedling industries, producing goods and services, and exporting manufactured products, the nation could be able to generate income for better living and to increase investment for the future. Not by redistribution for equity, but by re-investment in education and training, human resources development the nation could able to accelerate the speed of the growth and to make the pie a bigger one before it was divided into pieces for poverty reduction and redistribution.

1.5.6. Development Assistance and Trade

1.5.6.1. Trade and foreign investment and development assistance plays their distinctive roles in economic development while the former complements the latter and the latter assists the former. The emphasis was shifted from development assistance to trade and foreign investment. It is clear that the relationship between development assistance and trade is much complementary rather than substitutive.

1.5.6.2. The international efforts for development began through development assistance earlier decade of international development in 1960s. A pattern of assistance from the North to the South was established and rigorous flows of foreign assistance took place through both numerous bilateral and multilateral agencies and institutions. DAG, Development Assistance Group of OECD (Organization of Economic Cooperation and Development), was reorganized in 1961 as DAC (Development Assistance Committee) and various initiatives for promoting development assistance were taken by and among donors and recipient countries.

1.5.6.3. However, a brilliant group of international economists conceptualized a new paradigm of international cooperation for accelerated development of the Third World. Under the patronage of the United Nations Raul Prebisch, an Argentine economist, disclosed a report on international development titled 'Toward a New Trade Policy for Development' and asserted the importance of trade in generating growth and development. 'Partners in Development' prepared by the World Bank Commission on International Development led by Pearson proposed the consistent promotion of world trade as the prime tool for international development. These trend gave birth an international forum for grand discussions and collective measures to promote international trade and development, UNCTAD (United Nations Conference on Trade and
Development. The Resolution on a Generalized System of Preferences, so-called GSP, was adopted at the second gathering of UNCTAD and the first and most memorable scheme of development support through trade for developing countries began to be realized.

1.5.6.4. For the Korean case of international development, it is useless for us to debate on what's more important or more helpful in assisting Korea's economic development. Both trade and development assistance was necessary and crucial for pursuing the outward-looking development strategy which put strong emphasis on trade and industrialization. However, if we put them in order, the first might be development assistance and the next could be trade in the chronological view. In the initial stage of development the provision of development assistance was critical in filling the trade gap as well as filling the savings gap. In the early years of nation's foundation and reconstruction nearly half of the government budget was financed by foreign aid. In 1961 48.4% of the government revenue sources were development assistance. During the years of 1953-1961 73.5% of the nation's importation was made by foreign assistance. Based on the development assistance extended during the earlier decades of development the nation could expand the industrial base for international trade and development. And as the Korea's economy grew, the nation put much stronger emphasis on trade promotion, liberalization and opening of the market.

1.5.7. Security Burden and Economic Development

1.5.7.1. The concept of total security burden rarely mentioned in political science seems not familiar to us. Total security burden signifies the total expenditure of defense spending and official development assistance. It is recognized that total security of the free democratic western society is defended by the defense against the communist block and through the development assistance to allied developing countries.

1.5.7.2. In that sense, Korea, a heavy recipient of development assistance from the international community, was and still is a great contributor for international total security. Korea, a net beneficiary of development aid for nearly four decades, shared the burden of international total security by spending a substantial portion of the nation's annual budget reaching 6% of its Gross National Products (GNP) in its highest contributions up to early 1980s. By 2000 the ratio of defense spending, the share of defense spending in Gross National Products was more than 3%.

Table 14: Korea's Total Security Burden

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<tbody>
<tr>
<td>GNP(A)</td>
<td>2,227</td>
<td>36,750</td>
<td>178,262</td>
<td>521,959</td>
</tr>
<tr>
<td>Defense Spending(B)</td>
<td>102</td>
<td>2,308</td>
<td>6,856</td>
<td>15,479</td>
</tr>
<tr>
<td>Net ODA(C)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>249</td>
</tr>
</tbody>
</table>

(Unit : Korean Won in billion)
1.5.7.3. One interesting point to be noted is that a great portion of Korea’s defense spending in the earlier period of development decades had been supplemented by the foreign assistance. Funds raised by the sales of commodities extended by the aid scheme of the United States had been appropriated for the military expenses. The so-called ’Counterpart Fund’ funded by the foreign aid once overwhelmed the total volume of the nation's budget. Nearly half of Korea's defense spending in those years was supported by the Fund.

Table 15: Counterpart Fund and Korea's Defense Spending
(Unit: Korean Won in billion)

<table>
<thead>
<tr>
<th>Classification</th>
<th>1958</th>
<th>1959</th>
<th>1960</th>
<th>1961</th>
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<tbody>
<tr>
<td>National Budget(A)</td>
<td>28.7</td>
<td>30.8</td>
<td>36.6</td>
<td>61.4</td>
</tr>
<tr>
<td>Counterpart Fund(B)</td>
<td>31.9</td>
<td>28.0</td>
<td>26.6</td>
<td>29.7</td>
</tr>
<tr>
<td>(B/A,%)</td>
<td>(111.1)</td>
<td>(90.9)</td>
<td>72.7</td>
<td>(48.4)</td>
</tr>
<tr>
<td>Defense Spending(a)</td>
<td>12.4</td>
<td>14.2</td>
<td>14.9</td>
<td>16.8</td>
</tr>
<tr>
<td>Support from the Fund(b)</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
<td>7.9</td>
</tr>
<tr>
<td>(b/a,%)</td>
<td>(42.7)</td>
<td>(37.3)</td>
<td>35.6</td>
<td>(47.0)</td>
</tr>
</tbody>
</table>

1.6. Conclusion: Korea’s Experience - A Unique and Valuable Sources of Knowledge and Know-how in National Development and International Cooperation

1.6.1. Owing to rapid growth and sustained development, Korea pulled itself out of extreme poverty and worked hard to move into the group of advanced nations. Korea’s development process and performance are dynamic and almost dramatic. While Korea’s development experienced both good and bad, success and failure, it could be highly useful for nations to move on a similar path. Korea’s firsthand experiences and past performance could make the repository of development learning more rich and abundant.

1.6.2. The case of Korea shows us that development is possible and that international development cooperation inspires us to contribute a great deal to the realization of a country’s aspirations for sustainable growth. It should also be noted that the process of Korea’s economic development was probably on track with Korea’s economic integration and commitment to the world market and international community.

1.6.3. Korea's success story carries great significance in the context of global economic development. Rapid growth through export oriented industrialization proved superior to the communist socialism. In this context, the outcome of development assistance and
cooperation to Korea is viewed as a legitimate success achieved jointly by the international community and Koreans themselves.

1.6.4. The legacy Korea created in the field of international development over the past few decades should not be underestimated. Korea is still a small country in that it cannot affect the outcome of major world events; nevertheless, it is not small enough to afford the luxury of irresponsibility. Korea, a long time beneficiary of international development assistance, is expected to participate actively to cooperate with international development in addressing the global development agenda.

2. Korea’s Experience and Tanzania’s National Development Strategy: A Comparative Observation

2.1. Tanzania and Korea’s Development Experiences

2.1.1. Tanzania is one of the fastest growing economies in the African continent. Since 2000, Tanzania’s real GDP has grown at an annual rate of more than 6 percent. In recent years the growth of manufacturing sector has been encouraging. For the last several years, the consecutive growth rate of the sector has exceeded 8 percent annually. The level of poverty has steadily decreased during this time. The United Republic of Tanzania has undergone a smooth transition to a market oriented economy and achieved substantial progress in economic reform and liberalization.

2.1.2. Sustained political and macro-economic stability for more than a decade has made it possible to launch further aggressive policies and programs for accelerated economic growth and industrial development. The Tanzanian Development Vision 2025 provides the nation with a framework for national development in a longer-term perspective. The National Strategy for Growth and Reduction of Poverty (MKUKUTA 2006~2010) clearly outlines the mid-term development agenda for economic growth and social advancement targeting the attainment of MDGs.

2.1.3. However, the Tanzanian economy is still heavily dependent on agriculture. Around one fourth of the national product and three fourth of employment are generated from the agricultural sector. It means that the Tanzanian economy is vulnerable to external shocks and natural disasters. A scant base in manufacturing, weak institutions and the lack of human and technological capacity are the main challenges to be overcome for achievement of sustainable growth and industrial diversification.
2.1.4. Fortunately, Tanzania is gaining impetus and a good reputation for boosting domestic investment in the private sector as well as for attracting a considerable amount of foreign capital.\textsuperscript{122} Considering that the volume of external aid consists of more than one third of the national budget, equivalent to approximately one tenth of GDP, it is crucial for the Tanzanian government to make full use of the external resources in a most effective and efficient way with clear strategic objectives.

2.1.5. Many people believe that Korea’s first-hand experience in development and international cooperation would help assist follower developing countries. Although Korea’s development assistance is modest compared to development assistance from such huge donors as the US and Japan, Korea’s development cooperation is unique due to Korea’ own recent development experience. Korea’s development cooperation is fresh and viable, diverse and dynamic. Korea’s past performance and current achievement, both successes and failures could become the very components of her development cooperation programs for Tanzania.

2.1.6. It is with such background that Korea’s experience in utilizing its foreign capital and expertise at respective development stages for successful development could immensely benefit Tanzania. Korea’s experience could be instrumental in guiding Tanzania’s designing and implementation of the aid-related projects and programs as well as the formulation of the development policy and strategy.

2.2. Korea and Tanzania: A General Overview

2.2.1. The Socio-cultural Background and Endowments

2.2.1.1. The mission of my assignment in PO-PSM in Tanzania is to learn about the socio-economic endowments and features of the country as well as the people and the cultural and historical background of the nation and to produce some tips of advice, a kind of consultation for the accelerated development of the United Republic of Tanzania, on economic advancement and social progress of the nation in view to the development experiences of the Republic of Korea which considered as unique in its policies and strategies and are inspiring some other developing countries in their endeavors for socio-economic development.

2.2.1.2. Therefore, the most of the findings and opinions I made are regarded as derived from a viewpoint of my own Korean standard. In this context, they are all astonishingly interesting and highly motivational in conducting my job by any standard. Particularly, the

\textsuperscript{122} The surging of the FDI in Tanzania increased from US$ 522 attracted in 2006 to US$ 600 million attained in 2007, according to the 2008 World Investment Report. Tanzania has ranked number 12 among the major FDI receiver African countries. (The Guardian, September 25, 2008)
differences and dissimilarities between the two countries, Tanzania and Korea, are striking. The land size of Tanzania is roughly five times bigger than that of the Korean Peninsula, South and North Korea combined. Around 40 million people live in Tanzania, while approximately 80 million people live in much smaller land of the Korean Peninsula. The population of Korea is now reaching around 80 million, 50 million in South Korea and 30 million less in North Korea.

2.2.1.3. While Korea is divided into two parts of different ideological and political entities, Tanzania boasts her national sovereignty as a unified nation since the two countries, Tanganyika and Zanzibar, became a united republic in 1964. One of the outstanding contrasts is that Korea is comprised of one sole ethnic family speaking one same language, while Tanzania is a highly multi-racial society comprised of more than 120 tribes speaking a number of indigenous local languages apart from the two official languages, Kiswahili and English.

2.2.1.4. Unlike the continental and temperate climate of the Korean Peninsula, the most part of Tanzania boasts her tropical or semi-tropical climate almost of the year around which enables farmers to engage in agricultural activities throughout the whole year. Two or three crops are common in Tanzania, but in Korea only crop is possible in a year.

2.2.1.5. More than a third of the Tanzania’s land is arable if properly developed and it means that the size of arable land in Tanzania is more than ten times of that in Korea. Tanzania is almost self-sufficient in food grains and has an immense potential for further agricultural production in large extent, while South Korea imports more than three fourth of the grains consumed for staple food and livestock feed grains. In my eyes, it is amazing that only the very small part of the probably arable land is under cultivation for farming. Even the farm land under utilization seemed not to be ploughed and managed properly. The farming techniques seemed very primitive and the rampant weeds were scarcely controlled in most of the farming plots. From a country where the supply of the arable land is the single most important constraint of agricultural production, I easily felt an envy of the extravagance of the land which was not under utilization.

2.2.1.6. In addition to the substantial base of agriculture with relatively low population density, Tanzania boast the bounty of natural resources, the varieties of energies and minerals, that Korea is lacking. Even the South Korea’s small base of industry and natural resources was greatly contracted when the nation was divided by the two political and ideological rivalry between North and South in 1948 just three years after the nation’s independence.

2.2.1.7. The mindset of the people also seems make a great difference between the two countries. Though very few words of Kiswahili have I become familiar with, I’d love to speak Kiswahili. Unlike Korean language some of which are somewhat difficult to
pronounce even for Korea themselves, Kiswahili has some kind of euphony when they are spoken. The most frequently used word in Kiswahili speaking society seems ‘Karibu’ which has also a pleasant rhythm of euphoria. Karibu means both ‘Welcome’ and ‘You’re welcome’. And this single Kiswahili stands for the hospitality, generosity, and openness of the people speak it. When someone knocks on the door, Koreans mostly respond by saying ‘Who is it?’ There is some reluctance in accepting their visitors. But in Tanzania, whoever knocks on the door or says ‘Hodi hodi?’, they welcome their visitors with ‘Karibu!’. They are incredibly generous and tolerant. The character they always say Karibu is one of the most distinctive and valuable in the Tanzanian society.

2.2.1.8. An old saying in Tanzania manifests an astounding divergence in Tanzanian’s mentality from that of the Korean people. “Haraka haraka, haina baraka” in Kiswahili versus “ppali ppali” in Korean. Ppali ppali means “quick quick”. Korean people usually have a propensity of getting quick in temper. I seldom witnessed the scene of quarrel each other or someone getting in temper since I have been in Tanzania. Not a single unpleasant shout have I heard for the last two months in Tanzania. However, for Tanzanians an inclination for procrastination in their daily living as well as in doing business seems to be a rather routine phenomenon.

2.2.1.9. And one of the most striking differences between the two contemporary societies is the stages of their economic development and modernization. South Korea, once a heavily agrarian society dependent upon subsistent farming with extremely low income, transformed itself into one of the highly industrialized resources much less than those of Tanzania, South Korea made a remarkable progress reaching on the threshold of an advanced nation. Led by the government with visionary leadership committed to the modernization and industrialization, the nation could be able to overcome the stark lack of financial resources, the low level of skills and technology, the absence of social overhead capitals, and most of all, the weakness of economic, social and political governance.

2.2.2. Context of National Development

2.2.2.1. In spite of the contrasting dissimilarities which make different one another, the two nations seemed to shares many things in common when they started the earlier efforts for national foundation and socio-economic development in the 1960s. After independence in 1945 upon the end of the 2nd World War, the Korean Peninsula was divided into two parts and subsequently the two nations, the Republic of Korea in the south and the Democratic People’s Republic of Korea in the north, were founded in 1948. Not much later in 1950, the Korean War broke out and a truce was made in 1953 by which technically the peninsula is in a war up to now. The war devastated most of the industries and socio-economic infrastructure, and for the next several years both of them were relied on the assistance for emergency relief and rehabilitation by the international community. Stricken by abject poverty and social upheaval, outsiders observed the prospects of the Korean economy as utterly gloomy
nations were much differed in their endowed natural resources, cultural and social background, the socio-economic conditions of them were more than similar one another in terms of the level of national modernization and industrial development. Even the geopolitical situation was similar in the sense that both were under colonial rule previously and thereafter they were subjected to the bipolarized international politics of post-world war era.

2.2.2.2. As late as 1961, economic conditions in Korea were similar to those of any resource-poor, low-income developing country today. Korea, already over-populated, was experiencing an annual population growth of nearly 3 per cent, and there was wide-spread unemployment and underemployment. Per capita GNP in 1961 was a meager US$82, and the level of domestic savings was almost negligible. The nation had no significant exports and had run chronic balance of payments deficits ever since its independence in 1948. In 1961 the country’s total exports amounted to US$43 million, or less than a quarter of its imports. In addition, the country had not yet met the most critical requirement for development. Throughout the 1950s, the nation’s political leadership failed to provide social stability and economic policy direction. Under those conditions, it was not possible to mobilize effectively the creative energy of the Korean people.  

2.2.2.3. Heavily dependent on subsistent agriculture in which many of the overwhelming majority of small-holders was tenant farmers, Korea was in chronic shortage of its food supply. Not like those of other less-developed countries lacking socio-economic infrastructure, investment and technology, the nation’s fairly scant base of industry could not afford the basic necessities. But it was better before the Korean War heavily fought each other for more than three years destroyed two-thirds of the nation’s industrial capacity and claimed 1.5 million lives.

2.2.2.4. It was frequently compared by some economists that the socio-economic conditions of South Korea were neither favorable nor advanced more than those of other fellow developing countries in the early 1960s. The general conditions and endowments were in favor of Tanzania and other. The followings are some quotations of those comparisons.

and hopeless before a new government formed by a military coup d’état stepped in 1961 and heralded the beginning of Korea’s modern development.


\[125\] The supply of electricity was starkly dismal in the later 1940s and up to the early 1960s. When the Korean Peninsula was segregated, most of the electricity dependent on the hydro-power plants in the northern Korea was cut off, and the South Korea experienced a serious shortage of power supply. For several years since the nation’s foundation, the substantial supply of electricity was made through a peculiar form of foreign aid, hosting electricity generation ships. The United States sent a number of power generation ships to the major ports in Korea for a emergency measure.
Contrast the whining of Nyerere with the response of the South Korean government to its plight in 1960. The former inherited a considerably solid infrastructure, a growing economy and a legacy of reasonably good colonial government, yet twenty years after Tanzania had gained independence Nyerere’s response to the debt crisis was to argue that ‘The situation is a neo-colonial one and African economies are not going to change until the neo-colonial relationship is changed’ (Ayittey 1989, 8). That is meaningless and compares unfavorably with the record of South Korea which did not experience reasonably good colonial government. It was plundered by Japan for 40 years and then devastated by the Korean War that saw much of the country fought over four times within the space of two years, first by North Koreans then by the Americans, by the Chinese and lastly by the Americans again. In 1960 South Korea was much poorer than Tanganyika; but instead of blaming the colonialism and holding out the begging bowl the South Korean government set about reforming agriculture by breaking up the great estates into small peasant farms. Nyerere did the opposite. He destroyed the peasant farms and drove the occupants into Stalin-style collective farms. The South Korean government invested heavily in education especially technological education. Africa governments neglected it and failed to divert sufficient funds either into technological education or into ordinary secondary education. On-party state presided over by socialist dictators systematically destroyed the economies of Ghana, Zambia and Tanganyika.  

In the early 1990s, I happened to come across economic data on Ghana and South Korea in the early 1960s, and I was astonished to see how similar their economies were then. These two countries had roughly comparable levels of per capita GNP; similar divisions of their economy among primary products, manufacturing, and services; and overwhelmingly primary product exports, with South Korea producing a few manufactured goods. Also, they were receiving comparable levels of economic aid. Thirty years later, South Korea had become an industrial giant with the fourteenth largest economy in the world, multinational corporations, major exporter of automobiles, electronic equipment, and other sophisticated manufactures, and a per capita income approximating that of Greece. Moreover, it was on its way to the consolidation of democratic institutions. No such changes had occurred in Ghana, whose per capita GNP was now about one-fifteenth that of South Korea’s. How could this extraordinary difference in development be explained?  

2.2.2.5. What was remarkably differentiated their state of development was not the physical endowments or materialistic assets but the spiritual mindset and development mentality. And the latter was such as the development vision, policy and strategies based on innovative thinking and creative mind. While the development vision of the one was practical and realistic valuing openness, interdependence and dynamism, the other’s was purely ideal and lofty but rather illusory obsessed by exclusive self-help and self-reliance. The former put high priority in the accumulation of wealth through outward-looking pro-

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127 Lawrence E. Harrison & Samuel P. Huntington, p.vii
growth policy and strategy emphasizing industrial promotion, trade and productive investment, while the latter pursued to optimize social well-being through broad-based even-growth policy focusing on agricultural development and the principle of equitable distribution. Political leadership committed to the national modernization of the former took the decisive initiative to maximize comparative advantages, invigorating the entrepreneurship of private sector on the one hand and exercising necessary strategic interventions in a consistent manner on the other. The leadership of the latter produced an arbitrary dictatorship through which totalitarian state control stifled the dynamism of private sector and nullified the role of the market. And the latter’s leadership patronizing equity and social progress easily became the victim of macroeconomic populism.¹²⁸

2.2.2.6. Of course, it isn’t the present stories but those of decades ago. Over the past ten years Tanzania has undergone fundamental political, social and economic changes. It has moved from being a centrally planned and controlled one-party socialist state to being a modern, multi-party democratic state with an open economy.¹²⁹ Revolutionary but gradual and smooth transition to democracy and the market-oriented mechanism has been made and rigorous reform and development programs are being under implementation.

2.3. Tanzania’s Development Strategy in View to Korea’s Experience

2.3.1. Mindset and Development Leadership

2.3.1.1. Mindset such as quietness, prudence, openness, collectivism, and acceptance of hardship could be the features of their minds many of the Tanzanians have in common. Among other traits we may identify as some distinctions of ordinary Tanzanians, patience and easiness seems to be the most frequently recognized characteristics by foreign observers like me, especially from Korea. Safari pamoja na Mungu. In Kiswahili it means ‘Travel together with the God’. As if reflecting the vastness of the land and the prospective for travelling around the countryside, Tanzanians never seems to hurry in doing something, in particular, never to blame for the happenings whatever take place on travelling. And just like they have such considerable tolerance toward others, they also

¹²⁸ Stuart Jones, p. 85. Macroeconomic populism, the cause of monumental economic failure, was characterized by the failure to establish clearly defined and secure private property rights that would encourage individual enterprise. It embraced the following policies: overvalued exchange rates, substantial increase in government expenditure, import controls, unjustified wage increases and food subsidies designed to benefit the urban poor (that might threaten weak governments) at the expense of the agricultural sector.....the explosive mixture of nationalism and socialism that forms the basis of macroeconomic populism has exerted a baleful influence over much of Africa, Asia and Latin America.

behave as if their acts are treated as tolerable as they do. This might have developed a common trait of generosity and tolerance.

2.3.1.2. The other prominent communal mindset might be the one originated from an intrinsically multiple ethnicity and diverse culture: respect for social harmony and equity. These traits must have further strengthened during the socialist era under Julius Nyerere when national unity and social advancement had become one of the paramount values for the nation’s foundation and socio-economic development. These qualities seem to constitute the basic foundation of people’s mentality and to influence greatly in fostering people’s attitude and behavior toward social change and economic development. And the development leadership of the nation seems to be bred from these fundamentals.

2.3.1.3. As we may consider these traits as the national characters of Tanzania, certainly there seems to be no such haste in improving and updating the national development policy and strategy. Ironically the belief that the nation is endowed rich in natural resources and land properties might have helped to develop those no-need-to-hurry mentality. What’s the matter with ‘develop now’ or ‘develop later’?

2.3.1.4. The national leadership committed to economic growth and poverty reduction also does not detract its spearhead toward rather innovative and strategic approaches away from broad-based growth and equity.

2.3.1.5. In this context it is difficult for the people of Tanzania to renew their resolution for accelerated and sustained growth and development and to motivate their own fighting can-do-spirits in realizing the goals and objectives of national development.

2.3.2. National Development Vision

2.3.2.1. Before the new millennium if Tanzania had vision for nation’s development, there could be two of them. The one was ‘Uhuru na Kazi’ meaning ‘Independence and Work’, a slogan hoisted high up on the mountain top of Kilimanjaro 130 upon gaining national independence in 1961. The other later one is the ideological vision for realizing socialist ideal envisioning socio-economic liberation based on socialism and self-reliance. 131 All of them were proclaiming the basic ideologies and providing principles of national governance and development. They were lofty and high but somewhat abstract and ideological. In the long run those visions could not be able to inspire and mobilize people’s spirits and capacities for the modernization of the nation and had become a little

130 The name of the highest peak of Mt. Kilimanjaro 5,895 meters high is ‘Uhuru’ meaning ‘Freedom’.
131 It is theoretically stipulated in Arusha Declaration adopted as the Decree of the orthodox ruling party TANU in 1967.
blurred and illusory in the course of the nation’s transition to a new paradigm of national polity and economy.

2.3.2.2. It took more ten years till a new vision for national development in a longer-term and fresh perspective had been conceptualized and launched as a nation’s futuristic benchmark. Exactly 15 years had been spent for redefining development values and restructuring the systems of governance and institutional arrangements. The both union government, the Tanzania Mainland and the Revolutionary Government of Zanzibar, projected their respective national visions on their own capacity.\(^\text{132}\) The two visions launched in the same year 2000 on the outset of the New Millennium seem not to have reliable sequence and synthesis between those two visions in terms of their long-term development goals and targets as well as in their vision conceptualization context. The synergies and dynamism which could be engineered by strategic alliance, reciprocity and complementarity were not fully exploited.

2.3.2.3. The Tanzania Development Vision (TDV) 2025 has projected lofty and high goals of social and economic aspirations which are considered reasonable, probably attainable, however, it seems to be void of practical and feasible policy of concentration and preference making full use of comparative advantages and optimizing scarce development resources. Though the well-balanced targets of the vision are envisioned: (1) High Quality of Livelihood; (2) Good Governance and Rule of Law; (3) A Strong Competitive Economy, the vision may need a set of driving forces or promoting engines which leads the way and shows the model of success and excellence. The strategic tools and institutional apparatuses for realizing the targets are not appropriately clarified in a concrete and pragmatic mode of implementation.

2.3.2.4. What is the vision clearly lacking of might be concerned with moral aspiration, the renewal of the national pride and the inspiration of people’s spirits and willingness. A Tanzanian dream which embodies the Tanzanian’s aspirations for enhancing national pride, dignity and identity should have been envisioned and contained in the vision. Also a grander perspective for regional and global dimension must have been articulated in the vision. With the strong tradition of social integration and national unity and the credible leadership extended over the African continent, Tanzania should broaden the horizon of regional and global cooperation. As a birth place of mankind and one of the most bountiful

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\(^{132}\) The Article 4(3) of the Constitution of the United Republic of Tanzania of 1977 presents a list of ‘Union Matters’ in its First Schedule which falls under the authority of the Government of the United Republic of Tanzania for the purpose of the efficient conduct of public affairs in the United Republic and for the allocation of powers with the Revolutionary Government of Zanzibar. 22 items are classified as Union Matters which include foreign affairs, defense and security, police, citizenship, immigration, external borrowing and trade, etc. National development, one of the single most important agenda for the United Republic, is not included in the list of Union Matters and is handled by the two governments respectively.
sanctuaries of nature and wilderness, the United Republic of Tanzania could project a highly dignified and noble vision of human progress and national advancement. Even the bitter history of human trade taken place in the region centuries ago could add an extra dimension to the en-lightened human development and reconciliation of the people under persecution and suppression.

2.3.3. Development Policy Paradigm

2.3.3.1. Policy Framework

A. Coherence and Integrity

A.1. (Lingering) It was opportune that Tanzania could be able to launch a national development vision around when the international community made a consensus on accelerated international development focused on poverty reduction and sustainable growth entering the New Millennium. Tanzania’s development goals and targets are projected under the umbrella of the Tanzania Development Vision 2025 and the Zanzibar Development Vision 2020 incorporating the targets of the Millennium Development Goals (MDGs) and the subsequent strategic plans were designed and implemented. After the Poverty Reduction Strategy (PRS), the 1st generation strategic plan was executed from 2000 to 2004, the MKUKUTA and MKUZA succeeded as medium-term five-year plans from 2005/2006 to 2009/2010. During the time several reviews and evaluations in sectors and cross-cutting issues were made and a number of sector and thematic policies were prepared under the national development vision and the strategic guidance of MKUKUTA and MKUZA. However, the mode of sector review and strategic planning was neither uniform nor systematic. Many of the policies and programs formulated in prior to the launching of the new visions and the strategic plans are effective and under implementation: The National Health Policy (1990); Education and Training Policy (1995); The National Science and Technology Policy for Tanzania (1996); The Sustainable Industrial Development Policy (SIDP) 1996-2020 (1996); The Agriculture and Livestock Policy (1997); The National Tourism Policy (1999).

A.2. Though the basic directions of the existing sector policies are not contradictory to those of the new national vision and development strategy, they should be realigned and adjusted to the change of the situations as well as to the specific goals and targets shown by the new strategic plans. Without updating many of the sector plans and strategies are lingering to the sector-specific policies and independent plans which are not aligned to the latest vision and strategy. Those sector policies, plans and programs are being alienated and segregated from the indicative development vision and the coherent development framework.
A.3. (Staggering) It seems not to be an unusual coincidence that Tanzania’s national development visions and the MDGs are launched in the same year 2000 at the threshold of the 21st century. It is because the starts of those national and international endeavors were also made in the same year 1995. The formulation process of Tanzania’s development vision was started by the Planning Commission in 1995. The TDV 2025 finally came out in early 2000 after a long and elaborate deliberation. The MDGs\textsuperscript{133} agreed internationally at the Millennium Summit held in September 2000 was the extension of the report\textsuperscript{134} of the Development Assistance Committee (DAC) adopted at the Thirty-fourth High Level Meeting in 1995. The report which set forth the collective views on development cooperation of ministers, heads of aid agencies and other senior officials responsible for development cooperation made path the road to projecting MDGs in years later.

A.4. Amidst the highly buoyant atmosphere of welcoming the 3rd Millennium, greater attention was paid on the global agenda for poverty alleviation and international cooperation, especially on the development of the African continent. Most of the least developed countries hurriedly projected their own millennium development goals and prepared respective poverty reduction strategy papers known as PRSP under the frameworks of the United Nations’ MDGs. The countries who implement their MDGs plans in an active manner are to be eligible not only to receive more development assistance from donors, but also to benefit from debt relief initiatives.\textsuperscript{135} The policy attention was forwarded toward relieving abject poverty focused on social development programs.

A.5. Tanzania was no exception to this case. Instead of articulating the subsequent strategy and sector policies for the realization of the TDV 2025, two consecutive short-term poverty reduction strategies were designed and a following national strategy for growth and poverty reduction was introduced. Though poverty reduction is one of the prime goal for national development and consists an essential part in attaining the national vision for people’s well-being and high quality livelihood, the policy shift, a sudden special emphasis on poverty reduction and pro-poor growth strategy disturbed the policy priority and hampered the development of holistic and comprehensive approach pursuing relatively well-balanced growth with equity strategy. Every two year the Tanzanian

\textsuperscript{133} In September 2000, building upon a decade of major United Nations conferences and summits, world leaders came together at United Nations Headquarters in New York to adopt the United Nations Millennium Declaration, committing their nations to a new global partnership to reduce extreme poverty and setting out a series of time-bound targets - with a deadline of 2015 - that have become known as the Millennium Development Goals(MDGs), http://www.un.org/millenniumgoals/bkgd.shtml


\textsuperscript{135} The Multilateral Debt Relief Initiative(MDRI) and the Highly Indebted Poor Countries(HIPC) Initiatives
government produced the performance review on poverty reduction and MDGs, however, not a single evaluation on the progress of the TDV 2025 has been carried out. In the course of the procession of the Vision, a review is to be undertaken every five years.

B. Development Ownership and Capacity Building

B.1. In a way, sustainable development can be achieved as the owner of the development process could secure the capacity of policy and financial ownership. Without development ownership both policy and finance ones, the outcome of the process will prove to be illusory. Development capacity may include human capability which leads the policy reform and system innovation, technological progress, and institutional development, however, capacity development should be built on policy and financial ownership.

B.2. (Policy Ownership) At first glance the policy ownership of Tanzania’s development policies and strategies is considered as well fostered and possessed by the nation’s authorities and indigenous expertise and know-how. The process of policy making and strategy formulation is fairly institutionalized, liberal and open, taking account diverse opinions and ideas from various stakeholders. Even though the policy initiative is taken by the higher leadership, the procedure for reaching consensus begins bottom-up from the level of civil society. That is the reason why an innovative policy alternative comes out very seldom to the table for final resolution and once a policy is set up, then it last very long with less intervention or adjustment.

B.3. What Tanzania is lacking in owning policy capacity seems to be the weakness in knowledge base for innovative thinking and strategic deliberation. Due to the poor academic and empirical foundation in development planning, the perspective and insight of the policy makers are not extended and progressive enough to renew and innovate their policies and strategies into advanced ones. In need for expansion of indigenous knowledge and experience, the policy makers of Tanzania tend to rely on the development rationale and theories, tools and apparatuses from the western developed countries which are highly advanced and less appropriate to the local conditions.

B.4. (Financial Ownership) The lack of the financial resources, weakness in financial ownership, appears one of the major constraints in addressing the agenda for poverty reduction and economic growth. And that is real in the context of the Tanzanian development. Though domestic revenue mobilizations are increasing substantially due to the robust growth of the economy and the successive implementation of the fiscal policy reform programs over the years, they are far short of the huge needs for public investment in various fields and sectors. In 2008/2009 the domestic revenues are expected to increase
by 23.9 per cent and the revenue is projected to expand by 22.9 per cent in 2009/2010. It is fairly encouraging that dependency on external financing is expected to fall down to 34.4 per cent in FY 2008/09 from 42.0 per cent in 2007/08. However, the domestic revenue could only meet the finance for the recurrent expenditures, while the development expenditures are to be supplemented by the external assistance. In this context the domestic revenue mobilization is paramount in securing the increasing demand for the government expenditure and the resources ownership enhancement of the Tanzanian government.

B.5. One of the major challenges the Budget Plan for FY 2008/09 identifies is to have the nation relieve from the heavy reliance on external financing. An excessive demand for MKUKUTA implementation may require substantial contribution of development partners both bilateral and multilateral in the years to come, in spite of the increasing share of domestic financing.

C. Consistency and Coordination

C.1. Even after the bumpy roads to get the turning point to a market-oriented capitalist economy, it was not easy to find out a new policy, the different way for socio-economic progress. Fortunately, based on the national unity and social stability, the nation could be able to draw out various kinds of restructuring programs and reform plans and to make a smooth transition to a new socio-economic system. A promising vision with a set of visionary targets and policy directions has been prepared to guide economic and social development efforts up to the year 2025.

C.2. In the similar context of policy coherence and integrity, the consistency of Tanzania’s development policy emphasis and strategic orientation seemed to be somewhat discarded by international interruption and because of lack of confidence in her new policy and strategy. This can be traced by the institutional transformation of the Tanzanian government regarding the nation’s development policy development and coordination.

C.3. When the new economic regime was introduced in late 1980s, the Ministry of Finance and Planning (MoFP) had undertaken various structural and institutional reforms and revised the nation’s policies and strategies. In mid 1990s the Planning Commission (PC), President’s Office was separated from MoPF, while the Ministry transformed itself into the Ministry of Finance (MOF). The Commission took charge of developing long and midterm development policies and strategies. On the onset of economic liberalization and privatization in the early 2000, the PC was resolved and the Planning and Privatization,

President’s Office (POPP) was established in place of the PC. In 2005, the POPP was replaced by the Presidential Parastatal Sector Reform Commission (PSRC) and a new planning authority named the Ministry of Planning, Economy and Empowerment (MPEE) was inaugurated. In February 2008, the Ministry of Finance merged the MPPE, creating a single unit called the Ministry of Finance and Economic Affairs (MoFEA). Meanwhile, the Planning Commission, President’s Office, was revived as an advisory board of economic policy and a national think-tank of socio-economic policy research and development.

C.4. In a unique political environment respecting the balance of power among the executive branches of the Tanzanian government, the responsibilities for central development administration are shared by some of the government authorities. Currently, the Ministry of Finance and Economic Affairs is the leading agency in providing policy guidance, formulating and implementing development strategies as well. Not only economic and fiscal policy and budgetary programs, but also financial and monetary policies programs are designed and carried out by this super cabinet ministry. The preparation of medium term national development strategy ‘NSGRP’ is in the hand of the Office of Vice President. The advisory and R & D function of national development and economic policy is in charge of the Planning Commission under the direct control of the President.

2.3.3.2. Policy Goals and Objectives

A. Equity versus Growth

A.1. Without growth there can be no distribution. Without equity growth cannot be sustained. Growth with equity could ensure sustainable development.

A.2. Though the added importance of growth in the productive sectors are increasingly recognized by many policy makers recently, equity rather than growth, equitable growth focusing on poverty reduction takes higher place in the table of Tanzania’s development agenda list.137 The TDV 2025 aims ‘High Quality Livelihood’ and emphasizes equity.

Ideally, a nation’s development should be people-centered, based on sustainable and shared growth and be free from abject poverty. For Tanzania, this development means that the creation of wealth and its distribution in society must be equitable and free from inequalities…. All social relations and processes which manifest and breed inequality, in all

137 All PRSs and NDSs received accord a central, if not primary, role to growth as a means of reducing poverty. This emphasis has been strengthened in the transition from first to second generation PRSs (examples include Tanzania and Ethiopia). (Chronic Poverty Research Centre, The Chronic Poverty Report 2008-09: Escaping Poverty Traps, 2008, p. 25)
aspects of the society(i.e., law, politics, employment, education, culture), will have been reformed.\textsuperscript{138}

The MKUKUTA also states about fast but equitable growth focusing on poverty reduction and reducing inequalities.

The basic tenet is that growth is necessary but not sufficient for poverty reduction. To that effect, equity issues need to be taken on board as well. Tanzania needs fast but equitable growth, focusing on reducing inequalities, increasing employment and enhancing livelihood opportunities for the poor. Equitable growth will entail improving access to and use of productive assets by the poor, addressing geographic disparities and ensuring equal and universal access to public services.\textsuperscript{139}

\textbf{B. Social Wellbeing versus National Wealth}

B.1. The once and decisive impact of extremely radical socialist policy implemented in 1960s through mid-1980s lasts long and profound. Now remained a socialist country according to the Constitution, Tanzania still hang around the socialist systems in delivering basic social services such as education and health in a great extent. Partly biased by these socialist tradition and partly distorted by the internationally agreed development goals (IADGs), the top priority of public investment has been placed on the promotion of social-wellbeing including education and health.

B.2. A strategic and appropriate allocation of the scarce financial resources is forwarded to social development. More than 30 per cent of total expenditures in government budget FY 2008/09 are going to be allocated for education and health sector. Road sector receives 13 per cent of the total expenditure, agricultural sector only 6.3 per cent portion.\textsuperscript{140} The budget allocation is made based on the Medium Term Expenditure Framework and the Annual Development Plan which reflect the mid-term development goals of MKUKUTA and Tanzanian MDGs. The structure of public expenditure in Tanzania resembles those of highly advanced European welfare states such as Sweden, Norway and Denmark. This is clearly differentiated with the experience of South Korea where the resources allocation of the government budget forwarded to social development was quite less than that of Tanzania in the earlier stage of its development.\textsuperscript{141}

\textsuperscript{138} The Planning Commission, \textit{The Tanzania Development Vision 2025}, 2000, p. 3
\textsuperscript{139} Vice President’s Office, \textit{National Strategy for Growth and Reduction of Poverty(NSGRP)}, June 2005, p. 26
\textsuperscript{140} The Ministry of Finance and Economic Affairs, \textit{The Estimates of Government Revenue and Expenditure for the Fiscal Year 2008/09}(Speech to the National Assembly), June 12, 2008
\textsuperscript{141} Some added focus began to be placed on social development from mid-1970s when the nation stepped to the level of middle income developing countries. In 1975 the proportion of government
B.3. A cautious observation was made by the DP Poverty Monitoring Group regarding the appropriateness of public investments focused on social sectors. The Briefing on the preliminary results of the 2007 Household Budget Survey (HBS) made on October 6, 2008 states as follows:

Spending on human capital related services (health and education) increased very rapidly between 2001 and 2007, by 200 per cent per capita in real terms. There is little doubt that investments in human capital are required to achieve and sustain long-term growth, it is also true that their effort on income poverty will only visible after a considerable lag. This calls for more discussion on the composition of public spending whether the rapidly expanding public programs are having enough impact on poor people in rural areas.

B.4. What is highly discontented in spite of the substantial portion of social expenditure, both the quantity and the quality of those services are quite insufficient and low. Inefficiency in operation and service delivery as well as graft and corruption are the accomplices of failure in providing sustained quality social service. However, the bigger portion of government expenditures could not be able to enhance the promotion of social services not if the wholly subsidized system of primary health care and primary and secondary schooling are reformed toward substantial burden/cost-sharing by the private individuals.

2.3.4. Development Strategy

2.3.4.1. Developmental Approaches

A. Broad-based Even Growth versus Strategic Uneven Growth

A.1. Ensuring sound economic management, MKUKUTA aims at promoting sustainable and broad-based growth as the main strategy for attaining the goals of Cluster 1: Growth of the economy and reduction in income poverty. The strategy sees that sustainable and broad-based growth can only be realized through accelerated GDP growth and widening the spectrum of actors in the economy, particularly the informal sector, SMEs and the cooperatives. And it entails: (1) strengthening the link between agriculture and industry; (2) raising contribution of other sectors; (3) preventing the negative impacts on environments and on people’s livelihood; (4) promoting technological innovations, communication, physical infrastructures such as roads, ports, railway lines and storage facilities; and (5) promotional of regional equity in development is another dimension for broad-based growth. The more detailed strategic actions include all the varieties of policy expenditure to social development was 21.0 per cent. (Economic Planning Board of the Republic of Korea, *The Economic Policy of Development Decades* in Korean, 1982, p. 388)
measures and supporting programs. It seems that if those actions and measures are ensured, certainly sustainable and broad-based high growth could be achieved.

A.2. But what matters is how these broad-ranged, wide varieties of policy actions and supporting measures can be materialized at the same time. With quite limited time and resources, financial, human, and technological, if we are trying to do almost everything good and necessary, then it means that we have to spread them too thinly and widely without strategic focus and investment priority. Those can be a list of principles or tools for sustainable and broad-based growth rather than practical strategies effective and pragmatic.

A.3. It is not clear whether this kind of broad-based growth strategy is originated in the context of the socialist tradition which values social equity and fair distribution or is the result of a theoretical deliberation which is flawless and perfect in its logical framework. On the other hand, what’s apparent is that neither some strategic sectors or key programs which receive a special attention are identified nor the concept of comparative advantage or excellence is clearly defined or exploited.

B. Inward-looking versus Outward-looking

B.1. It seems not clear whether the mind-setting of the Tanzania’s development strategy is forwarded toward the outside world beyond the national boarder or not. The TDV 2025 envisions a strong and competitive economy which can easily and confidently adapt to the changing market and technological conditions in the regional and global economy. The MKUKUTA also pays attention to further stimulating a competitive knowledge-based economy. Now transformed itself into a market-oriented mixed economy, Tanzania is surely liberalizing its market, free and open, and are subject to a fiercely competitive economic environments. To face this sort of situation, the country may require a more acquisitive approach for a better access to the world market and this also may need a more aggressive outward-looking development strategy.

B.2. It is right to say that the Tanzania’s national development strategy is not exposed enough to face up to the fierce foreign competition. This might have influenced by the nation’s pursuit of *Ujamaa* and self-reliance since its independence.\(^{142}\) Lost confidence in their

\(^{142}\) Article 9 of the Constitution stipulates that “The object of the Constitution is to facilitate the building of the United Republic as a nation of equal and free individuals enjoying freedom, justice, fraternity and concord, through the pursuit of the policy of Socialism and Self Reliance
capability to win over the foreign competition during those earlier years of self-seclusion, Tanzanians may have developed an inertia of looking inward than outward.

C. Development Borrowing vs. Foreign Direct Investment

C.1. Experiences with bitter memories in foreign borrowings which were unexpectedly prone to rescheduling and defaults and was finally subject to massive debt relief assistance, Tanzanians seems to be highly cautious to initiate development borrowing overseas. Instead the Tanzanian government solicits foreign investors to stake their interests in various business and development activities and its efforts are bearing fruits by increasing both the number and volume of foreign direct investments in recent years.

C.2. The experience of South Korea shows that development borrowing was one of the integral pillars of development financing. In the stage of take-off and expansionary public investment, external borrowing both concessional and commercial was crucial for accommodating the financial, managerial and technological gap unable to be met by domestic and indigenous capacity. Various projects and programs were implemented under the long-term development lending agreements, and they included some components of soft elements such as human resources development, transfer of technologies managerial techniques, and institutional development. The whole responsibility and the risk of failure were taken by the indigenous borrower, the owner of the projects and programs, while the outcomes and performance made were also theirs. Those of the FDI projects were fell on the foreign investors, giving less impact on the acquisition of technological and managerial capability and business ownership.

C.3. Those attempt for aggressive development borrowing are not going to take place in Tanzania.

2.3.4.1. Development Stewardship

A. Leadership of Benevolent Patronage vs. Developmental Dictatorship

A.1. From what do the African leaders build up their leadership? Like others in the African continent, Tanzanians, people with multi-racial and cultural background, drove their leaders to follow the long tradition of authority with fraternity inherited from the chieftdom of clans and tribes which is absolute but merciful. While allowing a ruling sovereignty of near absolute executive power\textsuperscript{143}, they depend on the benevolent patronage and advocacy which emphasizes the application of socialist principles while taking into account the conditions prevailing in the United Republic.

\textsuperscript{143} The President of the United Republic of Tanzania has an exclusive authority of creating executive government ministries and agencies. The law permits the President to designate a number of
of their leaders seeking egalitarian socialist vision. The Tanzanian leadership is characterized by moderation, national accord ‘Muafaka’ and consensus to ensure social harmony and equity.

A.2. The Tanzanian leadership took the most of the initiatives to develop stronger regional integration based on the nation’s traditional pan-Africanism. The leadership seems to be more prone to take the lead for international matters in the region. Instead it takes a moderate and compromising stance in domestic and internal matters. This is apparently differentiated from the developmental dictatorship exercised by some leaders in the East and South East Asian Region: Singapore, South Korea, Malaysia, and China.

B. Government-led vs. State Control

B.1. The recent reform in economic policy and development paradigm, politics and governance system and public administration made the status and the role of the government very much different from those of the previous socialist government. People’s belief in the infinity of the capability of government had been changed to disappointment and disillusion that the government with neither good nor sound policy could bring them a bleak situation through ‘the poisoning of development efforts in the direction of haste, waste and corruption’

Apart from being self-reliant and well-off, the government heavily relied on foreign assistance could not afford the delivery of the basic social services. The model player-to-be of the society turned into a serious trouble maker who is on the brink of bankruptcy. The government did not lead the people and the nation. The state reigned over and controlled everything.

B.2. The enforcement of totally strict state control over the economy and the society in the past left legacies which are real and counter-responsive. The legacy which is real is imprinted in the mind of the people and the system of the economy and the society. People still want more than the government can provide. The government still tries in vain to produce and deliver some basic social service to the public. The legacy which is counter-responsive is the disbelief in government intervention. Sometimes even the proper role of the government is prone to be rejected by the people. The government developed some propensity to delegate its intrinsic role and function to the private or third sector.

B.3. Tanzania needs a better government mission-oriented, efficient and effective. The Tanzanian people need a healthy government with insightful and decisive leadership which provides a good policy guidance and acts as an ardent development promoter.

parliament members in order to help maintain a comfortable majority by the ruling party. The chance of a second presidency of another five years is given in case serious mistakes are not made during the tenure of the first term.

Landes, 1991, p. 19
C. Centralization vs. Decentralization

C.1. Contrary to the propensity of centralization in governance and government administration in the early stage of socio-economic development, Tanzania boasts its fairly decentralized system of politics and government administration. Ministers, the member of the cabinet, have to fulfill the eligibility that he/she should be elected as a member of the Parliament by the constituencies. The previous paradigm of powerful central planning and government control had been dissolved and a much moderate mechanism of indicative planning and coordination has been established instead in the central government. Each ministries, departments and agencies have their own mandates and responsibilities. Sectors or clustered areas of development administration reinforce each other, but plays their rather independent role. Owing to the ‘D by D’ policy under implementation in all strata of local governments, it is seen that the level of local autonomy and self-determination in regional administration and local governance has been greatly improved.

C.2. There can be a debate on whether the centralized system of government administration is better performing or efficient in addressing the various agenda of development or it is counter-productive. Also there could be an argument on the correlation between the level of decentralization of political governance and government administration and the performance of development activities.

C.3. It is generally recognized that a decentralized paradigm of decision making and government administration would help meet the need of the people in a more consorted way. Decentralization could reduce the credibility gap between the higher policy authority and the body in the field while the transparency and ownership of the people could be enhanced. However, decentralization may bring the procrastination of consensus building and decision making because of the rather sophisticated process of progression and the contradictions of interests among stakeholders. And these may produce a segregation of the program into small pieces as a result of opportunistic compromise. What’s more dangerous is the case in which decentralization in disguise is misused as a means of imputation and evasion of responsibility. This can easily happen where the resources are poor and the programs for development are scant enough to be negligible.

3. Recommendations for Improving Tanzania’s Development Strategy

3.1. Implications of Korea’s Development Experience
3.1.1. (Beyond Change: Korea’s Past 60 Years\textsuperscript{145}) Few countries have undergone a more profound transformation than South Korea for the last half a century and more. Engineered by the socio-economic development in the early 1960s, not only economy and society but also the nation’s politics, culture, and international relations have been altered greatly beyond change during the time. The change beyond imagination also brought considerable side-effects, some welcome, and some not. However, it is widely recognized as a remarkable success story. The figure shows that per capita income increased more than 200 folds from meager $80 to US$20,045 in 2007. Export increased extra-ordinarily from several tens of million dollars to US$371.5 billion last year. During the period, people took-off a several steps of human development from agrarian to industrial, post-industrial, and knowledge and information society. The standard of living has been improved substantially from abject poverty condition to a highly decent level. Followed by sustained economic and social progress, political freedom has been expanded in full extent, leading the nation to a full-fledged democracy. The tight authoritarian cultural atmosphere based upon the Confucian tradition has been greatly diminished, while western values are prevailing over the traditional ones. Inward-looking mindset inherited from the forefathers of the Hermit Kingdom gave way to an open and progressive way of thinking owing to the consistent adherence to the outward-looking paradigm and dynamics of socio-economic development. The Korean old saying that ‘mulberry field became blue sea’ has become a reality.

3.1.2. (The Secrets of the Success?) Certainly, the success of South Korea’s highlights the uniqueness and reality in its making. What are the secrets of the success? And the lessons learned? Of course it is not a simple question to answer, and cannot be attributed to one or two prominent factors or inputs. It was the result of continued endeavors and dynamics internal and external both the leaders and the people of the nation have dedicated and the international community has contributed. What is occasionally referred as ‘a miracle’ is actually occurred and can be explained and learned from it. And the followings are the ingredients of prime importance I count:

- Rediscovery of the nation’s identity and renewal of the people’s pride and confidence;
- Strong and decisive development leadership committed to the nation’s modernization which is visionary and pragmatic;
- Good policies and strategies drawn up based on creative thinking and innovative mindset by which can-do spirits and adventurous entrepreneurship could be manifested and development ownership was able to be ensured;
- Development paradigm the system dynamics and group dynamism could aspire people’s expectation and empower people’s potential and synergies;

\textsuperscript{145} The Republic of Korea celebrated its 60\textsuperscript{th} anniversary of national foundation this year on August 15, 2008. To Koreans ‘60 years’ is considered as very special because the Oriental zodiac repeats its sexagenary cycle every 60 years.
• Development stewardship led by the government in a coherent, integrated and consistent manner which enabled the strategic plans and programs to be implemented effectively;
• Optimum utilization of external assistance and reciprocal complementarity based on outward-looking mindset.

3.1.3. (Applicability of Korea’s Experience) Each country has specific characteristics, historical experiences and endowments of its own which are different from others. The global environments and the domestic situations are ever changing and rapidly evolving to a more complex and sophisticated state of interaction. However, the history of the developed countries built economic power and accumulated national wealth tells us that they took a similar step toward the nations’ modernization by adopting policies and strategies in which they share some essential ingredients in common and those are just South Korea learned and followed.\textsuperscript{146} Korea’s experience will not give the following developing countries a full set of answers, but it should at least inspire and help them ask the right questions. Further, the lessons learned from Korea’s experience could be applied and practiced in a more positive manner, in a sense that Korea’s experiences are more real and the latest ones.

3.1.4. (The Case of Tanzania) Tanzania is now striving for national modernization more than ever. Blessed with rich endowments, the nation possesses immense potential for accelerated growth and sustainable development. There seems to be no reason for Tanzania not to take advantage of the proven paradigm of national development. Furthermore, the variety of dissimilarities and differences I found between the two countries seems signifies the two points which might be meaningful for the construction of prospective cooperative relations between them in the future. The one is a dynamism which could be enhanced where some contradictory or heterogeneous elements reinforce each other. The differences between the two countries are the kind of distinctiveness and characteristic, not of conflict or discord. And the other is reciprocity and complementarity by which both parties are able to benefit each other from comparative advantages and strengths they have. What the one party lacks could be supplemented by the other. There seems to be an immense potential for exploring the promising bilateral cooperation programs through which the both countries can maximize the mutual benefit.

3.2. Shifting the Paradigm of Growth and Development

3.2.1. Importance of the Productive Sector Development

3.2.1.1. It is my understanding that most of the analyses and reviews on economic policy and development strategy are focused on specific sector policies and strategies assuming that the aggregated growth and development of the sectors of the economy which performs

\textsuperscript{146} Ha-Joon Chang, \textit{Kicking Away the Ladder : Development Strategy in Historical Perspective}, 2003
well will accelerate the overall economic growth and this will lead to sustained
development of a nation. Without the clarification of the relationship between social
development and its contribution to the direct and effective growth of productive sectors,
too much emphasis was given to poverty reduction and the development of social services.
Adhered to attaining the specific development goals and objectives results-
demand-driven in a static and micro manner, the grand circle of growth and development has been
disregarded losing the macro perspective on the dynamic cycle of socio-economic
development in which productive sector development generates industrial production and
national incomes, then create the demand of social services and this exponential
circulation produces a virtuous circle of accelerated economic growth and sustained
development.

3.2.1.2. As have been reiterated several times previously, the policy emphasis of Tanzania’s
socio-economic development is being placed in broad-based equitable growth with added
focus on social equity and progress. It was when the first government of Nyerere
proclaimed the Arusha Declaration and the *Ujamaa* village program had been
implemented thereafter. And also now the paradigm of development strategy is rather
similar because the contemporary strategic plan pursues the immediate goals and
objectives of Tanzanian MDGs which concentrates on pro-poor poverty reduction and the
provision of basic social services. This paradigm could fit for a kind of emergency
measures for eradicating absolute poverty and be put into implementation so far as an
infinite inflow of financial resources is secured for the ever increasing requirements of
public spending. But the latter seems not plausible, because neither domestic revenue nor
external assistance would be able to meet the insurmountable cost of recurrence. The
attainment of MDGs is one of the necessary conditions of accelerated growth and
sustainable development, not the sufficient one.

3.2.2. Virtuous Circle of Accelerated Growth and Sustainable Development

3.2.2.1. It could be an argument of hen-and-egg. However, Korea’s experience shows a clear
precedent of the rather different paradigm ‘growth and equity’ from that of Tanzania
‘equity and growth’. Based on much authoritative leadership an innovative strategy had
been adopted breaking the conventional wisdom of winning the popularity of the poor
majorities. ‘Growth-first’ and ‘Make the pie bigger’ then ‘Distribute’ and ‘Share the fruit
of the growth’. It was true that without equity growth could not be sustained. However, the
leadership and the people were aware of the preceding condition for growth for equity that
without growth there can be no distribution. Every efforts and policy measures were
marshaled to the promotion of productive sector development, especially the
manufacturing industries in which a bit of comparative advantages could be utilized in the
infantile stage of development. A succession of small cases of success and excellence
detonated the industrial production and created a chain of exponential expansion of the
economy generating incomes, increasing both consumption and savings which led to
increased investment both in productive and service sectors. The creation of employment
contributed to higher income and poverty reduction much more than the social policy of redistribution and pro-poor spending in health and education.

3.2.2.2. The Tanzanian leadership should make an extensive and intensive review on the paradigm of the current development policy and strategy both in historical and international context. It is strongly advised to reorient its policy direction toward growth-priority from social equity. This shift of policy paradigm does not mean the withdrawal of support for poverty reduction and social development. It means the adjustment of investment priority in terms of igniting the virtuous circle of growth and development away from the consumptive repetition of investment focused on public social services. A bigger proportion of increased financial resources should be allocated to the promotion of strategic productive industries including agriculture. While an absolute level of investment in social sector are to be maintained in a modest rate of expansion, the investment in the productive sectors should be expanded in a considerable extent. Instead of compensating the basic needs of the poor, the purchasing power of the poor is to be strengthened by job creation and income generation in the productive sectors. The people’s high expectations for social welfare and protection spawn by the government should be replaced by the aspirations for economic well-being they are creating and achieving by themselves.

Figure 2: Virtuous Circle of Growth and Development

3.3. Improving National Development Strategy

3.3.1. Renewing National Pride and Empowering People’s Confidence

3.3.1.1. (Rediscovery of National Identity) More diverse and complex than any other African countries in its ethnic and cultural background and physical features, Tanzania managed to unite itself into a solid state of national unity and social stability. Kiswahili, the official language most widely spoken, contributed to consolidate people’s character and social values shared in common into what Tanzanians were and are like. Standing out as the vanguard of pan-African socialism and regional solidarity, Tanzanians pursued a higher
vision for uniting people beyond its national border throughout the continent and the non-aligned Third World. They achieved a lot in bringing the vision into reality. Obsessed by the lofty ideal of unity and solidarity, however, it seems that they underscore the dynamism created by their diversity and heterogeneity. Not just unity and solidarity, but diversity and distinctiveness the numerous people with their different origins and cultures are one of the most precious attributes the nation possesses. Unity in diversity, solidarity in heterogeneity, could be a national identity the nation should embrace. A real unity of the nation could be bred by fostering the genuineness and peculiarity that the people of the communities are proud of. *Umoja* and *Ujamaa* which intrinsic implicitness is real and modest could be promoted as one of the nation’s prestigious characters.

3.3.1.2. (Renewal of National Pride) Tanzania survived by overcoming the earlier human atrocities international traders and foreigners had caused, and the nation stood out as country of legitimate sovereignty for the last half a century by sustaining peace and stability. The resilience and the legitimacy Tanzanians fostered and retained are something what they feel really proud of. Faith in people makes great human-being. *Mwalimu* Julius Nyerere, *Baba wa Taifa* 147, is revered as the founding father of the nation and the people feel privileged to have this human-being of lofty vision, high moral and humanity. Tanzanians have lots more to have pride to be the nationals of the United Republic of Tanzania. The wondrous nature of panoramic diversity and authentic wilderness seems the largely untapped national treasures which should be shared with other people around the world. The beauty and novelty of the nation’s natural environments of which people are not fully aware could be further cultivated and preserved to be delighted by our forthcoming generations. The Olduvai Gorge in northern Tanzania, an alleged cradle of mankind, could make a perfect site of world heritage in harmony with the vast pristine savannas stretched all over the place.

3.3.1.3. (Empowerment of People’s Confidence) Tanzanians work very hard. They walk hours to ladle a pot of water. They spend hours for collecting an armful bundle of firewood. They are ready to expand their farming if the effective demand reaches their farms. Once they are valued and respected as the integral players in the market and the society, they will surely take a larger stake in national production and development.

3.3.1.4. (Fostering Tanzanian Culture) Culture is what makes people have a sense of belonging and connectivity. Culture is what they feel distinctive and worthy to be human-beings with decency and dignity. Diverse indigenous cultures of the nation could be rapidly demolished in the course of socio-economic development. The sense of community could be abraded also by external influence in the same context. The valuable authenticity of the Tanzania’s cultural assets tangible and intangible seems not to be

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147 *Baba wa Taifa* means ‘Father of Nation’ in Kiswahili.
properly honored and promoted as much as they are deserved for. Both in central and local level, a renewed appreciation of the cultures Tanzanians possess should be enlightened and a number of promotional programs for highlighting Tanzanian cultures in a refreshed vision.

3.3.2. Engineering Futuristic Development Leadership

3.3.2.1. (Visionary Leadership) Bred in distinctive political and social character of Tanzania, the development leadership in Tanzania adheres to the generation of national unity and social harmony. Equity and reconciliation are among the prime attributes the leadership is forwarding. However, development leadership committed to accelerated growth and sustainable development require a stronger and more decisive role toward innovative initiatives and strategic orientation of development policies in a longer-term perspective. Based on unity and solidarity the leadership consolidated successfully over the years, a rather bold approach toward engineering system dynamics and group dynamism beyond static subjugation of peace and stability.

3.3.2.2. (Leadership Searching for Excellence) The leadership of excellence is constantly searching for excellence the member of his organization could create and produce. It inspires people to awaken their enlightened spirits and to realize their human potential in full extent. The visionary leader should initiate to start some of the national excellence programs by which people’s spirit and confidence is invigorated. Success stories which are real and symbolic should be made.

3.3.2.3. (Pragmatic Leadership) Some of the noble and ideal vision the previous leaders projected proved illusory beyond reach, bringing unexpected results and causing serious social turmoil and economic predicament. Most of all, the identity of economic regime and principles is to be clearly identified. The potentials for development in terms of comparative advantage are to be carefully evaluated considering both domestic and external conditions. Strengths and weaknesses are to be analyzed in the standpoint of improving socio-economic system and institutional arrangements. Best practices learned from both indigenous and foreign experiences are to be put into operation.

3.3.3. Reorienting Nation’s Development Policy and Strategy

3.3.3.1. Equity and Growth \(\rightarrow\) Growth and Equity

3.3.3.1.1. Though the nation is under the new regime of market-oriented economy transited from a socialist economy, the basic logic and immediate goal of national development seems equity and social-wellbeing which prevailed over the period of the Tanzanian socialism decades ago. Even the internationally agreed development goals which are
popular in Tanzania put greater emphasis on equity by aiming the reduction of extreme poverty and the promotion of basic social development.

3.3.3.1.2. Growth is a necessary, if not sufficient, condition for broader development, enlarging the scope for individuals to be productive and creative.\textsuperscript{148} Sustained growth and is essential for things that people care about: poverty reduction, productive employment, education, health, and the opportunity to be creative.\textsuperscript{149} And the experiences show that the economies performed high economic growth attained both increased level of income and lessening of inequality. The record of the last quarter century demonstrates two points: Aggregate economic growth benefits most of the people most of the time; and it is usually associated with progress in order, social dimensions of development.\textsuperscript{150} Sustained growth leads to the virtuous circle of income and savings increase, increased economic and social investment, better quality, and further growth. Especially, the case of Korea clearly says about it.

3.3.3.1.3. Equity is to be ensured, achieving reasonably fair income and enjoying higher standard of living. And it should be leaded by high and sustained growth. Tanzanian experience shows that just the high level of social investment and development does not guarantee sustained economic growth.\textsuperscript{151} The fundamentals of the Tanzanian economy should be reoriented to growth-first, growth with equity from equity-preferred equity and growth.

3.3.3.2. Broad-based Even Growth → Un-even Strategic Growth

3.3.3.2.1. Broad-based even growth is an ideal paradigm of development and ultimately the sustainable development should be leaded by broad-based even growth. However, what does not make this paradigm possible to be realistic is that quite limited resources for development do not allow investing enough to make difference. Thinly-spread miscellaneous investments over the sectors mean the loss of focus or less prioritization and dispersed efforts.

\begin{itemize}
\item \textsuperscript{149} Op. cit., p. vi
\item \textsuperscript{150} Joseph E. Stiglitz and Lyn Sqwire, \textit{International Development: Is It Possible?}, 1998, p. 138
\item \textsuperscript{151} Much was achieved as a result of Nyerere’s efforts, notably in the field of education, health and social services. Primary school enrollment increased from one-quarter of the school-age population to 95 per cent, adult literacy from 10 to 75 per cent; four in ten villages were provided with clean tap water, three in ten had clinics; life expectancy increased from forty-one years to fifty-one years. (Martin Meredith, p. 259)
\end{itemize}
3.3.3.2.2. An economist explains that uneven strategy in technological change as well as in economic development.\textsuperscript{152} In historical context of economic development of the advanced nations, the two theories are counter-argumentative: The German tradition of economics and Anglo-Saxon economics. The former has always encompassed the necessary elements of a theory of uneven growth, while the latter has produced theories of growth and trade which imply even growth. German economic theory of uneven growth has been the basis of the economic policies of the ‘laggards’, including England when it was one. Anglo-Saxon economics of even growth has been the theory of the ‘leaders’, the theory embarked upon when German theory has brought a nation into international leadership. For this reason, all rich countries have attempted to export Anglo-Saxon ideas, whereas they themselves have stuck to German ideas. Today’s \textit{managed free trade} is an attempt to achieve the same thing.

3.3.3.2.3. Adopting a historical approach, an economist with a fresh voice, finds that the economic evolution of now-developed countries differed dramatically from the procedures that they now recommend to poorer nations.\textsuperscript{153} He shows intriguing and provocative findings that most of the developed countries including the East Asian NICs followed a kind of uneven protectionist policy of economic development, not the free trade and \textit{laissez-faire} industrial policy. He argues that almost every successful country used infant industry protection and other activist industrial, trade and technological(ITT) policies when they were ‘catching-up’ economies. He concludes that developed countries are attempting to ‘kick away the ladder’ by which they have climbed to the top, thereby preventing developing countries from adopting policies and institutions that they themselves used. Under the guise of recommending ‘good’ policies and institutions, he goes even farther, the developed countries are actually making it difficult for the developing countries to use policies and institutions which they themselves had used in order to develop economically in earlier times.

3.3.3.2.4. Broad-based growth is appealing and the end in itself should result in broad-based sustainable growth, balanced and equitable. But the constraints of financial, technological and human resources Tanzania could mobilize and utilize leave a rather narrow margin for broad-based comprehensive drive for growth. A number of strategic industries and sectors where to devote the government’s energies and resources are to be prioritized and a consistent and integrated development policy should be designed and rendered by which system dynamics and group dynamism are invigorated. In order to maximize the utilization of scarce funds for investment, priority programs and projects which reflected the nation's strength and comparative advantages are to be vigorously identified and tabled on the nation’s strategic investment. The uneven growth strategy should be selective and

\textsuperscript{152} Erik S. Reinert, \textit{The Role of Technology in the Creation of Rich and Poor Nations, Underemployment in a Schumpeterian System, Rich Nations – Poor Nations}, 1996

\textsuperscript{153} Ha-Joon Chang, ibid.
preferably concentrative on some core economic activities, however, the policy should be a broad but coherent one, reinforcing each other by incorporating interrelated policies such as trade, investment, manpower, research and development, information and communications technology, and institutional arrangement. The uneven high growth in these strategic sectors generated the overall expansion of the economy in the long run. The uneven advances of the strategic frontier will inspire the remaining segments of the economy.

3.3.3.3. Inward-looking Inertia → Outward-looking Mindset

3.3.3.3.1. Because of its poor natural resource endowment and small domestic market, Korea had had no other option for alternative approaches to economic development. It meant economic liberalization, a gradual opening of the domestic market and free trade in parallel with building its own industrial base and strengthening competitiveness. For a nation with a long inward-looking tradition, the adoption of the outward-looking strategy was indeed very remarkable, and it is truly to the credit of the political leadership at that time that such a strategy was adopted. One of the most important lessons one can draw from Korean experience has to do with the merits of outward-looking development strategy. Without the adoption of such strategy in the early 1960s, Korea’s economic progress to date would have been possible.

3.3.3.3.2. Some economies have looked inward, competing with imports in the home market, rather than competing for foreign custom in the world market. These strategies have occasionally succeeded in spurring investments, increasing the size and efficiency of domestic producers. They also avoid the risks and dislocations of opening up to foreign competition too abruptly. Nevertheless, growth strategies that rely exclusively on domestic demand eventually reach their limits. Although an outward-looking strategy is vulnerable to external shocks, it is still a better option than an inward-looking orientation. In general, an open economy has greater adaptability to external shocks than a closed economy for the simple reason that entrepreneurs in the open economy are more capable of exploiting new opportunities arising from changes in the external environment than businessmen and bureaucrats in the closed economy.

3.3.3.3.3. The performance of Korea started from this outward-looking approach. Korea with outward-oriented strategy has grown faster than those favoring production for domestic

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154 Kim Kihwan, op. cit., p 4
155 Op. cit., p. 31
157 Kim Kihwan, op. cit., p.31
markets.\textsuperscript{158} The Korean preoccupation with exporting is seen as the prime motivator of government policy.\textsuperscript{159}

3.3.3.3.4. A rather receptive open-mindedness and hospitality of Tanzanians will not refuse a gradual exposure of their economy and society to the outside world. The process of outward-looking mind-setting could be gradual, but it should be inclusive and come from the very bottom of the heart. The first step toward outward-looking orientation could be practiced and learned from the nation’s accelerated engagement to the regional cooperation apparatus such as the East African Community (EAC), the Southern African Development Community (SADC), and the African Union (AU).

3.3.3.4. Public Social Welfare → Privatization and Economic Well-being

3.3.3.4.1. Pertained by the principle of socialism emphasizing public social welfare, the public sector which produces social services including education and health accounts substantial proportion of national domestic production. The system and networking for the delivery of social services is huge and well organized. However, this sector is heavily dependent on the finance of the government budget. It is estimated that more than 90 per cent of major social services are being subsidized through public spending. The level of government expenditure for social services is as high as those of the advanced countries, accounting around 40 per cent.

3.3.3.4.2. Burdened by heavy social spending, public investment for the productive sectors is greatly constrained as always. Scarce allocations of public fund for economic well-being means far less investment than needed for economic infrastructure and industrial development, perpetuating the vicious circle of low income, low savings and low investment. This fundamentally weak structure of investment procrastinates the kindling of growth dynamics and the emergence of viable private sector.

3.3.3.4.3. A policy shift toward greater emphasis on productive sector investment and the promotion of the private sector should be projected in both perspectives of privatization and public sector reform. In parallel with the rationalization and privatization of the productive social sector, a vigorous investment program for developing productive sectors should be initiated. The shift does not mean that the public spending and private investment in social sector decreases in the years to come. Instead, while the government expenditure in this sector will increase in a moderate rate than that in productive sector, private investment will be encouraged in a great extent.

\textsuperscript{158} The World Bank, \textit{World Development Report 1991}
3.3.3.5. Decentralization by Devolution → Government-led

3.3.3.5.1. The experiences of Tanzanians in extremely strict state control and its total failure made people to develop a deep-rooted mistrust in government intervention and seek an alternative way of governance from centrally planned top-down to grass root bottom-up. In line with public sector reform, the policy of decentralization by devolution (D by D) based on the principle of subsidiarity is under implementation and making considerable progress. Authoritative governance and central bureaucracy has been largely dismantled, while local autonomy and ownership have been greatly enhanced.

3.3.3.5.2. Korea’s experience shows that the process of decentralization and local autonomy took place in the later stage of its socio-economic development. Many people believe that even the visionary and articulate development plans and strategies could not have succeeded without the strong and systematic stewardship led by the government. Every project and program for development was implemented under the unified command and streamlined system of a centralized administration.

3.3.3.5.3. Since the noticeable progress made in decentralization and local autonomy, it’s the timing for restoring the credit of central governance. The role of the central government and development administration should be strengthened toward supportive and indicative policy planning and unified and systematic implementation. The central government should take the lead and empower the development dynamics and group dynamism by expanding its selective strategic interventions. And the government should exercise a stronger catalytic role as inspirer, strategic thinker planner, promoter, and facilitator in realizing the nation’s development vision.

3.3.4. Development Ownership and Stewardship

3.3.4.1. Policy Ownership

3.3.4.1.1. (Policy Identity) Policy ownership is one of the most popular topics in discussing development of the developing economies. The nominal meaning of policy ownership is to have an effective strategic plan which ensures the priority of investment framed in government budgeting. However, what is more important is the identity of the policy and strategy: Whether the plan and strategy reflects the reality of country’s socio-economic conditions and whether the visionary but pragmatic goals and targets are well aligned or not? In this sense of policy identity, Tanzania’s policy and strategy are to be fairly reoriented the policy value and development targets toward a greater emphasis on

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160 The Monterey Consensus(2002), Rome Declaration on Aid Harmonization(2003), and Paris Declaration on Aid Effectiveness(2005) put policy ownership of the recipient as one of the most important elements in development planning and assistance.
accelerated growth and productive sector development. Considering the rich endowments and potentials, a more progressive approach forwarding strategic intervention led by the government is to be pursued. Relieving abject poverty and diseases, on top of Tanzania’s development agenda, an added importance on productive investment and growth should be rendered.

3.3.4.1.2.(Policy Coherence and Consistency) Disturbed by the international intervention and disarrayed in the course of socio-economic transition, the integrity of Tanzania’s development policy and strategy seemed to be somewhat blurred. The vertical linkages of policies and strategies connecting the long-term vision, mid-term development plans and sector policies are not satisfactory. Horizontal linkages and integrity are also weak because mechanism for strategic planning and effective coordination is not properly specialized. Policy coherence and consistency could be enhanced by strengthening policy research and development as well as institutional capacity. Particularly, institutional consistency in policy formulation and implementation should be ensured by entrusting a superlative government organization with an extra-ordinary authority of policy development, strategic planning, integrated coordination and unified implementation.

3.3.4.1.3. (Policy Research and Development) Policy ownership, coherence and consistency could be secured by building capacity for policy research and development in national development issues and agenda. A center or institute of excellence in policy research and development equipped with highly talented manpower and creative working environment is to be established as an independent organization under the auspices of the superlative planning authority.

3.3.4.2. Resources and Technological Ownership

3.3.4.2.1. (Savings and Financial Mobilization) Practical ownership of development shall be achieved by overcoming reliance on external financing and foreign technologies. Even in low income countries, a set of effective policies and programs for promoting savings can greatly contribute to the mobilization of domestic financial resources. The robust economy will expand the base of domestic revenues. Not only tax reform in its system and administration aiming at enhancing both efficiency and transparency, but also the normalization of the informal economic activities is to be pursued in a consistent and comprehensive manner. One of the greatest hidden sources of resources mobilization could be the second generation privatization program. Since the most of the state enterprises and parastatal agencies have been privatized, the next grand programs for privatization could be processed in the following two areas: The first one is the land properties the nation is retaining most of them. The other is the privatization of education and health services heavily dependent on the public sector. Those initiatives for the second generation privatization drive will help greatly not only increase domestic government
earnings, directly and indirectly, but also empower the development dynamics of private sector.

3.3.4.2.2. (Human Resources Development) Growth strategy needs skilled manpower and human capital formation. The World Bank sees it as the single most important contributor to growth. Of all endowments, human capital probably does most to fuel long-term growth. It is the very basics of building capacity and good governance as well as institutional development. The emphasis on education and training is not only good economics but also good social policy, because government investment in education and technical manpower training, coupled with a policy providing for continued expansion of employment opportunities, serves as the most effective structural basis for an equitable distribution of income.\(^\text{161}\) In case of Korea where a considerable of educational expenditures were borne by the beneficiaries, high aspirations for education motivated people to enforce personal savings.\(^\text{162}\) Even without these fringe benefits of development dynamics education provide, human resources development should receive due attention so as to strengthen the human capacity every economic activities need avidly. The programs for human resources development should be prepared in the context of integrated development policies focusing on ‘universal high quality primary education and basic secondary education inducing the development of cognitive skills of the labor force, with the demand for higher education being left largely to the private sector’.\(^\text{163}\) It means that a structural adjustment of the educational sector toward shedding the burden of the public sector is to be implemented while some strategic educational programs are vigorously carried out. Newly introduced loan program for university students is a good start for those shedding and incentive measures to be expanded.

3.3.4.2.3. (Innovation and Technological Progress) Much more than any other domains, the logic of uneven pro-growth policy and strategy applies to innovation and technological progress. The merit of uneven growth may be explained more visually in the process of technological change than that of economic growth.\(^\text{164}\) The historical pattern of technological changes looks more likely scatter diagram than an orderly frontier. Technical changes happen very fast in some areas, dragging with them others, but in some areas the ‘frontier’ hardly moves at all for centuries.\(^\text{165}\) In parallel with promotion of education and basic sciences, some national projects of excellence in science and technology should be identified. In the same context of integrated pro-growth

\(^{161}\) Kim Kihwan, op. cit., p. 35  
\(^{162}\) Kihwan Kim & Danny M. Leipziger, p.10  
\(^{164}\) Erik S. Reinert, p.161. He places technical change, the uneven advances of the ‘technological frontier’, at the core of the theories of uneven growth.  
\(^{165}\) Op. cit., p.168
development strategy, the most promising programs for igniting innovation and technological progress should be treated with preference and concentrated support.

3.3.5. Development Policy and Strategy of Major Sectors

3.3.5.1 Agriculture

3.3.5.1.1. On outset of the Korea’s socio-economic development in the early 1960s, agriculture accounted for more than one third of its GNP and more than half of the total employment. Small-scale subsistent farming of which average land size was less than one hectare could neither produce enough staple food grains nor compete with foreign agricultural production. Largely neglected in the early years of development, the farmers both tenants and own tillers suffered from the low grain price policy with poor agricultural infrastructure. The rural poverty was extreme and rampant, and the big gap domestic food production could not suffice was filled with food assistance from overseas. It was after the industrial take-off began to generate some resources for trickling-down to other poor-performing sectors including agriculture that some effective programs for agricultural development could be able to be launched. By adopting the dual price policy and the government purchase scheme for the staple food grains, rice and barley, the government promoted agricultural production and supported the farm incomes. A subsidy program for farm inputs, mainly chemical fertilizers, encouraged farmers to intensify their farming methods. The rapidly increasing demand for staple food grains due to the increased income widened the food deficit. Worried over the diverging gap of income and living conditions between the rural and the urban, the government paid particular attention for accelerated development both in the agricultural and rural sector. In parallel with the intensive program of green revolution, agricultural extension and infrastructure development, the ‘Saemaeul Undong’, a comprehensive rural community development movement, was launched in the early 1970s. However, all these promoting programs of agricultural and rural development were possible because the high-performing productive sectors could accumulate the extra resources for investment and price support in agricultural sector. The rapid expansion of industrial sector was able to absorb the ample underemployed in the agricultural sector. Liberalization policy lowered down the protective barriers in recent years, Korea’s agriculture has been highly protected during the time largely at the benevolence of other sectors.

3.3.5.1.2. Agriculture in Tanzania is being neglected in double. In terms of public investment the agricultural and rural sector does not receive due priority deserving its importance. And the other productive sectors are not strong enough to trickle-down the surplus resources to the agricultural and rural sector. In spite of great potential of agricultural production, the lack of effective demand at home and abroad, investment, farm techniques, and infrastructures hinders the expansion of agricultural production. With scarce resources and poor policy capacity, the portfolios of agricultural investment are too widely and
thinly spread all over the activities and the agricultural development stewardship is mostly delegated to the local authorities by D by D policy.

3.3.5.1.3. The role of agricultural sector should not be underestimated. This sector is to be entitled to the top priority of development policy as well as resources allocation. The social welfare and the economic wellbeing of the rural poor should be promoted by agricultural development programs. All the policy measures and schemes are to be aligned to the increased investment in agriculture development of some strategic crops and commodities. While effective demand for agricultural products is to be created on the one hand, some incentives for increased production are to be introduced. Stressed intervention of the government on certain strategic crops and commodities is to be exercised and some integrated supportive measures are to be taken in a consistent manner: from seed improvement and distribution; farm techniques and extension services; farm inputs and mechanization, agro-processing and marketing together with strengthening infrastructure including agricultural land development and irrigation. Agriculture should become one of the productive sectors igniting the virtuous circle of growth and development.

3.3.5.2. Industry

3.3.5.2.1. Industry is what has made the Korean economy stood out remarkable and extraordinary climbing out of poverty and joining the ranks of developed countries. Political leader\textsuperscript{166} taken the power in the early 1960s took a bold initiative for the nation’s modernization and industrialization. Adopting the outward-looking development strategy, the leadership chose the industry as the engine of economic growth, driving force of the national development, and concentrated on the promotion of manufacturing sector, especially export industries. Taking full comparative advantages of low wages and the favorable world market, an extensive intervention of the government was made for the support of the selective strategic industries with integrated policy measures. Under a strong leadership an innovative institutionalization for comprehensive policy planning and strategy formulation was realized and the strategic plan for developing industrial sector was implemented in a consistent and integrated manner.

3.3.4.2.2. The approach of industrial development was innovative and creative, however, the process was gradual and practical step by step. In the initial stage 1961-1962, the state combined the aggressive promotion of exports with classic protection of the domestic

\textsuperscript{166} Major General Park Chung-hee grabbed the power in 1961 through a coup d’
"tat and took the initiative for national modernization and modernization. It is often criticized that he had exercised a ‘developmental dictatorship’ while suppressing the democratic aspirations of the people for the later period of his ruling. Aided by a group of technocrats he devoted to the nation’s socio-economic development. Also he was decisive, innovative, creative and insightful as well as practical enough to lead the nation to become one of the newly industrialized countries (NICs) from one of the poorest countries in the world before he was assassinated in 1979.
market. In 1973, Korea launched an attempt at industrial diversification and upgrading, through the Heavy and Chemical Industry (HCI) drive. Six strategic industries were identified and supported through a combination of tax incentives, subsidized credit and import protection. Beginning in 1979, there was a sharp reversal in policy. As the economy stalled, deficits increased and excess capacity appeared in HCI, the government withdrew from selective intervention in strategic sectors. Policy favored functional incentives, which did not distinguish between sectors.\(^{167}\) Since 1983, Korea’s industrial policy shifted away from sector-oriented support such as HCI drive toward function-oriented support for R&D.\(^{168}\) Though the policy direction evolved toward general support, the government provided indicative guidance for futuristic investment of priority. Government support of R&D expenditures was concentrated on the IT industry during the 1990s. Since 1998, the government has emphasized building a knowledge-based society and has chosen six promising next-generation technologies to promote, including IT and biotechnology, among others.\(^{169}\) The integration of numerous factors made an outstanding success story of industrial development from scratch: insightful development leadership; good policy and strategy; practical approach; and appropriate institutional building.

3.3.4.2.4. Tanzania is in the earlier stage of industrial development. The share of industry in GDP accounts a meager 7.8 per cent in 2007. With its advantage in strategic location in the region and plenty of human and natural resources, the nation is going to engineer the acceleration of the industrial development. However, as other productive sectors in Tanzania, the industrial sector is facing a daunting situation. While the role of the private sector at its infantile stage is overly emphasized considering the contemporary capacity, the policy focus as well as invest priority regarding industrial promotion are not clearly identified. The sector is suffering from lack of qualified manpower, lack of infrastructure, and lack of finance and technology. Furthermore, as the nation walked out of the 8+2 year transition period of WTO’s S&D (Special and Differential) treatment for LDCs by 2005, Tanzania has little room for exercising the effective tools for selective and preferred strategic industrial and trade promotion. But there seems to be some other policy measures and supporting schemes for the nation to utilize.

3.3.4.2.5. Though the basic paradigm of government support for promoting industrial competitiveness development should be shifted from direct to indirect intervention providing general, non-discriminatory assistance, some policy measures could be designed to enhance industry-wide competitiveness and to facilitate the growth of new


\(^{169}\) Ibid.
enterprises. As the engine of the economy and the driving forces of economic growth, the strategic industries for consistent support through the manner of general and non-discriminatory assistance should be identified. Developing countries with sound financial situation may develop and provide export insurance and duty drawback schemes as well as subsidies satisfying objective criteria such as those provided to the SMEs, which are regarded as the non-prohibited subsidies in the WTO. A number of areas where the government as a facilitator can play an important role could be categorized. In terms of economic policy, these can be divided into five areas, namely investment policy, trade and competition policy, policy for start-ups and venture business, and SMEs development policy.

3.3.5.3. Education

3.3.5.3.1. The rapid expansion of education in Korea is considered to be one of the most important factors behind its rapid economic growth. The key point for the successful linking of education to economic development in Korea lies in the choice of educational policy relevant to its stage of industrialization. The policy of sequential educational expansion by the school level which enables basic education to be universalized early and rapidly were very efficient in supplying manpower unskilled but qualified manual workers in the early and middle stages of labor-intensive industrialization (in 1960s). And the expansion of education has proceeded sequentially from the primary education level to the secondary education level, and finally to the higher education level. Although universal primary schooling was accomplished relatively early, the government has been slow to extend universal education to the middle school level and passive in its provision of places in high school and post-secondary institutions.

3.3.5.4.2. When rapid industrialization was initiated by the government, there was virtually no systematic supply channel for a skilled and semi-skilled labor force. During the 1970s, the government attempted to consolidate vocational and technical education at the high school level. The expansion of secondary, particularly vocational high schools, contributed to satisfying the industrial demand for semi-skilled labor and craftsmen required in the heavy and chemical industries. The state’s intervention by linking the educational sector to the larger industrialization policy is expressed most apparently in the higher education enrollment quota policy. The government selectively expanded the enrollment quota centered around the fields of engineering, natural science, business and commerce and

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171 Jai S. Mah, p.88
172 Chuk Kyo Kim, p. 20
foreign language. What is noteworthy is that the field of electronics expanded most rapidly among the fields of higher education. From 1965 to 1985 the enrollment in the field of electronics increased by 94.7 times for colleges and universities and by 4424.8 times for graduate schools. The increase of the total higher educational enrollment amounted to 8.4 times during the same period. Consequently, the expansion of higher education, especially the field of electronics, seems to have promoted highly sophisticated technology-intensive industries including electronics and information and telecommunication technologies since 1980s.

3.3.5.4.3. The data shows that the educational investment priority in Korea was given to primary education. Contrary to many other developing countries in Latin America and Africa which tend to have invested a much higher proportion of the educational budget in post-primary education, Korea concentrated on primary education. Between 1965 and 1975 the Korean government invested about 65 per cent of the total educational budget in primary education, 20~25 per cent in secondary education, and less than 10 per cent in higher education.

3.3.5.4.4. The Korea’s public investments in education have not been highly compared to those of many developing countries, not to mention those of developed countries. While many countries have maintained public educational expenditures at the level of 5 per cent of GNP during the past three decades, Korea tended to be much lower as low as 1.8 per cent in 1965, which was the 81st place among 90 countries, and still remained low at 3.5 per cent in 1990 and 4.1 per cent in 1994. By contrast, it reached 5.3 per cent in 1990 and 6.2 per cent in 1993 in African countries. In FY 2008/09 budget plan of Tanzania, educational sector expenditures are equivalent to 5.58 per cent of its GDP. However, Korea’s fast educational growth is largely attributed to the active participation of the private sector investment by both the private schools and the beneficiaries. As public education has experienced a shortage of financial resources caused by an increasing number of students, the government has induced the private sector to establish private schools by providing a coherent set of financial incentives such as tax exemption and public subsidies. The government subsidy is determined in accordance with the size of the individual school’s own revenue. Owing to the government incentive measures, the number of private educational institutions rapidly increased and they constitute a very high share of educational institutions. The proportion of the enrollment in private institutions was 77.8 per cent for kindergartens, 60.0 per cent for high schools and 81.9 per cent for colleges and universities in 1995.

3.3.5.4.5. Another factor which has contributed to Korea’s fast educational growth is the state’s educational investment policy which imposed much of the financial burden on beneficiaries, parents and students. Total expenditures for education are estimated to amount to 11.8 per cent of the GNP in 1994. The expenditure for public (formal) education took up 5.79 per cent: 3.72 per cent is borne by the government and school
bodies; and the remaining 2.07 per cent by parents and students in the form of tuition and fees. Expenditures for private education, which are defined as all kinds of expenses paid by parents and students themselves except tuition and fees, were assessed at 6.03 per cent of the GNP in 1994, more than the expenditure for public education. It means that of the total 11.8 per cent portion of educational expenditure in GNP, the burden borne by the beneficiaries was 8.10 per cent compared to 3.72 per cent burden by the government.

3.3.5.4.6. It is widely recognized that education contributed a lot to the accelerated economic growth and social advancement. But it seems extraordinary that the contribution of the Korean government in educational investment was rather marginal and the most of it was generated by the private investment owing to the people’s aspirations for learning and their capacity to pay for the educational service. The government provided the stakeholders with the indicative policy guidance while allocated quite limited public resources in compliance with the priorities of the nation’s educational development. Instead of bearing the direct burden of public spending in educational investment, the government encouraged the private investment by making and enabling environment of private education. The government put emphasis on creating job opportunities which well educated peoplecoveted for their decent income and the manifestation of their workmanship.

3.3.5.4.7. In Tanzania education is considered as an imperative for the people’s social welfare as well as the very basic foundation of economic and human development. That’s the reason why educational development appears on the top priority of national development agenda and the government is expanding the role both as an avid educational promoter and the main service provider of education. The nation is now entering the stage of expansion of secondary and higher education as primary education is about to be universalized. The usefulness of post-primary education is to be reviewed in accordance with the demand of the skilled labor force and highly educated manpower. The education policy and programs should be well linked to the nation’s socio-economic development strategy, especially to the nation’s human resources development (HRD) plan. The gradual expansion of post-primary education is needed because it is desirable for the economy and the society to keep the balance between the demand and the supply of the manpower in higher level. And it is also advisable in the standpoint of financial feasibility ensuring the quantity and the quality of advanced education.

3.3.5.4.8. There should be a comprehensive review and evaluation on educational policies and programs especially in view to their usefulness and financial feasibility under the broader context and framework of national development. Considering the limitations of financial and human resources, it seems too luxurious for the government to expand public education by itself at every level at an unprecedented rate. Through an aggressive initiative for cost-sharing and private participation in education the role of the private sector should be activated and expanded in a great extent. In this context, the role of the
government is to be redefined as the facilitator and promoter, not as the principal provider of educational services.

3.3.5.4. Health

3.3.5.4.1. The health sector of Korea is recognized as one of the striking cases of social development: Started late, but performed well. For a considerable period of time in her development path, the government kept a low profile in this sector. The growth-first policy put social development, especially health care and medical service, aside away from the priority investment portfolio of the government. It was after the termination of the third five-year socio-economic development plan in 1976 that a serious attention was paid on social development issues such as health care medical insurance. Though there was a medical insurance scheme introduced in the early 1960s, it was not more than a nominal one because the scheme was designed based on a voluntary participation but the enabling environment was not mature enough to be sustained.

3.3.5.4.2. In 1977 both the schemes of health insurance and medical protection were launched in accordance with the two important legal arrangements of the Health Insurance Law and the Medical Protection Law enacted in 1976. The schemes which are basically inclusive and compulsory extended in a gradual manner. From big companies to medium-sized enterprises, from private sector to public sector, and then to the self-employed in the local region, the systems has been expanded. A principle of equal premium charge between employee and the employed was adopted. The beneficiary of the medical insurance should pay a certain portion of the medical cost incurred. All citizens were entitled to the benefits of the medical insurance scheme by 1989 when the regional medical insurance scheme encompassed all the residents in the local region. During the time the government strengthened the system of medical service delivery and promoted the public health programs. While some of the big business conglomerates built the grand-scale medical facilities for the sake of social philanthropy, the private hospitals both western and traditional medicine began to flourish to meet the explosive demand for medical services.\(^{174}\)

3.3.5.4.3. There were some exceptions of the low-profiled health policy. Early in the 1960s a scheme for industrial disaster compensation has been introduced in line with the emphasis on rapid industrialization. An intensive program for family planning had been pushed throughout the nation. The high rate of population increase reaching 3 per cent per annum should be lowered down to the affordable level.

3.3.5.4.4. Health is an important ingredient of basic human needs (BHN) and is considered as one of the basic human rights. Health together with education consists of the two pillars of social welfare by which the livelihood of the people is improved. Even though a considerable sum of government expenditures in Tanzania is being allocated to the health sector, however, an ever-increasing demand for health care and medical service is highly surpassing the slowly expanding supply. The results of the recent household budget survey (HBS) shows that both the quantity and quality of health service were not improved for the last several years as have been expected. The rising expectations escalated by the internationally agreed development goals and the rosy manifestos are even further creating the needs of health care services more rapid than the government-dominant health care services are being provided.

3.3.5.4.5. The solution for insufficiency of health care services should be sought not solely in the sector’s development itself, but also in the wider virtuous circle of growth and development. In parallel with the strenuous efforts for improving primary health care and sanitation through the public health care programs, the enabling environment of self-perpetuating health system should be fostered by creating the effective demand for qualified health care as well as developing market oriented system of medical services. It means that prior to the increasing spending for the public medicare schemes, the programs for productive sectors development should be further promoted so as to raise the people’s purchasing power for medical services by generating the incomes of the employed in those sectors. The expansion of the public medicare schemes and the financial support for those schemes should be fairly gradual in compliance with the government’s financial capability. While the public private partnership (PPP) approaches in health development are to be improved and implemented in a detailed and practical manner, the buyer and beneficiary-pay principle is to be strictly applied to the inclusive extension of medicare schemes and programs.

3.3.5.4.6. The high growth of population offsets substantially the robust rate of economic growth. The proliferation of HIV/AIDS occurrence poses a serious threat to the economic and social development, physically as well as morally. The family planning program is to be strengthened in close collaboration of the program of reproductive health promotion and HIV/AIDS eradication.
IV. International Development Cooperation

1. The Context of International Development Cooperation

1.1. Historical Perspective of Development Cooperation

1.1.1. (Independence and Self-Reliance) As much as many of Tanzanians believe that the spirits and ideologies of the Arusha Declaration are pure and theoretically correct per se, they may seem to be reluctant to open to ‘getting money from external sources’. The Declaration of 1967 on socialism and self-reliance instructed that ‘independence meant self-reliance and it could not be real if a Nation depends upon gifts and loans from another for its development’. Citing an English proverb “He who pays the piper calls the tune”, the declaration concludes that ‘we cannot get enough money for our development and even if we could get it such complete dependence on outside help would have endangered our independence and the other policies of our country’.

1.1.2. (External Finance) It certainly be painful to acknowledge that Tanzania has remained one of the major recipients of foreign assistance for the most of the time since independence. And it is ironical that in spite of the adamant adherence to the policy of self-reliance and economic independence the nation was not able to be free from external financing. Now external finance (EF) plays an important role in the socio-economic development of Tanzania. Due to limited capacity to generate adequate domestic resources, EF is encouraged to complement country’s own resources in financing socio-economic expenditures in the country. It has played and will continue to play significant role in the growth, development, poverty reduction process in Tanzania, particularly in the implementation of the MKUKUTA and the MKUZA. EF constitutes around 80 per cent of development budget.\(^{175}\)

1.1.3. (Reform and Adjustment) Tanzania has been carrying out aid management reforms as part of the broader economic reforms undertaken since the mid 1990s. They have been part of its efforts to make aid more effective for achieving development and poverty reduction and supportive of country systems, structures and processes. On the one hand, the Tanzanian government reconciled the role and contribution of external finance as an integral component of development process filling the gap of capital and technology. By

endorsing the structural adjustment program proposed by the international development organization, Tanzania instituted a series of policy reforms toward a market-oriented economy utilizing foreign and international development cooperation. And the international community responded to Tanzania’s development efforts by increasing the flows of external assistance and relieving the debt burden through multilateral relief measures. On the other hand, the government took the initiatives for the enhancement of aid effectiveness by realigning the paradigm of aid management and strengthening the institutional framework of national development.

1.2. National Development and International Cooperation

1.2.1. (National Development Needs) The strategic plan and investment programs of Tanzania’s national development are implemented under the government budgeting mechanism called the Medium Term Expenditure Framework (MTEF), a three-year rolling fiscal indicative projection. Based on an extensive overview of macroeconomic performance and projections as well as the availability of financial resources accounting both domestic revenues and external finance, the MTEF and an annual government budget estimate are made. And a specific budget paper is prepared and it is subject to the review of the cabinet and the subsequent approval by the parliament. The modality of government planning and budgeting is intrinsically conservative and rather constrained by the contemporary endowments which fall short of its requirements. Therefore, the government budget does not afford the desired level of public expenditures required for the investment needs to attain the development goals and targets. In this planning and budgeting context, even a tentative quantitative need of national development in terms of aggregate investment could not be able to be identified. Tanzania’s planning authorities seem not to operate a macroeconomic forecast and simulation model by which a set of aggregate development indicators are projected such as savings and investment, growth and output, employment, trade and external transactions. However, it is apparent that the national development needs are huge beyond the government budget estimate. Apart from the surmounting public investment needs in the social sector, the public and private investment needs in the productive sectors are even greater, considering the gap between the recent economic performance and the projected development objectives. In order to achieve the medium-term growth targets and development goals of the MKUKUTA and MKUZA, a huge development needs are to be met, highly surpassing the current level of public investment.

1.2.2. (Indigenous Development Capacity) Owing to the robust economic growth and increased investment since 2000, the indigenous development capacity of Tanzania has been strengthened significantly over the years. The ratio of investment to GDP increased from 17.6 per cent to 24.3 per cent in 2007. Domestic revenues increased substantially from 12.2 per cent of GDP in 2000/01 to 16.8 per cent in 2007/08, while the total government expenditure expanded from 20.6 per cent of GDP to 28.8 per cent during the
same period. However, the existing expenditure gap between the domestic revenues and the total government expenditures is filled by foreign savings mainly through external assistance. The indigenous financial capacity should be further strengthened in order to mobilize the resources for increased investment and secure the financial ownership in the development process. The shortage of skilled labor force and competent manpower appears as one of the serious bottleneck of accelerated growth and industrial productivity enhancement as well as social services delivery. The lack of infrastructure and industrial technology needs an enormous investment in transport, energy and electricity, ICT, water facilities, research and development, and science and technology.

1.2.3. (Requirements for External Finance) External Finance (EF) has an important role to play in the socio-development in Tanzania. Due to limited capacity to generate adequate domestic resources, EF is encouraged to complement the country’s own resources in financing socio-economic development expenditures in the country. It has played and will continue to play significant role in the growth, development and poverty reduction process in Tanzania, particularly in implementation of the MKUKUTA and MKUZA. Currently Official Development Assistance (ODA) to Tanzania stands at 33.7 per cent of the total government budget estimates FY 2008/09, with the development budget consisting of external finance in the form of grants, concessional loans and debt relief. EF constitutes around 80 per cent of the development budget.

Table 16: Budget Frame FY 2007/08 and 2008/09

<table>
<thead>
<tr>
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<th>FY 2007/08 (Projection)</th>
<th>FY 2008/09 (Budget)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume</td>
<td>Comp.</td>
</tr>
<tr>
<td><strong>1. Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Revenue¹</td>
<td>6,038</td>
<td>100.0</td>
</tr>
<tr>
<td>Foreign Loan and Grant</td>
<td>2,439</td>
<td>40.4</td>
</tr>
<tr>
<td>Programme Loans and Grants</td>
<td>956</td>
<td>15.8</td>
</tr>
<tr>
<td>Basket Support Loans and Grants</td>
<td>245</td>
<td>4.1</td>
</tr>
<tr>
<td>Project Loans and Grants</td>
<td>1,189</td>
<td>19.7</td>
</tr>
<tr>
<td>Others²</td>
<td>49</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>2. Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurrent Expenditure</td>
<td>3,866</td>
<td>64.0</td>
</tr>
<tr>
<td>Development Expenditure</td>
<td>2,172</td>
<td>36.0</td>
</tr>
<tr>
<td>Local Resources³</td>
<td>739</td>
<td>12.2</td>
</tr>
<tr>
<td>Foreign Resources</td>
<td>1,433</td>
<td>23.8</td>
</tr>
<tr>
<td><strong>As a percentage of GDP (%)</strong></td>
<td>26.9</td>
<td>-</td>
</tr>
</tbody>
</table>

Note 1 Includes the revenue from the Privatization Funds.
1.2.4. The requirements for EF in terms of needed investment to attain the targets and objectives of national development envisioned in the development vision and the medium term development strategies seem to be much higher than those appeared in the budget estimates. The MTRF, an apparatus of three-year rolling indicative budget frame-working, estimates the budget demand based on the possible availability of financial resources both domestic and foreign. This does not reflect the aggregate demand for expected investment needs in most of the sectors. The major sector programmes such as ASDP, MMAM, PEDP, and SEDP have a certain form of programme projects costs estimate. The estimated ASDP costs amount to Tsh.2,492 billion for the programme period of 2006/07 – 2012/13. MMAM requires an amount of Tsh.9.6 trillion investment during the programme period of 2007 -2017.

1.2.5. However, there seems to be no aggregated estimate or projection for total investment or development expenditures for the entire sectors. A cautious opinion of a senior government officer on the needed public investment is that currently only half amount of the required development resources are mobilized and programmed on the national budget, far short of the needed investments. Actually we can see immense requirement of development resources both financial and technological and human in most of the sectors: education and health, agriculture, industries, water and sanitation, infrastructure, tourism, and capacity development. For example, according to a recently presented paper on sanitation, Tanzania needs to allocate about Tsh.90 billion every year to cover sanitation issues if the country is to meet the eThekwani Declaration.\footnote{During the February 2008, AfricaSan Conference was held in Durban, South Africa, and it was agreed that every country establish specific public sector budget allocation for sanitation and hygiene programmes.\textit{(The Guardian Daily News, November 12, 2008)}} It means that for Tanzania to meet the internationally agreed development goal the budget allocation needs to come up with about Tsh.80 billion from the current level of Tsh.10 billion.

2. The Apparatus: JAST(Joint Assistance Strategy for Tanzania)

2.1. Background

2.1.1. Helleiner’s Independent Commission Report and TAS\footnote{Most of this part are referred from \textit{Joint Assistance Strategy for Tanzania}, The United Republic of Tanzania, December 2006}
2.1.1.1. In January 1997, the Tanzanian government and its development partners jointly adopted the recommendations of the Report of the Group of independent advisors, led by Professor Gerald K. Helleiner, who were commissioned in 1994 to evaluate and come up with proposals on how to improve development cooperation in Tanzania. The Group among others had recommended that the government formulates clear medium- to long-term national development priorities and undertakes necessary reforms in public service and financial management. Development partners had been urged to take actions to better coordinate and harmonize their development assistance including practices and procedures as well as to increase the predictability of aid flows.

2.1.1.2. The adoption of the Report’s recommendations in the ‘Agreed Notes’ – an agreement between the government and its development partners on 18 actions to be taken to improve their relationship – set in motion a process of redefining the relationship between the government and its development partners of aid on the basis of principles of national ownership, government leadership, harmonization and alignment. This process of enhancing partnership relations and aid effectiveness was supported by further independent assessments of Tanzania’s development partnership, undertaken by Professor Helleiner in 1997, 1999 and 2000 and followed by an institutionalized Independent Monitoring Group (IMG) since 2002.

2.1.1.3. One major outcome of the process was the establishment of the Tanzania Assistance Strategy (TAS), which was launched in 2002. The TAS served as the medium-term framework for development cooperation, aiming at strengthening aid coordination, harmonization and alignment as well as national ownership and government leadership of the development process. A TAS Action Plan, developed during FY 2002/03, set out practical steps for implementing TAS. Actions were grouped in four priority areas, namely (1) increasing the predictability of aid flows, (2) integrating external resources into the government budget and exchequer system, (3) harmonizing and rationalizing processes, (4) improving national capacities for aid coordination and external resource management. The implementation of the TAS has contributed to considerable progress in the above mentioned areas.

2.1.2. A Call for Enhancing Aid Effectiveness

2.1.2.1. Not only the national request for improving development cooperation, but also the international appeal for enhancing aid effectiveness accentuated the reforms in aid strategy and management. Dispersed and uncoordinated aid intervention can be detrimental to all levels of development promotion; sustainable human development, macro-economic growth, national capacity building, and community empowerment. This calls for effective dialogue between government and its development partners on how best to coordinate
their efforts and make sure that they are consistent with government development process and structures.\(^{178}\)

2.1.2.2. The JAST has been formulated in the spirit of national and international commitments and initiatives on aid effectiveness – most notably the Tanzania Assistance Strategy(2002), but also the Monterrey Consensus on Financing for Development(2002). The Rome Declaration on Aid Harmonization (2003), the Marrakech Memorandum on Managing Results (2004) and the Paris Declaration on Aid Effectiveness (2005). It spans a renewable cycle of five years and outlines the main objectives, principles and broad arrangements of Tanzania’s development partnership. It is complemented by an Action Plan that specifies concrete activities and timeframes for implementing JAST and monitoring framework with indicators to measure the government and the development partner performance.\(^{179}\)

2.2. JAST(Joint Assistance Strategy for Tanzania)

2.2.1. (Introduction) The JAST, in Kiswahili ‘Mkakati wa Pamoja wa Misaada Tanzania (MPAMITA)’, is a national framework for aid coordination that aims to promote the effective management of external resources to support Tanzania’s development objectives. It is a unique strategy, Tanzania being one of the first countries to articulate and implement, with her development partners (DPs), for managing external resources in terms of increased aid effectiveness. It also outlines the role of non-state actors (NSAs) and other stakeholders to the extent that they contribute to the successful implementation of the strategy. The JAST is implemented at all levels of the government within the existing national, sector and local processes for all aid relations with DPs. DPs adopts the strategy as a basis for guiding the management of their development cooperation with the government of Tanzania (GoT). Bilateral agreements and country assistance strategies are being brought in line with the JAST principles. Nineteen DPs have signed with the GoT a memorandum of Understanding (MOU) committing their respective countries and agencies to the implementation and principles of JAST.\(^{180}\)

2.2.2. (Objectives) The overall objective of the JAST is to contribute to sustainable development and poverty reduction in line with the National Vision 2025 and the Zanzibar Vision 2020 by consolidating an coordinating government efforts and DPs’ support under

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\(^{179}\) The United Republic of Tanzania, *Joint Assistance Strategy for Tanzania*, December 2006, p 1

\(^{180}\) The Development Partners Group(DPG) was formally established in 2004 and the Terms of Reference, Development Partners Group(DPG) Tanzania was revised in January 2007. The current membership comprised of twenty six(26) DPs including AfDB, Belgium, Canada, Denmark, EC, Finland, France, Germany, Ireland, Japan, Netherlands, Norway, Sweden, Spain, Switzerland, United Kingdom, United Nations, United States and World Bank.
a single Government-led framework to achieve results on the MKUKUTA and the MKUZA, as well as other national development and poverty reduction programmes. The intermediate objective of the JAST is to build an effective development partnership in line with national and international commitments to aid effectiveness by:

(1) Strengthening national ownership and GoT leadership of the development process,
(2) Aligning DP support to GoT priorities, systems, structures and procedures,
(3) Harmonizing GoT and DP processes,
(4) Managing resources for achieving development results,
(5) Ensuring mutual accountability of the GoT and DPs, and
(6) Strengthening accountability of the GoT to the citizens of Tanzania.

2.2.3. (National Ownership and Leadership) The government is highly committed to sustainable development and poverty reduction. In a broadly participatory process involving domestic and international stakeholders, it has formulated a range of long- and medium-term goals and strategies that articulate Tanzania’s vision and agenda for national development and poverty reduction and for whose implementation the government is accountable to its citizens. Under the leadership of the government domestic stakeholders participates more fully in the development management process. The government aligns all national and sector policies, strategies and programmes as well as plans of MDAs, Regions and LGAs with the MKUKUTA/MKUZA and harmonize them around the national budget process. Development partners fully align their support with the MKUKUTA/MKUZA and other national sector strategies, policies, programmes, and local government plans. In terms of aid modality, the provision of General Budget Support (GBS) and the Basket Funds (BFs) plays a significant role in aligning development assistance with national, sector and local strategies and priorities. The government allocates the GBS and BF according to these priorities which are subjected to the same degree of contestability as domestic resources within the budget process, both at sector and national level, so that they fully align with the national and sector strategies.

2.2.4. (Aid Modalities and General Budget Support) The government receives aid under three modalities: General Budget Support (GBS); Basket Funds, and direct Project Funds, with the GBS being the most preferred mode since it is consistent with the government’s legal framework and processes. In the 2006/2007 Financial Year, approximately US$700 million or 55 per cent of the total foreign aid to Tanzania was provided under the GBS modality, thus demonstrating advantages over other aid modalities.

• General Budget Support is the government’s preferred modality. It is consistent with the government’s legal framework, and has been associated with greater ownership, harmonization, alignment, predictability of aid flows, reduction of transaction costs, managing for results, as well as mutual and domestic accountability. It increases the proportion of external resources subjected to the national budget process, thereby
increasing national ownership of the development process by emphasizing the national budget as the framework for identifying priorities and programming resource use. Apart from quarterly meeting of the PRBS group, the government and GBS partners convene annually for annual GBS review and GBS partners make their commitment.

- **Basket Funds** play a big role in financing core public reform programmes and development activities at the sector level. Sector-Wide Approaches (SWAPs) and Program-Based Approaches (PBAs) are now put in place in various sectors and sub-sectors, including education, health, water, agriculture, HIV/AIDS, and core reform programmes. The basket fund modality contributes to strengthening national ownership, securing increased resources, enhancing the quality of dialogue and improving coordination of projects and programmes in a wide perspective by replacing fragmented and loosely coordinated projects and programmes previously.

- **Direct Project Funds** are being utilized for large-scale infrastructure investment, for piloting where particular service delivery innovations or policies need to be tested before being mainstreamed in the normal government system, and for emergency aid where quick and localized service delivery is needed. Off-budget project financing arrangements has provided many government agencies with continued access to financing channels that largely bypass and therefore undermine the national budget process.

<table>
<thead>
<tr>
<th>Table 17: Official Development Assistance by Funding Modalities</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Type of Modality</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06</th>
<th>2006/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Budget Support</td>
<td>279</td>
<td>459</td>
<td>393</td>
<td>501</td>
<td>699</td>
</tr>
<tr>
<td>Basket Funds</td>
<td>168</td>
<td>81</td>
<td>321</td>
<td>254</td>
<td>137</td>
</tr>
<tr>
<td>Project Funds</td>
<td>386</td>
<td>269</td>
<td>605</td>
<td>422</td>
<td>527</td>
</tr>
<tr>
<td>Total</td>
<td>833</td>
<td>809</td>
<td>1,319</td>
<td>1,177</td>
<td>1,363</td>
</tr>
</tbody>
</table>


2.2.5. (Division of Labor and Coordination) Within the broadly identified roles in the implementation of the JAST, the government works towards a more effective division of labor, cooperation and coordination among and between MDAs, Regions and LGAs in order to avoid overlaps and gaps in carrying out necessary tasks. The JAST follows the principle of subsidiarity embodied in the policy of Decentralization by Devolution (D by D) and defines each government agency’s role and responsibilities, in particular in the MKUKUTA /MKUZA and other existing frameworks and processes such as Public
Expenditure Review (PER)\textsuperscript{181} and General Budget Support(GBS). On the other hand, dialogue and coordination among development partners is facilitated by the Development Partners Group (DPG). Now the 26 bilateral and multilateral members are organized under the DPG umbrella where monthly meetings at the overall level addressing policy issues is supplemented with more technical dialogue at sector and thematic areas with relevant sector ministries. Within and across sectors and thematic areas, development partners harmonize their activities, funding decisions, requirements, analytic work, meetings, missions, reviews and other processes. As part of division of labor arrangements, terms of reference including a code of conduct for delegated cooperation and harmonization arrangements specify the roles and responsibilities of ‘lead’, ‘active’, and ‘delegating’ partners. In each sector/thematic area, relevant MDAs in consultation with LGAs and in agreement with development partners decide which development partners will actively engage in the area and who will assume the role of the lead partner. Through the implementation of the JAST, the government and development partners continues to jointly reassess the adequacy of existing division of labor arrangements, taking into account and adjusting to possible changes in development partners’ comparative and competitive advantages or other selection criteria and changing government needs.

2.2.6. Apart from DPG, DPs supporting the he national growth and poverty reduction efforts through the General Budget Support (GBS) have reorganized themselves into a Poverty Reduction Budget Support (PRBS) group. The group consists of 14 bilateral and multilateral DPs, and has a Troika Plus System of organization co-chaired by the PRBS group chair, the outgoing and incoming chair and the World Bank. The Troika Plus meets quarterly and when needs arise with the Permanent Secretary of the Ministry of Finance and Economic Affairs.\textsuperscript{182}

2.2.7. (Technical Assistance and Capacity Development) Capacity development is the process of unleashing, creating, strengthening, adapting and maintaining the capacity of individuals, organizations, institutions and society as a whole. And development partners provide technical assistance as a means to facilitate sustainable capacity development. Technical assistance (TA) which is demand-driven and responds to government’s capacity

\textsuperscript{181} The Public Expenditure Review (PER) has been an ongoing process since fiscal year 1998/99 and includes stakeholders from the Ministry of Finance and Economic Affairs, Planning Commission, Public Service Management and Regional Administration and Local Government, sector ministries, Bank of Tanzania, research institutions, development partners and civil society. The traditional PER function focused on the budget process in terms of management, control and accountability. The underlying objective is to evaluate budget performance against approved targets and procedures or processes and identify shortcomings and corrective measures. Thus PER provides such inputs as updated sector Medium Term Expenditure Frameworks (MTEFs) for key sectors and donor commitments in support of the government’s expenditure strategy and budget estimates both for the upcoming financial years as well as for the medium term.

\textsuperscript{182} Balandya Elikana, \textit{Evaluation of KOICA Assistance to Tanzania} (A Seminar Presentation Paper), the Ministry of Finance and Economic Affairs, September 2008, p.4
development needs is identified and also increasingly untied from the source of financial sources and procured in a fair, non-discriminatory, competitive, transparent and accountable manner under the leadership of the government. The government and development partners work toward providing a conducing incentive structure for TA personnel to effectively share their expertise and for local counterparts to adapt and retain skills and knowledge from them. The government furthermore works closely with development partners and other stakeholders to formulate a national TA policy that outlines TA objectives, priorities and concrete guidelines for selecting, managing, monitoring and evaluating TA.

2.2.8. More than 90 per cent of the government’s development expenditure is financed by the external assistance coming from development partners. It means that most of the public expenditure programs and projects themselves are the development assistance programs and projects per se. The combined sum of external assistance channeled to the government as foreign loans and grants is allocated to each expenditure programs and projects in accordance with the investment priorities of the government through the national budgeting process. Therefore, the composition of the development expenditure itself shows the aggregate portfolio of development assistance contributed by the development partners. The FY 2008/09 budget plan discloses that the six priority sectors including education, road transport, health, agriculture, water and irrigation, and energy receive nearly two third of total development expenditure as specified in the table below.

<table>
<thead>
<tr>
<th>Table 18: The Structure of Development Expenditure FY 2008/09</th>
<th>(Unit: Tsh. Billion, %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY 2007/08</td>
</tr>
<tr>
<td></td>
<td>Budget</td>
</tr>
<tr>
<td>Education</td>
<td>1,086.0</td>
</tr>
<tr>
<td>Infrastructure(Road)</td>
<td>777.2</td>
</tr>
<tr>
<td>Health¹</td>
<td>697.6</td>
</tr>
<tr>
<td>Agriculture</td>
<td>379.0</td>
</tr>
<tr>
<td>Water and irrigation</td>
<td>309.1</td>
</tr>
<tr>
<td>Energy and Minerals</td>
<td>354.0</td>
</tr>
<tr>
<td>(Above 6 areas total)</td>
<td>(3,602.9)</td>
</tr>
<tr>
<td>Other sectors</td>
<td>2,463.9</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>6,066.8</td>
</tr>
</tbody>
</table>

Note 1: Includes HIV/AIDS
Source: Budget Speech for the FY 2008/09, Minister for Finance and Economic Affairs, June 12, 2008, p.55

3. Major Programs and Projects

3.1. Introduction
3.1.1. More than half of the external finance forwarded to Tanzania comes in the form of GBS directly to the government treasury as a general budget component of local expenditure sources. It means that a substantial portion of the external assistance is automatically aligned to the nation’s policies, development priorities and the process of development planning and budgeting which ensures the ownership and leadership of Tanzania. The basket funds programmes based on sector-wide or program-based approaches account for a certain portion of external finance in major sectors and thematic areas. A number of development partners rather than a sole donor take part in the common process of sector review and evaluation, formulation of development policy and strategy, identification of priority programs, and funding of the programs in a collaborative and integrated manner.

3.1.2. Of course, every development partners have their own area of preferred intervention as well as their mode of development assistance. DFID (Department for International Development), one of the leading development partners in Tanzania, is fully aligned with the Tanzania’s development policy extending most of its development assistance for the scheme of general budget support. Around 80 per cent of the total resources are channeled to the GBS pool of the Tanzanian government resultantly focusing on poverty reduction programs, especially for educational development. DFID also concentrates on private sector development while taking part actively in the working of CAR (Capacity Accountability Response) Team. The new JICA (Japan International Cooperation Agency) which is under the process of modality improvement upon the merger with the JBIC (Japan Bank of International Cooperation) recently is expanding its activities in the areas of agriculture, infrastructure and governance plus health and education. With the commitments made in the TICAD\textsuperscript{183} meeting in Yokohama last May, JICA plans to double its ODA disbursement to Tanzania under a newly modified country assistance strategy. Japan take parts in the GBS scheme and extends around 20 per cent of her assistance through the GBS modality. BTC(Belgium Technical Cooperation) assists various kinds of development programs by taking part in the Basket Fund support activities on the one hand and by executing a number bilateral programs. Around half of the BTC’s development budget supports the Basket Fund programs, particularly for elementary education and public service reform. And the other half goes to specific areas such as swamp conservation, railway construction, community-managed water development, bee-keeping and scholarship provision for local and overseas academic studies.

3.1.3. Committed more than US$20 billion for 23 programs in Tanzania, the World Bank boasts the most intensive intervention in a wide horizon from industrial promotion and

\textsuperscript{183} Tokyo International Conference on African Development. The fourth latest meeting was held in Yokohama on May 28-30, 2008.
poverty reduction to infrastructure development. While nearly one third of its development budget is channeled to the GBS scheme amounting US$150-200 annually\textsuperscript{184}, a bulk of its assistance goes to infrastructure development including power generation, transportation, telecommunication, urban development as well as education, health and HIV/AIDS. Under one roof of aid coordination among the development agencies of the United Nations as well as the development partners group (DPG), the United Nations Tanzania contributes mainly to the multilateral efforts for capacity development and institutional building. 17 UN agencies extend variety of development programs under the framework of ‘Delivery As One’ and cooperate with other development partners and the Tanzanian government as the Secretariat of the DPG. The United Nations Tanzania does not participate in the GBS process, however, is increasing the volume of assistance in recent years.

3.2. Division of Labor and Coordination by Development Partner

3.2.1. The major role and responsibility of each development partner in certain sector or thematic area are assumed by the division of labor and coordination based on each one’s comparative and competitive advantages. A sector or thematic area constitutes a thematic entity on the basis of which policies, strategies and plans are formulated and implemented and dialogue is organized. Despite the cluster-based approach of the MKUKUTA, sectors and sector (and thematic area) dialogue within the Government and between the Government, DPs and other stakeholders still play an important role. Under the guidance for identifying sectors and thematic areas, ten(10) sectors and eleven(11) thematic areas are identified. Each sector and thematic area have one lead MDA and one deputy lead, which are responsible for the coordination of activities and dialogue within the sector/thematic area.\textsuperscript{185}

< Sectors >
1. Agriculture (including Livestock)
2. Industry and Trade (including Private Sector Development)
3. Water (incl. Sanitation)
4. Energy and Minerals
5. Natural Resources and Tourism
6. Infrastructure (including ICT and Transportation)
7. Health
8. Education
9. Legal (including Public Safety and Home Affairs, Humanitarian Assistance & Refugees)
10. Lands and Human Settlements Development

< Thematic Areas (incl. Cross-cutting Areas) >

\textsuperscript{184} The World Bank keeps the balance between the General Budget Support and the support for the programmed development activities by extending around 30 per cent its resources to the GBS scheme globally.

\textsuperscript{185} For more details, refer to the Sectors and thematic areas under MKUKUTA - PER Cluster Working Groups (CWG) and MDA membership and leadership in sectors and thematic areas defined by the Tanzanian government

150
1. Governance (incl. Public Service Reform Programme and Local Government Reform Programme, domestic accountability, anti-corruption)
2. Macroeconomic Management
3. Public Financial Management
4. Environment
5. Gender
6. Employment
7. HIV/AIDS
8. Social protection
9. MKUKUTA Monitoring System
10. Culture
11. Innovations and Technology

3.2.2. According to the intensity of involvement as well as the each other’s comparative advantages the role of the development partner is divided into three categories: (1) lead; (2) active; and (3) delegating. Another approach toward a coordinated intervention in the targeting sector or thematic area is the Delivering as One Initiative taken by the UN Resident Coordinator in Tanzania. The DPG Secretariat compiled the list of labor division among the development partners. The Tanzanian government modified it in accordance with the sectors and thematic areas identified and now the process of finalization is under progress. And the major programs and projects will be planned, consulted, implemented, monitored and reviewed under this framework of division of labor and coordination.

4. Review and Recommendations

4.1. Strategic Policy Dialogue

4.1.1. Under the framework of the JAST, all the programs and development activities are consulted, coordinated, implemented, monitored, and evaluated through the well organized schemes within the government and among development partners. The Development Partners Group (DPG) meetings are convened monthly. The consultation meetings of the GBS group are being held quarterly for the Poverty Reduction Budget Support (PRBS) under the chair of Troika Plus System. And an annual meeting for GBS commitment is made on October every year. All the activities are fairly well inter-linked and cooperative in a rather routine manner concentrating on specific subjects or programs on the executive and field office level.

4.1.2. However, it seems that there is no occasion for intensive high-ranking policy dialogue deliberating macroeconomic issues and strategic agenda in a wide and longer-term perspective. It is recommended that an annual or biannual opportunity for comprehensive review on development performance and renewing strong commitment to development in which the nation’s political leaders and other high-profiled representatives of the major development partners are taking part.
4.2. Importance of Public Capacity Development

4.2.1. The recent development in strengthening the policy ownership and the role of the recipient in aid programming and implementation made the development process depend on the capacity of the Tanzanian government much more than before. Major portion of external finance are being channeled to the funds for government budgeting through the GBS and the sector or thematic basket fund schemes. The responsibility and accountability of the government are increasingly becoming important in development planning and implementation. Development partners are in the position of supportive role, participating in collective advisory, monitoring and reviewing activities.

4.2.2. The rapidly changing environment of public service and aid management requires appropriate competence and ability of the public sector in all levels of administrative strata. The capacity of government officials, researchers and field workers, ministries and public organizations, development policy and strategy formulation and management should be upgraded so as to address the challenges the public sector encounters in a rapidly changing environment. The development of public capacity needs to be not only technical and professional in its expertise, but also ethical and moral in its psychology to meet the standard of good governance. Without the building capacity of the government sector the reform process of aid management cannot produce the expected outcomes. In parallel with aid reform efforts toward enhancing ownership and public accountability, technical assistance for public capacity development should be equally strengthened.

4.3. Stewardship of Development Cooperation

4.3.1. More than 90 per cent of development activities in the public sector are supported by external finance. It means that as much government stewardship toward international development cooperation is to be exercised in a consistent and integrated manner. It means the administrative capacity related with development cooperation should be activated as urgent as the capacity building of educational and health sector is needed. Even the bulk of the assistance programs are incorporated into the government budgetary framework, still the learning from and sharing with foreign sources are highly indispensable.

4.3.2. The monitoring and evaluation activities are activated in recent years, however, the data and information related to development and international cooperation are neither easy nor convenient to access and share with. The public relations both with national stakeholders and development partners regarding the development activities are to be promoted to ensure the reliable and appropriate data and information are provided. To operate a unit or an exclusive team for development data and information management inter-connecting planning division and monitoring and evaluation division is advisable.

4.4. Donor Ownership – Comparative/Competitive Advantages
4.4.1. The process of aid coordination and harmonization is taking place on the ground that the development partners possess their own comparative and competitive advantages in certain themes or areas. As important as the policy and development ownership is, the donor ownership is also important in terms of shared responsibility and mutual accountability for the results and outcomes of the development programs. The progress of development and the success of development programs depend on catching up the development path of the partners by learning and utilizing their comparative and competitive advantages as well as the best practices.

4.4.2. In this sense donor ownership is respected and promoted through the active exploration of each development partner’s comparative and competitive advantages by the recipient. A program for exploring the comparative and competitive advantages of each development partner could be projected as part of the capacity development activities. Under the program a systematic research and study activities could be underwent including group study tour and joint research and study, and the program could be supported through a technical assistance program. The process is to be propelled by the Tanzanian side rather than by the development partners in line with securing the ownership of the recipient.

4.5. Resources Ownership – Mobilization of Domestic Revenues and Development Borrowing

4.5.1. To secure the resources ownership – independence of development finance – is to really achieve the ownership of development. Considering the resources structure of development finance, Tanzania possesses only less than 10 per cent of her financial ownership.

4.5.2. Apart from the strategy of domestic resources mobilization through acceleration of public and private savings, a strategy for enhancing ownership and responsibility on external finance should be formulated and vigorously implemented. Development borrowing for expanded public investment in the productive sectors such as agriculture, manufacturing, tourism and socio-economic infrastructure supporting the productive sector development is an option for enhancing the ownership of external finance. By generating the growth and the domestic revenues in the targeted areas of production, the development borrowing subject to public accountability could change the way of doing public investment from a passive and donor-driven manner to an active and demand-driven mode.

5. Korean Engagement and Contributions

5.1. Overview
5.1.1. Since the two countries – the Government of the United Republic of Tanzania and the Government of the Republic of Korea- established the diplomatic relationship in 1992, the Korean government began to take part in the process of Tanzania’s socio-economic development together with other development partners. For the most of the time, Korea’s contribution to Tanzania’s development efforts has been minimal in its intervention. It is the recent phenomenon that Korea as one of the emerging donors renewed the willingness and commitment to international development cooperation through which Korea could share the development experiences and expand the volume and area of assistance programs. In particular, since the Korean government launched ‘Korea’s Initiative for Africa’s Development’ in 2006 which projected to triple Korea’s aid to Africa by 2008, the cooperative relationship between the two countries has been strengthened.

5.1.2. Tanzania is one of the core development partners of Korea’s international cooperation. Tanzania is one of the five priority countries in Africa the Korea International Cooperation Agency(KOICA), an arm of the Korean government which is responsible for the extension of grant aid and technical cooperation program, plans to expand the cooperative programs in the future.186 The Economic Development Cooperation Fund (EDCF), the other development apparatus of the Korean government operated by the Korea Export-Import Bank (KOEXIM), identified Tanzania as one of the core development partners.187 The Representative Office of EDCF started its operation in Dar es Salaam in early 2008 as the first resident office in the African continent.188

5.1.3. Development assistance from the Korean government comes to Tanzania through two channels of development cooperation: KOICA and EDCF. The volume of Korea’s development cooperation with Tanzania is modest for the time being, it has been expanded in some extent for the last couple of years. Several grant aids projects of few million dollars are under implementations and a couple of multi-million dollars development loan programs are in progress. The sectors and areas of focus have been in agriculture, human resources development capacity development, health, water and sanitation, and infrastructure. Aid delivery modality has been direct to project and technical cooperation which are carried out of the regular budget process. Both the number and volume of the projects and programs are expected to be implemented in the years to come in line with

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186 The five priority countries are Ethiopia, Tanzania, Ghana, Kenya, the Democratic Republic of Congo.(The Draft Mid-term Strategic Plan of Foreign Grant Assistance 2007-2009, KOICA, November 2006)

187 The Korea Institute for Development Strategy (KDS) recommended the four countries including Madagascar, Mozambique, Senegal, and Tanzania as development partners of top priority. (Regional Development Strategy: Africa in Korean, Korea Institute for Development Strategy, August 2008)

188 KOICA opened its resident representative office in Dar es Salaam in 2002.
the Official Development Assistance (ODA) rationale and expansion policy of the Korean
government as well as the development ownership of the Tanzanian government.

5.1.4. Regarding the rationale of Korea’s development cooperation, however, it is noteworthy
that the motivations and vision for Korea’s development assistance may be quite similar to
those of traditional donors, but its origins are somewhat different from theirs.\footnote{189} It is the
result of a gradual accretion to awareness of and learning about development based upon
reciprocity and mutual benefit between Korea and the international community. It is
neither the moral responsibility nor any predestined obligation that are supposed to be
borne by the former imperialist countries. Instead, Korean people believe that the
assistance program is to repay the debt and goodwill they owed to the people of friendly
nations of the world decades ago. Modest though the programs of Korea’s development
cooperation may be, they are unique in the sense that most of them are derived from her
first-hand development experience which is practical and inspiring.

5.2. Korea’s Development Cooperation Program

5.2.1. Grant Aid Technical Cooperation

5.2.1.1. KOICA extends a several kinds of free-standing technical cooperation programs
which include project programs, invitation of trainees, dispatch of experts and volunteers,
and support to the Korean NGOs in Tanzania. The priority areas of KOICA’s engagement
are education and human resources development, health and sanitation, governance,
agriculture and information and communications technology all of which are in line with
Tanzania’s growth and poverty reduction strategies. Assistance for these five sectors
accounts for more than 75 per cent of KOICA’s programs for Tanzania.\footnote{190} The sectors or
area of focus of KOICA assistance The support being received is acknowledged and
appreciated by the beneficiaries, particularly in human resources development (training
provisions), and dispatching experts and volunteers in the health and other social sectors.
The projects being implemented in the water and agricultural sectors are considered as
very important in improving the quality of life and well being of the targeted people.\footnote{191}

\footnote{189} The member countries of the Development Assistance Committee (DAC), OECD adopted a
statement which sets forth the collective views on development cooperation for the first part of the
21st century in 1996. The three vital interests the DAC envisioned as prime reasons for
development cooperation are as follows: (1) humanitarian consideration, which is considered most
fundamental; (2) enlightened self-interest, which means that development benefits people not only
in poor countries, but also in donor countries; and (3) solidarity for all people, which enables
peoples are from all nations work together to address common problems and pursue shared
aspirations.

\footnote{190} Young Ho Park, \textit{The KOICA’s Grant Aid to Tanzania}, Korea Institute for International Economic
Policy(KIEP), September 2008

\footnote{191} Balandya Elikana, p.1
5.2.1.2. All the projects and programs are consulted with the stakeholders both in planning and implementation authorities, however, the processes are being taken place off the regular budget procedures. The major projects completed and under implementations are as follows: the Project for the development of ground water in Dodoma and Shinyanga regions; the Project for effective ICT education at the College of Engineering and Technology, University of Dar es Salaam; Project for rehabilitation of the irrigation facilities and modernization of agriculture in Morogoro and Zanzibar; Project for Upgrading Agro-processing Capacity in Morogoro, Dar es Salaam and Zanzibar; and Capacity Building for Diagnostic Service Improvement of Health Centers in Dar es Salaam. The Trainee Invitation Program and the Experts and Volunteers Program are carried out on a yearly planning basis. In 2008, 94 Tanzanian nationals are planned to be invited to numerous training programs in Korea. Currently 62 Korea overseas volunteers (KOVs) are working in various fields.

5.2.2. Concessional Development Loan Program

5.2.2.1. Concessional development loans have taken a special place in the course of Korea’s socio-economic development. Though criticized by some leftists and ultra nationalists for a certain periods of the time, this type of development facilities offered by multilateral and bilateral development partners contributed a lot to lessening the capital gap domestic resources could not had afforded and worked as the main conduits of industrial technologies and managerial techniques inducement as well. The concessional loan projects and programs had been implemented under the responsibilities and ownership of the recipients/the borrowers proved successful, economically profitable and financially viable. During the most of the development decades in 1970s and 1980s the induction of development loan prevailed over the grant ODA and the foreign direct investment. 

EDCF provides two types of loans: (1) loans to foreign governments, government agencies or other organizations supporting the socio-economic development of developing countries; and (2) loans to Korean firms for overseas investment projects which contribute both to the benefits of the investors and the host countries. EDCF provides ‘compact loan’

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192 Korea induced public loans amounting US$36,723.1 million(disbursement base) through 1960s to 1990s much greater than the grant ODA received US$6,977.5(Lee Kyong Koo, Development Assistance and Cooperation to Korea in Korean, KOICA, March 2004, p.73 & 80). The volume of FDI from 1959 to 1971 was US$173.9 million compared with foreign loans amounted to US$2,571.4 million.(Economic Planning Board, Economic Policy of the Development Decades in Korean, December 1982, p.90)
for smaller scale programs with more preferential conditions and simplified procedures. The focus of the development loans to foreign governments in the African region is placed on socio-economic infrastructure such as education and vocational training, road and railway, and ICT.

5.2.2.2. Loan assistance program to Tanzania is being rendered under the mutually agreed mid-term framework 2005-2008 between the two countries. Under the contemporary framework two EDCF projects are being implemented: Vocational Training Centres Establishment Project in Pwani, Lindi, Manyara, Kigoma and Dar es Salaam (US$18 million); and Malagarsi Bridge and Associated Roads Construction Project (US$25 million). The current framework will be extended through the establishment of a new framework agreement 2009-2012 which is in the stage of final consultation. The new framework will help streamline the process of loan procedures and construct a predictable commitment amounting to US$ 200 million for the next five years. The EDCF loan provides Tanzania with a preferential treatment applicable to the less developed countries (LDCs). With the new lower terms and conditions for the EDCF loans to Tanzania (0.01% p/a for tied and 0.1% p/a for untied), the EDCF expects to enhance the cooperation with the Tanzanian government in the priority sectors of energy, infrastructure, health, education, ICT, and agriculture as well as other sectors relevant to development strategies in Tanzania. The EDCF and the MOFEA is now under the discussion of providing a loan for Kiyungi and Njiro part of TEDAP in association with the World Bank. The EDCF plans to approve at least more than one project by year to meet our commitment to Tanzania. It means that the infrastructure investment which financial rate of return (FRR) is relatively low and cycled in long-term period could be eligible for the extension of EDCF loan.

5.3. Review: Potential and Constraints

The projects of less than US$2 million are eligible for the compact loan and can bear the preferred terms and conditions of the interest rate of 0.1% per annum and the repayment period of 40 years including the grace period up to 15 years.


The EDCF aims to provide a total loan commitment of US$1.5 billion to Africa from 2008 to 2012 to promote economic cooperation with the Continent. In order to reach this target, the EDCF selected four African countries – Angola, Madagascar, Mozambique, and Tanzania as our Priority Countries, which will take a lion share of EDCF commitment to Africa. In the 2008 KOAFEC Ministerial Conference, the EDCF will sign a Memorandum of Understanding (MOU) with these four priority countries.

Grant Element indicates the level of concessionality which is calculated according to the preferential repayment conditions compared with those of the commercial financial market. In terms of grant element (G.E.) of the loan, the concessionality level of the loans extended to Tanzania is near to the same as grant assistance. The interest rate of 0.5% per annum with the period of 30 year amortization including 10 years’ grace considered having around 80 per cent G.E.

5.3.1. For the time being the Korea’s commitment to Tanzanian development efforts is quite limited in its volume and areas of intervention. KOICA’s engagement is rather meager. The volume of aid provided by KOICA is very small when compared with other DPs; for example, in 2007 KOICA’s support is about 1%, 2%, 4%, and 25% of the World Bank, DfID, SIDA and UNDP support respectively. Furthermore, in comparison with its assistance volume, the areas of support are wide-spread from capacity building and human resources development to agriculture, water and sanitation, agro-processing, and ICT as well as health. With dispersion of the program focus and concentration, it is not expected that added tangible impact on strategic areas of intervention be achieved, while each of the project and program is incurring transaction costs.

5.3.2. Though accounting the contribution of EDCF loan disbursement the volume of Korea’s development assistance is less significant compared with other DPs and then the areas of engagement are even more broad-based. While some are critical on dispersing the focus of Korea’s development assistance in some extent in comparison with the scale, others are generous on this point on the ground that all the projects and programs are in line with Tanzania’s development agenda. There are also controversies over the aid modalities and administration regarding aid effectiveness. Unlike other DPs who signed a MOU with the Tanzanian government committing their respective countries and agencies to the JAST objectives and principles, Korea is not among the JAST DPs signatories. It is generally recognized that effective, high quality and regular dialogue within the government and between the government, DPs and domestic stakeholders is crucial for successful cooperation towards achieving national growth, development, and poverty reduction goals. In this regard, the government and DPs are having a dialogue structure in the framework of MKUKUTA-PER process. The structure integrates all major national and sector processes in order to have single process on all national issues and to reduce overlaps and transaction costs. Korea is not part of these aid coordination processes.

5.3.3. Though it might be excused for Korea not to join the GBS process considering the scale of its contributions, many observers are rather critical about Korea’s reluctance to take part in the DPG activities. That is because that in the context of Paris Declaration on Aid Effectiveness of 2005 and the JUST, the DPG has re-affirmed its relevance as an apex coordination body of the DPs in Tanzania, and as the forum to enhance effectiveness of dialogue and quality of aid and to further strengthen development cooperation management. Most of the DPs joined the DPG process, but Korea is not a member of the DPG. Not only better effective aid harmonization among the DPs, but also between the two aid agencies of Korea, KOICA and EDCF, could be of point of interest. Since the Japan International Cooperation Agency (JICA) integrated the JBIC, the development

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198 Balandya Elikana, p.2
199 Op. cit., p.3
lending agency, making a single authority of Japan’s international development, the
duality of Korea’s aid planning and delivery could be a matter of concerns for structural
reform and aid efficiency.

5.3.4. There are some opinions on the issue of untying of the aid. KOICA’s support is partly
untied.\textsuperscript{200} It is also acknowledged that the tendency of tying of support reduces the ability
of the recipient to utilize the support provided effectively and efficiently. Aid tied is prone
to criticism in terms of hampering aid alignment to the government procurement policy,
but it is needed that the issue of untying aid could be reviewed in the standpoint of donor’s
ownership in a different perspective from aid effectiveness or procurement efficiency.

5.3.5. The constraints identified are mostly about the volume and the modalities of aid, not
about the performance or quality of aid delivered. The Korean government plans to
expand the volume of external aid substantially by upgrading the ration of ODA to GNI to
0.15 per cent by 2015 from 0.06 per cent in 2006.\textsuperscript{201} It is expected that the volume of
Korea’s external assistance would go up to US$ 3.0 billion from US$ 0.5 million in 2006.
In the course of the Korea’s development aid expansion the bilateral assistance to
Tanzania, one of Korea’s priority development partners will be further expanded.

5.3.6. Apart from its quantitative volume of assistance, the example and experience of Korea
as one of the massive aid recipients could provide many lessons and implications to fellow
countries currently on the path of development including Tanzania. Because what really
matters are not the financial resources, but the willingness to develop and overcome
whatever the hindrance or difficulties are like lack of resource mobilization, low level of
human capacity, and deficiency of technological capability. Almost all of the strengths and
comparative advantages Korea has showed and the expertise and experience Korean
people has accumulated could be utilized in supporting the endeavors for high growth and
sustainable development of Tanzanians.

5.3.7. For the time being the Korea’s commitment to Tanzanian development efforts is quite
limited in its volume and areas of intervention. But the potential for future engagement
and intervention is unlimited considering the huge demand for development investment in
all the spheres and the applicability of Korea’s development experience and know-how
into Tanzania’s development policies, strategies and programs in various fields. In the
course of facts finding visits and discussions, a plenty of development activities and areas
or themes of focus have been proposed and discussed. It depends on the Tanzania’s
willingness to diversify the sources of development experience and expertise into

\textsuperscript{200} Ibid, p.5
\textsuperscript{201} As a way to enhance its ODA, Korea plans to join the OECD Development Assistance Committee
by 2010. The event will become a momentum for the expansion of Korea’s ODA.
unfamiliar but real and fresh development cases, breaking the nation’s conventional wisdom of growth and development.

5.4. Proposal for Korea’s Future Engagements

5.4.1. Enhancement of Korea’s ODA System to Tanzania

5.4.1.1. Though Korea’s assistance is in line with Tanzania’s development policy and growth strategy, and being appreciated by the targeted population, the volume is very small to be widely acknowledged and to bring major impact on growth and poverty reduction. There is need for Korea to increase the volume of support and concentrate her intervention in some strategic areas or themes which she has comparative advantages and competitive edges. The reason and rationale why Korea should expand the development activities in Tanzania are simple in the sense that Tanzania is one of the core priority countries in the African continent. The reciprocity and mutual benefits to be derived from strengthening the cooperative relations are expected overwhelming in most of the sectors including agriculture, manufacturing, ICT, and socio-economic infrastructure.

5.4.1.2. Walking out of her infancy in development assistance activity, Korea is advised to comply with all the internationally recognized principles and guidelines of development cooperation including the Rome and Paris declaration on aid harmonization and effectiveness as well as Tanzania’s Joint Assistance Strategy. In recognition of development endeavors as not only the mobilization of investment resources, but also the sharing and learning process of knowledge and experience, Korea should take part in the DPG process. It seems to be premature for Korea to join the GBS scheme in terms of assistance volume. In the sense that the Korea’s unique experience and expertise are extended through the development programs, it is advisable for Korea to maintain the existing aid modality of free-standing technical cooperation. In case the programs and projects are identified in a manner which reflects the priority of the recipient and the comparative advantages of the donor, no longer the issue of untying aid would be of serious constraint.

5.4.1.3. A reform planning for streamlining the dual entities of aid planning and delivery channel should be immediately started. It is known that the only nation having the dual system of external assistance, KfW and GTZ, is taking the step to merge the two organizations into one. Even before the structural reform process is proceeding at the government level, it is advised that the operations of the both field offices, the KOICA Tanzania Office and the EDCF Office in Tanzania, are combined into a single working unit as one office and one program.

5.4.2. On Future Development Cooperation between Tanzania and Korea
5.4.2.1. Over the facts finding visits and discussions many of the MDAs expressed their interests on future engagement and contribution from Korea. Though they are not for identifying specific program or project, some priority sub-sectors or preferred programs and projects are mentioned and suggested for further discussions. The followings are the summary.

• President’s Office - Planning Commission
  (1) Agriculture: Modernization of the sector through modern equipments
  (2) ICT: Human capacity building, ICT infrastructure and e-government
  (3) Shipping and fisheries: Assistance in the shipping and fishing industry
  (4) A Joint Committee between Tanzania and Korea to be formed to look into more specific areas of cooperation

• President Office – Public Service Management
  (1) Project for Establishment of a Management and Leadership Centre
  (2) Executive development training programs for senior and middle-level government officials
  (3) Training Programs in overall areas: Regular training programs; Country specific programs; In-Country Leadership Development Programs in partnership with some Tanzanian institutions; Introduction of In-country masters program

• Ministry of Agriculture, Food Security and Cooperatives
  (1) Support for the establishment of Tanzania Institute for Agricultural Engineering and Post Harvest Technology
  (2) Korean investors to invest in the production and supply of agricultural machinery
  (3) Training of agricultural experts: rice cultivation and research; post-harvest processing; irrigation and drainage; agro-mechanization; and other regular programs
  (4) Development of irrigation schemes and water management
  (5) Private sector development in horticultural production and processing
  (6) Research and development in area of bio-safety and management of GMO products
  (7) ICT development: Creation of an internet connecting remote sites of 7 Research Zones and 12 Training Institutes; creation of a searchable agricultural database; training of experts in IT skills, etc.
  (8) Study tour to Korea to learn practical experience

• Ministry of Education and Vocational Training
  (1) Expanding technical and vocational training especially for science laboratories technicians
  (2) Modernization of training facilities in TVET (Tanzania Vocational Education Training) institutions
  (3) Research, monitoring and evaluation
  (4) International exchanges in education

• VETA (Vocational Education and Training Authority)
  (1) Provision of re-training for vocational training instructors
  (2) Support for establishment of e-learning and e-commerce training program
• PMO-RALG (Prime Minister’s Office – Regional Administration and Local Government)
  (1) Support on capacity building and regional infrastructure development
  (2) Financing the Local Government Reform Programme (LGRP) Phase 2

• Ministry of Communications, Science and Technology
  (1) Capacity building program on IT: Provision of training at different levels of IT personnel;
      Support for communication capacity building between Dar es Salaam and Dodoma
  (2) Investments in multi-purpose community tele-centres or community information centres, and
      Interface connectivity of the national ICT backbone
  (3) Support to implementation of a new addressing and postcode project.
  (4) Study tour program for policy officers in science, technology and innovation
  (5) Capacity building of officers in charge of formulation and management of policies in STI,
      S&T education programs, and R&D activities
  (6) Joint research in identified priority areas in STI and R&D institutions and other programs

• Ministry of Energy and Minerals
  (1) Capacity building of policy and technical staff
  (2) Support for the project of power distribution system improvement
  (3) Support for construction of coal, gas and hydro-power generation plant

• Ministry of Lands, Housing and Human Settlements Development
  (1) Project Program for Capacity Building: Trainings on land administration for managers,
      policy formulation and analysis and strategic planning skills, skills in the surveys and
      mapping, strategic skills of town planning, geographic information system, etc
  (2) Project for improving training environment and capacity building for Ardhi Institute in
      Morogoro and Tabora
  (3) EDCF loan project to finance detailed design of Songe River Basin Development
      Programme

• Export Processing Zones Authority (EPZA)
  (1) Project for the provision of basic export processing zone (EPZ) infrastructure at Arusha EPZ
      site

• Revolutionary Government of Zanzibar
  (1) Zanzibar Livestock Sub-sector Development Programme
  (2) Project for Installation of Park Security Protection Fire Power
  (3) Water Resources Researches and Development Program
  (4) Financial support on aquaculture training
  (5) Land Management and Development of Irrigation Schemes Support
  (6) Project Program for Zanzibar Indian House Crow Eradication
  (7) Sustainable Rain-fed Rice Cultivation Scheme Support

5.4.2.2. Most of the MDAs visited considered Korea as a prominent source of development
experiences from which Tanzania could benefit and recognized a great potential for
promising future development cooperation. Among plenty of proposals for future
programs and further possibility of new program development, there are needs to align the programs proposed and to be developed to the interests of both parties, Tanzania and Korea, and to prioritize them accounting for the development goal and objectives, financial capacity and other technical considerations.

5.4.2.3. Of course, the programs and projects to be proposed are to be in line with the development goals and objectives of the Tanzanian government which are conducive to economic growth and poverty reduction. The areas or themes of focused intervention should be in which Korea has comparative and competitive advantages based on her accumulated development experiences and contemporary competence, and the elements of advantages should be those which could be utilized in full extent. Considering the greatest advantages of Korea are the human and soft elements of the development process, not the hard elements such as natural resources, financial capital, and endowed infrastructure, of course, the promising plan for future programs will come out of the former development elements. And also the future programs for development cooperation should produce the results and outcomes from which the both countries could mutually benefit.

5.4.2.4. Most of all, the new programs to be implemented could be most fruitful in case they are consulted and identified in the context of Tanzania’s paradigm shift and reorientation of her development policy and strategy toward productive sector promotion. The future plan for development cooperation between Tanzania and Korea could be grouped into a number of categories for programming them in an integrated and consistent way.

(1) Program for Development Mind-setting and Motivation
   • Renewing national pride and empowering people’s confidence
   • Engineering futuristic development leadership
   • Enhancing development ownership and stewardship

(2) Development Policy, Growth Strategy and Capacity Development
   • Policy development and strategic planning
   • Human resources development (HRD) of the public sector
   • Promotion of research and development (R&D) institute
   • Public service and government administration reform
   • Anti-corruption and good governance

(3) Accelerated Growth of Productive Sectors
   • Agriculture, fisheries and forestry development
   • Small and medium industries and manufacturing promotion
   • Investment and trade promotion
   • Exploration and utilization of energy and mineral resources
   • Tourism Development
   • Promotion of ICT industry
• Promotion of science and technology
• Economic liberalization and privatization

(4) Socio-economic Infrastructure Development
• Development of water resources and irrigation
• Construction of road and transport facilities
• Electric power generation and development of alternative power sources
• ICT infrastructure development
• Construction of sewage and environmental facilities

(5) Social Development
• Education
• Health and medical service
• Family planning
• HIV/AIDS

V. A Conclusion: Develop Now or Later?

1. Not more than 50 years of its modern history, Tanzania has undergone a miraculous path of national independence and foundation. The nation experienced one of the most outstanding socio-political integrations in the world by consolidating the numerous tribes and clans into one entity and achieved a national unification under a single polity. And more recently the nation has gone through a profound transition of national identity from a extremely experimental socialist country to a market-oriented capitalist economy.

2. No other single country in the African continent has achieved so much progress in strengthening the social solidarity and projecting the national identity than the Unified Republic of Tanzania since her independence in early 1960s. Tanzania built a sound and strong foundation for further accelerated advancement of social progress and economic development. Particularly the nation’s leadership succeeded in providing the socio-political stability and national confidence through the promotion of human rights, freedom and democracy.
3. Tanzania is now striving for national modernization more than ever. Blessed with rich endowments, the nation possesses immense potential for accelerated growth and sustainable development. There seems to be no reason for Tanzania not to take advantage of the proven paradigm of national development most of the developed countries took. Tanzania is a country of lacking nothing. If there is something Tanzania is lacking, it might be the willingness of the people to develop and the policy and strategy by which the resources are mobilized and the elements of development are utilized in a more effective way.

4. The case of Korea’s development brings to Tanzania with a first-hand experiences and unique know-how which could be applied to the process of Tanzania’s national development. Based on the inborn characters of Tanzanians and the endowments the nation inherited more than abundant, the nation could build a nation of lofty pride and highly advanced economy in case Tanzania adopts a new policy and strategy toward a productive and competitive nation with a new development paradigm of virtuous circle of growth and development. Overhauling the current policies and strategies, an intensive process of review and appraisal, strategic planning should be taken place as soon as possible. Another step for profound transformation of the society and economy is to be taken by the initiative of the nation’s leadership.

5. With the reorientation of the existing policies and strategies accompanied by the renewal of the nation’s pride and cultural identity, Tanzania could be a nation of dignity and affluence escaping from the plight of poverty and laggardness. The nation’s leadership and the people’s willingness will sure to make it. ‘Penda Tanzania!’ Mr. Luvanda and I used to shout together whenever we toast our glasses. ‘(We/I) Love Tanzania!’ ‘(We/I) like Tanzania!’ And why don’t Tanzanians make a special and authentic name for their national flag symbolizing the nation’s soul and spirit? Not mini-tiger because there is no tigers in the African continent. Tanzania should become a lion, the king of the world.

6. At home I used to get on the subway train to work, and on the way to and from the train crosses the Han River which bisects Seoul, the capital city of South Korea, into two parts, the River North and the River South. The Han River with her neighboring mountains and high rising buildings along the river side makes a totally different scene from that of Dar es Salaam. People borrow the name of the river when they talk about the extra-ordinary performance and the uniqueness of South Korea’s socio-economic development. They explain the accomplishment the Korean people made as ‘the Miracle of the Han River’.

7. Now I am wondering how Tanzanians could be able to engineer the dynamism of accelerated national development and make an advanced nation. And what could we call the miracle Tanzanians accomplished in this wonderful country named Tanzania which lacks of nothing in realizing the vision.
8. *Penye nia pana njia.* Where there is a will, there is a way. It is certainly real if Tanzanians have the willingness to do it now not later. Why Tanzanians can’t do what other peoples do? It depends on the hand of Tanzanians.

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