

---

# TANZANIA GOVERNANCE REVIEW 2013:

*Who will benefit from the gas economy, if it happens?*



**policy forum**

# TANZANIA GOVERNANCE REVIEW 2013

Who will benefit from the gas economy,  
if it happens?

Supported by:



## ACKNOWLEDGEMENTS

*Policy Forum* would like to thank the *Foundation for Civil Society* for the generous grant that financed *Tanzania Governance Review 2013*.

The review was drafted by *Tanzania Development Research Group* and edited by *Policy Forum*.

The cartoons were drawn by *Adam Lutta (Adamu)*.

*Tanzania Governance Reviews* for 2006-7, 2008-9, 2010-11, 2012 and 2013 can be downloaded from the *Policy Forum* website.

The views expressed and conclusions drawn on the basis of data and analysis presented in this review do not necessarily reflect those of *Policy Forum*. TGRs review published and unpublished materials from official sources, civil society and academia, and from the media. *Policy Forum* has made every effort to verify the accuracy of the information contained in TGR2013, particularly with media sources. However, *Policy Forum* cannot guarantee the accuracy of all reported claims, statements, and statistics. Whereas any part of this review can be reproduced provided it is duly sourced, *Policy Forum* cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

ISBN:978-9987-708-19-2

For more information and to order copies of the report please contact:

*Policy Forum*  
P.O. Box 38486  
Dar es Salaam  
Tel +255 22 2780200  
Website: [www.policyforum.or.tz](http://www.policyforum.or.tz)  
Email: [info@policyforum.or.tz](mailto:info@policyforum.or.tz)

Suggested citation: *Policy Forum* 2015. 'Tanzania Governance Review 2013: Who will benefit from the gas economy, if it happens?' Dar es Salaam, June.

© *Policy Forum*

## TABLE OF CONTENTS

<b>Policy Forum’s Objectives.....</b>	<b>8</b>
<b>Chapter 1: INTRODUCTION AND OVERVIEW.....</b>	<b>9</b>
1.1 Overview 2013.....	14
1.2 Governance trends.....	14
1.2.1 Voice and accountability.....	14
1.2.2 Peace, security, rule of law.....	15
1.2.3 Service delivery and public goods.....	23
1.2.4 Policy and regulation.....	23
1.2.5 Corruption control.....	23
1.3 Conclusion.....	24
<b>CHAPTER 2: PUBLIC MONEY AND NATIONAL GOVERNANCE.....</b>	<b>26</b>
2.1 Introduction .....	26
2.2 Taxation .....	28
2.2.1 Tax exemptions, avoidance and evasion.....	28
2.2.2 Illicit financial flows .....	31
2.2.3 Natural resource rents.....	35
2.2.4 Aid.....	36
2.3 Public expenditure .....	36
2.3.1 Wages and allowances.....	37
2.3.2 Procurement and contracting.....	37
2.3.3 Public debt.....	39
2.3.4 Pension funds.....	39
2.4 Transparency and accountability .....	40
2.4.1 Parliamentary oversight .....	40
2.4.2 Judiciary.....	41
2.4.3 Prevention and Combating of Corruption Bureau: fewer ‘allegations’ .....	42
2.4.4 The Controller and Auditor General: ‘Significant regression.’.....	44
2.4.5 Public Procurement Regulatory Authority (PPRA).....	47
2.4.6 Tanzania Extractive Industries Transparency Initiative (TEITI) and Tanzania Minerals Audit Agency (TMAA).....	47
2.4.7 Open Government Partnership.....	49
2.5 Conclusion.....	50
<b>CHAPTER 3: PUBLIC MONEY AND LOCAL GOVERNANCE.....</b>	<b>51</b>
3.1 Introduction: poor marks for the LGRP.....	51
3.2 Trends in service delivery performance .....	55
3.2.1 Education .....	55
3.2.2 Healthcare .....	57
3.2.3 Water and sanitation: Is WSDP a costly failure? .....	62
3.3 Controller and Auditor General: ‘positive audit trends’ .....	67
3.4 Parliamentary oversight.....	71
3.5 Conclusion.....	71

<b>CHAPTER 4: REGULATING THE ECONOMY.....</b>	<b>73</b>
4.1 Introduction.....	73
4.2 Private sector policy and regulation.....	73
4.2.1 Mining .....	75
4.2.2 Natural gas.....	77
4.2.3 Tourism.....	80
4.2.4 Manufacturing.....	81
4.2.5 Construction.....	83
4.3 Land and Agriculture.....	84
4.4 Regulating state enterprises and corporations.....	88
4.4.1 Power .....	88
4.4.2 Dar es Salaam port.....	90
4.4.3 Quality control: TBS and TFDA.....	91
4.5 Financial services.....	92
4.6 Conclusion.....	93
<b>CHAPTER 5: CSOs, MEDIA AND CITIZENS' VOICE.....</b>	<b>94</b>
5.1 Introduction.....	94
5.2 Civil society.....	97
5.2.1 Evidence-based advocacy .....	97
5.2.2 Deepening downward accountability .....	100
5.3 Faith-based organisations (FBO).....	103
5.4 Tracking the extractive industries.....	105
5.5 PETS, SAM and accountability.....	105
5.6 The media.....	108
5.7 Civil society governance.....	111
Corruption and human rights.....	112
5.9 Conclusion .....	112
<b>CHAPTER 6: FOREIGN AID AND GOVERNANCE.....</b>	<b>114</b>
6.1 Changing aid modalities .....	114
6.2 GBS, aid effectiveness and corruption control.....	116
6.3 Supply and demand for 'good governance' .....	116
6.4 Conclusion .....	121
<b>CHAPTER 7: EAST AFRICAN PERSPECTIVES.....</b>	<b>122</b>
7.1 Introduction.....	122
7.2 Tanzania-EAC relations.....	122
7.3 Comparative governance indicators.....	124
7.4 Conclusion.....	128
<b>CHAPTER 8: MONITORING POVERTY and WELL-BEING</b>	
8.1 Introduction .....	129
8.2 Human development indicators 2013.....	130
8.3 Monitoring MKUKUTA and the Millennium Development Goals .....	131
8.4 Well-being.....	136
8.5 Conclusion.....	137
APPENDIX: SUMMARY OF TGR 2012.....	139
USEFUL WEBSITES.....	147
ACRONYMS.....	148

## Tables

2.1: Tanzania Revenue Authority performance 2006/07-2011/12, TShs billion.....	28
2.2: Tanzania: Annual Average Trade Misinvoicing, 2002-2011 (US dollars million or %) .....	32
2.3: PCCB performance 2005-13.....	42
2.4: Main weaknesses in expenditure management.....	47
2.5: Gold production, royalties and taxes paid by the six largest gold mines, 2013.....	48
3.1: Under-release and under-spend of budgeted funds to LGAs, FY 2012-13.....	69
3.2: Underspending in LGA, 2012-13 .....	70
4.1: Ten leading countries registered investments with Tanzania Investment Centre, 1990-2012.....	73
4.2: Doing Business in Tanzania 2008-2013.....	74
4.3: Power generation capacity, March 2013 (MW).....	89
5.1: World Press Freedom Index, East African rankings, 2008-13.....	109
7.1: EAC member states: size and population, 2013.....	122
7.2: Doing business in East Africa 2013, rank and percentile.....	125
7.3: Global competitiveness of EAC countries, 2008-13, ranks, scores, percentiles.....	126
7.4: EAC Logistics Performance Index 2014.....	127
7.5: CPI scores and ranks for EAC members, 2009-13.....	127
8.1: Tanzania development indicators 2013.....	131
8.2: World happiness rankings, EAC countries, 2013 .....	136

## Boxes

1.1: Violence in Tanzania, January 2013.....	19
1.2: Religion and witchcraft.....	22
3.1: Inequities and inequalities in local government finance.....	53
3.2: Shortages of basic amenities, services and drugs revealed by SARA .....	60
3.3: Why essential medicines are frequently unavailable.....	61
3.4: Less is more—an example from domestic water supply in southern Tanzania.....	65
4.1: Tanzania manufacturing at a glance.....	82
5.1: Accountability and politics in a water-deficit district .....	98
5.2: Sustainable Dar es Salaam?.....	100
5.3: What is a ‘rights-based approach (RBA)?’ .....	104
5.4: World Bank assessment of PETS .....	106
5.5: PETS undertaken by Tanzanian CSOs.....	106
8.1: Numbers, evidence and invention.....	126
8.2: Are the MDGs a waste of time?.....	134

## Charts

1.1: Governance trends in Tanzania, 1996-2013, percentiles.....	14
2.1: Tax exemptions 2000-2102, shillings (bn).....	29
2.2: Allegations, investigations, prosecutions and convictions, PCCB 2005-13 .....	43
2.3: CAG opinion trends for MDAs, RAS and missions 2009/10-2012/13 (percent).....	45
3.1: Textbook ownership among primary and secondary school students.....	57
3.2: Teacher attendance, primary and secondary school.....	57
3.3: General Service Readiness Index.....	58
3.4: Availability and readiness scores for specific services.....	59
3.5: Access to safe drinking water, Africa and Tanzania, 1990-2010.....	64
3.6: Functional water points and sufficiency by region, Tanzania mainland 2013, percent.....	64

3.7: CAG audit opinions for LGAs for 2008-09 to 2012-13.....68  
7.1: Trade through Dar and Mombasa ports 2009-13 ('000 tonnes).....124

**Figures**

4.1: Trends in manufactured trade as percentage of total trade, 2000-2010.....82  
5.1: Contextual domains and sub-dimensions influencing social accountability (SA).....96  
6.1: Aid corruption risks and trends .....106

## POLICY FORUM'S OBJECTIVES

---

**Policy Forum's** objectives are to strengthen Tanzanian civil society's capacity to understand, analyse, and disseminate information on public resource management, and to engage in national policy dialogue. Policy Forum's *Strategic Plan* for 2014-16 identifies the following key objectives:

**Objective 1: The effectiveness of public resource management is analysed**

- The resulting evidence is used by civil society.
- The quality of their advocacy improves.

**Objective 2: The body of evidence produced by Policy Forum is widely disseminated**

- The information is widely accessible, relevant and useful.
- The public, policy makers, the media, civil society and academia use it.

**Objective 3: The capability of civil society organisations to understand public resource management is enhanced**

- CSOs engage more effectively in local and national processes through evidence-based advocacy.

**Objective 4: Engagement by Policy Forum improves national policy processes**

- Selective and strategic engagement focusing on areas where impact is most achieved.
- Improved public resource management.

**Policy Forum:** [www.policyforum.or.tz](http://www.policyforum.or.tz)

## Chapter 1: INTRODUCTION AND OVERVIEW

2013 will be remembered as the year the American and Chinese presidents visited Dar es Salaam within a couple of months of each other. It may also be remembered as a year in which public frustration with the government and ruling party led to both organised and spontaneous violence throughout the country on an unprecedented scale. Opposition party meetings were regularly banned by the police and political rallies routinely ended in (sometimes deadly) violence. The growing incidence of extra-judicial killings and state intimidation of the private media are reported below.

Tanzania Governance Review 2013 covers calendar year 2013 and budget year July 2012 to June 2013. A summary of the main highlights from Policy Forum's TGR 2012 can be found in **Appendix 1**.

TGR 2013's theme is: ***Who will benefit from the gas economy, if it happens?***

This overview reports early signs that the coming of the gas economy could have widespread disruptive consequences for Tanzania. Already, there have been protests and deaths in Mtwara and Lindi over fears that the southern regions where the gas was discovered will not benefit from the promised (or imagined) bonanza. But, as explained below, lack of public understanding of what the emergence of the gas industry involves has already skewed the debate in unfortunate ways. There are two main issues.<sup>1</sup> First, will the industry take off? If it does, how will the country avoid the natural resource curse that often accompanies such a development in poor countries?<sup>2</sup> Tanzania already exploits its natural gas for industrial and energy production, which saves on the importation of heavy fuels. However, the local economy can only absorb a small fraction of the gas that a liquification plant produces, so most must be exported. But there is no guarantee that the requisite markets will materialise in the medium-term. In addition, there are national issues concerning regulation and governance of the NG sector that affect whether the liquification plant will take off or not.<sup>3</sup> This **Overview** and **Chapter 4** look more closely at these issues.

### 1.1 Overview 2013

**Global leaders visit Dar.** 2013 may well be remembered as the high point in President Kikwete's and Tanzania's global diplomatic standing. '...the presidents of China and the US ... both visited this year and delivered rousing verdicts on the

---

<sup>1</sup> Songa wa Songa 2013. 'The important factors at play in gas debate', *Citizen*, 8 February.

<sup>2</sup> Mulemwa Mulemwa 2013. 'Resource curse' talk draws fire', *Citizen*, 17 February; Victor Karega 2013. 'Tanzania can avoid going the 'Nigerian' way, argues expert', *Citizen*, 21 February; Jacques Morisset 2013. 'Is Tanzania strong to resist temptation associated with resource abundance?' *Citizen*, 14 April; Polycarp Machira 2013. 'Nip the resources curse in the bud, experts say', *Citizen*, 10 July.

<sup>3</sup> Samuel Kamndaya 2013. 'Gas economy development analysed as TZ gets ready', *Citizen*, 14 February.

country's future.<sup>4</sup> On March 24, 2013, Chinese President Xi Jinping arrived in Tanzania as part of a three country African tour.<sup>5</sup> At the beginning of July, it was President Barack Obama's turn. Visits by the two most powerful men in the world within months of each other led commentators to speculate over growing rivalry between the two leading global economies over African natural resources and markets.<sup>6</sup> 'The Chinese president said his visit is aimed at consolidating the traditional friendship, charting the course for future cooperation and promoting common development.'<sup>7</sup> During President Xi Jinping's visit, 'the two leaders witnessed the signing of several cooperation deals concerning trade, financial investment, infrastructure construction and culture' worth a total of US\$14 billion.<sup>8</sup> Before President Obama's July visit, US Ambassador to Tanzania, Alfonso Lenhardt, said 'the US wasn't nervous over China's increasing presence in the country.' Tanzania was 'chosen' for Mr Obama's visit because 'it is a beacon of peace on the continent, an important investment destination and a global champion in the fight against poverty.'<sup>9</sup>

---

<sup>4</sup> Katrina Manson 2013. *Financial Times*, London.

<sup>5</sup> Alex Bitekeye 2013. 'Xi's visit: What it means', *Citizen*, 20 March.

<sup>6</sup> Peter Martell 2013. 'Africa's juggling act as Obama comes to visit', *Citizen*, 28 June.

<sup>7</sup> <http://tz.china-embassy.org/eng/topics/xjpzxfzt/t1030619.htm>

<sup>8</sup> <http://tz.china-embassy.org/eng/topics/xjpzxfzt/t1030624.htm>; Pius Rugonzibwa 2013. 'China aid to boost national budget', *Daily News*, 27 March; Bernard Lugongo 2013. 'Dar, Beijing in record 19 deals', *Citizen*, 23 March; Orton Kiishweko 2013. 'Bagamoyo Port plan delights many', *Daily News*, 22 March.

<sup>9</sup> Fariji Msonsa 2013. 'US denies fearing China, outlines the focus of Obama visit', *Citizen*, 11 June. See also Forum 2013. 'What is the significance of Obama's visit to Tanzania?', *Citizen*, 1 June.



Both China and the US have important investments and development projects in Tanzania. In addition, Tanzania is a US ally in the global fight against terrorism. During his visit, President Obama promoted the US 'Power Africa' initiative which he had launched in South Africa, but somewhat surprisingly failed to mention the New Alliance for Food Security and Nutrition (NAFSAN), a major G8 programme launched the previous year.<sup>10</sup> In 2008, the US government's Millennium Challenge Corporation granted Tanzania nearly US\$700 million for roads, water and power projects, the largest grant in the program's history.<sup>11</sup> China is financing numerous large infrastructure development projects in the country, including the US\$ 1.5 billion Mtwara-Dar es Salaam gas pipeline, discussed below. In October, China and Tanzania entered into seven investment agreements worth Shs 2.7 trillion.<sup>12</sup> The visit of the two leaders to Tanzania was seen by some as a snub to other East

<sup>10</sup> NAFSAN partners the G8 with ten African countries (including Tanzania) to promote PPPs between African governments and G8 corporations dealing with seeds, fertiliser and agrochemicals, with potential financial support from the WB and other sources. NAFSAN is premised on guaranteeing land rights to foreign investors.

<sup>11</sup> An agreement to provide another MCC grant was suspended in 2014, see TGR 2014 (forthcoming).

<sup>12</sup> Shadrack Sagati 2013. 'Tanzania and China ink seven 2.72tri/- investment agreements', *Daily News*, 25 October. Deals were between Chinese corporation in power generation (with Tanesco, Mkonge Energy Systems), house and business centre construction (NHC), and a research centre (NDC).

African Community members<sup>13</sup> and highlighted emerging frictions with neighbours, discussed below.

**Regional relations.** In 2013, a rift emerged within East African Community states between Kenya, Uganda and Rwanda on the one hand and Tanzania and Burundi on the other. The first three countries—dubbed by journalists the ‘Coalition of the Willing’ (COW)—seemed to be more determined to forge a political union than the other two, and were more proactive in developing joint infrastructure projects and implementing the trade facilitation components of the 1999 EAC Treaty. As well as the Single Customs Territory, the COW countries were progressing with adopting National Identity Cards for intra-EAC travel, EAC single tourist visa, and the operationalisation of the EAC Railways Master Plan.<sup>14</sup> While it is quite legitimate for partner states to develop infrastructure according to shared interests --Tanzania and Burundi along the 1,300 km Central Corridor; Kenya, Uganda and Rwanda along the 1,700 km Northern Corridor—it is also understandable that Tanzania prefers a gradual approach to eventual political union. In an address to parliament in November 2013, President Kikwete said: “We did not agree on fast-tracking the political federation without completing the other steps. ... That is, we must establish first the economic and financial mechanisms and let them take root.”<sup>15</sup> **Chapter 7** examines Tanzania’s performance in implementing the trade and economic integration components of the EAC Treaty.

Relations between Presidents Kikwete and Kagame deteriorated as Tanzania seemed to side with the Democratic Forces for the Liberation of Rwanda (FDLR), a DRC based rebel group associated with the previous regime, against the Rwandan government. Relations hit an all time low when, on May 26 2013, President Kikwete urged for peace talks between Kagame and the FDLR, a call dismissed by Kagame as “nonsense” and as “dancing on the graves of our people.”<sup>16</sup> In July 2013, the GoT started repatriating thousands of ‘illegal immigrants’, particularly in the northwest of the country in *Operation Kimbunga* (‘hurricane’) and people without work permits more generally. ‘Social and political commentators in Kigali

---

<sup>13</sup> President Kenyatta was prosecuted by the International Criminal Court for involvement in post-election ‘ethnic cleansing’ in 2007, President Museveni was out of favour for his desire to hang on to power indefinitely and for Uganda’s criminalisation of homosexuality, and President Kagame was pilloried in the west for military adventurism in DRC and for limiting press freedom and democracy at home. China avoids any such critical engagement with its African partners.

<sup>14</sup> Juma Mwapachu 2013. ‘Structural challenges impeding deeper EAC integration’, *Citizen*, 22 September. Mwapachu concludes: ‘the fact that such decisions and actions are taking place trilaterally raises serious questions about EAC’s future in its current form.’

<sup>15</sup> Business Standard Reporter 2015. ‘Coalition of the willing “a thing of the past”’, *Daily News*, 12 May.

<sup>16</sup> David Booth, Brian Cooksey, Frederick Golooba-Mutebi and Karuti Kanyinga 2014. ‘East African prospects, An update on the political economy of Kenya, Rwanda, Tanzania and Uganda’, ODI, May, chapter 3.

interpreted the directive as an expulsion of Rwandan refugees from Tanzania.’<sup>17</sup> **Chapter 7** looks at Tanzania in the EAC in more detail.

Relations with non-EAC member Malawi deteriorated as a result of an on-going dispute over ownership of the northern part of Lake Nyasa/Malawi. On National Heroes Day (June 25<sup>th</sup>) President Kikwete declared that:

“Anyone who tries to provoke our country will face consequences. Our country is safe and the army is strong and ready to defend it. We will not allow anyone to mess with our country or try to take away our territory. We will deal with them just like we dealt with .. Idi Amin.”<sup>18</sup>

Future TGR’s will report on the resolution of this incipient dispute, rumoured to be the result of potential oil and gas finds in Lake Malawi.

**Constitutional reform.** In 2013, President Kikwete announced a constitutional review process that would culminate in a referendum in 2015. Led by respected elder statesman Joseph Warioba, the Constitutional Review Commission launched its draft constitution on June 3.<sup>19</sup> It recommended a three-government structure with a small union government and most powers inhering in the ‘Mainland’ and Zanzibar governments. ‘Union matters’ will be reduced from 22 to seven: foreign affairs, immigration, citizenship, defence and security, the central bank, currency, registration of political parties and constitutional issues.<sup>20</sup> If these provisions are accepted, it will constitute a fundamental restructuring of the state, including perhaps the virtual dissolution of the Union between the mainland and Zanzibar.<sup>21</sup> CUF, the main Zanzibar opposition party declared its support for the three government arrangement.<sup>22</sup> Under the proposed constitution natural resource management, including oil and gas issues, will be devolved to the ‘Tanganyika’ and Zanzibar governments.<sup>23</sup>

TGR 2014 will report further on the review process, while TGR 2015 will report on the results of the referendum.

---

<sup>17</sup> The Tanzanian authorities claimed that, of the 8,509 ‘illegal immigrants’ who had left the country 5,521 returned to Rwanda; 2,744 to Burundi and 244 to Uganda. Daniel Kalinaki 2013a. ‘All eyes on Dar, Kigali ahead of meeting’, *East African*, 24-30 August. See also Daniel Kalinaki 2013b. ‘EAC states pull in different directions as Dar is isolated’, *East African*, 31 August – 6 September.

<sup>18</sup> David Brewin 2013. ‘Tanzania in a turbulent world’, *Tanzanian Affairs* No. 106, September-December 2013, page 15.

<sup>19</sup> Jenerali Ulimwengu 2013. ‘So, the die is finally cast, Warioba has delivered the draft constitution’, *East African*, 8-14 June.

<sup>20</sup> *Tanzanian Affairs*, No. 106, December 2013.

<sup>21</sup> Chris Peter 2013. ‘The draft constitution 2013: A silent revolution’, *Guardian*, 9-15 June.

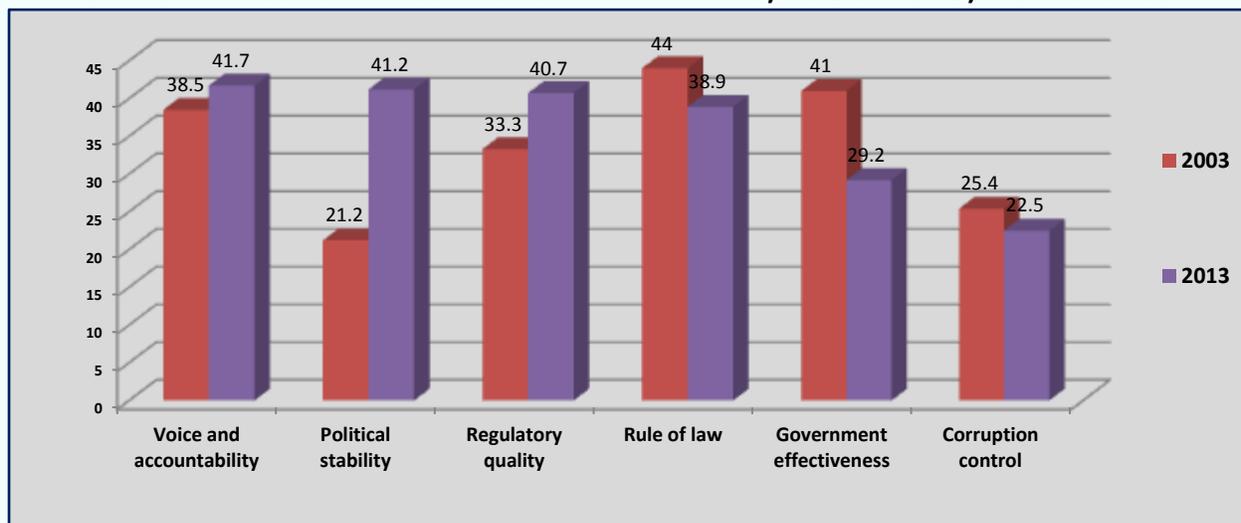
<sup>22</sup> Citizen reporter 2013. ‘CUF’s Seif speaks out on draft’, *Citizen*, 11 June.

<sup>23</sup> The expression ‘Tanzania mainland’ will have no meaning if and when Zanzibar obtains its independence.

## 1.2 Governance trends

**Chart 1.1** depicts trends in perceptions of various dimensions of governance from 1996 to 2013. The perceptions are aggregated results from expert opinions and social surveys.

**Chart 1.1: Governance Trends in Tanzania, 1996-2013, Percentiles**



World Bank Institute: [www.govindicators.org](http://www.govindicators.org).

Performance is reported to have improved in popular voice and accountability, political stability and the quality of regulation, while the rule of law, government effectiveness and corruption control have all deteriorated. The deterioration in corruption control was particularly marked between 2008 and 2013. A few observations follow on each aspect of governance.

### 1.2.1 Voice and accountability

In February 2013, the Parliament's Public Organisations Accounts Committee (POAC), which has been chaired by Zitto Kabwe since its establishment in 2008, was disbanded and its responsibilities were passed on to the Public Accounts Committee (PAC). At the same time, a new Budget Committee is created to oversee budget formulation and implementation. These moves are the brainchild of an ad hoc committee chaired by MP Andrew Change. Other moves challenging recent gains in accountability are greater state control over TV coverage of parliament and greater executive control over the process of airing the CAG annual reports. Zitto Kabwe is on record as saying that the added work load from the merger of the two committees will make it impossible for the PAC to do its job effectively. **Chapter 5** contains more on voice and accountability.

## 1.2.2 Peace, security, rule of law

**'Almost half of Tanzanians (46%) report having observed violence in public within the past six months.'**<sup>24</sup>

Violence can be politically motivated. In 2013, there was a marked increase in violent incidents related to political meetings and demonstrations. In June, Prime Minister Mizengo Pinda declared in parliament that trouble-makers 'should be beaten'.<sup>25</sup> Critics feared that this was an open invitation to the police to harass opposition party meetings (there have already been deaths: see TGR 2012). The Tanganyika Law Society and Legal and Human Rights Centre took the Prime Minister to court on constitutional grounds.

A grenade thrown at a CHADEMA rally in Arusha on June 15, on the eve of council by-elections, killed three and injured over 70 bystanders. The following day, the MP for Arumeru East, Joshua Nassari, was attacked by CCM 'Green Guards' when leaving a polling station in Makuyuni Ward, in Monduli District. On June 18, police broke up a CHADEMA gathering at the June 15 bomb site, where CHADEMA leaders and supporters had gathered to pay their last respects to those killed. The gathering was violently dispersed by police using tear gas. The police operation spread to other parts of the town, as police reportedly tear-gassed group of youths at random. Four CHADEMA MPs were arrested at the site of the demonstration. Over seventy<sup>26</sup> more arrests were made in total. While in detention, Tundu Lissu MP claims he was beaten by police. Party Chairman Freeman Mbowe MP and Arusha Urban MP Godbless Lema both went on the run, finally reporting to police on 20 June.<sup>27</sup>

If the above example is of rising party-political violence, the following story adds an entirely new regional dimension to conflicts between state and citizens.

Unprecedented mass protests against the state in Mtwara and Lindi, among Tanzania's poorest regions, prompted violent responses from the army and the

---

<sup>24</sup> Twaweza 2014. 'Are we safe? Citizens report on the country's state of security', Brief No. 9, March, page 3. The survey was undertaken in October 2013.

<sup>25</sup> Peter Nyanje 2013. 'Instigators of chaos deserve a thorough beating, says Pinda', *Citizen*, 21 June. The PM is a lawyer by training. Joseph Mbilinyi, MP for Mbeya Urban (CHADEMA), was questioned by police after accusing the Prime Minister of 'stupidity'. For a critical comment see: Editorial 2013. 'Why we beg to differ with Honorable Premier Pinda', *Guardian*, 23-29 June. Members of the Chinese presidential delegation that visited Tanzania in March are said to have used the occasion to buy illegal ivory in Dar es Salaam.

<sup>26</sup> Arresting large numbers of demonstrators became a common feature of police reactions to political unrest. In May, The Iringa Urban MP, Rev Peter Msigwa (CHADEMA) and 60-70 demonstrators, mostly petty traders, were arrested and charged with involvement in unauthorised demonstration and the destruction of property. See Alvar Mwakyusa 2013. 'Iringa Urban MP, 60 others booked over incitement', *Daily News*, 20 May; Citizen reporter 2013. 'Opposition MP, 75 others charged over Iringa riots', *Citizen*, 21 May.

<sup>27</sup> Zephania Ubwani 2013. 'Panic as deadly blast rocks Arusha again', *Citizen*, 16 June.

police. Violence erupted at the end of January 2013 and was centred on Mtwara and Masasi. Roads into Mtwara were blocked by demonstrators. It is not clear what triggered the violence.<sup>28</sup> Damage was extensive and centred on government institutions and vehicles. Offices of the education and wildlife departments in Mtwara town were burned as well as at least two court houses. The houses of former minister Anna Abdallah, and Hawa Ghasia, Minister for Local Government, were both destroyed.<sup>29</sup> The violence was met with extreme force by the police, who drafted in reinforcements from across the region and beyond. Nine civilians are reported to have lost their lives.<sup>30</sup>

What was behind the violence? In October 2011, President Kikwete announced that a project to build a gas fired power station in Mtwara and 1,000 kms of transmission to serve the southern regions was planned, with Chinese financing. Instead, the Chinese agreed to finance a gas pipeline to fuel power stations in Dar es Salaam.<sup>31</sup> The U-turn was never explained.

Despite a heavy military presence, further violence broke out in Mtwara in May after the budget speech by Professor Sospeter Muhongo, Minister of Energy and Minerals, during which he confirmed that the Mtwara-Dar pipeline would proceed. As in January, rioters again attacked government offices and politicians homes', and in the subsequent crack-down by the police and army at least one person died. According to Richard Mgamba:

'...the southern town of Mtwara was at a standstill after news broke out that the natives were planning another deadly strike to protest over what they describe as "unfair distribution of gas revenues"17p.<sup>32</sup>

Underlying the protests is the discovery of large reserves of offshore natural gas in southern Tanzania (see TGR 2012, **Chapter 4**), which would, if exploited, provide a tremendous boost to the regional and national economies.<sup>33</sup>

---

<sup>28</sup> Though subsequently the Mtwara MP (CCM) was arrested, charged and freed. Faustine Kapama 2013. 'Mtwara urban CCM legislator set free', *Daily News*, 2 August.

<sup>29</sup> Anna Abdallah's house is close to that of former President Benjamin Mkapa in Masasi District. President Mkapa's house was not touched.

<sup>30</sup> Joint Report 2013. 'Mtwara protests expose gaps in oil, gas, mineral laws', *East African*, 2-8 February; Prince Bagenda 2013. 'Mtwara 'kachere' eclipsed by rage of dispossessed poor', *African*, 4-10 February; Ibrahim Lipumba 2013. 'The gas controversy: Why the people of Mtwara are right', *Citizen*, 10 February; Abdulwakil Saiboko 2013. 'Mtwara gas saga dust finally settles down', *Daily News*, 14 February.

<sup>31</sup> The cost of the pipeline has been questioned: see **Chapter 2**.

<sup>32</sup> Richard Mgamba 2013. 'Mtwara people need knowledge and assurance, not just bombs', *Guardian on Sunday*, 19 May. See also Abdallah Bakari 2013. 'Mtwara comes to a standstill', *Citizen*, 18 May.

Expectations of a gas bonanza have been fuelled by government, the oil and gas industry, and academia, making it impossible for a rational assessment of the likely time-frame for exploiting the reserves.<sup>34</sup> For example, according to the Tanzania Human Development Report 2014:

'Tanzania is approaching a new episode in its economic transformation, because extensive onshore and offshore gas reserves have been discovered. ... New gas sites continue to be discovered as exploration continues. A take-off in the production of gas could contribute up to a third of the Government's current fiscal revenue and could potentially account for around 7% of GDP.'<sup>35</sup>

Lack of public education on oil and gas encourages unrealistic public expectations.<sup>36</sup> A 2013 *Twaweza* telephone survey found that over a third (36 percent) of respondents thought that foreign gas companies were already making money from their discoveries, which is untrue.<sup>37</sup> According to Mgamba (2013):

'one question that begs an urgent answer is: Why did it take violence, teargas and blood for the government to communicate with its people about [how] they would benefit from the massive gas reserves discovered last year?'<sup>38</sup>

The *Twaweza* study just cited found that nearly two-thirds (64 percent) of respondents were aware of the gas discoveries, and a similar proportion (65 percent) wished to be provided with more information.<sup>39</sup>

\*\*\*

Where does this apparent escalation in violence and lawlessness originate? Reisman et al. (2013) cite the drafting of the new constitution and the build-up to the 2015 elections as potential sources of political violence, along with the secessionist

---

<sup>33</sup> Abdallah Bakari 2013. 'Mtwara comes to a standstill', *Citizen*, 18 May; Anthony Kayandax 2013. 'Government cautioned over effective use if wealth', *Citizen*, 22 May; Abdallah Bakari and Samuel Kamndaya 2013. 'Chaos hits Mtwara after gas project confirmation', *Citizen*, 23 May; Citizen reporters 2013. 'Why Mtwara violence is beyond gas pipeline', *Citizen*, 24 May. See also: Karl Lyimo 2013. 'Mtwara gas lessons which remain unlearned', *African*, 3-9 June.

<sup>34</sup> Samuel Kamndaya 2013. 'Gas economy in 10 years, experts say', *Citizen*, 14 February; Guardian reporter 2013. 'Don't expect that profound changes in gas, petroleum industry will come at once', *Guardian*, 22 February.

<sup>35</sup> ESRF 2014 *Tanzania Human Development Report 2014*, citing Ledesma 2013 and Lokina and Leiman 2014. See **Chapter 4** for a more sober assessment.

<sup>36</sup> Daily News reporter 2013. 'Mtwara poised for gas glory', *Daily News*, 23 May; Richard Mgamba 2013. 'Mtwara people need knowledge and assurance, not just 'bombs'', *Guardian*, 19-25 May.

<sup>37</sup> *Twaweza* 2014. 'Managing natural resources: What do citizens say?', Brief No. 11, June, page 3.

<sup>38</sup> Richard Mgamba op. cit.

<sup>39</sup> *Twaweza* 2013: 2.

Zanzibar movement, which has both political and religious agendas. Other political factors listed are rising ethnic tensions, a hardening of religious identities leading to increased inter-faith and intra-faith conflicts, the possibility of youth radicalisation, among young men in particular, and increased risk of terrorist-related threats. Also listed are tensions over access to land leading to conflicts between pastoralists and agriculturalists, between investors and small-scale miners and local communities over mineral rights, and (we may add) between large farms and estates and 'encroachers' from surrounding communities. Violent cultural practices include targeting the elderly over accusations of witchcraft, and killing or maiming people with albinism. Last, the 'increasing sophistication of organised crime and gang related activities' are also mentioned as growing risk factors.<sup>40</sup> These factors are reviewed below for the target year.

Two high-profile government initiatives--*Operation Kimbunga* and *Operation Tokomeza Ujangili*, involving respectively the repatriation of refugees, particularly to Rwanda, and an anti-poaching campaign--led to claims of widespread human rights abuses, including torture, rape, destruction of houses, crops and livestock, and extrajudicial killings by the police, army, and the Tanzania National Parks Authority (TANAPA), whose game wardens are armed.<sup>41</sup> The nature and magnitude of the abuses committed under the guise of *Operation Tokomeza Ujangili*--which followed shocking revelations about the level of elephant slaughter in the country, that caused global outrage, implicating China as the main ivory market<sup>42</sup>-- was documented in a report prepared by the Parliamentary Standing Committee on Land, Natural Resources and Environment in late December.<sup>43</sup> The Ministers of Natural Resources and Tourism, Home Affairs, Defence, and Livestock Development, respectively Khamis Kagasheki, Emmanuel Nchimbi, Shamsi Nahodha, and Mathayo Mathayo were forced to resign over the aborted initiative. Critics considered the 'Operation' high-jacked by senior government officials and private interests controlling ivory poaching.<sup>44</sup> Before his dismissal, Minister Kagasheki said: ' "This business involves rich people and politicians who have

---

<sup>40</sup> Reisman, Lainie, Kennedy Mkutu, Samwel Lyimo and Monica Moshi 2013. 'Tackling the Dangerous Drift: Assessment of Crime and Violence in Tanzania', Open Society Foundation Crime and Violence Prevention Initiative, June.

<sup>41</sup> Sylvester Domasa 2013. 'Two ministers sit on the hot seats...as govt suspends 'Tokomeza' operation', *Guardian*, 2 November. In all, LHCR reported 17 extrajudicial killings by the police in 2013, eight by TANAPA, 5 by *Sungusungu* militias, and one by the army (TPDF).

<sup>42</sup> Florian Kaijage 2013. 'Dar's secret poaching report implicates China', *Guardian*, 18 May. See also Mkinga Mkinga 2013. 'Smuggle ivory at your peril, Chinese envoy tells nationals', *Citizen*, 6 November.

<sup>43</sup> LHCR 2014: xxxii; 96.

<sup>44</sup> In November, Kakeshaki is credited with uncovering a haul of over 700 pieces of ivory in a Chinese national's house in Dar es Salaam, see Amina Yahya 2013. 'Some of the major events of year 2013' *Guardian*, 28 December; Generali Ulimwengu 2013. 'How not to end poaching: Sow terror country wide and then act surprised', *East African*, 28 December.

formed a very sophisticated network."<sup>45</sup> His deputy, Lazaro Nyalandu, echoed this, saying that big names in the Cabinet and the army, as well as officials in wildlife conservation, the Tanzanian Port Authority, the immigration department and the police, are implicated. "It is a hard fight because the network collaborates as a team, sharing information, money and positions," Nyalandu said.<sup>46</sup> Nyalandu was subsequently appointed Minister of Natural Resources and Tourism.

Mtwara wasn't the only hotspot in the country during early 2013 (**Box 1.1**).

### **Box 1.1: Violence in Tanzania, January 2013**

- *January 24.* A police station in **Kibiti town** in **Coast Region** was stormed by an angry mob, who alleged that a detainee had died in police custody. The trouble led to the closure of the B2, the main road south out of Dar es Salaam.
- *January 25.* The **Morogoro-Dodoma road** was closed for five hours following clashes between farmers and nomadic livestock keepers. One person died in the trouble, which saw Maasai and their property targeted in organised violence.
- *January 25.* In **Dar es Salaam** five street traders were reportedly arrested following a riot when police attempted to arrest two city militia officers after street traders complained. The militia officers resisted arrest and ultimately had to be rescued by the police from an angry mob of street traders and workers.
- *January 29.* 400 people clashed with police on the outskirts of **Mbeya town** when forest officials accompanied by police sought to evict them from a gazetted forest reserve.
- *January 31.* In **Nachingwea District**, Lindi Region, up to 100 *bodaboda* drivers were reported to have fought with police after they tried to force the release of one of their number who had been arrested.

Sources: Tanzanian Affairs No. 104, March 2013; LHRC 2014: *Tanzania Human Rights Report 2013*, pp 25-27; Jimmy Lwingili 2013. 'Police hold 37 in Kibiti riots', *Daily News*, 26 January; MVIWATA Annual Report 2013, page 4. <http://www.mviwata.org/wp-content/uploads/2014/09/MVIWATA-Annual-Report-2013.pdf>.

Further violent episodes continued throughout the year. In scenes reminiscent of January's riots in Masasi District in Mtwara, Lindi's Liwale town saw intense rioting break out on Tuesday April 23. Cashew farmers had been expecting the second payment for the previous year's cashew nut crop from the local cooperative. Instead of receiving the balance of TShs 600/kg, they were offered TShs 200. Fierce rioting ensued. Reportedly, up to twenty properties were burned down, including those of the local CCM chairman, the head of the cooperative union, two CCM councillors, the CCM Chairman of the District Council and the CCM MP for

<sup>45</sup> Florence Majani 2013. 'Corrupt officials ensure the battle against poaching remains futile' *Guardian*, 10 August.

<sup>46</sup> Florence Majani 2013. 'Corrupt officials ensure the battle against poaching remains futile', *Mail and Guardian*, 8 August.

Liwale, Faith Mtambo. By April 26, 50 arrests had been made. The Regional Commissioner said the riots were not related to the cashew issue but were 'political' and initiated outside the district. Formerly rare in southern regions, such outbreaks of popular violence have become increasingly common in modern times.<sup>47</sup>

In May, Maasai elders from Loliondo in Ngorongoro District warned President Kikwete that his party would lose the Maasai vote unless a long-lasting dispute with a hunting company from the United Arab Emirates was resolved.<sup>48</sup>

During 2013, there were regular reports of armed 'mobs' invading farms, killing people and destroying crops and property. For example, in Arumeru in April: 'Over 2,000 acres of crops belonging to the Tanzania Plantation Limited ... were destroyed ... by a mob of about 60 people. Farm manager Andrew Slaa said the invaders were armed with traditional weapons. He said police had been informed about the incident.'<sup>49</sup> A civil society angle on the land issue can be found in

## Chapter 5.

**Inter-faith violence** has been increasing in recent years on both Zanzibar and the mainland. In February, 2013, Fr. Evarist Mushi was shot dead on his way to say mass in Zanzibar Town. There were religious clashes in Mwanza and Geita over butchery ownership during which a Christian priest was *beheaded*. In April, three people were killed and many injured in a bomb attack on a Catholic church in Arusha.<sup>50</sup> On 5 May, three people were killed in a bomb attack on St Joseph's Roman Catholic church, also in Arusha.<sup>51</sup> The International Religious Freedom Report for 2013 records six cases of Muslim violence against Christians and one of Christians against Muslims.<sup>52</sup> A Pew survey in 2010 found that 43 percent of Christians interviewed perceived Muslims to be 'violent', while only 12 percent of

---

<sup>47</sup> Daily News reporter 2013. 'Police team formed to arrest Lindi chaos', *Daily News*, 25 April. The backdrop to the riots is the long-term poverty of cashew farmers, and rent-seeking in cooperatives, the Cashew Board of Tanzania and local governments. See for example, Ludger Kasumuni 2013. 'Sh3.5bn cashew nut inputs money 'eaten'', *Citizen*, 11 June.

<sup>48</sup> Advertisement, 'President Kikwete: save our lands and our livelihoods or lose our vote', *East African*, 25 May 2013. An Avaaz internet campaign logged nearly 1.8 million supporters for the Maasai cause. See also: Adam Ihucha 2013a. 'Tanzania faces global outcry over Loliondo', *East African*, 4 May; Adam Ihucha 2013b. 'Pressure mounts over Serengeti', *East African*, 4 May; Anne Outwater 2013. 'UAE company in Liliondo destroy nation's wealth', *Daily News*, 16 June.

<sup>49</sup> Happy Lazaro 2014. 'Mob destroys crops in investor's farms', *Citizen*, Dar es Salaam, 3 March. See also: Joseph Lyimo 2013. 'Villagers set on fire houses, farms', *Citizen*, 18 February; Joseph Lyimo 2013. '2 farmers killed in land conflict', *Citizen*, 23 December.

<sup>50</sup> David Brewin 2013, 'Violent Incidents', *Tanzanian Affairs* No. 206, April-June, page 17.

<sup>51</sup> Amina Yahya 2013. 'Some of the major events of year 2013', *Guardian*, 28 December. See also: Ludovick Kazoka 2013. 'Fifteen suspects held by police for torching churches', *Daily News*, 20 May.

<sup>52</sup> <http://www.state.gov/documents/organization/222317.pdf>

Muslims interviewed thought the same of Christians.<sup>53</sup> In 2013, 'Government leaders spoke out several times during the year to support respect for religious freedom in response to a perceived increase in religious tensions in Tanzania. In May, Professor Ibrahim Lipumba, Chairman of the Civic United Front, linked gas politics to religion, arguing in the Idrisa Mosque in Kariakoo that Christians were conspiring with Europeans to control the gas resources. He called for Muslims to organise themselves for the forthcoming election.<sup>54</sup> President Kikwete used regular radio addresses and public speeches to encourage religious and political leaders to take seriously their responsibility to ensure that citizens continue to live peacefully regardless of their religion, as well as their ethnicity, colour, or place of origin.'<sup>55</sup>

In response to protests against attacks on churches and worshippers, journalist Khalid Mtwangi listed cases of discrimination by Christian government officials against Muslims including the contrasting ease of registration of private schools between religious organisations. "...very many instances of discrimination against Muslims can be cited within the civil service and the public service as a whole."<sup>56</sup>

***Intra-community violence.*** To take one out of many unfortunate cases from the above list, 61 year-old Esther Mashenene was killed in Bugayambebelele village, Geita by a gang known as '*Chinja Chinja*' that kills elderly women. Old women were killed in Bunda, Mara and Shinyanga. Most killings 'occur during the dry season after harvest.' According to the Legal and Human Rights Centre figures, 2,585 older women were killed between 2004-09.<sup>57</sup> LHRC also quote incidents of mob violence, which claimed 1,669 lives during 2013, according to police statistics.<sup>58</sup>

Recorded witchcraft-related murders increased from 630 in 2012 to 765 in 2013.<sup>59</sup> **Box 1.2** gives two examples of witchcraft-related murders in 2013.

---

<sup>53</sup> Pew report 2010. 'Christians and Muslims in Sub-Saharan Africa'.

<sup>54</sup> See <https://www.youtube.com/watch?v=ujwffUAD70&feature=youtu.be>. Lipumba was introduced by Sheikh Bassaleh, one of the main intellectual forces behind radical Islam in Tanzania.

<sup>55</sup> Tanzania 2013 International Religious Freedom report, <http://www.state.gov/documents/organization/222317.pdf>; Citizen reporter 2013. 'Kikwete weighs in on faith-linked tensions', *Citizen*, 2 April.

<sup>56</sup> Khalid Mtwangi 2013. 'Christian clergy see red, but should they?' *African*, Dar es Salaam, 21 January.

<sup>57</sup> Salum Maige 2013. 'Woman killed on witchcraft claims', *Citizen*, 17 September.

<sup>58</sup> LHCR 2014: 28-9 (Table 5).

<sup>59</sup> LHCR 2014: (Table 6); Abdulwakil Saiboko 2013. 'Witchcraft related killings seen rising', *Daily News*, 30 July.

**Box 1.2: Religion and witchcraft**

On 27 March 2013, **Rev. Daniel Mbwilo**, his wife **Ester Malila** and their child **Taliki Mbwilo** were attacked by some youths in the village of **Matenga-Makete**. The Rev. was beaten, his body chopped into pieces and burned to death (sic) following ... allegations that he was involved in witchcraft. The wife was also beaten for hiding her husband. The child as well was brutally beaten when he came to the rescue of his parents and died later in hospital following the injuries he sustained.

In **Maweni Mkwaju** village in **Chunya District, Mbeya Region**, one **Victori Legesiano Mwachiluwi** (66) was buried alive following the accusation that the victim was alleged of bewitching one **Peter Balatoni**, leading to his death. These accusations were substantiated by a village **witchdoctor**. On the day of the burial of ... Peter Balatoni, a group of youth caught the victim, beating him unconsciously (sic) and threw him in a grave<sup>60</sup> that was prepared for ... Balatoni. Source: LHRC 2014: 38, 40.

In terms of meting out extra-judicial punishment, including murder, ordinary Tanzanians--both urban (mob justice) and rural (witchcraft related killings and mob justice), and killings/maiming of albinos and children for ritual purposes, and FGM--are by far the major practitioners, leaving the agents of state power playing a relatively minor, albeit discreditable, role. One argument explaining mob-justice is that the justice system is mistrusted so people simply 'take the law into their own hands.' But widespread witchcraft beliefs have a thoroughly corrosive and independent effect on collective behaviour by undermining trust and institutionalising insecurity. This is a profoundly significant, but under-acknowledged, public policy issue that bridges the state-society divide.

Petty theft is reported to be on the increase. Whereas in 2005 22 percent of respondents to an Afrobarometer survey had experienced theft in the home during the previous year, 36 percent gave this response in 2012.<sup>61</sup>

Tanzania's inefficient legal system cannot cope with the increasing incidence of criminality. According to Reisman et al. (2013:22):

'The data ... indicates a very poor clearing rate for criminal cases. Of the total cases in 2012, 82.9% are still being investigated and a mere 5% of offenders have been convicted. This is consistent with the knowledge of extensive pre-trial detention in Tanzania, which is ranked 38<sup>th</sup> in the world with over 49% of prisoners being pre-trial detainees. Linked to this is the

<sup>60</sup> Miguel Suleyman 2013. 'Social disputes, killings taint lake zone image in 2013', *Citizen*, 31 December.

<sup>61</sup> Cited by Twaweza 2014. 'Are we safe? Citizens report on the country's state of security', Brief No. 9, March, page 2. The 2012 average for Africa was 26 percent.

overcrowding of Tanzania prisons at 190.5% (ranking it the 15<sup>th</sup> most overcrowded prison system in the world).<sup>62</sup>

### 1.2.3 Service delivery and public goods

2013 also saw the completion of the 'Labs' process under Big Results Now (BRN). An idea from Malaysia, BRN is a donor-funded attempt to streamline service delivery and public investment through setting up an additional agency in the President's Office known as the President's Delivery Bureau (PDB) and to allocate clear responsibilities for implementation. BRN covers energy, transport, education, agriculture, water, and 'resource mobilisation'. The PDB was to be resourced by 34 Master's degree holders and other staff.<sup>63</sup> Speaking at REPOA's Annual Research Workshop, businessman Ali Mfuruki pointed out that the original Malaysian BRN included corruption control, but this was left out of the Tanzanian version in favour of 'resource mobilisation'. Commenting on the omission, Mfuruki argued that: "If we do not deal with these [corruption] issues seriously none of this is going to work."<sup>64</sup> We discuss BRN in greater detail in **Chapter 4**.

### 1.2.4 Policy and Regulation

"In terms of the quality of the country's investment climate, the country's ranking has actually declined, slipping 21 places over the past five years," observes the World Bank report cited above.<sup>65</sup> There is no consensus among the global comparative data bases on trends in Tanzanian regulation. While the WBI data base cited in **Chart 1.1** shows an improvement, most other indicators cited in this report suggest the reverse. This reminds us not to take 'governance' numbers and trends too seriously and to look closely at what is being measured (definitions) and with what degree of error.<sup>66</sup>

In 2013, the very poor performance of the energy sector reported in past TGRs continued to undermine the economy and inconvenience consumers. Oil imports to run plants such as IPTL contributed to the balance of payments deficit. The International Monetary Fund's Fifth Policy Support Instrument Review echoes World Bank concerns with the considerable fiscal risk that TANESCO's ongoing financial crisis presents to the government. The government provided TANESCO with TShs 100 billion to deal with arrears. Outstanding arrears by the end of October 2012

---

<sup>62</sup> Reisman, Lainie, Kennedy Mkutu, Samwel Lyimo and Monica Moshi 2013. 'Tackling the Dangerous Drift: Assessment of Crime and Violence in Tanzania', Open Society Foundation Crime and Violence Prevention Initiative, June, page 22. See <http://www.nationmaster.com/country/tz-tanzania/crime> for a statistical database.

<sup>63</sup> Advertisements 2013. 'President's Delivery Bureau Employment', Deloitte Consulting Ltd, *Daily News*, 28 October.

<sup>64</sup> REPOA Annual Research Workshop, Whitesands Hotel, April 3-4, 2013.

<sup>65</sup> <http://www.worldbank.org/en/country/tanzania/overview>

<sup>66</sup> Since most governance indicators are measures of perceptions, there will always be arguments about how well 'perceptions' reflect an underlying 'reality'.

were USD 252 million – equivalent to one per cent of GDP. The review projected deficits of between USD 270 and 310 million for 2013-14.<sup>67</sup>

### 1.2.5 Corruption Control

Tanzania's ranking in Transparency International's Corruption Perception Index (CPI) slipped from 102/174 countries ranked in 2012 (59<sup>th</sup> percentile) to 111/177 (63<sup>rd</sup> percentile) in 2013.<sup>68</sup> Further downward adjustments can be anticipated.

Past TGRs have documented the performance of the PCCB in combating corruption (See **Chapter 2** for an update). A major drawback in prosecuting 'grand' corruption cases is that PCCB requires the endorsement of the Director of Public Prosecutions (DPP) before taking cases to court. In an interview, PCCB Director General Dr Edward Hosea said 'his agency cannot be blamed over the sluggish process of graft cases.' The 'system' is too bureaucratic, with files passing through "too many hands" '. '...some of the cases go nowhere because it is highly difficult to prove or get evidence in corruption cases.' 'Senior officials facing allegations of graft seem untouchable because getting the truth about their alleged malpractices is becoming virtually impossible.' Important cases that are prosecuted routinely drag on in court for years.<sup>69</sup> "There have been many cases in which we send the files, the DPP sends them back for more input..." On his part, the DPP Eliezer Feleshi is quoted as saying: "We cannot take blame for cases when the available evidence is not enough!"<sup>70</sup>

While most of the top corruption cases are never prosecuted, PCCB, particularly in outlying regions, tends to arrest and prosecute front line service providers rather than regional or district officials. One observer's rhetorical question 'Is PCCB a dog for biting underdogs?' sums up this view.<sup>71</sup>

## 1.3 Conclusion

2013 saw a worsening of recent trends in terms of social unrest and political violence. Rather than keep the peace, the police and army were often guilty of proactive aggression against individuals and groups, including political parties.<sup>72</sup> Urban youth and, in some cases, farmers, are more and more confrontational in

---

<sup>67</sup> IMF Country Report No. 13/166, 2013. The transition to gas-fired power production has been official policy for the last two decades, but was derailed by the arrival of IPTL in the mid 1990s and the subsequent delays in commissioning additional generation capacity.

<sup>68</sup> [www.transparency.org](http://www.transparency.org).

<sup>69</sup> Cases that are still in court include the Alex Stewart, the Twin Towers, the EPA and the Import Support Program, the latter dating back to the 1980s!

<sup>70</sup> Katare Mbashiru and Mkinga Mkinga 2013. 'System is to blame for stalled graft cases: PCCB', *Citizen*, 22 November. This claim has been repeatedly critiqued in past TGRs.

<sup>71</sup> Polycarp Machira 2013a. 'Is PCCB a dog for biting underdogs?' *Citizen*, 6 March.

<sup>72</sup> Polycarp Machira 2013b. 'Lipumba says nation headed for lawlessness', *Citizen*, 28 August.

relations with the state, as mobile phones improve access to information and the *bajaj* and *bodaboda* give mobility (physical and social) to a new class of young men. Increasingly, conflicts within and between communities and religious groups seem to be beyond state capacity to assert the supremacy of the law over group interests. Competitive politics makes politicians think short-term, whereas for development to kick in, policies that only yield benefits in the long-term are essential. The clear deterioration of respect for the state is matched by growing disenchantment with the ruling party, seen by growing swathes of the population as venal and self-centered.<sup>73</sup>

The rest of TGR 2013 is structured as follows:

**Chapters 2 and 3** look at public revenue and finance management at national and local levels. **Chapter 2** examines governance aspects of taxation and public expenditure at the national level, while **Chapter 3** examines local government performance in the delivery of basic services.<sup>74</sup> **Chapter 4** reviews state regulation of the private economy, state enterprises and public corporations, while **Chapter 5** looks at civil society and Faith-Based Organisations' role in service provision and advocacy, as well as the role of the media. **Chapter 6** examines foreign aid to governance, including anti-corruption, and reviews the trend in aid effectiveness. **Chapter 7** examines Tanzania's relations with its neighbours in the East African Community, and **Chapter 8** reviews poverty monitoring through MKUKUTA and the MDGs and trends in well-being. The **Appendix** summarises findings from TGR 2012.

---

<sup>73</sup> Karl Lyimo 2013. 'Tanzania: Where wealth accumulates, men decay', *Citizen*, 11 April.

<sup>74</sup> The 'national'/'local' distinction can be confusing as it simplifies the complex relationship between centre and periphery. **Chapter 3** examines the centre-local level relationship in some detail.

## CHAPTER 2: PUBLIC MONEY AND NATIONAL GOVERNANCE

In FY 2012/13, the GoT found it increasingly difficult to balance the budget, leading to unprecedented levels of commercial borrowing on the domestic and international markets. The World Bank blamed low collections of domestic revenues, an increase in government expenditure (by 1.2 percent of GDP), and lower aid flows. As a result public debt rose by 10 percent of GDP between 2008/09 and 2012/13, reaching US\$ 12.4 billion at the end of June 2013, the equivalent of over 40 percent of GDP.<sup>75</sup> This chapter reviews public revenue and expenditure during FY2012-13.

### 2.1 Introduction

**'In 2012-13, the Government failed to achieve its fiscal target as a result of low collections of domestic revenues; an increase in public expenditure by 1.2% of GDP from 2011/12 to 2012/13; and a reduction in aid inflows.'**<sup>76</sup>

**'Development expenditure was ... below the budget projection because of the shortfalls in disbursements of external non-concessional borrowing (ENCB) and foreign project funds.'**<sup>77</sup>

**The external current account deficit is projected to moderate significantly after domestic natural gas replaces expensive liquid fuel as the main source of thermal power generation (upon completion of the gas pipeline expected in 2015).'**<sup>78</sup>

In Fiscal Year 2012-13, the budgetary preparation cycle was brought forward by four months as part of a wider reorganisation of parliament's committee system.<sup>79</sup> Following an enquiry initiated by Speaker Anna Makinda and chaired by Bariadi MP Andrew Chenge, the Parliamentary Public Organisations Accounts Committee (POAC) was merged with the Public Accounts Committee (PAC). A new Budget Committee was set up with a mandate to broaden the tax base and oversee other parliamentary committees. Zitto Kabwe, the former Chair of the POAC, became the new Chair of the PAC. He complained that the PAC's additional work load would make it impossible to oversee all public accounts adequately. Chenge himself became Chair of the Budget Committee, prompting one (unnamed) committee

<sup>75</sup> <http://www.worldbank.org/en/country/tanzania/overview>

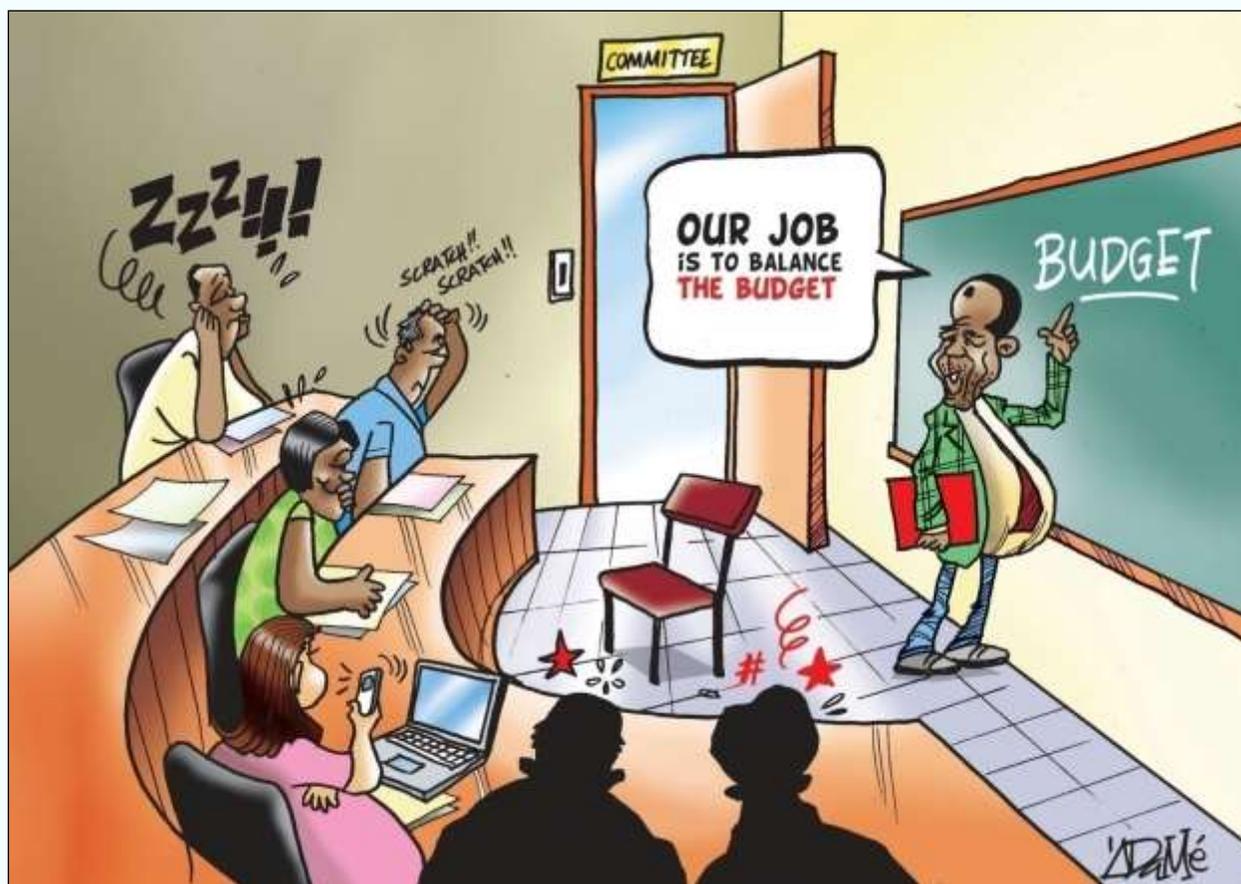
<sup>76</sup> World Bank 2013. 'Tanzania Overview', <http://www.worldbank.org/en/country/tanzania/overview>, 2 October, 2004.

<sup>77</sup> IMF 2013. United Republic of Tanzania: Sixth Review Under the Policy Support Instrument, Country Report No. 13/1662013, June.

<sup>78</sup> IMF op. cit., page 6.

<sup>79</sup> The Plan and Budget Guidelines are now prepared and finalised between August-October; scrutiny of sectoral plans and budget takes place in March; and detailed scrutiny and approval of plans and budget proposals by Sectoral Parliamentary Standing Committees is done in April (IMF 2013:36).

member to comment that: "Mr Chenge's experience in government operations makes him the ideal and best leader for the team." The committee's mandate is: 'To monitor budget implementation and fiscal policy, to recommend new sources of income for government and to monitor economic trends. The Committee will also be responsible for advising other committees on budget issues.'<sup>80</sup>



Total planned income and expenditure for FY2012-13 was just over TShs 15 trillion. As in the previous two FYs, 70 percent of budgeted resources were allocated for recurrent expenditures and 30 percent for development expenditure.<sup>81</sup> Inflation fell from a decade high of 19.8 percent in December 2011 to 12.1 percent in December 2012 and 6.7 percent in August 2013.<sup>82</sup> The following sections examine income and expenditure.

<sup>80</sup> Polycarp Machira 2013. 'Hope, support welcome new Budget Committee', *Citizen*, 27 March. See also Asia Rweyemamu 2013. 'Chenge to head House budgetary committee', *Guardian*, 16 March. Mr Chenge is also chair of CCM's Ethics Committee (see TGR 2014, forthcoming).

<sup>81</sup> Minister of Finance, Dr William Mgemwa, budget speech, Dodoma, 14 June 2012. The 70-30 breakdown is disputed.

<sup>82</sup> African Economic Outlook, *Tanzania*, September 6, 2013, <http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2013/PDF/Tanzania.pdf>; URT 2013.

## 2.2 Taxation

Total TRA receipts for FY2012/13 were 24 percent up on the previous year (**Table 2.1**) resulting in a 5 percent increase in the tax to GDP ratio.<sup>83</sup>

**Table 2.1: Tanzania Revenue Authority performance 2006/07-2011/12, TShs billion**

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Collection</b>	2,577	3,379	4,052	4,438	5,736	6,480	8,052
<b>Annual growth (%)</b>	26	29	26	10	23	13	24
<b>GDP at market price</b>	18,915	22,350	22,153	25,790	34,750	41,120	48,385
<b>Revenue/GDP (%)</b>	12.5	15.1	18.2	17.2	16.5	15.8	16.6

Source: TGR 2012; IMF 2013; author's calculations

### 2.2.1 Tax Exemptions, Avoidance and Evasion

**'...the globalization of trade and finance has made multinational corporations even more powerful, leaving some critics to argue that they have unfettered access to capital, labour and natural resources at the expense of the citizenry.'**<sup>84</sup>

**'...many of the current tax and duty exemptions... have been harmful to the country's economy and to the government's treasury.'**<sup>85</sup>

**In recent years, many, including the IMF, have criticised the notion that offering generous exemptions to foreign investors encourages investment.**

**It is difficult to obtain detailed and reliable data on tax exemptions. According to CRC Sogema (2013: 31) '... the way data are provided by TRA makes it difficult to understand exactly who benefits from what type of exemption...'**<sup>86</sup>

**Chart 2.1** shows recent trends in tax exemptions.

<sup>83</sup> 'Budget for Fiscal year 2012-13: Full year budget performance and economic review', Ministry of Finance, Dar es Salaam, September, page 2.

<sup>84</sup> These numbers are subject to a high degree of inexactitude, in part because of the arbitrary definition of the value of the informal (unrecorded, untaxed) economy, including subsistence agriculture, and data shortcomings. For a brief critique see Mick Moore 2015. 'The Sustainable Development Goals – Reject Tax Targeting', Blog, May, International Centre for Tax and Development.

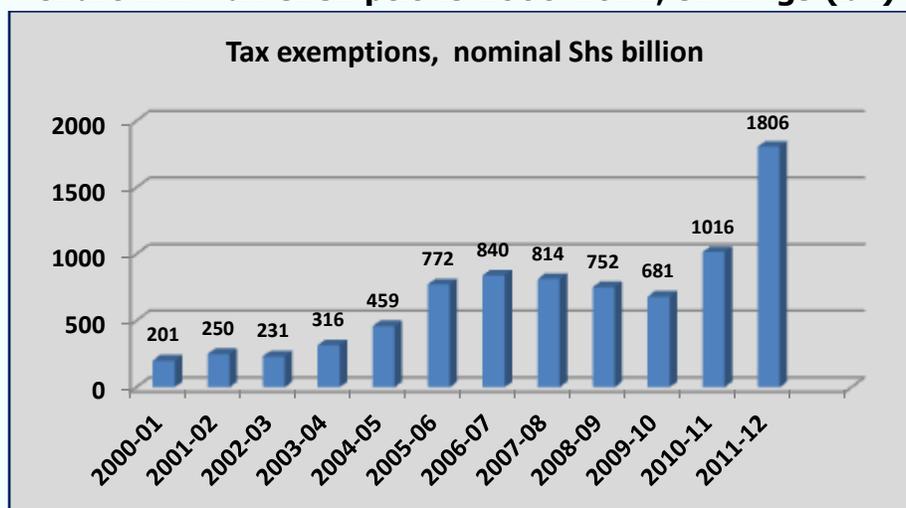
<sup>85</sup> Rabah Arezki, Gregoire Rota-Graziosi, and Lemma W. Senbet 2013. 'Capital Flight Risk', *Finance and Development*, September.

<sup>86</sup> CRC Sogema 2013:73.

<sup>87</sup> In addition (page 28) there are: '...limitations of the tax management systems, limitations arising from the fact that the law does not require declaration of exempt income and limitations arising from the design of tax returns'.

Between 2010 and 2012, tax exemptions *doubled*, reaching 4.4 per cent of GDP, or USD 1.1bn, with foreign investors the largest single group of beneficiaries.<sup>87</sup> According to Uwazi (2010) three-quarters of exemptions are from customs-related taxes (import duty and excises taxes), which benefit businesses rather than citizens.<sup>88</sup> Zitto Kabwe, chair of the Public Accounts Committee, complains that exemptions for investors are often opaque; it is often unclear who receives them and how much they are worth. The Tax Justice Network-Africa sees competitive exemptions to attract investors in East Africa as amounting to a 'race to the bottom'. The TRA quoted business surveys showing that exemptions are not considered a crucial incentive to foreign investors.<sup>89</sup>

**Chart 2.1: Tax exemptions 2000-2012, shillings (bn)**



Source: CRC Sogema 2013

The beneficiaries of exemptions include G-20 multinational enterprises, public servants, members of the armed forces, the President, embassies, NGOs, and donor-funded activities.<sup>90</sup> The 2013 review concluded that: 'there is a general recognition ... that tax exemptions granted ... in Tanzania ..., mainly benefit ... a small group of investors and businessmen.' The tax foregone is estimated at five

<sup>87</sup> CRC Sogema 2013. In 2000-01, exemptions were the equivalent of 2.2 percent of GNP. For a summary of tax exemption issues see: Legal and Human Rights Centre 2013. 'Human Rights and Business Report in Tanzania 2013', Dar es Salaam.

<sup>88</sup> Uwazi 2010, 'Tanzania's Tax Exemptions: Are they too high and making us too dependent on foreign aid?', Policy brief TZ.12/2010E, October, page 5. Cited by CRS Sogema 2013: 34. According to TRA, about a third of customs revenue is lost to exemptions.

<sup>89</sup> Cited by Katrina Manson 2013. 'Tanzania faces tax exemptions dilemma', *Financial Times*, 26 June. In an East African business study (2012) respondents ranked exemptions 17<sup>th</sup> out of 22 investment incentives listed.

<sup>90</sup> CRC Sogema 2013. 'STUDY FINDINGS AND RECOMMENDATIONS', Public Expenditure Review, Annual Consultative Meeting, Dar es Salaam, October 4/5.

percent of GNP.<sup>91</sup> Last, CRC identified a number of 'shadow exemptions', including those offered to holders of TIC Certificate of Incentives; in Mining Development Agreements (MDAs); in Oil and Gas Production Sharing Agreements (OGPSAs); and in Government Notices (GNs), making it impossible to estimate the real extent of exemptions.<sup>92</sup>

For many years, mining companies, Barrick Gold in particular, have been the target of complaints of tax avoidance. Chairman of the PAC Zitto Kabwe suspects that Barrick's more than two dozen subsidiaries are vehicles for transfer pricing and tax evasion. Barrick claims that it complies with disclosure requirements. Its mines also are 'still in the process of recovering the capital invested into the country before they pay corporate taxes'.<sup>93</sup> More mining issues are discussed in **section 4.2.1**.

Tax exemptions are not all bad by definition, but can be ruinous when driven by political and personal rather than economic and public policy objectives.<sup>94</sup> Therkildsen links the steady increase in tax exemptions to the introduction of multi-party democracy in 1995, showing that exemptions peak in election years.<sup>95</sup> According to CRS Sogema (2013: 38) 'It was noticed that the agriculture sector was benefiting from a vast array of tax and customs duty exemptions support...' These include politically-driven exemptions, discussed further in **Chapter 4**.

Subsequent TGRs will follow a CAG proposal to audit exemptions from FY 2012/13.<sup>96</sup>

**Non-concessional borrowing.** In addition to receiving soft loans from the World Bank and other lending agencies, the GoT has begun to borrow in international capital markets.<sup>97</sup>

'In 2012/13 the government contracted US\$1,945 million from external non-concessional sources including US\$ 600 million from international capital markets in a private placement underwritten by Standard Bank/ Stanbic, US\$ 178.1 million from Exim Bank of India and US\$ 1.2 billion from Exim Bank of

---

<sup>91</sup> This was the figure cited before the GNP was rebased.

<sup>92</sup> CRC Sogema 2013 op. cit.,

<sup>93</sup> Manson 2013. The Economist (February 16, 2013) estimates the wealth stashed in tax havens to be of the order of \$20 trillion.

<sup>94</sup> Reporter 2013. 'Dar's tax exemption dilemma', *East African*, 6-12 April.

<sup>95</sup> Ole Therkildsen 2012. 'Democratisation in Tanzania. No taxation without exemptions', Danish Institute for International Studies (DIIS), Copenhagen, Paper presented at APSA's Annual Meeting, New Orleans, August 30-September 2. '...total exemptions were 38 per cent higher in 2000 than the average for the year before and after,<sup>95</sup> 20 per cent higher in 2005 and 49 per cent higher in 2010' (page 10). See TGR 2012: 14.

<sup>96</sup> Reporter 2013. 'Tax exemptions down, collection up, House told', *Daily News*, 13 December.

<sup>97</sup> Daily News reporter and agencies 2013. 'Dar raises 800bn/- in markets', *Daily News*, 15 April.

China for the gas pipeline. In addition, the government provided 85 percent guarantee to TANESCO for the US\$ 65 million loan from CITI Bank.<sup>98</sup>

The GoT was planning more commercial borrowing for development financing:

'Government has decided to obtain a sovereign credit rating for Tanzania and subsequently to issue sovereign bond for financing infrastructure projects. Citigroup Global Markets Limited was selected through competitive bidding as an advisor ... This should improve Tanzania's access to international financial markets and enable the government to borrow at more favorable terms.' 'The government is planning to ... borrow external non-concessional loans of up to US\$700 million in 2013/14. A large part ... will be used to finance two gas power plants with additional generation capacity of 390MW.'<sup>99</sup>

Borrowing for the Mtwara-Dar pipeline exceeded the upper limit for non-concessional borrowing agreed with the IMF, but the Fund issued a waiver. Subsequent TGRs will report claims that the pipeline was significantly overpriced, with potential knock-on effects on power prices.

### 2.2.2 Illicit financial flows

**'Measurement of capital flight poses daunting challenges, and requires some rather sophisticated statistical detective work.'**<sup>100</sup>

'Illicit' financial flows (IFF) can be legal, for example, international corporations avoiding taxes through transfer pricing, or illegal, for example, money laundering related to drugs smuggling, human trafficking, and trade in other illicit products. Both legal and illegal IFFs are massive and growing. Regarding the former, according to Charles Dumas:

'Globalisation has vastly increased the ability of international companies to slip between the cracks in national laws and regulations and avoid tax. They use new technology, efficient management of a network of subsidiaries that crosses national borders, and a host of financial devices to argue that they make their "profits" only in places that have very low tax rates.'<sup>101</sup>

Tanzania is party to international agreements to control illegal financial flows:

'During the discussions of Financial Action Task Force's International Cooperation Review Group (ICRG) ... in Paris, France February, 2013 ... Tanzania was considered to have taken substantive steps towards implementing its action plan. The only remaining substantive issue to be

<sup>98</sup> Ministry of Finance, September 2013: 18.

<sup>99</sup> IMF 2013:31-2.

<sup>100</sup> Leonce Ndikumana and James Boyce 2011. *Africa's Odious Debts: How foreign loans and capital flight bled a continent*, London: Zed Books, page 38.

<sup>101</sup> Charles Dumas 2015. 'They've broken the bargain', *Prospect*, February.

resolved in Tanzania's Action Plan relates to the adequacy of the framework to implement United Nations Security Council Resolutions (UNSCR) 1267/1373 obligations relating to identification and freezing of terrorist assets.<sup>102</sup>

A 2013 study looked at IFFs in a number of African countries, including Tanzania. Global Financial Integrity (GFI 2013) found that:

'Cumulative gross illicit flows due to trade misinvoicing were \$18.73 billion from 2002–2011, most of which occurred in the last five years of this period. On average, this represented 9.4 percent of annual GDP; the ratio between gross illicit flows and GDP was around four percent from 2002– 2007, but by 2011 it was up to nearly 25 percent. The illicit outflows came exclusively in the form of import over-invoicing...'<sup>103</sup>

GFI estimates illicit outflows from Tanzania in 2011 at US\$ 917 million compared to FDI inflows worth US\$ 1.2 billion in the same year (BoT 2013).<sup>104</sup>

**Table 2.2** estimates average annual 'trade misinvoicing' for Tanzania for 2002-11.

**Table 2.2 Tanzania: Annual Average Trade Misinvoicing, 2002-2011 (US dollars million or %)**

Export misinvoicing		Import misinvoicing		Illicit outflows	Illicit inflows	Gross illicit flows	Gross flows to GDP
Under-invoicing (outflow)	Over-invoicing (inflow)	Under-invoicing (inflow)	Over-invoicing (outflow)				
\$0	\$1,034	\$11	\$828	\$828	\$1,044	\$1,873	9.4%

Raymond Baker, Global Financial Integrity, power point presentation, Dar es Salaam, 19 May 2014.

It is noteworthy that illicit *inflows* exceed illicit *outflows*.<sup>105</sup> Illicit outflows are estimated to be worth US\$8 billion over the decade. Global Financial Integrity (2013: 31) explains Tanzanian illicit outflows in terms of inflated import prices:

'The ... vast majority of the import over-invoicing transactions are fuel imports, which have an import duty exemption for mining companies. This suggests that mining companies could be over-inflating their import costs to

<sup>102</sup> IMF 2013: 35.

<sup>103</sup> Global Financial Integrity 2013. 'Hiding in Plain Sight, Trade Misinvoicing and the Impact of Revenue Loss in Ghana, Kenya, Mozambique, Tanzania, and Uganda: 2002-2011'. See text for illicit *inflows*.

<sup>104</sup> Manson 2013. Estimates of illicit outflows from Tanzania for 2008 were US\$ 390, for 2009 US\$ 315 and for 2010 US\$ 1,313. See Global Financial Integrity 2013, page 31

<sup>105</sup> According to GFI 'The existence of both import and export over-invoicing is unusual...'

shift capital out of Tanzania illicitly with the added kick-back of lower taxable income due to artificially inflated inputs.<sup>106</sup>

It should be possible to verify this claim levelled against the mining companies (who say they pay all taxes due) by reference to the Extractive Industries Transparency Initiative (EITI) or the government's own efforts to audit mining companies. Mining companies have to reclaim VAT after paying it, which has led to large outstanding and unresolved claims with TRA, who do not always recognise Mining Development Agreements (See **Chapter 4** for more on regulatory issues in the mining sector).

However, GFI (2013: 32) also propose an alternative 'main cause' of import over-invoicing:

'The drastic rise in import over-invoicing that began in 2008 coincides with the implementation of the country's Export Processing Zones (EPZ). Investors who establish firms in EPZ's are granted import-duty exemption on raw materials used in ... manufacturing goods as well as a 10-year corporate tax holiday. The elimination or easing of import duties provides a perverse incentive to move capital out of the country illicitly through import over-invoicing. The loss of revenue and the loss of capital available domestically for development undermine the benefits of the EPZs for Tanzania's economy and development.'

It is unclear from the report whether MDAs or EPZs are considered the main source of import over-invoicing, or whether both play a role.

GFI (2013: 32) also argues that most of the overinvoicing involved oil imports from Switzerland. But it also appears that most Tanzanian gold exports are to Switzerland, but that *these are not reported in Swiss trade statistics*. According to one informant:

'...it seems that the "Swiss misinvoicing" is actually the reflection of a massive discrepancy between the trade statistics of Tanzania and Switzerland that is explained by the fact that Switzerland ... is not reflecting the trading of gold in its own trade statistics, [whereas] Tanzania is transparent on this topic and shows that most of its gold goes to Switzerland; ... Switzerland's gold refineries are purchasing ... more than 80% of the gold extracted in Tanzania... This "taboo" on gold imports was recently lifted by [the Swiss] government, and the future statistics should be corrected.'<sup>107</sup>

Presumably, if it is indeed the case that Switzerland conceals its gold imports, the above explanation invalidates the figures for overinvoicing cited above.

---

<sup>106</sup> The fuel imported to run the IPTL plant has also been overpriced, but it is not clear whether this contributes to fuel imports overinvoicing.

<sup>107</sup> Email exchange with Swiss government official, January 2015.

Although people tend to think in terms of illicit outflows (money leaving the country), it seems that illicit *inflows* are larger than illicit *outflows* (average 2002-11 of US\$ 1,044 m versus US\$ 828 m). GFI (2013: 34) argue that:

'the large amount of export over-invoicing in Tanzania would seem to suggest that trade misinvoicing is being used to shift capital into Tanzania, and on the surface this is true. But the capital is likely being shifted into Tanzania to compensate for illicit or unrecorded activity and remains in Tanzania's vast underground economy where it is neither taxed nor contributing to economic development.'<sup>108</sup>

Again, this is quite contentious, since money from dubious sources is thought to be partly fuelling the high-rise construction boom in Dar es Salaam. This key sector-- which in addition to attracting illicit financial inflows also involves politicians, big local contractors, the National Housing Corporation, the pension funds, and private banks--deserves more in-depth investigation from researchers and the press (see **Chapter 4**).

This complex issue needs further investigation and clarification to give the non-specialist a better idea of what is at stake.

In June 2013, opposition MP Zitto Kabwe lobbied British Prime Minister David Cameron ahead of a G8 meeting to tighten up on tax evasion by corporations from OECD countries through offshore tax havens. He said: 'Tanzania lost \$2bn between 2002 and 2008 through illicit money transfers'.<sup>109</sup> Cameron and other OECD leaders are under increasing pressure to address this issue. Some progress has been made.<sup>110</sup>

**The drugs trade.** Many young Tanzanian 'mules' are languishing in jails in Hong Kong, Macau, mainland China and other parts of the world after being caught trying to smuggle hard drugs. In 2013, social media launched an awareness raising campaign to warn potential mules of the risks attached to drug smuggling, particularly to Hong Kong, where 200 Tanzanian mules were incarcerated. The message: "DON'T BRING DRUGS TO HONG KONG. IT'S TOO RISKY", had considerable impact both in Tanzania and in other African countries, but the trade

---

<sup>108</sup> There is an assumption that increasing tax revenues as a proportion of GNP is a 'good thing'. Our review of public expenditure suggests declining state capacity to put taxes to good use. If the state squanders tax income in waste and corruption, there is little to be gained from increasing the tax take.

<sup>109</sup> Citizen reporter 2013. 'Zitto's letter to Cameron over dirty Swiss billions', *Citizen*, 29 May.

<sup>110</sup><sup>110</sup> In 2013, the G8 agreed measures on corporate tax avoidance, began a crackdown on secret bank accounts, and 'began the process of building strong international norms for the use of resource rents.' Paul Collier 2015. 'What should we do about inequality?', *Prospect Magazine*, London, May. Resource rents are discussed below.

continues.<sup>111</sup> Drug trafficking became a hot political issue during the reference year, with the informal circulation of the names of local drug barons, including big 'businessmen' and politicians. Drug mules have named numerous drug 'barons', ranging from eight up to 122. When challenged in parliament by the Reverend Israel Natse (Karatu-Chadema) to produce the names of the drug barons, Mr William Lukuvi, Minister of State in the Prime Minister's Office in charge of Policy, Coordination and Parliamentary Affairs, admitted that the list existed, but replied: "... the government can name the suspects only if it has concrete evidence to prosecute them. Also, if we decide to make the names public many of us in this House will find out that we are involved," Mr Lukuvi said.<sup>112</sup>

One list of drug 'barons' produced by a Tanzanian drug mule in jail in Hong Kong contained the names of Ali Hatib, alias Shikuba, and Ayubu Mfaume Kiboko. Assistant Commissioner of Police Godfrey Nzowa, confirmed that the two were on the list of the Anti-Drugs Unit (ADU) most wanted drug suspects. Also on the list of suspects was Kinondoni MP Iddi Azzan, who had previously complained that his 'enemies' within CCM were plotting to frame him by planting drugs in his car. In 2006, President Jakaya Kikwete declared he had a list of 100 suspected drug barons and promised to work on it. Lack of progress since that date lead critics to complain of a 'lack of political will' to deal with narcotics trafficking.<sup>113</sup>

Tanzanian drugs control legislation classes marijuana as a 'narcotic' (hard drug), and mere possession can result in prosecution. Despite frequent destruction of crops and seizure of produce by the police, marijuana is widely available and consumed by both rich and poor. It is also an export crop, particularly to Kenya.

### 2.2.3 Natural Resource Rents

Natural resources create rents through a combination of their inherent use value and their exchange or market value, which requires the investment of labour and capital to realise. Potential rents attract public and private actors, politicians and businessmen keen on capturing them. Rents are typically associated with asserting property rights, legally or illegally, in nature's renewable resources— land, forests, fisheries, wildlife, water--and non-renewable resources--gemstones, minerals, oil and gas. Two renewable resources--coastal fisheries and wildlife (elephants and rhinos in particular)--risk becoming non-renewable if 2013 rates of dynamite 'fishing' and ivory/rhino horn poaching continue. **Chapter 4** has more on this. TGR 2014 will provide an update on the issue.

---

<sup>111</sup> See <http://v2catholic.com>

<sup>112</sup> Peter Nyanje 2013. 'You are on list of drug barons MPs told', *Citizen*, August 27.

<sup>113</sup> Katare Mbashiru 2013. 'Political will to deal with drug kingpins 'is lacking'', *Citizen*, 1 August.

As shown in **Chapter 1**, riots in Mtwara and Masasi in early 2013 targeted the ruling party and government, not the oil and gas companies. Still industry watchers considered the violence a disincentive to future investors in the oil and gas industry.

## 2.2.4 Aid

According to the Ministry of Finance:

'Net foreign financing for the year 2012/13 was Tshs 1,735.0 billion against the estimates of Tshs 2,170.7 billion. Programme loans was (sic) Tshs 357.5 billion being 163 percent of estimates of Tshs 220 billion. The performance was due to *disbursement of USD 98 million from World Bank to support TANESCO which was not in the approved budget*. Disbursements were TShs 254.8 billion, TShs 186.3 billion and Tshs 1,063 billion for project, basket and non-concessional loans, all except for basket being below their respective budget estimates. Negotiations with potential creditors for non-concessional borrowing as well as government approval process took longer than anticipated, causing the observed shortfall.'<sup>114</sup>

Total grants fell by over a quarter (26 percent) from FY 2011/12 to 2012/13. Aid accounts for a steadily declining proportion of total government finance in Tanzania, an issue discussed in **Chapter 6** below.

## 2.3 Public Expenditure

**'The government has to strengthen financial management and budgetary controls to all MDAs'**<sup>115</sup>

**'Tanzania has a well-established budget planning process, but execution is sometimes off track. The build-up of arrears due to overcommitment and the lack of adherence to financial rules has (sic) put pressure on fiscal targets. Weaknesses in cash flow management, which the CAG partly attributes to weak public procurement, are another concern.'**<sup>116</sup>

Expenditure for the year ending June 30 2013 was Shs 12.7 trillion, an 18 percent increase on FY2011/12.<sup>117</sup> Recurrent expenditure was TShs 7.5 trillion. 'Locally financed' development expenditure amounted to Shs 2.3 trillion compared with the budget of Shs 2.2 trillion, reflecting a reallocation made from recurrent to development expenditure for the recapitalisation of TANESCO, payments of roads

---

<sup>114</sup> Ministry of Finance 2013. 'Budget for FY 2012-13: Full year budget performance and economic review', Dar es Salaam, September, Section 23. Emphasis added.

<sup>115</sup> NAOT 2014a: 101.

<sup>116</sup> Africa Economic Outlook: Tanzania 2013:6. Development expenditure was also below the budget projection because of the shortfalls in disbursements of external non-concessional borrowing (ENCB) and foreign project funds (Ministry of Finance 2013).

<sup>117</sup> Ministry of Finance 2013. 'Budget for fiscal year 2012-13: Full year budget performance and economic review', September.

arrears and purchase of fuel oil for power generation. Foreign development expenditure amounted to Shs 1.4 trillion, less than 60 percent of estimates, caused by delays in disbursement of project grants and basket funds and delays in reporting of D-Fund disbursements by MDAs and Development Partners.<sup>118</sup>

### 2.3.1 Wages and Allowances

According to the National Bureau of Statistics, in 2013 there were nearly 600,000 state employees and just over 900,000 private formal sector employees on mainland Tanzania.<sup>119</sup> Total expenditure on wages and salaries for central and local government for FY 2012-13 amounted to TShs 3.4 trillion, or 45 percent of total recurrent expenditure.<sup>120</sup>

**Allowances:** Past TGRs have highlighted the use and misuse of allowances for civil servants and official attempts to control the rent-seeking dimension. A 2013 CAG report flagged:

‘Individuals who are identified on questionable per diem claim sheets include Jumanne Sagini (Acting Permanent Secretary OPM) and Alphayo Kidata (Deputy Permanent Secretary Presidents Office). Both ... are show to claim 15 days per diem for attendance at a workshop between 28 December 2012 and 11 January 2013. If this is correct we find it unusual such high profile individuals are able step out of official duties for such a prolonged period.’<sup>121</sup>

### 2.3.2 Procurement and contracting

The BAE radar scandal, extensively reported in previous TGRs, was finally resolved in late 2013 with the return of GB Pounds 30 million (USD 47 million) to Tanzania.<sup>122</sup> Delays in returning the money resulted from indecision on what it should be used for (eventually it was used for the purchase of school books). BEA managed to avoid prosecution, as did the Tanzanian middlemen and the government officials involved (see TGR 2012 for details).

---

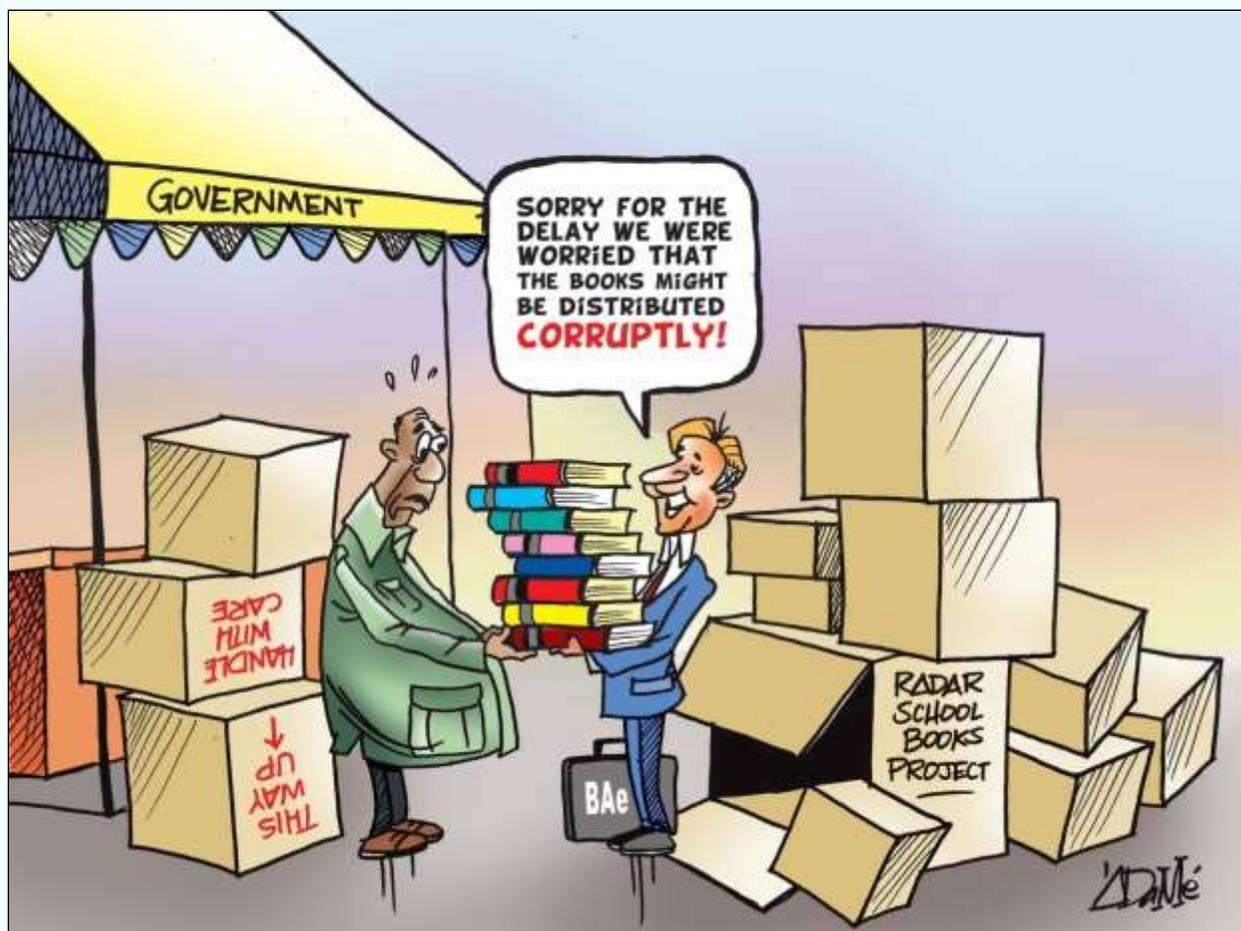
<sup>118</sup> Ministry of Finance 2013.

<sup>119</sup> National Bureau of Statistics 2014. ‘Formal Sector Employment and Earnings Survey Analytical Report 2013’, Dar es Salaam, August. Total adult employees in both sectors were 1,506,849. Females accounted for two-fifths of state employees and one third of private employees (**Table 2.1**, page 12).

<sup>120</sup> Ministry of Finance 2013. ‘Budget for fiscal year 2012-13: Full year budget performance and economic review’, September.

<sup>121</sup> CAG 2013e. Audit of Tanzania Local Government Reform Programme Page 6.

<sup>122</sup> Martin Plaut 2013. ‘West failing to return billions of dollars in fines from foreign bribery cases, Guardian, London, 27 November



In 2013 the CAG undertook a performance audit examining whether MDAs and LGAs have appropriate and working mechanisms in place to control costs in public procurement. The audit concluded that PE did not appropriately implement the public procurement laws in order to safeguard the public interest. Numerous irregularities were discovered in the procurement of air tickets suggesting collusion between official and travel agents. Weaknesses in monitoring and evaluation by the Ministry of Finance, GPSA (Government Procurement Service Agency) and TCAA (Tanzania Civil Aviation Authority) were also noted.<sup>123</sup>

In the public building construction case study, the audit noted significant variations between prices offered by the bidders the engineers' estimates and that BoQs contained arithmetic errors which were either taken on board or completely ignored. Well over half (58%) of sampled entities lacked an Annual Procurement Plan. Weaknesses in monitoring and evaluation by the Ministry of Finance were also noted. The PEs did not exercise due care to adequately address issues of cost

<sup>123</sup> Controller and Auditor General 2014 'General report on the performance and specialized audits for the period ending 31<sup>st</sup> March 2014', NAOT, Dar es Salaam.

control in the procurement process. Public procurements are not sufficiently monitored, evaluated and reported with the view of assessing whether the public interest is adequately safeguarded.<sup>124</sup>

### 2.3.3 Public debt

According to the Ministry of Finance:

'The National Debt Stock ... at end June 2013 stood at USD 16,523 million compared to USD 12,686.8 million as at end June 2012, equivalent to an increase of 23.2 percent. Out of which, USD 14,372.8 million was public debt and USD 2,150.2 million was private debt. The increase was mainly on account of new disbursements from concessional and non concessional sources and accumulation of interest arrears for some bilateral creditors whose rescheduling agreements have not been concluded.'<sup>125</sup>

External debt has traditionally consisted of concessional loans from multilateral lenders like the World Bank. However, both local and international non-concessional (commercial) borrowing rose rapidly in the reference year:

'In 2012/13 the government contracted US\$1,945 million from external non-concessional sources including US\$ 600 million from international capital markets in a private placement underwritten by Standard Bank/ Stanbic, US\$ 178.1 million from Exim Bank of India and US\$ 1.2 billion from Exim Bank of China for the gas pipeline. In addition, the government provided 85 percent guarantee to TANESCO for the US\$ 65 million loan from CITI Bank. the Government received US\$ 900 million from non concessional sources including Credit Suisse (US\$37 million), HSBC Mwanza (US\$ 31million), HSBC Dar es Salaam (US\$ 10.8 million), Standard Bank (US\$ 600.5 million), and Exim Bank of China (US\$ 220.5 million) during the year under review.'<sup>126</sup>

Commercial borrowing is of course much more expensive than borrowing from the WB, implying that poor performance in loan-financed projects carries more penalties. In 2013, the IMF began to urge the GoT to reduce the budget deficit and contain non-concessional borrowing.<sup>127</sup>

### 2.3.4 Pension funds

In late April, 2013, a special sitting of the Public Accounts Committee, chaired by Zitto Kabwe, revealed that the Public Service Pension Fund (PSPF) could collapse in

---

<sup>124</sup> Ibid. See also Procurement Journal reporter 2013. 'Corruption cited as hindrance to construction industry', *Procurement Journal (Daily News)*, 2 April.

<sup>125</sup> MoF 2013: 18; Daily News reporter 2013. 'Dar's external debt stock reaches 20.4tri/-', *Daily News*, 19 December.

<sup>126</sup> Ministry of Finance 2013. 'Budget for fiscal year 2012-13: Full year budget performance and economic review', September, page 18.

<sup>127</sup> Abduel Elinaza 2013. 'IMF predicts revenue deficit in 2013/2014', *Daily News*, 11 November.

three years time if government liabilities of TShs 6.4 trillion are not settled. The liabilities are inherited from public service pension commitments made before PSPF was established in 1999, plus defaults on the repayment of loans from the fund taken by government on different occasions. For example, a syndicated pension funds loan paid for much of the construction of the University of Dodoma (UOD), a flagship initiative by President Kikwete. While the National Social Security Fund (NSSF) provided finance of TShs 234.1 billion, the National Health Insurance Fund (NHIF) and Parastatal Sector Pension Fund (PSPF) provided an additional TShs 181.3 billion. The funding was supposedly for the construction of some buildings on a ten year build, operate transfer agreement. Yet the buildings are not recorded as assets by either the UOD or the various funds. The university sees the financing as an investment by the funds while the funds claim they advanced the finance as a loan.<sup>128</sup>

According to the IMF:

'... all the ... pension funds have actuarial shortfalls. The Government intends to reform pension entitlement rules to help restore actuarial balance in the funds. The Social Security Regulatory Authority (SSRA) is preparing new benefits guideline that harmonizes contributions rates and benefit package. Further, SSRA in collaboration with the Ministry of Labour and Employment is developing a Social Security Reform Program that outlines the Social Security Schemes (SSS) reform process. Meanwhile, the Government has approached the World Bank for a possible multi-year loan package which could provide resources to support near-term benefit payments.'

'The SSRA is working closely with the Ministry of Finance to address the Government's outstanding liabilities to the Public Service Pensions Fund (PSPF) related to the legacy of the previous pension scheme. The 2013/14 budget allocates TSh 50 billion repayment of the Government's liabilities, up from TSh 30 billion in 2012/13.'<sup>129</sup>

## 2.4 Transparency and accountability

In the Introduction we reported WB data suggesting a secular improvement in government transparency and people's 'voice' as expressed through parliamentary channels. Here we briefly review the evidence concerning formal accountability processes. Efforts by the media and civil society to deepen 'downward' accountability are reviewed in **Chapter 5**.

### 2.4.1 Parliamentary oversight

In February 2013, the Parliament's Public Organisations Accounts Committee (POAC), which has been chaired by Zitto Kabwe since its establishment in 2008,

<sup>128</sup> Alvar Mwakyusa 2013. 'Pension fund suffers 6.5tr/- loss', *Daily News*, 12 April; Frank Kimboy 2013. 'JK: PSPF will not die', *Citizen*, 2 May.

<sup>129</sup> IMF 2013: 34-5.

was disbanded and its responsibilities were passed on to the Public Accounts Committee (PAC). At the same time, a new Budget Committee, is created to oversee budget formulation and implementation. These moves are the brainchild of an ad hoc committee chaired by MP Andrew Chenge, as described above. Other moves challenging recent gains in accountability are greater state control over TV coverage of parliament and greater executive control over the process of airing the CAG annual reports.<sup>130</sup> Zitto Kabwe is on record as saying that the added work load from the merger of the two committees will make it impossible for the PAC to do its job effectively.

The introductory chapter related the government's abortive attempt to address the ivory poaching crisis through *operation Tokomeza Ujangili*. Prime Minister Mizengo Pinda, a prime mover in the operation, was closely questioned by MPs following the presentation of a report prepared by the Committee on Local Government and Regional Administration on the request of parliament. 'The report revealed horrible incidents of human rights violations, including rape, sodomy, seizure of property, false cases in court and other abuses resulting into deaths and trauma especially among pastoralists.'<sup>131</sup>

Four ministers were forced to resign as a result of the report, and there were calls from the opposition for the Prime Minister to resign (he did not).<sup>132</sup>

Protests by MPs forced the government to remove the proposed tax of Shs 1,000 on simcards contained in the Finance Act. While high-profile resignations grab the headlines, the less visible but equally vital improvements in public finance management transparency and accountability that parliament and its committees are mandated to promote continue to prove problematic. For example, the Committee on Economy, Industries and Commerce presented a report urging the government to control the level of tax exemptions—worth an estimated 3.1 percent of GDP—but the process of granting exemptions remains opaque.<sup>133</sup>

## 2.4.2 Judiciary

Past TGRs have noted the slow pace at which criminal cases are resolved, including 'grand' corruption cases.<sup>134</sup> In the introduction, we cite a clearing rate of 5 percent of criminal cases between 2012 and 2013. Cases that have dragged on without closure include Alex Stewart, EPA, and the Import Support Programme, that dates

---

<sup>130</sup> Policy Forum working group 2013. 'Statement by the Policy Forum's Budget working group (BWG) on the 2011/2012 CAG's report', *Citizen*, 18 April.

<sup>131</sup> Emmanuel Onyango 2013. 'Memories shall linger on the 14<sup>th</sup> meeting of parliament that was', *Guardian*, 28 December.

<sup>132</sup> Peter Nyanje 2013. 'Pressure mounts on Pinda to resign', *Citizen*, 21 December.

<sup>133</sup> Emmanuel Onyango 2013.

<sup>134</sup> Beatrice Moses 2013. 'Slow pace of graft cases angers donors', *Citizen*, 19 November.

back to the 1990s! These and other similar cases are 'donor-driven' in the sense that without donor pressure to bring suspects to court the cases would probably never have seen the light of day.

### 2.4.3 Prevention and Combating of Corruption Bureau: fewer 'allegations'

PCCB continues to expand its activities throughout the country, despite which the number of 'allegations' (complaints) received has declined in recent years (**Table 2.3**). In 2013, there were more prosecutions and new cases in court than in previous years, and more cases forwarded to the Director of Public Prosecutions (DPP). There is a view that the DPP hinders the prosecution of bigger offenders and that PCCB is only successful in pursuing relatively minor cases.<sup>135</sup>

**Table 2.3: PCCB performance 2005-13**

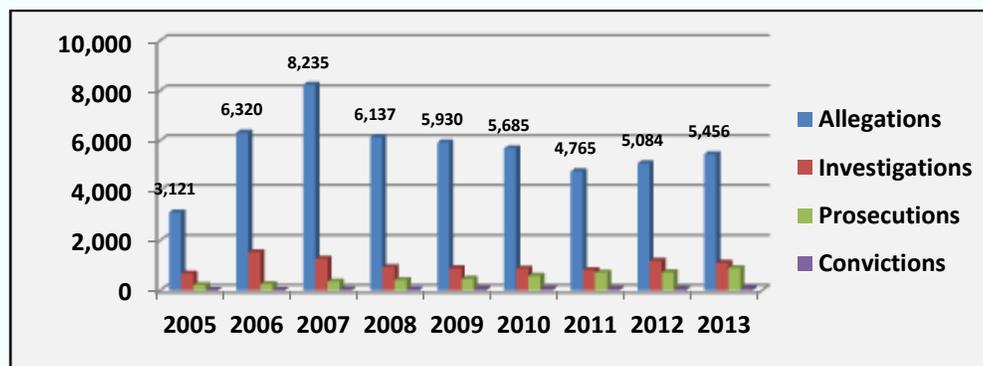
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Allegations received</b>	3,121	6,320	8,235	6,137	5,930	5,685	4,765	5,084	5,456
<b>Cases investigated</b>	677	1,528	1,266	928	884	870	819	1,178	1,100
<b>Investigations completed</b>	540	1,781	1,966	1,038	1,188	924	868	881	1027
<b>Administrative actions</b>	111	209	280	74	40	29	30	27	19
<b>Files transferred</b>	2	496	460	184	152	135	84	72	98
<b>Files sent to DPP</b>	20	22	38	119	156	112	143	221	358
<b>New cases in court</b>	50	71	196	147	222	224	193	288	343
<b>Total prosecutions</b>	218	251	352	416	463	587	709	723	894
<b>Convictions</b>	6	18	35	37	46	56	52	47	89
<b>Acquittals</b>	10	28	45	71	73	98	61	71	62
<b>Asset recovered Shs bn</b>	2.5	1.3	1.6	13.2	0.4	10.1	4.6	9.7	4.2

Source: <http://www.pccb.go.tz/index.php/investigation>

<sup>135</sup> Polycarp Machira 2013. 'Is PCCB a dog for biting underdogs?' *Citizen*, 6 March; Ludger Kasumuni 2013. 'PCCB boss faults anti-graft law', *Citizen*, 21 June 2013. Stanley Lyamuya 2013; 'Why PCCB fails to prosecute grand Corruption', *Business Times*, 3 May.

**Chart 2.2** portrays trends in allegations, prosecutions and convictions.

**Chart 2.2: Allegations, investigations, prosecutions and convictions, PCCB 2005-13**



Source: based on data from: <http://www.pccb.go.tz/index.php/investigation>

The number of ‘allegations’ of corruption fell rapidly after 2007. There were more allegations in 2006 than in 2013. Given that PCCB only prosecutes cases on the basis of firm evidence, the conviction rate is extremely low, suggesting that many ‘guilty’ parties go free. Opposition to PCCB acquiring prosecutorial powers was expressed by Judge Fakihi Jundu in a meeting of the African Parliamentarians Network against Corruption (Dodoma, 15 June, 2013) on grounds that it would amount to ‘ditching checks and balances’. Edward Hoseah, executive director of PCCB, argued that ‘corruption was no longer a “normal” crime and had risen to such high levels that it could no longer be handled in the traditional way.’<sup>136</sup> PCCB’s explanations for its apparent deteriorating performance reported to the STACA Annual Review team were the following:

- a) ‘the weak anti-corruption sanctions contained in the legal framework (jail or affordable fines) are not strong enough deterrents against graft;
- b) limited experience within the judiciary in presiding over anti-corruption cases makes it difficult for them to make judgements based on circumstantial evidence;
- c) the PCCB lacks authority to prosecute (rather than just investigate) most corruption cases, apart from those relating to petty bribery.’<sup>137</sup>

<sup>136</sup> Peter Nyanje 2013. ‘Hoseah clashes with judge over PCCB’, *Citizen*, 16 June; Ludger Kasumuni 2013. ‘PCCB boss faults anti-graft law’, *Citizen*, 21 June. See also Florence Mugarula 2013. ‘Tanzania losing battle on corruption, says TI’, *Citizen*, 4 December.

<sup>137</sup> DFID 2013. STACA Annual Review, February, page 5.



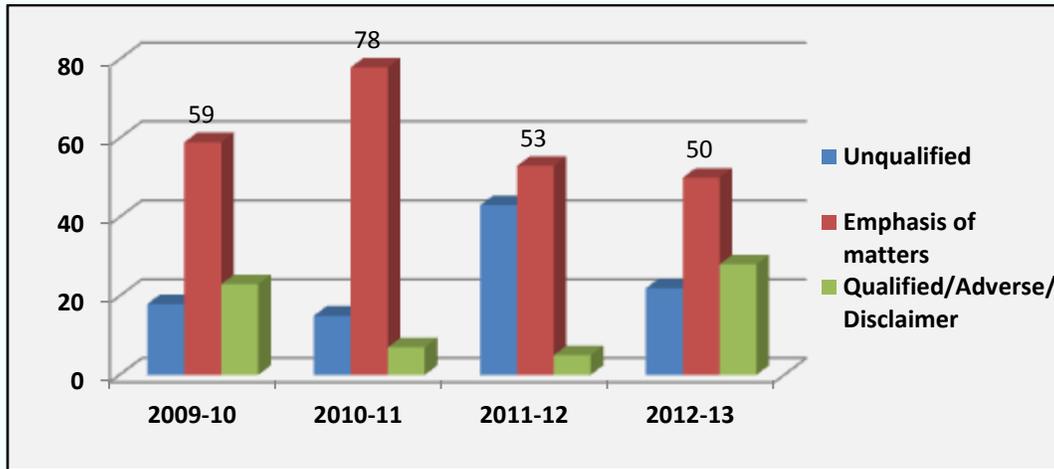
#### 2.4.4 The Controller and Auditor General: 'Significant regression.'

Public expenditure is audited by the Controller and Auditor General (CAG) in the National Audit Office of Tanzania (NAOT), which has greatly expanded its coverage in recent years. By 2013, the CAG tabled five 'reports in Parliament: Central Government, Local Authorities, Public Authorities and other Bodies, Donor Funded Projects, and Performance and Special Audits.'<sup>138</sup> The CAG's central government audit for 2012-13 covered 60 Ministries, Departments and Agencies (MDs), 25 Regional Secretariats (RS) and 32 Tanzanian Missions. 'Clean' audits are unqualified; audits 'unqualified with emphasis of matters' are the most common opinion expressed by the CAG, with 'matters' grouped into five categories.<sup>139</sup> **Chart 2.3** summarises recent trends in audit performance.

<sup>138</sup> National Audit Office 2014. 'Transformation of NAOT: The story of a transforming partnership 2004-2014', Dar es Salaam, page 237.

<sup>139</sup> The issues are: 'i. a substantial doubt on the sustainability of services delivery of the audited entities, ii. lack of consistency in application of generally accepted accounting principles, iii. uncertainties related to future outcomes of exceptional litigation, iv. a situation where there was an early adoption of the reporting standard, and v.

**Chart 2.3: CAG opinion trends for MDAs, RAS and missions 2009/10-2012/13 (percent)**



Source: Based on CAG 2014a, page 26.

In 2012-13, of the 117 entities audited 22 percent were given 'clean' audits, and 50 percent 'emphasis of matters', a clear deterioration compared to previous years.<sup>140</sup> The trend led the CAG to comment: 'there has been a significant regression of the audit opinions as compared to the previous years.' The 'weaknesses are mainly on non compliance with the existing legislations/regulations, lack of proper internal control systems and where such systems exist they are to a large extent neglected.'<sup>141</sup>

The CAG complained that only 5 out of 28 issues from the previous audit that needed PMG's (Paymaster General's) 'structured responses' were addressed. Only half of the CAG's 2011-12 recommendations were implemented by audited entities. In addition, the government had not responded to PAC recommendation based on the CAG findings.<sup>142</sup> In addition, 77 MDAs/RS had outstanding issues from previous years amounting to Shs.637 billion. The main offenders were the Ministry of Works, the Ministry of Finance and the Treasury.<sup>143</sup>

---

material inconsistency of fact in the annual report and commentary in the financial statements where an amendment was necessary and the entity refused to make the amendment.' (NAOT 2013a: 16).

<sup>140</sup> National Audit Office 2014. 'THE ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CENTRAL GOVERNMENT (MDAs) FOR THE YEAR ENDED 30TH JUNE, 2013', page xxiv. An Adverse Opinion was issued to the Tanzanian Embassy in Muscat and a disclaimer opinion was issued to the National Consolidated Accounts.

<sup>141</sup> NAOT 2014a: xxv-xxvii.

<sup>142</sup> NAOT 2014a: xxv-xxvii.

<sup>143</sup> NAOT 2014a: 248.

NAOT (2014a) recommended that three former senior officials from Air Tanzania Corporation (ATC) be prosecuted over a controversial aircraft-leasing contract that saddled the country with \$41 million in debt.<sup>144</sup> However, there was no indication the anti-corruption watchdog would file criminal charges against them.<sup>145</sup>

In 2013-14, the CAG undertook special performance audits of the identification of and provision of services for Most Vulnerable Children (MVC) by the Ministry of Health and Social Welfare (MoHWS) and Prime Minister's Office Regional and Local Government (PMRALG); inspection of imported goods by the Tanzania Bureau of Standard (TBS); management of food inspection by Tanzania Food and Drugs Authority (TFDA); management of wildlife hunting by the Ministry of Natural Resources and Tourism (MNRT); management of healthcare waste by MoHSW and PMORALG; and control of public procurement in Ministries, Departments and Agencies (MDAs) and Local Government Authorities (LGAs). Audit findings are summarised in the relevant chapters.<sup>146</sup>

There are issues of concern over the efficiency and effectiveness of government operations emerging from the findings of the six performance audits. These include weaknesses in management, planning, budgeting, coordination, law enforcement, data management, monitoring, evaluation and reporting. As a result service delivery was of poor quality and inequitable in coverage. Inadequate planning undermines budgeting, monitoring, evaluation and performance reporting. Inadequate data management, monitoring, evaluation and reporting reduce the availability of the appropriate information that could also be used for future improvement. The audits make numerous recommendations on how to improve state performance.<sup>147</sup> These 'weaknesses' are summarised in **Table 2.4**.

---

<sup>144</sup> Joint Report 2013. 'Tanzania to prosecute three officials over \$41m aircraft leasing scandal', *East African*, 20-26 April.

<sup>145</sup> David Mattaka, former director general of Air Tanzania, William Haji, former auditor, and Elisaph Ikomba who was chief accountant.

<sup>146</sup> National Audit Office 2014. 'General Report on the Performance and Specialised Audits for the period ending 31<sup>st</sup> March, 2014'. Controller and Auditor General, March.

<sup>147</sup> Controller and Auditor General 2014 'General report on the performance and specialized audits for the period ending 31<sup>st</sup> March 2014', NAOT, Dar es Salaam.

**Table 2.4: Main weaknesses in expenditure management**

<b>Weaknesses (no. of sampled MDAs/RSSs implicated in brackets)</b>	<b>TShs (Billion)</b>
Missing acknowledgement receipts and Electronic Fiscal Device (EFD) receipts (13)	47.9
expenditure made out of approved budget (29)	15.8
Payments made without proper supporting documents (29)	14.5
Payments lacking accountability (6)	3.3
Payments charged to wrong account codes (25)	2.4
Funds used for unintended activities (17)	1.8
Nugatory expenditure (10)	0.7
Payments of previous year's liabilities using funds appropriated for 2012/13 (9)	0.4
Long outstanding imprests (9)	0.3
<b>Total</b>	<b>87.1</b>

Source: NAOT 2013a: 253-4

Following an amendment to the Public Audit Act (2008) passed in February 2013, NAOT reports are not to be debated in the National Assembly until the Accountant General (the Permanent Secretary in the Ministry of Finance) has compiled responses from all government MDAs affected. This procedure will inevitably take time and could seriously weaken the National Assembly's oversight function.

#### 2.4.5 Public Procurement Regulatory Authority (PPRA)

The Public Procurement Regulatory Authority (PPRA) is was established under the Public Procurement Act of 2004. In 2012-13, PPRA conducted procurement audits in 32 MDAs. The level of compliance with the 2004 Act was 66 percent, a decline of three percentage points over the previous year. Problem areas identified were 'appropriateness of contract management; management of procurement records, implementation of systems prepared by PPRA, and handling of complaints in the procurement process.<sup>148</sup> Compliance with the PPRA is important, of course, but it does not ensure clean procurement.<sup>149</sup>

#### 2.4.6 Tanzania Extractive Industries Transparency Initiative (TEITI) and Tanzania Minerals Audit Agency (TMAA)

TEITI is an attempt at joint monitoring of mining, oil and gas companies involving the main investors, the government and civil society. In its third reconciliation report published in June 2013, TEITI recorded total payments by 30 mining

<sup>148</sup> NAOT 2013a: 226.

<sup>149</sup> PPRA ([www.ppra.go.tz](http://www.ppra.go.tz)) publishes a weekly eight-page *Tanzania Procurement Journal* as a pull-out in the government's *Daily News*. The Journal includes a listing of recent official procurement contracts.

companies of TShs 497 billion. The report noted that up to 30 June 2011 only Resolute's Golden Pride mine had paid corporation tax, worth over Shs 70 billion.<sup>150</sup> Other big mines started paying corporation tax during 2013. In its annual report for 2013, Tanzania Minerals Audit Agency (TMAA) shows that during 2013, Geita Gold Mine Ltd and Resolute Tanzania Ltd paid corporate tax amounting to TShs 8.97 billion and TShs 15.53 billion respectively.<sup>151</sup> Cumulatively, the two companies had paid corporate tax amounting to TShs 308.34 billion and TShs 100.39 billion respectively. TMAA reports that a total of TShs 310.66 billion was collected as royalty and taxes from the seven large scale mines during 2013.<sup>152</sup> Total taxes and royalties paid by the six largest mines to date are in **Table 2.5**.

Barrick owns Bulyanhulu, North Mara, Tulawaka, and Buzwagi, Geita Gold Mine belongs to AngloGold Ashanti, and Resolute owns Golden Pride. Barrick produced 48 percent of the gold and paid 49 percent of the taxes, Geita 39 and 38 percent, and Golden Pride 12 and 13 percent respectively, which suggests that the mining companies have benefited equally from the tax regime in place.<sup>153</sup>

**Table 2.5: Gold production, royalties and taxes paid by the six largest gold mines, 2013**

Gold Mine	Start date	Output to 2013 (million oz.)	Royalty paid (TShs bn)	Taxes Paid (TShs bn)*	Total payments	Percent
Geita	2000	6.26	215.98	548.19	764.17	39
Bulyanhulu	2001	3.49	124.30	277.03	401.33	20
Golden Pride	1999	2.19	61.87	181.40	243.27	12
North Mara	2002	2.56	103.48	124.83	228.31	12
Tulawaka	2005	0.94	34.60	174.30	208.9	11
Buzwagi	2009	0.89	59.87	54.77	114.64	6
<b>TOTAL</b>		<b>16.33</b>	<b>600.1</b>	<b>1,360.52</b>	<b>1,960.62</b>	<b>100</b>

<sup>150</sup> Kennedy Senelwa 2013. 'Tax breaks lead to Tanzania missing out on revenue from mining companies', *East African*, 14 September. In his 2013/14 budget speech, Minister of Energy and Minerals, Prof. Sospeter Muhongo, announced that Geita Gold Mine, Tulawaka Gold Mine and Golden Pride Mine had paid TShs 468 billion in corporation tax by 2012. See Staff Reporter 2013. 'Questioning TEITI report findings on mining investment revenues, laws', *Guardian*, 14-20 July.

<sup>151</sup> TMAA 2014. 'Annual Report 2013', page ii. The seven large mines are: Bulyanhulu, Buzwagi, Geita, Golden Pride, New Luika, North Mara and Tulawaka. Tulawaka closed in July 2013 (TMAA 2014: 13).

<sup>152</sup> TMAA 2014: 3. TMAA maintain that their regular audits 'have enhanced financial record keeping and compliance by major mining companies.'

<sup>153</sup> For an in-depth review of large-scale gold mining see Brian Cooksey 2011. 'The Investment and Business Environment for Gold Exploration and Mining in Tanzania', African Power and Politics Programme (APPP), Working Paper, April.

\* Corporate Tax, PAYE, Skills Development Levy, Withholding tax, VAT, Stamp Duty, Import Duty, Excise Duty, and Service Levy. Source: adapted from TMAA 2014: 27.

Royalties accounted for 30 percent of all payments made to government, which totaled nearly two trillion shillings by the end of 2013.<sup>154</sup> The price of gold increased from US\$280 per ounce in the late 1990s to US\$1,670 in 2012 and US\$1,411 in 2013.

Mining regulation is reported in **Chapter 4**, and civil society engagement with TEITI in **Chapter 5**.

### 2.4.7 Open Government Partnership

**"I promise that we will do our best to live up to the expectations of this Partnership to promote transparency and accountability of our Government to the people of Tanzania. I wish to reaffirm that our political will to achieve the OGP goals will not falter because Open Government is at the heart of the contract between State and Citizens."**<sup>155</sup>

This formal commitment to engage with a civil society-driven global initiative on the part of President Kikwete contrasts starkly with his predecessor Benjamin Mkapa's dismissive attitude towards civil society. But the Action Plan presented in Brasilia was not the result of broad consultation between various stakeholders 'due to the limited time available.' The Action Plan prioritised health, education and water.<sup>156</sup> One critical comment from the reference year states that:

"Just six months remain on the first two-year Action Plan. And while some progress has been made, overall it has been disappointing. The government has published its own [self-assessment report](#) on the OGP website. By my calculations, of the 25 commitments in Tanzania's Action Plan, only two have been fully met – to [publish a citizens' budget](#) and to establish an OGP focal person within government. Given that the first of these was already happening before the OGP, and was largely delivered by Policy Forum, this is not great."<sup>157</sup>

This and future TGRs probe the extent to which formal presidential commitments to more open government have been translated into practical changes in the way the GoT conducts its business.

---

<sup>154</sup> This amount is difficult to translate into US\$ because of changes in the exchange rate.

<sup>155</sup> President Jakaya Mrisho Kikwete, in his keynote address at the OGP annual summit in Brasilia, Brazil, in April 2012. [http://www.opengov.go.tz/files/publications/attachments/OGP-Brief5-WPM\\_sw.pdf](http://www.opengov.go.tz/files/publications/attachments/OGP-Brief5-WPM_sw.pdf), visited 15/02/15.

<sup>156</sup> Open Government Partnership, Twaweza, (no date). 'Tanzania's Open Government Action Plan'. The OGP is under the Coordinator for Good Governance in the Office of the President.

<sup>157</sup> <http://mtega.com/2013/10/bold-commitments-disappointing-delivery-five-challenges-for-tanzania-and-the-ogp/>

## 2.5 Conclusion

On the positive side, inflation fell from double to single digits during FY2012-13. But the year saw a widening gap between public income and expenditure. Tax collection was below projections, foreign aid transfers declined, and tax exemptions reached new highs. Tax breaks to foreign investors continued to attract criticism on the grounds that they did not increase investments but contributed to the shortfall in public income. Large increases in public expenditure were financed by increased commercial borrowing, both nationally and in international money markets. It is unclear how illicit financial flows impact on the economy: illicit inflows are apparently significantly larger than outflows, and the explanations offered for flows in both directions are contradictory and unconvincing.

## CHAPTER 3: PUBLIC MONEY AND LOCAL GOVERNANCE

This chapter looks at performance trends in state service provision and governance, citing data for 2012-13. The reform of local government has been premised on the principle of Decentralisation by Devolution (DbyD), but progress in this direction has been frustrated by central government's 'reluctance to devolve ... human resource management to LGAs, and the reality that 'most financial remittances to LGAs are controlled by MoFEA while the establishment is under ... PO-PSM and come with strict guidelines for expenditure, allowing little to no autonomy to the LGAs.'<sup>158</sup> As a result, the principle of 'bottom-up' planning of local development activities through 'O&OD' (Obstacles and Opportunities for Development), designed to increase local participation and 'downward' accountability, has largely failed to materialise (though the principle has other conceptual flaws).<sup>159</sup> This chapter reviews a number of recent reviews of LGRP and service sectors.

The CAG flags a significant increase in the proportion of LGAs receiving 'clean' audits for FYs 2011-12 and 2012-13. We ask whether the upward trend in clean audits reflects improvements in LGA's financial management (and service delivery) capacities or other factors.

### 3.1 Introduction: poor marks for the LGRP

**'An explicit local government reform programme has been implemented with significant donor support since 1999, however many aspects of the reforms have according to external reviews moved painstakingly slow – in particular those that aimed at enhancing local governments autonomy as well as [those] aimed at enhancing fiscal equity and transparency.'**<sup>160</sup>

In FY 2012/13 LGA revenues amounted to approximately **TShs 3.3 trillion** or TShs 73,000 per capita (US\$ 45). LGA budgets are funded largely through earmarked transfers for recurrent expenditures (primarily salaries) from central government (71 percent),<sup>161</sup> and transfers for various development (capital) expenditures (21 percent), plus own source revenue (8 percent).<sup>162</sup>

There are three main types of financial transfer to LGAs: (1) recurrent 'block grants' composed of specific allocations for Personal Emoluments (PE, i.e. salaries) and for other charges (OC); (2) subventions, including sector-specific basket funds; and (3)

<sup>158</sup> URT, LGDG Mid-Term Review 2011: 12.

<sup>159</sup> Per Tidemand and Jamal Msami 2010. 'The impact of local government reforms in Tanzania 1998 – 2008', REPOA, Special Paper 10/01, Dar es Salaam.

<sup>160</sup> See, for example, Per Tidemand 2015. 'Political economy of local government reform in Tanzania' (draft, forthcoming).

<sup>161</sup> In the 2012/13 budget, PE transfers represented 78 percent of recurrent transfers (Tidemand 2015:3).

<sup>162</sup> Tidemand 2015:3.

capital development grants. While subventions and basket funds form part of the development budget, in practice, they fund recurrent expenditures. Capital development grants finance LGA infrastructure and include the discretionary Local Government Development Grant (LGDG) and numerous sector development grants.

In FY 2004/05, the GoT introduced a system of formula-based allocations in order to make budget allocations more transparent and needs-based. According to Tidemand et al. (2014): 'Formulae were developed for each of the sector block grants as well as for the ... LGDG. It was not possible to include PE allocations as part of the formula-based system because of the continued centralisation of ... LGA staff allocation ... .' In practice, the formulae have only been applied to the development grant system under the LGDG and to some OC allocations.<sup>163</sup>

LGAs receive development grants from a number of sources. For example, Mwanza District Council received funds from no less than nine different sources in 2008/09 and 2009/10, namely (in order of importance): the Road Fund, LGDG (Local Government Development Grant), RWSSP (water), the health basket fund, MAMM (primary healthcare), ASDP (agriculture), TASAF (Tanzania Social Action Fund), TACAIDS, and MMEM (basic education), leading the Mid Term Review of the LGDG to remark that: 'The current number of development grants and funding sources to LGAs, with different allocation formulae and conditions of access are obviously confusing to the extent of impinging on good governance and accountability.'<sup>164</sup>

A critical mid-term review adds to the overall perception that LGRP (I and II) suffered from fundamental conceptual, capacity and coordination problems. For example:

- 'There is at LGA level limited awareness on LGRP II';
- '... PMO-RALG is not functioning ... in relation to LGRP II...: there are no proper channels of reporting, there are no coordination meetings ...';
- 'Mainstreaming ... LGRP II was done without proper preparation: there are only few counterparts and the way the Technical Assistants (TAs) are able to play their role ... depends largely on personal dynamics;
- 'The LGRP secretariat does not have the mandate to directly address the other divisions within the Ministry.'<sup>165</sup>

A major study by Britain's Overseas Development Institute (ODI) examined inequities and inequalities in financing local government services on mainland

---

<sup>163</sup> Per Tidemand, Nazar Sola, Alloyce Maziku, Tim Williamson, Julia Tobias, Cathal Long and Helen Tilley 2014. 'Volume I: Local Government Authority (LGA) fiscal inequities and the challenges of 'disadvantaged' LGAs', April, page 1. LGDG are discussed below.

<sup>164</sup> URT 2013. LGDG Mid-Term Review report, page 33.

<sup>165</sup> A. Liviga and Ir. M.D. Roell 2012, 'Local Government Reform programme (2009-2014)', Draft Report, November, pages 11-12.

Tanzania and the consequences on service provision.<sup>166</sup> Some of its main sector-specific findings are discussed in the following sections. **Box 3.1** presents a summary of the report's main findings:

**Box 3.1: Inequities and inequalities in local government finance**

The patterns of inequality and inequity remained very significant over the period 2006/07 to 2012/13. There was no significant trend towards a fairer distribution of transfers to LGAs. Some districts received more than four times the allocation of relatively underserved LGAs. Allocation patterns are unrelated to objective measures of relative need based on factors including poverty, disease burden, and land area. Current staff management practices and the resulting disparities in resource allocation reduce the efficiency of service delivery both across and within LGAs. For example, secondary science teacher allocations vary from a low of one teacher to 76 students to a high of one teacher per 529 students.

• **LGA financing is characterised by an increasing wage share driven by the education and health sectors, and reduced operational funding.**

Education and health ... drive patterns of inequity. LGAs that are relatively under or overfunded in one sector tend to also be under or overfunded in other sectors.

• **PE allocations are the main driver of fiscal inequity between LGAs.**

Salary payments (PE) account for an increasing share of total transfers to LGAs. LGA revenues, excluding user fees, were TShs 70,000 per capita in 2012/13, 70 percent of which were recurrent transfers mainly earmarked to sectors and dominated by salary payments. Salaries represented 78 percent of recurrent transfers and 55 percent of all LGA revenues. This pattern has become more prominent over time as salary allocations, driven by the introduction of recurrent transfers to secondary education, have increased steadily while other recurrent allocations have declined.

• **Fiscal inequity within LGAs is often greater than the inequity between LGAs.**

These patterns of resource inequities are particularly marked for primary education but are also substantial in health and agricultural extension. Inequities within LGAs are most significant for LGAs categorised as HTRS (Hard to Reach and Stay) or underfunded. The number of staff per dispensary can range from 9 to 1 within the same district. Capitation grants for primary and secondary schools are the only major transfers made to service delivery units, with health facilities receiving no transfers. Secondary school fees are a far more important source of revenue than capitation transfers, and user fees are an important revenue stream for health services, making up as much as one-third of recurrent financing available at the LGA level.

Source: Tidemand et al. 2014: 1-2<sup>167</sup>

The ODA report concludes (2014: 52) that: 'Our study confirmed the main findings from the previous PER analyses: the relationship between resource allocation and service delivery outcomes remains generally weak...' Nevertheless, resource redistribution would improve service delivery and performance significantly in

<sup>166</sup> Tidemand et al.

<sup>167</sup> The earlier Mid-Term Review of the LGDG (2011: 57) concluded that: 'In reference to the question whether formula-based transfer system ensures equitable results, the MTR concludes "no".'

underserved (HTRS) districts.

In technical terms, there would be significant 'efficiency gains' from redistributing personnel, materials and finance. The World Bank estimates that redistributing staff and PE for primary education from over-served to underserved LGAs could lead to TShs 240 billion in efficiency gains.<sup>168</sup> But it is difficult to recruit administrators, education, health, water and agricultural staff to live in remote districts. Discretionary power to appoint and transfer line ministries' staff clearly lends itself to patronage and corruption, which may help explain why the central government has not ceded this function to LGAs.<sup>169</sup>

**The Local Government Reform Programme II.** LGRP II ran from 2008/09 to 2012/13. In total, donors provided €16 million (nearly Sh35bn) from 2009 to 2012 to fund the programme, which had a total budget of Shs 67bn (€31 million).<sup>170</sup>

Previous TGRs have commented on the limited success of the LGRP. An informed source believes there were no substantive reforms implemented after 2008. The program ended with very bad relations between the GoT and donors, culminating in the forensic audits mentioned below. The government and donors never agreed what reforms were required and how they should be undertaken.<sup>171</sup>

While transfers for discretionary spending to LGAs have increased substantially in recent years, key line ministries and the Public Service Commission have kept a strong centralising hand on sectoral activities and staff recruitment respectively. But transfers to councils for both discretionary and non-discretionary spending are erratic and frequently delayed, as described below. First, we look at evidence of financial mismanagement in the programme.

In 2012-13, SIDA (Swedish International Development Agency) commissioned an in-depth financial audit of the Local Government Reform Program (LGRP) on behalf of the 'basket fund' donors to the Program.<sup>172</sup> This followed an earlier audit which 'concluded that the LGRP II's financial management "is virtually non-existent" and that there are serious internal control weaknesses, incompliance with the financial

---

<sup>168</sup> Tidemand et al. 2014: 50, citing World Bank 2012. 'Stairways to Heaven', Tanzania Economic Update, page 20.

<sup>169</sup> Tidemand (2015 forthcoming, pages 10-11) argues that key central-local government reforms were entirely driven by national politics, but that a key element of subsequent (LGRP) reforms—decentralising staff recruitment—was resisted by both party and government in order to retain strategic control over staffing. 'Continued marked inequities in resource allocations among LGAs has been largely an unintended consequence of the continued centralized systems for staff management.' See Per Tidemand 2015. 'Political Economy of Local Government Reforms in Tanzania', (forthcoming).

<sup>170</sup> Florence Mugarula 2013. 'Donors demand Sh 644m from govt', *Citizen*, 24 November.

<sup>171</sup> The opinions expressed are those of informant P, via email, 6 February, 2105.

<sup>172</sup> The basket donors were Sweden, Finland, the Netherlands, Ireland, Japan and Germany.

manual, procurement irregularity and possible fraud.’<sup>173</sup> The in-depth audit uncovered ‘widespread abuse’ of donor funding.

‘The extent of abuse suggests practices are well established within PMO-RALG and the LGRP II programme. Poor accounting ... resulted in loss of donor funds, inaccurate financial reporting and poor value for money obtained. ... incidents of failure are ... potentially linked to systematic collusion.’ ‘The LRGP programme ... has failed to comply with ... Accounting, Subsistence Rules, Procurement Regulations and the Road Traffic Act.’<sup>174</sup>

In November 2013, the basket donors asked the GoT to return some Shs 600 million, a relatively small amount of money (USD 375,000) in the Tanzanian context, reflecting poor GoT-relations rather than the degree of impropriety in the LGRP.

A number of other donor initiatives target local government service delivery capacity, including the World Bank-funded Urban Local Government Support Programme (ULGSP, US\$ 200m) and various projects in the health and water sectors, some of which are reviewed below.

## 3.2 Trends in service delivery performance

**‘Currently LGAs are to a large extent implementers of national and sectoral development programmes. They minimally concern with local priorities and potential.’<sup>175</sup>**

**‘By 2013/14 budgeted transfers for the running costs of health, water, and primary and secondary education were 40 percent lower than four years previously, at only TShs 10,700 (US\$6) per capita.’<sup>176</sup>**

Below we review government education, healthcare, water and sanitation and agricultural services. A common theme is the decline in non-salary spending: increasingly front-line workers are deprived of work materials, although the health basket helps to mitigate the negative effects on health services. We discuss non-state service providers in **Chapter 5**.

### 3.2.1 Education

**‘... in Sumbawanga DC the number of primary pupils per teacher ranges from 19 to 298.’<sup>177</sup>**

<sup>173</sup> RSM Tenon 2013, ‘In-depth Financial Audit of the Tanzania Local Government Reform Programme II for the Swedish International Development Agency’, June, page 127. The first audit results were reported in January 2013.

<sup>174</sup> RSM Tenon 2013.

<sup>175</sup> URT 2011. ‘Mid-Term Review of LGDG’, page 12.

<sup>176</sup> Tidemand et al. 2014: 1-2.

Form 4 results reported in TGR 2012 (**section 3.2.1**) showed an increase in failure rates--from 46 percent in 2011 to 61 percent the following year a trend termed "shocking" and "disastrous" by observers--that led the Prime Minister to appoint an official commission of enquiry.<sup>178</sup> The commission concluded that the 2012 results were based on a 'new and untested' methodology, and ordered a recalculation that reduced the failure rate from 61 to 56 percent. CSOs issued a statement deploring lack of transparency in the commission's procedures and challenging the government on quality issues.<sup>179</sup> In the 2013 Form 4 examination, failure rates fell further, to 42 percent, with a further 36 percent scoring division 4 (the lowest 'pass' rate).<sup>180</sup> Such rapid changes in 'performance' are likely to reflect the management of the examination system rather than short-term changes in the performance of students.<sup>181</sup>

Critics have continued to raise the issue of Tanzanian educational quality, including the performance of school management and teachers. A 2013 Twaweza telephone survey asked parents how many textbooks their children owned (**Chart 3.1**).

More than half of primary students had no textbooks, while 42 percent had one textbook or more. Part of the explanation for the low level of textbook ownership is the steady shrinkage in the funds available for non-salary expenditure, as discussed above. According to Tidemand et al.: 'Salaries dominate in education – increasingly so over time and more so for primary than secondary, taking 87% and 74% of sector transfers respectively. Overall, the amount of operational funding for the education sector is consequently very small in relative and absolute terms and has declined over time.'<sup>182</sup>

---

<sup>177</sup> Tidemand et al. 2014: 2.

<sup>178</sup> Twaweza 2013. 'Form Four Examination Results', May.

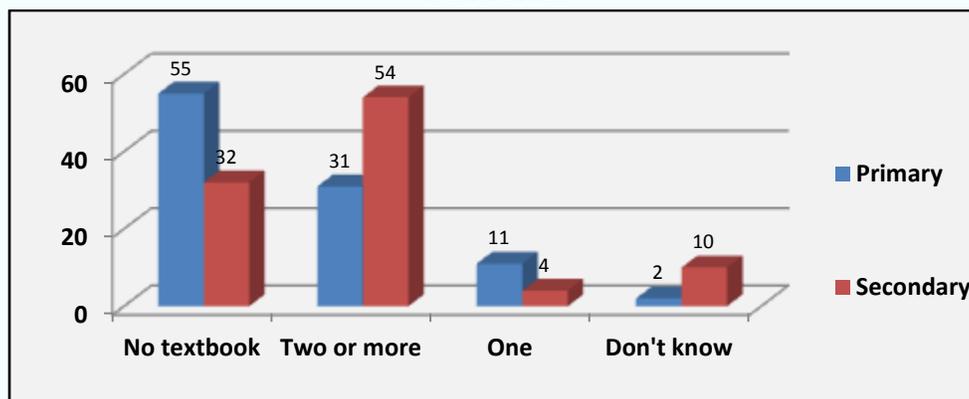
<sup>179</sup> Joint Civil Societies 2013. 'Joint Civil Society statement on government's decision on nullify 2012 form IV results 7 May, 2013', *Citizen*, 8 May.

<sup>180</sup> Athuman Mtulya 2014. 'Form Four candidates post improved results', *Citizen*, 22 February.

<sup>181</sup> The Form 6 results released in May showed that over 70 percent of the 52,000 candidates passed with grades 1-3, qualifying them for university entrance (Tanzanian Affairs 206: 30).

<sup>182</sup> Tidemand et al. 2014: 22.

**Chart 3.1: Textbook ownership among primary and secondary school students**

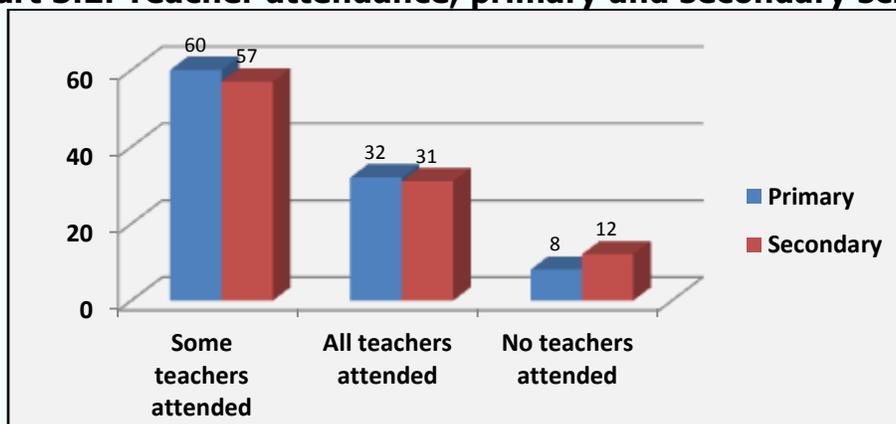


Source: *Sauti za Wananchi*, Mobile Phone Survey, Round 1, April 2013

In a sample of 13 District Councils, PEDP funds for 2012/13 were underspent by 26 percent, or Shs 1.1 billion.<sup>183</sup>

Primary and secondary students in sampled households in the *Sauti za Wananchi* Baseline Survey (face to face interviews, November 2012) were asked whether they had teachers for all lessons on the last day they attended school, for only some lessons or for no lessons at all. Results are in **Chart 3.2**.

**Chart 3.2: Teacher attendance, primary and secondary school**



*Sauti za Wananchi*, Baseline Survey, October 2012.

### 3.2.2 Healthcare

In 2012, the Ifakara Health Institute (IHI) undertook a nationwide health *Service Availability and Readiness Survey* (SARA), covering 1,297 health facilities and 8,838 professional health workers in 27 representative districts on mainland Tanzania, equivalent to 7.1 health personnel per 10,000 people (IHI 2013). The

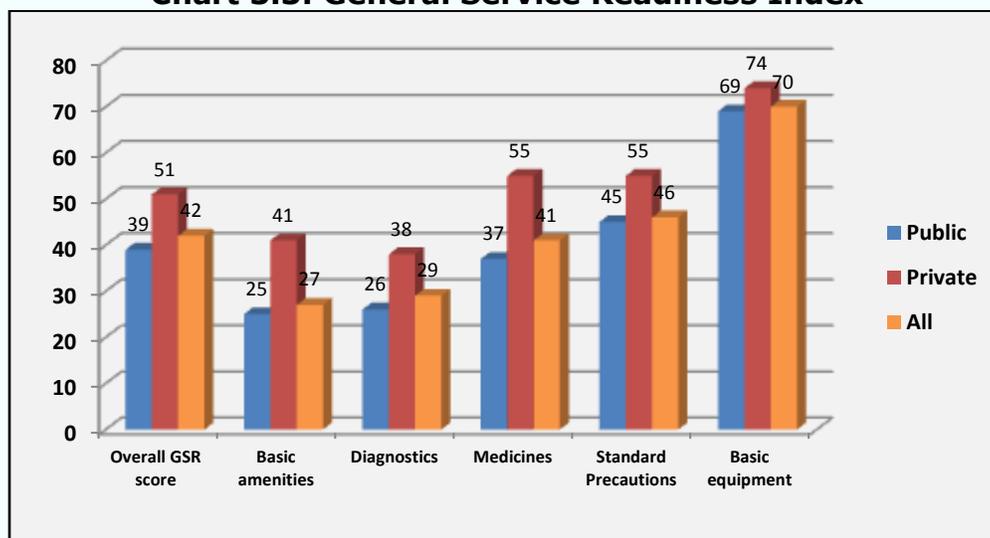
<sup>183</sup> NAOT 2014b: 142. This represented a deterioration on the previous year's performance.

survey was financed by the Global Fund to fight AIDS, Tuberculosis and Malaria. Here we summarise the major findings of the survey.<sup>184</sup>

Two-thirds (67%) of personnel worked in government health facilities, 18 percent in private-for-profit facilities, and 14 percent in mission/faith-based facilities. 'Medical doctors made up 6% of the workforce sampled, non-physician clinicians accounted for 32%, nurses 48% and midwifery professionals made up the remaining 14%.' Over two thirds (69%) of the workforce was stationed in urban areas and 31 percent in rural areas. Finally, 'Health facility density (facilities per 10,000 people) varied ten-fold across ... districts...'<sup>185</sup>

Using an established World Health Organisation/USAID methodology, IHI developed a *general service readiness index* which is a composite measure based on current amenities, equipment, standard precautions for infection prevention, diagnostics, and medicines (**Chart 3.3**).

**Chart 3.3: General Service Readiness Index**



Source: IHI 2013: v

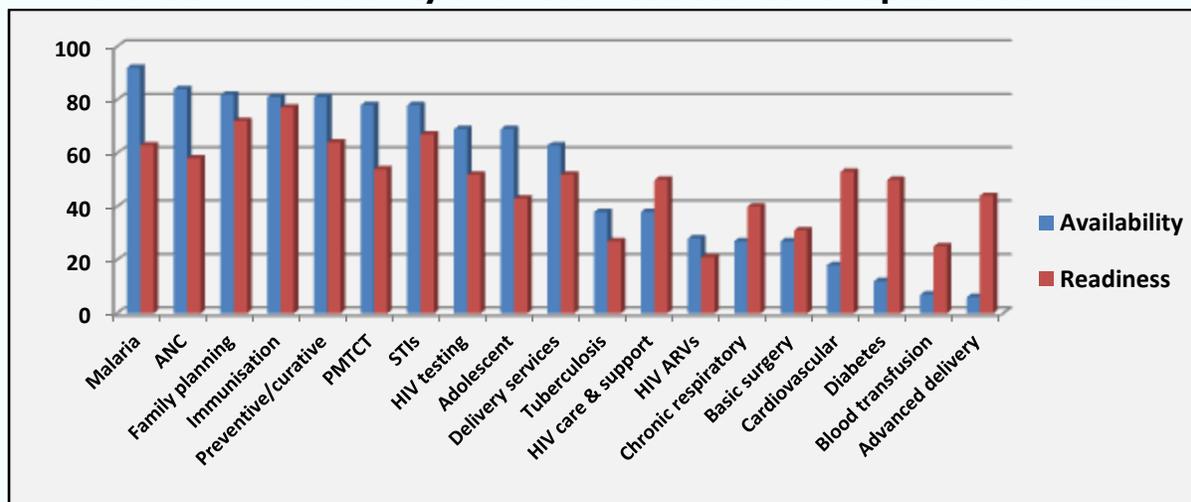
The overall GSR score was 42. The score was highest for equipment (70) while all other domains scored below 50. Not surprisingly, private health facilities had a higher score than government facilities on each of the five domains.

<sup>184</sup> This section does not tell us about trends in service provision around the focus year but provides insights into the general availability of basic and non-basic services, variations in public and private service delivery performance, and key shortages in materials and services.

<sup>185</sup> Ifakara Health Institute 2013. 'Tanzania Service Availability and Readiness Assessment (SARA) 2012 – Final Report', Dar es Salaam, page iv. The urban-rural disparity in deployment of health personnel reflects the types of facilities found in urban and rural areas. Hospitals typically have over 100 staff, compared to dispensaries (3) and health centres (15), with most of the hospitals in urban areas. The authors do not consider health facility 'density' a good proxy for access to healthcare (page 78).

The IHI also examined the availability of and readiness to deliver services in sample facilities (**Chart 3.4**, public and private ownership types combined).<sup>186</sup> Malaria services, ANC [Antenatal Care], family planning, child immunization and preventive and curative child health services were available in 80% or more of all facilities in the sample. PMTCT, sexually transmitted infection services were available in 78% of all facilities in the sample. 'Readiness scores for a further six services (PMTCT, cardiovascular disease, HIV counseling and testing, normal delivery, diabetes and HIV care and support) lay in the 50-60 range, indicating important deficits in the capability of facilities to deliver quality services. Readiness standards were lower still (40-50) for advanced delivery, adolescent health and chronic respiratory disease. The poorest readiness scores were found for basic surgery (31), TB (27), blood transfusion (23) and anti-retroviral prescription and client management services (21).'<sup>187</sup> 'Readiness' was lower than formal 'availability' for the top 11 services, whereas there were greater levels of readiness for all but one of the less widely available services.

**Chart 3.4: Availability and readiness scores for specific services**



Source: Based on IHI 2013: v-vi. PMTCT: Preventing Mother to Child Transmission

The authors of the SARA report found that factors influencing readiness to supply services varied from service to service, concluding that 'we are not able to conclude that there is a problem with equipment (or diagnostics, or staff, or supplies) across

<sup>186</sup> 'Availability' signifies the percentage of all facilities in the sample that said that they offered the specific service in question.

'Readiness' is a composite measure and was restricted to the sub-set of facilities that offered the service. 'A readiness score of 50 signifies that, on average, half of the facilities that offered the service had each of the requisite inputs for delivering that service' (IHI 2013:v).

<sup>187</sup> IRI 2013: 78.

all service areas.’<sup>188</sup> **Box 3.2** quotes some of the major conclusions of the SARA study.

In 2013-14, the CAG undertook special audits of the identification of and provision of services for Most Vulnerable Children (MVC) by the Ministry of Health and Social Welfare (MoHWS) and Prime Minister’s Office Regional and Local Government (PMRALG).

**Box 3.2: Shortages of basic amenities, services and drugs revealed by SARA**

‘The survey ... highlights very poor availability of basic amenities such as consulting rooms with visual/auditory privacy, adequate sanitation or water supplies. The survey confirmed an important deficit in the capability of most health facilities to perform basic/common **diagnostic** tests. This deficit was not restricted to dispensaries, but was also evident to a surprising extent at health centres and hospitals. The results for **standard precautions** to prevent infections were also very low – even for basic items such as soap and water, or final disposal of sharps and infectious waste. The **equipment** score appears to be superior. However, this masks the fact that only 22% of all facilities sampled had all six items of basic equipment (adult scale, child scale, thermometer, stethoscope, BP apparatus and light source). More than half of health centres and one third of hospitals did not possess all six basic items. The overall **medicines** score (41) was also low. Among the 14 items included in the survey 20%-30% of hospitals were out of stock of four common items and 40%-50% of hospitals were out of stock of a further six items. Only three items were available at 9 out of 10 hospitals. Availability of basic medicines was even more problematic at health centres and dispensaries.’ ‘...only a minority of facilities were able to offer TB treatment or HIV care and support ... . It was also noteworthy that primary management of cardiovascular disease, chronic respiratory disorders and diabetes were so scarcely available. As the burden of chronic disease rises in Tanzania, it will be essential that basic management of such conditions can be provided by a much larger proportion of facilities. It was also surprising that advanced delivery services ... was offered by only 6% of the 1297 facilities in this sample.’

Source: IHI 2013: 78-9 (emphasis in the original).

‘The audit revealed weaknesses in the systems for identifying MVC, provision of services to MVC, reporting of performance of MVC issues and monitoring and performance evaluation of MVC activities. It was concluded that MoHSW and PMORALG have not adequately managed to ensure that the identification and provision of services to MVC are conducted in an efficient and effective way.’<sup>189</sup>

<sup>188</sup> IRI 2013: vi.

<sup>189</sup> NAOT 2014c ‘General report on the performance and specialized audits for the period ending 31<sup>st</sup> March 2014’, NAOT, Dar es Salaam.

A study of stock-outs of essential medicines (Wales et al. 2013) concluded that:

'... the problem of medicine stock-outs in Tanzania is the result of not only resource constraints and technical problems, but also a series of political logics that allow and reinforce short-term policy-making, weak oversight and a lack of meaningful accountability.'<sup>190</sup>

Resource constraints include absolute shortfalls in funds and adequately trained personnel, inequities or 'urban bias' in resource allocation (discussed above), and 'inefficiencies and malpractice in the supply chain exacerbated by a lack of reliable information on medicine needs and usage.'<sup>191</sup> The study is summarised in **Box 3.3**.

### **Box 3.3: Why essential medicines are frequently unavailable**

'A number of reforms have been enacted on medicine stock-outs in recent years, including improving medicine ordering and forecasting systems, improving co-ordination across relevant institutions, enhancing monitoring and data collection mechanisms, reforming budgeting and procurement mechanisms, improving medicine prescription practices and building on the role of the private sector. There have also been more general reforms, such as a major decentralisation that occurred in the early 2000s. Overall these changes have tended to focus on technical issues in the medicine supply chain, achieving incremental gains but not resolving the problem overall.'

What are the key non-technical issues? 'The headline finding ... is that the problem of medicine stock-outs ... is the result of not only resource constraints and technical problems, but also a series of political logics that allow and reinforce short-term policy-making, weak oversight and a lack of meaningful accountability.' Politicians tend to promote high-profile initiatives like constructing new health facilities rather than assuring supplies of essential drugs. 'There is a general lack of oversight within the health sector as well as unclear lines of accountability, which facilitates the wastage of medicines and allows corruption to occur, including leakages of both funds and medicines. This is partly driven by a lack of adequate resources for oversight at the district level, but major drivers are also a culture within the civil service of not reporting malpractice and the intertwining of the institutions of the state and CCM...These factors create conflicting loyalties and priorities while allowing protection for health workers involved in corruption and poor practices.'

Source: Joseph Wales et al. 2014. 'Stock-outs of essential medicines in Tanzania A political economy approach to analysing problems and identifying solutions', ODI and Twaweza, March, page iv. Guardian reporter 2013. 'Drug stock-outs frequent, say health workers, patients', *Guardian*, 20 September.

<sup>190</sup> Joseph Wales, Julia Tobias, Emmanuel Malangalila, Godfrey Swai and Leni Wild 2014. 'Stock-outs of essential medicines in Tanzania A political economy approach to analysing problems and identifying solutions', ODI and Twaweza, March. See also: Twaweza 2013 'Stock out or in stock? Access to medicines in Tanzania'. Sauti za Wananchi, Brief No.5, September 2013.

<sup>191</sup> Wales op. cit., page v-vi.

The researchers make the following recommendations 'to begin creating an environment in which medicine stock-outs may be tackled:

- Initiate campaigns to improve transparency of data on medicine supply and distribution at the facility-level;
- Improve the accessibility of existing data and verify it independently;
- Use the media to highlight success and relative performance as well as positive deviance;
- Look for, connect and foster positive deviance from a variety of actors.<sup>192</sup>

Finally, an audit of healthcare waste management and disposal found inadequate finance, a lack of statistics, inadequate coordination, weaknesses in planning, and lack of monitoring and evaluation, concluding that '... despite the presence of clearly described National Standards and Procedures for Health Care Waste Management, Healthcare Waste in Tanzania is not efficiently and effectively managed.'<sup>193</sup>

### 3.2.3 Water and sanitation: Is WSDP a costly failure?

**'The WSDP [Water Sector Development Program] started in 2007 and has become the largest sector programme in Sub-Saharan Africa. It is now a \$1.2 billion programme over three years until 2014, since it was restructured in 2011. It consists of: (1) urban water (54% of the total funding); (2) rural water (36%); (3) water resources management (5%); and (4) capacity building (5%).'**<sup>194</sup>

Since independence, providing clean water to urban and rural populations has been a key policy objective of successive governments and international organisations. Yet, despite huge investments, the goal of universal access to clean water continues to prove elusive, as past TGRs have reported. The National Water Development Strategy (NWDS) was adopted in 2006. Funds allocated to the water sector increased rapidly with the inclusion of domestic water and sanitation targets in MKUKUTA and the MDGs and the buy-in of the World Bank and other donors. Altogether, the GoT and donors committed a massive US\$ 1.42 billion to the Strategy, with the objective of reaching 65 percent coverage for rural residents and 90 percent in urban areas by the year 2010. Despite this huge spending, access to water and sanitation services appears not to have improved significantly. Taking population growth into account, an estimated 3.5 million more Tanzanians were

<sup>192</sup> Wales et al., page v.

<sup>193</sup> NAOT 2014c. See **Box 3.1** above.

<sup>194</sup> Helen Tilley 2013. 'Unblocking Results, rural water in Tanzania', ODI, Centre for Aid and Public Expenditure, May, page 11.

without access to improved water and sanitation after the programme than before it.<sup>195</sup> What went wrong?

Twaweza report that access to 'clean and safe' drinking water:

'... has increased for most countries ... from 49% in 1990 to 63% in 2011.<sup>196</sup> This primarily reflects increases in access for rural citizens, which has risen from 35% to 51%. The data for Tanzania ... tells a different story. ... in the past two decades access has declined from 55% to 53% and for rural citizens from 46% to 44%. ...the Big Results Now target of 75% by 2015 will require ... Tanzania to achieve in 2-3 years what African countries on average have failed to do in the last 20 years.<sup>197</sup>

**Chart 3.5** presents the above numbers graphically, and the (unrealisable) BRN target for 2015.

Various strategies have been employed to better understand the apparent inability of the GoT to deliver improved drinking water despite huge outlays of financial and human resources. We start by examining water point mapping.

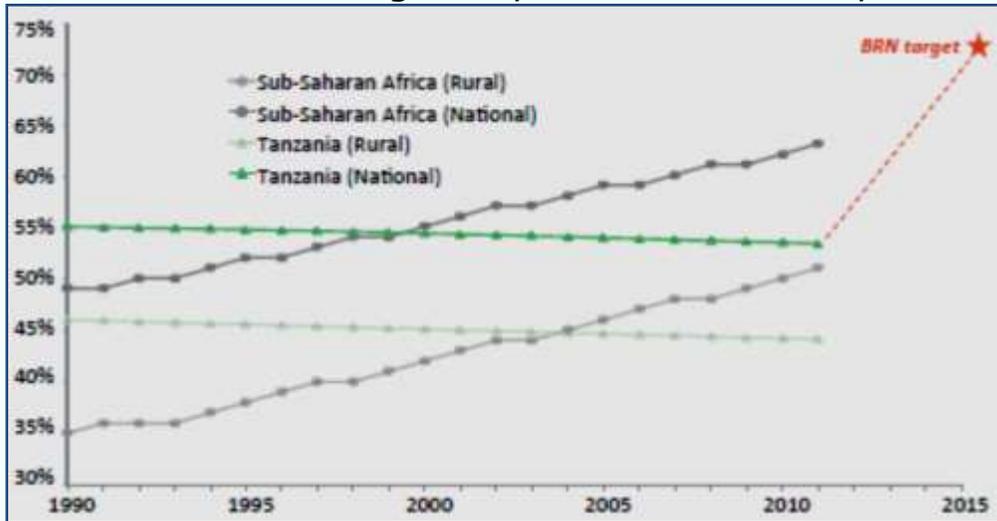
---

<sup>195</sup> [http://en.wikipedia.org/wiki/Water\\_supply\\_and\\_sanitation\\_in\\_Tanzania](http://en.wikipedia.org/wiki/Water_supply_and_sanitation_in_Tanzania), accessed 10/02/15, citing the 2007 Household Budget Survey and the 2012 WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation. <http://www.globalpost.com/dispatch/news/regions/africa/141121/world-bank-tanzania-water-failure>. This source cites the 2010 figure for 2012, and cites a figure of 54 percent for 2007.

<sup>196</sup> An 'improved' source of drinking water... may be...: piped water into dwelling, piped water to yard/plot, public tap or standpipe, tubewell or borehole, protected dug well, protected spring, or rainwater.

<sup>197</sup> Twaweza 2014. 'Money flows, water trickles: Challenges of access to clean water in Tanzania', Brief No. 10, April.

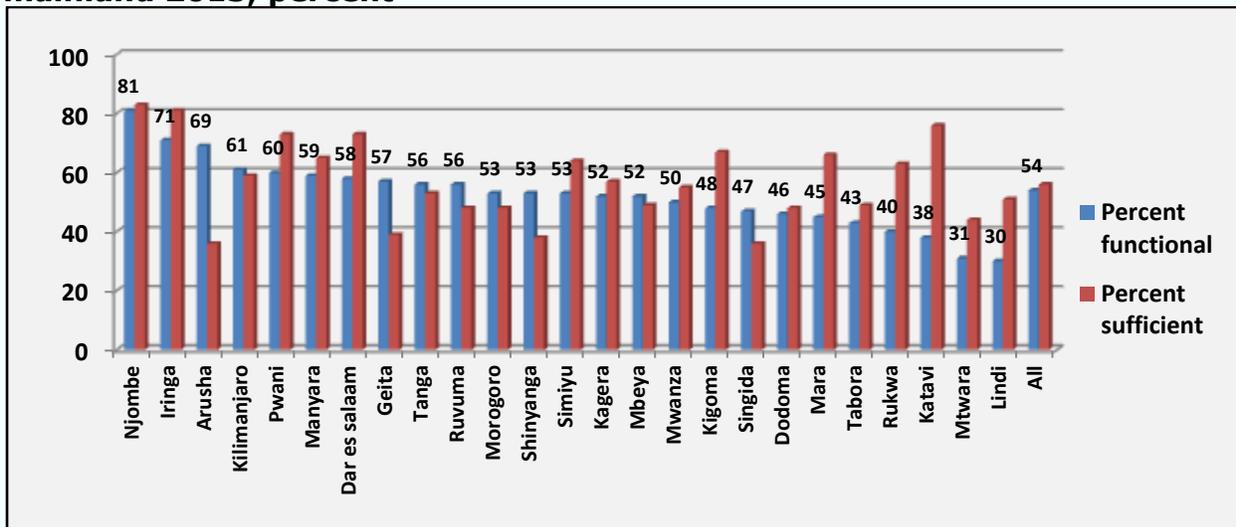
**Chart 3.5: Access to safe drinking water, Africa and Tanzania, 1990-2010**



WHO/UNICEF Joint Monitoring Programme for WATSAN, cited by Twaweza 2014

**Water point mapping.** The GoT is committed to monitoring water availability and user satisfaction under the Open Government Partnership (OGP), discussed in previous TGRs. Mapping reveals huge differences in performance between regions (the blue columns), from 81 percent functioning water points in Njombe to 30 percent in Mtwara and Lindi <sup>198</sup> (**Chart 3.6**).

**Chart 3.6: Functional water points and sufficiency by region, Tanzania mainland 2013, percent**



**Source:** Based on Water Point Mapping Tanzania, <http://wpm.maji.go.tz/?x=52Nh0JQagJ2x8vhDiMfvN1QaYFIZOexs>

<sup>198</sup> Water Point Mapping Tanzania (no date). The reader is urged to treat the figures presented as approximations. The dates when the data were collected are not specified in the database.

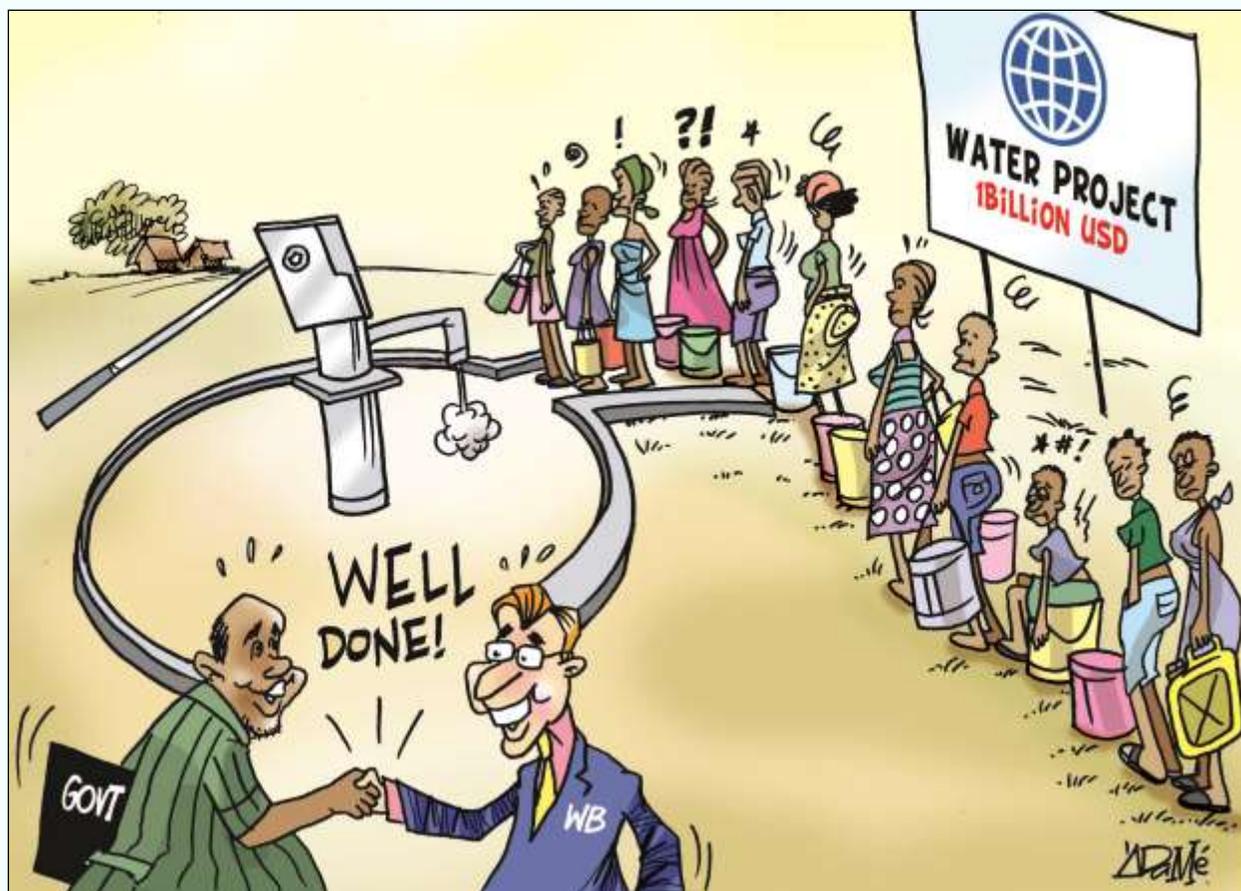
In addition to the level of function, the mapping exercise reports public satisfaction with water availability and quality (the purple bar in the chart). Regions with high levels of functioning water points tend to have high levels of user satisfaction with water availability (Arusha and Geita are exceptions). However, at the other end of the distribution, satisfaction levels tend to exceed functional performance by considerable margins, which seems strange.<sup>199</sup> **Box 3.4** provides an insight into why large water investments routinely fail to yield lasting benefits.

**Box 3.4: Less is more—an example from domestic water supply in southern Tanzania**

**Sean** (not his real name) runs a small NGO based in a remote district in south eastern Tanzania, that brings simple and sustainable water supply solutions to villages in the district. He recounts how one day while driving through the district he noticed something bright blue in the undergrowth just off the road. “So I stopped to see what it was, and discovered a borehole that villagers told me had been sunk by a drilling company from **Mbeya**.” Further enquiries at the **District Water Department** revealed that a total of 20 such boreholes had been sunk as part of a large **World Bank** water project. “So I eventually tracked down 17 of the 20 boreholes, which had all been capped pending the completion of the World Bank project with generators and electric pumps, which never arrived.” So with the approval of the District Water Department, Sean proceeded to install simple hand-pumps that allowed villagers to make use of the boreholes. “As far as I know, they are still all working.”

Source: Interview 10/02/15.

<sup>199</sup> <http://wpm.maji.go.tz/?x=VYVbYH7ZwuevEPSqlu5uzbjFha6GdQuh>. The rural water supply service coverage and other related information can be accessed through <https://wpm.maji.go.tz>.



The above anecdote helps explain how huge amounts of money spent on improving water availability can have such limited impact on water users. How many more boreholes are there scattered around the country that have never been commissioned? Writing in 2010, SNV warned that:

'Unless the underlying causes of non-functionality are addressed and the key principles of the national water policy are strongly adhered to, the number of schemes that fail/become non-functional will soon exceed the number of new schemes being constructed and the sustainability of rural water supply services in Tanzania will be seriously threatened. Indeed there are already indications that coverage is actually going backwards in spite of billions of investment in the rural water sector.'<sup>200</sup>

This is exactly what seems to have happened, suggesting that neither government nor large donors have learned from past mistakes. Politicians don't help when they promise their constituents free water, which contradicts official policy. **Chapter 5** contains more information on SNV's approach to community empowerment in rural water supply.

<sup>200</sup> SNV 2010. Water point mapping: the experience of SNV Tanzania', Dar es Salaam, 2010, page 14.

**Urban water and sanitation projects** have also had their share of expensive failures. The World Bank-financed US\$ 165 million Dar es Salaam Water Supply and Sanitation Project (DWSSP) was considered a failure by many, although the World Bank described it as 'marginally satisfactory.' City Water Services (CWS) was replaced by DAWASCO in 2005 (see TGR 2006-07), but services have not improved. With a population of well over four million, DAWASCO serves just 123,000 clients, or one connection per 36 people (2013 figures). In September 2013, Energy and Water Utilities Regulatory Authority Consumer Consultative Council (EWURA CCC) chairman Eng. Jamidu Katima complained that: "We expected that the institutional set up inherited from City Water would be temporary, but it has continued for eight years now and has not improved the provision of water and sewerage services."<sup>201</sup>

The failure of CWS is just one of a number of failed 'privatisations'. In March 2013, civil society activists Moses Kulaba (Agenda Participation 2000) and Marcossy Albanie (Civil and Political Rights Watch) asked why the GoT should pay back a loan that had not delivered results, to which World Bank Director for Tanzania, Uganda and Burundi, Philippe Dongier, answered that the government was responsible for implementing the project, so the WB could not be held responsible for project failure or underperformance.<sup>202</sup>

Past TGRs have highlighted other expensive project failures in the water sector, in particular the hugely expensive (US\$ 250 million) Lake Victoria to Shinyanga water pipeline (see TGR 2010-11).

### 3.3 Controller and Auditor General: 'positive audit trends'

**'The CAG complains each year that little or no action is taken to respond to his multiple queries...though the sacking of council officials has increased as a result of CAG reporting...'**<sup>203</sup>

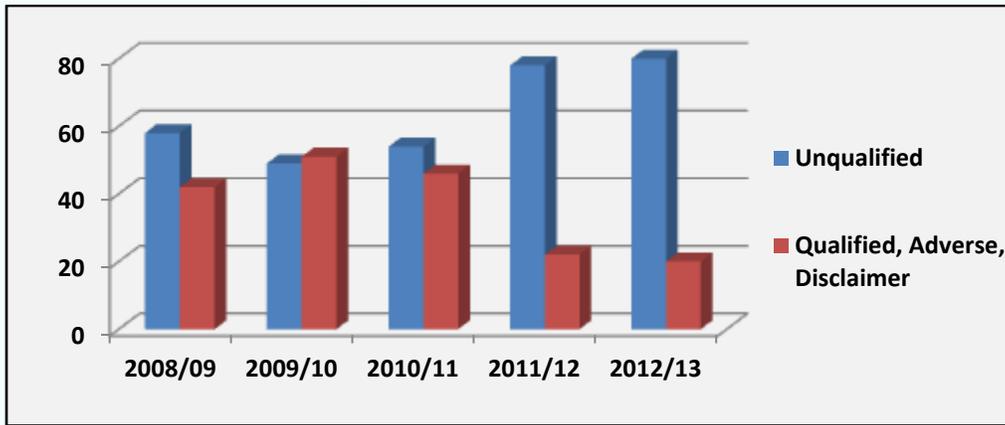
Despite the underperformance of the LGRP reported above, the CAG gives a positive assessment of trends in LG accounts. **Chart 3.7** summarises CAG audit opinions for LGAs for 2008-09 to 2012-13.

<sup>201</sup> Gamba Massau 2013. 'Dar water stakeholders oppose tariff adjustment', *Guardian*, 26 September.

<sup>202</sup> Finnigan wa Simbeye 2013. 'WB funded water project a failure – Activists', *Daily News*, 7 March. See also: Elisha Magolanga 2013. 'Why Dar 2014 water goals is a pipe dream', *Citizen*, 19 April; Reporter 2013. 'Activists call for non-payment of World Bank water debt', *ThisDay*, 13-19 May.

<sup>203</sup> NAOT 2014a: 276.

**Chart 3.7: CAG audit opinions for LGAs for 2008-09 to 2012-13**



Source: Based on CAG 2014b: 19

**Chart 3.6** suggests a dramatic improvement in LGA finance management after FY 2010/11. Is this plausible? According to the CAG: 'What is being depicted above is ... stability in the improvement registered in the accountability process of LGAs ... .' <sup>204</sup> But how could the proportion of unqualified audit reports rise so rapidly in such a short time? The explanations offered by CAG are that: 'This achievement has been attained due to the Local Government Reform Programme (LGRP) ..., seriousness in implementing CAG's recommendations and the enforcement of the use of IFMS EPICOR version 9.05 within the LGAs.' <sup>205</sup>

Evidence offered in support of the above claims is: that Prime Minister Mizengo Pinda instructed '... Regional Administration Officers to take the leading role in ensuring that actions are taken on the recommendations contained in the auditor's management letters'; the 'involvement of Regional Commissioners by making close follow up ... on progress in implementing the CAG's recommendations ... including 'chairs of the Full Councils' meeting to discuss the CAG's reports'; '... improvement on disclosures made in ... financial statements as per the requirements of IPSASs accruals basis of accounting'; and 'the Local Authorities Accounts Committee (LAAC) which... has done a commendable job by enforcing accountability to all.' <sup>206</sup>

Despite this, the CAG reports that only 2 out of 33 recommendations for LGAs from FY 2011-12 have been implemented, while a further 17 are 'under implementation' and 14 had not been implemented. Last, 'outstanding matters' from individual

<sup>204</sup> NAOT 2014b: xxvi.

<sup>205</sup> NAOT 2014b: xxvi.

<sup>206</sup> NAOT 2014b: xxvi-xxvii.

reports increased in value from TShs 33 billion (in 112 councils) in 2006/07 to TShs 341 billion in 2011/12 (131 councils).<sup>207</sup>

Unfortunately, it is not possible to verify the claims of improved financial management in LGAs, or to make any firm linkages between audits and service delivery. Arguably, the most likely explanation for the positive trend is that the number of LGAs adhering to CAG financial reporting requirements has increased, which does not, of course, necessarily signal an improvement in financial management or service delivery.

Our review notes two contradictory trends in local government financial transfers: (1) Development and recurrent budgets voted in parliament are not fully disbursed to LGAs, despite which (2) transfers received by LGAs often go unspent.<sup>208</sup> A recurrent issue in recent years is the non-release or late release of budgeted funds for both recurrent and development purposes. According to the CAG (2013a: xxvii):

'There have been remarkable delays in release of funds from Treasury and probably development partners for implementation of development projects. This has led to delayed implementation or non implementation of earmarked projects and increase in project costs as well as having huge amounts of unspent balances at the year end.'

The underspend is because many transfers arrive too late to be disbursed before the end of the year. Donor agencies are also said to delay transfers to the treasury. **Table 3.1** gives some figures.<sup>209</sup>

**Table 3.1: Under-release and under-spend of budgeted funds to LGAs, FY 2012-13**

<b>Under-released grants</b>	<b>Amount (Shs bn)</b>	<b>NGAs involved</b>	<b>% of budget</b>
Recurrent	275	99	13
Development	253	114	38
<b>Under-spent grants</b>			<b>% of available grants</b>
Recurrent	146	139	5
Development	244	138	36

NAOT 2014b (adapted).

Development and recurrent budgets voted by parliament were cut by 38 percent and 13 percent respectively. The under-release of Capital Development Grant funds

<sup>207</sup> NAOT 2014b: 24-5.

<sup>208</sup> Rodgers Luhwago 2013. 'CAG's tally of swindled and unspent billions in local government', Guardian, 14-20 April.

<sup>209</sup> NAOT 2014b. Annual General Report of the Controller and Auditor General on the financial Statements of Local Government Authorities for the Financial Year ending 30 June 2013, Dar es Salaam, page xliii.

amounted to Shs 21 billion out of Shs 38 billion voted by parliament, equivalent to a 55 percent under-release of the budget.<sup>210</sup>

Thirty-six and five percent of development and recurrent grants to LGAs were not disbursed by the end of FY 2012-13. Some examples of underspending for earmarked projects and programmes are listed in **Table 3.2**.

**Table 3.2: Underspending in LGA, 2012-13**

Programme	Underspend (Shs bn)	LGAs
Local Government Capital Development Grant	38.6	99
Primary Health Service Development Programme	11.0	81
Women and Youth Revolving Fund	10.9	?
Secondary Education Development Programme	10.7	60
Tanzania Strategic Cities Programme	4.8	4
Constituency Development Catalyst Fund	2.6	66
National Multi Sectoral Strategic Framework	2.3	58
Community Health Fund	2.1	46
Primary Education Development Programme	1.1	13
Elizabeth Glaser Paediatric AIDS Foundation	0.2	12
Participatory Forest Management	0.1	8

Source: NAOT 2014b:

A 2012 PMO-RALG review challenges the above findings. Results from the mid-term review of the Local Government Development Grant (LGDG) system found that: 'under the LGDG system for all levels of LGAs, currently availability of development funds to the Council is more assured and predictable than before.' The report also claims that LGDG has had a positive impact on services, though 'the ... system that needs to give the empirical evidence on this does not do so since it is not operational in most cases.' The review's conclusion that '*there is little evidence that the formula based transfer system ensures equitable results*' is in line with the extended analysis of Tidemand et al. reported above.<sup>211</sup>

A final example of poor performance at the local level is the non-implementation of projects: in a sample of 29 LGAs, Shs 3.8 billion was transferred 'to villages, wards and schools for implementation of various projects' but none had been implemented at the time of the audit.<sup>212</sup>

<sup>210</sup> NAOT 2014b: 149. The funds were for the SEDP, FEM, PEDP, the Global Fund, and TSCP and covered eight councils. This could mean that things are not as bad as they used to be.

<sup>211</sup> URT 2012. Mid-Term Review of the Local Government Development Grant System, PMO-RALG, page 6. Emphasis in the original.

<sup>212</sup> NAOT 2014b: 150.

**Special audits** As well as conducting routine annual audits, the CAG also undertakes special audits of local authorities. Such audits:

‘...revealed serious weaknesses in internal control systems and mismanagement. For several of the local authorities the special audit reports exposed that council officials colluded with bank officials to steal from the government.’<sup>213</sup>

In March 2013, the CAG recommended that 36 District Executive Directors (DED) and other officials should be dismissed.<sup>214</sup> While dismissals are more common than previously, the usual complaint is that officials are merely transferred, but rarely prosecuted or punished (transparency without accountability).

The CAG’s annual audits help the Prime Minister’s Office, Regional Administration and Local Government (PMO-RALG) to assess LGAs’ performance in the use of development funds and to adjust the size of Capital Development and Capacity Building Grants accordingly. In 2013, PMO-RALG proposed to reduce these grants to 28 poorly performing urban and rural councils by between 20 and 50 percent. MPs complained that ‘the reductions...will not punish the embezzling council leaders but the innocent...citizens, who will be denied development funds for health, water etc.’<sup>215</sup>

### 3.4 Parliamentary oversight

‘On 6th December, 2013, LAAC Chairman presented the Committee’s Report to the National Assembly on the key findings and their respective recommendations on the accounts of the Local Government Authorities for the year ended 30th June, 2012. However, up to the time of writing this report no responses have been received from the Paymaster General on 10 recommendations issued by LAAC.’<sup>216</sup>

### 3.5 Conclusion

The devolution of power from the centre to local government under the LGRP has been constrained by the political and bureaucratic centre in order to retain control over the deployment of staff in all sectors of the state apparatus. Still, the transfer of large development funds to local governments effectively devolves considerable patronage opportunities to local actors in government, politics and business. That these opportunities frequently result in state plunder, cronyism and failed development initiatives of all kinds, reflects the systemic governance failures that

---

<sup>213</sup> NAOT 2014e. Transformation of NAOT: The story of a transforming partnership 2004-2013, NAOT, Dar es Salaam, p. 274.

<sup>214</sup> NAOT 2014e: 275. Gabriel Mushi and Asifiwe George 2013. ‘Ripoti za CAG zafukuza kazi wakurugenzi 36’, *Mtanzania*, 26 March.

<sup>215</sup> NAOT 2014e: 276. This argument assumes levels of efficiency and equity in LGA service delivery capacity which are likely to be the rare exception rather than the rule.

<sup>216</sup> NAOT 2014b: 26.

undermine state capacity and performance in services delivery and public goods provision and maintenance. The evidence presented suggests that downward trends identified in previous TGRs in state performance, transparency and accountability, continued to undermine realisation of the country's development potential.

## CHAPTER 4: REGULATING THE ECONOMY

This Chapter reviews state performance in regulating the private economy, state corporations and other official bodies.

### 4.1 Introduction

**“If something becomes successful, the government interferes...”<sup>217</sup>**

All governments practice economic regulation. Some do more than others to regulate economic activities, depending on the dominant ideology (more or less interventionist) and the capacity of the state. According to the World Bank Institute, Tanzania’s regulatory capacity has improved significantly in recent years (see **Chart 1.1**), but this is challenged by other sources, that flag the opposite. Corporations and entire industries are involved in various types of self-regulation on key social, economic and environmental issues. Allegations of human rights abuses related to corporate activities in Tanzania were investigated by the Legal and Human Rights Centre (LHRC) during 2013.<sup>218</sup>

### 4.2 Private Sector Policy and Regulation

Foreign direct investment (FDI) took off during the late 1990s and has continued to date. The National Investment Promotion Policy of 1996 opened most of the economy to foreign and private participation. The Tanzania Investment Act (1997) regulates the establishment of enterprises, investment benefits and guarantees, transfer of profits, guarantees against expropriation, dispute settlement, and the employment of foreign staff. Additional legislation guides investment in mining and petroleum and in Export Processing and Special Economic Zones (EPZs and SEZs).<sup>219</sup> **Table 4.1** summarises investment proposals lodged with the Tanzania Investment Centre (TIC) between 1990 and 2012.

**Table 4.1: Ten leading countries registered investments with Tanzania Investment Centre, 1990-2012**

Country	Projects Registered	Projected Jobs	Projected Value (US\$m)
United Kingdom	898	258,855	4,720.45
India	341	50,224	1,828.81
Kenya	339	50,108	1,485.36

<sup>217</sup> Katrina Manson 2013. ‘Statist ways hold back progress’, *Financial Times*, London, 30 September, quoting a ‘leading businessman’.

<sup>218</sup> Legal and Human Rights Centre 2013. ‘Human Rights and Business Report in Tanzania 2013’, Dar es Salaam. The report examines community and labour rights and occupational health, land grabbing, gender and child labour issues, as well as tax exemptions and related issues.

<sup>219</sup> OECD and URT 2013. ‘Investment Policy Reviews: Tanzania’, August.

<b>China</b>	417	62,925	1,431.47
<b>USA</b>	208	42,358	948.53
<b>Netherlands</b>	155	13,475	927.42
<b>South Africa</b>	200	19,972	678.85
<b>Canada</b>	188	25,280	535.12
<b>Germany</b>	138	14,647	311.86
<b>Oman</b>	36	1,454	215.81
<b>Total</b>	2,920	539,298	13,083.68

Source: Tanzania Investment Centre, August 2013, based on investment registration statistics. Cited by OECD and URT 2013. 'Investment Policy Reviews: Tanzania', August, page 18.

The top ten prospective investing countries proposed nearly 3,000 projects worth USD 13 billion, potentially creating over half a million jobs. Half the top 10 investors are OECD countries, two are African, two Asian, and one is from the Gulf. Unfortunately, we do not know how many of these projects took off or how many jobs for expatriate and local staff were actually created.

Many reports and comparative surveys have documented the strengths and weaknesses of the Tanzanian investment climate and business environment since liberalisation. **Table 4.2** summarises Tanzania's performance in The World Bank/IFC's Doing Business survey from 2008 to 2013.

**Table 4.2: Doing Business in Tanzania 2008-2013**

Indicator	2008		2009		2010		2011		2013	
	Rank (/178)	% <sup>220</sup>	Rank (/183)	%	Rank (/183)	%	Rank (/183)	%	Rank (/185)	%
<b>Enforcing contracts</b>	35	20	31	17	31	17	32	17	36	20
<b>Protecting investors</b>	83	47	88	48	93	51	93	51	100	55
<b>Starting business</b>	95	53	111	61	120	66	122	67	113	62
<b>Trading across borders</b>	100	56	105	57	108	59	109	60	122	67
<b>Getting credit</b>	115	65	84	46	87	48	89	49	129	70
<b>Closing business</b>	109	61	113	62	113	62	113	62	129	70
<b>Paying taxes</b>	104	58	113	62	119	65	120	66	133	73
<b>Registering property</b>	160	90	145	79	145	79	151	83	137	75
<b>Construction permits</b>	170	96	175	96	178	97	179	98	174	95

<sup>220</sup> Percentiles rank from 1 to 100, higher numbers denote poorer performance.

<b>Doing business</b>			126	69	131	72	127	69	134	72
-----------------------	--	--	-----	----	-----	----	-----	----	-----	----

Source: [www.doingbusiness.org](http://www.doingbusiness.org), various years.

There was an apparent improvement in performance in registering property between 2008 and 2013, and no change in enforcing contracts (Tanzania's best score) or in the ease of obtaining construction permits (worst score).<sup>221</sup> The other six indicators all registered a decline, ranging from 15 percentage points (paying taxes) to 5 (getting credit). FDI continued at a high rate during this period (see **Chapter 7**) in spite of an apparent deterioration in the business environment. While poor power supply has been a constant complaint among businesses since 2008, the tax regime has become the second most serious problem during this period.<sup>222</sup>

A key government policy to stimulate foreign investment is Public-Private Partnerships (PPP), in which both state and private investors share investment costs, risks and profits (and losses).<sup>223</sup> According to the National Audit Office (NAOT):

Despite the benefits that may be derived from PPP arrangements, there are some risks ... of which government intervention is of vital importance. PPPs can drive up costs, under-deliver services, harm the public interest, and introduce new opportunities for fraud, collusion, and corruption.<sup>224</sup>

The balance struck between the public and the private realm in investment and business is a function of ideology, state management capacity and the lobbying power of private actors. Finding the right balance between state and capital should be a matter of trial and error, but it is often a matter of politics rather than 'learning by doing.' The following sections relate sector experiences during the target year, highlighting the issue of state capacity to make and implement coherent policies in the public interest.

## 4.2.1 Mining

**'Loopholes in mining contracts undermined the fiscal gains Tanzania should have reaped from recent mining Operations. The enactment of the Mining Act 2010, which increased the royalty on minerals (such as gold)**

<sup>221</sup> In March, an unfinished 14 floor building collapsed in Dar es Salaam city centre, with numerous deaths. Christopher Majaliwa 2013. 'Grief as Dar building collapses', *Daily News*, 30 March.

<sup>222</sup> Irwin Grayson Associates 2013. 'Tanzania Business Leaders' Perceptions of the investment climate in Tanzania', BEST-AC, page 62. Corruption is the third most serious impediment to business. See TGR 2012, page 62 for details.

<sup>223</sup> 'Tanzania issued its National PPP Policy in November 2009, and its PPP Act was passed in 2010. The Public Procurement Act was amended in 2011 to accommodate PPP provisions...' World Bank 2012. 'REGIONAL PUBLIC-PRIVATE PARTNERSHIP DIAGNOSTIC STUDY', Final Report, World Bank in Collaboration with the East African Community Secretariat with the Support of Trademark East Africa, 25 September, pp 12-13.

<sup>224</sup> NAOT 2014a: 236.

**from 3% to 4% and introduced a provision for the government to own a stake in future projects, is expected to correct this problem.'** <sup>225</sup>

**A 2013 report by the International Centre for Tax and Development concluded that Tanzania had foregone over a billion US\$ in taxes and royalties between 1998 and 2011, or about US\$ 75 million a year.** <sup>226</sup>

Though praised for tightening up on mining companies' relatively benign tax regime, the 2010 Mining Act did little to improve the confidence of exploration and mining companies in the business and regulatory framework. TGR 2012 reported gold giant Barrick's attempted sale to Chinese investors that eventually fell through because of disputed tax liabilities. In mid-2013, Barrick were considering 'cost-cutting and job losses to try to weather a perfect storm of rising costs, electricity shortages, higher taxation and lower gold prices.' Deo Mwanyika, the vice-president of African Barrick Gold said: "The industry is definitely in crisis." <sup>227</sup> In addition to the tax regime and lower world gold prices, high production costs discourage investment. 'One main factor in this is the erratic power supply, which forces miners to run on expensive fuel-fired generators for most of the time. "Power is by far the biggest problem for us," says the chief executive of a gold miner operating in Tanzania.' <sup>228</sup>

**Table 2.5** in **Chapter 2** showed that nearly a third of income from gold is royalties on gold sales, but these are paid to the Ministry of Energy and Minerals not the TRA, and some of the royalties revenue is suspected to have disappeared without trace. The first TEITI reconciliation report for July 2011 to June 2012 reported tax payments of US\$ 469,605,654.00 by 43 exploration and mining companies to the government, compared to reported receipts of USD 468,277,748.00. <sup>229</sup> MEM could not account for US\$ 17 million from royalty payments that it should have transferred to the treasury. <sup>230</sup> LHRC alleges that mining company Shanta in Chunya District, Mbeya Region is a serial tax dodger as, according to a government official

---

<sup>225</sup> Africa Economic Outlook 2013.

<sup>226</sup> Olav Lundstøl, Gaël Raballand and Fuvya Nyirongo 2013. 'Low Government Revenue from the Mining Sector in Zambia and Tanzania: Fiscal Design, Technical Capacity or Political Will?', International Centre for Tax and Development. Revenues could have been US\$ 1,831 million instead of US\$ 776 million. See also, Special correspondent 2013. 'Beyond taxes and royalties: Mining sector's true benefits to Tanzania', *Guardian*, 20 July.

<sup>227</sup> Javier Blas 2013. 'Gold diggers find themselves in a deep hole', *Financial Times*, London, 30 September.

<sup>228</sup> Javier Blas 2013. 'Long road ahead to transform reservoirs into LNG shiploads', *Financial Times*, London, 30 September.

<sup>229</sup> Tanzania Extractive Industries Transparency Initiative (TIETI) 2014. 'Reconciliation Report for the period 1 July 2011 to 30 June 2012', June <https://eiti.org/report/tanzania/2012>

<sup>230</sup> B. Kaiza 2013. 'EITI myths and reality: The case of Tanzania', GREAT Insights, Volume 2, Issue 2, Maastricht: ECDPM, February-March

*"a son of one of the senior government officials is alleged to be the owner of the site."*<sup>231</sup>

Ironically, Tanesco's inability to provide predictable power is also in part the result of its continued and unnecessary importation of diesel fuel to run some power plants, in particular Independent Power Tanzania Ltd (IPTL), two decades after natural gas was identified as the 'least cost' fuel option for power generation.

#### 4.2.2 Natural Gas

**'Tanzania could become a leading exporter of liquefied natural gas (LNG) by 2025, supplying markets as diverse as Pakistan, China, Spain and Chile.'**<sup>232</sup>

**'First, it will take a huge financial effort – estimated to be at least \$40bn and potentially as high as \$60bn – that is still years away. Worse, the sector may not take off, as companies worry about soaring construction costs and forecasts of rising LNG supply from other countries, including the US, which is experiencing a shale boom, Australia and, potentially, neighbouring Mozambique.'**<sup>233</sup>

**'...without committed long-term buyers, the companies developing the LNG plants are unlikely to obtain the billions of dollars in loans they need to finance their projects.'**

**'Tanzania must avoid falling under the resource curse.'**<sup>234</sup>

In October 2013 the Ministry of Energy and Minerals (MEM) launched the National Natural Gas Policy. 'Challenges' identified by the MEM policy include: the legal framework; shortages of human resources, knowledge and infrastructure; managing domestic and export markets, and revenue; health and environmental safety. Civil society and the media are recognised in the policy statement in establishing dialogue, monitoring, providing information and increasing 'public awareness, transparency and accountability.' Both local communities (in Mtwara and Lindi) and businesses (in particular IPP's Reginald Mengi) have campaigned for a share of the benefits and investment opportunities.<sup>235</sup> **Chapter 1** narrated Mtwara residents' protests over the division of the gas spoils.

---

<sup>231</sup> Legal and Human Rights Centre 2013. 'Human Rights and Business Report in Tanzania 2013', Dar es Salaam, page 104. Emphasis in the original.

<sup>232</sup> Javier Blas 2013.

<sup>233</sup> Javier Blas 2013.

<sup>234</sup> Policy Forum 2013. '4<sup>th</sup> Tanzania offshore and North Lake Tanganyika licensing round: the government must act strategically and responsibly', Submitted by Web Master on 22 May.

<sup>235</sup> Twaweza 2014. 'Managing natural resources: What do citizens say?', Brief No. 11, June. Over half the respondents (52 percent) favoured joint ventures between foreign and local companies in exploiting gas reserves with local firms the majority shareholders (page 6). See also Antipas Massawe 2013. 'Fairness in gas, oil

Much of the public discourse on the emerging oil and gas sector in Tanzania takes it for granted that foreign companies will invest tens of billions of dollars in a liquification plant in southern Tanzania in the near future.<sup>236</sup> As early as 2013, the big players, including British Gas, were talking about identifying a site for the plant. 'BG Executive Matt Schatzman said in early September that the group is "submitting a site proposal to the Tanzanian government, and will move to land acquisition later in the year".<sup>237</sup>



Both internal and external factors make the above scenario most unlikely. According to one analyst:<sup>238</sup>

exploration', *Citizen*, 29 December; Peter Kafumu 2013. 'National policy on natural gas grossly inadequate', *Guardian*, November 24.

<sup>236</sup> Orton Kiishweko 2013. 'Earliest LNG plant pencilled for 2016 – official', *Daily News*, 27 November; Bernard Mapalala 2013. 'WTO alerts TZ on gas wealth', *Citizen*, 7 July.

<sup>237</sup> James Batty 2013. 'Policy progress due after LNG decision in Tanzania', *Interfax*, 27 September. The author's claim that 'The LNG decision is shrouded in secrecy because of concerns people would begin buying up land around the site to sell on to the developers at an inflated price' was not far off the mark, as future TGRs will relate.

<sup>238</sup> Bill Page 2012. 'Hype over East Africa's oil, gas discoveries requires dose of reality', Deloitte Consulting Ltd, May. See also Aidan Eyakuze 2013. 'East Africa should not count its gas billions just yet', *Citizen*, 3 February. See also Derek Hudson 2013. 'Future of oil and gas in Tanzania', *Citizen*, 16 November.

'Enthusiasm over the recent discoveries has to be moderated with some realism.' '...there are a lot of hurdles that need to be overcome before East Africa can reap the benefits' of its large gas discoveries. 'The local and regional economies are far too small to justify the huge investments required to produce liquid gas. In addition, Tanzania is remote from the main gas markets in North America, Europe and Asia. But the main problem is the impact of recent technological advances in oil and gas extraction on global fuel prices, which have plummeted.' 'Governments should certainly not start to spend a supposed windfall before it is in the bank.'

Economist Paul Collier warned against the 'resource curse' associated with the discovery and exploitation of minerals and hydrocarbons. It was unlikely that, even if the export of liquid gas takes off, it will account for more than 10 percent of GDP.<sup>239</sup> Collier and others stress the governance dimension of the 'resource curse.' According to Kingsmill and Williams:

'The existence of revenue flows from an extractive sector - resource rents - can reduce the need for taxation of the broader economy but this in turn can reduce the strength of the contract between the tax payer and the government. The rents provide opportunities for patronage and clientelism. This may damage the development of citizen expectations for accountability by the government and damage the development of democratic processes. Elite capture of resources, combined with reduced economic diversification, can lead to much increased inequality. And economic instability tends to create political instability. The development process inevitably involves conflict, but the existence of a 'spot source' of income combined with weak governance can lead to violence.'<sup>240</sup>

These considerations prompt two responses: either to leave the resources under the ground until the government has the capacity to regulate the sector effectively, or to increase pressures for effective oversight, including involving independent CSOs. An economic argument for leaving the resources underground is that local employment and value added through local procurement are likely to be low in countries lacking skilled manpower and developed service industries.

---

<sup>239</sup> Paul Collier, public presentation, Dar es Salaam, March 15, 2013.

<sup>240</sup> William Kingsmill and Gareth Williams 2012. 'A Framework for Extractive Industries Governance Assessment', Report to the World Bank Institute, October.

### 4.2.3 Tourism

**The Ministry of Natural Resources and Tourism (MNRT) has had five ministers and four permanent secretaries in an eight year period.<sup>241</sup>**

The number of tourist arrivals on Tanzania mainland increased from 909,258 in FY 2011-12 to 1,148,370 in FY 2012-13, an increase of 26 percent.<sup>242</sup>

In early 2013, the Tanzania Association of Tour Operators (TATO) flagged the negative consequences of the 2011 Finance Act's empowerment of local authorities to impose taxes on tour operators, arguing that the 'tourism business is already seriously taxed', paying twelve taxes, licences and fees, costing operators over four months in transaction costs.<sup>243</sup> Tanzanian tour operators are taxed more highly than their Kenyan counterparts, which means that border controls and 'non-tariff barriers' are used to minimise competition. Bureaucratic rent-seeking undermines competitiveness and eats into profit margins. TATO also argues that the government is not doing enough to increase local capacities in the face of foreign competition for jobs.<sup>244</sup>

In 2013-14 the CAG undertook a special audit of management of wildlife hunting by the Ministry of Natural Resources and Tourism (MNRT). The audit examined how well the MNRT manages and monitors wildlife hunting activities and revenue generated in Game Reserves and Game Controlled Areas. 'The audit followed increased public concerns over increasing levels of ivory poaching in the country. The audit found that poaching increase between 2009 and 2012 because anti-poaching activities 'were not adequately planned, conducted, monitored and evaluated', reflecting the 'insufficient budget allocated for anti-poaching activities.'<sup>245</sup> The MNRT did not cooperate closely with Tanzania Ports Authority (TPA) and Tanzania Revenue Authority (TRA) to ... control ... poaching at the ports of exit.'<sup>246</sup>

It was difficult to ascertain the distribution of revenue especially the amount of money sent to Treasury, Wildlife Division and the retention at TWPF due to

---

<sup>241</sup> Cyrill Akko 2013. 'Best ways to make tourism tick', *Citizen*, 29 January. A tourism vehicle has 11 duties, licences and fees to pay.

<sup>242</sup> Ministry of Finance 2013. 'Budget for fiscal year 2012-13: Full year budget performance and economic review', September. The Ministry of Natural Resources and Tourism figures are 867,994 tourist arrivals in 2011 and 930,753 in 2012. Quarterly Economic Review, January 2013, page 14, citing [www.tanzaniainvest.com](http://www.tanzaniainvest.com).

<sup>243</sup> Ministry of Finance Ibid.

<sup>244</sup> Cyrill Akko 2013.

<sup>245</sup> A franker assessment Florence Majani 2013. 'Corrupt officials ensure the battle against poaching remains futile' *Guardian*, 10 August.

<sup>246</sup> Florian Kaijage 2013. 'Dar's secret poaching report implicates China', *Guardian*, 18 May.

complexity of the distribution model. The audit concluded that the MNRT does not fully ensure that the wildlife law is effectively enforced to minimise poaching and ensure the intended beneficiaries receive their share of revenues collected.

Coastal tourism and livelihoods are adversely affected by dynamite fishing, which the GoT has been unable to control despite various initiatives and donor-financed projects. A study for the World Bank-financed Marine and Coastal Environmental Management Project (MACEMP) and the Ministry of Livestock and Fisheries Development found that surveillance declined after WB funding ended, and that there was 'a relative lack of commitment to enforcement at all levels of government.' When poachers are arraigned 'both the conviction rates and the level of punishment for poachers who are caught are insufficient to deter dynamite fishing.'<sup>247</sup> In Tanga, where dynamite fishing has been a chronic problem for years, local dignitaries, officials and businessmen with close connections to the ruling party and national security are said to control the activity. These are 'highly organized and ... driven by larger groups that have easy access to explosives through, for example, mining and road construction, and who are capable of paying corruption money to neutralize surveillance and enforcement.'<sup>248</sup>

#### 4.2.4 Manufacturing

**'Since 2000, consistent economic reforms have transformed Tanzania's manufacturing sector.'**<sup>249</sup>

**'... manufacturing is too concentrated on limited types of products... [M]ost of Tanzania's manufacturing involves the production of resource based goods with relatively low value added content. Accounting for less than 5% of the total labour force, the impact of the manufacturing sector on job creation and thus human development is particularly sobering.'**<sup>250</sup>

The industrial sector consists of mining, construction and manufacturing. **Box 4.1** gives some basic facts on Tanzania's manufacturing sector.

##### **Box 4.1: Tanzania manufacturing at a glance**

'Food and beverages alone account for nearly half of total manufacturing value added, followed by nonmetallic mineral products (11 percent), tobacco (7 percent) and textiles (5 percent). Industrial activity is largely concentrated in **Dar es Salaam** (more than half of all large manufacturing establishments are located there) and to a lesser extent in **Arusha**. The remaining 14 percent is spread out between **Mwanza, Singida, Tanga, Kagera** and **Kilimanjaro**.' Private-owned

<sup>247</sup> Wilson Associates 2013. 'The Economic Impacts of Dynamite Fishing in Tanzania', Mission Summary and Report.

<sup>248</sup> Wilson Associates 2013: 9. Informants risk being maimed or killed.

<sup>249</sup> United Republic of Tanzania and UNIDO 2013. 'Tanzania Industrial Competitiveness Report 2012', page 20.

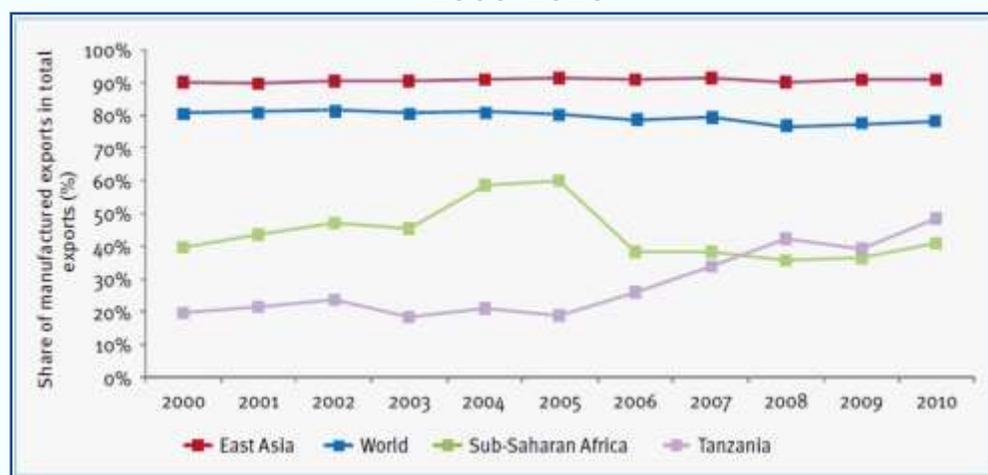
<sup>250</sup> ESRF 2014. Tanzania Human development Report 2014: xiv.

companies account for 90 percent of all manufacturing establishments. Enterprises with fewer than ten employees account for 97 percent of all manufacturing enterprises.

Source: United Republic of Tanzania and UNIDO 2013. 'Tanzania Industrial Competitiveness Report 2012', p 18.

Many policies and plans promoting manufacturing have been put in place in the last decade,<sup>251</sup> and manufacturing exports have risen significantly (**Figure 4.1**).

**Figure 4.1: Trends in manufactured trade as percentage of total trade, 2000-2010**



Source: UN Comtrade, cited by URT and UNIDO 2013.

Given Tanzania's relatively poor investment and business environment, this robust performance in manufacturing (and manufactured exports in particular) is difficult to explain. As repeated regularly in past TGRs, and further detailed below, *the* major constraint on manufacturing is the cost and unpredictability of electricity:

'... increasing prices of power (tariffs by end 2008 were over 215% as high as in Kenya, Uganda and Rwanda, and seven times higher than in South Africa), together with its enduringly erratic supply, considerably harm the global competitiveness of local firms: power failures cause losses of up to 10% of sales for the median Tanzanian manufacturing firm. 88% of businesses likewise report lack of electricity access to be a major bottleneck. Moreover in its FY 2011-12 Budget the Government cites power shortages as a leading factor behind the increasing prices of goods and services ... As a

<sup>251</sup> Including the Sustainable Industrial Development Policy (SIDP), the Tanzania Development Vision 2025, National Trade Policy 2003, Small and Medium Enterprise Development Policy 2003, Tanzania Mini-Tiger Plan 2020, Export Processing Zones Program, Five Year Development Plan (2011/12-2015/16) (FYDP I), Long Term Perspective Plan (2011/12-2025/26) (LTPP), and the Integrated Industrial Development Strategy 2025 (IIDS 2025) (URT and UNIDO op. cit., pp. 18-19). See also: John Sutton and Donath Olomi 2012. 'An enterprise map of Tanzania', International Growth Centre; OECD and URT 2013. 'Investment Policy Reviews: Tanzania', August.

result the economic cost of outages during recent drought periods ... reached approximately 4% of GDP in 2010.’<sup>252</sup>

By 2012-13 things were not quite so dire. By East African standards electricity was less problematic in Tanzania than in the rest of the community, except for Rwanda, whose overall performance in the Doing Business survey makes it a regional outlier (see **Table 7.1**). Still, the growing subsidies to TANESCO constituted a major drain on the budget (See **section 4.1.1** below).

#### 4.2.5 Construction

**‘The construction sub-sector accounted for around 35% of industrial sector output across the 2000s and is one of the fastest growing sectors.’<sup>253</sup>**

**“Procurement and tendering processes in the construction industry are full of corruption...and the main pioneers of these malpractices are construction professionals and companies.”<sup>254</sup>**

High-rise office building and apartments are now a prominent feature of Dar es Salaam’s skyline. This development is controversial for at least four related reasons. First, the sector is poorly regulated and buildings collapse. In March 2013, an unfinished 14 storey building collapsed in Dar’s central business district, killing nearly 40 people.<sup>255</sup> Minister of Lands Professor Anna Tibaijuka ordered an identical unfinished building in the same vicinity to be demolished.<sup>256</sup> Second, developers have been accused of demolishing buildings of historical importance in the rush to ‘develop’ the city centre. The government denied that ‘historical buildings’ were not protected.<sup>257</sup> Third, as President Kikwete points out in the introductory quote, corruption characterises the sector, allowing cut-price construction using poor quality materials with little supervision to flourish.<sup>258</sup> But corruption in the construction sector is much broader than sub-standard construction practices. In a joint consultative meeting of FACEIT (Front Against Corrupt Elements in Tanzania), the Engineers Registration Board (ERB) and the Association of Consulting Engineers Tanzania (ACET), ‘it emerged that over 90% of construction contract awards and

---

<sup>252</sup> URTand OECD 2013. ‘OECD Investment Policy Reviews: Tanzania’ August, page 101.

<sup>253</sup> ESRF 2014: xiv.

<sup>254</sup> President Jakaya Kikwete, quoted in: Kizito Makoye 2013. ‘Corruption engulfs construction sector in Tanzania’, *Thomson Reuters Foundation*, 23 May.

<sup>255</sup> Christopher Majaliwa 2013. ‘Grief as Dar building collapses’, *Daily News*, 30 March; Katere Mbashiru and Henry Mwangonde 2013. ‘Dar building deaths reach 36’, *Citizen*, 2 April.

<sup>256</sup> Amina Yahya 2013. ‘Minister Tibaijuka now orders demolition of 16-storey building’, *Guardian*, 6 April.

<sup>257</sup> Lucas Liganga 2013a. ‘Historical buildings no longer protected’, *Citizen*, 19 August; Lucas Liganga 2013b. ‘Historical buildings ‘still protected’’, *Citizen*, 26 August.

<sup>258</sup> Procurement Journal reporter 2013. ‘Corruption cited as hindrance to construction industry’, *Procurement Journal (Daily News)*, 2 April; Faustine Kapama 2013. ‘Contractor chides registration boards for owning construction or consulting firms’, *Daily News*, 14 April. Tanzania is a founder member of the Construction Sector Transparency Initiative, which was launched in Dar es Salaam in 2008.

some 70% of consultancy assignments are believed to be routinely secured through corrupt practices.’<sup>259</sup> Most of the recent developments involve joint ventures between the National Housing Corporation (NHC), government pension funds, and local and foreign contractors, mostly on land nationalised in the 1970s.<sup>260</sup> While some of the developments are financed through bank loans, there is a widespread suspicion that the construction boom is in part (or largely?) fuelled by illicit financial flows coming into the country (**Chapter 2**). It is feared that the latest high-rise office developments in the CBD will find it difficult to get tenants. Future TGRs will monitor developments.

### 4.3 Land and Agriculture

**‘The challenge is not so much that we are alienating land to foreigners; rather that we are underutilizing this important resource.’<sup>261</sup>**

**‘...the increasing occurrences of conflicts over land resources and land use, particularly between pastoralists and agriculturalists that have now spread to half the regions of mainland Tanzania constitute a veritable threat to national unity. They have led to loss of lives and destruction of much property. They call for a comprehensive land use plan and clear delineation of pasture and agricultural land. It is a costly fallacy to think that the whole territory is pastureland! We must modernise both agricultural land and livestock keeping!!’<sup>262</sup>**

**‘The situation is further complicated by the inconsistent interpretation of laws, rules and regulations, including the acquisition of land rights and imposition of taxes. The resulting uncertainties undermine confidence and incentives to both local and foreign investors’.<sup>263</sup>**

**‘In the period from 2009 to 2013, the rate of growth recorded by the agriculture sector was lower than that of the overall economy.’<sup>264</sup>**

The increasing interest shown in recent years by foreign governments and agribusiness companies in Tanzanian land and agriculture was reported in TGR 2012. Fifteen years after the passing of the Land and Village Land Acts, land ownership and use remain highly contentious issues in Tanzania. Pastoralists see the state taking their rangeland to turn into protected areas or hunting blocks (see **Chapter 1**). Local and foreign investors are branded ‘land-grabbers’ by politicians

---

<sup>259</sup> Gary Taylor and Awadh S. Mawenya (no date). ‘Enhancing business opportunities in the construction sector through education and training in anticorruption initiatives’, IT Transport Limited and Design Partnership Limited.

<sup>260</sup> See articles posted on the Tanzania Corruption Tracker: ‘Is NHC a den of Corruption?’ ‘It is now official – NHC is a corrupt institution’. [www.corruptiontracker.or.tz/dev/index.php?option=com](http://www.corruptiontracker.or.tz/dev/index.php?option=com)

<sup>261</sup> ‘Land justice for sustainable peace in Tanzania’, remarks by former President Benjamin Mkapa, Dar es Salaam, 10 September 2013, page 10.

<sup>262</sup> Former President Benjamin Mkapa, Dar es Salaam, 10 September 2013, page 11.

<sup>263</sup> According to an FAO consultant, 2013.

<sup>264</sup> World Bank <http://www.worldbank.org/en/country/tanzania/overview>.

and land rights CSOs, which undermines the government's commitment to encourage large-scale farming investments through, for example, SAGCOT. Attempts to formalise land titles for small farmers were reported in TGR 2012. In addition to the land question, agricultural policy continues to be uncoordinated in both formulation and implementation.

Agricultural policy in the 21<sup>st</sup> century started with the Agriculture Sector Development Programme (ASDP, 2006-13), which was superseded by *Kilimo Kwanza* (2009). Kilimo Kwanza promoted large-scale commercial farming for the first time in Tanzanian history. Launched in 2011, SAGCOT (Southern Agricultural Growth Corridor of Tanzania) has been dubbed 'Kilimo Kwanza in action'. Where conditions permit, estates and processing factories will be wholly or partly supplied by outgrowers and contract farmers. The latest agricultural policy initiative is part of Big Results Now (BRN), which is intended to speed up policy implementation in six key sectors.<sup>265</sup>

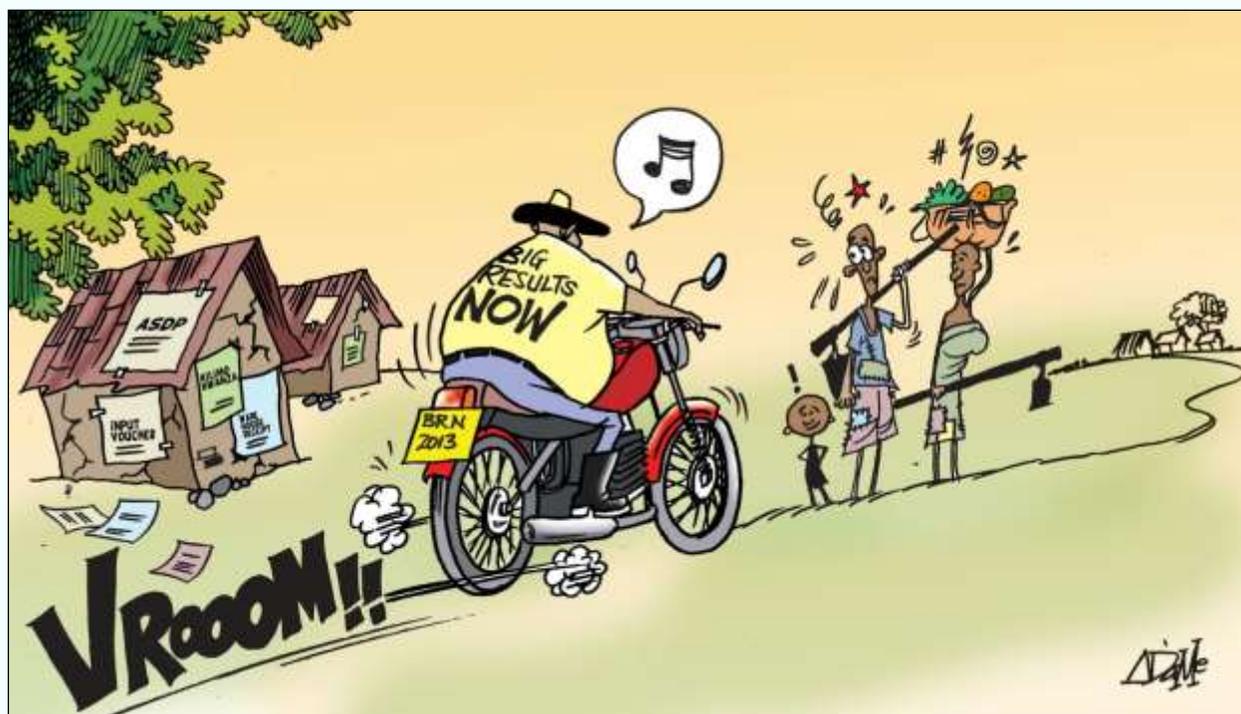
BRN targets ambitious 'quick wins' in both smallholder and commercial agriculture. The agriculture 'lab' that prepared this component of BRN identified three priorities: setting up/rehabilitating 78 collective rice irrigation and marketing schemes, signing 25 commercial farming deals for paddy and sugarcane, and creating 275 collective warehouse-based marketing schemes, all within three years!

<sup>266</sup>

---

<sup>265</sup> See TGR 2012 for Big Results Now. The other priority sectors are education, healthcare, water supply, power, roads, and 'resource mobilisation'. See also Brian Cooksey 2013. 'What difference has CAADP made to Tanzanian Agriculture?', Future Agricultures Consortium, Working Paper for an overview of Tanzanian agricultural policies.

<sup>266</sup> National Key Results Area 2013. Agriculture Lab, Tanzania Development Vision 2025, April.



All three priorities are problematic. BRN's commercial investments in rice and sugarcane are being promoted under the SAGCOT umbrella, but have been seriously challenged by the government's decision to allow imports of duty-free sugar and rice to address local production shortfalls. Government initiated irrigated rice schemes have a high failure rate (or 'rehabilitation' would not be a priority activity). Instead of simply making up for local production shortfalls, tax-free imported sugar has virtually bankrupted local sugar producers, who cannot clear their inventories or pay outgrowers.<sup>267</sup> In October 2013, the Tanzania Sugar Producers Association claimed members were holding 82,000 tonnes of sugar worth 62.5 million USD. Minister of Agriculture Christopher Chiza defended the imports on the grounds that they brought down retail prices. In addition, "...producers are complaining because the decision to import denies them an opportunity to maximise from the shortfall," he said.<sup>268</sup> As a result, investments in existing plants were put on hold, and new investments, including a US\$500-600 million integrated sugar, ethanol and power project in Bagamoyo, postponed indefinitely.<sup>268</sup>

Past TGRs have monitored the delivery of subsidised farms input under the Agriculture Sector Development Program (ASDP). In 2013, criticisms of the National Agricultural Input Voucher Scheme (NAIVS) included poor targeting, late delivery of

<sup>267</sup> Cooksey op. cit. See also Lusekelo Philemon 2013. 'MPs: Cheap uncontrolled sugar imports will 'kill' us', *Guardian*, 19 December; Belinda Nyakeke 2013. 'We need to formalise agricultural trade: govt', *Citizen*, 20 December.

<sup>268</sup> Ray Nalugaya, 'Sugar producers in cashflow crisis over imports', *East African*, 5 Oct 2013.

inputs and widespread corruption. The World Bank loaned Tanzania US\$300 million to part-finance the scheme, which some observers criticised on policy grounds while others doubted state capacity to deliver efficiently and fairly. The TCCIA (Tanzania Chamber of Commerce, Industry, and Agriculture) Regional Executive Officer Boniface Mariki told the *Daily News* in May 2013 that: 'The current system encourages farmers ... to collude with agents to get some token payment and allow the inputs to be sold to big farmers at commercial rates.'<sup>269</sup> In June, the Ministry of Agriculture announced that vouchers would be distributed through farmers' cooperative unions to assure fairness.<sup>270</sup> A survey carried out by the Moshi University College of Cooperatives and Business Studies (MUCCoBS) and the *Guardian* between June and November 2013 concluded that middlemen benefited more than farmers from the voucher scheme. Many farmers were too poor to buy the subsidised vouchers.<sup>271</sup> The World Bank, one of the main critics of fertiliser subsidies, is the main funder of the NAIVS.<sup>272</sup>

*District Agricultural Development Plans* (DADPs) are the primary component of the Agricultural Sector Development Programme (ASDP). Though in theory based on 'bottom-up' planning procedures, small farmers complain that the plans are managed by and in the interests of local elites, in particular top government officials. Small scale farmers in Chamwino and Kilosa districts in Dodoma and Morogoro regions respectively, said the nature and structure of DADP committees do not benefit them. They said out of 18 members of a committee, for example, only two large scale farmers are co-opted, leaving a lot to be desired.<sup>273</sup>

In early 2013, 140,000 tonnes of rice from Pakistan flooded the Tanzanian market, sending prices plummeting. In allowing the first imports in five years, the government was responding to a national shortage and certain traders were exempted from import duties. Yet the effect was disastrous for local producers who found their markets demolished by low prices and the sudden removal of import controls. The beneficiaries were the sector's biggest trading companies.

Finally, in recent years, contract farming and outgrower schemes have become popular and economically more robust alternatives to cooperative marketing for a number of crops. The success of sugar, tea, rice and horticulture outgrower

---

<sup>269</sup> This assumes that vouchers reach the targeted farmers.

<sup>270</sup> Africa Confidential, 2013. 'Tanzania: How to grow crops and influence voters', 23 August, Vol. 54 - N° 17.

<sup>271</sup> Correspondent 2014, 'Survey: Farm inputs voucher system has not made any difference', *Guardian*, 17th February, <http://www.ippmedia.com/frontend/index.php?l=64908>. The Tanzania Media Fund financed the survey.

<sup>272</sup> See Brian Cooksey 2012 'Politics, Patronage and Projects: The Political Economy of Agricultural Policy in Tanzania', FAC Working paper No. 40, [www.future-agricultures.org](http://www.future-agricultures.org).

<sup>273</sup> Garald Kitabu 2013. 'District agricultural plans benefit few, say farmers', *Guardian*, 26th December, <http://www.ippmedia.com/frontend/index.php?l=63044>.

schemes has encouraged external support for these sectors. Yet official support for these innovations is not consistent. For example, despite being endorsed by President Kikwete, having the support of the Cotton Board and most of the leading ginner and many farmers in pilot areas, contract farming has been met with resistance from various politicians, cotton buyers and ginner who risk being put out of business by contract farming. As a result, only a small area of the Western Cotton Growing Area (WCGA) was cultivated through contract farming arrangements during the 2012-13 season (Poulton, 2013) and cotton sales slumped.<sup>274</sup>

#### 4.4 Regulating State Enterprises and Corporations

Past TGRs have documented trends in the performance of public utilities and other state enterprises since President Kikwete came to power in 2005. Major corporations that suffered from underinvestment and poor management during the crisis years have continued to underperform despite large injections of public money, foreign loans and grants. With the partial exception of Dar es Salaam Port, attempts at introducing private management and capital injections have failed, including those in power, telecommunications, Dar es Salaam water and sanitation, rail, and commercial aviation.<sup>275</sup> Below we summarise developments in the power sector and Dar es Salaam port.

##### 4.4.1 Power

**'Tanzania's overall growth prospects in the medium term depend heavily on improving its energy situation. While energy generation stabilised somewhat in 2012, it worsened in early 2013 and the sector is currently considered on the brink of collapse. TANESCO continues to deliver power at high cost – not only because it needs to purchase expensive electricity generated by independent power producers in order to remedy the shortage, but also because it is plagued by inefficiencies in distribution and revenue collection.'**<sup>276</sup>

**'During the period, financing needs of the state-owned power utility company (TANESCO) have intensified. In order to almost close the estimated TANESCO's financing gap of US\$438 million for 2012/13, Government reallocated TSh 405 billion (US\$254 million). In addition, US\$100 million will be transferred from the central government budget to TANESCO to further enhance the financing of the gap.'**<sup>277</sup>

<sup>274</sup> Prosper Makene, 'Cotton output drops by 33 percent in 2012/13 season', *Guardian*, 14 Nov 2013.

<sup>275</sup> Brian Cooksey 2011. 'Public goods, rents and business in Tanzania', UK Aid and Irish Aid, African Power and Politics Program, ODI, Background Paper 01, June 2011.

<sup>276</sup> Tanzania Affairs 106, December 2013.

<sup>277</sup> IIMF Country Report Tanzania No. 13/166, 2013, page 36.

TanESCO has a monopoly of power generation, distribution and sale. A private management contract with South African company NetGroup Solutions led to a doubling of revenues between 2002-04, but was cancelled in 2006.<sup>278</sup> The 'unbundling' of TanESCO into three separate entities is the main objective of the latest of a succession of World Bank loans to the government. **Table 4.3** summarises Tanzania's power generation capacity.

IPPs and EPPs account for two-fifths of generating capacity. 'In 2012, almost 20% of generated electricity came from EPPs and IPTL, running on expensive fuel, cost 5-8 times more than TANESCO or IPP gas plants and 3-4 times more than current tariff levels per unit.'<sup>279</sup>

**Table 4.3: Power generation capacity, March 2013 (MW)**

	TanESCO	IPP	EPP	SPP	Total	Percent
<b>Hydro</b> <sup>280</sup>	562	-	-	4	566	36
<b>Gas</b>	252	249	-	-	501	32
<b>Oil</b> <sup>281</sup>	88	163	205	-	456	29
<b>Other</b> <sup>282</sup>	14	-	-	27	41	3
<b>Total</b>	916	412	205	31	1,564	100
<b>Percent</b>	59	26	13	2	100	

IPP: Independent Power Producer; EPP; Emergency Power Producer; SPP: Small Power Producer. Source: TANESCO, March 2013, cited by Quarterly Economic Review, Vol. 13 (1), January-March 2013.

At under 100kWh per capita, Tanzanian power consumption is less than one twentieth of the global average of 2,000 kWh, and below the Sub-Saharan average too.<sup>283</sup> Less than one Tanzanian in five has access to grid power.<sup>284</sup> According to African Economic Outlook:

'...overall growth prospects in the medium term depend heavily on solving Tanzania's chronic energy crisis. Key risks to Tanzania's growth and fiscal outlook stem from heightened financial difficulties of ... TANESCO. If left unaddressed, these risks could result in further power outages and an additional fiscal burden.'<sup>285</sup>

<sup>278</sup> Brian Cooksey, op. cit.

<sup>279</sup> NKRA Energy 2013. 'Energy Lab Final Report, Executive Summary', Big Results Now, page 12.

<sup>280</sup> Including small hydro (under 10 MW). Over 90 percent of generating capacity is on the national grid.

<sup>281</sup> Jet A1 and diesel.

<sup>282</sup> Biomass, imports (from Uganda and Zambia).

<sup>283</sup> Per capita consumption of said to be 81 kWh per annum compared to Malawi (116), Kenya (128), Mozambique (487) and Zambia (770).

<sup>284</sup> TANESCO, March 2013, cited by Quarterly Economic Review, Vol. 13 (1), January-March 2013, page 16.

<sup>285</sup> <http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2013/PDF/Tanzania%20%20African%20Economic%20Outlook.pdf>

In collaboration with the World Bank the government developed an action plan for TANESCO that would provide abundant supply of electricity and ensure financial sustainability. The cost of power generation is expected to decline rapidly after 2015, when gas-fuelled projects (Kinyerezi 1 and 2), generating a total of 390 MW, come on stream.<sup>286</sup> It remains to be seen whether the existing diesel-fuelled plants will be decommissioned or converted to gas.

TANESCO constitutes a huge drain on public resources. According to the IMF:

'For the fiscal year 2012/13, TANESCO's financing needs are estimated at US\$438 million (including accumulated arrears to suppliers of about US\$270 million). TANESCO has already contracted a government guaranteed loan of US\$65 million in the domestic market, while the government reallocated an equivalent of US\$254 million in the budget from lower priority areas to TANESCO.<sup>287</sup> Another US\$100 million will be covered by a slight increase in the budget deficit (from 5.5 percent of GDP to 5.8 percent)—the amount is equal to the World Bank loan approved by its Board on March 26 under the First Power and Gas Sector Development Policy Operation. The remaining US\$19 million will be carried over into FY2013/14.'<sup>288</sup>

For 2013/14, the IMF projected TANESCO's 'financing needs' at about US\$352 million. The budget for 2013/14 included a direct transfer to TANESCO of US\$105 million. Any remaining financing gaps would be covered by additional revenue enhancing measures, including an increase in electricity tariffs.<sup>289</sup> The continued hemorrhage of public funds required to keep Tanesco afloat is a key issue for TGR 2014.

The power sector was included in the Big Results Now (BRN) exercise. The 'Energy Lab' had 48 participants, a quarter of who were from MEM and Tanesco. The Energy Lab recommended the conversion of the IPTL 100MW plant from Heavy Fuel Oil to natural gas 'in 2014, when gas becomes available.' TGR 2014 will report whether the conversion took place as anticipated.<sup>290</sup>

#### 4.4.2 Dar es Salaam Port

In a political economy analysis, the World Bank examines the difficulties involved in addressing underlying inefficiencies of Dar es Salaam port:

---

<sup>286</sup> IMF Country Report Tanzania No. 13/166, 2013, pages 32-3. Kinyerezi is funded by the GOT and a non-concessional US\$432 loan from Japan Bank (ESRF 2013: 17).

<sup>287</sup> What constitutes 'non-priority' areas is not elaborated.

<sup>288</sup> IMF Country Report Tanzania No. 13/166, page 33.

<sup>289</sup> Ibid.

<sup>290</sup> Voices critical of the cost and rationale of the BRN set up, which is funded by DFID, concern the cost of the exercise and its likely impact. See Peter Nyanje 2013. 'Presidential Delivery Unit a waste of money', *Citizen*, 24 April.

'The lack of enthusiasm for reforms is explained by the asymmetric distribution of benefits and costs associated with the current inefficiency of the port. While gains are concentrated in the hands of a few well connected players, costs are diffused among multiple consumers, firms, and households across the country. Other contributing factors include the lack of awareness of costs by most consumers and firms, the unequal distribution of these costs, time inconsistency between costs and benefits associated with reforms, and the lack of coordination for decisive actions.'<sup>291</sup>

In addition, 'Rent-seeking behavior has been exacerbated by the use of discretionary rules that contributes to the typical asymmetric information problem between administration and users.' 'Custom duties, invoice valuations, and port rules are frequently modified by agencies without any detailed explanations. Not only are users not well informed but also many agents who continue to apply old rules, or worse, their own.'

The WB estimates the total welfare loss due to port inefficiency, meaning unnecessary waiting time for containers and bulk cargo, to be nearly US\$ 1.78 billion per year for the Tanzanian economy and US\$ 830 million for neighboring countries.<sup>292</sup>

The necessary reforms that would increase performance are resisted by those benefiting from current inefficiencies, including politicians, government officials, clearing agents and others. This pattern—a small group of beneficiaries undermining efficiency at the public's expense—is repeated in most public corporations and enterprises, with our first example (TANESCO) the most ruinous from a development perspective.

#### 4.4.3 Quality control: TBS and TFDA

In 2013-14, the CAG undertook a special audit of the inspection of imported goods by the *Tanzania Bureau of Standard (TBS)*. The audit examined whether the TBS controls the importation of substandard goods by conducting periodic inspections. There have been public complaints concerning the existence of substandard goods in the country. The audit noted that TBS was not adequately planning or prioritising the inspection of imported goods at the ports of entry. There was a huge variation between targeted and actual inspections. Weaknesses were also noted in the allocation of resources, performance monitoring, evaluation and reporting. It was concluded that inspections were not economically, efficiently and effectively conducted since risk based approach was not used at the planning and the execution, no clear targets set, strategies for those inspections were not well

---

<sup>291</sup> Jacques Morisset, Charles Moret, and Julie Regolo 2013. 'How to Push Efficiency Enhancing Reforms at the Port of Dar Es Salaam?' World Bank, Policy Note No. 35, February, page 1.

<sup>292</sup> WB 2013: 5.

defined and ultimately the overall goal, minimise substandard goods, of the inspections of imported goods were not met.<sup>293</sup>

In 2013-14, the CAG also undertook a special audit of the management of food inspection by Tanzania Food and Drugs Authority (TFDA) to see whether the TFDA safeguards the quality of food in the country. The conduct of this audit was motivated by public outcry over the existence of food products not suitable for human consumption. The audit found that food inspections are poorly planned and prioritised according to risk factors. Also inspection execution was not conducted for high risk food processing plants or to high risk food products at the ports. Sanctions were not always applied to defaulters. The coordination between TFDA and other government departments was not adequately managed. There were also weaknesses in monitoring, evaluation and reporting of the food inspections activities. These led to the conclusion that food inspection both at processing plants and ports is not efficiently and effectively conducted. The TFDA has not effectively executed its entrusted role. Likewise, the Ministry of Health and Social Welfare as a parent ministry has not taken adequate action to ensure that existence of unsafe food products is controlled.<sup>294</sup>

Towards Christmas, the Tanzania Bureau of Standards (TBS) launched one of a series of bans on second-hand clothes, in particular, underwear, deemed to be a health hazard.<sup>295</sup> Importers and distributors were hounded and imports impounded. The anti-*'mitumba'* campaign was widely seen as an opportunity for TBS officials to extort bribes from *'offenders'*, in both Dar es Salaam and up-country towns.<sup>296</sup>

#### 4.5 Financial services

According to FinTrack, the number of adults using financial services in the country more than doubled, from 27% to 57%, between 2009 and 2013. By 2013, 44% were using mobile phone services and non-bank money services. According to BOT governor Benno Ndulu: "Over half of all adult Tanzanians – 12 million people – now use their mobile phones to remit, receive, and save money, or to pay bills."<sup>297</sup>

---

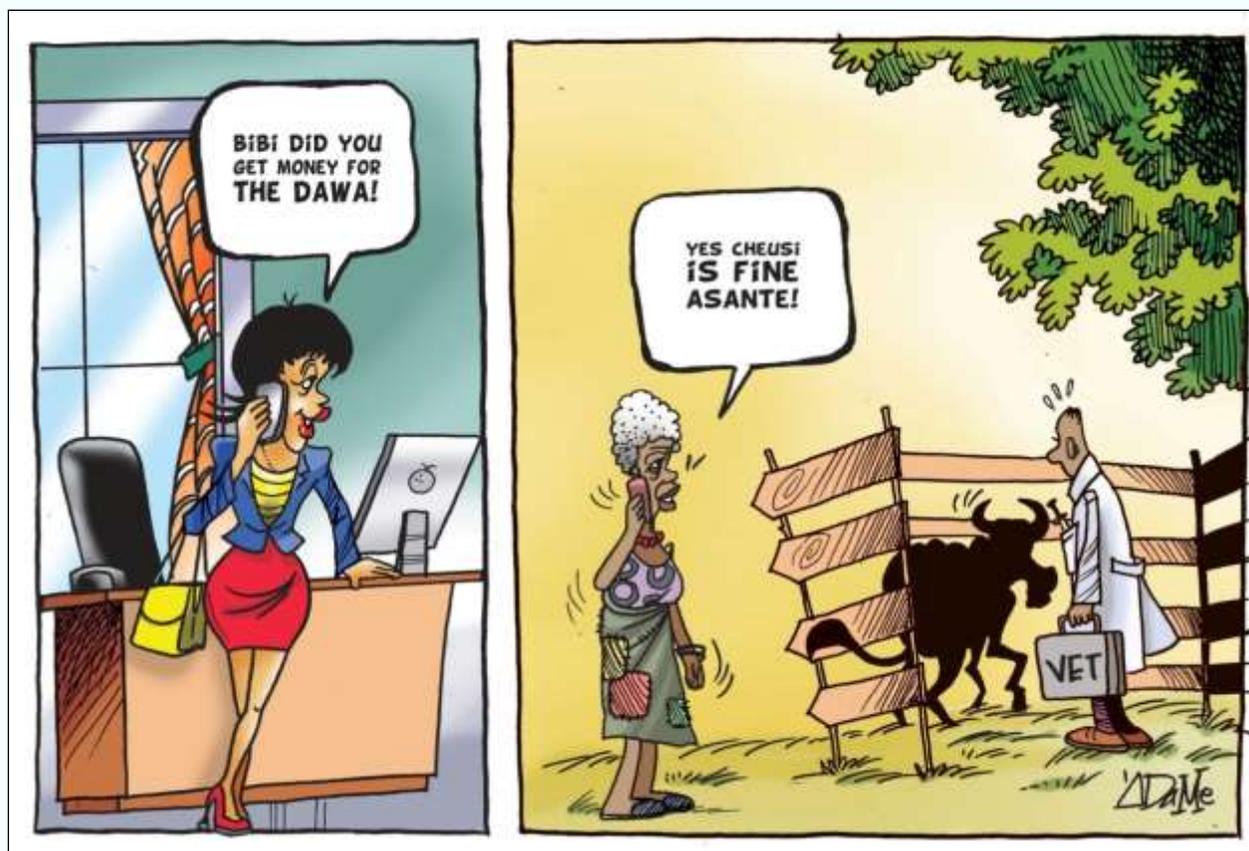
<sup>293</sup> Controller and Auditor General 2014 'General report on the performance and specialized audits for the period ending 31<sup>st</sup> March 2014', NAOT, Dar es Salaam.

<sup>294</sup> Controller and Auditor General 2014 'General report on the performance and specialized audits for the period ending 31<sup>st</sup> March 2014', NAOT, Dar es Salaam.

<sup>295</sup> Pius Rugonzibwa 2013. 'TBS now corners second-hand underwear importers', *Daily News*, 11 December.

<sup>296</sup> Guardian reporter 2013. 'Government sets off on nationwide crackdown on used undergarments', *Guardian*, 9 December.

<sup>297</sup> <file:///F:/tgr%202013/2%20national/Tanzania%20Improves%20Financial%20Services%20Inclusion.html>. Other sources cite 50% rather than 57% for 2013 adult inclusion. See Abduel Elinaza 2015. 'Mobile banking deepens financial inclusion – BoT', *Daily News*, 5 May.



The enormous boost to society and economy constituted by cheap, mobile connectivity is cause for celebration, and a challenge to the state to do better in regulating other sectors.

### Conclusion

The Tanzanian government has made a good job of regulating the phenomenally successful mobile phone industry, with the result that the country has better connectivity than many richer countries, and certainly many of Tanzania's neighbours. The transfer of money through mobile phone services is easier in Tanzania than (say) Italy, where bills may be paid electronically but money transactions continue to involve banks and ATMs.<sup>298</sup>

The trend in regulatory quality in Tanzania is mixed, but largely negative for key factors in the business environment—power supply predictability, taxation, and corruption risks. In vital sectors, key policies are undermined by *ad hoc* tax exemptions with disastrous consequences for local producers. Agriculture is a particularly unfortunate case. Some foreign investors' cash-flows have been hit hard by the many millions of dollars they have tied up in unresolved disputes with

<sup>298</sup> The successful prototype MPesa in Kenya was financed by the UK government and implemented by the private provider Safaricom. This is arguably the most impactful example of foreign aid to the region ever.

TRA, particularly over VAT and Capital Gains Tax. The multiplicity of nuisance taxes is a constant complaint in the tourism and other sectors.<sup>299</sup>

One bright spot that contrasts with the generally negative assessment of regulatory and other key governance indicators reported in this review is the success of the manufacturing sector, including exports. Tanzania's apparent manufacturing competitiveness with neighbouring Kenya and other countries seems to contradict the notion that poor state performance in public goods provision, maintenance and regulation undermines the business environment and increases production costs, making their products uncompetitive. More research is needed to explain this conundrum.

---

<sup>299</sup> Lydia Shekighenda 2013. 'Why private sector wants government to address multiplicity of taxes, *Guardian*, 29 July.

## CHAPTER 5: CSOs, MEDIA AND CITIZENS' VOICE

### 5.1 Introduction

**'Up to September, 2013, there were 8,116 CSOs registered under the Societies Act at the Ministry of Home Affairs. This number includes 928 religious groups. The registered CSOs under the Non-Governmental Organisation Act, 2002 reached 6,000 in 2013.'**<sup>300</sup>

Past TGRs have described the recent growth of the social accountability movement in Tanzania. More and more international and local NGOs and CSOs are seeking ways of engaging creatively with local actors and councils in order to improve accountability. Challenges are numerous and success not guaranteed. **Figure 5.1** lists six 'contextual domains' defining the potential for enforcing social accountability (SA).

---

<sup>300</sup> LHRC 2014. 'Tanzania Human Rights Report 2013', p. 83, citing The Parliament of United Republic of Tanzania, Hansard Report of 15th September, 2013 page 92. Other CSOs are registered under the Companies Act as Companies Limited by Guarantee, i.e. non-profit companies. It is unclear which CSOs register under which acts.

**Figure 5.1: Contextual domains and sub-dimensions influencing social accountability (SA)**

<b>Contextual domain</b>	<b>Domain sub-dimensions</b>
<b>Civil society</b>	<ul style="list-style-type: none"> <li>• Technical and organisational capacity</li> <li>• Capacity to build alliances across society</li> <li>• Capacity to build alliances/networks with the state</li> <li>• Authority, legitimacy &amp; credibility of civil society with citizens and state actors</li> <li>• Willingness to challenge accountability status quo</li> <li>• Willingness, capacity and capability of citizens to engage in SA</li> </ul>
<b>Political society</b>	<ul style="list-style-type: none"> <li>• Willingness of political/elected elites to respond to and foster SA</li> <li>• Willingness of state bureaucrats to respond to and foster SA</li> <li>• State and political elite capacity to respond to SA</li> <li>• Democratisation and the civil society enabling environment</li> <li>• The nature of the rule of law</li> <li>• The capacity and willingness of political parties to support SA</li> </ul>
<b>Inter-elite relations</b>	<ul style="list-style-type: none"> <li>• The developmental nature of the political settlement</li> <li>• The inclusiveness of the settlement</li> <li>• The organisational and political capabilities of the settlement</li> <li>• Elite ideas/norms of accountability underpinning the settlement</li> </ul>
<b>State-society relations</b>	<ul style="list-style-type: none"> <li>• The character and form of the social contract</li> <li>• History of state-citizen bargaining</li> <li>• State-society accountability and (formal and informal) bridging mechanisms</li> <li>• The nature and depth of state-society pro-accountability networks</li> </ul>
<b>Intra-society relations</b>	<ul style="list-style-type: none"> <li>• Inequality</li> <li>• Social exclusion and fragmentation</li> </ul>
<b>Global dimensions</b>	<ul style="list-style-type: none"> <li>• Donor-state relations</li> <li>• International power-holder accountability</li> <li>• International political and economic drivers</li> </ul>

Source: O'Meally, S. C. 2013. 'Mapping Context for Social Accountability: A Resource Paper', Social Development Department, World Bank, Washington, DC.

The issues raised within these six domains pose major challenges to CSOs promoting SA in Tanzania. Do CSOs have the capacity and the determination to challenge government? Are politicians and officials and local communities supportive or hostile to CSO activities? Some of these issues are highlighted below.

## 5.2 Civil Society

This section summarises some of the activities of local and international CSOs/NGOs during the reference year. A distinction is normally made between service provision--building infrastructure, running services--and advocacy--lobbying governments to do more for specific groups, trying to change people's behaviour, for example. While building infrastructure is comparatively easy, getting governments and citizens to work together to bring about sustainable improvements in people's lives is much more challenging and prone to failure.

Tanzanian CSOs are largely donor-financed. There are various funding mechanisms, including setting up grant-giving agencies such as the Foundation for Civil Society (FCS) and Accountability Tanzania (AcT). In 2013, FCS marked 10 years of providing grants to CSOs for their own capacity building, policy engagement and advocacy around governance and accountability issues.<sup>301</sup> Fifty-two grants were awarded in 2003 for a total value of Shs 717million, rising to 890 grants in 2012 worth over Shs 14 billion.<sup>302</sup> In the governance and accountability fields, FCS funded local NGO networks; disability, orphans, youth and women support groups; poverty alleviation, environmental, agriculture and rural development organisations; and a few non-CSO actors (Tanzania Chamber of Commerce, Industry and 'Agriculture, TCCIA)', and the Agricultural Council of Tanzania (ACT).<sup>303</sup>

### 5.2.1 Evidence-Based Advocacy

Many INGOs and CSOs are concerned to make national and local government more accountable to the people. Policy Forum member SNV, the Netherlands' Development Organisation, has been involved in promoting local and national accountability through an 'evidence-based' approach. In a detailed assessment of SNV's recent work in the water sector,<sup>304</sup> Tilley (2013:1) summarises the approach as:

'... multi-level (addresses national and local levels simultaneously); multi-dimensional (works with councillors, communities and district staff at the same time); and multi-year (takes a long-term approach which enables reflection and adjustment). Activities include classroom-based training,

---

<sup>301</sup> Foundation for Civil Society 2013. 'Success Stories: A highlight of achievements made by Civil Society Organisations supported by the Foundation for Civil Society (FCS) in 2011-2012', FCS

<sup>302</sup> <http://www.thefoundation.or.tz/index.php/en/#>. FCS is funded by the UK, Canada, Switzerland, the Netherlands, the Danes, Norway, Ireland, Sweden and Comic Relief.

<sup>303</sup> <http://fcsis.net/grantweb/index.php/search>. AcT should not be confused with ACT (see Acronyms).

<sup>304</sup> Water sector issues are discussed in more detail in **Chapter 3**. Here the water sector is used to illustrate SNV's approach to service delivery and 'downward' accountability. The focus is on rural areas.

learning by doing, and coaching by providing feedback and working through problems.<sup>305</sup>

SNV approach to improving domestic water supply included water mapping, working with councillors and district water departments, and community empowerment. SNV's water point mapping exercise covered over 6,000 water points in ten rural districts<sup>306</sup> and found that functioning water points varied from 17 percent in Morogoro District to 82 percent in Karatu, with an average of 57 percent across the ten districts. Reasons for success and failure were collected through participatory techniques. 'Overall, the mapping highlighted that the water points were not being effectively managed and that there was little awareness of the rights of villages to own functional water points.'<sup>307</sup> SNV concluded that:

'... most rural water supply projects are still top down/supply-driven with little or no consultation or involvement of the water users in their planning, design and implementation. As a result, there is no sense of ownership amongst the community; the services provided do not reflect what people want or are willing to pay for. The vast majority of the community is not aware of the changing role of government, water users and other key stakeholders. The community has not been formally recognised as the owner and managers of water supply schemes and services. Water services are still largely treated as a public good with no economic value; there is no rationale to water tariff setting to ensure cost recovery. People in charge of rural water supply infrastructure management do not have the right skills/expertise or incentive to perform well. Finally, there is no accountability system where people can track funding allocated by central government and/or the funding contributed by water users for rural water supply services.'<sup>308</sup>

Results from the mapping exercise were used to coach councillors and district water teams and to promote community empowerment, and 'downward accountability'.

SNV's water point mapping and participatory research led to the identification of three sets of 'blockages' to effective water sector management, which they termed policy and institutional coherence, performance disciplines and collective action solutions. The first blockage includes lack of clarity on lines of accountability for District Water and Sanitation Teams and politicians' tendency to promise free

---

<sup>305</sup> Helen Tilley 2013. 'Unblocking results: Case study, Rural water in Tanzania', ODI, London, Centre for Aid and Public Expenditure, May.

<sup>306</sup> SNV 2010. Water point mapping: the experience of SNV Tanzania', Dar es Salaam, 2010. The study covered government water points only. In total, INGOs WaterAid, SNV, Concern, Engineers without Borders and Plan together mapped water points in 55 districts. SNV's Lake Victoria water programme operates in 18 districts in Tanzania with a budget of €700,000 in 2012 and €1,000,000 in 2013 (Tilley 2013:12).

<sup>307</sup> Tilley 2013:10.

<sup>308</sup> SNV 2010: 14. One issue not addressed is the huge range between well- and poorly-performing districts. What explains this and how could different levels of performance be used to bring about practical improvements among poor performers?

water, which contradicts government policy. 'Performance disciplines' includes lack of information on the operation and management of water facilities and the misuse of funds collected from water users. 'Collective action solutions' includes the lack of involvement of women, the main water collectors, in local water committees, which are dominated by men, and the lack of external support in the event of a water point breakdown. Addressing these blockages is the main challenge for subsequent interventions, including councillor oversight coaching and community empowerment.<sup>309</sup>

Regarding councillor oversight, Tilley recounts the following story (**Box 5.1**).

**Box 5.1: Accountability and politics in a water-deficit district**

A special audit of water development funds in eight districts revealed irregularities due to theft and false contracting, amounting to over US\$1.5m. Just before the audit report was released in one district, the council leadership (**CCM**) attempted to hide the audit findings from councillors on the grounds that it was confidential, which was incorrect. Two CCM councillors objected to the attempt to hide the findings of the audit report, after which they were disclosed and it was agreed that they would be discussed in a party caucus meeting, which was attended by the **Regional Commissioner** and **district security officers**. 'Subsequently the report was taken to a full council meeting which was open to the public. But an ethical disciplinary committee was called to review the conduct of the two councillors and the issue was raised with **PMO-RALG**, at the central government level. The two councillors resigned and defected to the opposition party, **Chadema**, as they felt that CCM was repressing the truth and attempting to intimidate them. Five days after their resignation PMO-RALG announced the suspension of the **District Executive Director** along with 12 technical staff... However, '... it is possible that there were political motivations for this response...' Source: Tilley 2013: 16

The above story illustrates the possibilities and practical limitations of attempts to enforce 'downward' accountability. As Tilley observes: 'It is notable that the two councillors were acting together, but in isolation from the other 47...'<sup>310</sup>

While SNV have carefully deconstructed the constraints on rural water and sanitation upgrading, some of these will remain challenging, given the sheer size of the areas to be served by District Water and Sanitation Teams and the absence in many cases of a private spares and services market to serve COWSOs requirements. Other constraints include: enforcing sanctions against 'free riders'; the continued widespread co-option of councillors by the local political machine; the sustainability of COWSOs without external assistance; the lack of political support

<sup>309</sup> Tilley 2013: 14-16. Empowerment included registering COWSOs (community ownership organisations) and sensitizing communities concerning their rights and responsibilities. Still, a 'complex network of power results in persistent challenges around the local ownership of water facilities.'

<sup>310</sup> Tilley 2013: 17.

at the national level for local empowerment; confusion of roles and responsibilities emanating from different and frequently changing laws.<sup>311</sup> Do these and other constraints condemn many rural water consumers to using largely unimproved sources of domestic water for the foreseeable future?

A more positive example of state-civil society collaboration in service delivery can be cited from Dar es Salaam (**Box 5.2**).

#### **Box 5.2: Sustainable Dar es Salaam?**

The **Sustainable Dar es Salaam Project** (SDP) is an example of apparently successful Community Based Development (CBD) in domestic water supply, as well as roads and drainage in a number of the city's 'unplanned settlements'. Financed by the **World Bank** and **Irish Aid**, the SDP involved local government, **International NGOs**, and **Community-Based Organisations** (CBOs). Dill (2013) argues that recognising and delegating responsibility for services to CBOs, 'has enabled the state to expand its power territorially and functionally' and to bring services to underserved communities for the first time. This claim challenges the widespread view that 'community-based actors' generally 'fail to initiate, complete, and/or sustain development projects...' (page 13). 'CBOs have not only succeeded in mobilizing human, material and financial resources ... but have also done so to an extent that could not have occurred simply as a command from the state to the citizenry' (page 147).

Brian Dill 2013. *Fixing the African State: Recognition, Politics, and Community-Based Development in Tanzania*, New York: Palgrave

Whatever the successes and failures of SDP, it is worth asking whether political rivalry at the local level can be harnessed for improved service provision, or whether politicising local development would cause more problems than it solves.

### **5.2.2 Deepening Downward Accountability**

In conjunction with their water sector work, SNV also implement a Public Accountability in Tanzania (PATA) programme, 'designed to increase the effectiveness of specific local level development initiatives by addressing the political and institutional constraints affecting their implementation.'<sup>312</sup> Careful 'power and change' analysis (PCA) examined the national and local political economy constraints on accountability.<sup>313</sup> The basic analytical tool employed is

<sup>311</sup> Tilley 2013: 20-21.

<sup>312</sup> SNV (no date). 'Public Accountability in Tanzania Initiative, Brief 2: Strategic Highlights and Policy Implications'. 'PATA was a partnership between the Embassy of the Kingdom of the Netherlands (EKN), SNV Tanzania and the International Cooperation Agency of the Association of Netherlands Municipalities (VNG-I).'

<sup>313</sup> SNV 2012. 'Signs of Change: Changing Power Relations in Tanzania with examples from Five Local Authorities', Power and Change Analysis.' With Ileje Environmental Conservation Association (IECA); CABUIPA, TWIFUNDE, and Leadership Forum and Community Aid and Small Enterprises Consultancy (CASEC). SNV undertook PCAs in 2008 and 2012. PCA1 focused on governance related to the O&OD planning modality, while PCA2 examined service delivery in the context of political competition.

described as *Strategic Governance and Corruption Analysis (SGACA)*.<sup>314</sup> PCA1 was undertaken in Muleba, Maswa, Karatu, Kyela and Mbeya Municipality and it 'revealed a multitude of poor governance and corrupt practices in both public service delivery as well as in the political processes at all levels of public decision making.' This included limited decentralisation of power to LGAs, absenteeism among councillors; 'unacceptable relationships between some public servants and political leaders' and 'between political leaders and various local business owners...'; a culture of apathy in which communities did not hold officials or their elected leaders to account; and weak and unproductive competition between political parties.<sup>315</sup>

PCA2 looked at changes in governance that had occurred during the five years since PCA1. PCA2 found that 'political competition between the ruling party and new parties became stronger' during these five years, at least in the districts studied (Kahama, Maswa, Karatu, Movomero and Mbeya), though the ruling party continued to dominate the 'setting of the public agenda'.<sup>316</sup> SNV detected 'councillors becoming more assertive, posing questions to executives and starting to demand accountability...' while citizens were seen to have 'started to follow up on individual and community interests using existing and new channels of communication. Increasing flow of information, improved road networks and transportation has enabled increased mobility of people, goods and services; and started to stimulate the growth of relatively stronger private sector.' The 'bodaboda has increased the mobility of people and goods to reach even remote parts of the rural communities' and 'opened new political and economic spaces for youths...' '[T]he use of mobile phones<sup>317</sup> and electronic transfer of money has opened up new options and spaces through which citizens are now able to communicate and air their needs and concerns.'<sup>318</sup>

The rise of the *bodaboda* has become a political phenomenon:

'[B]odaboda protests and boycotts are organised spontaneously following a call to protest if, for example, one of their colleagues is perceived to be

---

<sup>314</sup> This methodology allows for: 'in-depth examination of political, economic and social relations; as well as formal and informal practices of social institutions, organisations, and individuals; in order to yield information on the status of governance, incentives, opportunities and barriers of change in society.' The approach looks more promising than the title.

<sup>315</sup> SNV 2012: 1-2. Some councillors set up companies to tender for local contracts, including construction. 'Service users across the five LGAs noted ... the low quality of community projects...'. LG officials and councillors held negative views of each other.

<sup>316</sup> SNV (no date) page 3. See TGR 2012 for corroborative evidence.

<sup>317</sup> TGR (2012: 77) reported that between 2007 and 2012 mobile phone ownership in rural areas had increased from 16 percent to 63 percent. Two-thirds of the best-off phone owners had sent money via their handsets, and two-fifths of the poorest.

<sup>318</sup> SNV op. cit., pp 4-5.

unfairly apprehended by the police or is injured in a road accident. Bodaboda can quickly disband if they are overpowered by the authorities. The Bodaboda culture has changed the relational norms between the authorities and communities, especially the youth. It has introduced a different engagement mechanism, and it is, in a way, a form of social movement in the making.<sup>319</sup>

SNV flags the following 'highlights' from its power analysis work:<sup>320</sup>

- There are no quick fixes;
- Work on strengthening accountability relationships;
- Documented facts on the table are an effective tool for influencing accountability relationships and translating policies into practice;
- Locally contextualised solutions require experiential and iterative learning;
- Build the capacity and availability of people and organisations who can provide neutral process facilitation at local level;
- Seek out champions;
- Changing local level dynamics can be used to influence national policy.

The programme has learned the following lessons:

'... development works through influencing people, rather than through planned actions predefined to achieve a specific outcome. This raises the need to enable key stakeholders to gain a broader understanding of the local context, have the opportunity and backing to be more innovative and adaptable in the search for local solutions and, most importantly, to be more patient in making existing policies work.'<sup>321</sup>

\*\*\*

Other organisations using evidence-based methodologies to influence public opinion and policy are TAWAZA and UWEZO. UWEZO monitors primary education in Tanzania, Kenya, and Uganda, as reported in previous TGRs. UWEZO has sought to shift attention from enrolment levels to educational outputs, using simple tests administered to many thousands of primary and secondary students in their homes. An assessment found that 'Uwezo has had a significant impact on policy makers.'<sup>322</sup> The TAWAZEZA brief claims that:

'... the Tanzanian government has started to compile its own assessment tools, inspired by the Uwezo methodology (in part to "prove whether the

---

<sup>319</sup> Ibid., p 5.

<sup>320</sup> Ibid., pp 1-2.

<sup>321</sup> SNV op. cit., page 1. See **Chapter 3** for evidence of failed water projects based on 'planned actions predefined to achieve a specific outcome...'

<sup>322</sup> Twaweza 2014. 'Has UWEZO influenced key actors in 2013? Evidence from Kenya, Tanzania and Uganda', Twaweza Monitoring Series, Brief No. 3. Government respondents doubted the validity of the UWEZO methodology and results.

Uwezo results are correct"). ... the government has initiated a program for improving the capacity of teachers through the Student Teachers Enrichment Programme (STEP). Uwezo influence could be seen in the Ministry of Education and Vocational Training (MoEVT) creation of the Standard II assessments and additional training of teachers specifically for Standard I and II as part of [the] Big Result Now (BRN) initiative. The data provided by Uwezo has also reached the academia: a respondent from this group noted that due to Uwezo, educational planners are shifting away from researching inputs, and furthermore, "...our students use Uwezo data for education analysis and problem solving."<sup>323</sup>

UWEZO's main success has been to quantify the quality of educational outcomes (literacy and numeracy), while governments and international organisations focus simply on enrollment rates.

Among its numerous activities, TWAVEZA has spearheaded the Open Budget Partnership (OBP), as reported in **Chapter 2**.<sup>324</sup>

### 5.3 Faith-based Organizations (FBO)

According to Leurs et al. (2011):

'The traditional churches established apex bodies to coordinate with each other and manage their relationships with government, particularly the Catholic Tanzania Episcopal Conference (1956) and Protestant Christian Council of Tanzania (1934). Individual denominations, dioceses and the apex organisations themselves have more recently established specialized departments responsible for their development and service delivery activities, including the Relief and Service Division of the CCT (1961) and the Christian Social Services Commission (1992).'

'The number of Mosques and Muslim FBOs grew rapidly in the 1990s, although restrictions on the inflow of funds and their operations post- 9/11 have slowed this growth. It is estimated that perhaps a third of the approximately 9,000 mosques are engaged in some charitable, welfare, or development activities (and many more if madrasas are included).'

<sup>325</sup>

The main religions offer outreach services to their members or to the community in general, with education and healthcare the main forms. These services are financed by the government (in the case of large, faith-based hospitals for example), by the congregations themselves, or by external sources, including bilateral donors and religious organisations. The Catholic, Lutheran and Anglican churches are the biggest FBO services providers in the country. In 2013, there were 11 public and 17

---

<sup>323</sup> TWAVEZA 2014: 4.

<sup>324</sup> TWAVEZA's activities in East Africa are documented in its Annual Report 2013.

<sup>325</sup> Robert Leurs, Peter Tumaini-Mungu, Abu Mvungi 2011. 'Mapping the Development Activities of Faith-Based Organisations in Tanzania', Religions and Development Research Programme, Research summary WP58, pp1-2.

private universities, of which three were Islamic, two Lutheran, and one each for the Anglican, Baptist, Moravian, Adventist and Korean churches.<sup>326</sup>

Christian charitable and development FBOs include World Vision, Catholic Relief Services, Caritas, and Norwegian Church Aid, while Muslim organisations include the Aga Khan Development Network, the African Muslim Agency, and the Islamic Association for Education and Economic Development, which is active in Zanzibar.<sup>327</sup>

Many development agencies have adopted a rights-based approach to their work (**Box 5.3**).

**Box 5.3: What is a 'rights-based approach (RBA)?'**

Many international development agencies and NGO's have adopted a rights-based approach to international development. Everyone is 'entitled to human dignity and human rights by virtue of their being human' say NCA. The definition of human rights has expanded from a concern with civil and political rights to social, cultural and economic rights. Activists and development workers apply this approach to the rights of poor, marginalised and vulnerable women, men and youth, defined as 'rights holders'. Since the 1990s, the United Nations has mainstreamed the RBA in all its development agencies, as have many bilateral development agencies and INGOs, challenging the previously dominated market-based and welfare approaches to development.

Source: Norwegian Church Aid 2010. 'Country plan 2011 - 2015: Tanzania', October; Wikipedia

Norwegian Church Aid (NCA) is one of the biggest FBOs in Tanzania.<sup>328</sup> Strategic objectives of NCA are to have:

'...FBOs organised and their capacity built to engage in advocacy for integrity and demand for social development; ...FBOs, religious leaders, citizens demanding integrity and challenging public leaders to demonstrate integrity and delivery of services ...; ... FBOs, religious leaders, families and religious communities fulfilling their roles as schools and centres of formation of the character of integrity; and influential individuals (religious leaders, politicians etc) and organisations in their model roles and capacities condemning corruption and advocating for national integrity.'<sup>329</sup>

<sup>326</sup> Tanzania Commission for Universities 2013.

<sup>327</sup> The activities of these and other FBOs working in Tanzania are described in: Robert Leurs, Peter Tumaini-Mungu, Abu Mvungi 2011. 'Mapping the Development Activities of Faith-Based Organisations in Tanzania', Religions and Development Research Programme.

<sup>328</sup> NCA 2010. NCA's main source of funding is the Norwegian government through NORAD. NCA is affiliated with ACT Alliance, a coalition of more than 140 churches and affiliated organisations working together in over 140 countries. ACT Forum Tanzania consists of NCA, the Christian Council of Tanzania, Tanganyika Christian Refugee Service, the Evangelical Lutheran Church in Tanzania, Dan Church Aid, Lutheran World Relief, Church World Service, and Christian Aid.

<sup>329</sup> NCA 2014: 'NCA- Accountability Tanzania integrity project: Annual Report 2013', NCA and actalliance, page 5.

NCA also actively promote the 'inter-faith movement', aimed at strengthening ties and joint activities between different faiths, particularly Islam and Christianity. NCA is involved in VICOBA (Village Community Banks), PETS, social mitigation of HIV/AIDS, efforts against GBV (Gender-Based Violence), and climate change adaptation.<sup>330</sup> NCA's 2013 Annual Report reports a number of 'success stories' resulting from their PETs activities, reported in **Section 5.2.2**.

## 5.4 Tracking the extractive industries

In May 2013, a group of NGOs wrote to the Tanzania Extractive Industries Transparency Initiative (TEITI) Chairman to record their dissatisfaction with the GoT's decision to make only 'partial disclosure' of contracts in the extractive sectors. The signatories pointed out that the decision contradicted the government's commitment to transparency and good governance, that Tanzania would be seen to be lagging behind global best practice in this regard and that the decision was taken without adequate consultation with CSOs.<sup>331</sup>

However, the World Bank, the TEITI secretariat and interested NGOs were agreed that civil society participation in the TEITI Multi Stakeholder Group was at best disappointing and had at worst acted as a drag on progress.<sup>332</sup>

## 5.5 PETS, SAM and accountability

'The state and political society actors are equally or even more important than civil society in determining whether or not social accountability pressures achieve their intended outcomes, especially because such "top-down" or "supply-side" pressures often hold the power to enforce needed sanctions. More fundamentally, the supply and demand divide has proven somewhat unhelpful...'<sup>333</sup>

Public Expenditure Tracking Surveys (PETS) were originally designed to assess the extent to which monies voted in parliament reached the intended beneficiary institutions, for example, primary schools and hospitals. They were concerned to identify 'leakages.' PETS can be undertaken by government on the basis of national

---

<sup>330</sup> NCA 2010: 9.

<sup>331</sup> Agenda Participation 2000, Interfaith Standing Committee on Economic Justice and the Integrity of Creation, HakiMadini, Policy Forum, Oxfam, TACOSODE, Tanzania Natural Resource Forum (TNRf), Oil, Natural Gas and Environment Alliance (ONGEA), International Alliance on Natural Resources in Africa (IANRA) Tanzania chapter.

<sup>332</sup> Staff Reporter 2013. 'Questioning TEITI report findings on mining investment revenues, laws', Guardian, 14-20 July; Tanzania Extractive Industries Transparency Initiative (TEITI) 2013. 'Training workshop on EITI reporting requirements for extractive companies and government agencies for preparation of 3<sup>rd</sup> TEITI reconciliation report – 30 April 2013', Citizen, 24 April; Karl Lyimo 2013. 'Dar must heed T-EITI, et al, on mining', Citizen, 11 July.

<sup>333</sup> O'Meally, S. C. 2013. 'Mapping Context for Social Accountability: A Resource Paper', Social Development Department, World Bank, Washington, DC., page xvi.

samples or by CSOs looking at single districts.<sup>334</sup> The World Bank, a major supporter of PETS during the 1990s, summarised its global experience as follows:

**Box 5.4 World Bank assessment of PETS**

- 'PETS have proven to be useful as part of a broader policy strategy aimed at improving service delivery results;
- PETS have become a brand name for very different instruments, but at its core there is a survey methodology that requires skilled technical expertise and a solid knowledge of budget execution processes;
- Policy impact in a variety of PETS experiences could be further strengthened by stronger country ownership and effective follow-up; and
- The Bank could enhance PETS results through strategic partnering, and greater emphasis on dissemination and communication strategies.'

Source: Tidemand (2013:4) citing Asli Gurkan, Kai Kaiser, and Doris Voorbraak 2009. 'Implementing Public Expenditure Tracking Surveys for Results: Lessons from a Decade of Global Experience', World Bank, Washington, DC

Tidemand notes that PETS do not generally 'impact on the flow of resources or on any other aspect of service delivery'.<sup>335</sup> Many issues with Tanzanian local government reform and performance cannot be addressed using PETS, for example, difficulties with the execution of the development budget, handling of carry-overs, complexities of multiple funding channels, imbalances between capital and recurrent expenditure and with reporting fund utilisation at local level.<sup>336</sup>

PETS also became popular activities for CSOs to undertake at the district level. In the Tanzanian case, a number of weaknesses have been identified in this process (**Box 5.5**).

**Box 5.5: PETS undertaken by Tanzanian CSOs...**

- 'The motivation for doing a PETS was that there was funding available and that [it fitted] the stated objectives of the organisation to address accountability issues at the local level;
- It was difficult to get accurate financial information from the local authorities, and it was therefore often not possible to check what percentage of the funding had reached the service delivery centre (usually primary schools) and to see whether there were any leakages;
- Information on how much money had been received was collected at the frontline service delivery centres, but the information was often not shared ... at this level;
- The final reports were presented to the aid agencies that provided funding for the PETS and at national workshops. There was generally no follow up and no attempt to make the reports available to officials and other stakeholders at district and village level;

<sup>334</sup> Per Tidemand 2013. 'Stocktaking of Recent Experiences with PETS and Recommendation for Future Surveys – a brief study for DfID.

<sup>335</sup> Tidemand op.cit., citing a 2003 WB study of PETS in eight countries.

<sup>336</sup> Tidemand 2013: 1.

- Many of these studies ... may be fed into national processes, such as national consultations among CSOs, but they do not connect with similar studies of other CSOs to fit into a larger context. ... Perhaps most crucially, they do not feed back into processes at the level where the information was collected in order to improve local awareness of entitlements and to build stronger demand for accountability ... .'

Source: Tidemand 2013: 6

Though PETS have not lived up to their initial promise, they still play a role in CSO accountability work. PETS are increasingly defined more broadly than the original focus on financial leakages, or included as part of a bigger 'package' of interventions to address accountability issues more generally. For example, Norwegian Church Aid/ACT Alliance's Accountability and Integrity Project includes budget tracking as one activity implemented by the Tanzanian Episcopal Conference (TEC). TEC has set up 'PETS committees' in the Diocese where it is active, including 12 new committees in 2012-13 in Temeke, Ludewa, Karatu, and Njombe districts. In their 2013 Annual Report, NCA/actalliance record a number of 'successes', including Imboru Secondary School in Mbulu, where lobbying of the district council by the PETS Committee succeeded in getting the council to set aside TShs 20 million to complete construction after years of delay and bureaucratic confusion. NCA also claim credit for raising the profile of religious leaders in engaging with the government and private sector on various issues, including peace and transparency in land and natural resource exploitation.<sup>337</sup>

---

<sup>337</sup> NCA 2014: 29-32. NCA funded the widely-quoted 'One Billion Dollar Question' report that challenged the large mining companies for under-payment of taxes, reported in TGR 2010-11.



## 5.6 The media

**Table 5.1** shows trends in Reporters without Borders annual World Press Freedom Index for 2008 to 2013. By regional standards, Tanzania has a freer press than its neighbours, though from 2010 performance slumped, while Kenya's improved. Tanzania's precipitous drop (36 places) between 2012 and 2013 may be largely attributed to the gruesome murder of Daudi Mwangosi in September 2012.

According to the New York based Committee to Protect Journalists (CPJ):

"The rise in anti-press attacks ..., set against a backdrop of repressive media laws, is sowing self-censorship among Tanzanian journalists, especially those working in rural areas." Author Tom Rhodes says "CPJ has documented 10 serious anti-press attacks and threats since September 2012, a notable jump over historical trends in the country."<sup>338</sup>

<sup>338</sup> Songwa wa Songwa 2013. 'Tanzania media under siege, says new report', Citizen, Dar es Salaam, 7 August, citing 'The Invisible Plight of the Tanzanian Press.' Michael Macdonald 2013. 'Freedom of the press? Not in Tanzania', *ThisDay*, 13-19 May.

**Table 5.1: World Press Freedom Index, East African rankings, 2008-13**

	2008		2010		2012		2013	
	Rank (/178)	Percent ile	Rank (/178)	Percent ile	Rank (/179)	Percent ile	Rank (/179)	Percent ile
<b>Tanzania</b>	70	39	41	23	34	19	70	39
<b>Kenya</b>	97	54	70	39	84	45	71	40
<b>Uganda</b>	107	60	96	54	139	77	104	58
<b>Burundi</b>	94	53	108	61	130	73	132	74
<b>Rwanda</b>	145	81	161	90	156	87	161	90

Source: [www.rsf.org/IMG/pdf](http://www.rsf.org/IMG/pdf). Note: High numbers denote poor performance.

The Legal and Human Rights Centre (LHRC) Human Rights Report (2013) records 17 cases in which journalists and other media workers were tailed, their houses searched or broking into, were abducted, arrested, interrogated, received death threats, beaten, tortured, shot, or (in one case) murdered. Cases were reported in Dar es Salaam (9), Mtwara (3), Arusha (2) Mwanza, Kigoma, and Loliondo (one each).<sup>339</sup>

Those involved had been reporting human rights abuse (Mtwara), abuses performed by TPDF (army) soldiers, attending and reporting on 'illegal' meetings, including those of the opposition CHADEMA party, reporting on alleged corruption and 'land grabbing'. Several journalists were summoned and harassed by police following a grenade attack on a CHADEMA rally in Arusha in which the police were allegedly involved. In March, Absalom Kibanda, chairman of the Tanzania Editors Forum (TEF) and managing editor of the New Habari Corporation was attacked outside his house by unknown assailants who inflicted serious injuries to one eye, knocked out a number of teeth and hacked off a finger on his left hand.<sup>340</sup> His phones and computer were left intact. He was flown to South Africa for emergency medical treatment. Kibanda was scheduled to appear in court as part of a treason case against him, Theophil Makunga, former group managing editor for Mwananchi Communications Limited (MCL), and Tanzania Daima columnist Samson Mwigamba. The three were alleged to have published a 'seditious' article in 2011.<sup>341</sup> His

<sup>339</sup> LHRC 2014: 72-5. In one case, a TV journalist has his 'house and properties set ablaze by protesters for allegedly reporting the gas saga news in support of the Government'.

<sup>340</sup> Guardian Correspondents 2013. 'Editors' forum chairperson ambushed, injured', *Guardian*, 7 March; Bernard Lugongo 2013. 'Fury over attacks on journalists' *Citizen*, 7 March.

<sup>341</sup> Abela Msikula 2013. 'Tanzanian Journalist Absalom Kibanda Sent to S.A. for Treatment', *Citizen*, Dar es Salaam, 7 March. Kibanda was the fifth journalist to be attacked within six months. Two journalists were killed and three others were seriously harmed during this period as reported in TGR 2012.

attackers were widely believed to be from Tanzania Intelligence and Security Services (TISS).



In parliament, legislators complained of endless delays in launching the much-awaited media bill.<sup>342</sup> The Newspaper Act, 1976 has remained one of the major impediments to media freedom in the country. This law gives the Minister for Information power to ban newspapers/media outlets in the public interest or 'for the interest of peace and good order.' In 2013 this power continued to be abused as evidenced by the closure of *Mwananchi* and *Mtanzania*.<sup>343</sup> The Government cited the tendency by the newspapers to publish stories and photographs that were intended to provoke public hostility against the state, defence and security organs.<sup>344</sup> The banning was condemned by both local and international NGOs.<sup>345</sup>

<sup>342</sup> Samuel Kamndaya 2013. 'Government 'role' in media's troubles stops House', *Citizen*, 21 May. Lydia Shekighenda 2013. 'MPs stunned by delays in tabling of media bills', *Guardian*, 4 June. Staff Writer 2013. 'Media warned of inciting conflicts', *Arusha Times*, 22 June. Elsie Eyakuze 2013. 'Politicians and the bill: Give a man a hammer and everything looks like a nail', *East African*, 16 November.

<sup>343</sup> A joint report 2013. 'Harsh laws threaten freedom of the media in the region', *East African*, 7 December. LHRC 2014: 64.

<sup>344</sup> LHRC 2014: 30.

In 2013, the police came in for criticism for 'laxity' in discharging their responsibilities. When Director of Criminal Investigations (DCI) Manumba retired in November 2013 after seven years in the post, '...the police force [was] being criticised for laxity in investigating high profile crimes such as abductions, torture, cybercrime and acid attacks.'<sup>346</sup> In May 2013, 16 police officers were arrested in Dar es Salaam for their role in smuggling networks that operate to the north of Dar es Salaam. In August, two Dar es Salaam police officers were arrested in Kisarawe with 70 tusks said to be worth TShs 850 million. In June, two police officers were arraigned in court in Mara Region for the theft of over 1,500 rounds of ammunition from a police armoury.<sup>347</sup>

## 5.7 Civil Society Governance

**'Tanzanians have to question how local non-governmental organisations are being run, and how they spend the cash they solicit from the public, says President Jakaya Kikwete.' Mr Kikwete is irked by NGOs which are run like "personal property".<sup>348</sup>**

CSOs and FBOs are not exempt from the misuse of resources entrusted to them. The Northern and Central Diocese (NCD) of the Evangelical Lutheran Church of Tanzania (ELCT) has been embroiled in a scandal concerning a four-star tourist hotel development in Arusha.<sup>349</sup> American Lutherans who financed and ran a secondary school for orphans in Arusha claim that Bishop Thomas Laizer and General Secretary of the NCD Israel Ole Karyongi. Mr Scott Augustine, Founder and Chairperson of Peace House Africa, launched an internet campaign against Bishop Laizer after he and colleagues were declared Prohibited Immigrants in 2011. Mr Scott claimed that the church stole building materials from the school and used tax rebates from its construction to help finance the church's Corridor Springs Hotel project in Arusha. The NCD has not been able to service the US\$ 4m which it borrowed originally from Oiko Credit (Netherlands) to finance the hotel construction. It is unclear why the ELCT would get involved in the highly competitive hospitality industry on such a scale. Bishop Laizer died in January

---

<sup>345</sup> Citizen reporters 2013. 'Mwananchi, Mtanzania ban draws tough reaction', *Citizen*, 30 September; Songa wa Songa 2013. 'International bodies condemn ban', *Citizen*, 3 October. Emmanuel Onyango 2013. 'EU concerned over banning of newspapers', *Guardian*, 5 October; Polycarp Machira 2013. 'America reacts over ban on newspapers', *Citizen*, 4 October.

<sup>346</sup> Citizen Reporter 2013. 'Manumba's 7 years at crime docket', *Citizen*, 20 November.

<sup>347</sup> Florence Majani 2013. 'Corrupt officials ensure the battle against poaching remains futile', *Mail and Guardian*, 8 August.

<sup>348</sup> Sylvester Ernest 2013. 'Raise queries on how NGOs spend money, says Kikwete', *Citizen*, 6 January.

<sup>349</sup> Daily News Reporter 2013. 'Church under fire over school ownership', *Daily News*, 13 January.

2013.<sup>350</sup> Mr Augustine claims that the school now caters for fee-paying students and not the poor.

## 5.8 Corruption and human rights

**Some of the corruption risks facing Tanzania are developing rapidly, for example within natural resources, extractives and money-laundering. These risks in turn impact on the public sector. At the same time, urbanisation, technology and an emerging middle class may change the drivers for better accountability.**<sup>351</sup>

**Chapter 2** reports the performance of the PCCB in preventing and prosecuting corruption cases. Corruption involving government officials and private interests is key to the flourishing of natural resource plunder. Trends in extractive industry tax payments were also reported in **Chapter 2**. Claims that the large mining companies are involved in transfer pricing were found unconvincing on the basis of the evidence presented. Money laundering is a two-way process and it is claimed that Tanzania is a net importer of dirty money. It is also claimed, but again not proven, that the recent growth of luxury apartments and office block construction in Dar es Salaam is part-financed by dirty money.

Tanzania's declining ranking in Transparency International's annual Corruption Perception Index is reported in the East African context in **Chapter 7**.

The Legal and Human Rights Centre's (LHRC) estimates and description of various cases of violations of human rights, including torture and extrajudicial killings, restrictions of freedom of opinion, association and assembly, right to information, and forced evictions are published in an annual report (see **Chapter 1** and section **5.2.3** above for some examples).<sup>352</sup> The LHRC report also documents the difficulties faced by the state in handling cases of culturally-derived human rights abuses perpetrated by Tanzanians on each other, including FGM, albino and other witchcraft-related killings, and mob justice. LHRC flagged the excessive use of force, including extrajudicial killings, in the implementation of Operation Tokomeza Ujangili, also reported in **Chapter 1**.

## 5.9 Conclusion

Can competitive politics enhance 'downward' accountability? Can the electorate find MPs and councillors with the will and the capacity to challenge the widespread misuse of development resources at the local level without being co-opted by

<sup>350</sup> Source: <http://www.wavuti.com/4/post/2013/01/the-face-of-corruption-in-africa-case-of-the-lutheran-church-in-tanzania.html#ixzz2KHtRJmbB>. The debt was taken over by CRDB.

<sup>351</sup> DFID 2013. Strengthening Tanzania's Anti-Corruption Action (STACA), Annual Review Report, page 3.

<sup>352</sup> Legal and Human Rights Centre 2014. 'Tanzania Human Rights Report 2013.' Available online, this report covers the whole of the URT and consists of nearly 500 pages of general information of interest to the specialist reader.

vested interests? How are policy incoherence and rivalry between different levels of government to be addressed?<sup>353</sup> Is civil society playing a useful role in promoting greater accountability among elected and non-elected officials?

Since multiparty politics returned to Tanzania in the 1990s, there have been marked changes in attitudes towards politics. Young Tanzanians have lost faith in the CCM government and the political process and are increasingly prepared to voice their frustrations publicly, sometimes violently. How do CSOs and FBOs working with young people relate to this rising tide of discontent? Can they channel young people's energies into productive and socially responsible activities?

---

<sup>353</sup> Tilley 2013:9 describes policy confusion between Community Owned Water Supply Organisations (COWSOs) and Water Users Associations which were established concurrently by two separate acts of parliament.

## CHAPTER 6.0: FOREIGN AID AND GOVERNANCE

---

Foreign aid is a major source of finance, advice and training in efforts to improve overall governance in Tanzania, but also constitutes a risk factor undermining key aspects of governance. Aid finances state institutions to perform their governance functions more effectively (the 'supply side', see **Chapter 2**) as well as financing CSOs and the media to stimulate the 'demand side' of accountability (see **Chapter 5**). All these efforts are drawn from the 'good governance' paradigm of development favoured by major western donors. But aid itself presents a whole range of critical 'governance' problems (moral hazards) which vary in their severity and impact, depending on the quality of state institutions and the degree of aid dependency. Key 'governance' aspects of aid include its impact on state capacities and the incentives that different types of aid present to major actors.<sup>354</sup>

Although aid to Tanzania has remained robust in recent years, aid dependency has fallen rapidly as a result of sustained economic growth.<sup>355</sup> According to the OECD, Tanzania received US\$ 2.3 billion on ODA (grants plus soft loans) in 2008, and US\$ 2.8 billion in 2012.<sup>356</sup> Declining aid dependency has in turn enabled the GoT to take a more pro-active role in defining the new aid architecture, a trend endorsed by the ruling party, as explained below.<sup>357</sup> First, we summarise important recent changes in the aid architecture that were formalised in 2013. We then review changing aid politics and prospects for improving aid effectiveness.

### 6.1 Changing aid modalities

Changing aid modalities in the 21<sup>st</sup> century reflect widespread concerns over 'ownership' of the development agenda and the transaction costs associated with aid.<sup>358</sup> Aid to Tanzania in the new century was initially guided by the Tanzania Assistance Strategy (TAS 2002-05), followed by the Joint Assistance Strategy for Tanzania (JAST 2006-11).<sup>359</sup> According to the GoT, TAS and JAST 'were based on 'trust and a mutual commitment to strengthen partnerships, and to enhance aid effectiveness through a clearly defined national development agenda and improved

---

<sup>354</sup> These aid-generated problem areas are listed in TGR 2012, **Chapter 6**.

<sup>355</sup> Citizen reporter 2013. 'Aid declining thanks to growth', *Citizen*, 9 June.

<sup>356</sup> <http://www.oecd.org/dataoecd/40/27/42139250.pdf>. ODA is official development assistance.

<sup>357</sup> Declining aid dependency does not herald 'the end of aid'. See Citizen reporter 2013. 'Envoy: TZ can manage minus aid', *Citizen*, 5 May.

<sup>358</sup> See Brian Cooksey 2014. 'Corruption and the misuse of development aid' Swiss Development Cooperation Learning Event, November, for a summary.

<sup>359</sup> United Republic of Tanzania 2013a. 'Development Assistance Framework (DAF)', Ministry of Finance, September, page 4.

public finance management.’<sup>360</sup> The JAST was considered more ‘locally owned’ than TAS, and ‘was designed to integrate all external resources (GBS, Basket and Project Funds) in the Government budget and Exchequer system.’<sup>361</sup> It was hoped that these measures would reduce the enormous transaction costs of aid, and limit the number of ‘stand-alone’ aid projects in all key sectors. JAST was largely an attempt to operationalise the Paris Declaration (2005), which ‘set partnership commitments around ... principles of national ownership, alignment, harmonisation, managing resources for results and mutual accountability.’ According to the GoT:

‘Progress in the area of alignment has been mixed. While Government has made considerable advancements in strengthening PFM [public finance management] and procurement systems, more efforts are required to make DPs adhere fully, especially to the country’s PFM system. ... [A] large portion of the ODA delivered through the project modality is channelled out of the Exchequer, which impedes oversight, transparency and the ability of Government to fully plan for its resources in an effective manner. Good progress has been made in aligning DP support with the MKUKUTA... as well as with sector and local strategies, policies, programmes, systems and processes.’<sup>362</sup>

This upbeat view (the donors are the only underperformers identified)<sup>363</sup> contrasts with assessments of the implementation of the Paris Declaration reported in TGR 2012, in which Tanzania was identified as one of the least successful PFM reformers after 2005.<sup>364</sup> The OECD’s own assessment of progress made in implementing the Paris Declaration:

‘...concluded that the ever growing number of donors and aid agencies and mechanisms across the world is making aid increasingly fragmented and reducing its effectiveness. As a result the international aid effort now adds up to less than the sum of its parts.’<sup>365</sup>

With no overall coordination by either donors or the GoT, the latter holds the trump card in aid management, if only by default. The leeway for

---

<sup>360</sup> Ibid.

<sup>361</sup> United Republic of Tanzania 2013b. ‘Final JAST Report’, Ministry of Finance, Tanzania External Finance Department, September. The JAST Action Plan and Monitoring Framework (JAST APMF) ‘was developed in 2007 specifying concrete actions to be undertaken by Government, DPs and other stakeholders...’

<sup>362</sup> Ibid.

<sup>363</sup> Donors have also been uncritical of Tanzanian aid management capacities: see Lennarth Hjelmaker 2013. ‘Tanzania a role model for development cooperation’, *Guardian*, 11 December.

<sup>364</sup> TGR 2012: 104, Policy Forum 2014.

<sup>365</sup> OECD/DAC 2009. Development Co-operation Report, January.

## 6.2 GBS, aid effectiveness and corruption control

Aid comes in two main forms: projects and budget support. Both have their advantages and disadvantages, but the main thrust of development thinking during this century has been how to move away from the project mode towards budget support.<sup>366</sup> GBS was the aid modality preferred by both the GoT and donors under TAS and JAST. As a result, the number of projects and Project Management Units (PMU) declined significantly.

GBS began in 2002. After 2005, it rose in line with the operationalisation of the Paris Declaration, but peaked at US\$767m in 2009/10, falling to US\$597m in 2011/12.<sup>367</sup> GBS has suffered from the poor governance trends in PFM described in this and previous TGRs. From the government's point of view, donors have been selective in supporting 'locally-owned' strategies and policies, and have resorted to 'conditionalities' in GBS disbursements that challenge the notion of 'local ownership'. Government complains that donors routinely disburse late even when there are no 'issues' holding up transfers. This has unfortunate knock-on effects to LGA, though the donors should not take all the blame for this. According to Göran Hydén, GBS has become politicised to the point that many African governments now have second thoughts about the mechanism.<sup>368</sup> Nevertheless, it remains the GOT's preferred aid modality since it allows maximum flexibility in the use of donor assistance. But therein lies the problem, for donors are increasingly uncomfortable in contributing to a budget that is neither particularly transparent nor clear in defining and sticking to priority activities and coherent policies.

The decline in GBS runs parallel to the decline in the influence of 'traditional' donors, in particular the WB and large G8 bilateral agencies. The declining importance of aid in the national budget,<sup>369</sup> the proliferation of aid sources and lack of coordination, the expectation that future revenues from gas will fund the repayment of commercial loans contracted to make up for aid shortfalls or delays in disbursement, and the rise of China as a counterbalance to western donors and diplomacy are the main factors undermining the old-style aid relationship, branded 'neo-colonial' by its strongest critics.

---

<sup>366</sup> The WB is the largest project lender to Tanzania, with 23 on-going projects worth US\$3.1 billion in 2013. Reporter 2013. 'W.B. gives Tanzania \$75 million to strengthen public finance and investment climate', *Financial Junction*, 1 April.

<sup>367</sup> Policy Forum 2013, section 6.1 for an extended discussion.

<sup>368</sup> Göran Hydén 2014. 'General budget support in Africa: Is the end in sight?' NAI Forum, November 24.

<sup>369</sup> There is a debate as to whether the end of aid would be a good or a bad thing. See Citizen reporter (Q&A) 2013. 'Envoy: TZ can manage minus aid', *Citizen*, 5 May.

Corruption is widely viewed as a serious impediment to aid effectiveness.<sup>370</sup> Aid may be corrupted by government officials, by collusion between aid agency and government officials, and by aid agency staff acting on their own. Passive collusion involves donor agency (and INGO) staff turning a blind eye to evidence of corruption among aid recipients, or failing to monitor aid flows adequately for possible corruption. Corruption in aid also takes indirect and non-obvious forms, for example, budget support may free up local resources for possible misuse ('fungibility'), and financial aid provides incentives to collusive tax evasion through exemptions and political financing by local businesses. Aid providers and recipients may also collude informally with private actors, including consultants and contractors.<sup>371</sup> Disbursement pressures on aid agencies routinely outweigh official concerns with transparency and accountability. This is well understood and routinely 'instrumentalised' by aid recipients. Many examples of the above misuses of aid have been reported in past TGRs.<sup>372</sup>

Cooksey (2014:5) lists half a dozen factors influencing the use/misuse and effectiveness of aid. These are: trends in aid flows and the proliferation of public and private sources of aid; level of aid dependency; the composition of aid programmes/projects, budget support; the importance of political and strategic factors driving who receives how much aid; and factors specific to aid recipient countries (institutional capacity, degree of national integration, natural resource conflicts). These are summarised in **Figure 6.1**.

Cooksey identifies the proliferation of aid agencies, INGOs and 'philanthro-capitalists' as a factor making coordination more difficult. 'The proven difficulty of coordinating aid delivery on either donor or recipient side suggests growing levels of aid 'fragmentation' and policy incoherence.'<sup>373</sup> An underlying factor weakening the OECD donors' commitment to corruption control among recipient countries is their support for the west in the global 'war on terror'. In addition, the rise of China as a major player prompts the big agencies to worry about their share of the aid market, and bilateral agencies to worry about their broader economic interests: access to raw materials, markets for consumer goods and services, aid spin-offs to the private sector, and so on.

---

<sup>370</sup> For a contrary view see: Gadosa Lamtey 2013. 'Tanzania praised for better use of aid, scores low on graft war', *Guardian*, 19 November.

<sup>371</sup> The WB debars companies found to be paying bribes, and prosecutes staff accused of corruption. See Cooksey 2014 for details, and Reporter 2013. 'World Bank's blacklist on graft soars to 7-year high', *Business Times*, 8 November.

<sup>372</sup> Based on Cooksey 2014:3-4.

<sup>373</sup> Cooksey 2014: 18.

**Figure 6.1: Aid corruption risks and trends**

<b>Corruption risk</b>	<b>Examples</b>	<b>Trend</b>
<b>Trends in aid commitments</b>	More aid puts pressure on local 'absorptive capacity' and accountability mechanisms.	Rising despite 2008 global crisis.
<b>Donor proliferation, aid fragmentation</b>	More public and private aid undermines coordination efforts and empowers aid recipients.	Rising rapidly.
<b>Aid composition</b>	General budget support is 'fungible' compared to project aid.	In transition to 'lower risk' scenario.
<b>Aid dependency</b>	The negative consequences of aid increase with the level of aid dependency.	Declining trend.
<b>Strategic alliances</b>	Geopolitics of terrorism and security; competition for resources and markets.	Increasing with trends in global terror and the China factor.
<b>Recipients' political economy</b>	Competitive patronage politics makes aid a good target for rent-seeking.	Rising competitive patronage.

*Source: Based on Cooksey 2014: 18*

A key cause of aid ineffectiveness is coordination failure among both donors and recipients. According to an OECD/DAC report:

'...the ever growing number of donors and aid agencies and mechanisms across the world is making aid increasingly fragmented and reducing its effectiveness. As a result the international aid effort now adds up to less than the sum of its parts.'<sup>374</sup>

Lack of coordination has undermined the realisation of the Paris Declaration and subsequent high-level commitments to improve aid effectiveness. The growth and diversification of sources of development aid in recent years have worsened aid coordination problems and risks of misuse. The emergence of China as a major actor on the aid scene is likely to have dramatic effects in this regard. Some argue that Chinese projects in the country are highly overpriced since they are sold as inclusive 'turn-key' packages with no competitive tendering.<sup>375</sup>

The final and most decisive factor influencing the aid-corruption relationship is the political economy of the recipient state, including the processes of rent-seeking and

<sup>374</sup> OECD/DAC 2009. 'Development Cooperation Report 2009', cited by Cooksey 2014: 11.

<sup>375</sup> IRIN 2013. 'Behind China's aid structure', *Guardian*, Dar es Salaam, 28 September.

distribution. TGR has dealt with this issue in relation to budget support, where low levels of transparency and accountability in PFM have posed major risks for aid effectiveness and donor confidence.

### 6.3 Supply and demand for ‘good governance’

Good governance is part of the western world’s project of bringing democracy and the market economy to developing countries. Anti-corruption is promoted as a key component of transparent and accountable government in both global, pan-African and local forums (see **Chapter 2**). While both the governance and anti-corruption discourses were originally externally sourced, they have been internalised within the Tanzanian state in different ways. Large-scale corruption provides opposition parties opportunities to campaign against the ruling party, generating keen public interest. While the ruling party defends its anti-corruption record (see **TGR 2012, Chapter 1**), opposition parties promise to clean up on the corruption practiced by the current incumbents of power. By contrast, good governance is too diffuse a concept to have much popular traction, though senior politicians often make reference to it in laying out their policies, particularly in international forums.

Single donors and groups of donors finance a range of governance and anti-corruption programmes and projects. DFID, for example, finances government agencies (PCCB, NAOT, the Financial Intelligence Unit (FIU) and others) to implement the Strengthening Tanzania’s Anti-Corruption Action (STACA) (2012-15) project, worth over US\$ 13 million.<sup>376</sup> After noting a number of successes the 2013 Annual Review noted that:

‘Delays in release/transfer of funds have led to difficulties for implementing institutions. Current programme activities have a tendency to focus on low-level capacity building such as training, equipment and study tours; although these may lead to incremental improvements in capacity they are unlikely to have a significant impact unless combined with more strategic initiatives to address underlying incentives and opportunities for corruption. Additionally, stronger efforts are also needed to promote more effective cooperation between institutions.’<sup>377</sup>

TGR 2012 reviewed success and failure in donor support to Tanzanian formal institutions of accountability. It concluded that enforcing accountability on politicians and officials suspected of involvement in grand corruption was constrained by the informality of accountability ‘in the real world.’<sup>378</sup> The apparent upward trend in all types of corruption in recent years seems impervious to state-donor efforts to control it. Moreover, there are signs that the GoT is asserting local

---

<sup>376</sup> DFID 2013. Strengthening Tanzania’s Anti-Corruption Action (STACA), Annual Review Report.

<sup>377</sup> DFID 2013: 2-3.

<sup>378</sup> Policy Forum 2014: 30.

ownership of development policy and downplaying the good governance preoccupation of major donors.

CCM and the government of Tanzania have made it clear that they intend to move away from the traditional aid relationship, in the spirit of the Paris Declaration (2005), the follow-up Accra Agenda for Action (2008), and particularly the Busan Partnership for Effective Development Cooperation (2011).<sup>379</sup> The current framework for aid coordination is known as the Development Assistance Framework (DAF). According to the Ministry of Finance, DAF was required to respond to:

'new developments in development cooperation, including increased diversification of sources of finances, new and emerging development assistance providers, as well as the implication of the shift from aid effectiveness to development effectiveness.' This requires 'changes in coordination of development cooperation, financing modalities, risks and dialogue.'<sup>380</sup>

In the 40-page DAF blueprint, the word 'governance' appears only twice, on neither occasion qualified by the adjective 'good'. However, there are over 20 references to 'accountability.' 'Development Partners' are now referred to as 'Development Cooperation Partners' (DCP). No role is specified for non-state actors.<sup>381</sup> Since 2005, the ruling party has abandoned decentralisation as a governance principle and endorsed the need for strong, central leadership. In 2010, the year Jakaya Kikwete began his second term as president, CCM published a revealing policy position paper that reads in part as follows:

'Asian Countries which developed rapidly were not celebrated for their democracy and good governance. We ourselves decided to have a democratic system by our own choice and we must continue on that path as freedom and respect is both an objective and a catalyst for human development. But Tanzanians know that in our great national achievements, a key lever of success has been the political will of our country's supreme leadership.....'<sup>382</sup>

The GoT and CCM frustration with traditional donors' continued tendency to impose governance and anti-corruption conditions on budget support helps explain the gradual cooling of relations between the two since the principle of 'local policy ownership' was mainstreamed. In 2006-07, the donors, sensitive to critical reports of the misuse of aid in their home countries, withheld budget support for some months over the EPA scandal, which they more or less forced the GoT to

<sup>379</sup> URT 2013: 'Development Assistance Framework,' Ministry of Finance, September, page 6.

<sup>380</sup> URT, 2013. 'Development Assistance Framework,' Ministry of Finance, September, page 6.

<sup>381</sup> URT 2013. 'Development Assistance Framework', Ministry of Finance, September.

<sup>382</sup> Chama Cha Mapinduzi 2010. 'Mwelekeo wa Sera za CCM Katika Miaka ya 2010 hadi 2020', CCM, Dar es Salaam, page 6, cited by Per Tidemand 2015. 'Political Economy of Local Government Reforms in Tanzania', page 7.

investigate.<sup>383</sup> A growing perception that the GoT has been seriously underperforming in PFM, corruption control, utilities management and service provision, has undermined donor confidence in the GBS project, which is set to drop drastically in years to come.<sup>384</sup>

## 6.4 Conclusion

We have previously challenged the polarised view that 'foreign aid' is either all good or all a waste of money, with little or no middle ground. While one can list donor-initiated reforms and donor-financed projects that have been successful and sustainable, one can list others that have failed. Vested interests on both sides of the aid equation effectively collude to trumpet successes and hide the failures, making it difficult for aid to be open to learning by doing, accepting a degree of failure as 'normal'. Changes in the aid relationship have been driven more by political developments and crises of confidence following major corruption revelations than by monitoring progress on the ground and seeing what works. But there are signs that the GoT is no longer prepared to make concessions to placate frustrated donors. In this sense, 'local ownership' of the development strategy is taking root.<sup>385</sup>

---

<sup>383</sup> Multilateral contributors to GBS, including the WB and ADB, are one step removed from democratic accountability. Bilateral donor countries put large amounts of money into the WB and other multilateral agencies, for whose project failure and non-sustainability rates they should thus be held responsible.

<sup>384</sup> Joseph Lugakingira 2013. 'How is Tanzania faring in drive against corruption?', *Citizen*, 18 May.

<sup>385</sup> Alawi Masare 2013. 'Donor funding unreliable', *Citizen*, 11 April; Emmanuel Mulondo 2013. 'Donors: Reforms "not good enough"', *East African*, 11 May; Reporter 2013. 'House team reacts to donors' ire', *Citizen*, 26 November.

## CHAPTER 7: EAST AFRICAN PERSPECTIVES

### 7.1 Introduction

The EAC was reestablished in 2000, two decades after the first EAC collapsed. The EAC Charter commits members to trade, monetary and eventually (political) integration. The second EAC has made considerable progress in deepening intra-regional trade through its Customs Union (CU) and Common External Tariff (CET). Cross-border investment and labour movements have also increased. Yet, there are many problems. The agreed internal and external tariff rates are frequently ignored. Multiple non-tariff barriers increase the cost and risk of cross-border trade. The main ports are inefficient, Dar es Salaam in particular. In 2013, a 'fast-track' group consisting of Kenya, Uganda and Rwanda emerged favouring more rapid integration, threatening to leave Tanzania (and Burundi) behind. Tanzania's gradualist approach is seen as either undermining progress towards integration or as a realistic strategy acknowledging historical inequalities between member states.

This chapter looks at Tanzania's political and economic relations with its neighbours in the East Africa Community (EAC) and cites some comparative data on governance performance and trends.<sup>386</sup>

### 7.2 Tanzania-EAC relations

Tanzania is the largest and most populated country in the EAC, with the lowest population density (**Table 7.1**).

**Table 7.1: EAC member states: size and population, 2013**

Indicator	Surface area ('000 sq kms)	Percent	Population (millions)	Percent	Population density (per/sq km)
<b>Tanzania</b>	939.3	51.7	44.5	32.9	50
<b>Kenya</b>	582.7	32.1	38.6	28.5	68
<b>Uganda</b>	241.6	13.3	32.9	24.3	165
<b>Burundi</b>	27.8	1.5	8.7	6.4	312
<b>Rwanda</b>	26.3	1.4	10.7	7.9	406
<b>Total</b>	<b>1,817.7</b>	<b>100.0</b>	<b>135.4</b>	<b>100.0</b>	<b>79</b>

Source: [www.eacint/statistics/index](http://www.eacint/statistics/index)

<sup>386</sup> Tanzania, rather than the EAC, is the focus of this Chapter. The Society for International Development (SID) publishes an annual 'state of East Africa' report which presents comparative data on the region on a thematic basis. See Society for International Development 2013. 'The State of East Africa 2013: One people, One Destiny? The Future of Inequality in East Africa', Nairobi: SID.

Since the 1960s, Tanzania has received and settled large numbers of refugees fleeing ethnic violence in their own countries, the largest number coming from Burundi. Many were eventually granted Tanzanian citizenship, but in 2013 most remaining refugees were repatriated. This move was seen as symptomatic of deteriorating relations between Tanzania and its neighbours. In particular, relations between Dar es Salaam and President Paul Kagame of Rwanda deteriorated as Tanzania seemed to side with the Democratic Forces for the Liberation of Rwanda (FDLR), a DRC based rebel group, against the Rwandan government. Relations reached crisis point when, on May 26 2013, Kikwete urged Kagame to enter into peace talks with the FDLR, a call dismissed by Kagame as 'dancing on the graves of our people.'<sup>387</sup> In July 2013, the GoT started repatriating thousands of 'illegal immigrants', particularly in the northwest of the country in *Operation Kimbunga* and people without work permits more generally. The Tanzanian authorities claimed that, of the 8,509 'illegal immigrants' who had left the country 5,521 returned to Rwanda; 2,744 to Burundi and 244 to Uganda. '... commentators in Kigali interpreted the directive as an expulsion of Rwandan refugees from Tanzania.'<sup>388</sup> Many Ugandan and Kenyan private English-medium school teachers are said to have been sent home.<sup>389</sup>

Some observers sensed that Kenya, Uganda and Rwanda—dubbed by journalists the 'Coalition of the Willing' (COW)—were more determined to forge a political union than the other two EAC members, and were more proactive in developing joint infrastructure projects and implementing the trade facilitation components of the EAC Treaty. As well as the Single Customs Territory, the COW countries were progressing with adopting National Identity Cards for intra-EAC travel, an EAC single tourist visa, and the implementation of the EAC Railways Master Plan.<sup>390</sup> Tanzania was not invited to Infrastructure Summits held in June in Kampala and August in Mombasa. State House in Nairobi confirmed that Tanzania was not invited, though South Sudan—not an EAC member—was.<sup>391</sup>

It is important for the EAC's landlocked countries to maintain good relations with their coastal neighbours since they depend on Dar es Salaam and Mombasa ports

---

<sup>387</sup> Booth, David, Brian Cooksey, Frederick Golooba-Mutebi and Karuti Kanyinga 2014. 'East African prospects, An update on the political economy of Kenya, Rwanda, Tanzania and Uganda', ODI, May, chapter 3.

<sup>388</sup> Daniel Kalinaki 2013a. 'All eyes on Dar, Kigali ahead of meeting', *East African*, 24-30 August. See also Daniel Kalinaki 2013b. 'EAC states pull in different directions as Dar is isolated', *East African*, 31 August – 6 September.

<sup>389</sup> Salome Gregory, 'After Cyclone, teacher shortages bite schools', *Citizen*, 15 Oct 2013: Saumu Mwalimy, '1,500 foreign teachers leave', *Citizen*, 19 Oct 2013. A two-year work permit costs USD 2,000.

<sup>390</sup> Juma Mwapachu 2013. 'Structural challenges impeding deeper EAC integration', *Citizen*, 22 September. Mwapachu concludes: 'the fact that such decisions and actions are taking place trilaterally raises serious questions about EAC's future in its current form.'

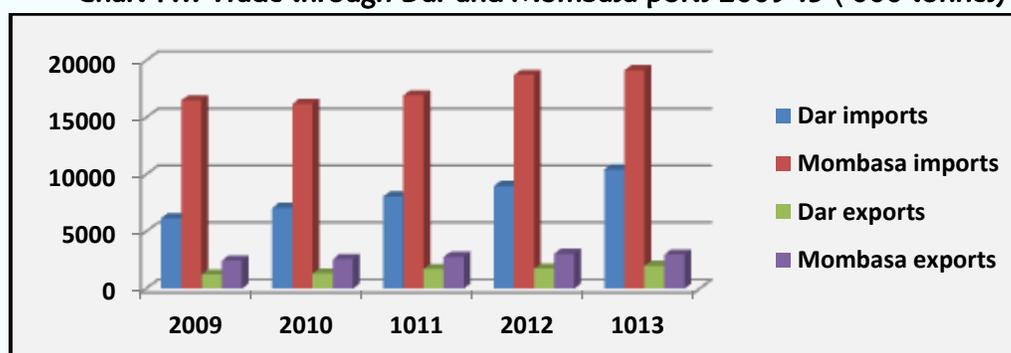
<sup>391</sup> At the Mombasa Infrastructure Summit in August, the heads of state committed to having a draft constitution for a political federation ready by October 15. Tanzania's presence in DRC—in which its troops in the UN Intervention Brigade were pitted against the Kigali backed M2—complicates matters.

for most of their imports and exports. **Chart 7.1** shows trends in the performance of the two ports between 2009 and 2013.

Mombasa port handles nearly twice as many imported goods as Dar es Salaam. Imports handled by Dar es Salaam port increased by over two-thirds between 2009 and 2013, from 6.2 to 10 million tonnes, while in Mombasa imports increased by 16 percent, from 16.5 to 19.1 million tonnes. In both cases, over 70 percent of cargo is destined for national markets.<sup>392</sup>

There are signs that cooperation between Kenya, Uganda and Rwanda on customs procedures and road transport regulation is bringing down the cost of moving goods from Mombasa inland, and that the Rift Valley Railway is carrying more freight under new management.<sup>393</sup> In both Tanzania and Kenya, the lion's share of cargo is moved by private trucking companies that are politically well-connected.

Chart 7.1: Trade through Dar and Mombasa ports 2009-13 ('000 tonnes)



Source: Based on Hoffman and Kidenda 2014: 6.

### 7.3 Comparative governance indicators

Tanzania's apparent foot-dragging on certain aspects of integration is said to reflect fear of Kenyan economic dominance in a more liberalised trade environment. Tanzania's poor educational standards underpin a lot of the friction with neighbours Kenya and Uganda.<sup>394</sup> Tanzania is wary of its land-hungry neighbours' designs on the country's vast land mass (**Table 7.1**).<sup>395</sup> The economic performance and

<sup>392</sup> Over a fifth (22 percent) of Mombasa imports are destined for Uganda, while 15 percent of Dar imports are for Zambia.

<sup>393</sup> Hoffman and Kidenda (2014: 7).

<sup>394</sup> Ronald Aminzade 2013. *Race, Nation, and Citizenship in Post-Colonial Africa: The Case of Tanzania*, New York: Cambridge University Press.

<sup>395</sup> Ray Naluyaga 2013. 'Dar's isolation due to refusal to 'free' its land – EALA member', *East African*, 7-13 September. The right to own land across the region and a defence pact are fundamental to the proposed political federation.

competitiveness of EAC members is in part a function of their policy choices and the quality of economic regulation. Here we cite a number of comparative governance indicators for the EAC derived from global surveys.

Country comparisons on a range of business regulation indicators for 2013 reveal significant differences in performance between EAC member states. **Table 7.2** compares EAC members on ten business related indicators for 2013, according to the WB/IFC ease of Doing Business report, which is based on interviews with business owners and managers.

Only Burundi underperforms Tanzania in East Africa, and Rwanda is a star performer. Overtime, Tanzania's relative performance in 'doing business' has deteriorated, as shown in **Chapter 4**. Somewhat surprisingly, Tanzania's second best performance ranking is obtaining electricity. Perhaps this reflects a reduction in power outages during the target year (for manufacturers, power reliability is more important than cost).

**Table 7.2: Doing business in East Africa 2013, rank and percentile**

	Rwand a	Uganda	Kenya	Tanzani a	Burund i
<b>Ease of doing business (/185)</b>	<b>52</b>	<b>120</b>	<b>121</b>	<b>134</b>	<b>159</b>
<b>Percentile*</b>	<b>28</b>	<b>65</b>	<b>65</b>	<b>72</b>	<b>86</b>
<b>Starting a business</b>	8	144	126	113	28
<b>Dealing with construction permits</b>	98	118	45	174	141
<b>Getting electricity</b>	49	127	162	96	164
<b>Registering property</b>	63	124	161	137	127
<b>Getting credit</b>	23	40	12	129	167
<b>Protecting investors</b>	32	139	100	100	49
<b>Paying taxes</b>	25	93	164	133	137
<b>Trading across borders</b>	158	159	148	122	177
<b>Enforcing contracts</b>	39	117	149	36	175
<b>Resolving insolvency</b>	167	69	100	129	161

Source: Adapted from World Bank/IFC 2013. 'Doing Business 2013: Smarter regulations for small and medium enterprises', Washington. \*Lower percentiles denote better performance.

**Table 7.3** summarises trends from 2008 to 2013 in the competitiveness of EAC countries, using the World Economic Forum's annual global survey results, which is based on expert opinions.

**Table 7.3: Global competitiveness of EAC countries, 2008-13, ranks, scores, percentiles**

	2008/09			2010/11			2012/13			2013/14		
	/13 4	/1 0	%	/13 9	/10	%	/14 2	/1 0	%	/14 8	/10	%
<b>Rwanda</b>	-	-	-	80	4.0 0	5 8	63	4.2	44	66	4.2 1	4 5
<b>Kenya</b>	93	3.8	6 9	106	3.6 5	7 6	106	3.7	75	96	3.8 5	6 5
<b>Tanzania</b>	113	3.5	8 4	113	3.5 6	8 1	120	3.6	85	125	3.5 0	8 4
<b>Uganda</b>	128	3.3	9 6	118	3.5 1	8 5	123	3.5	87	129	3.4 5	8 7
<b>Burundi</b>	132	3.0	9 9	137	2.9 6	9 9	142	2.8	10 0	146	2.9 2	9 9

<http://www.weforum.org>

The World Bank's biannual Logistics Performance Index 2014 (2013 data) on 160 countries may shed some light on Tanzania's infrastructural weaknesses (**Table 7.4**), (2013 data). While none of the four countries performs particularly well by international standards,<sup>396</sup> Rwanda and Kenya outperform Tanzania and Burundi, with Tanzania in the 86<sup>th</sup> percentile globally.<sup>397</sup> The scores in the 'international shipments' and 'logistics competence' columns confirm the superiority of Mombasa over Dar es Salaam port.

<sup>396</sup> Like all comparative indicators, these should be interpreted with care. Burundi, for example, appears to 'outperform' Tanzania, but faces many fewer logistical challenges, so comparison is inappropriate. TPA claims that dwell times for containers have fallen.

<sup>397</sup> Filiberto Sebregondi 2013. 'Challenges of doing business in Tanzania', *Citizen*, 21 April; Michael Pandisha 2013. 'Over-regulation hampers investment and employment opportunities', *African*, 22-28 April.

**Table 7.4: EAC Logistics Performance Index 2014**

Country	Rank (/160)	Score (/5)	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Time-liness
Kenya	74	2.81	1.96	2.40	3.15	2.65	3.03	3.58
Rwanda	80	2.76	2.50	2.32	2.78	2.64	2.94	3.34
Burundi	107	2.57	2.60	2.40	2.60	2.51	2.51	2.76
Tanzania	138	2.33	2.19	2.32	2.32	2.18	2.11	2.89

Source: [www.lpi.worldbank.org/international/global/2014](http://www.lpi.worldbank.org/international/global/2014)

**Corruption.** Corruption is of different types and benefits different individuals and groups, largely at the expense of the public interest. What Transparency International refer to as 'petty corruption' is the common form of 'rent scraping' at the interface between state workers and the public. The East African Bribery Index gives evidence of experience of bribery among the public. Normally, the East African public reports that the most corrupt institution is the police. The Transparency International East African Bribery Index (EABI) for 2013 ranks the police first, followed by the judiciary, educational institutions and medical services.<sup>398</sup>

Corruption is cited by entrepreneurs as a major business risk undermining the business environment by its pervasiveness and unpredictability. **Table 7.5** reports the performance of the EAC states in Transparency International's Corruption Perception Index (CPI).

**Table 7.5: CPI scores and ranks for EAC members, 2009-13**

	2009 (/180)		2010 (178)		2012 (174)		2013 (177)	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Rwanda	89	3.3	66	4.0	50	5.3	49	5.3
Tanzania	126	2.6	116	2.7	102	3.5	111	3.3
Uganda	130	2.5	127	2.5	130	2.9	140	2.6
Kenya	146	2.2	154	2.1	139	2.7	136	2.7
Burundi	168	1.8	170	1.8	165	1.9	157	2.1

Source: Transparency International: [www.transparency.org](http://www.transparency.org)

After some years of relative improvement, Tanzania's ranking fell from the 62<sup>nd</sup> percentile in 2012 to the 71<sup>st</sup> in 2013, equal to a fall of nine places in the global

<sup>398</sup> <http://www.tiuganda.org/files/downloads/East%20Africa%20Bribery%20Index%202013.pdf> Uganda was not included in the survey.

rankings. In the EAC, Tanzania ranks ahead of Kenya, Uganda and (especially) Burundi, but lags behind Rwanda, whose corruption control performance, along with regulation, law and order and service delivery, has improved dramatically in recent years.<sup>399</sup>

The other main forms of corruption are state plunder (politicians, officials and private actors collude in looting state coffers); state capture (a company or cartel buys political support over policy, regulation, tendering, and taxation); and extortion (officials and politicians hold companies to ransom in exchange for protection or bribes).

Which type of corruption does the CPI measure? There appears to be a growing bias towards petty corruption facing, for example, local and foreign entrepreneurs.<sup>400</sup> Grand and political corruption may or may not have a direct impact on particular economic actors, though the indirect effects are often disastrous for business and society as a whole. This survey was unique in that it distinguished between instances of bribes offered pro-actively and those extorted from a member of the public. In Tanzania's case, while half the respondents who experienced an encounter with any of a range of services reported no bribe, 37 percent said a bribe was expected or requested, while in fully 13 percent of cases the respondent confessed to *offering* a bribe.<sup>401</sup>

#### 7.4 Conclusion

Is Tanzania pulling its weight in the EAC? According to the Community's former Secretary General Juma Mwapachu:

[The] EAC ... is under stress largely for unreasonable causes and Tanzania is mostly to blame. We all know and appreciate that regional integration is fundamentally politically driven. ... Tanzania should feel free to opt out openly from areas of cooperation and integration it finds unreasonable at this time. But it fails to do so and instead either blocks or delays decisions towards deepening and widening EAC integration. Kenya, Uganda and Rwanda, on the other hand, want to move with speed. ... Unfortunately Tanzania is now crying wolf and accusing others of isolating her. On the contrary, Tanzania is isolating itself.<sup>402</sup>

Tanzania is the sole long-term stable country in the region, having suffered neither military coup, presidential succession crisis, widespread ethnicised violence,

<sup>399</sup> Rwanda's poor performance on 'voice' and the rule of law have deteriorated at the same time, leading some to speculate whether benign dictatorship is preferable to democratic politics from a public interest point of view.

<sup>400</sup> 'Growing' because a majority of new data sources added to existing ones are from risk analysts or other business sources, concerned mainly with the prevalence of 'rent scraping'.

<sup>401</sup> <http://www.tiuganda.org/files/downloads/East%20Africa%20Bribery%20Index%202013.pdf>.

<sup>402</sup> Email message, 4 November 2013.

genocide, terrorist attacks or other form of state failure.<sup>403</sup> Its political and administrative institutions have benefited from this peace and tranquility, which has also served to attract long-term, indulgent donors. Still state management efficiency remains low: rent-scraping is the norm at all levels; politics has invaded the bureaucracy and local government, increasing the level of state plunder; and political interest-peddling by certain companies and individuals undermines the implementation of coherent policy across key economic sectors.

As long as Tanzania remains relatively peaceful and stable, it will have a political edge over its more conflict prone neighbours, but there is no room for complacency based on a sense of 'Tanzanian exceptionalism'. As shown in **Chapter 1**, the potential for a further escalation in violence should be a matter of serious concern for the ruling elite and the public.

## CHAPTER 8: MONITORING POVERTY and WELL-BEING

### 8.1 Introduction

**"Growth in Tanzania has been concentrated in ... mining and telecommunications and soon natural gas—failing to produce widespread job creation, failing to raise incomes of the masses and failing to reduce poverty."**<sup>404</sup>

Past TGRs have flagged the disparity between rapid economic growth, which continued at seven percent during 2013, and the slow rate of poverty reduction. Figures released in November 2013 suggested that 28.2 percent of Tanzanians were living below the poverty line compared with 33.6 percent in 2007, a significant decline.<sup>405</sup> But these figures are not directly comparable since the research methodologies and tools employed in the calculations have changed.<sup>406</sup> **Box 8.1** cautions the reader on the evidence we call on to do our analysis.

#### **Box 8.1: Numbers, evidence and invention**

It is important to remember that our analysis and conclusions are only as good as the information on which they are based. Valid and reliable facts and figures are often in short supply. The state does not always collect or share 'sensitive' information with the public. Surveys claiming to be representative and reliable may produce dubious findings. For example, estimates of the number of

<sup>403</sup> The brief war with Uganda (1978-79) was the result of Amin's rule rather than any underlying rift between Tanzania and Uganda.

<sup>404</sup> Felix Lazaro 2013. 'Economic shift to lower farming role', *Citizen*, 31 January. The quote is from Philippe Dongier, World Bank country director for Tanzania, Burundi and Uganda. Note the assumption that the gas economy is just around the corner.

<sup>405</sup> High levels of poverty continue as inequality increases, in Tanzania as in many other countries of the world. Juma Mwapachu 2013. 'Inequality: Tanzania's defining challenges in 2014', *Citizen*, 29 December; Richard Dowden 2013. 'Africa's image and reality: Wealth and poverty sit side-by-side', *African*, 21-27 January.

<sup>406</sup> World Bank op. cit.

Christians, Muslims and members of 'other' religions vary wildly. Numbers can be simply made up to exaggerate or underreport 'real' conditions. A number of African countries, including Tanzania, have revised upwards their GNP estimates by large amounts as a result of changes in the methodology employed in their calculation ('rebasing'). It is difficult to collect accurate data on agriculture and livestock production, maternal mortality and (by definition), smuggling, drug trafficking and illicit financial flows. A 2013 report on tax exemptions commented: 'Based on data made available ... to assess either the cost of each tax exemption or the revenue recuperated ..., *it has been impossible to come [up] with reliable estimates.*' An important lesson is: don't trust the numbers. Source: CRC Sogema 2013. 'PER Tax Exemptions Study, Final Report and Briefing Note', October.

Per capita growth rates, though high by Tanzanian standards, are well below what is required to bring about economic transformation. Lu Youqing, China's ambassador to Tanzania, is quoted as saying: "There is still a long way for the country to go to realise industrialisation. It is still short of electricity supply." A 2013 World Bank report says: "Economic growth will remain constrained by Tanzania's weak performance in policy areas, including the business environment, human development, and government effectiveness."<sup>407</sup>

Below we present some evidence on Tanzania's efforts to combat poverty and improve well-being. First, we collect some development indicators for the target year to situate Tanzania in a global context, as done in various preceding chapters. We then look at progress recorded in monitoring Tanzania's growth and poverty reduction strategy 'MKUKUTA' and reflect on the related Millennium Development Goals (MDG), due to conclude in 2015 (another round is foreseen). A short section reviews emerging information on well-being.

## 8.2 Human development indicators 2013

**Table 8.1** presents a variety of indicators covering degree of democratic government, press freedom, budget transparency, governance in general, and a combined index of human development.

---

<sup>407</sup> Katrina Manson 2013, *Financial Times*.

**Table 8.1: Tanzania development indicators 2013<sup>408</sup>**

Democracy Index*		Press Freedom Index		Open Budget Survey **		Ibrahim Index		Human Development	
N=167		N=179		N=100		N=52		N=187	
Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
89	53	70	39	51	51	17	33	159	85

\*2011/12 data; \*\*2012 data

Viewed globally, in 2013, Tanzania performed particularly well in overall governance (Ibrahim Index of African Governance), freedom of the press, followed by budget openness and democracy. Yet, despite these achievements, Tanzania continues to rank low on human development, measured by the UNDP's annual Human Development Index, which is based on school enrollments, GDP, and life expectancy.<sup>409</sup> It is difficult to reconcile these two apparent trends, unless governance (broadly defined) has little or no impact on human welfare.<sup>410</sup>

### 8.3 Monitoring MKUKUTA and the Millennium Development Goals

**MKUKUTA**, Tanzania's National Strategy for Growth and Poverty Reduction, has three components or 'Clusters', dealing with economic growth and income, quality of life and social wellbeing, governance and accountability. The Poverty Eradication Division in the Treasury is responsible for monitoring the implementation of MKUKUTA, which completes its second phase in 2015. **Chapters 3 and 5** above deal with constraints on improving social service delivery (Cluster 2), while performance in building and maintaining infrastructure and utilities (Cluster 1) is reported in **Chapters 2 and 4**. Regarding governance and accountability (Cluster 3), the Annual Implementation Report for 2012-13, claims that:

'... the government ... continu[ed] to implement the Open Government Partnership (OGP), review[ed] procurement and financial management systems with a view to promoting transparency and accountability; ensur[ed] that institutions adhered to the established public reporting mechanisms; invest[ed] in human and institutional capacity-building as well as promoting active participation of society in the overall process of development and review of the national constitution.<sup>411</sup>

<sup>408</sup> Democracy Index: [http://www.eiu.com/public/topical\\_report.aspx?campaignid=Democracy0814](http://www.eiu.com/public/topical_report.aspx?campaignid=Democracy0814)

World Press Freedom Index: <http://en.rsf.org/press-freedom-index-2013,1054.html>

Open Budget Survey: <http://survey.internationalbudget.org/#timeline>. Mo Ibrahim Index:

<http://www.afcgn.org/wp-content/uploads/2013/11/Ibrahim-Index-of-African-Governance-2013.pdf>

Human Development Index: <http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf>

<sup>409</sup> Tanzania's HDI score improved from .435 in 1990 to .488 in 2013. Rebasings GNI (one component of the HRI) will automatically raise the score, however.

<sup>410</sup> Rwanda is a contrasting case: weak press and political freedom combined with significant human development, as described in the previous chapter.

<sup>411</sup> URT 2013. 'Mkukuta annual implementation report 2012-13', Ministry of Finance, November, page xvii.

Governance issues dealt with in the report include financial integrity and accountability; justice and rule of law; inclusiveness, democracy and corruption. We cite a few findings that have not appeared in other chapters. According to the Human Rights Commission: 'The number of new registered human rights complaints increased from 886 ... in ... 2011/12 to 1,185 ... in 2012/13; an increase of 75 percent.'<sup>412</sup>

According to the Ministry of Home Affairs Budget speech of 2013/14, reported crimes increased only marginally between 2011 and 2012, but while minor offences increased, major offences declined (**Table 8.2**).

**Table 8.2: Reported Crimes, 2011-**

**2012**

Type of Crime	2011	2012
Minor Offences	488,664	493,937
Major Offences	76,052	72,765
Total	564,716	566,702

Source URT 2013: 85

As a result of a 'civilianization' programme, there was a 'reduction of congestion of inmates in remand prisons and police lockups from 35,581 in July 2012 to 33,338 in June 2013.'<sup>413</sup> According to the Minister of Home Affairs, Emmanuel Nchimbi, as of 1<sup>st</sup> February, 2013 out of the 34,355 inmates in prisons at the time, 18,025 ... were pre-trial and remand prisoners...'. If these figures are correct, more than half (52 percent) of all prisoners are in remand.<sup>414</sup>

The MKUKUTA review also reports that:

'In order to ensure that there is integrity among leaders, every public leader had to declare wealth. During the period under review 9,174 public servants took declaration forms to declare their wealth as required by law. Out of these, 8,551 forms equal to 93 percent were filled and returned.'<sup>415</sup>

<sup>412</sup> URT 2013: 84. We are not told how cases were processed and how many were prosecuted.

<sup>413</sup> URT 2013: 89. Time spent in remand is the equivalent of detention without trial, a clear human rights abuse. Juveniles and children are particularly vulnerable to abuse when held in police detention (LHRC 2014: 229, citing CHRAGG Inspection Report for Children in Detention Facilities in Tanzania, June 2011).

<sup>414</sup> LHRC 2014: 234. Public perceptions of a rising trend in theft of property was reported in TGR 2012, citing REPOA research undertaken for the GoT as part of the MKUKUTA monitoring system. Views of the People, cited extensively in TGR 2012, reports findings from a large national survey that addresses all three Mkukuta clusters.

<sup>415</sup> URT 2013: 88. We are not told what the declarations were used for or what penalties were imposed on non-compliant leaders. A common weakness of this source is its tendency to assume the positive impacts of the general processes—real or imagined—that it describes. In addition, linkages between governance—in particular, transparency, accountability and corruption control—and socio-economic progress are not spelled out or attempts made to measure them.

We may assess Tanzania's performance in achieving MKUKTA targets after a brief summary of the MDGs, on which they are largely based.

The United Nations' **Millennium Development Goals** (MDG) propose targets for global poverty reduction and human development, to be achieved by 2015. The eight core targets are to:

- 1. Eradicate extreme poverty and hunger;**
- 2. Achieve UPE;**
- 3. Promote gender equality;**
- 4. Reduce child mortality;**
- 5. Improve maternal health;**
- 6. Combat HIV/Aids, malaria and other diseases;**
- 7. Ensure environmental sustainability; and**
- 8. Develop a global partnership for development.**<sup>416</sup>

Progress towards realising these goals has been mixed. According to the World Bank, Tanzania is on track for achieving HIV/AIDS and under-five mortality reduction objectives, but is lagging in primary school completion, maternal health levels, poverty and malnutrition reduction and environmental sustainability.<sup>417</sup>

According to the Commonwealth Foundation, Goals 2 (UPE), 4 (Child mortality) and 7 (environment) demonstrated most progress, with some progress acknowledged on Goals 3 (gender equality) and 6 (HIV/AIDS, malaria). They saw little progress on Goals 1 (poverty), 5 (maternal health) and 8 development partnership.<sup>418</sup> It seems there is agreement that under-five mortality rates have declined significantly,<sup>419</sup> but that poverty rates remain stubbornly high, malnutrition affects far too many children<sup>420</sup> and maternal mortality also remains distressingly common.<sup>421</sup>

---

<sup>416</sup> <http://mdgs.un.org/unsd/mdg/host.aspx?Content=indicators/officialist.htm>. Objective 8 is addressed by the JAS (see **Chapter 6**).

<sup>417</sup> <http://www.worldbank.org/en/country/tanzania/overview>.

<sup>418</sup> Commonwealth Foundation 2013. 'A civil society review of progress towards the Millennium Development Goals in Commonwealth countries, National Report: Tanzania', A civil society review of progress towards the Millennium Development Goals in Commonwealth countries.

<sup>419</sup> The under fives mortality rate fell from 112 deaths per 1,000 live births in 2005 to 91 per 1,000 in 2008 and 81 per 1,000 in 2010, and the infant mortality rate fell from 68 per 1,000 live births in 2005 to 58 per 1,000.

<sup>420</sup> 'Caloric availability at the household level has hardly improved since 1997, and chronic malnutrition is estimated to be an underlying cause of over one third of under-five year old deaths.' UNDP/GOT 2015. 'Tanzania Human Development Report 2014', page xii.

<sup>421</sup> The maternal mortality rate was 454 deaths per 100,000 live births in 2010, compared to 578 deaths per 100,000 in 2004. Commonwealth Foundation 2013: 9. Maternal Mortality statistics are notoriously unreliable.

Income poverty seems to have declined significantly between 2007 and 2012,<sup>422</sup> but this may be a consequence of the rebasing of the economy, which resulted in a one third increase in GDP. Overnight, per capita incomes rose from US\$ 695 to US\$948.<sup>423</sup> Thus the proportion of the population living below the poverty line fell from 33.6 to 28.2 percent between 2007 and 2012.<sup>424</sup>



Some observers challenge the rationale for the entire MDG initiative on the grounds that it targets the wrong goals, and that the causes of social development are much more complex than the MDG approach assumes (**Box 8.2**).

### Box 8.2: Are the MDGs a waste of time?

<sup>422</sup> The 2012 Household Budget Survey estimated poverty and extreme poverty levels at 28.2% and 9.7%, respectively (THDR 2014: xii).

<sup>423</sup> Tanzania Human Development Report 2014: 9 gives a GNI in 2013 of \$1,702 per capita at constant 2011 PPP\$, citing UNDP 2014.

<sup>424</sup> The National Household Budget Survey was undertaken in 2012 and published by the Bureau of Statistics in November 2013.

According to Dichter (2015: 50) the MDGs are 'unachievable because they are the wrong goals.' The goals 'have not been met because they could not have been, and that is because ... they misunderstood poverty and its relationship to development. They posit poverty as a condition to be addressed directly.' Poverty is not so much a condition, but a position. The position of women and girls is a reflection of their cultural and social position. Caste in India condemns millions to subservience and poverty. '...development is a far more complex challenge than that of ensuring more food or better medical care. The keys to poverty eradication have to do with institutions...and with social structural and cultural arrangements. These...are much harder to tackle...because they are by nature non-material but because they are highly layered and complex.' In ... 'least developed countries...' "governments" are rent-seeking, institutions weak or dysfunctional, and social and cultural constructs remain out of line with...the project of modernisation...' The MDGs 'may well be postponing the day when we can begin to tackle poverty in a rigorously analytical and sober manner.'<sup>425</sup>

Source: Thomas Dichter 2015. 'The UN's empty promises', *Prospect*, London, January. See also Maia Green, 2013. 'Evidence, economics and exclusion: super actors, civil society and citizen debate in the post-MDG paradigm', INTRAC, Briefing Paper 39, May.

Green (2013) sees Tanzania's development policy agenda moving away from concerns with poverty reduction and social development, as enshrined in the first MKUKUTA, to a more 'economic' model based on investment and growth. A new set of development practitioners, including philanthropies, big business and China, have steered the development debate towards 'science' (including genetic engineering), technology (including ICT) and big business (including agribusiness).<sup>426</sup> The development discourse based on rights and entitlements is challenged by a new emphasis on personal enterprise and responsibility:

'The idea of personal responsibility and the claimed need to 'sensitise' small farmers to entrepreneurial thinking shifts responsibility for poverty and lack of growth away from the planners and implementers of development interventions, to the supposed beneficiaries.'<sup>427</sup>

The implications of this (hotly contested) shift in emphasis within the development discourse--from poverty alleviation to growth--has had wide reaching repercussions in the international development community as well as among CSOs working on the ground (**Chapter 5**). Throughout the TGR series, we have promoted the notion that collective action rather than individual decision-making is the main constraint on

<sup>425</sup> Thomas Dichter 2015. 'The UN's empty promises', *Prospect*, London, January.

<sup>426</sup> Maia Green, 2013. 'Evidence, economics and exclusion: super actors, civil society and citizen debate in the post-MDG paradigm', INTRAC, Briefing Paper 39, May. See also Brian Cooksey 2013 'What difference has CAADP made to Tanzanian agriculture? Working paper 074, Future Agricultures Consortium Political Economy of Agricultural Policy in Africa, November [www.future-agricultures.org](http://www.future-agricultures.org) for a political economy approach.

<sup>427</sup> Green op. cit., page 8.

Tanzania’s development efforts. Both state and market are essential for development: getting the right balance between the two and the right policy content are key challenges for all actors.

The following section addresses the question of whether people can be both poor and happy.

## 8.4 Well-being

**‘...people living in extreme poverty ... express low levels of happiness with life as a whole.’<sup>428</sup>**

International comparisons of subjective levels of happiness place East African countries, including Tanzania, close to the bottom of the global league table. The World Happiness Report 2012 is based on data collected by Gallup, an international polling company, in 156 countries. **Table 8.2** presents results for Tanzania and the other four EAC countries.

**Table 8.2: World happiness rankings, EAC countries, 2013**

Burundi		Kenya		Rwanda		Tanzania		Uganda	
Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
153	3.706	123	4.403	152	3.715	151	3.770	120	4.443

Scores are out of 10. Figures for 2010-12.

According to the rankings, Tanzanians, Rwandans and Burundians are amongst the least happy people in the world (97<sup>th</sup>-98<sup>th</sup> percentiles), with Uganda and Kenya (77<sup>th</sup> and 79<sup>th</sup> percentiles) not far behind. How are these figures arrived at? The measure of happiness is based on respondents’ contemporary evaluation of their lives viewed as a ladder (the ‘Cantril ladder’) with scores ranging from zero (bottom rung of the ladder, worst imaginable life) to ten (top rung, best possible life).<sup>429</sup> The simple correlation between life evaluation and the more objective UNDP Human Development Index (HDI, see above) is much stronger (0.77) than the correlation between self-assessments of emotional states (‘were you happy/sad yesterday?’) and the same more objective measures. ‘The more objective circumstances of life (income and healthy life expectancy) are very strong determinants of the Cantril ladder life evaluations...’<sup>430</sup> The authors go on to identify:

‘six key variables that ... explain three-quarters of the international differences in average life evaluations: GDP per capita, years of healthy life expectancy, having someone to count on in times of trouble (... “social

<sup>428</sup> John Helliwell, Richard Layard and Jeffrey Sachs 2013 (eds). ‘World happiness Report 2013’, Sustainable Development Solutions Network.

<sup>429</sup> This is known as the Cantril ladder after the author of the concept.

<sup>430</sup> Helliwell et al., page 10.

support" ...), perceptions of corruption, prevalence of generosity, and freedom to make life choices.'<sup>431</sup>

Fourteen of the bottom 20 countries listed in the Global Happiness Report are African, suggesting a close relationship between subjective well-being and poverty.<sup>432</sup> Happiness levels are lower in Africa than elsewhere despite corruption being less of a declared concern than in other regions, and despite higher perceived levels of social solidarity (having someone to rely on in times of need) and generosity. Differences in income levels and health standards are the key factors determining global differences between nations in levels of happiness.<sup>433</sup>

On the positive side, since measurement of happiness using the Cantril ladder began in 2005, some of the largest improvements in scores have been in Africa, while other regions have regressed as a result of economic crises, unemployment and political turbulence.

We conclude that the low levels of life satisfaction in the East African region reflect continued high levels of poverty and ill-health rather than lack of social solidarity and generosity, or concerns with levels of corruption.

## 8.5 Conclusion

Some economists herald the decline in agriculture relative to manufacturing and services as economic 'transformation':

'Tanzania has seen major structural changes in its economy over the last two decades. Agriculture's share in GDP dropped ... from 30.6% in 2001 to 23.7% in 2011. During the same period, the share of manufacturing in GDP increased ... from 8.4% to 9.3%... The services sector expanded from 41.7% to 48%. The new growth frontiers, such as communications, construction and electricity and mineral extraction (including gas), will likely further enhance this transformation.'<sup>434</sup>

Others see Tanzania's economic growth leading the country to 'middle income' status with a growing middle class. At the same time, research cited in TGR 2012

---

<sup>431</sup> Helliwell et al., *ibid.* These issues are also probed in the Gallup survey.

<sup>432</sup> The Sub-Saharan average 'happiness' score of 4.626 compares with the world average of 5.158 and the North American, Australian and New Zealand average of 7.133.

<sup>433</sup> Differences of happiness within countries are relatively high in Africa, suggesting that income inequality within nations influences perceptions of well-being.

<sup>434</sup> African Economic Outlook 2013.

<http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2013/PDF/Tanzania%20%20African%20Economic%20Outlook.pdf>

suggests a broad agreement that wealth disparities between rich and poor have increased rapidly as the economy has grown.<sup>435</sup>

Most economists would agree that economic transformation doesn't simply mean a change in the relative importance of agriculture, manufacturing and service sectors in the national economy, but a rapid commercialisation of agriculture based mainly on improvements in small-holder productivity and market efficiency. Research suggests that no country has achieved 'middle income' status with a growing middle class in the absence of a prior or parallel transformation in agriculture.<sup>436</sup> At the same time as an urban, middle-class is emerging, so is the gap between 'elite' and 'masses' widening. These issues need to be researched.

---

<sup>435</sup> See TGR 2012, Chapter 1, [www.policyforum.or.tz](http://www.policyforum.or.tz). Growing inequality is not necessarily incompatible with poverty reduction.

<sup>436</sup> A University of Leiden-based programme comparing pairs of African and Asian countries highlighted the contrasting development trajectories of *inter alia* Tanzania and Vietnam and Nigeria and Indonesia.

## APPENDIX: SUMMARY OF TGR 2012

During 2012, President Jakaya Kikwete continued to receive praise from the international community for his government's pro-market and 'good governance' policies. In 2012, the number of senior officials dismissed increased, including ministers, permanent secretaries, heads of major parastatals, and army officers. In May, President Kikwete summarily sacked a number of ministers after allegations of corruption. Nevertheless, parliament, the media and opinion leaders criticised the president's perceived lacklustre leadership, failure to deliver on election promises, and inability to reign in corruption in the ruling party and government. While parliament has been more assertive in trying to hold the executive accountable, prosecuting and punishing high-level wrongdoers for abuse of office remains an elusive goal, with the PCCB's failure to find 'plausible evidence' linking Andrew Chenge to the BEA radar scandal the most notable example. Allegations of systematic bribery in CCM internal elections raised doubts over the capacity of the ruling party to 'shed the snake's skin' of corruption. In a national survey, 20 percent of respondents thought the government was 'doing its best' to fight corruption while 57 percent thought it was doing 'very little' or 'nothing at all'. Respondents flagged the cost of living, youth unemployment and the growing gap between rich and poor as major issues.

During 2012, allegations of state involvement in extrajudicial killings, poisoning, abductions and torture tarnished Tanzania's reputation as a relatively benign state. The disproportionate use of force against meetings and demonstrations organised by CHADEMA, the main opposition party, and targeted attacks against journalists and a trade union leader, prompted outrage in civil society and the media, and condemnation from international watchdog organisations.

### National Governance

During the review period, Tanzania's internal and external finances continued to raise concern, though inflation began to fall from its December 2011 peak of 20 percent. The 2011/12 budgetary deficit resulted from relatively poor revenue collection performance and growth in public expenditure. Since 2007/08 the deficit has been increasingly financed by commercial borrowing, with aid transfers stagnant or declining. The national debt increased from Shs 14.4 trillion in 2010/11 to Shs 17 trillion at the end of FY 2011/12. The government granted USD 1.8 billion in tax exemptions during the 2011/12 financial year. Exemptions to companies with privileged elite connections have proven impossible to remove.

The Controller and Auditor General (CAG) continued to complain that most queries are not responded to satisfactorily, and it is difficult to square the apparently improved audit results with anecdotal evidence of systematic procurement

irregularities. Two-thirds of respondents in a 2012 poll said that accountability was stagnant or getting worse, while only 28 percent saw it improving.

### Local Governance

Under-5 mortality fell by 41 percent between 1992-6 and 2006-10 as a result of targeted public health programs on immunisation and malaria control, and nutrition. Between 2004/05 and 2010, adult mortality rates fell by 23 percent for females and by 19 percent for males. But maternal mortality--estimated at 578 deaths per 100,000 live births in 2004/05 and 454 in 2010--remains unacceptably high.

Massive failure in Form 4 examination results in 2012 was blamed on a 'new and untested' grading system. The revised results were not much better. In May, CSOs issued a statement challenging the Ministry of Education to be more transparent, claiming that factors other than the grading system underlie poor performance.

Overall, user satisfaction with domestic water supply improved between 2007 and 2012. Supply interruptions and shortages were significantly less problematic in 2012. But in 2012 almost half Dar es Salaam's population claimed that supply interruptions and shortages were a major problem. Households that used water from an uncovered well were more than three times more likely to have had a case of diarrhoea within the last month (34 percent) than those with a piped water connection inside their home (10 percent).

Input subsidies for seeds and fertiliser provided through the National Agricultural Inputs Voucher Scheme (NAIVS) disproportionately benefited better-off farmers formally outside the scheme. In 2011, less than a quarter of farmers received advice from a government extension officer.

Unqualified ('clean') audit opinions from the CAG increased from 54 percent of the LGA total in 2007/08 to 78 percent in 2011/12. CAG claims that finance management shortcomings in LGAs are the result of inadequate training in preparation of financial statements, inadequate management supervision, collusion between council and bank staff to defraud council funds, and weak internal controls over resource collection and utilisation. CAG found that in 2011/12, 42 percent of budgeted development grants were not released, or Shs 249 billion out of Shs 595 billion.

Fourteen special audits of selected urban and district councils undertaken by the CAG in 2010/11 highlighted weak internal financial control systems that undermine revenue collection and banking and the efficient completion of contracts, allowing culprits to go unidentified and unpunished. Councils fail to supervise and monitor 'development projects', leading to late completion and poor quality of projects. The

practice of appointing relatively junior officials in 'acting' positions (treasurer, internal auditor) for protracted periods and the non-rotation of council staff 'hinders efficient and effective work performance.'

Half the Views of the People interviewees thought local councils misused income compared to a fifth who thought they put money to good use. TGR 2012 again laments the missed opportunities for improving public service afforded by debt relief and growing tax and aid revenues since the turn of the millennium.

## Economic Regulation

The CAG lists 49 Public Regulatory Authorities in 2012. Although the amount of economic regulation that is appropriate for a poor country is contested, the Tanzanian economy is arguably the victim of both over- and under-regulation. Tanzania lacks adequate human and financial resources to manage criminal and civil justice, the registration and protection of land and other property, and many other regulatory functions. On the other hand, export crops such as cashew and cotton are arguably over-regulated. But it does not necessarily follow that more resources would lead to better regulatory outcomes, given the chronic waste and misuse of those currently available. The prospect of large tax windfalls from natural gas and other sources raises the public's hopes for improved welfare and development outcomes, yet 'resource curse' outcomes are also possible, given current levels of bad governance and the unaccountability (impunity) of the political elite.

The GoT does not perform well in terms of private sector regulation, and earlier progress has stalled. Since 2009, Tanzania has stagnated around the 70<sup>th</sup> percentile in the World Bank's Ease of Doing Business survey, highlighting the contradiction between formal investment promoting policies and counterproductive regulatory practices in diverse sectors. The three main weaknesses in the business environment identified by local business leaders were corruption, power supply and taxation.

Tanzania ranks in the middle range of 25 mining jurisdictions in terms of political risk for investors. The country ranks well in permit delays for foreign employees (score of 7/10) and poorly on 'social issues' and corruption (3/10). Since 2010 the three large foreign mining companies have had to pay higher royalties and two of the three have started paying corporation tax. The three complain that a number of conditions in the 2010 Mining Act constitute disincentives to investment in exploration and mining, and in 2012 Barrick attempted (unsuccessfully) to sell its Tanzanian interests to a Chinese corporation. Despite a buoyant gold price, production costs rose sharply and violent conflicts continued between mining companies, local communities and artisanal miners. Pit invasions, theft and vandalism, and accusations of air and water pollution are common. Theft of fuel and

major tax disputes with the TRA also discourage investment. According to industry risk analysts, the government's tax and regulatory policies and practices are frustrating the emergence of an embedded industry of small, medium and large gold mines, both local and foreign.

Extractive industry observers hope the GoT will learn from its experience with gold mining to better regulate the emerging, and potentially much larger, natural gas industry. Outstanding issues include the non-transparent allocation of exploration rights, the focus on national power needs rather than exports as the driver of policy, the possibility of a 'resource curse', and the future role of TPDC in regulating and servicing the gas industry. Managing popular expectations will be a major political concern, as peaceful protests in December by Mtwara residents against the construction of a gas pipeline from Mtwara to Dar es Salaam demonstrate.

External observers note little progress in securing land titles for foreign investors in commercial farming and agribusiness, despite major GoT commitments to liberalise investment, land and trade regimes. Agricultural policy is inconsistent if not contradictory wanting both to promote PPPs and JVs with foreign partners while at the same time protecting 'smallholders' against the threat of 'land-grabbing'. Investors in jatropha all seem to have lost money, and the much-promoted SAGCOT PPP has yet to record any major achievements. Land-titling is a slow and expensive process, and does not protect small farmers against the expropriation of public land.

The tourist sector and hospitality industry in general continued to challenge tax and regulatory decisions by the GoT on grounds of legality, fairness and conformity of new regulations with existing policies. Poaching and smuggling of ivory and other trophies to largely East Asian markets continued at unsustainable levels during the target year.

The introduction of the Warehouse Receipt System (WRS) has disrupted cashew marketing by giving a monopoly of cashew purchases to cooperative unions. Road blocks frustrate farmers' attempts to sell outside their designated union. In the 2011-12 marketing year, tens of thousands of tonnes of cashew remained unsold as exporters refused to pay the floor price proposed by the Cashew Board in October 2011. As the marketing season progressed, farmers complained of non-payment or delayed payments for cashews delivered to unions. In April, about fifty farmers were arrested in disturbances in Tandahimba town following demonstrations demanding full payment for cashew nut sales. Yet the rationale for the WRS is to increase prices paid to farmers by bypassing private cashew buyers.

In the cotton sector, an on-going dispute pits those promoting the consolidation of a private-sector-driven contract farming system against its opponents. Some ginners and politicians in the cotton growing regions of northern Tanzania are actively (though not publicly) opposed to the contract farming initiative, which has formal support from the political apex.

### Citizens' Voice

Three-quarters of VOP 2012 respondents own a mobile telephone, ranging from half of the poorest group to over nine-tenths of the better-off. Between 2007 and 2012, the increase in mobile phone ownership in Dar es Salaam was 31 percent (from 65 to 85 percent) and in rural areas 293 percent (from 16 to 63 percent).

Between 2007 and 2012 there was a big shift in popular preferences for multi-party politics. Whereas in 2007, less than half of those interviewed were in favour of a multiparty political system, by 2012 nearly two-thirds were, while support for the one-party state fell from two in five to one in four. Moreover, in 2007, the rural population was slightly less enthusiastic than Dar residents about multiparty politics; five years later rural residents are 13 percentage points more 'pro pluralism' than those in Dar. Citizens were also increasingly unlikely to praise the political leadership and government for its performance. However, large majorities of citizens complained about the rising cost of living and youth unemployment, the rich-poor gap, alcoholism and crime.

Surveys identified the police, judges and magistrates, and government officials as highly corrupt in the public view, with a steep upward trend in recent years. One third of contacts with traffic police involved paying a bribe. The incidence of bribery closely followed the perception of the level of corruption.

Commentators remark on the external dependency of Tanzanian civil society at both national and local levels in terms of focus, tactics and finance. Many district-level NGOs/CSOs and umbrella organisations have been created in response to the increased availability of funding for HIV/AIDS, most vulnerable children and other at-risk groups.

At national level, CSOs collaborate on monitoring the extractive industries, starting with mining but now including oil and gas. Coordinated by Policy Forum, the Extractive Industry Working Group is a coalition of FBOs and non-FBOs. In September 2012, the Tanzania Forum on Mining, Oil and Gas held the first major NGO meeting to focus on oil and gas issues. In November, the Tanzania Contract Monitoring Coalition (TCMC) was launched. Inspired by a World Bank initiative, the coalition consists of 22 CSOs from diverse backgrounds, plus the PPRA, and is concerned with monitoring public procurement.

During the target year CSOs continued to promote efforts to make the budgetary process more accessible to the public. A CSO Budget Working Group (BWG) led by PF prepared a Citizens Budget (CB) for 2010/11, which is supposed to be prepared by government under the International Budget Partnership agreement. After concerted lobbying, the Treasury agreed to endorse the CB for 2011/12, which was again prepared by the BWG.

For a number of years, Tanzanian NGOs/CSOs have also been involved in social accountability monitoring (SAM). In Morogoro Rural District council the Union of Non-Government Organisations (UNGO) found that all but one of the planned dispensary construction and rehabilitation projects had not been completed, while in Ileje the Mbozi, Ileje and Isangati Consortium (MIIC) of CSOs was frustrated in their attempts to examine environmental, agricultural and health activities by the lack of access to basic documentation in the district council office. MIIC discovered that Shs 54 million had been spent on allowances in 2009/10, representing 69 percent of non-salary recurrent expenditure. A number of serious constraints on SAM implementation were flagged in TGR 2010/11. These constraints will need to be addressed if SAM is to achieve its full potential in addressing governance issues at the local level.

During 2012, allegations of financial irregularities in a number of high-profile NGOs raised questions about the integrity of the sector. Two major audits of the Legal and Human Rights Centre examined allegations that the construction of the Centre's new offices involved corruption, and a financial officer was sent on study leave. Greater fallout resulted from revelations that USD 400,000 of USAID and Norwegian aid money had been embezzled by the World Wildlife Fund (WWF). By October 2012, 44 staff out of a total of 107 had been dismissed or had resigned.

The Commission for Human Rights and Good Governance (CHRGG) failed to investigate the abduction and torture of the Chairperson of the Medical Doctors Association Dr Stephen Ulimboka or numerous other claimed human rights violations, including the ban on the newspaper Mwanahalisi, violations of freedom of assembly, and the rising trend of extrajudicial killings. However, CHRGG did investigate the killing of journalist Daudi Mwangosi and promptly published a report implicating State officials.

Despite state violence against journalists and the closure of a popular newspaper, Tanzania continued to outperform its neighbours in World Press Freedom rankings. Evidence that media houses collude in the promotion of private interests came to light in late 2012 when IPP owner Reginald Mengi lost an expensive libel case in London that he brought against a former private British investor in Tanzania.

Evidence was presented suggesting that editors of newspapers owned by Mr Mengi were under orders not to publish critical articles about President Kikwete.

A number of stories reported on social media have had practical consequences. In one, an opposition party official was recorded speculating on how to drug and kidnap a journalist, while in another the leader of opposition party CUF defined Tanzanian Muslims as 'second-class citizens.'

### Donor Support

VOP 2012 found that 82 percent of respondents believed that government officials were the major beneficiaries of foreign aid while only 11 percent thought the major beneficiaries were ordinary Tanzanians. Budget support declined from a peak of 20 percent of total expenditure in 2004 to 10 percent in 2010/11. Corruption and slow progress in public finance management have undermined donor confidence in the budget support aid modality. Large loans from China include USD 1.2 billion for the Mtwara-Dar es Salaam gas pipeline. The decline in the importance of foreign aid in the national budget has been viewed positively by the executive and opinion leaders, who considered the policy conditions attached to aid (including budget support) as an intrusion on national sovereignty. Aid projects have failed to deliver lasting progress, and the worsening of key governance indicators reported throughout TGR 2012 serves to underline the failure of anti-corruption and 'good governance' projects in the face of elite resistance and low performance among state actors at all levels.

Examples of corruption involving contractors in World Bank-financed projects that came to light in 2012 include the Dar es Salaam Water and Sanitation project, in which three employees of Norwegian company Norconsult were given jail sentences and the company banned from tendering for WB and other agency-funded projects for three years. In another case, Oxford University Press paid a large fine to the World Bank and promised to weed out corruption in its Kenyan and Tanzanian branches, in which bribes were paid for book supply tenders in World Bank-financed projects. In neither case, however, were local officials brought to court for their part in the bribery, a further reminder of the impunity enjoyed by officials and politicians in the misuse of public funds.

### East Africa Perspectives

Tanzania continues to be seen as slow in implementing EAC trade, land and labour policies, reflecting fears that the country's land hungry neighbours might arrive in large numbers if land ownership is liberalised and that more educated Kenyans and Ugandans might snap up too many of the available white-collar jobs if the free movement of labour becomes a reality. Yet economic integration has proceeded apace and Tanzania has performed well in industrial exports to the region.

In 2012, Tanzania lost ground on four of the six World Bank Institute (WBI) governance indicators, corruption control in particular, while progressing on citizen's voice and accountability and political stability. Rwanda shows a remarkable improvement in overall performance despite its low score on voice and accountability. By contrast, the other four members of the EAC regressed between 2007 and 2012.

In mid-2012 the US government and the G8 launched the New Alliance for Food Security and Nutrition (NAFSN). NAFSN proposes a Trade and Investment Partnership with the EAC and a new US-EAC Commercial Dialogue to engage the private sector in efforts to develop 'a competitive regional platform that can help Tanzanian and other East African business access global markets.'

Integration is frustrated by Non-Tariff Barriers (NTB) in customs and immigration procedures, goods inspection, police road blocks and transit procedures, multiple agencies involved in verifying quality, quantity and dutiable value of imports and exports, and business registration and licensing. Tanzania is responsible for about 50 out of 80 NTBs in the community. Inefficiencies at Mombasa and (particularly) Dar es Salaam ports impose huge costs on regional trade. Political interests in individual countries underlie both tariff and non-tariff barriers. Rwanda is classified as the most 'competitive' EAC member, with little to choose between Kenya, Tanzania and Uganda, and Burundi as a very non-competitive outlier.

East Africans continue to view the police and the legal system as highly corrupt, with Rwanda again an outlier. By regional standards, Tanzania also appears to have significantly improved its anti-corruption performance recently, though this finding is contradicted by two surveys (Views of the People and Afrobarometer) undertaken in 2012.

## Some useful websites

Africa Confidential	<a href="http://www.africa-confidential.com">www.africa-confidential.com</a>
African Development Bank	<a href="http://www.afdb.org">www.afdb.org</a>
African Economic Outlook	<a href="http://www.africaneconomicoutlook.org">www.africaneconomicoutlook.org</a>
Africa Power and Politics Programme	<a href="http://www.institutions-africa.org">www.institutions-africa.org</a>
Afrobarometer	<a href="http://www.afrobarometer.org">www.afrobarometer.org</a>
Bank of Tanzania	<a href="http://www.bot.go.tz">www.bot.go.tz</a>
Controller and Auditor General	<a href="http://www.nao.go.tz">www.nao.go.tz</a>
Development Partners Group	<a href="http://www.tzdp.org">www.tzdp.org</a>
East African Community	<a href="http://www.eacint/statistics/index">www.eacint/statistics/index</a>
Financial Action Task Force	<a href="http://www.fatf-gafi.org">www.fatf-gafi.org</a>
Focus on Africa	<a href="http://www.bbc.co.uk/focusonafricamagazine">www.bbc.co.uk/focusonafricamagazine</a>
Foundation for Civil Society	<a href="http://www.thefoundation.or.tz">www.thefoundation.or.tz</a>
Future Agricultures Consortium	<a href="http://www.future-agricultures.org">www.future-agricultures.org</a>
HAKIARDHI	<a href="mailto:info@hakiardhi.org">info@hakiardhi.org</a>
Integrity Watch	<a href="http://www.integrity-watch.com">www.integrity-watch.com</a>
International Budget Partnership	<a href="http://www.internationalbudget.org">www.internationalbudget.org</a>
IPP Media	<a href="http://www.ippmedia.com">www.ippmedia.com</a>
Land Matrix Database	<a href="http://www.landportal.info/landmatrix">www.landportal.info/landmatrix</a>
Local Government Finance Working Group	<a href="http://www.logintanzania.net">www.logintanzania.net</a>
Ministry of Finance	<a href="http://www.mof">www.mof</a>
MKUKUTA	<a href="http://www.povertymonitoring.go.tz">www.povertymonitoring.go.tz</a>
MVIWATA	<a href="http://www.mviwata.org/wp-content/uploads/">www.mviwata.org/wp-content/uploads/</a>
National Bureau of Statistics	<a href="http://www.nbs.go.tz">www.nbs.go.tz</a>
Prime Minister's Office	<a href="http://www.pmoralg.go.tz">www.pmoralg.go.tz</a>
Policy Forum	<a href="http://www.policyforum.or.tz">www.policyforum.or.tz</a>
Prevention and Combating of Corruption Bureau	<a href="http://www.pccb.go.tz">www.pccb.go.tz</a>
REPOA	<a href="http://www.repoa.or.tz">www.repoa.or.tz</a>
Tanzania Corruption Tracker System	<a href="http://www.corruptiontracker.or.tz">www.corruptiontracker.or.tz</a>
Tanzania Natural Resources Forum	<a href="http://www.tnrf.org">www.tnrf.org</a>
The Citizen	<a href="http://www.thecitizen.co.tz">www.thecitizen.co.tz</a>
Transparency International	<a href="http://www.transparency.org">www.transparency.org</a>
United States State Department	<a href="http://www.state.gov/documents/organization/">www.state.gov/documents/organization/</a>
UNDP	<a href="http://www.undp.org">www.undp.org</a>
Uwazi	<a href="http://www.uwazi.org">www.uwazi.org</a>
Wikileaks	<a href="http://www.wikileaks.org">www.wikileaks.org</a>
World Bank	<a href="http://www.worldbank.org">www.worldbank.org</a>
World Bank Institute	<a href="http://www.worldbank.org/wbi">www.worldbank.org/wbi</a>
World Economic Forum	<a href="http://www.weforum.org">www.weforum.org</a>

## ACRONYMS

ACT	Agricultural Council of Tanzania
AcT	Accountability Tanzania
AMSDP	Agricultural Marketing Systems Development Programme
ASDP	Agriculture Sector Development Program
BAAC	Business Action Against Corruption
BEST	Business Environment Strengthening for Tanzania
BOT	Bank of Tanzania
CAADP	Comprehensive African Agricultural Development Programme
CAG	Controller and Auditor General
CAST	Change Assessment Scoring Tool
CCM	Chama cha Mapinduzi
CDG	Capital Development Grant
CDP	Commercial Debt Programme
CHADEMA	Chama cha Demokarsia na Maendeleo
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment
CSO	Civil society organisation
CUF	Civic United Front
DAWASCO	Dar es Salaam Water and Sewerage Corporation
DC	District Commissioner
DFID	Department for International Development
DPG	Development Partners Group
DPP	Director of Public Prosecutions
DSM	Dar es Salaam
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group_
EPA	External Payments Account
EWURA	Energy and Water Utilities Regulatory Authority
FATF	Financial Action Task Force
FBO	Faith-Based Organisation
FCS	Foundation for Civil Society
FY	Financial year
GBS	General Budget Support
GDP	Gross Domestic Product
GII	Global Integrity Index
GOT	Government of Tanzania's
HBF	Health Basket Fund
HEG	Health Equity Group
IFMS	Integrated Financial Management System

ILD	Institute of Liberty and Democracy
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IPTL	Independent Power Tanzania Ltd
IT	Information technology
JAS	Joint Assistance Strategy
LGA	Local government authority
LGCDG	Local Government Capital Development Grant
LGRP	Local Government Reform Programme
LHRC	Legal and Human Rights Centre
MCA	Millennium Challenge Account
MCT	Media Council of Tanzania
MDA	Ministry Departments and Agencies
MDG	Millennium Development Goals
MEM	Ministry of Energy and Minerals
MKUKUTA	Mpango wa Kukuza Uchumi na Kupunguza Umaskini Tanzania (National Strategy for Growth and the Reduction of Poverty)
MKURABITA	Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania
MNRT	Ministry of Natural Resources and Tourism
MOAT	Media Owners Association of Tanzania
MOD	Ministry of Defence
MOAFS	Ministry of Agriculture and Food Security
MOF	Ministry of Finance
MOHSW	Ministry of Health and Social Work
MUCCoBS	University College of Cooperatives and Business Studies
NACSAP	National Anti-Corruption Strategy and Action Plan
NAFSAN	New Alliance for Food Security and Nutrition
NAO	National Audit Office
NCAA	Ngorongoro Conservation Area Authority
NGO	Non-government organisation
NHC	National Housing Corporation
NLD	National League for Democracy
PAC	Public Accounts Committee
PADEP	Participatory Agricultural Development and Empowerment Project
PCCB	Prevention and Combating of Corruption Bureau
PEDP	Primary Education Development Plan
PEFAR	Public Expenditure and Financial Accountability Review
PER	Public Expenditure Review
PETS	Public Expenditure Tracking System
PF	Policy Forum
PFM	Public finance management
PFMRP	Public Financial Management Reform Programme

PMTCT	Preventing Mother to Child Transmission
PMU	Procurement Management Units
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
PRSP	Poverty Reduction Strategy Paper
RC	Regional Commissioner
REDD	Reduced Emissions from Deforestation and Forest Degradation
REPOA	Research on Poverty Alleviation
RWSSP	Rural Water Supply and Sanitation Project
SAU	Sauti ya Umma
SBAS	Strategic Budget Allocation System
SDS	Service Delivery Survey
SEDP	Secondary Education Development Programme
SFO	Serious Fraud Office
SNV	Netherlands Development Organisation
TACCEO	Tanzania Civil Society Consortium for Election Observation
TADREG	Tanzania Development Research Group
TANAPA	Tanzania National Parks
TANESCO	Tanzania Electric Supply Company
TANROADS	Tanzania National Roads Agency
TASAF	Tanzania Social Action Fund
TGN	Tanzania Governance Noticeboard
TGR	Tanzania Governance Review
TICTS	Tanzania International Container Terminal Services
TLP	Tanzania Labour Party
TPDC	Tanzania Petroleum Development Corporation
TPDF	Tanzania People's Defence Force
TRA	Tanzania Revenue Authority
TRC	Tanzania Railways Corporation
TTCL	Tanzania Telecommunications Company Ltd
URT	United Republic of Tanzania
USD	United States Dollar
VAT	Value Added Tax
VOP	Views of the People
WBI	World Bank Institute
WD	Wildlife Division
WRS	Warehouse Receipt System
WTO	World Trade Organisation