

TABLE OF CONTENTS

POLICY FORUM’S OBJECTIVES.....	v
1.0 INTRODUCTION and OVERVIEW.....	1
1.1 Summary of TGR2 (2008-2009).....	1
2.0 PUBLIC MONEY AND NATIONAL GOVERNANCE.....	7
2.1 Introduction.....	7
2.2 Taxation.....	8
2.2.1 Illicit financial flows	9
2.2.2 Tax exemptions, avoidance and evasion.....	10
2.2.3 Natural resource rents.....	12
2.2.4 Aid	14
2.3 Public expenditure 2010-2011.....	15
2.3.1 Wages and allowances.....	16
2.3.2 Procurement and contracting.....	17
2.3.3 External debt	19
2.3.4 Pension funds	19
2.4 Transparency and accountability.....	21
2.4.1 Parliament	22
2.4.2 The judiciary	24
2.4.3 Prevention and Combating of Corruption Bureau	24
2.4.4 The Controller and Auditor General	25
2.5 Leadership and political will	27
2.6 Conclusion	27
3.0 PUBLIC MONEY AND LOCAL GOVERNANCE.....	28
3.1 Introduction.....	28
3.2 Trends in service delivery performance.....	28
3.2.1 Education	29
3.2.2 Healthcare	31
3.2.3 Water and sanitation	32
3.2.4 Agriculture	34
3.3 CAG and LGA money	37
3.4 Parliamentary oversight	39
3.5 Conclusion	39

4.0	REGULATING THE ECONOMY	42
4.1	Introduction	42
4.2	Private sector regulation	42
	4.2.1 Mining	43
	4.2.2 Natural gas	44
	4.2.3 Tourism	45
	4.2.4 Land	47
4.3	Regulating state enterprises and corporations	49
4.4	Conclusion	50
5.0	CSOs AND CITIZENS' VOICE	51
5.1	Introduction	51
5.2	Civil society	51
	5.2.1 Tracking the extractive industries	51
	5.2.2 Social Accountability Monitoring (SAM)	53
	5.2.3 The media	55
5.3	Civil society governance	60
5.4	Corruption and human rights	60
5.5	Conclusion	61
6.0	DEVELOPMENT AID AND COMPARATIVE PERSPECTIVES	62
6.1	Donors in Tanzania	62
6.2	Budget support	63
6.3	Governance projects and programmes	65
6.4	Aid effectiveness	66
6.5	Comparative governance indicators: Tanzania and the EAC	68
	6.5.1 Doing business in East Africa	69
	6.5.2 Corruption control	71
6.6	Conclusion	72
7.0	SUMMARY: MONITORING GOVERNANCE	73
7.1	Summary of main findings	74
	7.1.1 National governance.....	74
	7.1.2 Local governance	75
	7.1.3 Economic regulation	76
	7.1.4 Citizens' voice	76
	7.1.5 Development aid and comparative perspectives	77

7.2	Monitoring MKUKUTA/MDG governance trends.....	77
	7.2.1 Choice of indicators	78
	7.2.2 Reliability of measurement	79
7.3	Some key questions	79
	7.3.1 How do the different dimensions of governance relate to each other?.....	80
	7.3.2 Which dimensions of governance are key for growth and poverty reduction?	80
	REFERENCES	82
	APPENDICES	
	Appendix 1: National and local governance issues timeline 2010-11	99
	Appendix 2: Economic regulation issues timeline 2010-11.....	108
	Some useful websites.....	113
	ACRONYMS.....	114
	TABLES	
	1.1: Electoral results 1995 to 2010	5
	2.1: Tanzania Revenue Authority performance 2005/06-2010/11, TShs billion.....	8
	2.2: Tax exemptions FY2010/11 (billion Shs).....	10
	2.3: Main allowance receiving MDAs, 2010/11.....	17
	2.4: Tanzania's performance in the Open Budget Survey 2010 availability.....	22
	2.5: PCCB performance 2002-2011.....	24
	2.6: CAG opinions for central government MDAs and RAs 2010/11.....	26
	3.1: Government expenditure by sector, percent.....	29
	3.2: Comparison of Health Centre allocation of resources against workload	32
	3.3: Most frequent irregularities in LGAs, percent of councils involved, 2005-2010.	38
	3.4: Accounting performance of LGAs, outstanding matters, 2008-09 to 2010-11..	38
	4.1: Ease of doing Business in Tanzania 2008 – 2011.....	43
	4.2: Travel and tourism indicators, East African Community members, 2011.....	47
	4.3: Tanzanian public authorities and other bodies, 2010.....	49
	5.1: TEITI Validation Report, Actions and Recommendations	52
	5.2: World Press Freedom Index, East African rankings, 2010 and 2011.....	55
	5.3: Ownership of Tanzanian print media	56
	6.1: Donor support to political reform, 2000-10	65
	6.2: Audit opinions for donor-funded projects for the year ended 30th June, 2011.	67
	6.3: EAC Human Development Index 2011	68
	6.4: Ease of doing business in East Africa, 2011.....	69
	6.5: Investment incentives in East Africa, percent.....	70
	6.6: FDI flows to EAC members, 2006-10 (US\$ million).....	70

6.7: EAC Corruption perception index 2009-11	71
7.1: Tanzania governance indicators 2002-11	73
BOXES	
0.1: On governance, growth and poverty.....	v
1.1: Electoral tempers run high in Mpanda	4
2.1: Defining Illicit Financial Flows	9
2.2: Tanesco and power crises: Nature versus nurture?	18
2.3: Official waste in the USA	26
3.1: Controversial Indian tillers	36
3.2 Sumbawanga in the spotlight	39
4.1: Conditions in the Mining Act discouraging investment in gold exploration and mining	44
5.1: Raia Mwema and Edward Lowassa	58
FIGURES	
2.1: Fiscal trends 2007/08 to 2010/11 (% of GDP)	7
2.2: Public expenditure 2010/11	15
2.3: Official waste in the USA	12
3.1: Priority sectors spending as percent of total budget, 2007/08-10/11	28
3.2: Trends in secondary and higher education enrolments, 2000-2009	31
3.3: Infant and Under-five Mortality Rates 1999-2010	31
3.4: Share of LGAs in sector budgets	40
7.1: MKUKUTA governance and accountability goals	78

Tanzania Governance Reviews are designed to promote Policy Forum's objectives.

Policy Forum's Objectives

1: The implications and impact of policies and their implementation are analysed, monitored independently, and the resulting information is used by a broad base of civil society and advocacy groups to improve the effectiveness and quality of their advocacy.

2: Analysis and monitoring information produced by Policy Forum is widely disseminated to policy makers, civil society and the general public in a manner that is accessible, interesting, relevant and useful to the intended target audience.

3: The capability of civil society organisations to understand, to monitor, and to strategically, proactively and effectively engage with and influence national and local policy processes is enhanced.

4: Participation by Policy Forum as a network in national policy processes is selective and strategic in order to enhance the quality of engagement and to engage where impact is most likely to be achieved.

Policy Forum: www.policyforum.or.tz

Box 0.1: On governance, growth and poverty

'Governance' is a very general term. The World Bank Institute (WBI) proposes a six-dimensional definition: (1) the rule of law; (2) corruption control; (3) peace and security; (4) economic regulation; (5) service delivery/public goods, and (6) public voice and accountability. Much comparative research suggests that countries with high scores on these variables tend to have more developed economies and higher standards of living than countries with lower scores. But it does not follow that countries will develop strong economies simply by adopting 'good governance' policies. It may well be that 'good governance' is--at least in part--the result rather than the cause of economic development. Research suggests that Asian countries that combined growth with poverty reduction have followed policies that support small-holder agriculture, provision of basic services and the diversification of the rural economy. This implies a pro-active state with a long-term view of where it wants to go and a practical approach on how to get there. For example, twenty years ago Vietnam had never produced a kilo of cashew nuts: today that country produces a million tonnes a year, ten times Tanzania's production, and poverty has plummeted. What explains this? Of the six dimensions of governance proposed by the WBI, some are probably more crucial than others in stimulating growth and poverty reduction. But which ones? These issues are taken up in **section 7.3**.

1.0 INTRODUCTION and OVERVIEW

Policy Forum's third Tanzania Governance Review covers the years 2010 and 2011, a period that witnessed President Kikwete's successful re-election and the first year of his final term. Both the president and Chama cha Mapinduzi (CCM) were returned to power, albeit with reduced majorities. To set the scene for TGR3, Chapter 1 summarises the major conclusions from TGR2 (2008-09). TGR 1 (2005-07) and TGR 2 can be accessed at www.policyforum.or.tz.

1.1 Summary of TGR2 (2008-2009)

1.1.1 National governance

TGR2 (2008-09) noted continued major weaknesses in both revenue collection and spending during 2008-2009. Revenues are lost through unjustified tax exemptions, the undervaluation and taxation of natural resources, and corrupt practices by tax collectors. Public expenditure is extremely inefficient as a result of systemic looting by officials, including corruption in procurement that also involves rent-seeking by private interests.

For the first time, accusations of corruption were levelled against President Benjamin Mkapa and some of his key collaborators during his presidency (1995-2005), in particular in the years immediately preceding the 2005 elections. He was associated with the purchase of the (allegedly underpriced) Kiwira coal mine, along with his wife and the Minister of Energy and Minerals Daniel Yona. He is also said to have endorsed the looting of EPA money in order to help finance the 2005 elections, which were won comfortably by CCM.

This period also saw the resignation of Prime Minister Edward Lowassa, numerous senior ministers and other high officials in connection with cases of looting and rent-seeking, in particular the EPA and Twin Towers scams at the BOT, the Alex Stewart, BAe radar and the Richmond power procurement contracts. Numerous businessmen were arrested in relation to the EPA scam, which came to the public's attention after a 2007 special audit described the nature of the fraud.

In January 2008, President Kikwete sacked BoT Governor Daudi Ballali. Bilateral and multilateral donors praised the President's move, but by the end of 2009, no senior official had been sentenced in relation to these or any other corruption case, despite internal and external pressures for the perpetrators to be brought to justice, and local civil society activists and opinion leaders began to criticise the slow pace of the investigations and prosecutions.

1.1.2 Local governance

Despite a decade of local government reform, Tanzania is still seeking a service delivery mechanism that is efficient, equitable, transparent and accountable. Recent assessments suggest that the LGRP has increased fiscal transfers, and staff numbers and quality have improved, but local council autonomy has remained more or less unchanged, suggesting

¹ The lag between the calendar year (January-December) and the financial year (July-June) is potentially confusing. In this review, non-budgetary events are reported for the calendar years 2010 and 2011, while the budgets reported on are for FY2009/10 and FY2010/11. TGR 2012 will report on calendar year 2012 and FY 2011/12 (July 2011-June 2012). TGR is based on existing information and does not involve original research.

resistance to the decentralisation of power and patronage by central government and the ruling party. Such resistance is understandable in a context of growing political competition, where opposition parties are winning more parliamentary seats.

A review of basic service provision during 2008/09 gives a picture of continued inefficiency and inequity, despite large increases in both earmarked and discretionary funding for education, health, water, roads and agriculture. Although the CAG gives the majority of LGAs 'unqualified' audits, the parliamentary LAAC reveals substantial evidence of inefficiency, waste and corrupt practices in procurement and service delivery. The looting and waste observed at the national level are repeated in LGAs across the country, though the amounts of money involved are much smaller.

1.1.3 Economic regulation

Recurrent themes in economic regulation during the reference period include critiques of Tanzania's investment and business environment; poor trade policy; taxation irregularities; and top-level rent-seeking and looting with negative knock-on effects on the performance of the country's infrastructure and utilities. Economic regulation at the micro-level appears to undermine progress made at the macro-level.

The World Bank ranked Tanzania 130 out of 178 countries in the ease of doing business in 2008 and 126 out of 183 countries in 2009. Obtaining construction permits, registering property, and employing workers received low scores.

Agricultural regulation continued to be particularly weak, with little or no competition in crop marketing, and inefficiencies in the warehouse receipt system and inequities in the fertiliser voucher system undermining incentives to farmers.

1.1.4 Citizens' voice

During the review period, Tanzanian CSOs engaged with a number of national issues, including budgetary transparency and public spending, (budget support, parliamentarians' salaries and the Constituency Development Fund), and environmental issues. Yet there developed a sense that civil society engagement has not had a significant impact on government policy or service delivery.

In recent years, Social Accountability Monitoring (SAM) has supplemented PETS as a means of monitoring public expenditure. TGR reports that SAM has: initiated dialogue with a number of LGAs on the misuse of public resources, shown the poor quality of financial and performance records kept by LGAs, confirmed CAG reports suggesting that development funds arrive late and are frequently underspent, contributed to the critique of O&OD as a useful 'participatory' planning tool, and demonstrated the importance of evidence-based advocacy.

Tanzania ranked 70/173 countries in the World Press Freedom index in 2008, and a respectable 62/175 in 2009. Tanzanian media have been allowed to speak more freely during the Fourth Phase government. Reporting on issues of grand corruption has been detailed and consistent. Media have also become a key area for discussions between politicians and

civil society actors on both general and specific issues. These trends have been supported by increased donor funding for the media sector. Yet at the same time the key issues of legislation and ownership continue to shape media in Tanzania.

1.1.5 Donor support

In 2008 and 2009, donors continued to support the Tanzanian budget and provided substantial amounts of money to governance programmes and projects, including private sector development. Donor concerns with corruption dominate the 2008/2009 timeline. At times donors warned the GOT that current levels of aid were unlikely to continue if corruption continued unchecked. At other times they praised President Kikwete and his government for notching up successes in the 'war on graft', for example, in relation to the EPA or Alex Stewart scandals. Mini-crises occurred when donors invoked conditionalities to withhold aid, but no large GBS contributions were permanently withheld during the review period.

Critics complained that donors were far too ready to praise signs of improved governance and far too reluctant to punish poor governance by the GOT. In the absence of convictions of major personalities and the massive restoration of stolen wealth, donors can only note arrests and on-going cases, while frequently lamenting the lack of closure in on-going cases. Many believe that the GoT is not seriously pursuing the 'good governance' prescriptions of the aid agencies, but merely paying lip service to them in order to assure uninterrupted aid flows until the next crisis of donor confidence.

For many years critics have highlighted the downside of foreign aid: it undermines local accountability, substitutes for foreign investment, provides opportunities for corruption, distorts incentives to government officials, and helps make exports uncompetitive. China's arrival on the scene as a major player challenges traditional aid donors to find more effective, less judgmental, ways of delivering aid.

1.1.6 International perspectives

After steady improvement from 2000 to 2008, Tanzania's anti-corruption performance slumped in 2009. The Open Budget Index ranks Tanzania 9th in a group of 20 African countries surveyed in 2008. In 2008, Tanzania scored 36 percent on the OBI, placing it at the top end of the 'releases minimal information' category. This represented a deteriorating performance compared with 2006, when the country scored 48 percent.

Tanzania continued to underperform in economic regulation. Tanzanian business leaders' views on the ease of doing business are significantly more critical than Kenyans' or Ugandans' on the cost and availability of finance and skilled labour, water supply, cross-border trade, and on tax levels and tax administration. In the Global Economic Forum's 2009 *African Competitiveness Report* nearly three-quarters of Tanzanian entrepreneurs identified *electric power* as the most serious constraint on doing business, compared to an average for African countries of 20 percent and a low income average of 30 percent.

Investors also flag corruption and poor governance as important factors undermining profitability. Government regulations that encourage rent-seeking, including complex business licensing, with overlapping regulatory mandates, *ad hoc* tax exemptions and a corruptible legal system are identified as key factors affecting investors' attitudes.

1.2 Overview 2010-11

In November 2010, Tanzanian voters passed judgment on President Kikwete's performance during his first term (2005-10). One of the key issues was Kikwete's first term record on corruption among senior politicians and officials, as discussed in the summary of TGR 2008/09. In defending his record, Kikwete asserted that:

"The government, in the past five years, has fought corruption zealously. We have amended the anti-corruption laws and we have strengthened the anti-corruption bureau [PCCB]. All the people are witnesses on how many prominent people have been taken to court for corruption, what else do you want us to do?"

Senior CCM campaign manager Abdulrahman Kinana claimed that:

"Our party is committed [to] fighting corruption. Those who are accused of grand corruption are in court, and the president has demonstrated that he tackles corruption from the top..."²

In the build-up to the elections, public concern over corruption, inflation, and youth unemployment put CCM under severe pressure and gave impetus to the opposition parties' campaigns. TGR readers will recall that in 2005, President Kikwete significantly increased the CCM presidential vote while opposition presidential candidates performed poorly. But whereas President Mkapa and CCM improved their showing in 2000 compared to 2005, in 2010 both the President and CCM lost considerable ground (**Table 1.1**).

The election campaign was marred by outbreaks of (sometimes violent) conflict between supporters of CCM and opposition parties. For example, in Mpanda (Rukwa region) supporters of Chadema and CCM had a 'free-for-all' during a campaign rally (**Box 1.1**).

Box 1.1: Electoral tempers run high in Mpanda

In the 2010 parliamentary elections, outgoing MP for Mpanda Urban constituency, **Said Arfi** (Chadema) was seeking re-election, while **Sebastian Kafupi** (CCM) was seeking to oust him. Clashes erupted on 6 October before a rally that was to be addressed by Chadema presidential candidate **Dr Wilbroad Slaa**. CCM members in their party uniforms passed at the Chadema venue with over 15 cars, waving flags, honking and shouting. The CCM and Chadema supporters came face to face as the latter were also marching to receive Dr Slaa. Tempers ran high as the two groups of supporters started jeering and heckling each other. The situation became tense when Chadema members stopped CCM cars from passing near the rally grounds, and CCM insisted it was their right. Chadema leaders intervened and diffused the tension by allowing CCM cars to pass by, after which the road was blocked by Chadema guards. Later riot police came on the scene, armed with tear gas canisters, and the situation was brought under control

Source: Majira, Nipashe, British High Commission Kiswahili press summaries, 8 October 2010.

2 Muga Emmanuel 2010. 'Can elections help Tanzania tackle corruption?', BBC News, Dar es Salaam, 27 October

Other similar electoral confrontations turned bloody, as related below.

Table 1.1: Electoral results 1995 to 2010

	1995		2000		2005		2010	
	CCM	OPP	CCM	OPP	CCM	OPP	CCM	OPP
Presidential (% votes)	61.8	38.2	71.7	28.3	80.3	19.7	62.8	37.2
Parliament (% seats)	80.2	19.8	87.5	12.5	88.8	11.2	75.4	24.6
Local Councils (% seats)	96.8	3.2	91.7	8.3	92.9	7.1	84.0	16.0
Village/Hamlet (% seats)	- -	- -	94.6	5.4	97.2	2.8	91.7	8.3

Source: USAID 2010; National Electoral Commission (www.nec.go.tz); Chaligha 2008; Wikipedia 24/11/11

There were signs of declining support for the ruling party in 2010, with a fall in both presidential and parliamentary majorities, and a substantial rise in the opposition vote, and a low voter turn-out.³ Officially, only 43 percent of registered voters actually voted in the November 2010 elections, or 8.4 million voters out of 20.1 million registered.⁴ Though most of the seats won by the opposition parties were in urban constituencies, rural voters seem to have voted with their feet, abstaining in large numbers.

In 2010-11 there were also signs that state-society relations in Tanzania were becoming increasingly conflictual, as confrontation and violence began to undermine established mechanisms of political debate and consensus-building in the wider society.

In the build-up to the elections, the opposition Civic United Front (CUF) party claimed that 23 of its supporters were killed by police in Tabora Region. This stemmed from an operation to clear people who were living in a protected forest reserve in which police admit there was an exchange of gunfire. In early October, Tanzania's military (TPDF) and the police force issued a joint statement 'warning against any planned disruption of elections...' The Chief of Staff of the Tanzania People's Defence Force (TPDF), Lt.-Gen. Abdulrahman Shimbo referred to "rising unlawful incidences that threatened the country's stability." Critics saw the move as an undue 'militarization of the civil elections for no good cause...'⁵

According to one source:

'During the 2010 general elections ... the Police Force was accused of intimidating citizens. During the campaigns CCM alleged that if elected, the opposition would shed blood in the country. ... In Mwanza, Kigoma, Mbeya, Shinyanga and Arusha regions, the police using teargas displaced people who were demanding for early release of electoral results.'⁶

There were three deaths following the elections in Arusha, where a closely run race for the urban constituency was won by the Chadema candidate. Four Chadema leaders were subsequently arrested for illegal assembly.⁷ The deaths led the Minister of Home Affairs,

3 See Legal and Human Rights Centre and TACCEO 2010:143.

4 NEC 2011: xxiii.

5 LHRC and TACCEO 2010:81.

6 African Peer Review Mechanism 2011. Tanzania Country Self Assessment Report, Final Revised Edition, Dar es Salaam, September, p 41, citing TBC1 News, August 25, 2010, 8.00 pm.

7 This summary draws on Political Platform 2011. '2011 major political events', Citizen, Dar es Salaam, 28 December

Shamsi Nahodha, to summon senior police officers to discuss the increasing use of live ammunition against unarmed civilians.

In May 2010, police shot dead five people for allegedly invading Africa Barrick Gold's North Mara Gold Mine.

In January 2011, police used tear gas to disperse University of Dodoma students who were demanding unpaid allowances. The following month, police used tear gas, water cannon and pepper spray to disperse University of Dar es Salaam students who were marching to State House to demand an increase in meal allowances from Shs 5,000 to Shs 10,000 a day. In July 2011, a commuter bus operators' protest in Dar es Salaam against police harassment was brought to an end when the police used tear gas against the protesters.

During the review period, the Tanzanian public watched closely as internal conflicts continued to threaten the cohesion and integrity of the ruling party. Central to the conflict was the political future of Edward Lowassa, who was forced to resign as Prime Minister over his alleged involvement in the Richmond-Dowans affair.⁸ In 2011, Lowassa showed signs of rekindling his presidential ambitions, seeming to challenge the Kikwete governments resolve on the question of East African integration. An inconclusive initiative to clean up the party's corrupt image--the so called 'slouching off' campaign (*'kujivua gamba'* in Kiswahili)--was interpreted as an attempt to resolve the festering factional conflict in favour of Lowassa's opponents in the party and parliament.⁹

The rising tensions in state-society relations sketched above coincided with downward pressures on the living standards of the majority poor. Inflation rose rapidly--from 6.4 percent in January 2011 to 19.2 percent in November--reflecting steep rises in the price of basic foodstuffs, which constitute nearly half of the Consumer Price Index.¹⁰

The global financial crisis that started in the second half of 2008 did not have a disastrous impact on the Tanzanian economy as many had predicted.¹¹ Yet the impact was serious enough for the government to introduce an emergency package to stimulate domestic demand in June 2009, and to resort to substantial borrowing from the BoT to cover the budget deficit.¹²

Development aid was not cut as a result of the crisis, though this might still change as the 'crisis' is by no means over. **Chapters 2 and 3** of TGR 2010/11 review developments in public finance management at national and local levels, while **chapter 4** deals with state regulation of the economy. **Chapter 5** reviews the role of civil society organisations in articulating citizens' voice; **Chapter 6** examines the role of donor agencies in supporting governance initiatives and ranks Tanzania on a number of regional and global governance indicators. **Chapter 7** summaries the review's main findings and reflects on monitoring issues.

8 See TGR 2008-09 for a summary and links.

9 Thisday Reporter 2011c. After the inconclusive NEC meeting in late November 2011, one NEC member is quoted as saying: "The gang of corrupt leaders in CCM will now stop at nothing until they ensure they have complete control of the party ahead of the 2015 presidential elections."

10 Matern Kayera 2011. 'Food scarcity prices skyrocketing', Citizen, Dar es Salaam, 29 December.

11 Davies 2012. REPOA (2010) argue that Tanzania's low level of integration in global financial markets explains the relatively low impact.

12 Public Expenditure Review Working Group 2010:7-8. The package included reductions in VAT from 20 to 18 percent; royalty exemptions for diamond and tanzanite miners; the expansion of agricultural subsidies; clearing losses incurred by cooperatives and private companies in cotton and coffee; price support to cotton farmers; and restructuring government guarantees worth TShs 270 billion in losses incurred by private companies in manufacturing and tourism and by cooperatives in agriculture.

2.0 PUBLIC MONEY AND NATIONAL GOVERNANCE

The public sector grew from 15% of GDP to over 27% over the past 15 years.¹³

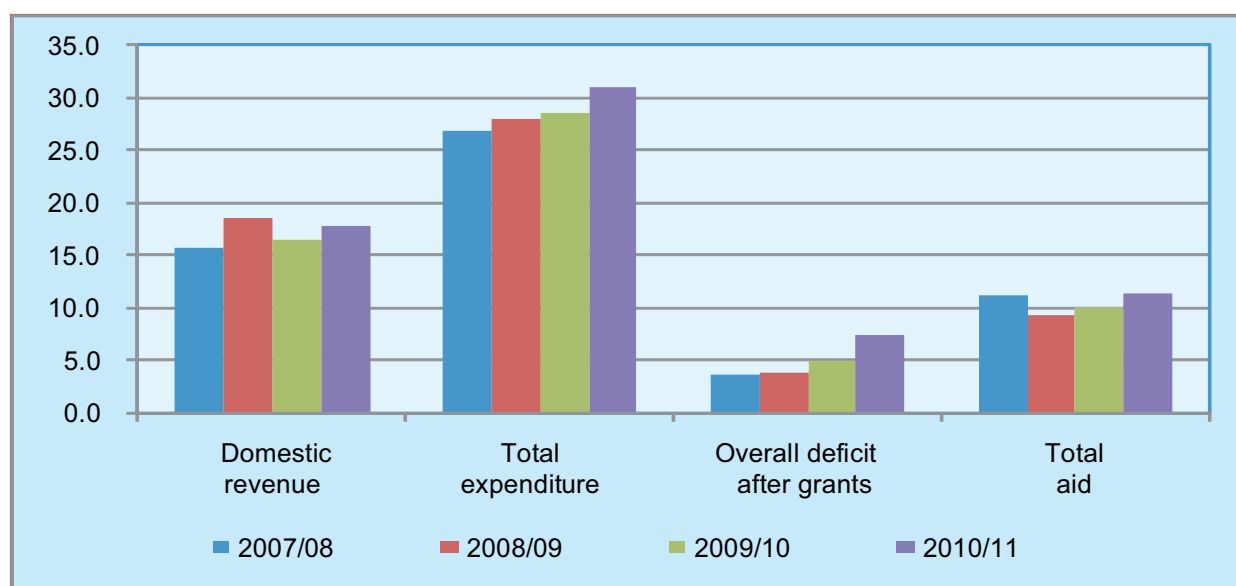
2.1 Introduction

This chapter examines performance in collecting and spending revenues at the national level during 2009/11. The years under review were characterised by budgetary crises, supplementary budgets and 'non-concessional' (commercial) borrowing. According to the Treasury:

The fiscal deficit reached 6.9 percent of GDP in 2010/11 (up from less than 5 percent during FY2007/08), inflation surged from 4.5 percent in September 2010 to 7.5 in June 2011, while the local currency depreciated over the past year by 20 percent.... The resulting rapid surge in public debt, from 29 percent [of GDP] in June 2008 to over 40 percent in June 2011, does not yet threaten Tanzanian fiscal and debt sustainability, although [it is] worrisome.¹⁴

Figure 2.1. shows relative stagnation in domestic revenue performance and aid transfers between 2007/08 and 2010/11 accompanied by rising expenditure and fiscal deficits.

Figure 2.1: Fiscal trends 2007/08 to 2010/11 (% of GDP)



Source: PER Macro Group 2010. 'Synoptic Note', November, based on budget estimates.

For FY2010/11, domestic revenue accounted for 60 of the national budget, foreign grants for 22 percent, foreign loans for 15 percent and domestic borrowing for three percent.¹⁵ From 2007/08 to 2010/11, the increase in total spending ('domestic expenditure') was increasingly financed by concessional and non-concessional borrowing as domestic

13 World Bank website, www.worldbank.org/en/country/tanzania, accessed 30/12/12.

14 Ministry of Finance 2011:134. 'Annual Review of the General Budget Support, Dar es Salaam, 24-25 November.

15 URT, June 2010.

revenue and aid stagnated or declined.¹⁶ This led to an increase in the national debt, from about USD 4 billion in 2007 to USD 10.8 billion (Shs 15 trillion) in October 2010.¹⁷ Though the part of the budget financed by local borrowing declined sharply between 2009 and 2010, the issue of commercial borrowing to finance the budget continued to be controversial. One insider states that 'State borrowing feeds consumption, crowds out [the] private sector, fuels inflation and slows real growth.'¹⁸ An IMF official warned that: "For the last five years, Tanzania has increasingly borrowed to finance recurrent expenditure while tax revenues have stagnated." "Without a change in the fiscal policy, debt levels will rise rapidly."¹⁹

Debt relief in 2006/07 reduced the external debt stock by nearly half, then it rose again rapidly, reaching nearly USD 8 billion in 2009/10. But as a result of robust economic growth, external debt fell from 87 percent of GDP in 2001/02 to 33 percent in 2008/09.²⁰

Sections 2.2 and 2.3 below review revenue performance and public expenditure respectively.

Think about it...

If most citizens pay taxes, they are more likely to attempt to hold their government accountable for public spending. If most citizens don't pay taxes, they do not have this potential leverage. Most of Tanzania's farmers and informal sector workers do not pay income tax, and these two groups account for the majority of the work force.

2.2 Taxation

Tanzania Revenue Authority's tax collection performance to 2010/11 is reported in **Table**

Table 2.1: Tanzania Revenue Authority performance 2005/06-2010/11, TShs billion

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Collection	2,041	2,577	3,379	4,052	4,438	5,736
Annual growth (%)	20	26	29	26	10	23
GDP at market price	16,857	18,915	22,350	22,153	25,790	34,750
Revenue/GDP (%)	11.8	12.5	14.7-15.9²¹	15.3-18.3	14.6-17.2	16.4

Source: PEFAR 2009; MoF website (accessed 01/0512); PER 2010; Ambali 2012; Rapid Budget Analysis 2011; Tax Justice Network-Africa.²²

TRA measures 'performance' in terms of meeting annual revenue collection targets. By

- 16 RBA 2010. 'Aggregate Analysis Key Findings and Recommendations', presentation for the Annual National Policy Dialogue (ANPD), Public Expenditure Review, 3 December. Increased recurrent expenditure largely drove the growth in total expenditure.
- 17 According to the BoT, 84 percent of the debt is owed to government institutions, the rest to the private sector (The Citizen Reporters 2011. 'National debt hits Sh15 trillion mark', Citizen, Dar es Salaam, 26 January).
- 18 Mufuruki, 2011. Ali Mufuruki, Chairman of Tanzania CEOs' Roundtable, also flagged other serious policy weaknesses including the setting up of new state-owned enterprises, misguided monetary policies and interventions in foreign exchange markets, the mismanagement of EPA, and the on-going power crisis. Lax controls of bureau de change 'has turned Tanzania into a drug dealers' and money launderers' paradise.'
- 19 Mutarubukwa 2011, citing IMF official John Waheman-Linn.
- 20 REPOA 2012:14.
- 21 The range cited for this and the two following FYs reflects different figures from different sources.
- 22 Ernest Ambali 2012. 'TRA success is pivoted on its vision and mission', African, Dar es Salaam, 29 April. Revenue/GDP ratios have been recalculated for 2007-09 based on revised TRA collection figures. Rapid Budget Analysis 2011, Synoptic Note, Tanzania PER-Macro Group, November 18th 2011; Tax Justice Network-Africa, ActionAid and Policy Forum 2012. Tax Competition in East Africa, A race to the bottom? Tax Incentives and Revenue Losses in Tanzania, Dar es Salaam.

this metric, performance declined from 90 percent in FY2008/09 to 84 percent in 2010/11. TRA comments that: 'This is the first time in more than a decade TRA failed to achieve its revenue collection targets for three consecutive years.'²³ Corruption may be a cause. For example, Africa Intelligence 2010 reported suspected collusion between TRA officials and 'fraudsters and tax evaders' importing goods through Dar es Salaam port, as a result of which the Commissioner of Customs and Excise Generosi Bateyunga, had been 'transferred to other functions', while a number of senior TRA officials were also being investigated as a result of an internal audit.²⁴

However, there is growing evidence that the Treasury is losing huge amounts of revenue through a variety of 'leakages'. For example, TEC et al (2012) calculate that tax exemptions, illicit capital flows (including mispricing), misreporting of sales and losses, and non-payment of taxes in the 'informal sector' deprive the treasury of between USD 850 million and 1.3 billion USDs per annum, equivalent to one sixth of the national budget. These losses are discussed below.

2.2.1 Illicit financial flows

Box 2.1 defines Illicit Financial Flows.

Box 2.1: Defining Illicit Financial Flows

Developing countries are said to lose about USD 1 trillion a year through Illicit Financial Flows (IFF), which stem from: (1) corruption among politicians and officials; (2) international crime (the drugs trade, smuggling, money laundering, trade in endangered species, illegal logging, and so on); and (3) commercial transactions involving transfer pricing and other mechanisms. ('Transfer pricing' involves overpricing imports and underpricing exports so that profits can be realized in low tax jurisdictions). Of these three mechanisms, commercial transactions account for the lion's share (60-65 percent), followed by criminal activities (30-35 percent) and official corruption (3 percent). This should not be taken as evidence that the importance of official corruption has been exaggerated. The key issue is the extent to which *political corruption, criminality and illicit financial flows are inter-related*. Baker estimates that illicit financial flows out of developing countries are eight to ten times greater than aid transfers. Global Financial Integrity (2012) estimates the total value of illicit international trade at USD 650 billion a year. This (conservative) estimate covers: drugs, human trafficking, wildlife, small-arms, timber, gold, counterfeit products, human organs, gold, diamonds/gemstones, oil, fish, art/cultural property. Without tax havens and complicit banks, where trillions of dollars are held in anonymous accounts and millions of shell companies scattered across the world, IFF would not be possible on the current scale. Global Financial Integrity, Tax Justice Network, Global Witness and other international NGOs campaign for the abolition of tax havens, anonymous accounts, and the facilitation of money laundering by banks in OECD countries and elsewhere. The Task Force on Financial Integrity and Economic Development also addresses issues of IFF and tax havens.

Source: Jeremy Haken 2012. 'Transnational Crime in The Developing World', Global Financial Integrity, February; Raymond Baker 2005. *Capitalism's Achilles Heel*.

Tanzania loses large but unknown tax income through smuggling, corruption and mispricing. Taxes foregone through smuggling and corruption cannot be known with any degree of accuracy. Tanzania Episcopal Conference et al (2012) report 'A survey by the East African Business Council [that] found \$602 million worth of unrecorded or undervalued cross-

23 Ambali 2012 op. cit., citing TRA 2012. 'Implementation Report of the Third Corporate Plan for the period 2008/09 to 2010/11.'

24 Africa Intelligence No. 1290 (2010).

border trade transactions at Namanga, on the Tanzania-Kenya border, in 2007.²⁵ Mispricing results from international companies reducing their tax liabilities by declaring their profits in low tax jurisdictions. Transfer pricing—through which prices are manipulated in trade with subsidiary companies—is a major source of capital flight. According to TEC et al. (2012): 'Figures suggest that illicit capital flows from Tanzania range from \$94–660 million a year and that illicit flows from trade mis-pricing alone amount to \$109–127 million a year.'²⁶

2.2.2 Tax exemptions

The practice of granting tax exemptions is cited as the major cause of this underperformance. According to the African Development Bank:

... revenue performance relative to GDP was not sustained throughout the period from TRA's establishment (in 1995/96) up to 2007/08. Ndulu et al (2007) attribute this outcome to emanate chiefly from fiscal corruption. Excessive tax exemptions may also have significantly cancelled out the prospective impact of the reforms on tax revenue performance.²⁷

Tax exemptions, including VAT, topped one trillion shillings in FY2010/11, the equivalent of 2.3 of GDP (**Table 2.2**).

Table 2.2: Tax exemptions FY2010/11 (billion Shs)

	Customs & Excise	Domestic Revenue	Total	Percent
Value Added Tax (VAT)	-	280	280	27.5
Tanzania Investment Centre	240	-	240	23.6
Private companies & individuals	183	-	183	18.0
Donor Funded Projects	116	-	116	11.4
Mining sector	110	-	110	10.8
Government institutions	36	-	36	3.5
NGOs	25	-	25	2.5
Duty Free Shops	-	17	-	1.7
Parastatal organisations	8	-	8	0.8
Religious institutions	1	-	1	0.2
Total exemptions	719	297	1,016	100

Source: CAG 2011b, pp 50-1.

Value Added Tax (VAT), the Tanzania Investment Centre (TIC), and private companies accounted for about 70 percent of all tax exemptions in 2010/11. According to the ADB:

Under the Tanzania Investment Act of 1997, TIC offers investors: import duty and

25 Tanzania Episcopal Conference (2012:viii).

26 Tanzania Episcopal Conference (TEC), National Muslim Council of Tanzania (BAKWATA) and Christian Council of Tanzania (CCT) 2012. The One Billion Dollar Question: How Can Tanzania Stop Losing So Much Tax Revenue? June. The wide range cited alerts the reader to the imprecision of these figures.

27 ADB 2010:20-21.

VAT exemptions on project/capital goods; and refunds of duty charged on imported inputs used for producing goods for export and goods sold to foreign institutions under a duty draw back scheme.²⁸

Other incentives to investors, for example, through Export Promotion Zones, increase the total revenue foregone. According to TEC et al (2012):²⁹ 'Exemptions given to corporations have deprived Tanzania of an average of TShs 458.6 billion (\$288 million) a year in the three years 2008/09 – 2010/11.'³⁰

Unlike budgets, tax exemptions are not scrutinised by parliament, and are open to abuse by private companies and individuals.³¹ In addition, exemptions to investors that do not increase investment constitute bad policy. Both the IMF and the AfDB have criticised the level of tax incentives that governments in the East African region, including Tanzania, accord foreign investors. Tax Justice Network argues that competing for foreign investment through offering tax incentives to foreign investors is tantamount to a 'race to the bottom', since 'evidence ... confirms that investment incentives – particularly tax incentives – are not an important factor in attracting foreign investment.'³²

However, UNIDO (2011) found that both local and foreign investors across Africa consider tax breaks the most important investment incentive.³³ **Section 6.6** below compares the proportion of investors enjoying different investment incentives across East Africa.

Local and foreign businesses routinely complain about corruption and inefficiency in the TRA. The main issues facing businesses are 'the lack of clarity and transparency of regulations, audit and assessment processes and the open-ended nature of TRA interventions and difficulties of challenge.'³⁴

Many sectors and businesses also suffer from excessive taxation. Private sector representatives criticised the new business licensing regime introduced in the 2011 Finance Act that would allow local governments to increase their revenues by up to USD260m.³⁵ The renewal of licenses would allow local governments to increase revenue from locally-based companies, many of which are already paying multiple taxes to different tax authorities.³⁶ Representatives of small-scale and larger businesses mobilised

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- 28 African Development Bank, 2010:20. Domestic Resource Mobilisation for Poverty Reduction in East Africa: Tanzania Case Study, November.
- 29 Tanzania Episcopal Conference (TEC), National Muslim Council of Tanzania (BAKWATA) and Christian Council of Tanzania (CCT) 2012. The One Billion Dollar Question: How Can Tanzania Stop Losing So Much Tax Revenue, June, page vii.
- 30 Tax Justice Network and Action Aid give a figure of USD 1.8 billion for total exemptions in 2008 (cited by Kigambo, Gaaki 2012. 'Incentives to foreign investors hurting East African economies,' East African, Nairobi, 23 April). See Chapter 7.
- 31 Uwazi 2010. 'Tanzania's Tax Exemptions: Are they too high and making us too dependent on foreign aid?' Policy Brief, TZ.12/2010E
- 32 Tax Justice Network – Africa et al. (2012). Tax Competition in East Africa. See also Cooksey 2011. 'The business environment for gold exploration and mining in Tanzania' and Cooksey and Kelsall 2011 for other examples.
- 33 In Uganda, 72% of investors considered tax exemptions the most important incentive, followed by Rwanda and Tanzania (67%), Kenya (63%) and Burundi (29%). (UNIDO 2011:147).
- 34 European Union, Summary of the agreed action points from the 1st EU-TRA Dialogue Meeting of 24 January 2011, Draft record of the Technical Dialogue meeting on 7 May.
- 35 Mungai and Mande 2011.

to lobby the government on the planned licensing changes, which were seen as encouraging bribery and corruption.

2.2.3 Natural resource rents³⁷

'...environmental governance in countries like Tanzania is a crucial site of power struggles over the nature of the state, and the form of relationships between the international and the domestic, and state and non-state actors.'³⁸

Nature provides both subsistence and income for rural households³⁹ while generating tax revenues for the state. Tanzania's natural resources--land, water, forests, wild animals, minerals--are sources of controversy and conflict over who benefits from the rents and taxes that they generate.⁴⁰ Central and local government lack both the human resources and the institutional capacity to regulate and tax natural resources effectively, efficiently and fairly. In addition, there are frequently unclear and overlapping mandates between different state agencies. For example, the Tanzanian REDD (Reduced Emissions from Deforestation and Forest Degradation) management model is notable for 'the absence of clearly articulated relationships with existing statutory oversight institutions, such as Parliament and the Controller and Auditor General'; the 2006 State of the Environment report acknowledged that 'the central-local relationships are still unclear'; and the lack of clarity in the relationship between the Department of the Environment in the Vice President's Office and the National Environmental Management Council is said to have created a situation of 'institutional gridlock.'⁴¹

Natural resource rents are frequently acquired illegally and therefore tax free. Over the years, Tanzania has been implicated in the illicit export of wildlife, timber and gold/gemstones, and the illicit import/transit of drugs, small-arms, and counterfeit products, reported in earlier TGRs. **Section 4.2.3** reports on wildlife and beach tourism.

During the review period, land and minerals were sources of major policy debate and conflicts, involving the state, citizens and civil society activists. Two key issues were taxes and royalties on mining companies and a rush to acquire large swathes of land to produce biofuels and food for export (see **section 4.2.4**). Here taxation issues related to large-scale mining are sketched.

According to TEC, BAKWATA and CCT (2012):

Mining companies are paying around \$100 million a year in all taxes which amounts to less than 7 per cent of the value of mineral exports – their tax payments are low mainly because of the tax incentives they receive. ... In 2010, the Tanzania Minerals Audit Agency (TMAA) audited 12 mining companies and raised a number of 'queries' concerning some companies' financial claims. It alleged that some unspecified companies had over-declared their capital allowances and operating expenditures,

36 Guardian Reporter, 19 December 2011. Even village councils are empowered to collect taxes

37 See Cooksey 2011a and Cooksey and Kelsall 2011 for extended treatments of natural resource and other rents in Tanzania.

38 Death (2010:25)

39 REPOA (2007) lists housing materials (thatch and wood), medicinal herbs and food (wild fruit, nuts, honey, tubers) as the main subsistence benefits derived from nature.

40 For a discussion of the concept of 'rents' in the Tanzanian context see Cooksey and Kelsall 2010 and TGR 2008/09.

41 Death (2011:16) citing Bofin et al 2011, page 60; The United Republic of Tanzania, State of the Environment Report 2006, page 112; and Kimani 2007:146-7.

among other areas – a process which would have reduced their tax liability. Such over-claims came to a total of \$705.8 million, according to the TMAA. Many of these queries received responses from the mining companies, which reviewed and discussed them among their management, but the TMAA noted that there remained ‘unresolved queries’ amounting to \$251 million.⁴²

Data from big mining companies both challenge and confirm this view. For example, Geita Gold Mine, owned by AngloGold Ashanti, claims to have paid USD 97.1 million (Shs 155 billion) in royalties and taxes during 2011.⁴³ GGM claims to have paid almost as much in taxes and royalties as TEC et al claim for the entire formal gold mining sector.⁴⁴

Africa Barrick Gold (ABG) is by far the largest gold mining interest in Tanzania, with four of the big six mines. In a widely circulated email exchange with ABG Director Juma Mwapachu in December 2011, Chadema M.P. and Chairman of the Parliamentary Public Accounts Committee, Zitto Kabwe claimed that: ‘while ABG declares profit in London, pays dividends and even corporate tax at domicile [London], no single ABG subsidiary in Tanzania declared profit and paid corporate tax in 2010.’⁴⁵

Yet in 2009, ABG paid USD 37 million in royalties and the same amount again in PAYE, equal to twice GGM’s royalties and income tax payments for 2011.⁴⁶ According to Hooper:

The most glaring zero in Barrick’s budget is corporate tax. Tanzania charges 30 per cent corporate income tax, but Barrick pays none because it hasn’t recouped expenses so three of its mines aren’t considered profitable. The fourth mine, Tula-waka, is profitable but Barrick cancels out the earnings with Buzwagi’s expenses to delay paying corporate tax. Tanzania amended its income tax law in 2010 to prevent this sort of offsetting and it would now tax every gold mine individually, but Barrick keeps its existing arrangement.⁴⁷

The ‘existing arrangement’ (‘offsetting’) has been replaced by ‘ring-fencing’, which makes each mine independent for tax purposes. Mining sector policy and regulation issues are reviewed in **section 4.2.1** below.

In October 2010, the Revenue Watch Institute and Transparency International launched

42 Tanzania Episcopal Conference (TEC), National Muslim Council of Tanzania (BAKWATA) and Christian Council of Tanzania (CCT) 2012. The One Billion Dollar Question: How Can Tanzania Stop Losing So Much Tax Revenue, Dar es Salaam, June, pp xii-xiii. It is difficult to see where the 65% figure comes from.

43 Victor Karega 2012. ‘The message from Geita Gold Mine’, Advertisement, Citizen, Dar es Salaam, 25 October (exchange rate 1USD=Sh 1,600). The breakdown is as follows (USDm): Corporate tax 57; Royalties 23; Income tax (PAYE) 14; Other taxes and duties 2.5; Fees and charges 0.6.

44 Moreover, PAYE accounts for a mere 14 percent of all taxes, not 65 percent as claimed by TEC.

45 From: Zitto Zuberi Kabwe <zittokabwe@gmail.com> To: Juma Mwapachu<jumav2002@yahoo.co.uk>; Date: Fri, 2 Dec 2011. In a related message to Ali Mfuruki, who broadly endorsed Zitto’s position, Mwapachu avoids the crucial issue, referring instead to ‘subjective nationalisms’. ‘Ultimately of course if some of us want to re-invent socialism, why not?’ (Dec 4, 2011, at 21:56, jumav2002@yahoo.co.uk).

46 Adam Hooper 2011. ‘Give for the gold’ April. LHRC 2012 cite a list of the top ten corporate tax payers that PM Pinda presented to Parliament in 2011. ABG did not figure in the list, though Resolute did.

47 TEC et al 2012: ‘The new mining act ... brings some important changes to the mining sector but in effect applies only to new projects since existing gold mines remain governed by the generous fiscal terms and tax stabilisation clauses outlined in individual mineral development agreements.’

the Revenue Watch Index,⁴⁸ which focuses on transparency of contracts, operations and revenues in 41 countries with significant extractives sectors. The survey assessed publicly available data, primarily through websites of ministries and government agencies, supplemented with key informant interviews. Documents sought included: contracts; environmental impact reports; government agencies' annual reports; EITI and audit reports. Tanzania is ranked fifth from the bottom, in the category characterised by 'scant revenue transparency'. This group includes Turkmenistan, Equatorial Guinea, DRC, Algeria, Kuwait, Ghana and Saudi Arabia. A drawback of the Index is that it does not disaggregate between the different extractive sectors (mining, oil and gas) and their different regulatory regimes.

While CSO activists and academics responded positively to the report, mining industry representatives were less enthusiastic. For example, Mr Ami Mpungwe, chairman of the Tanzania Chamber of Minerals and Energy, said major mining companies meet the best international practices regarding transparency. "There is no secrecy whatsoever...we are quite transparent. All of our members, such as Barrick Gold, AngloGold and TanzaniteOne, among others, are public listed companies and have nothing to hide," he said.⁴⁹

2.2.4 Aid

Despite rapid economic growth and rapid increase in revenue mobilization, foreign aid loans and grants have remained a significant and fairly steady share of GDP and a highly significant financing item in the budget.⁵⁰

From 2000 to 2010, Tanzania received cumulative aid inflows of \$21bn, or about 12 percent of GDP.⁵¹ In recent years, about 60 percent of aid has been in the form of general budget support and 'basket' funding, though this is expected to fall significantly in coming years.⁵² More important, aid, including budget support, is likely to fall as a result of Tanzania's relatively poor showing in Public Expenditure and Financial Accountability Reviews (PEFAR) and Country Policy and Institutional Assessment (CPIA) rankings.⁵³ Many now believe that the known and unknown costs of budget support significantly outweigh the benefits, an issue discussed below (**section 6.2**).

The global picture of bilateral aid agencies facing a legitimacy crisis, which could easily tilt public opinion against planned aid targets in certain countries, is reproduced at the local level, where aid agencies conspire with the GOT to claim that aid-financed policy formulation and implementation are far more effective than they are in reality. TGR 2012 will present research findings on the public perception of aid as well as on the implementation of key sector policies, including manufacturing, minerals, gas and agriculture.

2.3 Public expenditure and investment 2010-2011

The total budget for 2009/10 was Shs 8.6 trillion, and Shs 9.8 trillion in 2010/11 (USD

48 Revenue Watch Index, www.revenuewatch.org/rwindex2010/index.html, accessed 10/04/12.

49 Mwakyusa 2010.

50 United Republic of Tanzania (2010c:xii).

51 <http://www.oecd.org/dac/aidstatistics/>. In 2009-10, the top five aid givers/lenders were: WB (22%), US 12%, UK 7.7%, ADB 6.5%, IMF 5.7%.

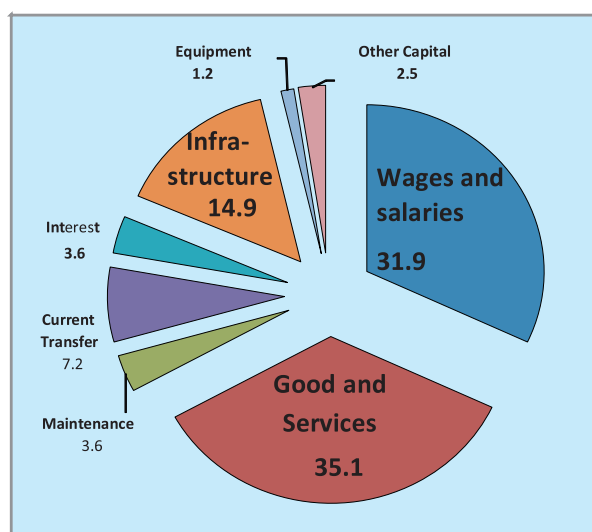
52 WB 2011:9.

53 Ibid, page 10.

6.5 billion).⁵⁴ The largest items of public expenditure are wages and salaries and goods and services, which between them accounted for two-thirds of all expenditure in 2010/11 (**Figure 2.2**).⁵⁵ Development expenditure declined from 27 percent of total expenditure in 2009/10 to 23 percent in 2010/11.⁵⁶ Moreover, development budget funds released to MDAs during the year 2009/10 were almost a fifth less than the approved funds, and in 2010/11 the shortfall was a massive 41 percent of the approved development budget. The CAG concludes: 'From the above analysis, it is obvious that there is a serious problem of funding for development activities.'⁵⁸

The PER Working Group found that 'the development budget has become increasingly consumption oriented, with more than 55 percent allocated for consumption spending [in 2009/10].'

Figure 2.2: Public expenditure 2010/11



Source: Rapid Budget Appraisal 2012

Moreover, 'the Personnel Emolument (PE) classification conceals the true extent of the wage bill.' Finally, 'the share of public consumption, consisting of goods and services, and interest payments increased by about one third in the 2009/10 budget.' Planned capital spending fell by a similar proportion.⁵⁹ The following sections deal with wages and allowances and procurement and contracting in turn.

2.3.1 Wages and allowances

The total wage bill, consisting of 'basic' wages/salaries plus allowances, accounts for about a third of public spending. According to the IFMS:

54 Controller and Auditor General 2012a. Central Government General Audit Report FY 2010-11.

55 Sectoral expenditure is examined in Chapter 3.

56 CAG 2012a:19.

57 CAG 2012a:19. The Development Vote for MDAs in 2010/2011 was Shs 3.8 trillion while the actual funds released were Shs 2.2 trillion.

58 CAG 2012a:20.

59 PER Working Group 2010: 25-6. 'True capital spending declined sharply to 15 percent of the total budget in 2009/10 from 24 percent of the 2008/09 total budget.' 2010 was, of course, an election year.

The overall wage bill as a proportion of the budget ... declined insignificantly from 2009/10, and stands at 31.9% or equivalent to 9.9% of GDP [for FY 2010/11]. ... The wage bill as a proportion of the total budget was 32.5% in 2009/10, which is slightly higher than 31.9% in 2010/11. ⁶⁰

During FY 2010/11, 'allowances accounted for 16.2 per cent of the total wage bill, of which duty-facilitating allowances made up 10.2 per cent, remunerative allowances 6 per cent and domestic per diems 4 per cent. The total absolute allocation for allowances amounted to TZS 269 billion (USD 165 million).' ⁶¹

Allowances have been a controversial public expenditure issue for a number of years, as reported in previous TGRs. According to the IFMS wages are growing faster than allowances, and LGs are getting a larger share of the total:

Efforts to reduce the use of allowances in the wage bill have led to lower growth of allowances in 2010/11 and conversely a higher growth of basic wages at 21.2%. The share of allowances between central and local government in 2010/11 is 78.1% and 21.9%, as compared to 90.6% and 9.4% respectively in 2009/10. ⁶²

In the June 2011 budget session, the tax law was amended to formalise the practice of not taxing allowances. ⁶³

The nominal growth rate of allowances in 2010/11 was 6.6 percent, much lower than the 26.3 percent growth in 2009/10. Total allowances voted increased from Shs 526 billion in 2009 to Shs 560 billion in 2010/11. **Table 2.3** summarises the main recipients of allowances during 2010/11.

Table 2.3 shows that 'The top ten ranked MDAs share over 45% of the allowances budget.' However, 'As is the case in past years, it is difficult to determine the share of allowances in the budget subvention for personnel emoluments to parastatals.' ⁶⁴

Allowances for MPs were in the news during the review period. In early December 2011, National Assembly Speaker Anna Makinda announced that MPs' sitting allowances have been increased from Shs 70,000 (USD 45) to Shs 200,000 (USD 130), but State House denied any involvement in the allowances issue, which was roundly condemned in the media, declaring that the 'new sitting allowances for MPs will not take effect until president Kikwete assents to a parliamentary service commission application to raise them'.⁶⁵ On December 20, 'Scores of Arusha residents and activists ... walked barefoot for about 7 kms to protest against the ... allowances, saying they widened the gap between the "haves" and the "have nots".'⁶⁶

60 IFMS data, 2011.

61 Soreide et al. 2012:25.

62 IFMS data, *ibid*.

63 Soreide et al, *ibid*. It is not known how many officials declared their allowances for tax purposes.

64 IFMS data, *ibid*.

65 Citizen Reporter 2011g,h.

66 Lusekelo 2011; Mugarula 2011d.

Table 2.3: Main allowance receiving MDAs, 2010/11

Ministry	Allowances (Shs billion)	Proportion of all allowances
Home Affairs: Police	54.6	9.7
Electoral Commission	33.6	6.0
National Service	31.7	5.7
National Assembly Fund	29.0	5.2
Foreign Affairs	25.2	4.5
Education & Vocational Training	22.5	4.0
Home Affairs: Prisons	18.6	3.3
Health and Social Welfare	13.6	2.4
National Audit Office	13.5	2.4
Prime Minister's Office- RALG	12.5	2.2
Total	254.8	45.4

Source: IFMS data and author computation.⁶⁷

The allowances were duly approved. This incident was variously interpreted as a sign of poor coordination between the major parties, the casual attitude of *wabunge* (MPs) to the head of state, and their gross insensitivity to the widespread suffering of the masses in tripling allowance while inflation nudged 20 percent.⁶⁸

2.3.2 Procurement and contracting

'The power sector has been mismanaged for over 20 years. Power-rationing, first resorted to in the early nineties, is now a fact of daily life. [B]oth the Dowans and IPTL generators are idle because of contractual disputes with Tanesco. ... Many of those linked to the well-known cases of corruption in the power sector are still in or near to the corridors of power.'⁶⁹

Goods and services bought by the GOT account for a third of all public spending (**Figure 2.2** above).⁷⁰ Previous TGRs have flagged high levels of official plunder and private sector rent-seeking, causing grievous waste in both procurement and contracting, with negative knock-on effects for both producers and consumers of goods and services.

The power sector continues to be the Achilles heel of the Tanzanian economy. Power rationing characterised the review period, particularly in 2011, with negative consequences for the economy and domestic consumers. Business Week of December 2011 quoted Ali Mufuruki, prominent businessman and chair of the CEO Roundtable, as saying that: "Tanzania was a tough and challenging place for doing business because extended power outages cost a lot of money to businesses and the government lost significant amounts of revenue."⁷¹

67 Sikika and Policy Forum (2010) calculate a slightly higher figure of Shs 269 billion for allowances in 2010/11.

68 An MP's salary of TShs 12 million a month is the equivalent of USD 8,000 at April 2011 exchange rates (USD=TShs 1,500). MPs receive other benefits, including TShs 100,000 parliamentary session sitting allowance (USD 67), subsidised fuel allowance, large car loans and a hefty gratuity at the end of every five year presidential term. Kimaro (2009) cites figures showing that US senators earn about 11 times PPP per capita income, compared to nearly 50 times in Tanzania.

69 Africa Confidential, 18 March 2011, Vol 52, No. 6.

70 According to CAG (2012a:50) procurement for 2010/11 accounted for 41 percent of total government expenditure, compared to 52 percent in 2009/10. The reason for the discrepancy is not clear.

71 Business Week 2011. 'Chief Executive Officers give their assessments on conditions of doing business in Tanzania in 2011', Citizen, Dar es Salaam, 29 December.

Box 2.2: Tanesco and power crises: nature versus nurture?

For the last twenty years, Tanzania has suffered from sporadic power shortages, which were acute in 1992, 1994, 1997, 2000, 2006, 2009 and 2011. These shortages have undermined industrial development and forced many small businesses to close. Official policy in the 1990s foresaw a move away from dependence on hydro and diesel towards more diversified sources of electric power, first taking advantage of Tanzania's natural gas reserves. However, politics replaced planning at the Ministry of Energy and Minerals when the Songas project, which was strongly supported by the World Bank, was sidelined by the sudden arrival of IPTL, a private power project which relied on imported diesel. Delays in commissioning IPTL caused by legal wrangling turned what was initially described as an 'emergency' power project into a long-term arrangement that has cost Tanzania dear. Waste and corruption in power generation and distribution have meant that power supply has lagged behind demand, and the reliance on hydro has continued, with predictable results. Thus when President Kikwete (a onetime Minister of Energy and Minerals) blamed the 2011 crisis on drought in the Mtera catchment area, he was only addressing proximate, not underlying, causes of the crisis. The Treasury provides huge subsidies to loss-making Tanesco to finance its operations, while long-term investments suffer. In August 2011 the National Assembly passed a 'power rescue plan' worth Shs 1.3 trillion, but finding the money proved problematic.

Source: Athuman Mtulya 2011. 'Traders feel hit hard by power outages', *Citizen*, 29 December; Brian Cooksey 2011; Political Platform 2011. '2011 major political events', *Citizen*, 28 December. Special Correspondent, 2012. 'Cabinet reshuffle: Guilty as charged or a failed system?', *Guardian on Sunday*, 6 May.

The power crisis was made worse by failure to procure diesel for IPTL,⁷² and TANESCO's cancellation of the Dowans⁷³ contract. In December 2010 the International Commercial Court ordered TANESCO to pay Dowans over USD 40 million for breach of contract, adding further to the financial haemorrhage resulting from the utility's mismanagement and political interference.

Road construction is the GoT's biggest spending item. The government budgeted TShs 1.5 trillion (one billion USD) for infrastructure during FY 2010/11--13% of the national budget--most of which was used for road works. TGR 2008/09 flagged major problems in TANROADS management and governance.⁷⁴ In March, 2010, Ephraim Mrema, Chief Executive of TANROADS and a presidential appointee, was given three months' notice of termination. Long regarded as untouchable, he was found to have been unqualified for the position by two government probe committees in 2008 and 2009, and to have had his contract renewed for another five years without due process. The Prevention and Combating of Corruption Bureau (PCCB) confirmed that it was continuing with investigations into TANROADS, with a focus on procurement irregularities. Once again, Andrew Chenge, this time in his role as Minister of Infrastructure Development, was implicated in the affair.⁷⁵ Evidence of TANROADS' poor finance management emerged when the Chinese Contractors Association told journalists that TANROADS owed contractors Shs 287 billion in debts going back to 2009, leading to the suspension of works on 2,400 kms of roads.⁷⁶ In November 2011, the Parliamentary Committee on Infrastructure revealed that eleven projects worth Shs 425 billion had stalled due to government's failure to pay contractors.⁷⁷

72 IPTL was supposed to convert to natural gas power under its Power Procurement Agreement, but this never happened. TGR 2012 will report on claims that USD 40 million earmarked to procure diesel for IPTL went missing.

73 Dowans were brought in to clean up the mess created by the Richmond fiasco, reported on previously.

74 Policy Forum 2011:13; Uwazi 2010g.

75 See Appendix 1.

76 Mchekadona 2011. The association claimed that its 20 members were responsible for two-thirds (2,406 of a total of 3,674 kms) of trunk roads being built in the country.

77 Daily News Reporter 2011e.

Section 2.4.4 below presents further evidence of continuing poor standards in public procurement and contracting during 2010-11.

2.3.3 External Debt

Tanzania's total external debt stock reached USD 10.8 billion (Sh15 trillion) by October 2010. According to the Bank of Tanzania: 'The debt increased by about \$4 billion in four years between 2007 and 2010 from \$6.1 billion in June 2007 to \$10.2 billion in June 2010.'⁷⁸ Servicing external debt cost USD 150 million in 2009 and USD 182 million in 2010.⁷⁹ Tanzania's external debt burden fell from 2000 to 2006 as a result of the World Bank's Highly Indebted Poor Country (HIPC) initiative, through which most donors wrote off outstanding debts. As a result of HIPC debt relief and rapid economic growth, debt has fallen as a proportion of GDP, though it has risen in absolute terms. Thus, external debt was the equivalent of nearly 60 percent of GDP in 2005 falling to just over 30 percent in 2011.⁸⁰

The World Bank is Tanzania's single largest creditor, with nearly 40 'active' projects currently worth USD 3 billion.⁸¹ Four ongoing projects in water, transport, social safety nets and urban local government strengthening, are worth a total of USD 945 million. WB concessional loans have a high grant component as a result of their low interest rates and long repayment periods.⁸² Do WB projects deliver value for money, thus justifying the loans? **Section 6.4** below addresses the issue of aid effectiveness.

2.3.4 Pension Funds ⁸³

Tanzania's pension funds are the National Social Security Fund (NSSF), Public Service Pension Fund (PSPF), Local Authority Pension Fund (LAPF), and the Parastatal Pension Fund (PPF). Pension funds are among the most politically vulnerable public institutions. They lend money to the government, to public officials and, some commentators claim, invest in potentially high-risk ventures, leading to possible defaults on non-performing loans. For example, the CAG noted pension fund 'non performing loans' for 2010/11 worth Shs 91.7 billion and USD 9.65 million for the constructions of Bunge Hall, police houses and the Machinga Complex at Dar es Salaam City Council. Other outstanding non-performing loans were to: 'General Tyre East Africa Ltd, Kiwira Power Coal Mining, Dar es Salaam Cement Company, Continental Venture Limited, Kagera Sugar Co. Limited and Medtech Industrial Co. Limited under ... Government guarantee.'⁸⁴

78 Citizen Reporters 2011. 'National debt hits Sh15 trillion mark', Citizen, Dar es Salaam, 26 January.

79 www.databank.worldbank.org/

80 World Bank 2011:7.

81 www.worldbank.org/projects, accessed 29/11/2012.

82 Still local journalists often talk of the WB 'giving' money to the GoT as if IDA loans were grants.

83 Pension funds are not an item of government expenditure, but are included here as significant financiers of government capital investment, with attendant 'fiduciary risks.' Their role in providing pensions is also commented on.

84 CAG 2012c. Audit of Public Authorities and Other Bodies for the financial year 2010/11, page xxi. Government guarantees transfer non-performing loans to the government, i.e. the taxpayer (and donor).



In recent years, pension funds⁸⁵ have invested over TSh 400 billion in the construction of the University of Dodoma (UDOM) campus. The CAG argues that the status of these 'loans' is unclear: 'Pension Funds understand that [the] amount used to construct the buildings was the loan to the Government while ... Government understands [it] was an investment of the Pension Funds.'⁸⁶ Since it is implausible that the UDOM will be able to pay back these loans, the funds' interpretation seems the correct one. Financing what amounts to capital investments in this manner cannot be justified from a public policy perspective. Pension Funds also invest heavily in luxury high-rise housing and office developments in Dar es Salaam and other urban centres. These markets are typically high-risk and speculative, with serious consequences for subscribers in the event of market collapse.⁸⁷

There is evidence of the difficulties retired public servants experience in accessing their pensions, which in any case are usually not enough to live on. For example, the CAG's 2010 performance audit of the Public Service Pension Fund (PSPF) and the Local Authorities Pension Fund (LAPF), administered by the Ministry of Finance and Economic Affairs and the Prime Minister's Office respectively, found that it took an average of eight months to process a retirement application. Applications were frequently sent back to retirees because of 'inadequate documentation'. To receive their pensions, retirees are in theory required to provide the following information:

Think about it...

Although the government collects less than 20 percent of GDP in taxes, public expenditure is characterised by systematic waste, inefficiency and corruption at all levels. Those currently paying income tax receive little from the state in return. Widening the tax net to 'capture' the informal sector is justified in terms of increasing government revenues. This begs the question: if large amounts of revenue are squandered, what is the justification for taxing the 'informal sector'?

85 Namely NPF: Shs 340bn; PSPF, LAPF, NHIF and PPF Shs181bn. NHIF is the National Health Insurance Fund.

86 CAG 2012c:xxi.

87 An issue TGR has not dealt with to date is the relationship between the National Housing Corporation (NHC) and a number of local building contractors in urban high-rise developments, particularly in Dar es Salaam.

- Letter of first appointment
- Letter of confirmation
- Letter of last promotion
- Retirement acceptance letter
- Recent salary slip
- Letter of transfer from Central Government to LGAs and vice versa
- Bank details
- Birth Certificate⁸⁸

According to the CAG: 'Employer's system of keeping records is appallingly inefficient and ineffective, hindering the retirement system's ability to fulfil its mission.'⁸⁹

TGR will continue to monitor the investment priorities and the performance of the various pension funds.

2.4 Transparency and accountability

Power in Tanzania inheres in a small elite consisting of the presidency and the central committee of the ruling party. This politico-bureaucratic group enjoys virtual immunity from formal oversight or sanction.⁹⁰ A USAID report from the review period pulls no punches:

This elite in effect uses the state as a vehicle for private capital accumulation. ... constraints on effective competition and limited political accountability are in large part a function of executive dominance. ... both formal (institutional/legal) and informal (cultural and civic) restraints on the exercise of executive authority remain exceedingly weak. Most critically, executive dominance is deeply embedded in the Constitution and the wider legal framework and, through them, in the structure, capacities, and resources of state institutions.⁹¹

A recent review of accountability institutions provides a daunting list of 'root causes' of weak accountability in Tanzania:

'(i) insufficient political incentive to move from a low to a high accountability state; (ii) a civil service regime which makes it difficult to fire public servants for poor performance and which lacks a clear accountability framework and contracting mechanism, (iii) a poorly functioning legal system, (iv) an overly regulated and non-competitive business and regulatory environment (encouraging corruption); (v) the provision of public services for free and with little competition (creating only indirect links between service delivery and accountability), (vi) a history of corruption, which has made corruption socially acceptable, ingrained, and difficult to break, (vii) poverty and low levels of education of the populace (which influences the political calculus), (viii) a weak media (especially in terms of investigative journalism) and (ix) weak civil society organizations.'⁹²

88 CAG 2010:63. In 2010 only 6.2 percent of children under five possessed birth certificates (REPOA 2012:117, citing MKUKTA Cluster III indicator).

89 CAG *ibid.*

90 USAID 2010; see also the work of Lawson and Rakner, Kelsall and Mmuya.

91 USAID 2010:x-xi. 'Democracy and Governance Assessment of Tanzania: Final Report' by Stevens Tucker, Barack Hoffman and Rwekaza Mukandala, Washington DC.

92 Bofin and Kobb 2011:viii-ix.

The obvious question is, given these obstacles, how can the executive be held to account? The short answer is: 'with great difficulty.' The following sections look at the roles of parliament, the PCCB, the CAG and the judicial system. While parliament has been praised for an apparent strengthening of its role in enforcing accountability, and the performance of the CAG has been complimented for the improved scope, depth and timeliness of its reports, the PCCB has come in for increasing criticism for failure to meet its mandate and for bowing to political pressures, and the judiciary has proven resilient to years of donor-driven reform efforts designed to increase efficiency and reduce corruption. The reader is reminded that the CAG and PCCB do not have powers of prosecution: they can only highlight irregularities and make recommendations (to parliament and the DPP respectively). Failure to punish wrongdoers--impunity--is the greatest failing in the accountability system.⁹³

2.4.1 Parliament

Both parliament and the public at large have inadequate access to basic budget information. Free and timely access to such information is a precondition for holding government accountable for its spending performance. How open is the Tanzanian budget process? The Open Budget Survey (OBS) 2010 concludes that Tanzania's budget process lacks adequate transparency, leaving both MPs and citizens in the dark about how tax and donor money are used. According to UWAZI (2010a):

'Effective scrutiny requires timely access to sufficient budget information and the existence of channels for dialogue between the citizenry, elected representatives and civil servants.'

Results from the OBS suggest that Tanzania is not doing very well on these counts (**Table 2.4**). Of the eight key budget documents the Treasury is expected to produce and make publicly available, Tanzania produces five and releases only three.' Consequently, the International Budget Project places Tanzania towards the bottom of the third of five categories.⁹⁴

Despite weaknesses of this type, it is widely believed that house speaker Samuel Sitta (2005 to 2010) helped make the National Assembly a more effective oversight institution through changes to Standing Orders and giving opposition interests a greater say in parliamentary discussions.⁹⁵ Parliamentary committees have also become more proactive.

Table 2.4: Tanzania's performance in the Open Budget Survey 2010

Budget document	Availability of key document	Comprehensiveness of information
Pre-Budget statement	Produced, not published	Scant or no information
Executive's Budget Proposal	Published	Some information
Enacted Budget	Produced, not published	Scant or no information
Citizen's Budget	Not produced	Scant or no information
In-year Reports	Published	Significant information
Mid-year Review	Not produced	Scant or no information
Year-end Report	Not Produced	Scant or no information
Audit Report	Published	Some information

Source: Open Budget Survey 2010

93 Bofin and Kobb *ibid*.

94 www.internationalbudget.org; See also: UWAZI 2010. 'Achieving results? Four challenges to Government, MPs and Donors', Policy brief TZ.15/2010E.

95 Sitta's support for the investigation into the Richmond affair made him many enemies in the ruling party, who crystallised around Edward Lowassa and Rostam Aziz.

During the 2011/12 budget session it was alleged that David Jairo, Permanent Secretary in the Ministry of Energy and Minerals, had ordered agencies under the ministry to contribute Shs 50 million each towards the 'facilitation' of the approval by Parliament of the ministry's 2011/12 budget estimates. The institutions that were alleged to have contributed were the Tanzania Electric Supply Company (Tanesco, Shs 40 million), the Rural Energy Agency (REA, Shs 50 million) and the Tanzania Petroleum Development Corporation (TPDC, Shs 50 million).⁹⁶ The Select Committee that investigated the scam found Jairo culpable on all counts, and criticised the Chief Secretary Philemon Luhanjo⁹⁷ and the CAG Ludovick Utuoh for covering up the findings of the special audit of the payments.⁹⁸ The Select Committee concluded that only Shs171.5 million out of a total of Shs 568.8 million spent on 'facilitation' could be justified as legitimate expenditure. Over Shs 400 million was falsely accounted for, including payment of per diems to 243 ministry officials, whereas in fact 'only' 69 officials had travelled to Dodoma for a week of 'seminars and budget preparation.' Minister for Energy and Minerals William Ngeleja and deputy minister Adam Malima 'signed for Sh4 million each as entertainment allowances for a single day.'⁹⁹ None of the 'accused' was prosecuted, though Jairo had already been suspended, Luhanjo's overdue retirement was speeded up, and Utuoh lost his image as an upstanding public servant. During the course of the enquiry, it emerged that 'facilitation' of this kind--that is, bribing MPs and committee members to allow budgets through unchallenged--is a common practice.¹⁰⁰

Normally, the CAG submits its audit reports to parliamentary committees where they are discussed, the committees question Permanent Secretaries over the use and misuse of funds, parliament discusses the CAG's and the committees' reports, but nobody is held accountable for any waste and embezzlement revealed. However, discussion of the 2010/11 accounts took a different turn, to be discussed in more detail in TGR 2012, when Zitto Kabwe, the chairman of the POAC used the CAG reports to attack the credibility of the Prime Minister and a number of senior cabinet ministers. Kabwe is quoted as saying: "This is the oversight function. We (MPs) should take action to make the government accountable to the people."¹⁰¹

While active MPs are favourably viewed in the media and by donors, they are not always appreciated by their constituents. Contrary to what might be expected, being active in the *bunge* is a poor guarantee of being reelected to serve a subsequent term, at least for the ruling party. Thus in the CCM primaries in August 2010, seven of the ten most active legislators lost their re-election bid, while the ten least active MPs all won.¹⁰²

96 Luhwago, Rodgers 2011. 'Why Bunge probe team nailed Jairo and his defenders', Guardian on Sunday, Dar es Salaam, 20 November

97 had told a press conference that Jairo had not committed any offense that merited disciplinary action.

98 Florence Mugarula 2011b.

99 Luhwago *ibid*.

100 Corruption Almanac 2011.

101 Nynje, Peter 2012. 'Bunge shifts from talking shop to a forum of action', Citizen, Dar es Salaam, 2 May

102 UWAZI 2010g.

2.4.2 The judiciary

'...the judiciary remain[s] underfunded, corrupt, inefficient, especially in the lower courts, and subject to executive influence.'¹⁰³

'...the issue of judicial independence remains a major constraint on the consolidation of democracy.'¹⁰⁴

Studies continue to highlight inefficiencies and corruption in the judicial system. A recent review summarised judicial independence as follows:

The main limitations on judicial independence are lack of resources, weak procedures, judicial appointments, and poor remuneration of judicial personnel, especially at lower ranks. The judicial appointments are all made by the executive or by the president.¹⁰⁵

External assessments stress the negative impact of judicial corruption and inefficiency on investor confidence. These are reported in **section 4.5** below.

The Legal and Human Rights Centre (LHRC) publishes an annual Human Rights Report documenting the state of civil rights and liberties, political, social, economic and cultural rights, on both Tanzania mainland and Zanzibar (see **section 5.4**).¹⁰⁶

2.4.3 Prevention and Combating of Corruption Bureau

PCCB is responsible for public education concerning corruption and for investigating and prosecuting corruption cases. However, PCCB still does not have independent prosecutorial powers, meaning that few high-profile cases are brought to court. PCCB's nationwide expansion in recent years has led to an increase in the number of trivial cases brought to court, as shown in previous TGRs. **Table 2.5** summarises PCCB performance for the period 2002-2010/11.

Table 2.5: PCCB performance 2002-2011

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ¹⁰⁷
Allegations received	1383	2285	2223	3121	6320	8235	6137	5930	5685	2594
New files opened	1383	1796	1149	677	1528	1266	928	884	870	468
Files completed	732	540	458	540	1688	2015	936	1175	924	273
Files transferred	222	36	25	36	496	460	184	152	135	52
Admin action taken	42	21	126	21	209	280	74	40	29	25
Cases prosecuted	191	178	202	218	251	352	416	464	587	466
Convictions	12	9	6	9	18	35	37	46	64	28
Acquittals	12	28	8	28	28	45	71	73	98	32
Assets recovered bn/-	2.7	3.8	4.0	2.5	1.3	1.6	13.2	0.4	10.1	3.0

Source: <http://www.corruptiontracker.or.tz>, www.integrity-watch.com

103 Bureau of Democracy, Human Rights and Labor 2011:9.

104 Tripp 2012:6.

105 Tripp (2012:6-7) citing Legal and Human Rights Centre 2010a:66-8. Another constraint on judicial independence has been the establishment of quasi-judicial bodies or tribunals that perform functions similar to those of the courts, such as the Land and Housing Tribunal. These bodies were established to provide quick, accessible and inexpensive ways of resolving civil law suits. However, they are also even more susceptible to executive pressures than the courts.

106 LHRC various years.

107 January-July only.

The number of allegations of corruption received by PCCB increased steadily during the new century, peaking at 8,235 in 2007. Thereafter the number of allegations reported fell rapidly, although the number of cases prosecuted continued to rise. In recent years, convictions have averaged about 10 percent of prosecutions, which corresponds to a very small fraction of allegations received. Either there is a very high incidence of malicious allegations or the court system is heavily stacked in favour of government officials rather than the public. The rapid decline in allegations of corruption--31% between 2007 and 2010--suggests growing public disinterest in the institution at a time when it continues to expand its activities nationwide.¹⁰⁸

Assets saved or recovered as a result of PCCB activities show no discernible trend over the last decade, and are subject to large year-on-year variations. Apart from 2008, they are also quite small amounts, indeed trivial compared to the amounts misappropriated by public servants reported in this and previous TGRs.

In November 2010, PCCB director Edward Hosea caused a stir when he suddenly announced that former Attorney General Andrew Chenge was not implicated in the BEA radar scam (see TGR 2008/09:79). This was followed by a statement from the British High Commission in Dar es Salaam saying it was too early to form any opinion as the matter is still to be taken to court.¹⁰⁹

In 2011, PCCB launched the Tanzanian Chapter of the Business Action Against Corruption (BAAC). According to LHRC (2011:201): 'It is anticipated that through public-private partnerships more actors will join in the fight against graft.' Tanzania is also a signatory to the UN Convention against Corruption (2003) and a member of the Southern Africa Forum against Corruption (SAFAC) (2005). In 2007, anti-corruption bodies in East Africa founded the East African Association of Anti-Corruption Authorities (EAAACA). According to Baku (2011:17), the Association suffers from *inter alia* lack of political will among member states, limited financial and human resources and a poor legal framework.¹¹⁰

2.4.4 The Controller and Auditor General

In recent years, the office of the Controller and Auditor General (CAG) has expanded its activities in both scope and number, and now produces annual reports covering the accounts of national and local government and agencies, aid-funded projects, parastatals (public bodies) and Tanzanian embassies abroad. These and other occasional reports, including performance and forensic audits, can be downloaded from the National Audit Office's website.¹¹¹

Past TRGs flagged the poor quality of government spending. According to the CAG's audit for FY 2010/11, there has been modest improvement in the opinions issued on central government (MDA) and Regional Administrative Secretariats (RAS) accounts in recent years (**Table 2.6**).

Despite this apparent improvement, the CAG notes serious weaknesses in MDA and RAS accounts, including non-compliance with the International Public Sector Accounting

108 'Currently the Bureau has 24 Regional offices and a District office in every district in Mainland Tanzania in an attempt to have the people have easy access to our services.' (dgeneral@pccb.go.tz) accessed 15 May 2012.

109 Nipashe, Mwananchi, Habari Leo, Tanzania Daima, British High Commission Kiswahili press summaries, November.

110 Cited by LHRC 2012:200.

111 www.nao.go.tz The CAG is part of the National Audit Office (NAO).

Standards (IPSAS) and with national procurement laws and regulations. The CAG also lamented 'the non implementation of most of my previous years' recommendations.' This annually repeated lament by the CAG suggests that greater transparency in public affairs has yet to impact significantly on accountability.

Table 2.6: CAG opinions for central government MDAs and RAS, 2010/11

Opinion	Unqualified			Qualified			Adverse			Disclaimer			Total (N)		
	08/09	09/10	10/11	08/09	09/10	10/11	08/09	09/10	10/11	08/09	09/10	10/11	08/09	09/10	10/11
MDAs	45	43	50	7	13	10	1	1	-	0	-	-	53	57	60
RAS	18	12	19	2	7	2	1	1	0	-	1	-	21	21	21
Total	63	55	69	9	20	12	2	2	0	-	1	-	74	78	81
Percent	85	71	85	12	26	15	3	2	0	0	1	0	100	100	100

Source: CAG 2012a : xix.

More specifically, CAG highlighted a number of weaknesses and irregularities in public finance management, including procurement and tax collection, discussed above.¹¹²

During the review period, the CAG gave most Tanzanian missions abroad unqualified opinions.¹¹³ Recurring adverse comments concerned unauthorised overspending and the build-up of debts, non-remittance of income from visas, and unauthorised transfer of funds between accounts. In most cases, relatively small amounts were involved. **Box 2.3** gives an example of waste in a Tanzanian embassy abroad.

Box 2.3: Official waste in the USA

The results of a site visit by the CAG revealed that: 'The official residence for Head of Mission located at 30, Overhill Road, Mount Vernon, ... owned by the Government [of Tanzania] is not in use since July 2010. [The] HOM [Head of Mission] is residing in a temporary rented residence located at 86, Judson Avenue, ... at a rent of \$7,000 per month [Shs 11m/month at the April 2012 exchange rate] since August 2010 [total spent to date (04/12) \$147,000, the equivalent of Shs 230 million]. However, site visit made to 30 Overhill Road ... noted that no action has been taken by the Ministry [of Foreign Affairs and International Cooperation] to renovate or reconstruct the house to date despite the survey made by Marin Architects in July 2010 which costed (sic) USD 18,500 [Shs 29m] and reflected the major defects of the house and action to be taken. Also correspondence from HOM to the Government explains the extent of the problem and the budget amounting to USD 3,210,000 for renovation [Shs 5 billion]. Surprisingly, the mission is still paying USD 7000 per month for the HOM residency while the Government house for HOM is idle and the bill for ... USD 18,500 is still outstanding to date.'

Source: CAG 2012e:50

112 CAG *ibid*, p xxvi. Some of the major findings of 'The results of the special audits revealed that Treasury Registrar and the Ministry of Finance were involved directly in the sale of Plot No.10 off Nyerere road sold to Mohamed Enterprises Tanzania Ltd. Also [the] special audit noted a controversial claim of Shs.2.349 billion raised by DRTC being a settlement of security costs for facilitating access to Plot No.192 off Nyerere road owned by CHC.'

113 Controller and Auditor General 2012c. Tanzanian Embassies-General Audit Reports, Dar es Salaam.

2.5 Leadership and ‘political will’

The concept of ‘political will’ is problematic.¹¹⁴ The president has enormous formal powers but can only exercise them for the public good to the extent that the powerful individuals and social groups who support him are prepared to let him do so. Since the end of the ‘Phase 1’ government (1985), presidential power has been increasingly compromised by competitive clientelism, which pushes up the transaction costs of politics. Nyerere’s ‘king making’ role has been taken over by contested informal business-political networks that have no public legitimacy.

TGR 2008/09 listed nine senior politicians, ten senior government officials and seven businessmen implicated in grand corruption cases.¹¹⁵ No cases have been brought against six of the politicians, two still have cases in court, and one (former AG Andrew Chenge) was fined for dangerous driving. One senior official is said to have died (Bilali), and all but one of the remaining nine were charged. Of these, one case was dismissed (Kweka), one accused was found not guilty (Mahalu), and one (Liyumba) was given two years.¹¹⁶ Of the businessmen, Rostam Aziz, has resigned from active politics, and the case against Richmond suspect Naeem Gire was dismissed towards the end of the review period.¹¹⁷

The president cannot be directly implicated in any of these decisions, of course. Nevertheless, the centrality of the executive in Tanzanian politics and broad discretionary presidential powers lead inevitably to the conclusion that the president has insufficient incentives to reign in state plunder and rent-seeking among his close associates and appointees. This has contributed to the poor state of national governance documented in this and previous TGRs, including the impunity enjoyed by senior politicians and government officials involved in corrupt practices.

2.6 Conclusion

Public finance came under severe pressure during the review period. Various audits highlighted weaknesses and irregularities in procurement and tax collection. The impact of the 2008 global financial crisis continued to be felt, and inflation reached almost 20 percent. A national power crisis following the 2010 elections underlined the impact of mismanagement and corruption in the power utility TANESCO. With aid stagnant or declining, and TRA failing to meet tax targets, the GoT resorted to unprecedented levels of private borrowing to balance the budget. Public consumption rose by a third and capital spending fell by a similar amount. The IMF warned that borrowing to finance recurrent expenditure while tax revenues stagnated would lead to unsustainable levels of debt. Large amounts of public money continue to be used to bail out loss-making public corporations. Procurement and contracting continued to be characterised by plunder and rent-seeking, though no new major scams came to light.

114 Hoffman (2012:9) for example argues that ‘partly due to Kikwete’s weak leadership, rising corruption is undermining the party’s legitimacy...’. It is equally plausible that the corruption weakens the leadership. Perhaps the causality is a vicious circle.

115 TGR 2009/10, pp 21-2.

116 Four others were given jail sentences in 2012, to be reported in TGR 2012.

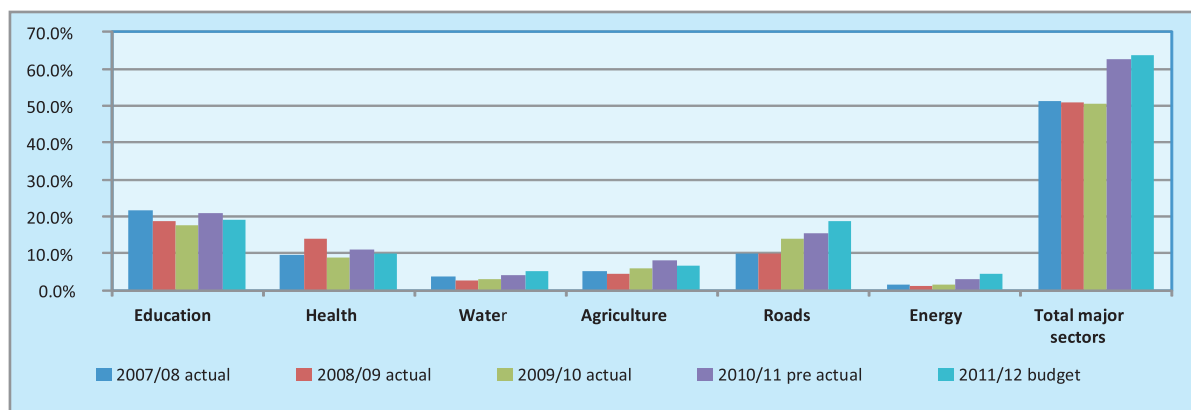
117 Kenyunko 2011.

3.0 PUBLIC MONEY AND LOCAL GOVERNANCE

3.1 Introduction

MKUKUTA priority sectors are education, health, water, agriculture, roads and energy. According to the Rapid Budget Analysis 2011, these six sectors 'are projected to consume slightly more than 60 percent of the 2011/12 total budget, almost [the] same level as actual spending in 2010/11.'¹¹⁸ **Figure 3.1** summarises trends in priority sector spending from 2007/08 to 2011/12.

Figure 3.1 Priority sectors spending as percent of total budget, 2007/08-10/11



Source: PER Macro Group 2011:14.

Spending on MKUKUTA priority sectors was stable at around 50 percent of total spending through 2009/10, increasing to over 60 percent in 2010 and 2011. Increased proposed spending on roads and energy in 2011/12 reflects (1) the large debts to road construction companies built up prior to the elections, and (2) the continuing financial crisis in the electricity sector, discussed above (**section 2.3.2**). **Section 3.2** summarises major trends in service delivery for key sectors. The impact of decentralisation is discussed in **section 3.5**.

3.2 Trends in service delivery performance

Past TGRs have pointed out that there is no government department or agency responsible for assessing the value for money spent on providing public services. The public organs that may examine issues of cost-effectiveness—including parliamentary, regional- and district-level committees, and others, have no specific mandate to report on cost-efficiency, though their conclusions often provide challenging evidence of waste and inefficiency in state functions. We have no idea how much it costs to deliver a baby successfully or provide a primary education of acceptable quality. Past TGRs have also shown that human resource constraints, bureaucratic inefficiencies and the practice of patronage seriously undermine the GoT's delivery capacity at all levels. Human resource constraints mean inadequate numbers of well-trained and motivated public servants. Bureaucratic constraints include unnecessarily lengthy procedures, over-centralisation, lack of functional clarity and coordination, and waste. Patronage includes biases in staff recruitment and deployment,

118 Rapid Budget Analysis 2011:13.

providing services to the well-connected rather than the needy, payment of unjustified allowances and procuring goods and services through cronyism rather than competitive tendering. Inadequate transparency and accountability allow these processes to continue relatively unimpeded, as discussed above. In such a context, increasing sector budgets may have little or no effect on the quality, quantity and equity of service provision. Basis services are examined below. **Chapter 5** examines civil society efforts to address accountability issues. Government sectoral expenditure is summarised in **Table 3.1**.

Table 3.1: Government expenditure by sector 2009/10 and 2010/11, percent

Sector	2009/10	2010/11	Change (percent)
Education	18.0	19.2	+6.6
Roads	11.5	13.0	+13.0
Health	8.3	10.4	+25.3
Agriculture	5.0	7.8	+56.0
Water	3.6	3.3	-8.3
Energy	3.0	2.8	-6.7
Judiciary	1.0	1.2	+20.0
HIV-AIDS	1.7	0.0	-
Other sectors	47.8	42.3	-11.5
Grand total	100	100	

Source: World Bank 2011, Appendix 8

The big increase in agricultural spending between 2009/10 and 2010/11 reflects the expansion of the NAIVS input subsidies programme. The following sections summarise major developments in education, healthcare, water supply and agriculture during 2010-11.

3.2.1 Education

Despite a tripling in the education budget, large majorities of children remain illiterate and innumerate.'¹¹⁹

All levels of Tanzanian education suffer from poor quality and inefficiency in the use of resources. Below TGR summarises key issues in primary, secondary and higher education.

In recent years, the rapid expansion of all levels of Tanzanian education has been impressive, but quality has not improved, and in some cases has fallen. Performance inequalities between districts and between urban and rural students are high, though there are no significant gender differences. A study undertaken by UWAZI (2010) found that the majority of children in standard 3 are unable to pass the standard 2 test. In fact only:

- 3 in 10 pupils were able to pass the Kiswahili test
- 1 in 10 pupils was able to pass the English test
- 2 in 10 pupils were able to pass the Mathematics test

119 Economist, 28 October 2010, quoting Rakesh Rajani.

Moreover, by the time pupils leave primary school (standard 7) many still fail the standard 2 test. Specifically:

- 2 out of 10 pupils leaving primary school still cannot read standard 2 level Swahili
- 5 in 10 pupils leaving primary school cannot read in English
- 1 out of 3 pupils in standard 7 cannot do the mathematics test¹²⁰

A recent Performance Audit by the CAG confirms these concerns. It reveals how the Schools Inspectorate Programme in MOEVT fails to effectively carry out its mandate of safeguarding quality of learning in schools even though it conducts inspections regularly.¹²¹ The CAG also revealed a 40 percent shortfall in the development transfers for 2011/12 compared to the budget approved by parliament.¹²²

An update of the shattering results from the 2010 UWAZI study in 2011 found little improvement.¹²³ Covering 132 districts (up from 38 in 2010) and over 128,000 children (compared to 42,000), the update found that:

- 7 in 10 standard 3 pupils cannot read a standard 2 Kiswahili story
- 9 in 10 standard 3 pupils cannot read a standard 2 English story
- 7 in 10 standard 3 pupils cannot add, subtract and multiply

Not surprisingly, children from more educated families performed better than others, urban children outperformed the rural, and private school pupils did better than those in government schools.¹²⁴ These results suggest an extremely inefficient school system in terms of turning human and financial resources into learning outcomes. Efficiency gains could be achieved by more equitable resource allocation, since poorer households receive the fewest resources.¹²⁵ On top of poverty constraints and unequal resource allocation, teacher absenteeism also influences efficiency. A study by the AERC, Hewlett Foundation and the World Bank found that teachers are absent two-thirds of the time, so that primary school 'children can expect only two hours of contact per day with a teacher...'¹²⁶

The implementation of the Secondary Education Development Plan (SEDP) started in 2004, with World Bank's financial support, but rapid expansion of the sector started when the GoT took up CCM's 2005 election manifesto decision to build a secondary school in each ward. Secondary enrolments for Forms 1-4 began to rise rapidly after 2006, but not for 'A' level streams (**Figure 3.3**).

The number of 'O' level schools rose from 893 in 2003 to 3,649 in 2009, and the secondary Gross Enrolment Ratio from 7.8 to 27.7 percent. Whereas in 2005 there were 355,000 students attending state secondary schools and 65,000 in private schools, by 2010, there were 1.4 million in state and 237,000 in private schools, an annual growth of 31 percent.¹²⁷

120 UWAZI 2010:4.

121 Cited by UWAZI 2010.

122 Guardian Reporter 2012. 'Donors commit 776bn/- towards 2012/13 budget', Guardian, Dar es Salaam, 11 May.

123 UWAZI 2011.

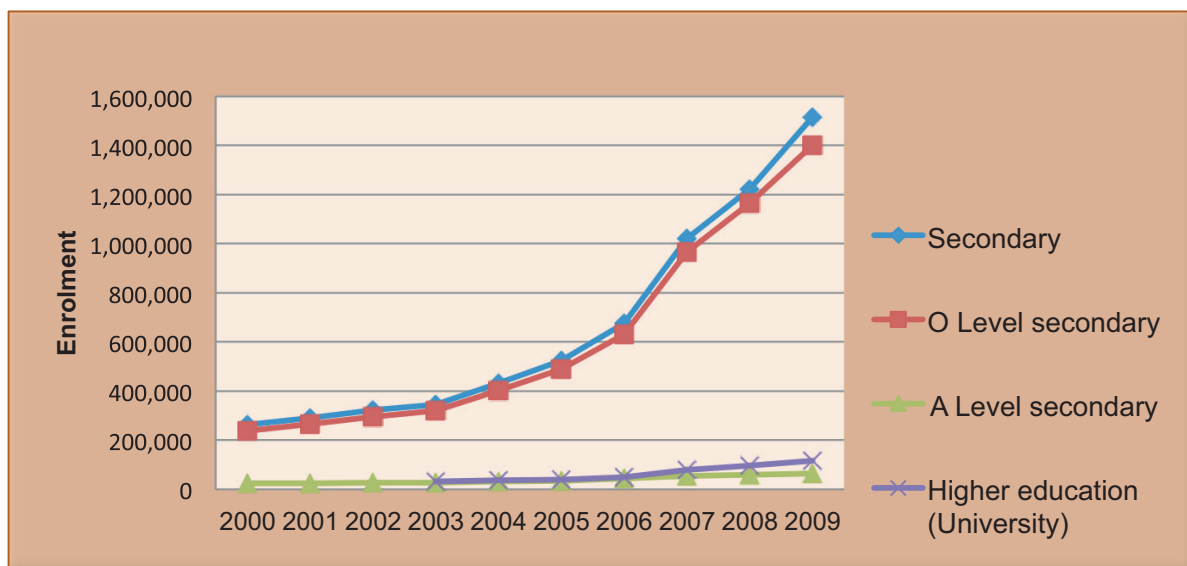
124 UWAZI 2011 *ibid.*

125 World Bank 2011:40.

126 World Bank *ibid.*, pages 42-3.

127 URT 2011:36.

Figure 3.2: Trends in secondary and higher education enrolments, 2000-2009



Source: Unesco 2011

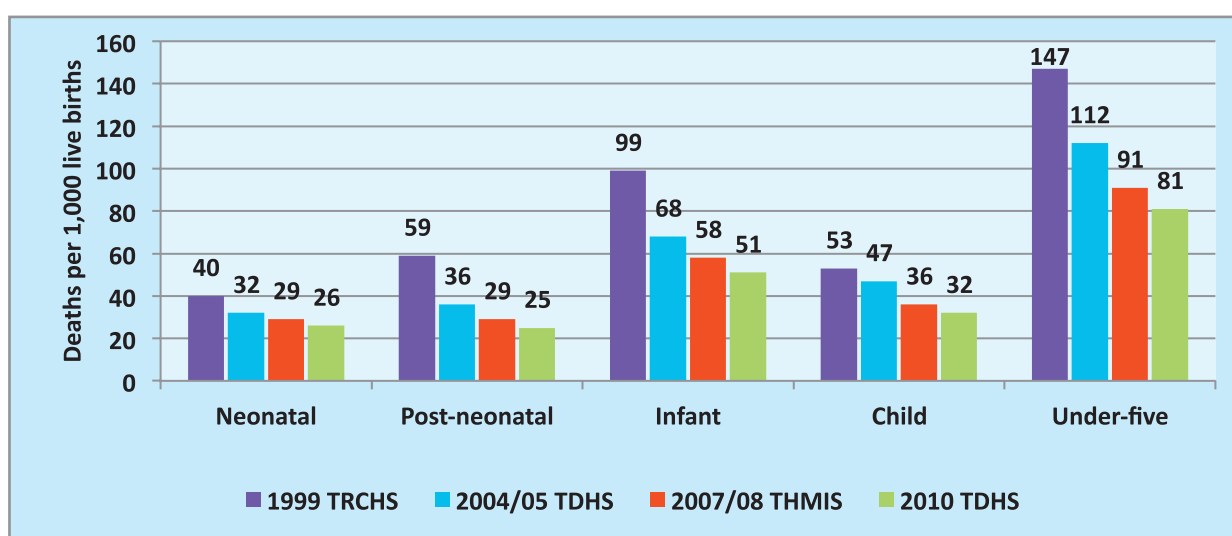
Nevertheless, Tanzanian 'A' level coverage remained the lowest among low-income African countries, with a GER of 3.9 percent in 2009.

Anecdotal evidence suggests that in some cases contributions were forced out of reluctant citizens to finance schools that may or may not have been needed, that may not have been completed and made operational, or that their children may or may not attend.¹²⁸

3.2.2 Healthcare

Many factors contribute to health status in Tanzania, including the quality and accessibility of state-financed preventive and curative services. TGR 2008/09 flagged dramatic reductions in levels of infant and under-five mortality. Between 1999 and 2010, infant mortality fell by 48 percent and under-five mortality by 45 percent.¹²⁹ These positive trends continued into the review period (**Figure 3.2**).

Figure 3.3: Infant and Under-five Mortality Rates 1999-2010



Source: REPOA 2012.

128 TGR 2012 (forthcoming).

129 REPOA 2012:57 citing various sources. Rural mortality rates fell faster than urban.

Falling child mortality rates are associated with the spread of mosquito net use. The Tanzania Demographic and Health Survey (2010) found that three-quarters of Mainland Tanzania households own at least one net. Between the 2004 DHS and the 2010 DHS, the use of insecticide-treated mosquito nets (ITN) increased from 23 to 63 percent. The increase can be attributed to the GoT's bednet programme of 2008-09. ITNs are promoted through community-based projects, public-private partnerships implemented by NGOs, and social marketing initiatives such as those promoted by Population Services International (PSI).¹³⁰

Despite these achievements, the formal health system continues to use resources inefficiently. According to the Rapid Budget Assessment 'regular monitoring of the distribution of LGA resources for health, in terms of Shillings/capita in different districts, shows a substantial increase in inequality compared to 2010/11.'¹³¹ A CAG performance audit (2010) of selected health centres in seven regions found that councils do not allocate financial resources according to demand (**Table 3.2**).¹³²

Table 3.2: Comparison of Health Centre allocation of resources against workload

Name of HC	Average number of visitors per day	Average visitors per day per staff	Funds for drugs allocation per quarter (Shs m)
Ngome	40	1	2
Kilimarondo	18	3	2
Makorora	380	8	1.75
Chalinze	231	23	2

Source: Sample Primary Health Centers

The audit also found that HCs receive little or no supervision or support from the Regional and Council Health Management Teams (RHMT and CHMT). In most cases, governing committees, consisting of the head of the facility and members of the local community, meet irregularly and are ineffective. A chronic problem is the late delivery of drugs and other supplies, reflecting the late release of block grants and donor basket funds.¹³³

Despite rapid progress in reducing U5 mortality rates, maternal mortality remains unacceptably high, at approximately 454 maternal deaths per 100,000 live births.¹³⁴

Civil society attempts to improve health sector performance are reported in **section 5.2.2**.

3.2.3 Water and sanitation

A Water Sector Development Programme (WSDP) was launched in 2007, with multi-donor finance. Official figures suggest that between 2007 and 2010 the increase in the proportion of households using protected water sources was insignificant in urban areas

130 DHS 2010:194. Rural households are less likely than urban to own bednets (72 versus 84 percent respectively) though the urban-rural gap has narrowed significantly.

131 RBA 2011:18.

132 A General Report of the Controller and Auditor General on the performance audit (VFM) reports for the period ending 31st March 2010.

133 Ibid.

134 TDHS 2010:265. Figures are only approximate because of the high sample sizes required to calculate an accurate estimate. It is possible that maternal mortality rates are beginning to decline.

(80 to 81 percent), while in rural areas it improved from 40 to 48 percent. The 2010 rates were below the MKUKUTA targets of 90 and 65 percent for urban and rural areas respectively.¹³⁵

Urban Water Supply and Sanitation Authorities (UWSSA) exist for most Tanzanian towns. UWSSAs are regulated by EWURA, the Energy and Water Utilities Regulatory Authority. A performance audit of EWURA for 2007-11 found that in 2009, the average Tanzanian UWSSA lost 44% of its water as a result of leakages, theft, non-billing of customers, and 'faulty controls of the system.' These leakages cost UWSSAs an estimated Shs 2.5 billion a month (USD 1.6 million at the May 2012 exchange rate). According to the CAG, EWURA 'rarely' visits UWSSAs to check on progress in reducing water losses to more acceptable levels.¹³⁶ CAG concludes that 'UWSSAs performances are inadequately monitored. Inadequate action is taken on the recommendations given by EWURA to UWSSAs.'¹³⁷ The audit did not assess value for money to water users, or the comparative performance of different UWSSAs.

For some years the water sector development budget was heavily weighted towards financing the USD 250 million Lake Victoria to Shinyanga water supply project. TGR 2008-09 questioned whether the project constituted value for money. The project is entering a second phase designed to increase water supply to Kahama Town.¹³⁸

Dar es Salaam's water utility DAWASA has received large loans and grants to improve domestic water supply and quality for the city, but results have been mediocre.¹³⁹ In July 2011, three senior employees of Noremco, a Norwegian engineering consultancy, were found guilty of providing up to USD 247,000 that was used to make payments to senior DAWASA officials via another company in a joint venture, MKK Project Services Ltd. Though they claimed they did not know the money was being used for corruption, the three managers received jail sentences.¹⁴⁰ The World Bank, the main financier of the DSM water and sanitation programme (DWSSP), was the whistleblower on the corrupt transactions. There is no evidence that action was taken against the DAWASA officials receiving the bribes.¹⁴¹

TGR readers will recall that the termination of City Water Services' (CWS) management contract with DAWASA in 2005 led to the creation of DAWASCO to run Dar's water and sanitation services, an arrangement that continues until today. Like CWS, DAWASCO 'failed to meet its targets in the early years but it took some promising steps', including downsiz-

135 REPOA 2011:xxii.

136 CAG 2012d:12. Water losses are referred to as 'Non Revenue Water' (NRW). The maximum national NRW is 20%.

137 CAG 2012d:14. CAG also targets the Ministry of Water for not making adequate 'efforts to put additional pressure on the UWSSAs' regarding water losses.

138 Daily News Reporter 2011a, 'Lake Victoria water project to benefit Shinyanga township', Daily News, Dar es Salaam, 11 July.

139 TGR 2008-09:29-31.

140 <http://www.development-today.com>

141 A World Bank consultant claimed that 80 percent of such cases involve government officials, who are rarely investigated or charged.

ing staff from 1320 in 2005 to 885 in 2009 and the introduction of performance bonuses for zonal managers.¹⁴² Total billed connections reached 100,000 in June 2010, against a target of 170,000. But 'non-revenue' water remained at 53 percent in May 2010--a level described by the WB as 'unacceptably high'—and consequently total collections 'fell far short of projections.' Thus over 2006/07-2008/09 DAWASCO received government subsidies of about USD 6 million and also borrowed from DAWASCO. The latter has been forced to reschedule repayment of its debts to the GOT. The WB argues that the principal-agent relationship between the two parastatals was unclear and performance targets have not been enforced.¹⁴³ This contrasts with CWS, where failure to meet contractual conditions led to the rapid ouster of the expatriate management team and cancellation of the contract.¹⁴⁴

Finally, there is some evidence that the implementation of the WSDP has not been particularly smooth. In 2011, villagers in Ludewa, Iringa, complained bitterly that new water projects were not forthcoming despite households contributing TShs 10,000 each to part finance them five years previously.¹⁴⁵ Opposition MPs used this to make political capital. Daraja concludes:

Violence in Ludewa, Chadema getting active, questions in parliament, MPs losing patience and taking things into their own hands - this all points to growing anger at community level, growing pressure on MPs to do something. Which is hardly a surprise. After all, if you were forced to pay for something five years ago, and hadn't received it by now, wouldn't you be angry? And these politics are likely to get hotter. ...but the Ministry and donors don't feel the pressure. There can be no accountability when decision makers are so divorced from ground-level realities. So instead of clear and decisive action to resolve the situation, we continue to drift deeper and deeper into crisis.¹⁴⁶

Failure to deliver on electoral promises was reflected in the results of the 2010 elections, narrated above. Iringa Region has traditionally been a CCM stronghold, particularly in rural constituencies.

3.2.4 Agriculture

'...the government is already spending billions...through...agricultural interventions under the ASDP, AMSDP, RFSP, input subsidy programmes, etc, that do not work. If this money was focussed on supporting value chain development...to scale up the results of success stories, the impact on poverty reduction would be great.'¹⁴⁷

Despite more than two-decades of policy reforms designed to increase rural incomes, the majority of Tanzanian rural households continue to eke out a precarious semi-subsistence livelihood with the constant threat of hunger.¹⁴⁸ A World Food Programme study found that

142 World Bank 2012a:xviii.

143 WB 2012, *ibid*. Consequently, the lease contract was amended, but as of January 2011, the DAWASA Act and Regulations had not been amended.

144 International arbitration initiated by CWS found in favour of DAWASA.

145 Reported on Blog.daraja.org. DARAJA is based in Njombe. Daraja says the '10-Village Programme' is in 'a mess'.

146 *Ibid*.

147 Gabagambi 2011.

148 Out of nearly 2,000 farmers interviewed by REPOA (2012 forthcoming) in 10 regions, 92 percent grew maize and of this group of maize growers 93 percent grew the crop mostly for domestic consumption.

nearly a quarter (23%) of rural households were food insecure in December 2009-January 2010.¹⁴⁹

In 2003, Tanzania committed to the Comprehensive Africa Agriculture Development Programme (CAADP) process that requires participant countries to draw up an Action Plan aimed at allocating ten percent of the national budget to agriculture in order to achieve an annual sector growth rate of six percent. Between 2002 and 2007, spending on Tanzanian agriculture ranged from 4.5 to 6.8 percent of the national budget. In 2010/11 (an election year) it rose to 7.8 percent and fell back to 6.8 percent in 2011/12.¹⁵⁰

CAADP required the GoT to develop a comprehensive agricultural policy. Although the ASDP (Agriculture Sector Development Programme) was already in place, the government proceeded to develop another umbrella policy document named the Tanzania Agriculture and Food Security Investment Plan (TAFSIP), which was duly launched by President Kikwete in November 2011. TAFSIP, which claims to be more comprehensive than ASDP, is costed at USD 5.3 billion over five years, compared to ASDP's USD 2.8 billion.¹⁵¹

Critical commentary on CAADP/TAFSIP mirrors that of ASDP. The main focus of both is on state-provided services--research, extension, irrigation schemes, inputs, mechanisation--as means of increasing agricultural productivity. Though both initiatives claim to have been 'participatory' in their formulation, there is little support for this thesis from the private sector or civil society.

TAFSIP is not obviously compatible with Kilimo Kwanza, whose arrival on the agriculture policy scene was noted in TGR 2008/09.¹⁵² KK has been taken up as a popular political slogan, even though it is overtly pro-large-scale agriculture, including advocating joint agribusiness ventures between local and foreign interests. Critics argue that KK has nothing to offer the vast majority of small farmers.¹⁵³ KK is also vulnerable to high-level patronage and cronyism, as shown in **Box 3.1**.

149 Cited by REPOA 2012:24. Diets were high in starch and low in protein.

150 ESRF 2011.

151 See Cooksey 2012 for details.

152 Policy Forum 2010:36.

153 For example: "... strategies which generate livelihoods and genuine development for the majority must necessarily mean not the destruction, but on the contrary, the preservation of petty production," said Professor Patnaik, the author of "The Republic of Hunger", at the Julius Nyerere Intellectual Festival week in Dar es Salaam in March (Damas 2011).

Box 3.1: Controversial Indian tillers

A US\$40 million concessionary loan from the **Indian** government is mired in delays, a legal review and accusations of corruption. Moreover, the mix of army-owned enterprises, tied aid and squabbling agents around the deal is raising eyebrows in diplomatic and business circles. The loan, managed by the **Export-Import Bank of India**, is for the purchase of ... Indian power tillers... The **Tanzanian** government has invested much credibility in its ... *Kilimo Kwanza* ... programme. ... A key plank of the policy is the distribution of power tillers to farmers' groups.... ... the loan is to be administered by SUMA-JKT, the commercial wing of the military's *Jeshi la Kujenga Taifa* (JKT, National Service). The power tillers are to be assembled by the **Tanzania Automotive Technology Centre**, also a military interest, which has been ... dormant for years. Relevant ministries, like the **Ministry of Agriculture**, have been sidelined in managing the purchase The bulk of the tender was awarded to **Escorts Agri Machinery** in January, with the remainder to the **Mahindra group**, which first mooted the construction of a \$1 billion tractor plant in Tanzania in 2008. While the winning companies are happy with the outcome, their high-profile Asian agents are believed to have fallen out. Escorts Agri Machinery was represented by **Jeetu Patel**, who faces six corruption charges related to the embezzlement of \$120 mn. from the Bank of Tanzania. Mahindra's agent is **Yusuf Manji**, head of Tanzania's **Quality Group**, with interests in property development, construction and vehicle dealerships. When the tender was first launched in July 2009, the state-owned Indian company **HMT** complained of an 'ongoing scam' and accused the Tanzanian government of colluding with Indian companies and local businessmen to fix the terms of the tender. Dissatisfied with the outcome, Manji has been accused of instigating delays in processing the loan. Last month, Prime Minister **Peter Mizengo Pinda** called for a review of the tender award This may be related to Exim Bank's request for a legal opinion on unspecified matters related to the loan. ... Army Chief of Staff Lieutenant-General **Abdulrahman Shimbo** told parliament's **Public Accounts Committee** that the army was going ahead with the project. Western donors are worried. Talk in recent years of alignment, policy dialogue and harmonisation seems to have gone out the window. *Kilimo Kwanza* ... has only been discussed with donors in the agriculture sector once. This fuels speculation that the policy meets the ruling *Chama cha Mapinduzi's* needs in an election year rather than those of farmers in a dry one.' Subsequent reports suggest that many of the power tillers and tractors remain unsold due to low demand and high prices.

Source: Africa-Asia Confidential 2010; Makuna Chirimi 2011.

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) was launched at the World Economic Forum for Africa in May 2010. SAGCOT is an ambitious Public Private Partnership (PPP) involving over 20 official, philanthropic and commercial interests and designed to provide opportunities for smallholder producers to engage in profitable agriculture. SAGCOT's promoters claim affinity with *Kilimo Kwanza*, not ASDP or TAFSIP.¹⁵⁴

The most high-profile state interventions in agriculture continued to be small-scale irrigation under the ASDP and input subsidies under the National Agriculture Input Voucher Scheme (NAIVS), which peaked during 2010/11. A press report from the review period noted:

In the last harvesting season the Prevention and Combating of Corruption Bureau (PCCB) and Attorney General's Office (AG) were ordered to carry out investigations on massive irregularities, misappropriation of funds and theft of agricultural inputs worth over 8bn/- through the voucher system. He urged the residents to be patient, saying the investigations on the scandal have taken a long time, according to PCCB and AG officials. He said the exercise had established that a large number of subsidized vouchers had mysteriously vanished.¹⁵⁵

154 Cooksey 2012. The partners are: GoT, Unilever, YARA, ACT, AGRA, CTI, Norwegian Embassy, Tanzania Sugarcane Growers Association, USAID, Dupont, General Mills, Stanbic, Monsanto, NMB, Norfund, SAB Miller, DIAGEO Africa, Syngenta, FAO, AgDevCo, Prorustica and TAP. Though not initially involved, the World Bank is now on the SAGCOT board of directors. See Daily News Reporter 2011b. 'New SAGCOT board inaugurated', Daily News, Dar es Salaam, 31 October.

155 Siyame 2011.

One recent review concluded: 'that subsidized fertiliser is being systematically diverted from the poorer to the better off target groups.'¹⁵⁶ Research is underway to establish an accurate picture of the implementation of NAIVS and its impact on recipient households, to be reported in TGR 2012.

TGR 2008-09 reported on the performance of LGCDGs (Local Government Capital Development Grants) and specific grants for agriculture. The practice of spending unjustifiable amounts of development grants on allowances and other expenses for local officials has been regularly commented on. A recent ANSAF review concluded that:

'The government's aim of putting 65% of agricultural funding into development grants for investment is being thwarted by the operation of the LGA structure and the timing of grants, which means that a significant proportion of development funds for investment go into "indirect costs" rather than to help for farmers.'¹⁵⁷

This conclusion challenges the CAADP assumption that public investment in agriculture leads to *pro rata* increases in agricultural production and productivity. It may, or it may not, depending on the quality of the state's delivery capacity.

The introduction of the Warehouse Receipt System (WRS) for various crops has allowed the GoT to access commercial credit to finance agricultural marketing through guaranteed loans to cooperative unions. But inefficiency and corruption mean that many cooperative unions are routine loss-makers, and the GoT has already been obliged to foot the bill for a growing number of bad loans.¹⁵⁸ In November 2011, cashew farmers in Mtama (Lindi) set up their own primary cooperative, refusing to sell cashew through Nyengedi Primary Society, which they accused of embezzling farmers' money. The Lindi District Commissioner Mr Magalula Saidi Magalula barred the new society from buying cashewnuts from its members.¹⁵⁹

Last, small-scale lending through village commercial banks (VICOPA), SACCOS, and other credit arrangements has increased rapidly in recent years, but an objective assessment of their financial sustainability and poverty-reduction impact has yet to be made.

3.3 CAG and LGA money

The CAG currently audits all LGA accounts and reports the findings promptly to parliament. **Table 3.3** shows trends in LGA performance from 2005/06 to 2009/10, during which period transfers to LGAs rose rapidly. Recent performance trends are not encouraging.

All of the performance criteria listed record a serious deterioration over the five year period, during which the 'number of LGAs with financial irregularities doubled'. Furthermore, in 2009/10 about a third of all development grants to LGAs went unspent. Twaweza concludes that 'the financial management situation in LGAs is deteriorating' and 'oversight over revenue collection is weak.' '...internal financial controls in LGAs are still astonishingly weak and irregularities identified by the CAG are ignored.'¹⁶⁰

156 Cooksey 2012. See also Daily News Reporter 2011a and Controller and Auditor General 2010c.

157 Navuri 2011.

158 See footnote 11 above. Risk-free lending of this kind is appealing to private banks, who gain credit for 'financing Tanzanian agriculture'. Sooner or later, however, the Treasury and BoT, who guarantee the loans, will have to step in to address the growing 'fiduciary risk' involved.

159 Ibadi 2011.

160 TWaweza Policy brief TZ.03/2011E

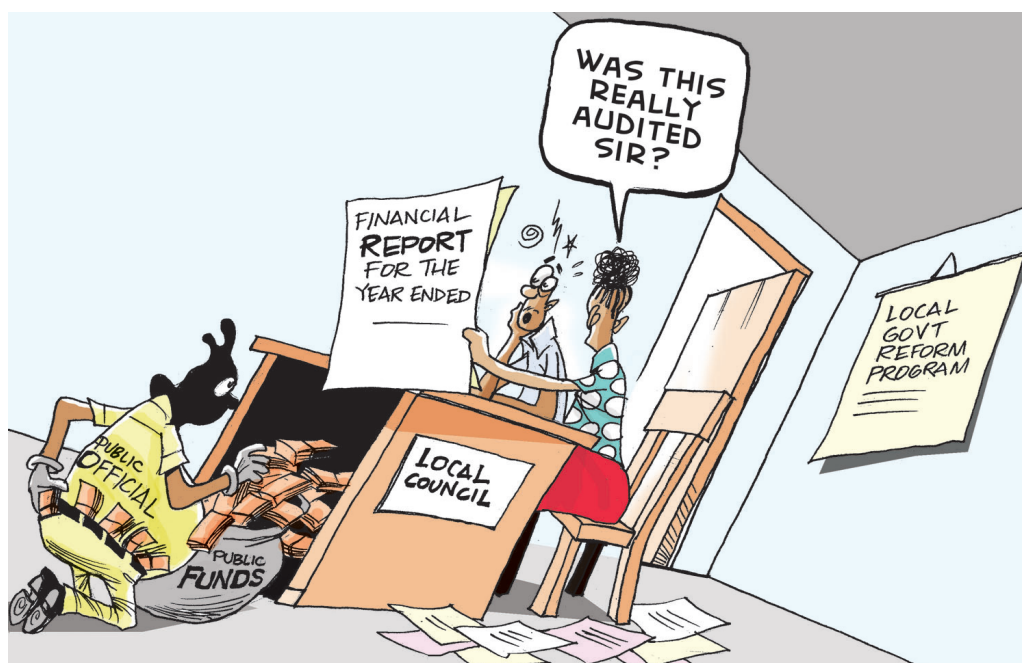


Table 3.3: Most frequent irregularities in LGAs, percent of councils involved, 2005-2010

Irregularities	2005/06	2007/08	2009/10
Queries from previous audits not resolved	52	84	96
Unspent development grants	4	83	95
Outstanding creditors	38	76	84
Outstanding debtors	36	86	81
Improperly vouched expenditures	37	52	53
Unclaimed salaries not returned to the treasury	21	53	41
Missing revenue collection books	28	32	36
Revenues not remitted to councils by collecting agents	11	17	32
Missing payment vouchers	22	34	25

Source: CAG reports cited by Twaweza 2011¹⁶¹

CAG reports for 2010/11 reveal the following performance trends in LGAs. While 36 councils progressed from 'qualified' to 'unqualified' ('clean') audits, 29 moved in the opposite direction. For FY 2010/11, adverse opinions were expressed for Arusha MC, Morogoro DC, Misungwi DC, Songea DC, Kilindi DC, while 31 councils received qualified opinions, including Dar es Salaam's three districts. 'Review of the responses received noted that out of the 12 recommendations issued in the previous year only 1 had been implemented, 2 partially implemented and 9 were not implemented at all.' 'Out of 133 Councils, 130 Councils had outstanding matters of previous years' audit amounting to Shs.105,263,165,967.'¹⁶²

Table 3.4: Accounting performance of LGAs, outstanding matters, 2008-09 to 2010-11

Year	Outstanding matters with values (Shs.)	Outstanding matters without values	No. of Councils involved
2008/09	2,533,956,821	11	7
2009/10	44,415,697,227	43	11
2010/11	27,615,658,694	69	19

Source: CAG 2012

161 Twaweza 2011. 'If findings are ignored, why audit: Lessons from five tears of local government audits', Dar es Salaam, Policy brief TZ.03/2011E

162 CAG 2012, xviii

The 2010/11 audit findings include the following (amounts have been rounded):

- The magnitude of total errors and omissions in the draft of financial statements was [an] understatement of Shs.187 billion which is 16% of the total expenditure and [an] overstatement of Shs.119 billion which is 10% of the total expenditure.
- ...special audits identified weak internal control system and audit functions in many councils. Many councils were still using manual accounting rather than the IFMS/ Epicor accounting system. Most councils do not have fraud prevention plans and processes in place 'for identifying and responding to the risk of fraud in the Councils'.
- In Kinondoni MC, billboard advertising fees worth Shs 407 million could be neither traced in the bank account nor supported with appropriate documentation.
- Payment vouchers worth Shs.1.2 billion and Shs.31 million were not made available to audit in Kishapu and Kilindi District Councils.
- Out of 133 Councils, 130 ... had outstanding matters of previous years' audit amounting to Shs.105 billion.¹⁶³

3.4 Parliamentary oversight

This TGR reports that the oversight role of parliament has improved somewhat. **Box 3.2** summarises findings by the Local Authority Accounts Committee, which is chaired by veteran opposition parliamentarian Mr Augustine Mrema.

Box 3.2: Sumbawanga in the spotlight

The **Parliamentary Local Authorities Accounts Committee** (LAAC) discovered that 50 per cent of the funds allocated for implementation of various projects in **Sumbawanga Municipal Council** in Rukwa Region were misused in the 2008/2009 and 2009/2010 financial years. The MPs queried financial reporting and accounts of the **Municipal Council** which showed that more than 600m/- was spent on allowances for top officials during the implementation of road construction, Basket Fund and the **District Agricultural Sector Investment Project (DASIP)**. Over Shs 50 million allocated to implement DASIP projects were spent on tea and allowances.¹⁶⁴ "It is funny that the senior officials of the Municipal Council opted to spend these funds for seminars, workshops and meetings instead of directing them to implement Kilimo Kwanza. In this regard Kilimo Kwanza cannot succeed at all," said a member of the committee, Mr **Godfrey Zambi** (Mbozi East-CCM). Budget allocated for the **Tanzania Social Action Fund (TASAF)** was not spared as another committee member, Mr **Joseph Selasini**, reported that officials spent 5m/- to discuss a project with a value of 4m/-.

Source: Allafrica.com/stories/201103250718.html.

Past TGRs have documented similar cases of the misuse of resources at local government level, highlighting impunity among wrongdoers. Examples of councils not responding to CAG queries are given above. Critics have observed that decentralisation has created opportunities for waste and corruption in LGAs, the topic of the following section.

3.5 Decentralisation

There has been an increase in the share of LGAs in the priority sector budgets, but formula-based allocations, especially to education and health, reduce the discretionary powers of LGAs in spending money.¹⁶⁵ **Figure 3.4** shows the recent trend.

163 CAG 2012: xviii, 171.

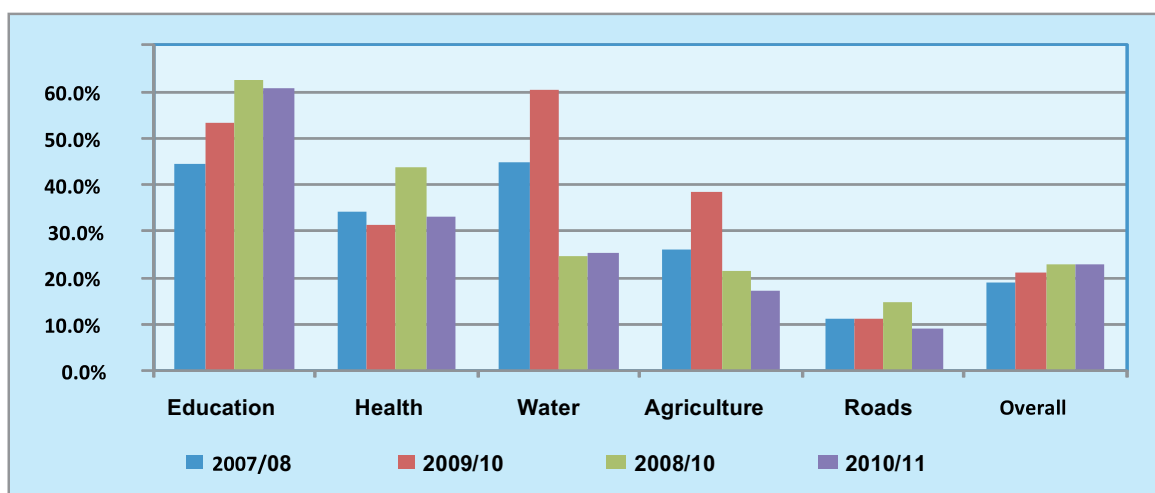
164 See 'Allowances' above.

165 See TGR 2008/09, pages 24-5. The functioning of formula-based allocations will be monitored in future TGRs.

Overall, LGAs account for over 60 percent of all spending on education, to under 10 percent on roads. Trends vary from sector to sector and reverse frequently year on year.

LGAs are empowered to collect their own revenues, though the abolition of various 'nuisance taxes' has reduced the local revenue potential. In recent years, revenue collection has been increasingly outsourced. In 2012, the National Audit Office (NAO) conducted a Performance Audit on outsourcing in 14 LGAs.¹⁶⁶ The results suggested systematic weaknesses in the outsourcing exercise:

Figure 3.4: Share of LGAs in sector budgets



Source: PER Macro Group 2011:2

- Agents were contracted without an open, competitive tendering process: Almost half of the tenders were published only on the Councils' notice boards...
- Contracts are based on a fixed amount to be remitted by the contracted revenue collection agents rather than a percentage of the amount collected. Thus, the Council Director cannot take action against the revenue collection agents for not remitting any amount in excess of what they have agreed when the collection is more than expected.
- Performance of the revenue collection agents is not efficiently monitored. This is because no operational reports were submitted by the revenue collection agents to the Councils.
- Periodic reconciliation was not conducted by the Councils on receipt books used by private revenue collection agents compared to remitted amounts.
- Sanctions were seldom enforced although they were clearly stipulated in some by-laws and in the contracts between the Councils and the private revenue collection agents. Also, no penalties were imposed [on] revenue collection agents who either remitted less than the agreed amounts or made late remittances.
- Internal auditors rarely reported on revenue collection problems faced by the collection agents.
- There was no assessment conducted by the Finance Section in the Local Government Management Service Department (LGMSD) and PMO-RALG on the quarterly progress reports submitted by Councils.¹⁶⁷

¹⁶⁶ NAO 2012.

¹⁶⁷ National Audit Office 2012. Performance and Forensic Audit 2012, 'General Report on the Performance and Forensic Audits Conducted for the Period Ending 31st March', pages 31-33. Cited in Muguzi 2012:19-20.

No information is available concerning the amount of local revenue foregone as a result of these malpractices. How has decentralisation affected service delivery performance? First, observers have noted the partial nature of decentralisation in Tanzania. For example, USAID argue that:

'In comparison with the stated policy objectives of the Local Government Reform Policy (1998), the overall level of relative autonomy of the local governments (municipal and district councils) has not increased as planned or publically (sic) stated.'¹⁶⁸

Political forces define the practical limits of this 'relative autonomy':

'The overall reform policy emphasizes policy objectives for the increase of local level autonomy to a degree that in reality does not reflect the political interests of the CCM, the development priorities of national leadership or the central government bureaucracy. ... there is no reason to believe that furthering devolution will become a policy objective in itself for the government.'¹⁶⁹

In a 2010 study of local government decentralisation, consultants highlighted the dependence of LGAs on central sources of finance and the difference in tax potential between urban and rural areas:

'LGAs collect at present some 60 billion TSH from local taxes (mainly service and production levies...). This represents only seven percent of total LGA expenditures and thus indicates a very high reliance on central government fiscal transfers. Revenue in rural LGAs has declined over recent years, whereas urban LGAs have witnessed some growth. Urban LGAs today collect more than four times as much as rural LGAs and it is also in urban LGAs that the most significant potential for further growth is found. The main reasons for decline in revenue collections are the abolishment of a range of "nuisance taxes" in 2004, inappropriate tax designs, and poor collection systems.'¹⁷⁰

3.6 Conclusion

Spending on MKUKUTA priority sectors increased from 50 to 60 percent of total spending between 2009/10 and 2010/11. However, CAG reports show a serious deterioration in LGA performance on most criteria. Spending continues to be inefficient, waste and corruption are systemic.

Improvements were noted in infant and child mortality rates while educational performance was shown to be deplorable, and access to protected water sources was below target in both urban and rural areas.

Nearly a quarter of rural households were deemed food insecure in 2010. While the ASDP continues to target smallholders, Kilimo Kwanza favours local commercial farmers.

168 USAID 2010a:35.

169 USAID, *ibid.*

170 USAID, *ibid.*, page 18. See the discussion of privatising tax collection in this report.

4.0 REGULATING THE ECONOMY

4.1 Introduction

Governments are responsible for regulating public bodies and private companies. Regulation includes: deciding who the market players should be in a given sector, specifying performance and quality criteria, pricing services, and arbitration. The increasing number of regulatory authorities (RA) created in recent years suggests that the GoT is increasing its regulatory functions. Important RAs include: SUMATRA (Surface and Marine Transport), PPRA (Public Procurement), EWURA (Energy and Water Utilities), TCRA (Communications) and SSRA (Social Security).¹⁷¹ Other sectors with state regulatory bodies include: education, agriculture, finance and insurance, construction, food, pharmaceuticals, research, tourism, marine and game parks, hunting and the media.

To review the performance of these regulatory bodies would be a massive task. Some are discussed elsewhere in this report, including agriculture and tourism. How is the quality and fairness of regulation to be assessed? This is a big topic: to address it requires an assessment of the range of activities carried out by the regulatory authorities. One cross-cutting issue affecting a number of regulatory bodies is that they are also potential commercial actors in the areas that they regulate. This is true, for example, for Tanzania Petroleum Development Corporation (TPDC), and some agricultural boards, resulting in the latter case in monopolies and over-pricing.¹⁷²

The Public Procurement Regulatory Authority (PPRA) reports that in 2009/10 only 69 per cent of the 'procurement entities' furnished reports to that are required under the Public Procurement Regulatory Act of 2004.¹⁷³

4.2 Private sector regulation

Government efforts to regulate the private sector through policies, laws and taxation during the 'post-liberalisation' period have been hampered by the legacy of two decades of state-centred policies that saw the nascent 'private sector' reduced to a subordinate role.¹⁷⁴ As a result, the GoT still has a long way to go in terms of regulating the economy in an efficient and effective manner.

In 2010 Tanzania ranked 128th out of 183 countries in the World Bank's Ease of Doing Business index. The country's global ranking in recent years hovers around the bottom third.¹⁷⁵ **Table 4.1** ranks Tanzania on nine regulatory indicators from 2008 to 2011.

171 CAG 2012f:139-153. Appendix II contains a list of the 107 public authorities audited in 2010/11.

172 The case of the cashewnut industry--which ended the 2011-12 buying season with 80,000 tonnes of unsold cashew under the state-managed Warehouse Receipt System--will feature as a case study in TGR 2012.

173 LHRC 2012:202. PPRA publishes a weekly pull-out in the Daily News which quite often contains interesting information.

174 See Cooksey 2011a for a summary of post-independence state-private sector relations.

175 For a breakdown of the individual scores see www.doingbusiness.org, and Ntimpirangeza et al 2011:103.

Table 4.1: Ease of doing Business in Tanzania 2008-2011

Indicator	2008		2009		2010		2011	
	Rank (/178)	% ⁴	Rank (/183)	%	Rank (/183)	%	Rank (/183)	%
Enforcing contracts	35	20	31	17	31	17	32	17
Getting credit	115	65	84	46	87	48	89	49
Protecting investors	83	47	88	48	93	51	93	51
Trading across borders	100	56	105	57	108	59	109	60
Closing a business	109	61	113	62	113	62	113	62
Paying taxes	104	58	113	62	119	65	120	66
Starting a business	95	53	111	61	120	66	122	67
Registering property	160	90	145	79	145	79	151	83
Construction permits	170	96	175	96	178	97	179	98
All	130	73	126	69	131	72	128	70

Source: www.doingbusiness.org, various years.

Between 2008 and 2011, Tanzania's comparative position improved slightly, from the 73rd percentile to the 70th.¹⁷⁷ While performing comparatively well in contract enforcement, the country remains in the bottom tercile for five of the eight remaining indices. Registering property and obtaining building permits are particularly weak areas.

Comparisons with members of the East African Community can be found in **Chapter 6**. Donor agencies have provided financial and technical assistance to GoT efforts to improve the investment and business climate, with mixed results (also discussed in **Chapter 6**).

A TRA study suggests some improvements in the speed of clearing goods during the review period. For example, in June 2011, it took 12 days to clear a container in Dar es Salaam port, compared to 15 days in 2009. At Julius Nyerere International Airport (JNA) it took five days to clear cargo in June 2011, compared to 7 days in 2009. On the other hand, cross-border cargo clearance times were said to have deteriorated (from 2 to 3 days), which challenges the 'trading across borders' trend in **Table 4.1**.¹⁷⁸ **Sections 4.2.1 - 4.2.4** summarise developments in regulating the mining industry, gas, tourism, and agriculture.

4.2.1 Mining

Three large companies—African Barrick Gold (four mines), AngloGoldAshanti and Resolute (one mine each)—mine gold in Tanzania.¹⁷⁹ Since signing their mining contracts (known as Mineral Development Agreements – MDAs) with the GoT¹⁸⁰ their activities have been the object of much critical commentary, led by local NGOs, the media and Tanzanian opin-

176 Percentiles rank from 1 to 100, higher numbers denote poorer performance.

177 www.doingbusiness.org. Lower numbers denote better performance.

178 Ambali, Ernest 2012. 'TRA success is pivoted on its vision and mission', African on Sunday, Dar es Salaam, 29 April.

179 See Cooksey 2011b for a discussion of property rights and rents in relation to large- and small-scale gold mining in Tanzania.

180 The MDAs were: Bulyanhulu 1994, Golden Pride 1997; Geita, North Mara 1999; Tulawaka 2003; and Buzwagi 2007.

ion leaders. Criticisms include: secrecy surrounding the MDAs, displacement of artisanal miners, air and water pollution affecting local communities and livestock, and non-payment of taxes. Forced to respond to the mounting public criticism of the big mining companies, in November 2007 President Kikwete appointed a commission headed by Judge Mark Bomani to look into mining tax and other issues. The Commission's report was published in 2008, and most of its recommendations to share the benefits of gold mining more equitably were incorporated in the Mining Act of 2010.¹⁸¹ Both the big mining companies and civil society organisations lobbied the government to influence the content of the Mining Act.¹⁸² **Box 4.1** summarises the reaction of exploration and mining companies to the new Mining Act.

Box 4.1: Conditions in the 2010 Mining Act that discourage investment in gold mining

- The Minister of Energy and Minerals is empowered to negotiate a state share in any mine at any time;
- Limiting new MDAs to projects over USD 100m will discourage medium-size investors;
- The 3% royalty will increase as it is calculated on gross rather than net value;
- The proposed review of MDAs every five years will serve to undermine the predictability of the tax regime over the life of the mine;
- Limiting the number of prospecting licences to 20 and the size of exploration areas to 2000 sq. kms will introduce uncertainties for existing claim holders, limit the likelihood of finding new deposits and discourage further exploration;
- Mining companies should not be obliged to procure goods and services in Tanzania against their business interests;
- Ring-fencing adds to the already investor unfriendly fiscal regime.

Source: Cooksey 2011

A 2011 Fraser Institute survey on the quality of 79 mining jurisdictions worldwide ranked Tanzania in the 77th percentile on its 'policy potential' index, which measures state performance in influencing exploration decisions, down from the 48th percentile in 2004. One opinion leader considered the fall to reflect certain conditions of the 2010 Mining Act, particularly the first bullet point in **Box 4.1**.¹⁸³

Recent developments in the tax regime facing the mining companies, to be reported in TGR 2012, have served to further undermine investor confidence.¹⁸⁴ **Appendix 2, 7 December, 2011** reports other challenges to profitability as perceived by the large-scale mining industry.

4.2.2 Natural gas

Tanzania has discovered large offshore reserves of natural gas. By the end of the reporting period, seven trillion cubic feet (tcf) had been confirmed, with the possibility of as much as 60 tcf.¹⁸⁵ By January 2011, there were 17 companies--including major international players British Gas, Ophir, Shell, Tullow, Statoil, Exxon, Petrobas, Dominion, and Maurel and Prom-

181 The mining tax expert on the Bomani Committee did not endorse its findings on the grounds that proposals to increase taxes and royalties would discourage future investment. See Cooksey 2011b for details.

182 See section 5.2.1 for a discussion of civil society's lobbying role, PF's brief on EITI Titled "Parliamentary Advocacy in Extractive Industries" accessed at: <http://www.policyforum-tz.org/files/AdvocacyManualMail.pdf>

183 Tarimo 2011. Tanzania ranked 61st out of 79.

184 Africa Barrick Gold (AGB) has entered into negotiations with a Chinese conglomerate to take over their four mines.

185 Kaijage 2012.

-with 23 exploration agreements.¹⁸⁶ But only a fraction of the gas will be consumed locally: the full exploitation of the reserves will depend on competition from other gas producers, including neighbouring Mozambique, which has even larger deposits than Tanzania, and global trends in comparative energy prices. Full exploitation will require multi-billion dollar investments in gas liquefaction and distribution infrastructure. Already Mtwara is experiencing something of a boom as oil exploration companies set up shop in the region. But Tanzanians must realise that gas is not going to account for more than 10-15 percent of GNI, and that for only a limited period.¹⁸⁷

Together with its substantial deposits of coal, Tanzania should now be able to put an end to its dependence on hydropower, a policy that has been in place for twenty years but never successfully implemented. For this to happen, given past experience in power generation and mining, Tanzanian politicians and officials will have to improve the transparency and accountability with which they manage the emerging gas sector.

By practicing transparency on their part, the gas developers will gain credibility among the Tanzanian public, whose suspicion of foreign investors was fuelled by the gold multi-nationals' secret mineral development agreements (MDA) and attempts to ring-fence their investments against changes in government fiscal policy. Various observers are urging the gas companies to publish their production sharing agreements in order to increase public confidence.

The need for legislative reform means that Parliament will also be central to the process of ensuring that gas is commercialised in the public interest. Current regulation is ambiguous. The Energy and Water Utilities Regulatory Authority (EWURA) is responsible for all downstream¹⁸⁸ regulation while there is ambiguity between the roles of EWURA and the Tanzania Petroleum Development Corporation (TPDC) upstream. Added to this are attempts in recent years by the Ministry of Energy and Minerals to wrest control from EWURA. The most contentious issue is the role of TPDC. Effectively, TPDC acts as regulator of upstream activities under the Ministry of Energy and Minerals while it is also the sole licence holder. EWURA's role is limited to downstream issues of pricing and distribution.

TGR 2012 will review progress in creating a transparent legal and regulatory framework for the gas industry.

4.2.3 Tourism

The sustainability of the tourism sector is under threat from corrupt and ineffectual regulation and poor security. Poaching, dynamite fishing, infrastructural development, and overexploitation of tourism sites are among the main problems. There have been calls for a tourist police unit to control incidents of tourists being robbed or mugged.¹⁸⁹ During the

186 Mwamunyange 2011a.

187 Paul Collier, oral presentation on Tanzanian oil policy and regulation to representatives of civil society, Umoja House, Dar es Salaam, 16 October, 2012. It will also be a number of years before production of liquefied natural gas (LNG) begins.

188 'Upstream' refers to exploration, 'downstream' to processing, distribution and sale.

189 Rweyemamu 2011, quoting Mustapha Akunaay, executive secretary of the Tanzania Association of Tour Operators.

review period, the slaughter of up to 30,000 elephants was reported as well as the illegal export of live animals.¹⁹⁰ Asia (China) and the Gulf (UAE) are the main destinations for these illicit products. As China's middle class grows, so does the demand for luxury goods, including ivory.

In a post-election visit to the Ministry of Natural Resources and Tourism, in 2010 President Kikwete criticised officials for their inability to control poaching. He is quoted as saying: "We have to stop the massive poaching, otherwise we will spoil our reputation in wildlife conservation." It is claimed 'that there are some Tanapa workers, especially game wardens, who also engage in poaching activities by assisting poachers.'¹⁹¹

The GoT's position on other conservation issues—including building a trunk road across the Serengeti, exploiting soda ash deposits in Lake Natron, protecting the coelacanth, a rare fish, against a proposed new port near Tanga, and deregistering a UNESCO World Heritage site—suggests that 'economic development' trumps conservation, despite nature-based tourism being Tanzania's second largest source of foreign exchange.¹⁹²

Dynamite fishing has been closely monitored by tourism and conservation interest groups for some years. During 2010-12, 2,500 blasts were reported in Dar es Salaam alone, and around Tanga the problem is described as chronic. Tanzania is said to have the highest frequency of dynamite fishing in the world.¹⁹³ It is a sad testament to Tanzania's enforcement capacity that national and local authorities have not been able to control such a destructive practice, despite close monitoring, reporting and advocacy over some years. Aid-funded projects, including the recently completed USD 66 million World Bank-financed MACEMP (Marine and Coastal Environment Management Project), have also been ineffectual.¹⁹⁴

Future Reviews will monitor the continuing struggles between conservationists and economic developers in Tanzania's current transition to a capitalist economy.

Table 4.2 compares EAC countries on a number of global travel and tourism indicators.

By global standards, none of the five countries are considered particularly competitive as travel and tourism destinations. Tanzania fell 10 places compared to 2010. The Hotel Association of Tanzania (HAT) lobbies the government on legal, regulatory and tax issues on behalf of its 50 members, as does the Tanzania Association of Tour Operators

190 Karl Lyimo 2010. 'Tanzania: ivory, drugs and surplus harvests...'; Daily News, Dar es Salaam, 11th April. Aidan Hartley 2010. 'Will China kill all Africa's elephants?' Spectator, London, 24 March.

191 Wolfgang Thome 2011. 'Stung by criticism, Tanzania president lays into tourism ministry', ETN, 1 April, <http://www.eturbonews.com/22087/stung-criticism-tanzania-president-lays-tourism-ministry>; Beldina Nyakeke 2011. 'Poachers: Trophies dealers fund poachers,' The Citizen, Dar es Salaam, 27 October.

192 In March 2011, the Ministry of Natural Resources and Tourism withdrew its request to UNESCO to make the Eastern Arc Mountain Forests—an area of rich biodiversity—a World Heritage site. No reason was given. Letter from MNTR (Antiquities) to UNESCO's World Heritage Centre, Ref EA.195/593/02/49, dated 31 March 2011.

193 www.tnrf.org/dynamitefishing.

194 www.mcu.go.tz/Macemp.

(TATO). Relations with TANAPA (Tanzania Parks Authority) have been particularly tense over what HAT see as illegal and arbitrary changes in taxes and regulations that threaten to undermine the long-term sustainability of beach and wildlife tourism.¹⁹⁵

Table 4.2: Travel and tourism indicators, East African Community members, 2011

Country	Regulatory framework	Business environment and infrastructure	Human, cultural and natural resources	Rank	Percentile
Rwanda	75	120	110	102	73
Kenya	113	106	72	103	74
Tanzania	121	127	56	110	79
Uganda	116	125	80	115	83
Burundi	137	134	135	137	99

Source: WEF 2011; n=139 countries

In August 2011, more than 200 safari tourist vehicles were held up at national park entry points where tourists who had paid for inclusive holidays were forced to pay an additional entry fee that TANAPA had imposed virtually overnight. HAT sued TANAPA and won.¹⁹⁶ The country's poor reputation as a tourist destination can be seen in the 'business environment and infrastructure' indicator (**Table 4.2** above), where Tanzania ranks in the 91st percentile. Ranking in the 40th percentile for 'human, cultural and natural resources', Tanzania clearly still has a long way to go to realise its full tourist potential.

Finally, travel and tourism companies across the country were not impressed by the 2011 Finance Act which empowered LGAs to make by-laws and impose additional fees on companies that already heavily taxed. Currently, a tour operator in Tanzania pays 12 taxes and licence fees. Akko cites overlapping regulatory frameworks, multiple taxes and a lack of a skilled workforce as major impediments to the development of the sector.¹⁹⁷

4.2.4 Land

'A large number of countries (84) are reported to be targeted by foreign investors, but just 11 of them concentrate 70% of the reported targeted surface. Among those countries, 7 are African, namely Sudan, Ethiopia, Mozambique, Tanzania, Madagascar, Zambia and DR Congo.'¹⁹⁸

Securing land rights is essential for all terrestrial natural resource-based economic activities. Past TGRs have documented conflicts over land rights in relation to agriculture, pastoralism, game tourism, logging and mining. Surveying and titling are lengthy and expensive procedures, and do not guarantee title-holders against expropriation.¹⁹⁹

195 www.hat-tz.org. The underlying issue in the tense HAT-government relationship is a perception that local stakeholders actively connive with politicians and officials to undermine foreign-owned and managed tourist interests.

196 Thome 2011b.

197 Akko 2012. Vehicles in the tourist industry are charged 11 duties.

198 Ward Anseeuw, Mathieu Boche, Thomas Breu, Markus Giger, Jann Lay, Peter Messerli and Kerstin Nolte 2012. 'Analytical Report based on the Land Matrix Database', Land Matrix Project, April <landportal.info/landmatrix>.

199 Beyadi 2010 quotes the Minister of Lands and Human Settlements, Prof Anna Tibaijuka as pointing out that only two percent of land is surveyed, describing the rest as 'dead capital'.

A certificate of customary right of occupancy (CCRO) may be overruled by presidential directive for compulsory acquisition 'in the public interest'.²⁰⁰

Large-scale land acquisitions are driven by rising global energy and food prices. Both Tanzanians and non-Tanzanians acquire land rights for commercial and/or speculative purposes.²⁰¹ According to one report: 'Tanzania recorded at least 58 deals involving an estimated 2.2 million hectares. The main investors are from Germany, UK, Norway, Sweden, Korea and Holland.'²⁰² Bio-energy companies' interest in acquiring large tracts of land for *Jatropha* production has waned in recent years as the crop yields have proven to be too low and the market too unreliable.²⁰³ An Action-Aid report concluded that *jatropha* production was unviable and that biofuel companies' promises to build social infrastructure have not been realised as a result.²⁰⁴

Section 3.2.4 above outlined the unprecedented SAGCOT project. SAGCOT, which claims affinity to *Kilimo Kwanza*, has its own inevitable coordination and regulation problems. A major challenge for SAGCOT will be to operationalise the high levels of social and environmental responsibility to which it aspires, and to assure that SAGCOT-certified investors take seriously the interests of local populations. Future TGRs will monitor trends in foreign and local land acquisition, both of which are likely to attract increasingly critical civil society and media coverage if a real 'land-grab' gets underway.²⁰⁵

During the review period, Professor Anna Tibaijuka, Minister of Lands, Housing and Human Settlements Development confronted growing land grabbing in Dar es Salaam, including the invasion of beaches and privatisation of public spaces. In a notorious case, the High Court charged Patrick Rutabanzibwa, permanent secretary in the ministry, with contempt of court for defying a court decree allocating a public space in Oysterbay to Kahama Mining Corporation and Oysterbay Properties Ltd. The PS argued that policy and a ministerial directive forbids the conversion of open spaces for commercial purposes.²⁰⁶

200 Ngowi and Makwarimba 2011. Compensation is supposed to be paid, but is often the subject of disputes.

201 Philemon 2011a cites a report by the International Land Coalition (ILC) that stresses the role of national elites as well as foreign investors in 'land grabs'. In deals covering 71 m ha, 22 percent was for mining, tourism, industry and forestry, while three-quarters of the remaining 78 percent was for biofuels.

202 Gaaki Kigambo 2012. 'Tanzania gvt signs off huge tracts of land to foreign investors in secret deals', East African, Nairobi, May 14.

203 www.letstalklandtanzania.com/download/case_studies/. Companies involved include PROKON Renewable Energy, SEKAB, Sun Biofuels and Bioshape. Sun Biofuels closed their 2,000 ha *jatropha* estate, citing water shortages and plant diseases. 700 jobs were lost (Msuya 2012). The company produced 16,000 litres of biofuel in 2009.

204 Redfern 2011a. EU incentives to biofuel production are cited as a major cause of the interest in biofuels. The companies involved are Sun Biofuels, Bioshape and Sekab, from UK, Netherlands and Sweden respectively.

205 The controversial introduction of GM seeds will also be monitored.

206 Mirondo 2011a. The article concludes that: 'The court decree flagrantly contradicted the law and land use policy.'

4.3 Regulating state enterprises and corporations

After a decade of fierce debate, the GoT finally adopted a privatisation policy in 1992. By the end of 2008, a total of 336 public enterprises had been privatised.²⁰⁷ Still, as at 30th June 2011, the GoT holds shares worth over Shs 10 trillion 'in 204 parastatals and Government Institutions'.²⁰⁸ One hundred and ninety-two 'profit-oriented' institutions are wholly owned by government. The largest is the National Housing Corporation (NHC) followed by the Tanzanian Investment Bank (TIB). Joint ventures include Tazara, National Microfinance Bank (NMB) and Tanzania Telecommunications Company Limited (TTCL).²⁰⁹

The CAG lists a total of 176 'public authorities and other bodies', which are attached to different ministries. The breakdown is in **Table 4.3**.

Table 4.3: Tanzanian public authorities and other bodies, 2010

Category	No.
Regulatory bodies, councils, commissions and authorities	61
Public service organisations, utilities	45
Training, research and higher learning institutions	36
Manufacturing and production organisations	18
Financial institutions including pension funds and insurance companies	16
Total	176

Source: CAG 2012d:14.

Figures from COSTECH suggest that the above list of public bodies is incomplete.²¹⁰ For example, according to COSTECH Tanzania has 44 public research institutions,²¹¹ many more than reported by the CAG.

The CAG reports on 107 of the authorities listed above whose accounts were audited for FY2010/11.²¹² It reveals that 'dividends, loan repayment and other proceeds' from these entities fell from Shs 84 billion in 2008/09 to Shs 41 billion in 2009/10 and Shs 29 billion in 2010/11. Loan arrears of Shs 98 billion were reported, 'reflecting non-performing parastatals which are under liquidation through CHC' and 'parastatals like TANESCO and TRC' that are 'financially constrained'.²¹³

Past efforts to improve the efficiency of state enterprises through management contracts have almost all failed within a few years, sabotaged by workers, the former manage-

207 180 were divested to Tanzanians, 27 to foreign investors, and 129 are joint ventures involving government, local and foreign investors (CAG 2012f:103).

208 11 institutions failed to present their accounts to the CAG, suggesting a total of 215 such bodies. In addition, GoT holds Shs 158 billion in nine foreign institutions, but no details are given (CAG 2012f:101).

209 Kasumuni 2011.

210 COSTECH do not claim that the list is complete, but does not list any public bodies that have not submitted their accounts for audit. One public authority (Usafiri Dar es Salaam) did not submit its accounts on the grounds that it is now privately owned. A scandal concerning the privatisation of UDA will be reported in TGR 2012.

211 These cover: Agriculture 16, Human health, nutrition, medicine 9, Industry 7, Animal science 6, Natural resources 6 (Daily News, 10 May 2012).

212 Most of the audits are undertaken by local and international audit companies.

213 CAG 2012f:102-3.

ment, and politicians. TGR repeats that the financial haemorrhage incurred in bailing out loss-making public corporations is one of the main factors undermining the country's development potential.

4.4 Conclusion

Comparative data suggest that Tanzania continues to perform badly in terms of economic regulation. The confirmation that Tanzania has major reserves of natural gas led opposition politicians and industry observers to urge the GoT to avoid the policy and regulatory mistakes that have plagued gold mining for over a decade.

The sustainability of Tanzanian tourism is threatened by uncontrolled elephant poaching, dynamite fishing and smuggling of wild animals. New proposed road, port and industrial projects in environmentally sensitive areas threaten conservation efforts.

The GoT has negotiated large land deals with foreign investors. Critics highlight the threat of landlessness, the environmental consequences of extensive monoculture and heavy inorganic fertiliser use, and the use of GM seeds.

5.0 CSOs AND THE MEDIA

5.1 Introduction

Official secrecy makes it difficult for the media and civil society to access relevant information and intervene in a timely manner on important public policy issues. LHRC points to certain weaknesses in the legislation governing the registration, functioning and legal liability of NGOs in the country, but does not identify cases where these weaknesses have adversely affected NGOs in practical ways.²¹⁴ LHRC argue that 'tensions' between the government departments and NGOs is one of the major challenges to the latter, citing the case of the *Jukwaa la Katiba* umbrella, which the government assumes to be opposed to the constitution making process.²¹⁵ By contrast, outdated laws controlling the media are still invoked, pending long awaited legislation, discussed below.

At the local level, CSOs are faced with three levels of officialdom. The District Commissioner (DC), a legacy of colonial and one-party rule, is a presidential appointee with wide-ranging political and administrative powers. The District Executive Director (DED) is the top official of the local government administration, appointed by the Prime Minister. Third, local councillors and MPs are the only elected officials, and therefore the only group theoretically accountable to voters.²¹⁶ Since the DC effectively represents the ruling party, she or he is more powerful than the DED. The inherently contradictory lines of power and authority may become actively antagonistic when an opposition MP is elected, an increasingly common occurrence in urban areas. CSOs and others have challenged the rationale for retaining the posts of DCs and RCs in Tanzania's competitive political system, and the issue has been raised repeatedly in the context of the Constitutional Review Commission (CRC), announced in early 2011. A key role of the CRC will be to craft a constitution that separates state and party. TGR 2012 will review the progress of the Commission to date.

This chapter examines the performance of civil society and the media in performing their public watchdog roles during 2010-11.

5.2 Civil society

"Our members [of parliament] are elected in free elections and our debates are open. Can these NGOs say the same? To whom are they answerable?"²¹⁷

While access to information is a prerequisite for monitoring the performance of the state, it is also vital for non-state actors to possess the technical skills to analyse information critically and constructively. To upgrade skills, civil society and the media have benefited from a range of capacity-building initiatives sponsored by donors and INGOs. One such initiative helped Policy Forum and some of its members to lobby for amendments to the 2010 Mining Act, discussed below. Nationally, civil society has been involved in monitoring public expenditure on an ad hoc basis, but has not been particularly active in relation to donor budget support. The following sections look at civil society involvement in tracking the extractive industries and social accountability monitoring.

5.2.1 Tracking the extractive industries

The Extractive Industries Transparency Initiative (EITI) brings governments, mining com-

214 LHRC 2012:87-88.

215 Ibid. page 89.

216 USAID 2010; Hoffman 2012 (draft).

217 Samuel Sitta, Speaker of the House, commenting on NGO plans to demonstrate over the Richmond issue, 22 February 2010

panies and civil society actors together in an attempt to make tax and royalty payments and receipts more transparent. Tanzania was accepted as an EITI candidate country on 16 February 2009. Countries and companies have to fulfil specific conditions in order to become EITI 'compliant'. Of the 46 countries that have joined the EITI to date, 11 are compliant and 35--including Tanzania--are not.²¹⁸ On 11 February 2011, the Tanzania EITI multi-stakeholder group (MSG)²¹⁹ launched the first EITI report disclosing payments made by the major mining and gas operating companies to government for the period of 1 July 2008 to 30 June 2009. The report showed that mining companies reported having paid USD 84.4m in 2008/09. However, government entities reported having received only USD 48.3m. The Office of the Auditor General investigated and resolved almost all of these discrepancies.²²⁰ A subsequent validation report, compiled by the Adam Smith International (March 2011), identified TPDC as the main obstacle to satisfactory company disclosure during the reconciliation exercise. The report also noted continuing obstacles to ensuring that EITI disclosure requirements are backed by law – a notable omission from the 2010 Mining Act. **Table 5.1** summarises the actions and recommendations from the Validation Report.

Table 5.1: TEITI Validation Report, Actions and Recommendations

Indicator	Status	Comments and required actions
1. Appointment of an EITI champion	Met	Develop formal TORs for both the EITI Champion and the Chair of the MSG. The relationship between the EITI Champion and the MSG should be formalised.
2. Work Plan	Met	The Work Plan should be more widely publicised.
3. Establishment of MSG	Met	Review MOU for relevance & composition to include broader selection of civil society & industry representatives.
4. Company engagement	Not met	The MSG should seek clarification with the TPDC on payments and receipts
5. Reporting templates	Met	Scoping study is carried out to determine which companies should comply and under what definition of materiality
6. Ensuring companies report	Met	Company participation should be reviewed and extended for the next reconciliation exercise.
7. Company reporting standards	Met	MSG to provide better guidance on common discrepancy issues (cash versus accrual etc.) in the TOR for the next reconciliation exercise.
8. Government reporting standards	Not met	MSG reviews the process by which government templates were completed to provide a detailed set of recommendations that can be implemented in the next reconciliation exercise.
9. Disclosure of company receipts	Not met	Fully disaggregated figures for TPDC are generated for the first TEITI Report and for all future reconciliation reports.
10. Disclosure of Gvt receipts	Not met	Same recommendation as for 9 above.
11. Dissemination	Not met	Translation of the TEITI Report into Swahili and simplified version produced – and both made publicly available. A dedicated communications officer should be appointed.

Source: Adapted from Adam Smith International (2011:32)

218 The country became EITI compliant in late 2012, to be reported in 2013.

219 The EITI Multi-Stakeholder Working Group consists of five members each from government, companies, and civil society, plus a chairperson, Judge Mark Bomani. See Appendix 2.

220 EITI website, www.eiti.org, accessed 01/04/2012.

A Revenue Watch Institute video 'We made this law together'²²¹ documents how a number of civil society organisations, including Policy Forum, Haki Madini, Agenda Participation 2000 and FORDIA, contributed to the revision of the 2010 Mining Act with the cooperation of parliamentarians and parliamentary committees. Chairman of the Parliamentary Finance Committee Zitto Kabwe argued that civil society has both 'the experts and the time to analyse issues', oft-repeated constraints on parliamentarians who have neither the time nor the technical expertise or support staff to function efficiently in committees.

5.2.2 Social Accountability Monitoring (SAM)

During the review period, Policy Forum continued to build CBOs' capacity to undertake Social Accountability Monitoring (SAM) activities at the local government level while PETS (Public Expenditure Tracking Surveys or Systems) continued in many districts. Local CSO's initiated SAM in Mwanza City, Kibaha Town, Handeni and Ileje Districts.

A PETS exercise in Kisarawe (Coast Region) found that extension workers were provided with motor cycles but demanded fuel money to visit farmers and were generally not present in their work stations (it appears that many council officials live in Dar es Salaam).²²² Farm inputs (sulphur for dusting cashew trees) was paid for but not received. In Ulanga District farmers complained about the functioning of the subsidised farm inputs (fertiliser and seeds) programme. They signed 'that they have received the agriculture inputs and in return they were each given 5000/= Tsh. Some of the farmers did not agree ... and they reported the case to the authorities, the authorities promised they would react on the matter but up to now nothing has been done.'²²³



221 Utube video clip, accessed 15 March, 2012. See also 'Strategic mobilization for change: A case of CSO engagement in the Mining Legislation'. LHRC, Policy Forum and HakiMadini were the lead NGOs involved.

222 SAM Strategy Journal, Policy Forum 2011, www.policyforum.or.tz

223 SAM Strategy Journal 2011:11.

In 2010, Mbozi, Ileje and Isangati Consortium (MIICO) undertook SAM in Ileje District, focusing on the local council's accountability in service delivery in health. During SAM data collection it was found that dispensaries and staff housing built in Chabu and Shinji villages with TASAF funding were unused and in danger of deteriorating through lack of maintenance. In one village the staff house construction quality was below standard, and incomplete. Councillors said that 'they are not shown the contracts signed between the council and the contractors' which prevented them from playing their oversight role effectively.

The SAM team reported nine vacancies for Medical Attendants in Ileje District, two of which were filled, and 30 vacancies for clinical and nursing staff, none of which were filled during the SAM monitoring exercise.²²⁴

The District Commissioner, District Executive Director and District Medical Officer confirmed that they had contacted the Ministry of Health to register the dispensaries and assure their staffing and functioning. In January 2012, the SAM team visited the dispensaries and found that Chabu dispensary was rehabilitated but not registered, and Shinji dispensary had been registered but not rehabilitated. The registration of Chabu dispensary is still underway. In both cases, 'The team was told that staff have already been recruited so with the completion of staff housing and registration, the dispensary would start its operations immediately.'

Throughout the SAM exercise, good relations were maintained between MIICO and the district authorities.

The reported impacts of SAM include:

- An extension officer who was also functioning as an acting Ward Executive Officer (WEO) was required to give up the latter function;
- LGAs took steps to staff village health facilities built with TASAF funds and community contributions;
- Citizens, through PETS/SAM committees, gained confidence in demanding more accountability from local authorities.

Problems encountered during SAM implementation included the following:

- *Lack of adequate financial resources*
SAM activities are labour- and travel-intensive when conducted in more inaccessible areas. It is important to assess the costs and benefits of different interventions in order to put limited CSO capacity to best use.
- *Lack of transparency, non-cooperation, delays and poor feedback from council officials*
Although SAM is an inclusive process, it is likely that attempts to increase transparency in the use of LG finances will meet with resistance from those council officials who matter most. Short of the threat of public exposure, it is unlikely that state rent-seekers would accept voluntary compliance with rules for greater transparency.
- *Confusion over the financial years for which expenditures were being tracked*
In Kisware, goods paid for in FY 2007/08 were delivered in FY2009/10. Slowness and delays in financial transfers and public works characterise public goods' management at all levels.

224 Ileje Council Comprehensive Health Plan 2009/2010, pp 13-14.

- *Inadequate access to and poor quality of records on council income and expenditure*
Though more district councils are using computerised financial management system programmes, it does not follow that CSOs will have easy access to essential data. In Morogoro Rural District, for example, post-training SAM activities were delayed indefinitely by the failure of the council to provide essential budget information.
- *Funding follow-up activities*
To be effective, SAM requires follow-up to see that official promises to allocate funds/ provide services/solve problems are kept. This implies that local CSOs involved in SAM training and implementation should be financed appropriately.
- *Use of English in training activities and reporting*
Some SAM training modules appear to have been in English, and CSOs report to PF on SAM progress in English.

TGR will continue to monitor the challenges to the SAM project as it fine-tunes its methodology.

5.2.3 The print media

World Press Freedom Index rankings (**Table 5.2**) indicate considerably higher levels of press freedom in Tanzania than in neighbours Kenya and Uganda. Yet at the same time the critical issues of legislation and ownership continued to shape Tanzanian media during 2010-11. The sector faced its greatest test with the general election in 2010, which saw concerted efforts by state media to be objective, though this was balanced by intimidation by the regulator of non-state outlets.

Table 5.2: World Press Freedom Index, East African rankings, 2009-11

	2009		2010		2011	
	Rank (/175)	Percentile	Rank (/178)	Percentile	Rank (/179)	Percentile
Tanzania	62	35	41	23	34	19
Kenya	96	55	70	39	84	45
Uganda	86	49	96	54	139	77

Source: www.rsf.org/IMG/pdf

Legal framework.²²⁵ Reform of Tanzania's legislation governing media had not progressed since TGR 2008-09. In President Kikwete's first term (2005-10) two bills were prepared but not presented to the National Assembly. Both were regarded as inadequate. The draft *Freedom of Information Bill* dealt with registration of outlets, privacy, sedition and more. The draft *Media Services Bill* dealt with registration of outlets and journalists, and provided for a 'Media Standards Board', a public body that would usurp the role of the Media Council of Tanzania (MCT). Alternative bills prepared by the MCT in collaboration with other CSOs were presented to the GOT in 2007. Minister for Information, Sports and Culture, George Mkuchika, promised legislation in the year 2009-10. Since then, nothing has been heard.

The *Newspapers Act* of 1976 is renowned for the stringent powers it gives the Minister for Information. These include suspension of publication and an outright prohibition of publication in the 'public interest or the interest of peace and good order'.²²⁶ The National Security

225 Relevant legislation is the Newspapers Act, 1976, The Broadcasting Services Act, 1993 and the Tanzania Communications Regulatory Authority Act of 2003. The National Security Act of 1970 also governs access to information.

226 The Newspapers Act, Section 25 (1).

Act, which allows for the classification of information and controls access to information, is also regularly invoked in the control of the press.

Currently three journalists are facing charges for sedition under the Newspapers Act. They are the editor of Tanzania Daima Absalom Kibanda, writer for Tanzania Daima Samson Mwigamba and Theophil Makunga, Group Managing Editor for Mwananchi Communications Ltd. The case concerns an article published in Tanzania Daima on November 30 2011 entitled "Waraka Maalum kwa askari wote" (special memo to all soldiers). The story allegedly cited members of the security forces to consider disobeying orders.²²⁷

Use of libel laws and court ordered reporting restrictions remained an issue during the reporting period. Three high profile libel cases were launched in 2010. Two cases were taken against Mwananchi newspaper by serving ministers. The third was taken by the mobile phone company Tigo against Mtanzania.²²⁸

Many libel cases never reach a conclusion due to lack of evidence or petitioners' loss of interest. Increasingly, libel cases are being steered towards the Media Council of Tanzania's independent arbitration mechanism.²²⁹

Ownership and independence. Print media is booming in Tanzania, with hundreds of registered titles. Most of these publications are short lived. Ownership of the most prominent titles remains concentrated in a few hands and is clearly partisan (**Table 5.3**). In print, the government owned Tanzania Standard Newspapers (TSN) publishes the Daily News and Habari Leo. Radio Tanzania and television's TBC are also state owned.

Table 5.3: Ownership of Tanzanian print media

Name	Owners	Main titles (D=daily; W=weekly)
IPP Media	Reginald Mengi	Guardian (D); Nipashe (D)
New Habari Publications	Rostam Aziz	Mtanzania (D); Rai (W); Bingwa (W)
Tanzania Standard Newspapers Ltd	Government of Tanzania	Daily News (D); Habari Leo (D); Spoti Leo (D)
Raia Mwema Newspaper Co	Jenerali Ulimwengu	Raia Mwema (W)
Mwananchi Communications Ltd	Nation Media Group	Mwananchi (D); The Citizen (D);
Business Times Ltd	Rashidi Mbuguni	Majira (D); Business Times (W)
Global Publishers	Eric Shigongo	Ijumaa, Amani, Uwazi, Ijumaa Wikienda, Risasi (W)
Freemedia Ltd.	Freeman Mbowe	Tanzania Daima (D)
Hali Halisi Publishers Ltd.	Consortium	Mwanahalisi (D); Mwanaspoti (W)

Source: author's files

227 Tanzania Daima is printed by Mwananchi Communications Ltd. Despite the case continuing in the courts, the offending article is still (December 2012) available on Tanzania Daima's website <http://www.freemedia.co.tz/daima/habari.php?id=30571>

228 MCT (2011) Print Media Monitoring Report: July 2010 to June 2011, page 23-24.

229 Irex (2011) Sustainable Media Index 2010, page 389.

In the private sector, Reginald Mengi's IPP Media continues to dominate with *The Guardian* (circulation 20,000), *Nipashe* (25,000), and *The Guardian on Sunday* (28,000) titles. Mengi also controls EATV and ITV as well as East Africa Radio and Radio One.

Businessman Rostam Aziz controls the Habari Corporation which publishes the weekly *Rai* (circulation 15,000), and a number of dailies including the *African* (a few thousand) and *Mtanzania* (10,000).²³⁰ Owned by the Aga Khan's Nation Media Group, Mwananchi Communications Ltd. (MCL) titles include *The Citizen* (8,000) and *Mwananchi* (45,000-50,000) and their Sunday counterparts. The relatively small *Business Times Ltd* and *Hali Halisi Publishers* are the only media houses not owned by a politician or prominent businessman.²³¹

The Kiswahili tabloids (*'udaku'*) are dominated by Global Publishers, owned by Eric Shigongo, the CCM Youth Wing leader who stood, and lost, in the 2010 CCM primaries. While his titles are mostly concerned with the exploits of those in the entertainment industry, they are increasingly used for political ends.

The largest selling newspapers are *Mwananchi*, *Raia Mwema* (40,000-50,000), *Tanzania Daima* (40,000-45,000), and *Nipashe* (25,000-30,000) while the state-owned *Habari Leo* and its English language equivalent the *Daily News* sell around 25,000 and 20,000 copies a day respectively.²³² *Uhuru*, owned by the ruling party, sells approximately 10,000 copies a day. The Aga Khan's weekly *East African* has a circulation of about 8,000 copies in Tanzania.

All proprietors have clear political stances. While that of the government is obvious,²³³ other proprietors have more or less clear political allegiances. *Tanzania Daima* is owned by Freeman Mbowe, member of parliament and chairman of opposition party CHADEMA. *New Habari Corporation* is owned by former CCM MP and prominent businessman Rostam Aziz. These represent partisan extremes.

However, self-censorship—for example, in not accusing the President of involvement in corruption—is the norm, and editors are vulnerable to pressures from proprietors to publish stories and opinions flattering themselves and criticising their opponents, whether in business, politics or both.

Accusations of such favouritism were made against Reginald Mengi's IPP Media publications, the *Guardian* and *Nipashe*. These concerned alleged biased coverage of a dispute between Benjamin Mengi—a Moshi-based businessman and brother of Reginald Mengi—and two English investors who purchased the Silverdale Farm from Benjamin Mengi in May 2004. The investors accused Reginald Mengi of conducting a campaign of defamation against them through his print and broadcast media for three years, beginning in 2007 and continuing through 2010.²³⁴ The investors made their accusations on a blog.²³⁵ Subsequently Mr. Reginald Mengi opened a libel action in London regarding the claims

230 Under its former owner Jenerali Ulimwengu, *Rai* has a circulation of 60,000 copies a week.

231 *Majira* has a circulation of about 12,000 and the weekly *Business Times* 3,000-4,000.

232 IREX (2011) *Media Sustainability Index 2011*, Tanzania; R Mbagu personal communication.

233 *Ibid.* in their day to day reporting, TSN titles retain a laudable level of objectivity

234 See Cooksey 2010b.

235 <http://thesilverdalecase.blogspot.com/>

that he had directed a campaign of defamation against the investors through his media outlets.²³⁶ **Box 5.1** relates an attempt to suppress an article embarrassing to the former Prime Minister Edward Lowassa.

Box 5.1: Raia Mwema and Edward Lowassa

On November 24, 2010, Raia Mwema sought to publish a story on UK police investigations into Frederick Lowassa, son of disgraced former Prime Minister Edward Lowassa. The story focused on the Serious Crime Office's investigations into suspicious transfers of money used for the purchase of a London property for GBP475,000 (TSs 1.2 billion). Jamana Printers halted the presses after 10,000 copies had been sold. Allegedly, figures close to the Lowassa family had heard of the story and insisted it not be published. Raia Mwema staff refused Jamana Printers' demand that the story be pulled leading Jamana Printers to pulp the copies they had already printed. In the meantime, Mtanzania newspaper published a rebuttal of the story in that day's newspaper. Mtanzania is owned by Rostam Aziz, a close political ally of Edward Lowassa. Raia Mwema was able to find an alternative printer that night and get the story out. But they were left with no doubt as to the capacity of powerful individuals to influence publishing.

The 2010 elections. The 2010 General Election was the defining event for Tanzania's media during the review period, with the independence of both state and non-state media outlets questioned. Tanzania has an official campaign period of three months. The MCT characterised much of the coverage during this period as being "embroiled with defamation, bias and ethical abnormalities."²³⁷

Government efforts to ensure positive coverage for the ruling party were not unexpected. Permanent Secretary to the Ministry of Information, Culture and Sports, Sethi Kamuhanda, warned media houses directly that the ministry would not hesitate to shut any media house that "put the government in a bad light." This was followed up by the Registrar of Newspapers, who issued warning letters to four publications, Tanzania Daima, Raia Mwema, Mwanahalisi and Mwananchi.²³⁸ Only Mwananchi contested the warning, but through the offices of the MCT (see **Media Regulation** below).

Print media's coverage of the election was polarised. As the UNDP's media monitoring report put it: 'The print and radio showed clearly that there were certain media houses that displayed their true colours and what side they belonged to.'²³⁹

In stark contrast to this was the surprising performance of TBC – the state owned broadcaster. Under the leadership of Tido Mhando, TBC provided coverage throughout the campaign that was widely praised for being fair and impartial. The MCT recorded its "dazzling coverage" while Synovate more soberly noted that:

Television stations did their job of maintaining neutral coverage, especially the state owned TBC who in most weeks remained with non-partisan somewhat equal coverage for mostly the three big parties in the campaign trail (sic).²⁴⁰

236 He lost the libel case in late 2012 at huge expense (see TGR 2012, forthcoming).

237 Media Council of Tanzania (2011) Print Media Monitoring Report July 2010 to June 2011 page 3.

238 Media Council of Tanzania (2011a) State of the Media Report 2010, page 31.

239 Synovate (2010) Tanzania Media Election Coverage 2010, Monthly Monitoring Report #5 (October) a report for UNDP's Election Support Project.

240 Synovate (2010) *ibid.*

The most controversial aspect of TBC's coverage was its programme *Mchakato Majimboni* which gave a platform to parliamentary candidates to debate each other live on TV. CCM controversially disbarred its candidates from taking part. Mhando's insistence on continuing with the programme, as well as TBC's generally fair election coverage, have been credited with his subsequent removal.

Media Regulation. In the absence of updated legislation and in the face of continuing legal and extra-legal threats as noted above, Tanzania's media industry has taken considerable strides in developing mechanisms for self-regulation.

The Media Council of Tanzania (MCT) was established in 1995 as an independent and voluntary self-regulatory body for Tanzania media. MCT has established a code of ethics as well as reporting guidelines for ethical reporting for court reporting, reporting on children and reporting on people with disabilities. In February 2011, the MCT adopted the Declaration on Editorial Freedom, Independence and Responsibility (DEFIR). The Declaration exhorts 'media owners to refrain from using their alliances with politicians or big business "to tamper with stories and commentaries on their political and business friends", and corporate interests not to punish critical press reports by withdrawing advertising.²⁴¹

MCT's arbitration mechanism is noteworthy. Having dealt with 16 cases in 2010²⁴² and 17 cases in 2011,²⁴³ it handles considerably more cases than the legal system. Cases in 2011 were dominated by complaints arising from coverage of the general election of the previous year. Procedures for arbitration and mediation were laid down in 2009. If cases cannot be resolved bilaterally with the publication concerned, the MCT Secretariat will seek a resolution. If this fails, the case is finally taken to the MCT's Ethics Committee. Since its establishment, the MCT's arbitration mechanism has become the principal means of seeking redress from the media.

Associational life in the media is vibrant with press clubs in all regions and national organisations of varying competence and seriousness for journalists concerned with particular issues, including sports, the environment, HIV and AIDS, and gender. At the national level, the MCT is complemented by the Media Owners Association of Tanzania (MOAT), representing proprietor's interests and the Tanzania Editors Forum (TEF). TEF was formalized in 2010, with the election of Absalom Kibanda, editor of Tanzania Daima, as its first chairman. It seeks to arbitrate in disputes between newspapers as well as to be a platform for representing media interests to political and business leaders.

Constraints on the print media meeting its watchdog mandate include self-censorship and political bias in ownership, and repressive laws, mentioned above. Other constraints lie in the incentives to journalists not to practice investigative journalism; generally low standards, including innumeracy and poor English, among journalists; and poor editorial skills. Investigation is discouraged by the very real dangers of getting too close to sensitive information, or the possibility of being bought off.²⁴⁴

This brief review suggests that the greatest challenge facing voluntary and statutory regulators lies in ensuring reasonably balanced and objective news coverage in an increasingly partisan market. An increasingly volatile political sphere, outlined in the rest

241 Yahya-Othman 2011.

242 Media Council of Tanzania (2011) Annual Report 2010, pages 10-14.

243 Media Council of Tanzania (2012) Annual Report 2011, pages 15-22.

244 There are also cases where journalists sell their information rather than publish it.

of our report, and an increasingly competitive democracy, suggests that this will remain a challenge for the foreseeable future.²⁴⁵ Future TGR's will include reviews of social media, television and radio.

5.3 Civil society governance

As TRG observed in 2008/09, critics of civil society governance flag deficiencies in transparency, accountability, and integrity. Not all CSOs are equally open in networking and information-sharing. Numerous NGOs are associated with one or two individuals rather than with a wider group. This personalisation of CSOs can undermine solidarity and joint action. The integrity of the sector comes into question when organisations indulge in waste, double-funding of activities, and the misuse of funds. Not surprisingly, government officials often share the view that NGOs are self-serving and donor-driven.

LHCR flags donor dependence as a constraint on NGO's ability to respond to 'the needs of the community', arguing that 'it is common for NGOs to change their functions depending on the interest of the donors...'²⁴⁶

Funding agencies are generally reluctant to take grant recipients to task even when *prima facie* evidence of wrongdoing exists, so it came as somewhat of a surprise when it was learned that eight employees of the World Wildlife Fund (WWF) Dar es Salaam office had been terminated for their involvement in over USD 400,000 of fraud, forgery and 'direct corruption' during 2011. Four projects funded by the Norwegian government and the USA were involved. Allegations of wrongdoing were first made against key WWF staff in December 2011.²⁴⁷

5.4 Corruption and human rights

'Violations of human rights have never gone down, but rather they have kept increasing and evolving into new dynamics continuously. The challenges for human rights protection still considerably outweigh the positive trend.'²⁴⁸

Much judicial corruption infringes on individual and collective human rights. Judges and magistrates distort the rule of law by receiving bribes in order to deliver favourable verdicts, while court clerks 'lose' files in order to slow down court proceedings. Global Integrity claims that 'political interference, bribery, cronyism and other flaws are often factors in judicial outcomes...'. Other observers argue that the courts are gradually showing signs of autonomy after decades of subservience to one-party rule, or are 'relatively independent' of executive interference.²⁴⁹

245 TGR 2012 plans to review social media, television and radio.

246 Ibid.

247 Daily News Reporter 2012. 'WWF Tanzania staff in financial scam', Daily News, Dar es Salaam, 29 May

248 LHRC 2010 quoted by Bofin and Kobb 2012:23.

249 www.business-anti-corruption.com citing Freedom House 2011 and (for the positive comment) the Bertelsmann Foundation 2010.

According to the U.S. State Department, the main human rights problems in Tanzania in 2010 included:

...use of excessive force by military personnel, police, and prison guards, as well as societal violence, which resulted in deaths and injuries; abuses by Sungusungu traditional citizens' anticrime units; harsh and life-threatening prison conditions; lengthy pretrial detention; judicial corruption and inefficiency, particularly in the lower courts; restrictions on freedoms of press and assembly; restrictions on the movement of refugees; official corruption and impunity; societal violence against women and persons with albinism; child abuse, including female genital mutilation (FGM); and discrimination based on sexual orientation. Trafficking in persons and child labor remained problems.²⁵⁰

These and other types of human rights abuse are discussed in detail by the Legal and Human Rights Centre's annual Human Rights Report, which also covers developments in Zanzibar.

The Commission for Human Rights and Good Governance (CHRGG) has been in operation for the last decade. Its independence is weakened by being part of the executive rather than the judiciary. It 'cannot investigate the President and the President may prevent an investigation...'.²⁵¹ A recent review concluded that the 'interventions' that CHRGG plans are unlikely 'to significantly impact on the state of human rights in Tanzania.'²⁵² The Commission needs to find ways to work with civil society human rights organisations and to exert more influence on the AG on legal matters.

5.5 Conclusion

CSOs have been active in tracking the extractive industries and monitoring public expenditure at the local level. A first multi-stakeholder meeting of the TEITI (Tanzania Extractive Industries Transparency Initiative) held in February 2011 compared payments made by the major mining and gas companies and receipts by the GoT. A subsequent validation report identified TPDC as the main obstacle to full reconciliation.

In 2010, MIICO, a local consortium of CSOs, initiated Social Accountability Monitoring (SAM) in Ileje District's health sector, identifying badly built and maintained dispensaries and lack of staff as major issues. Problems encountered by SAM teams include lack of cooperation from local council officials and the poor quality of record keeping in council offices.

Tanzania's ranking in the World Press Freedom Index has improved rapidly in recent years, yet progress has stalled on both the Freedom of Information and Media Services Bills. Media owners have political agendas, which emerged clearly during the 2010 elections. The state-owned TBC maintained noteworthy independence during the elections, however.

250 Bureau of Democracy, Human Rights and Labor 2011:1.

251 The President also appoints commissioners. This paragraph is based on Bofin and Kobb 2012.

252 Bofin and Kobb 2012:25. Mihayo 2011.

6.0 DEVELOPMENT AID AND COMPARATIVE PERSPECTIVES

'In today's world of multi-trillion dollar bailouts, \$130 billion may not sound like all that much. But the amount given by rich countries in aid each year has the potential to make a significant difference if spent well.'²⁵³

Tanzania is a member of numerous international organisations and a signatory to international treaties, conventions and agreements, both global and regional, some of which are discussed in this report. Aid donors (aka 'development partners') underwrite much of this international involvement. **Chapter 2** discussed budget support as a major source of government revenue. The role of budget support within the overall aid strategy is examined briefly below.

6.1 Donors in Tanzania

The global financial crisis of 2008 led western governments to cut public expenditure, often drastically, but aid transfers to developing countries including Tanzania have generally been maintained. No less than 42 donors provide overseas development assistance (ODA) to Tanzania.²⁵⁴ The GoT is involved in multiple global initiatives with support from international donors, including health (HIV/AIDS, malaria and tuberculosis), global warming, agriculture and food security.²⁵⁵ Over the last decade, Tanzania has received USD eight billion in non-commercial debt relief under the Heavily Indebted Poor Country (HIPC) initiative. HIPC gave rise to the Poverty Reduction Strategy Paper (PRSP) process, through which countries receiving debt relief agreed to channel new aid transfers into social development spending. In Tanzania, HIPC became the MKUKUTA, which incorporates both economic growth and social development objectives.²⁵⁶ Finally, the Millennium Development Goals (MDG) target major progress in social development by the year 2015.²⁵⁷

Think about it...

In high-income countries, foreign aid is under pressure. Opinions are divided between those who believe that aid is a good thing or a bad thing. Those in favour stress the successes of aid (more schools and roads, better healthcare), those against stress aid's weaknesses (it tolerates corruption and waste). In public debate, all aid (humanitarian, emergency, development) is lumped together, and the opposing camps accuse each other of naïveté (if you favour aid) or immorality (if you're against it). An informed debate requires: (1) a distinction between different types of aid, and (2) a fair assessment of what works and what doesn't in each case. Black and white thinking prevents this from happening.

253 Rajani 2011. 'Blind leading the blind: Opaque donors are in no position to demand transparency, East African, Nairobi, 21 November.

254 World Bank 2011a. The Development Partners Group consists of the following bilateral agencies: Belgium, Canada, Denmark, Finland, France, Germany (German Embassy, KfW and GtZ), Ireland, Italy, Japan, Korea, the Netherlands, Norway, Spain, Sweden, Switzerland, UK, USA. The multilateral members include the World Bank, United Nations agencies, the European Commission, the African Development Bank and the IMF.

255 See Cooksey 2010 for details.

256 MKUKUTA is implemented and monitored through three 'clusters': Growth and Reduction of Income Poverty (Cluster I); Improvement of Quality of Life and Social Well-being (II), and Governance and Accountability (Cluster III). RE-POA's Poverty and Human Development Reports summarise progress on MKUKUTA implementation.

257 www.undp.org. The eight targets are to eradicate extreme poverty and hunger; achieve UPE; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and to develop a global partnership for development. Tanzania is on track for achieving UPE and reducing child mortality (see Chapter 3).

During the last decade, debt relief, increased tax revenue and budget support have generated large increases in government revenue, but is the extra money well spent?

6.2 Budget support

Multilateral and bilateral development agencies provide General Budget Support to MKUKUTA. Budget support was the key innovation in donor strategies in the new century. Between 2003 and 2010 the WB provided USD 1.2 billion in GBS, followed by the U.K. with USD 0.5 billion during 2000-07.²⁵⁸ Pledged GBS for FY2011/12 was USD 453 million.²⁵⁹ GBS has advantages over other types of aid. According to the Treasury:

'[GBS] is consistent with the country's legal and constitutional framework, better than others at enhancing national ownership and Government leadership, improved predictability and amenability to domestic accountability. Further, GBS resources are fungible giving ample room for deployment of resources to the country's priority needs. As the GBS funds are channelled through and use country systems, the transactions costs are reduced as GBS partners harmonize their assistance.'²⁶⁰

The downside to GBS is that its effectiveness is constrained by the quality of the recipients' financial and budgetary systems.



Again, according to the Treasury:

'GBS disbursements have remained more or less constant in volume terms for the past 4 years, and the number of DPs providing GBS has decreased following the withdrawal of two DPs. Also, the dialogue continues to face some challenges as (i) the PER²⁶¹ process has been weak, (ii) the dialogue tended to be limited to pro-

258 Tripp 2012: 17. The next biggest contributors were the EC, Sweden, the Netherlands, Norway, the AFDF, Denmark and Finland.

259 Angola 2011.

260 Ministry of Finance 2012. 'Tanzania: 2011 Annual Review of the General Budget Support', 24-25 November, page v.

261 Public Expenditure Review.

cess rather than substance, and even less overall dialogue on MKUKUTA outcomes achievements, and (iii) GBS preparations focusing on PAF are overtaking the MKUKUTA and PER processes.’²⁶²

Grand corruption has undermined donor commitment to GBS, prompting the GoT to make efforts to reestablish ‘donor confidence’. Yet during the review period donors continued to complain about lack of ‘dialogue’ over the budget, weak budget execution and lack of evidence of ‘impact’.²⁶³

One recent evaluation of donor anti-corruption support concluded that ‘GBS has been a particularly effective means for developing high-level dialogue on grand corruption.’ However:

‘At this point, it is not possible to tell whether this leverage has been effective in reducing corruption or in increasing the prosecution of high level officials, but there is a more or less unanimous view among GBS DPs that GBS has been effective in dealing with the EPA corruption scandal and in signalling to the GoT that DPs will not tolerate inaction on grand corruption cases.’²⁶⁴

Although intense donor pressure forced the GoT to act on the EPA, none of the key players involved has been arraigned, tried or sentenced. TGR 2008/09 listed politicians, officials and businessmen accused of involvement in grand corruption.²⁶⁵ To date, two former ministers (Basil Mramba and Daniel Yona) still have an unresolved case in court over their involvement in the Alex Stewart gold audit affair, and a former ambassador to Italy had been exonerated of any wrongdoing related to the purchase of a house for the Tanzanian embassy in Italy.²⁶⁶ As reported above, the judicial system remains fundamentally dysfunctional from the point of view of holding senior members of the executive accountable.

Providing GBS does not preclude continued *ad hoc* financial and technical support by all donors to various state agencies. For example, Britain donated GBP 4.5 million (about Shs 11.7bn) to the National Bureau of Statistics for the country’s 2012 census.²⁶⁷

Donors admit that:

‘In recent years, GBS dialogue between the GoT and DPs has not been as effective as it was initially, due to a breakdown of trust between the two parties largely as a result of the recent grand corruption scandals.’²⁶⁸

262 Ministry of Finance 2012. ‘Tanzania: 2011 Annual Review of the General Budget Support’, 24-25 November, page 10.

263 Citizen Reporter 2011d. EU Ambassador Tim Clarke made apparently contradictory statements when he stressed the importance of GoT accountability to citizens rather than donors but at the same time complained that the GoT had failed to ‘discuss with them [donors] elements of the budget during the preparatory stage before it was approved by Bunge.’

264 Joint Evaluation of Donor Support to Anti-Corruption in Tanzania 2010. It is not clear how such a formal disposition (‘zero tolerance’ for corruption) differs from ‘conditionality.’ It is also unclear what happened to the Shs 60 billion said to have been recovered from the Shs 133 billion EPA scam (Mwamunyange 2011b).

265 Policy Forum 2011:21-2. The scams included: EPA, Richmond, Alex Stewart, Kiwira coalmine, BAe radar, the Twin Towers (BoT). On 30th October 2010, Andrew Chenge, heavily implicated in BAe radar and EPA, was found guilty of reckless driving, causing the death of two women and driving without insurance and fined Shs 700,000. In mitigation, his lawyer said Chenge is a responsible public figure, serving the nation as legislator, member of CCM central committee, national executive committee and ethics committee.

266 To be reported in TGR 2012 (forthcoming).

267 Mwakyusa 2011.

268 Joint Evaluation of Donor Support to Anti-Corruption in Tanzania 2010.

Vested interests on both government and donor sides make it difficult to admit the failure of GBS to improve aid effectiveness. To the GoT, donors have agreed to support local policy priorities and should not therefore try to impose conditions on spending. To donors, many formal conditions still apply to aid, but they are not systematically enforced. The poor performance of GBS has led some donors to reduce commitments, and others are likely to follow.

In October 2011, British prime minister David Cameron angered many African political and religious leaders when he appeared to link receipt of British aid to respect for gay rights. Tanzania’s Minister for Foreign Affairs and International Cooperation, Bernard Membe, declared: “Tanzania is ready to end diplomatic ties with Britain if it imposes conditions on the assistance it provides to pressure for adoption of laws that recognise homosexuality.”²⁶⁹

Aid effectiveness is discussed further in **section 6.4**. First, donor support for governance is examined briefly.

6.3 Governance projects and programmes

During the review period, donors continued to finance both state and non-state actors in attempts to increase transparency and accountability.²⁷⁰ During the 2000-10 decade, GoT received an estimated USD 568 in project support for governance and political reform. Nearly a fifth of the total was in support of governance, followed closely by public sector reform, in particular public finance management.

Table 6.1 lists the main donors and activities receiving support.

Table 6.1: Donor support to political reform, 2000-10

	USD (m)	
Good governance	109.2	World Bank, AFDF, UK, Denmark, Germany, Netherlands, Norway
Public sector reform	95.9	World Bank, UK, The Netherlands
Civil society	84.7	Norway, Finland, US, Germany, Netherlands, Ireland, Switzerland, Canada, Austria, UNICEF, Sweden, New Zealand
Legal reform	55.4	World Bank, Canada, Sweden, Denmark
Elections, voter registry	41.7	UK, Sweden, Norway, Ireland, Netherlands, EC, Denmark, Belgium, Canada, Italy, Spain
Children’s rights	35.9	UNICEF, US, Norway, Netherlands
Democracy and civic education	34.1	Denmark, EC, Canada, UK, Norway, Sweden, The Netherlands, UNDP, Switzerland, Finland, Ireland
Gender advocacy	32.0	Sweden, Netherlands, Norway, UK, UNFPA, Germany, Switzerland, Belgium
Local gvt reform	30.7	UK, Ireland, Finland, Germany, Sweden, UNICEF
Human rights	27.3	Sweden, Denmark, UK, Finland, Germany, EC, Norway, Ireland
Media	18.8	Sweden, Switzerland, Norway
Peace	2.2	UNDP, Norway Sweden

Source: Adapted from Tripp 2012, citing AidData, <http://www.aiddata.org/>

²⁶⁹ Awami 2011.

²⁷⁰ ‘Horizontal’ accountability takes place within state institutions whereas ‘vertical’ accountability involves the mass media and civil society.

According to Tripp:

'Donors ... have played an important role supporting civil society, media reform, and advocacy around human rights. ... Relative to other sectors, less donor support has been evident in the area of political and electoral reform. The most significant concerted initiative in this regard was UNDP's 2007-10 Deepening Democracy Programme, which gained the support of nine donors and the government of Tanzania through a basket funding arrangement to the tune of US\$17.7 million.'²⁷¹

A joint external evaluation of aid to anti-corruption in Tanzania listed a total of 30 programmes and projects financed by Sweden, Norway, Denmark and U.K.²⁷² Unfortunately, the report did not question the effectiveness of support for anti-corruption activities as a stand-alone agenda. Nor did it address criticisms of NACSAP and the rationale for supporting specific state agencies, such as the PCCB or the Ethics Commission.²⁷³ A critical conclusion is that the government plays along with the form of external assistance without embracing its content, while the donor community is quite happy to behave as if this is not the case.²⁷⁴

6.4 Aid effectiveness

In November 2011, Tanzanian government officials attended the Fourth High Level Meeting on Aid Effectiveness in Busan, South Korea.²⁷⁵ The meeting was a follow-up of the 2005 Paris Declaration on Aid Effectiveness, which set in train efforts to better harmonise, co-ordinate and 'de-fragment' aid while enhancing local ownership of development policy. There was little evidence that much progress had been made in the interim. Co-ordination has proved particularly problematic. One critic observed that:

'the 27 EU countries ... are all busy with their own aid systems rather than building a strong joint European institution that could compete in quality and financial muscle with institutions such as the World Bank.'²⁷⁶

There is little likelihood that Tanzania's 42 aid donors will be able to coordinate their aid effectively.

During the review period CAG audited a number of projects under donor-funded programmes in agriculture and social services delivery.²⁷⁷ The largest projects were TASAF (Tanzania Social Action Fund), ASDP (Agricultural Sector Development Programme), WSDP (Water Sector Development Programme) and the HBF (Health Basket Fund). The opinions of the audits on these and other projects are summarised in **Table 6.2**.

By CAG's current standards, the opinions expressed are much more qualified than those for central and local government, discussed in chapters 2 and 3. Issues identified by the CAG include the late release of both donor and GoT funds:

271 Tripp 2012. TGR 2012 may examine the success of this programme.

272 ITAD and LDP 2010. Joint External Anti-Corruption Evaluation: Tanzania Country Report, August. These are listed in TGR 2008-09, page 50.

273 Both this and previous TGRs cite evidence that PCCB is ineffective in fulfilling its mandate and is itself vulnerable to corruption. For a recent critique of aid effectiveness with examples from Tanzania see Cooksey 2010.

274 For a criticism of the 'good governance' approach to African development see the African Power and Politics Programme (APPP) website www.institution-africa.org, and papers by Cooksey and Kelsall 2011, and Kelsall 2013.

275 Nuru Ngailo 2011. 'Tanzania can achieve poverty reduction', Sunday News, Dar es Salaam, 27 November.

276 Boesen 2010, cited by Cooksey 2010.

277 This section is based on: Controller and Auditor General 2012d. On the Audit of the Financial Statements of Donor Funded Projects for the year ended 30th June, 2011, Dar es Salaam.

'Release of funds from Development Partners and Treasury to Project implementers has always been delayed and in some occasions releases are effected without instructions. This has contributed in delay or non implementation of earmarked projects and also resulting in huge amounts of unspent balances amounting to Shs. 221,997,432,753 and USD 51,356,184 at year end.'

Table 6.2: Audit opinions for donor-funded projects for the year ended 30th June, 2011

Projects	Unqualified Opinion	Unqualified Opinion With Emphasis of Matter	Qualified Opinion	Adverse Opinion	Disclaimer Opinion	Total
TASAF	95	30	4	1	-	130
ASDP	27	75	29	-	1	132
WSDP	34	66	32	-	-	132
HBF	83	21	26	1	1	132
Sub total	239	192	91	2	2	526
Other projects	34	19	1	-	-	54
Grand total	273	211	92	2	2	580
Percent	47	36	16	0.5	0.5	100

Source: CAG 2012d:xvii

For example, the Water Sector Development Programme, supported by four donors through a 'basket' arrangement, had an unspent balance of Shs 73 billion by the end of June 2011 (CAG 2012d:14). Local councils had an unspent balance of Shs 39 billion, equal to 58 per cent of the amount available. 'The huge closing balance was caused by various Councils failing to implement projects as planned.'²⁷⁸

The debate on aid effectiveness has been raging for many years, with no resolution in sight. TGR 2008-09 speculated that the rise of China as a major aid donor may constitute a huge challenge to the established multilateral and bilateral donors, for example, on the twin issues of governance and democracy.²⁷⁹ Both budget support and the emergence of Chinese aid have led Tanzanian leaders to take a firmer stand on the issue of aid conditionality. This, together with the potential impact of the global financial crisis on future aid commitments and the rise of Africa as a favoured FDI destination, is likely to reduce the importance of aid as a factor influencing development in years to come. Whether this is a positive or negative development is a matter of hot debate. Pro-aid advocates urge ever greater international efforts to end poverty, while sceptics point to past aid failures and the problem of 'absorptive capacity'.²⁸⁰

278 CAG *ibid.*, p15. Is the slow implementation due to late arrival of funds, or are there other contributory reasons?

279 TGR 2008-09:55.

280 Sachs (2005) sees the main problem in inadequate international commitment to provide the financial capital required to break the poverty trap. His failure to confront governance issues, including corruption, as fundamental constraints on development is considered a major weakness of his analysis.

6.5 Comparative governance indicators: Tanzania and the EAC

If you ask any non-Tanzanian East African which country is the stumbling block to regional integration, the answer will come fast and furious – Tanzania.²⁸¹

Following the re-establishment of the East African Community (EAC) in 1999, Kenya, Tanzania and Uganda created a customs union--a duty-free trade area with a common external tariff--in 2005, and were joined by Rwanda and Burundi in 2009. Progress towards the free movement of capital, goods and labour within the EAC is slow and patchy, with accusations against Tanzania of foot-dragging on tariff reductions and failure to control non-tariff barriers (NTBs). These problems reflect the uneven development of member states. **Table 6.3** compares the five EAC members on the UNDP's Human Development Index for 2011.

Many Tanzanians perceive Kenya's economic and human capital dominance as a threat, and this has proved a stumbling block to regional integration.²⁸² In November 2011, Tanzania slapped a 25 per cent tax on Ugandan manufactured goods entering the country, blacklisting a number of companies.²⁸³ In the same month, Tanzania refused to sign an EAC Council of Ministers' report on integration until the issue of land ownership was removed and clauses on military cooperation revised. The right to own land across the region and a defence pact are fundamental to the proposed political federation.

Table 6.3: EAC Human Development Index (2011)

Country	Life expectancy at birth (years)	Mean years of schooling	GNI per capita (2005 PPP \$)	Human Development Index
Kenya	57.1	7.0	1,492	0.509
Tanzania	58.2	5.1	1,328	0.466
Uganda	54.1	4.7	1,124	0.446
Rwanda	55.4	3.3	1,133	0.429
Burundi	50.4	2.7	368	0.316
EA Average	55	4.6	1,089	0.433

Source: UNDP 2012

Many Tanzanians perceive Kenya's economic and human capital dominance as a threat, and this has proved a stumbling block to regional integration.²⁸⁴ In November 2011, Tanzania refused to sign an EAC Council of Ministers' report on integration until the issue of land ownership was removed and clauses on military cooperation revised. The right to own land across the region and a defence pact are fundamental to the proposed political federation.

Tensions between Tanzania and other EAC member states are reflected in variations in the ease of doing business across the region, discussed below.

281 Onyango-Obbo 2011.

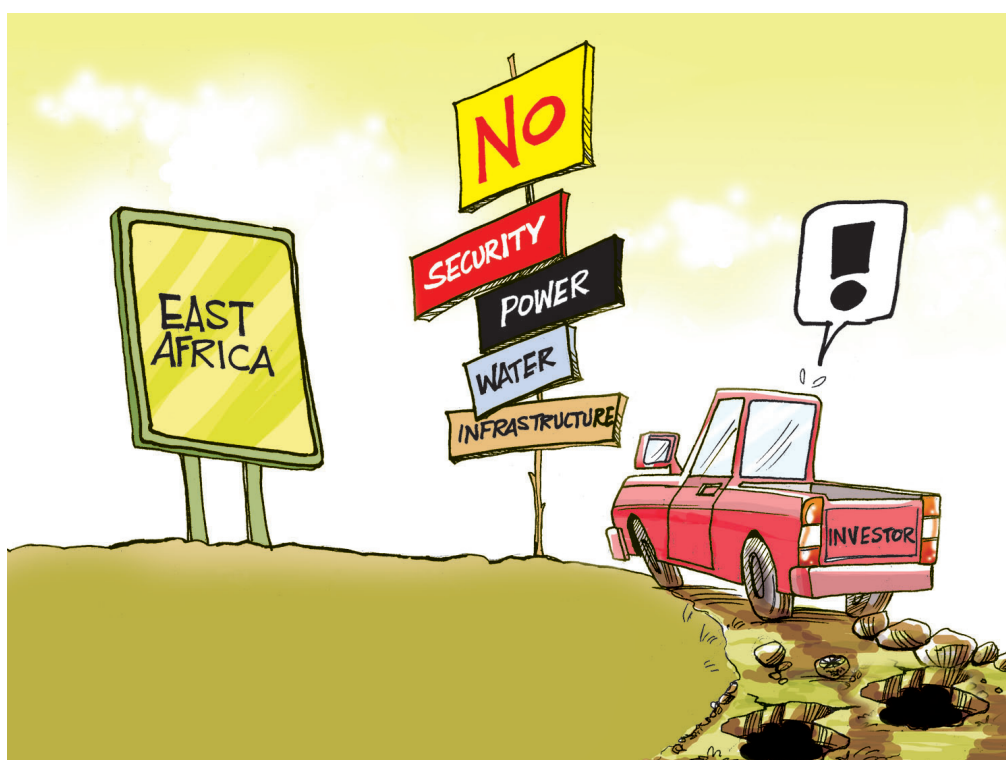
282 REPOA (forthcoming) found that Tanzanians mistrust EAC nationals far more than they mistrust the police or politicians.

283 Barigaba 2011. The dispute goes back to 2005 and relates to Ugandan companies continuing to pay a lower external tariff than other EAC members during a grace period.

284 REPOA (forthcoming) found that Tanzanians mistrust EAC nationals far more than they mistrust the police or politicians.

6.5.1 Doing business in East Africa

Table 6.4 summarises the relative performance of the five countries according to the World Bank's Ease of Doing Business survey.



Burundi is a poorly performing outlier, while Tanzania and Uganda lag well behind Kenya and Rwanda. Obtaining construction permits and registering property are particularly time consuming in Tanzania. Trading across borders is a major problem for the region, reflecting multiple trade and non-trade barriers. In November 2011, EAC secretary general Dr Richard Sezibera claimed that 'half of the non-tariff barriers in East Africa had been eliminated.'²⁸⁵

Table 6.4: Ease of doing business rankings in the EAC, 2011

	Tanzania	Rwanda	Kenya	Uganda	Burundi
Enforcing contracts	32	40	125	113	171
Getting credit	89	32	6	46	168
Protecting investors	93	28	93	132	153
Trading across borders	109	159	144	148	176
Closing a business	113	183	85	56	183
Paying taxes	120	43	162	62	141
Starting a business	122	9	125	137	135
Registering property	151	41	129	150	115
Construction permits	179	82	35	133	175
All	128	58	98	122	181

Source: www.doingbusiness.org; n=183.

285 Ubwani 2011b.

According to one estimate, construction of roads and the removal of road blocks 'could increase trade among EAC countries by over 10 per cent.'²⁸⁶ While economic integration is slow, the EAC members are relatively open economies keen to attract foreign investment. **Table 6.5** compares investment incentives enjoyed by local and external investors across East Africa. The percentages refer to the proportion of businesses reporting that they received the listed incentive.

Table 6.5: Investment incentives in the EAC, percent

	Tax exemption	Capital grants	Infrastructure	Training employees	Grants for hiring
Tanzania	77	16	35	23	7
Rwanda	66	20	23	9	3
Uganda	42	8	15	8	4
Burundi	22	26	11	7	7
Kenya	18	26	4	3	0
Average	45	19	18	10	4

Source: UNIDO 2011:147.

Tax exemptions were the single most important incentive in Tanzania, Rwanda and Uganda, but not in Kenya or Burundi, where capital grants were more important (albeit at a much lower frequency than tax exemptions).

Table 6.6 shows recent trends in FDI into four of the five EAC countries.

Table 6.6: FDI flows to the EAC, 2006-10 (US\$ million)

	2006	2007	2008	2009	2010	Total
Uganda	644	792	729	816	848	3829
Tanzania	597	647	679	645	700	3268
Kenya	51	729	96	141	133	1150
Rwanda	31	82	103	119	42	377

Source: Tax Justice Network and ActionAid 2012:15

With inward flows of over USD 3.8 billion between 2006 and 2010, Uganda is the largest recipient of FDI in the EAC, followed by Tanzania with USD 3.3 billion. Yet, as discussed above (**Chapter 2**), East Africa arguably loses tax revenue from unnecessary tax incentives and exemptions. Tax Justice Network Africa and ActionAid International (2012) argue that:

In total, Kenya, Uganda, Tanzania and Rwanda are losing up to US\$2.8 billion a year from all tax incentives and exemptions.' Not all of these mechanisms are bad. Some, such as VAT reductions, can help reduce poverty. But much of the revenue loss is explained by tax incentives provided unnecessarily to attract foreign investment. These revenue losses are depriving countries of critical resources needed for reducing poverty. Investors would invest without tax holidays, and East African countries are therefore involved in a competitive race to the bottom.²⁸⁷

²⁸⁶ Okoth 2011. Non-trade barriers include the amount of paper work, lead time, quality controls, and the number of regulations at border posts.

²⁸⁷ Tax Justice Network Africa and ActionAid International 2012. 'Tax Competition in East Africa: Race to the Bottom?'

The study concludes that: the primary beneficiaries of these tax incentives are large domestic firms and foreign multinational companies; removing excessive tax incentives could raise more revenue for public services; and that tax incentives are not needed to attract Foreign Direct Investment in East African countries.

Lastly, Illicit Financial Flows (IFF) through mispricing and other mechanisms by international companies constitute another capital drain to the region. Kar and Cartwright (2010) estimate that the five East African states collectively have lost at least \$22.2 billion over the past four decades through IFFs, made up as follows: Tanzania - \$7.4 billion; Uganda - \$6.2 billion; Kenya - \$5.6 billion; Rwanda - \$1.9 billion; and Burundi - \$1.2 billion. These are, of course, very rough estimates. IFFs are defined in **Box 2.1** above.

6.5.2 Corruption control

In 2011 Tanzania ranked 100th out of 182 countries surveyed in Transparency International's Corruption Perception Index (CPI), compared to 116th in 2010 and 126th in 2009.²⁸⁸ Table **6.7** shows the recent trend for EAC members.

While the improvement in Rwanda's ranking corresponds to a widely shared perception that the Rwandan government is addressing corruption issues seriously, there is no intuitive explanation for the rapidly growing 'gap' between Tanzania's ranking on the one hand and Kenya's and Uganda's on the other.²⁸⁹

Table 6.7: EAC Corruption Perception Index 2009-11

Country	2009 (/180)		2010 (/178)		2011 (/182)	
	Rank	Score/10	Rank	Score/10	Rank	Score/10
Rwanda	89	3.3	66	4.0	49	5.0
Tanzania	126	2.6	116	2.7	100	3.0
Uganda	130	2.5	127	2.5	143	2.4
Kenya	146	2.2	154	2.1	154	2.2
Burundi	168	1.8	170	1.8	172	1.9

Source: www.transparency.org various years.

A recent addition to comparative governance surveys is the Mo Ibrahim Index, which ranks 54 African countries on a range of indicators. In the 2011 Index, Tanzania outranked its neighbours in position 13, compared to Uganda (20), Kenya (23), Rwanda (25) and Burundi (37). The relatively poor performance of Rwanda compared to the CPI suggests that different things are being measured in the two surveys.²⁹⁰

The East Africa Bribery Index (EABI) ranks the five countries in the region according to the perceived level of corruption in various sectors. In the 2011 EABI, Tanzania ranked as 'less corrupt' than Burundi and Uganda but 'more corrupt' than Kenya and Rwanda.²⁹¹ The most

288 www.transparency.org.

289 Transparency International has announced a new methodology for the 2012 index, which continues to show Tanzania comfortably 'outperforming' Kenya and Uganda. TGR will attempt to explain this apparent paradox.

290 Florence Mugarula 2011a. 'Cape Verde Leader Wins Sh8 Billion as Dar es Salaam Improves, Citizen, Dar es Salaam, 10 October. A degree of controversy surrounded the publication of the 2012 index, which also suggested a significant improvement in Tanzania's governance performance at a time when local commentators were expressing a diametrically opposed point of view (see GPR 2012, forthcoming).

291 Transparency International Kenya 2011.

bribe-prone sectors in Tanzania were the police, the judiciary and the immigration department, while a second tier of (less corrupt) sectors included Tanzania Ports Authority (TPA), Tanzania revenue Authority (TRA), local authorities and the Ministry of Lands and Human Settlements (MLHS).²⁹² The incidence of corruption in these sectors impacts negatively on individual rights and on the business environment for local and foreign investors, discussed above.

6.7 Conclusion

Between 2003 and 2010 the WB provided²⁹³ USD 1.2 billion in budget support to Tanzania, followed by the U.K. with USD 0.5 billion during 2000-07. Yet critics claim that the downside of budget support seriously undermines its positive aspects, and numerous aid agencies are reducing their commitments. Vested interests among government and donors make it difficult to admit the failure of GBS to improve aid impacts. Seen from a GoT perspective, donors have agreed to support local policy priorities and consequently should not try to impose conditions on spending. Overall, Tanzanian politicians and officials want GBS to continue. To donors, many formal conditions still apply to aid, including GBS, but they are not systematically enforced. In recent years, the 'development dialogue' between GoT and donors has dwindled, and both the Public Expenditure Review and GBS processes lack content.

On the whole, Tanzania performs relatively well in comparison to its main EAC neighbours on measures of corruption, but relatively poorly in terms of openness to regional trade and the ease of doing business. Tanzania is still widely seen as an obstacle to rapid regional trade and economic integration.

292 TIK *ibid.*, page 41.

293 Though the press often talk of the WB 'giving' Tanzania money for a project or as budget support, most of the funds involved are loans, albeit very 'soft' ones.

7.0 SUMMARY: MONITORING GOVERNANCE TRENDS

This and previous TGRs stress the political underpinnings of public administration. USAID (2010) queries the 'capacity' explanation for poor service delivery and public goods creation performance at all levels:

The most challenging aspect of assessing patterns of administrative performance in Tanzania lies in determining whether human and organizational capacity are the central problem in making government function more effectively, or whether a combination of perverse political and personal incentives faced by the ruling party and/or high-ranking government officials effectively undercut efforts to improve institutional performance. Both appear to be significant explanatory factors. ... This is a system that delivers individual benefits (for a price) but largely fails to deliver collective or public goods.²⁹⁴

The implications of this analysis--if it is correct--are profoundly challenging. To see progress in state performance in terms of education and training to improve human and organisational capacity ('capacity building') is to ignore the role of patronage politics in the allocation of public resources. Promoting officials to key posts on the basis of loyalty rather than competence or experience is one way in which patronage undermines morale and fuels inefficiencies in public administration.

Table 7.1 summarises trends in the WBI's six governance indicators for 2002-11.

Table 7.1: Tanzania governance indicators 2002-11

Governance Indicator	Sources N=	Year	Percentile Rank	Governance Score	Trend 2005 - 2011 %
			(0-100)	(-2.5 to +2.5)	
Voice and Accountability	17	2011	45.5	-0.11	
	16	2008	43.3	-0.18	+18
	14	2005	38.5	-0.29	
Political Stability/ Absence of Violence	7	2011	46.7	-0.01	
	6	2008	37.8	-0.20	+68
	6	2005	27.9	-0.57	
Government Effec- tiveness	11	2011	36.5	-0.54	
	10	2008	39.3	-0.48	-12
	9	2005	41.5	-0.39	
Regulatory Quality	10	2011	35.5	-0.44	
	9	2008	35.0	-0.50	-4
	9	2005	36.8	-0.45	
Rule of Law	16	2011	34.3	-0.52	
	15	2008	45.2	-0.35	-25
	13	2005	45.5	-0.26	
Control of Corruption	13	2011	36.0	-0.52	
	12	2008	42.7	-0.42	+17
	10	2005	30.7	-0.65	

Source: WBI. Percentile rank: high figures better than low.

While WBI sees very significant improvement in political stability between 2005 and

294 USAID 2010:xii. Onyango-Obbo (2011a) argues that 'we still have archaic political systems based on patronage that are unable to establish meritocratic bureaucracies.'

2011,²⁹⁵ and significant improvements in accountability and corruption control, regulatory quality has stagnated, and rule of law and government effectiveness have deteriorated significantly.²⁹⁶ Corruption control apparently deteriorated (by 16 percent) between 2008 and 2011.

This chapter summarises the main findings of TGR 2010-11 and considers strategic issues with regard to further governance monitoring in Tanzania.

7.1 Summary of main findings

TGR 2010-11 has documented the declining popularity of the ruling party. A sometimes violent electoral campaign led to the re-election of Jakaya Kikwete as President and CCM as the dominant party in parliament, albeit with a significantly reduced majority of the popular vote. Continued factional conflict weakened the ruling party's public image and gave hope to opposition supporters for the 2015 elections.

7.1.1 National governance

The impact of the 2008 global financial crisis continued to be felt during the review period, during which headline inflation reached almost 20 percent, further undermining public support for the Kikwete government. A national power crisis immediately following the 2010 elections underlined the impact of mismanagement and corruption in the power utility TANESCO. Confirmation that Tanzania has large deposits of offshore natural gas led opposition MPs and private commentators to foresee a 'resource curse' if the government does not improve its performance in regulating the power sector. 2010 and 2011 were characterised by high inflation, low tax income, and increasing public debt. With aid stagnant or declining, the GoT resorted to unprecedented levels of private borrowing to balance the budget. The IMF warned that borrowing to finance recurrent expenditure while tax revenues stagnated would lead to unsustainable levels of debt. TRA failed exemptions help explain the trend. The IMF, AfDB and the Tax Justice network claim that granting excessive tax breaks to foreign investors is an unnecessary loss of revenue, while critics claim that Africa Barrick Gold (ABG) pays less tax than it should. Aid, in particular budget support, is expected to fall as a result of Tanzania's poor public finance management performance.

In 2010/11 the wage bill accounted for just under a third of public expenditure, and allowances accounted for about 16 percent of the wage bill. A further third is spent on procurement and contracting. Public consumption rose by a third and planned capital spending fell by a similar amount. Large amounts of public money continue to be used to bail out loss-making public corporations. Procurement and contracting continued to be characterised by plunder and rent-seeking, though no new major scams came to light.

According to the 2010 Open Budget Survey, parliamentary and public scrutiny of the national budget is inhibited by the lack of comprehensive and timely information during the budget cycle. Nevertheless, parliament has become a more effective oversight institution, with more active parliamentary committees and the sanctioning of senior officials featuring

295 This probably reflects the decline in electoral violence and bloodshed in Zanzibar between the 2005 and 2010 elections. Arguably, electoral violence has increased on the mainland during this period.

296 All scores reported are in the third lowest quartile, that is, in the bottom 25-50 percentile range.

more prominently than under previous regimes. For example, during the 2011/12 budget session, accusations of bribery of parliamentarians led to the resignation of the Minister and Deputy Minister of Energy and Minerals and the MEM Permanent Secretary after parliament refused to accept the findings of an internal enquiry into the alleged scam by the Chief Secretary. The CAG was also criticised for covering up the findings of a special audit of the illicit payments.

Allegations of corruption brought to the PCCB declined from 6320 in 2006 to 5685 in 2010, when 587 cases were prosecuted and 64 convictions (a record number) obtained. Shs 10 billion of stolen assets were recovered. In November 2010, PCCB director Edward Hosea announced that former Attorney General Andrew Chenge was not implicated in the BAE radar scam.

The CAG's opinions on central government accounts improved slightly during 2010/11, while the CAG continued to lament the non-implementation of most of his previous years' recommendations. Various audits highlighted weaknesses and irregularities in procurement and tax collection.

7.1.2 Local governance

Spending on the six MKUKUTA priority sectors—education, health, water, agriculture, roads and energy—increased from 50 to 60 percent of total spending between 2009/10 and 2010/11. CAG reports for the review period show a serious deterioration in LGA performance on most criteria. Though effective decentralisation ('devolution') has been resisted by the political centre, there is evidence of systemic misuse of development grants at the local level, including channelling money intended for local development into spurious expenses for LG leaders.

A large survey by UWAZI revealed appallingly low levels of competence in Kiswahili, English and maths among primary school pupils across the country. Twenty percent of primary school leavers cannot read standard 2 Kiswahili, half fail to read standard 2 English, and one third failed the maths test.

Declining infant and child mortality rates are proof that increased treated bednet use has had very beneficial effects. Public resources for healthcare continue to be allocated unequally between districts, however, and maternal mortality rates are still unacceptably high.

Access to protected water sources was below target in both urban and rural areas. Urban Water and Sanitation Authorities suffer from huge water losses as a result of leakages, theft, non-billing of customers and faulty controls of the system. Huge investments in Dar es Salaam's water and sanitation system have failed to deliver commensurate benefits as a result of corruption and managerial weaknesses. Three employees of Noremco, a Norwegian consulting company, received jail sentences in Norway for providing nearly USD 0.25 m that was used to pay bribes to DAWASA managers during the short-lived City Water Services management contract that was terminated in 2005.

Nearly a quarter of rural households were deemed food insecure in 2010. While the Agriculture Sector Development Programme (ASDP) continues to target agricultural services on smallholders, Kilimo Kwanza favours national agribusiness companies and joint ventures

with foreign investors, some of which are beginning to materialise in the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) a public-private partnership between the GoT and more than 20 agribusiness companies and international organisations. The importation of USD 40 million worth of Indian power tillers and tractors under Kilimo Kwanza, involving the military and a number of discredited Asian businessmen, does not augur well for the national policy. Evidence of widespread corruption in the National Agricultural Input Vouchers Scheme (NAIVS) suggests that many among the intended target group of smallholders have not received the subsidized inputs as intended.

7.1.3 Economic regulation

Tanzania continues to perform badly in the World Bank's Ease of Doing Business survey, ranking 128/183 countries surveyed in 2011. Civil society lobbies influenced the Mining Act of 2010, which led the main mining companies in the country to claim that the new act would discourage further investment in exploration and mining.

The confirmation that Tanzania has major reserves of natural gas led opposition politicians and industry observers to urge the GoT to avoid the policy and regulatory mistakes that have plagued gold mining for over a decade. Gas and coal power should allow the GoT to finally reduce dependence on hydro, a policy mooted nearly 20 years ago but never implemented.

The sustainability of Tanzanian tourism is threatened by uncontrolled elephant poaching, dynamite fishing and smuggling of wild animals. New proposed road, port and industrial projects in environmentally sensitive areas threaten conservation efforts. Poor tax and regulatory practices are reflected in Tanzania's poor showing in the WEF's Travel and Tourism indicators, where it ranks 110th out of 137 countries surveyed.

According to one estimate, 58 land deals involving 2.2 million hectares have been negotiated with foreign investors to date. Critics highlight the threat of landlessness, the environmental consequences of extensive monoculture and heavy inorganic fertiliser use, and the use of GM seeds.

7.1.4 Citizens' voice

CSOs have been active in tracking the extractive industries and monitoring public expenditure at the local level. Tanzania is signatory to the Extractive Industries Transparency Initiative (EITI). A first multi-stakeholder group meeting in February 2011 compared payments made by the major mining and gas companies and receipts by the GoT. Most discrepancies revealed were reconciled by the CAG. A subsequent validation report identified TPDC as the main obstacle to full reconciliation.

Social Accountability Monitoring (SAM) has joined PETS (Public Expenditure Tracking Surveys/Systems) in the armoury of civil society weapons to help improve transparency in public expenditure at the local level. In 2010, MIICO, a local consortium of CSOs, initiated SAM in Ileje District's health sector, identifying badly built and maintained dispensaries and lack of staff as major issues. Problems encountered by SAM teams include lack of cooperation from local council officials and the poor quality of record keeping in council offices.

Tanzania ranked 62/175 countries in the World Press Freedom Index rankings in 2009, improving rapidly to 34/179 in 2011, yet progress has stalled on both the Freedom of Information and Media Services Bills, which were supposed to be presented to parliament some years ago. Most of the private local media houses are owned by prominent politicians or businessmen, led by Reginald Mengi's IPP Media. Not surprisingly, media owners have political agendas, which emerged clearly during the 2010 elections. The state-owned TBC maintained noteworthy independence during the elections.

7.1.5 Development aid and comparative perspectives

Aid to Tanzania has contributed to the expansion of maternal and child health services and primary education enrolments. It has helped to build roads and water supply systems. Yet there is a strong sense emerging from this and previous TRGs that much foreign aid suffers from 'moral hazard' by multiplying rent-seeking opportunities, and may have perverse effects on governance.²⁹⁷ Aid for 'good governance' targets both state and non-state institutions and activities.

Tanzania's slow progress in improving public finance management, including budget transparency and holding officials to account for the misuse of public funds has undermined 'donor confidence'. The objective of reducing the transaction costs incurred through project aid has been weakened by agencies continuing to fund projects of all shapes and sizes in a largely uncoordinated manner. As a result, the overall impact of aid is 'less than the sum of its parts'.

7.2 Monitoring MKUKUTA/MDG governance trends

Available information suggests that it is highly unlikely that Tanzania will meet the first Millennium Development Goal (MDG) of reducing poverty by half by the year 2015. Though the data sets are contested, Household Budget Surveys (HBS) show 'basic needs' poverty falling only marginally from 35.7 percent in 2001 to 33.6 percent in 2007.²⁹⁸ Reasons for this likely failure are discussed in the text. Key issues are the concentration of poverty in rural areas and the failure of public and private investments to have a significant impact on the productivity of small-scale agriculture.²⁹⁹

GoT has two important on-going monitoring initiatives, MKUKUTA and the MDGs. MKUKUTA monitors governance and accountability as one of its three 'clusters'; there is no MDG governance indicator.³⁰⁰ Do the current MKUKUTA indicators give any insights into

297 One school of thought has it that aid makes governments more accountable to donors than to the local population. Others argue that local politics determine outcomes, with aid having little direct impact. There is little in the way of informed discussion of aid effectiveness, particularly project aid.

298 REPOA 2012; Fariji Msonsa 2012. 'We may miss key MDG: Sitta', Citizen, Dar es Salaam, 25 October. Targets were 24% rural and 12.9% urban by 2010.

299 Cooksey 2012. REPOA (2012: 27-29) discuss five smallholder-related indicators: percentage of smallholders involved in contract farming and outgrower schemes; smallholder land under irrigation; availability of formal credit; off-farm income generation activities; and proportion of farmers 'whose main income is derived from harvesting, processing and marketing of natural resource products.' TGR 2012 will examine these indicators.

300 The Task Force managing the MDGs is likely to add a 'governance' indicator to the current eight goals for the next round of (post) MDGs. A major issue is how to define and measure a suitable indicator.

governance and accountability trends, the main concern of TGR?³⁰¹ Important issues include choice of indicators and reliability of measurement, discussed below.

7.2.1 Choice of indicators

MKUKUTA contains seven sets of governance goals, with 21 accompanying indicators.³⁰² The goals are listed in **Figure 7.1**.

Figure 7.1: MKUKUTA governance and accountability goals

1	Structures and systems of governance as well as the rule of law are democratic, participatory, representative, accountable and inclusive (7)
2	Equitable allocation of public resources with corruption effectively addressed (5)
3	Effective public service framework in place to provide foundation for service delivery improvement and poverty reduction (1)
4	Rights of the poor and vulnerable groups are protected and promoted in the justice system (3)
5	Reduction of political and social exclusion and intolerance (1)
6	Improved personal and material security, reduced crime, eliminate sexual abuse and domestic violence (4)
7	Natural cultural identities enhanced and promoted (0)

REPOA 2012. The number of indicators per goal is in brackets.³⁰³

Overall, the indicators chosen relate to only a small component of each MKUKUTA goal. For example, **Goal 4** refers to the protections and promotion 'the rights of the poor and vulnerable groups', while the accompanying indicators only refer to the number of outstanding court cases and numbers of prisoners and juveniles in remand. Similarly, **Goal 5** attracts only one indicator, the number of cases filed with the Commission of Human Rights and Good Governance. It might have been preferable to define a positive goal, such as 'improving political and social inclusion and tolerance'. The question would then be, whose job is this (the education system, the CHRGG,³⁰⁴ the electoral commission, non-state actors, all of the above)?

Goal 1 is extremely broad and therefore difficult to reduce to just a few indicators. Even the indicators selected are arguably mostly of secondary importance, for example, the percentage of under fives with birth certificates, or the proportion of women among senior civil servants, on district councils or in parliament (three of the seven indicators). None of the seven indicators really addresses the vital issue of accountability, which involves punishment and restitution of stolen property.³⁰⁵ As long as theft and misuse of public resources constitute low-risk activities, politicians and officials will continue to abuse their positions.

The first indicator for **Goal 2** is a measure of tax collection performance, which arguably addresses neither equity in resource allocation nor (clearly) corruption. Other (more relevant) indicators concern compliance with public procurement procedures, audit per-

301 Research on Poverty Alleviation 2012:116-22.

302 See MKUKUTA Monitoring Master Plan (www.povertymonitoring.go.tz).

303 There are sub-indicators for goal 1 (3), goal 2 (2), goal 3 (3) and goal 6 (2).

304 Mihayo (2011) describes the CHRGG as toothless.

305 The remaining indicators are: percentage of rural households with land titles; proportion of ward/village/mtaa holding quarterly meetings; and the proportion of LGAs posting budget information on public notice boards (REPOA 2012:116-7).

formance of MDAs and LGAs, and the number of corruption cases leading to convictions. A corruption indicator could have been selected from those available, including Transparency International's of the World Bank Institute's.

Despite its elaborate definition, **Goal 3** indicators are limited to public satisfaction with basic services. The goal could have been expressed more simply (for example, 'improved service delivery capacity') and reference to poverty reduction removed.

7.2.2 Reliability of measurement

Baseline years and the frequency of estimates vary widely within and between the different goals. For example, the baseline year for five indicators is 1999/2000, and for another nine indicators it is 2004/2005. Only eight indicators have annual trend data for a substantial part of the decade 2001-11, making trend analysis risky and patchy.

Only two of the 17 data sources used for MKUKUTA monitoring are independent of government, the Demographic and Health Survey (DHS) and the AfroBarometer.³⁰⁶ While most official sources are probably quite reliable, biases are inevitable. An example cited by REPOA is the proportion of LGAs posting budgets (revenue and actual expenditure) on public notice boards under Goal 1. Official figures of 94.7 and 93.2 percent are quoted for 2008 and 2009 respectively, whereas a research project in six districts reports 'only' 53 percent for about the same time.³⁰⁷

Finally, progress is routinely measured in terms of achieving targets, such as reducing poverty by half or sending all children to school by the end of the monitoring period. Yet by 2010, over three-quarters of the indicators (16 out of 21) had no targets attached to them. It makes little sense setting targets *post hoc*.

From this brief overview, it seems clear that MKUKUTA's monitoring strategy leaves much to be desired. Only a few indicators provide solid data on which to assess overall trends in governance. TGR 2010/11 reports apparent anomalies in recent trends in both absolute and comparative governance indicators. For example, Transparency International's last three editions show a significant improvement in corruption control performance

7.3 Some key 'governance' questions

Box **0.1** (above) cites the WB Institute's definition of governance, consisting of rule of law, corruption control, peace and security, economic regulation, service delivery/public goods, and public voice and accountability. **Table 7.1** shows recent trends.

This and previous TGRs have examined trends in these dimensions of governance with a view to assessing Tanzania's development performance and potential. There are a number of key questions from the perspective of promoting growth and poverty reduction, discussed below. There are no easy answers to these questions and much disagreement both inside and outside Tanzania on the nature of governance-growth-poverty reduction linkages.

306 See REPOA 2012:122 for the list of sources.

307 REPOA 2012:117, note 66.

7.3.1 How do the different dimensions of governance relate to each other?

Rule of law, corruption control, peace and security, economic regulation, service delivery/public goods, and public voice and accountability are related in complex and multiple ways. The 'red thread' running through governance in Tanzania is the practice of competitive patronage politics within the formal institutions of power. The judicial system is weak in dispensing justice. The most corrupt individuals avoid prosecution through political influence. Economic regulation is subject to systemic rent-seeking (businesses seeking personal advantages) and extortion (officials demanding favours). Public services are inefficient and inequitably provided, and road construction and repair, electricity and water services are seriously undermined by theft, incompetence and favouritism. Formal politics fail to advance the public interest through factionalism and divide and rule clientelism. In such a context, peace and security depend on the apathy and complicity of the people. There are signs that political competition and access to information on public affairs are bringing about change in public perceptions and attitudes. The frustrations of the poor, faced with the conspicuous consumption of the elite, provide fertile grounds for future demagoguery and violence.

International comparisons show that high-income countries tend to have high scores on governance indicators, and low-income countries tend to have low scores. But it does not follow that the key to poverty reduction and economic transformation is to try to improve all aspects of governance at once.

7.3.2 Which dimensions of governance are key to growth and poverty reduction?

In recent years, the rise of EAC member Rwanda as a developmental state has divided external academic and aid agency opinion between those stressing the rule of law and public accountability dimensions of governance and those stressing peace and security, service delivery and economic regulation. The Rwandan example suggests that formal democracy, robust checks on executive power, and a flourishing media and civil society (though all inherently very desirable) are not prerequisites for attracting investors, crafting programmatic policies that deliver concrete benefits, and reducing poverty. Strong leadership and accountability, effective corruption control, and peace and security seem to be the key elements in Rwanda's success.³⁰⁸ By contrast, weak leadership, competitive patronage and systemic corruption arguably undermine Tanzania's development prospects, perhaps fatally. The challenging conclusion is that a competitive political system is not only *not* a precondition for economic progress but may in certain circumstances constitute a serious constraint. This view challenges the 'good governance' belief that competitive politics is an essential component of 'development.'³⁰⁹

Some economists claim that giving incentives to foreign and local investors combined with 'light touch' economic regulation are the keys to sustained growth and poverty reduction, while others argue that the *type* of investment (capital versus labour-intensive) rather than the *amount* determines the relationship between growth and poverty reduction. REPOA's conclusion that 'the economy's significant growth since 2000/01 [has] not translated into

308 Kelsall (2013) deals with these issues extensively.

309 It does not follow of course, that undemocratic politics is a precondition for sustainable growth and development.

significant reductions in income poverty' lends credence to the view that it is the type rather than the amount of investment that matters.³¹⁰

An alternative formulation asks what are the forms and locations of accumulation that result from the local and foreign investments taking place?

What the state does (or doesn't do) is vital. The Asian experience suggests that rural transformation is a key to both growth and poverty reduction.³¹¹ This requires a pro-active, interventionist state. Arguably, the Tanzanian state is highly interventionist, but in a manner ultimately dictated by patronage rather than economic growth and poverty reduction considerations.

The implications of this analysis from a civil society perspective will be explored in future TGRs.

310 REPOA 2012.

311 See Booth 2012 for relevant references.

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APPENDICES

Appendix 1: National and local governance issues timeline 2010-11

National and local governance issues 2010	
January	
20	Prime Minister Mizengo Pinda has terminated the services of five Bagamoyo district executive officers over lack of accountability and adherence to financial regulations. The termination was announced yesterday by the Prime Minister who is touring the district. It follows a recommendation in the September and October audit reports of the district by the Controller and Auditor General's Office (Citizen Reporter 2010. 'PM Fires Five Bagamoyo District Officials', <i>Citizen</i> , Dar es Salaam, 21 January).
February	
4	Prime Minister Mizengo Pinda says the frontier between Tanzania and Malawi is vague and so it needs clear demarcation. Answering a question by Prof. Raphael Mwalyosi (Ludewa-CCM), Pinda told the Parliament that the two countries have been squabbling over their borders in Lake Nyasa. He said this is a long standing controversy but the two countries are now negotiating through international channels (<i>Mwananchi, Habari Leo</i> , British High Commission Kiswahili press summaries).
7	UK's BAE Systems pleads guilty to failing to keep accurate accounting records and has been fined GBP 286 million (Sh 700 billion) for 'breach of financial regulations'. From this amount Tanzania is to receive GBP 30 million (Sh 75 billion) for the controversial radar it bought from BAE through middlemen (see TGR 2008/09:21). A key person implicated in the scam is Andrew Chenge , MP for Bariadi West (CCM), who was Attorney General at the time of the deal (<i>Mtanzania, Mwananchi</i> , British High Commission Kiswahili press summaries).
7	Power rationing will likely continue for up two more months due to low water levels in the dams, limited Songas capacity and lack of funds to buy enough fuel for the IPTL diesel generators. Tanesco announced an increase in rationing from three days per week to five (<i>Raia Mwema</i> , British High Commission Kiswahili press summaries).
March	
7	Chinese contractors building the Arusha-Namanga road have urged the government to ensure the safety of their lives and property. This follows a spate of violent crime that led to the project losing property worth Sh 150 million. Marketing manager of the contracting firm, Juan Gui said his technicians have been assaulted by gangs that get away with diesel and personal belongings. He said this happens during daylight. Gui said last week a gang of 60 raided the contractors, beat them unconscious and then made away with money, phones and diesel. The matter was reported to the DC for Longido but no steps were taken. Arusha Regional Police Commander Basilio Matei , and Regional Commissioner Isidore Shirima said they had not been informed. The 105 kilometre, USD62 million road is part of an East African Community (EAC) project (<i>Nipashe</i> , British High Commission Kiswahili press summaries).
7	A circular by the Christian Professionals of Tanzania (CPT) entitled 'Thoughts of CPT on a free and legitimate elections' accuses CCM of undermining smaller and financially weaker parties. Eighteen years after the restoration of multi-party system CCM is monopolising power to the detriment of other parties, claims the circular. CCM hegemony has been built up through various unethical means. 'Let CCM declare all the resources it used in the 1995 elections and how it obtained them', CPT challenges. (<i>Mtanzania</i> , British High Commission Kiswahili press summaries).

8	Trade Union Congress of Tanzania (TUCTA) said it is not going to invite President Jakaya Kikwete at the May Day rally, claiming that he has failed to resolve workers' grievances. Acting Secretary General of TUCTA, Nicholas Mgaya told the press they can't go on inviting the President as guest of honour and hand him their petition which is then discarded ((<i>Majira, Mwananchi, Habari Leo, Nipashe, Mtanzania</i> , British High Commission Kiswahili press summaries).
9	A High Court (commercial division) ruling orders the government to pay Sh 8 billion as compensation to Empire Properties Limited whose newly built block of flats on plot 383, Toure Drive, Masaki, was partially demolished in 2006. At the time, Prime Minister Edward Lowassa ordered an inspection of buildings that were unlawfully constructed in Dar es Salaam. Empire's tower block was 'found' to be one of them and so Lowassa ordered it demolished. The High Court ruled that the demolition was unlawful as the project was licensed by the authority. Lowassa is also blamed for causing a loss of over Sh 11 million when in 2007 he imported 'rain makers' from Thailand (<i>Tanzania Daima, MwanaHalisi</i> , British High Commission Kiswahili press summaries).
12	RC for Mara, Enoch Mfuru says DASIP projects in Bunda district are substandard because inspectors are scared of questioning the work done by firms belonging to councillors. As a result, many projects have stalled while the contracting firms were paid in advance. Talking during a meeting of Bunda district council, the RC warned that such practice should stop forthwith. "We have cattle dips, abattoirs, irrigation schemes and markets that are no value for money. Some of them have not been completed while funds are exhausted. We have professionals who are paid from the public fund yet they lie. We have councillors who are dumb and say nothing because they participate in pocketing project fund. This is unacceptable," the RC slammed. He also warned councillors who do business with the council without declaring the conflict of interest (<i>Nipashe</i> , British High Commission Kiswahili press summaries).
14	RC for Tanga, Major General (ret.) Saidi Kalembo had a tough time when villagers heckled him while he was launching a water project, complaining that the project was rife with corruption. One of the villagers, Ms Mwanashamba Aliamin asked the RC to be accountable for failing to properly supervise development projects. Her colleagues told the RC that he should stop harassing and intimidating his subordinate officers and instead be a role model (<i>Tanzania Daima</i> , British High Commission Kiswahili press summaries).
16	Former AG Andrew Chenge is accused of abusing his office while he was Minister for Infrastructure Development. Investigations are underway to establish how TANROADS Director General Ephraim Mrema was appointed. It is said Chenge violated the regulations while making the appointment (<i>Raia Mwema</i> , British High Commission Kiswahili press summaries).
28	President Jakaya Kikwete and Minister Aggrey Mwanri are said to have launched a faulty water project. Villagers said that the project in Mpwapwa district has been dogged by corruption since its inception in 2007. People say old reservoirs and pipes were cobbled together and painted so as to portray them as new. The project cost was Shs 600 million of which the World Bank granted Shs 573 million while the rest was donated by villagers. When Kikwete came to launch the project some villagers were prepared to tell him the facts but a local MP told him they were 'agitators from opposition parties'. As a result Kikwete never realised that the water was poured manually into the tanks because the pump didn't work (<i>Majira</i> , British High Commission Kiswahili press summaries).

31	A day after CCM said it has budgeted to spend Sh 50 billion for the October elections, Chadema Chairman Freeman Mbowe said it shows how the party is ignoring the Election Expenses Act that was signed by President Jakaya Kikwete. CCM treasurer Amos Makala said his party has a long process of nominating candidates, with meetings at all levels, hence the amount budgeted. Makala said the CCM has already spent Sh 10 billion on 150 cars (<i>Tanzania Daima</i> , British High Commission Kiswahili press summaries).
April	
7	President Jakaya Kikwete is said to be concerned by the strong anti-government sentiments being expressed by church leaders . It was agreed at a Central Committee meeting on 28 March that the frequent outbursts by bishops may have an adverse effect on the party, especially in the run-up to the October elections. As a result Kikwete has sent a delegation to meet the clerics with the aim of pacifying them. Since Kikwete entered office they have been accusing his government of failing to take concerted action against corruption and corrupt leaders. The criticism is coming mainly from bishops of the four main churches in the country – Catholic, Lutheran, Anglican and Pentecostal (<i>MwanaHalisi</i> , British High Commission Kiswahili press summaries).
12	'Local authorities dispersed women from 12 villages in Loliondo , Ngorongoro District, who had gathered to demonstrate against their July 2009 evictions from the Loliondo Game Controlled Area (LGCA) and the burning of their homesteads, as well as against suspected government plans to redraw village boundaries that would exclude them from key Maasai pastures. Authorities also arrested and detained NGO activists who police alleged were responsible for inciting the protest' (US State Department, Bureau of Democracy, Human Rights and Labor 2011:27).
June	
21	In the build up to the 2010 elections, political commentator Jenerali Ulimwengu describes CCM as a 'a ponderous behemoth that is slowly crumbling under its own weight, shorn of any philosophical or ideological pretensions, kept on its feet only by control of government resources and the feebleness of the opposition' (Jenerali Ulimwengu 'The shooting war is yet to be signalled but the dirty fighting has already begun', <i>East African</i> , Nairobi).
August	
17	CCM finally selects its parliamentary candidates. For the first time, they are first nominated through primary elections at constituency level. These are said to be characterised by widespread vote buying. Numerous arrests are made, including former minister Joseph Mungai and current minister, Margaret Sitta (Political Platform 2011. '2011 major political events', <i>Citizen</i> , Dar es Salaam, 28 December).
17	CCM's fundraising target for the General Election campaign, that includes the Presidential, Parliamentary and District Council elections is 40 billion shillings (USD26.3 million). Central Committee member Abdulrahman Kinana is named chairman of the party's reelection campaign team. Kinana, who also led the campaigns for Kikwete's predecessor, Benjamin Mkapa, has numerous business interests (<i>Mwananchi, Habari Leo, Nipashe, Tanzania Daima, Mtanzania, Majira</i> , British High Commission Kiswahili press summary).

27	CUF presidential candidate Professor Ibrahim Lipumba said Shs 11 trillion have disappeared since President Jakaya Kikwete entered office in 2005. "This is equivalent to the total government budget this year. When he took power he promised to deal with corruption but what happened is delusion and deception. The real culprits have gone scott free while those taken to court are facing diluted charges which eventually might be dropped," Lipumba told a rally in Dar es Salaam yesterday (<i>Mwananchi, Habari Leo, Nipashe, Tanzania Daima, Mtanzania, Majira</i> , British High Commission Kiswahili press summary).
27	The opposition CHADEMA party launches its campaign and manifesto. The launch is notable for naming President Kikwete , former Prime Minister Edward Lowassa , Rostam Aziz , MP and former President Benjamin Mkapa in the External Payments Account (EPA) scandal (British High Commission Kiswahili press summary).
September	
3	CUF would like to see the country being run as it used to be under colonial authority, which was better than the present CCM government, said CUF party chairman, Professor Ibrahim Lipumba while addressing thousands of people at a rally in Lindi. He said despite problems of colonialism, the suffering that people now undergo is worse. It is estimated that more people attended the CUF rally than the CCM rally addressed by Dr Gharib Bilal last week (<i>Mwananchi, Majira</i> , BHC Kiswahili Press Summaries).
6	CCM leaders in Mtwara region are attacked by irate residents of Sengenya village, Nanyumbu constituency , in protests over the result of preferential polls in the area. Outgoing MP Dustam Mkapa won the primary to the chagrin of the residents of the village, who believe that he had done little to implement his promises (Abdallah Bakari 2010 'Irate protesters attack CCM leader over polls', <i>Citizen</i>).
10	The MV Spice Islander sinks while ferrying passengers between Unguja and Pemba . Nearly 3,000 people are reported missing or dead, 203 bodies have been recovered and 619 passengers rescued (Wikipedia accessed 3/12/2012).
12	Villagers in Korogwe district said police raided their village on 8 th September and started beating them up after they allegedly failed to participate in a community development project. Some villagers jumped into the crocodile-infested River Pangani to escape the thrashing. One of the victims said armed police came to his house with village leaders, arrested him and put him in detention. "They beat me while accusing me of not participating in an irrigation project. Eight of us were taken to police cells where we were beaten with a belt. Then they demanded Shs 10,000. We paid and were given a receipt," he said. A local CCM branch secretary said he was appalled by the police atrocity (<i>Majira</i> , BHC Kiswahili Press Summaries).
14	Thought the Parliament was dissolved and the outgoing lawmakers got a golden handshake of Shs 43 million each, they continue receiving monthly salaries and allowances. Reliable source says this even applies for MPs who are not standing for another term. When contacted, Clerk to the Parliament, Dr Thomas Kashilila confirmed that former MPs are being paid 'as usual' though the House has been dissolved. AG Frederick Werema said the Constitution stipulates that a parliamentary term is 60 months, so members are entitled to payment during the whole of that period. "They are paid because they continue working in their constituencies," he stated (<i>Habari Leo</i> , BHC Kiswahili Press Summaries).

16	An investigation by Prof Craig Packer of Minnesota University in the USA has revealed that the country's natural resources are being plundered by poachers. Professor Packer has discovered massive rackets going on in tourism and wildlife sectors, adding that it might lead to the extinction of lion and leopard in the country's game parks. "Tanzania has large numbers of lions and leopards compared to other African countries, but their number is fast dwindling. Hence the vital need for the government to stop the rampant poaching in the game parks," Prof Packer said (<i>KuliKoni</i> , BHC Kiswahili press summaries).
17	Britain announced it will donate GBP 104 million (TShs 230 billion) in General Budget Support in FY2010/11, said UK Parliamentary Under-secretary of State for International Development, Stephen O'Brien , in a press statement issued yesterday. The British minister had a meeting with Finance Minister Mustafa Mkullo during which they discussed the utilisation of the funding. "This will help in the priority areas as stipulated in the MKUKUTA development strategy," said the statement. Tanzania ranks third among the recipients of British aid. (<i>Mwananchi</i> , Kiswahili press summaries, British High Commission).
22	Ephraim Mrema , Chief Executive of TANROADS has been given three months' notice of termination and is expected to be out by the end of November. Long regarded as untouchable, he was found to have been unqualified for the position by two government probe committees in 2008 and 2009, and to have had his contract renewed for another five years without due process. The Prevention and Combating of Corruption Bureau (PCCB) confirmed this week that it was continuing with investigations into TANROADS, with a focus on procurement irregularities.
23	Registrar of Political Parties, John Tendwa warned District Commissioners not to intimidate people by telling them to vote for CCM. Speaking to journalists in Mwanza, Tendwa said he received complaints from some people that DCs are telling them without voting for CCM they would not get development in their districts. "DCs are appointed to oversee development projects for all people in their districts and not to wear green t-shirts and canvas for any party," he said (<i>Mtanzania</i> , Kiswahili press summaries, British High Commission).
29	Tanzania Petroleum Development Corporation announces that its fourth round of open bidding for offshore blocks will take place in April 2011. Thirteen blocks will be on offer ranging in depth from 1,200 to 3,000 metres.
October	
6	Tanzania does well overall in the Mo Ibrahim Foundation's governance index, ranking 15 th out of 53 countries and top in the East Africa region. Its best ranking is for 'Safety and Rule of Law' and its lowest for 'Human Development', where it was dragged down by the poor quality of basic education.
31	President Jakaya Kikwete and Chama cha Mapinduzi (CCM) are returned to power, with reduced majorities (see Review Chapter 1). A statement issued by Henry Bellingham, minister in the Foreign and Commonwealth Office dealing with African affairs, said: "I congratulate the people of Tanzania for the elections that were largely peaceful. It shows how democracy continues to mature in the country" (<i>Nipashe</i> , British High Commission Kiswahili press summaries).
November	

2	Mwanza city experiences riots after a preacher is found not guilty of burning a copy of the Quran. The rioters were brought under control by the Field Force Unit (FFU) . The riots are indicative of rising religious tensions in the country and probably also reflect the tensions of a young, mostly semi-employed urban population (British High Commission Kiswahili press summaries).
8	PCCB director Edward Hosea declares that former Attorney General Andrew Chenge was not implicated in the BEA radar scam. This was followed by a statement from the British diplomatic mission in Dar es Salaam saying it is too early to form any opinion as the matter is still to be taken to court (<i>Nipashe, Mwananchi, Habari Leo, Tanzania Daima</i> , British High Commission Kiswahili press summaries).
16	Tanzania is in the final stages of achieving Extractive Industries Transparency Initiative (EITI) compliance. Thus far eleven companies have been identified for the process of submission of records of payments to government, reconciliation and verification. Of these, eight are mining companies and three are in oil and gas: Ar-tumas, TPDC and Pan African.
December	
29	The International Commercial Court (ICC) orders Tanesco to pay Dowans USD 24m plus interest at 7.5 percent worth USD 20m (<i>Majira, Mwananchi</i>).
National and local governance issues 2011	
January	
3	President Kikwete announces the formation of a Constitutional Review Commission with a view to coordinating the production of a new constitution. His announcement contradicted earlier statements by the Attorney General, the Chief Justice, Minister for Justice and Constitutional Affairs and other ministers who had said there was no need for such a review.
10	The decision passed by the International Commercial Court ordering Tanesco to compensate Dowans Holding SA (DHSA) and Dowans Tanzania Limited (DTL) has exposed shortcomings in the competence of public entities with regard to contract negotiations. The fact that Tanesco accepted that performance of the agreement by DHSA/DTL was entirely satisfactory was described by the Chamber as 'one of a number of extraordinary features of this case' (Citizen Reporter).
11	Minister for Foreign Affairs and International Cooperation, Bernard Membe said police overstepped their boundary when on January 5th they fired at Chadema members who were protesting at the appointment of a new mayor for Arusha. Two protesters died on the spot, a third died later in hospital. Talking to reporters yesterday, the minister said he personally believed that the riot police should have restrained themselves, though Chadema also defied a police order banning the demonstration. Membe was talking to the press after a meeting with heads of diplomatic missions at the Karimjee Hall yesterday. Sources say the envoys expressed their dismay at the way riot police used live ammunition against 'unarmed and peaceful' demonstrators and the way government remained silent on the issue. This is the first time a minister apologises for the shooting of Chadema protestors (<i>Mtanzania, Nipashe, Tanzania Daima, Habari Leo, Mwananchi</i> , British High Commission Kiswahili press summaries).
12	The key positions in the CCM secretariat are filled. They are: Wilson Mukama (Secretary General); John Chiligati (Deputy Secretary General, Mainland); Vuai Ali Vuai (Deputy Secretary General, Zanzibar); Mungulu Machema , (Finance); Nape Nnauye (Ideology and Propaganda Secretary); and January Makamba (International Relations).

26	Tanzania's total national debt stock has reached \$10.8 billion (Sh15 trillion), and experts caution about a possible debt crisis. The debt increased by about \$4 billion in four years between 2007 and 2010 from \$6.1 billion in June 2007 to \$10.2 billion in June 2010. The BoT says 84 per cent of the total debt stock was owed to the government and public corporations. This is equivalent to \$9.1 billion (Sh12.7 trillion). The remaining 16 per cent (\$1.7 billion) was owed to the private sector (Citizen Reporter, 'National debt hits Sh15 trillion mark').
March	
7	TPDC announces that Tanzania's fourth round of bidding for deep offshore concessions will commence April 12. The announcement was made in Kampala at the East Africa Petroleum Conference and Exhibition. Thirteen blocks will be included in the bidding round (British High Commission Kiswahili press summaries).
10	The government has appealed for additional funding from donors to meet an urgent shortfall in its 2010/11 Budget. However, a letter sent to donors providing budget support by Ramadhan Khijjah , Permanent Secretary in the Finance and Economic Affairs, does not specify the amount needed to plug the budget gap, which results from unforeseen fuel purchases to generate power following a widespread drought that has also affected food security in the country (Citizen Reporters 'Govt seeks emergency support from donors', Citizen).
16	A military munitions dump explodes at the Gongo la Mboto military camp not far from Dar es Salaam airport. Estimates of fatalities go up to 30; estimates of casualties are as high as 300, while 37 houses were damaged, according to a Tanzania Red Cross Society estimate. The absence of any military casualties has led many to question whether it was an accident (BHC Kiswahili press summaries).
15	Seven civil society organisations file a petition at the High Court seeking nullification of the Constituency Development Catalyst Fund, claiming it compromised powers of the National Assembly to supervise the executive.
April	
1	On Wednesday President Kikwete visited the Ministry of Natural Resources and Tourism. According to reports, the ministry was promptly subjected to several broad side attacks by the president. He accused them of not doing enough to stop poaching and safeguard the country's wildlife. (Wolfgang Thome 2011. 'Stung by criticism, Tanzania president lays into tourism ministry', ETN)
11	The 35 member Central Committee of CCM – with the exception of President Kikwete and President Shein of Zanzibar – resigned. According to press reports, the 'anti-corruption' camp demanded that key figures, including Edward Lowassa and Rostam Aziz, associated with major scandals resign for the sake of the party. Their refusal led to the the decision to start afresh. Party Secretary General Yusuf Makamba was subsequently replaced by Wilson Mukama . (British High Commission Kiswahili press summaries).
July	
11	The government is planning to expand the Lake Victoria Water Project to cater for increasing population in Kahama Township in Shinyanga Region. The Deputy Minister for Water, Eng Gerson Lwenge, said the project will be undertaken through the Water Sector Development Programme (WSDP) (Daily News Reporter 2011, 'Lake Victoria water project to benefit Shinyanga township', <i>Daily News</i> , Dar es Salaam, 11 July).

13	Igunga MP Rostam Aziz (CCM) resigns his parliamentary seat and place on the Central Committee of the ruling party, citing 'gutter politics'.
18	M.P. Beatrice Shelukindo (CCM, Kalindi) accuses Permanent Secretary in the Ministry of Energy and Minerals David Jairo of directing agencies under the ministry to contribute Sh 50 million each to facilitate the passage of the ministry's budget. Jairo suspended pending investigations. Chief Secretary Philemon Luanjo appoints a probe team. On 7 August, the team's report is presented to house speaker Anna Makinda, and on August 23 Jairo is cleared of fraud and corruption allegations, but parliament orders an investigation into the handling of the probe and President Kikwete suspends Jairo (Political Platform 2011. '2011 major political events', <i>Citizen</i> , Dar es Salaam, 28 December).
21	BAE Systems ordered to pay the GOT Sh73.8 billion in settlement of the corrupt radar procurement case (Political Platform 2011. '2011 major political events', <i>Citizen</i> , 28 December).
21	Former cabinet minister Andrew Chenge is being investigated for alleged possession of unexplained property, according to the Prevention and Combating of Corruption Bureau (PCCB). The PCCB insists however, that there was no truth over the allegations that the Bariadi West MP was implicated in the radar case. "Chenge is not related to the radar scam. The allegation has no iota of truth. But we are investigating him on unexplained property," declared PCCB boss Dr Edward Hosea , during a meeting with editors in Arusha (Tanzania Corruption Monitoring System 2011. 'PCCB probes Chenge over wealth, property', <i>Citizen</i> , Dar es Salaam, 22 July).
August	
18	Obeid Mbangwa , director of wildlife in the Ministry of Natural Resources and Tourism suspended as government bans the export of live animals. 132 animals are said to have been smuggled out of the country in November 2010 (Political Platform 2011. '2011 major political events', <i>Citizen</i> , 28 December; LHRC 2012:210).
20	Jackson Makweta , former minister of education, said the recent party primaries were rife with corruption. Makweta, who was MP for Njombe North since 1995, told the BBC Swahili service yesterday that the Prevention and Combating of Corruption Bureau was overburdened with cases of bribery. "The system of primaries with all members casting preferential vote is laudable but it was marred by corruption," said the veteran party politician (<i>Mwananchi</i> , British High Commission Kiswahili press summaries).
September	
20	National Electoral Commission admits that buying of voter registration cards is rampant ahead of the Igunga by-election. On October 3, the CCM candidate is declared winner of the by-election, caused by the resignation of Rostam Aziz , after a closely fought campaign (Political Platform 2011. '2011 major political events', <i>Citizen</i> , 28 December).
October	
19	Former Prime Minister Edward Lowassa calls for an end to speculation associating him with an alleged plot to undermine President Kikwete's administration and CCM chairmanship (Political Platform 2011. '2011 major political events', <i>Citizen</i> , Dar es Salaam, 28 December).
November	

18	<p>Parliament calls for stern disciplinary measures, including dismissal, against five senior government officials, among them Energy and Minerals minister William Ngeleja and Chief Secretary Philemon Luhango. Also mentioned in the report of a parliamentary select probe committee tabled in Dodoma were Controller and Auditor General (CAG) Ludovick Utouh, suspended Energy and Minerals Permanent Secretary David Jairo and deputy minister of agriculture Adam Malima. 'MPs bayed for the blood of the five after they were implicated in embezzlement, forgery and cover-up of corruption at the ministry'</p> <p>(Florence Mugarula 2011. 'Parliamentary probe committee's report fingers Luhango, Ngeleja, Malima, Jairo and Utouh,' <i>Citizen</i>, Dar es Salaam, 19 November 2011).</p>
23	<p>Police ban demonstrations planned by activists to press President Kikwete not to sign into law the Constitutional Review Bill (Political Platform 2011. '2011 major political events', <i>Citizen</i>, Dar es Salaam, 28 December).</p>
28	<p>President Kikwete signs the Constitutional Review Bill 2011 despite political opposition and civil society objections (Political Platform 2011. '2011 major political events', <i>Citizen</i>, 28 December).</p>
<p>December</p>	
6	<p>National Assembly Speaker Anna Makinda reveals that MPs' sitting allowances have been increased from Sh70,000 to Sh200,000. The following day, State House denies any involvement in the allowances issue, and on December 12 the increment is stopped, pending a presidential decision.</p>
13	<p>New sitting allowances for MPs will not take effect until President Kikwete assents to a parliamentary service commission application to raise them', (Citizen Reporter. 'Bunge stops allowances, looks out for JK decision', <i>Citizen</i>).</p>
20	<p>The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) has called for the provision of adequate education to taxpayers and local government authorities on nuisance taxes and the reasons why such taxes were abolished in 2003', (Kilimo Kwanza Reporter 2011. 'Nuisance taxes: Dialogue key to effective abolition,' <i>Guardian</i>).</p>

Appendix 2: Economic regulation timeline, 2010-11

Economic regulation 2010	
January	
5	Tanga City residents who would be forced to move from their homes to make way for construction of a new port at Mwambani Bay would be compensated. The Tanga port manager, Mr Zachary Misso , said that 92.8 acres were acquired by the Tanzania Ports Authority (TPA) for construction of the proposed new port and it had compensated people whose homes were affected by the project. (George Sembony 2010. 'Evicted residents to get TPA payout', <i>Citizen</i>)
February	
	The renovation of Tanzania's dilapidated railways stalls due to a dispute between the government and its Indian partners. In March 2006, Rail India and Technical and Economic Services (RITES) agreed to buy part of the failing Tanzania Railways Corporation, now called Tanzania Railways Limited, after winning an international tender. There has been constant criticism on both sides, and in July 2009 TRL Chief Executive Hundi Lal Chaudhary said that RITES was ready to walk away (Africa-Asia Confidential, 'TANZANIA/INDIA RITES not right', Vol 3, No. 4).
March	
7	The Chamber of Chinese Business in Tanzania (CCBT) has announced that Chinese traders in Kariakoo commercial area of Dar es Salaam are considering returning home following a surge of violent crime. Many of them have been robbed and even killed, the statement said. The chamber called a meeting at Mnazi Mmoja Park to discuss the situation CCBT chairman, Huo Jin Feng said eight Chinese traders or contractors have been murdered since 3 March last year. "As a result Chinese traders in Kariakoo have lost confidence in the ability of the police force to protect their lives and properties. They are now considering going back home or relocating to other countries" (<i>Mwananchi</i> , British High Commission Kiswahili press summaries).
10	Barrick Gold announces plans to place all of its Tanzanian gold mining assets into a single company, African Barrick Gold , which will be listed on the London Stock Exchange (Economist Intelligence Unit 2010. Tanzania Country Report, London).
20	Deputy Minister for Agriculture, Food and Irrigation, Dr Mathayo David opposed Prime Minister Mizengo Pinda over his call for producers of food crops to be allowed to export. He told a meeting of livestock and agriculture researchers in Dar es Salaam that it is not possible to allow the export of food crops because some parts of the country are facing unforeseen and acute shortage of food. "It is not possible to open the gate to export otherwise we should be prepared to buy food from the USA or elsewhere. I think it would be better for the government to buy the surplus food at a better price, thus encouraging farmers to produce more," he contended. (<i>Mtanzania</i> , British High Commission Kiswahili press summaries).
March-April	Joint Mission of NEPAD , CAADP and the Southern African Development Community (SADC) visit Tanzania. Follow up mission by NEPAD Agency , FAO Investment Centre , Rome, and ReSAKSS-EAC . A multi-sector Taskforce is established to operationalise CAADP (Comprehensive African Agricultural Development Programme) in Tanzania (Anon 2011. 'The African Agricultural Growth and Investment Task Force', Fact Sheet).

April	
10	The South Korean government is about to sign an MOU for an agricultural project in the Rufiji Basin. The signing of the MoU will eventually enable Korea Rural Community Corporation (KRCC) , which is expecting to implement the Comprehensive African Agricultural Development Project in Lower Rufiji Basin, where some 100,000 hectares of irrigation farming has been already earmarked (Pius Rugonzibwa 2010. 'Seoul to sign MoU for agricultural investment in Rufiji', <i>Daily News</i>).
16	The government has lifted a ban imposed on export of cereals outside the country. However, the outside market would be accessed by farmers through special permits to be issued by the Ministry of Agriculture, Food, and Cooperatives. The Prime Minister yesterday directed the ministry to allow farmers in Mbeya to export food crops reserve to neighbouring country. (Faraja Jube 2010. 'Farmers now free to export cereals after lifting of ban', <i>Citizen</i>)
July	
6-8	Roundtable (6 th July) and signing of CAADP Compact (8 th July). (Lidia Cabral 2012. 'The CADDP Process: Attributes, progress in implementation and achievements', FAC: Political Economy of Agricultural Policy in Africa Planning Workshop, Midrand, January).
Economic regulation 2011	
January	
25	Sichuan Hongda , a Chinese mining company, have been awarded rights to develop the Mchuchuma integrated coal mine and power station as well as a nearby iron ore deposit. Mchuchuma is believed to have reserves of over 500 million tonnes of coal. This is China's first substantial investment in Tanzania's energy sector. At USD 3 billion to generate 800MW, it is bigger than any other energy project currently envisaged. Sichuan Hongda Chairman Liu Canglong is also Vice Chairman of the China Africa Business Council . Sichuan Hongda is not known to have experience in power generation (British High Commission Kiswahili press summaries).
	British High Commissioner Diane Corner confirms that the UK is the biggest investor in Tanzania. "There is not a single African country where we invest so much of our time and resources. This is the best country for business and economic relationship – as development partners, Britain has historically been Tanzania's largest donor and our programme is now the largest it has ever been" she said (Sarah Hermitage).
	The state-run Tanzania Electric Supply Company raises tariffs by 18.5 per cent, two months after it introduced power cuts, mainly because drought caused water levels to fall at hydropower stations (Mutarubukwa 2011).
February	
	Usafirishaji Dar es Salaam (UDA) sold to Simons Group Ltd , a Tanzanian company. Public Organisation Accounts Committee (POAC) reveals that part of the purchase price was paid into the personal account of the UDA Board Chairman, Iddi Simba . Mr Simba was later charged (LHRC 2012:214).

11	The Tanzania EITI multi-stakeholder group launched the first EITI report, disclosing payments made by the major mining and gas operating companies to government for the period of 1 July 2008 to 30 June 2009. The group consists of five members each from government, companies, and civil society, plus a chairperson, Judge Mark Bomani . EITI seeks to compare record payments made by extractive industry firms with those payments recorded by government. It covers generally scheduled taxes, as well as those specific to the particular sector. The report issued is the reconciliation report. This is the process of gathering data and reconciling, if possible, any differences. The report indicates that there was little cooperation from either industry or government in the report and little interest on the part of the firm undertaking the reconciliation – the Hart Group from the UK – in addressing discrepancies. Another external firm is doing the ‘validation’ stage (EITI website, accessed 01/04/2012).
23	The Confederation of Tanzanian Industries (CTI) claims that 50 factories have had to close or suspend operations due to the power rationing. This was claimed in meetings with the Parliamentary Committee on Energy and Minerals, which is holding extraordinary meetings this week to address the energy crisis. Twiga Cement in Tanga claims to be losing over USD 13,000 per day. Dowans’ generators at Ubungo and IPTL’s at Tegeta are meanwhile lying idle. (IPTL finally fired up its generators on March 22nd).
12	In a meeting in Sumbawanga chaired by the Rukwa Regional Commissioner, Mr Daniel Ole Njoolay , Mr Aesh Hilal , Member of Parliament for Sumbawanga Urban Constituency said: “...the method in which the government has been subsidizing inputs to farmers in [Rukwa] and in the country at large through the voucher system has failed to work and is threatening the production of crops. Instead, it has enriched unscrupulous agents and businessmen,” (Peti Siyame. ‘Rukwa calls for voucher system replacement’, <i>Daily News</i>).
18	‘Although produce tax (or cess) is a crucial source of revenue to the district councils, it should be abolished or its burden should be shifted to the processors and final consumers, the Agricultural Non-State Actors Forum (ANSAF) has suggested.’ ‘The Governance Advisor with Concern Worldwide, Audax Rukonge, said authorities were putting a lot of effort in crops and areas which might not get enough returns instead of investing in crops from which “we could maximize profits” ’ (Angel Navuri 2011. ‘Scrap tax on farmers’ produce, agriculture watchdog appeals’, <i>Guardian</i>).
23	The IMF gives a positive assessment of the Tanzanian economy, how it is managed and its future prospects. The review highlights a doubling of manufacturing exports in 2010. At the same time, the Netherlands announces it is to cut Budget Support to the Tanzanian government as part of wider cuts in the Dutch aid budget. Meanwhile, France announced a substantial aid increase for Tanzania from USD 70 million to USD 150 million (BHC Kiswahili press summaries).
27	The Tanzanian High Court bars government and Dowans’ owners from switching on the power plant following a request by human rights groups to challenge the GoT’s decision to to pay Dowans Sh94 billion (USD 65 million) in compensation (Political Platform 2011, <i>Citizen</i> , 28 December).
May	
	The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is launched at the World Economic Forum for Africa. SAGCOT is an ambitious Public Private Partnership involving over 20 official, philanthropic and commercial interests and designed to provide opportunities for smallholder producers to engage in profitable agriculture.

3	The International Monetary Fund (IMF) is concerned about Tanzania's increasing borrowing for recurrent spending. Presenting a report titled 'Regional Economic Outlook: Sub-Saharan Africa' in Dar es Salaam, IMF senior resident representative John Wakeman-Linn urged the government to immediately review its fiscal policy to curb high debt levels taking into consideration the fact that food and fuel prices are rising and are likely to harm the economy (Mutarubukwa, Al-amani 2011. 'IMF sounds alarm over Tanzania economy, <i>Citizen</i>).
25	Independent technical review of the proposed Tanzania Agriculture and Food Security Investment Plan (TAFSIP).
September	
15	Tanzania slipped in the World Economic Forum's Global Competitiveness Report, 2010-11, from last year's ranking of 100 to 113 out of 139 countries listed. Tanzania's ranking was brought down by poor performance in infrastructure, secondary education, higher education and health with rankings of 128, 131, 136 and 119 respectively. Tanzanian business leaders reported corruption, access to financing and inadequate infrastructure as the main barriers to doing business.
October	
25	Aggreko begins generating electricity from one of two planned 50 MW generators in Ubungo, Dar es Salaam (Rweyemamu, Aisia 2011. 'Aggreko injects 100MW into national grid', <i>African</i> , Dar es Salaam).
26	Container handling by the Tanzania International Container Terminal Services (TICTS) at the Dar es Salaam port came to standstill after the firm's employees went on strike (Mrindoko, Sebastian 2011. 'Bunge team takes TBS to task' <i>Daily News</i>). Workers vow not to resume work unless their demands are met unconditionally. TICTS management meet with ministry officials (Ernest, Sylvester 2011. 'Workers at Dar port still on strike', <i>Citizen</i>).
27	The Energy and Minerals Parliamentary Committee has been told that local leaders from villages located near the North Mara Gold Mine are forced to sign new pacts with African Barrick Gold (ABG) (Mugini, Jacob 2011. 'Villagers accuse Barrick Gold of arm wrestling', <i>Daily News</i>).
November	
4	Parliamentary Public Organisation Accounts Committee (POAC) ordered the treasury to conduct a special performance audit on Arusha based horticulture companies who were loaned by the government 50bn/- in 2008 but have defaulted' (Mgwabati, Faraja 2011. 'POAC orders flower firms audit', <i>Daily News</i>)
7	The controversy over the issue of EU biofuel companies buying up land in East Africa escalated this week after a report in the UK showed that some of the firms that had bought swathes of land across Tanzania had gone bust, leaving villagers with nothing (Paul Redfern 2011. 'Report exposes dangers of biofuel deals in Tanzania as UK firms go bust', <i>East African</i>).

10-11	The Tanzania Agriculture and Food Security Investment Plan (TAFSIP) launched by President Kikwete on 11 th November. High-level Business Meeting : technical meeting 10 th and the 'political buy-in' and launch on 11 th .
14	Only 7.2 percent of outstanding electricity bills amounting to more than Sh300 billion has been paid: Unpaid Bills owed by government agencies, institutions and parastatals have grown by 100 per cent between last year [2010] and September this year (Burhani Yakub 2011. 'Unpaid bills hurt Tanesco', <i>Citizen</i>).
December	
7	Ami Mpungwe , chair of the Tanzania Chamber of Minerals and Energy (TCME) reports that "in almost all our mining operations, we have continued to witness a series of unprovoked and violent attacks against our personnel and properties..."Theft of ore and fuel is common. Mines suffering most: North Mara, Golden Pride, and Geita Gold Mine. Security costs undermine competitiveness.
8	Cashew nut farmers in Ruangwa District, Lindi Region, asked their regional commissioner, Mr Ludovick Mwananzila, to resign for allegedly failing to properly handle the crop's marketing system', (Mwanja Ibadi, 2011. 'Farmers want new RC to resign', <i>Citizen</i>).
16	Since the introduction of mobile money transfer (MMT) services in Tanzania in 2008, the business has been picking up tempo. (Emanuel Onyango, 2011. 'Vodacom M-Pesa transacts Tsh 4.5 bn business a month', <i>Business Times</i>).
11	Agricultural Finance Markets Scoping (AgFiMS-Tanzania 2011) claims that the agriculture sector receives about Sh517 billion from 'mainstream banks', Sh49 billion from the informal sector and Sh26 billion from Micro-Finance Institutions. AGFiMS was developed by the Financial Sector Deepening Trust (FSDT), the Gatsby Charitable Foundation (GCF), FinMark Trust and the Rockefeller Foundation. Synovate undertook the research with support from the NBS (Polycarp Machira, 2011. 'Lack of funds slowly killing the agro-revolution dream', <i>Citizen</i> ; Daily News Reporter 2011. 'New study reveals viable farmers', <i>Daily News</i> , 8 December).

Selected websites

Africa Confidential	www.africa-confidential.com
African Development Bank	www.afdb.org
Africa Power and Politics Programme	www.institutions-africa.org
Afrobarometer	www.afrobarometer.org
Bank of Tanzania	www.bot.go.tz
Controller and Auditor General	www.nao.go.tz
Development Partners Group	www.tzdp.org
Focus on Africa	www.bbc.co.uk/focusonafricamagazine
Future Agricultures Consortium	www.future-agricultures.org
HAKIARDHI	info@hakiardhi.org
Integrity Watch	www.integrity-watch.com
International Budget Partnership	www.internationalbudget.org
IPP Media	www.ippmedia.com
Land Matrix Database	www.landportal.info/landmatrix
Local Government Finance Working Group	www.logintanzania.net
Ministry of Finance	www.mof
MKUKUTA	www.povertymonitoring.go.tz
National Bureau of Statistics	www.nbs.go.tz
Prevention and Combating of Corruption Bureau	www.pccb.go.tz
Prime Minister's Office	www.pmoralg.go.tz
Policy Forum	www.policyforum.or.tz
REPOA	www.repoa.or.tz
Revenue Watch Institute (RWI)	www.revenuewatch.org
Tanzania Corruption Tracker System	www.corruptiontracker.or.tz
Tanzania Natural Resources Forum	www.tnrf.org
The Citizen	www.thecitizen.co.tz
Transparency International	www.transparency.org
UNDP	www.undp.org
Uwazi	www.uwazi.org
Wikileaks	www.wikileaks.org
World Bank	www.worldbank.org
World Bank Institute	www.worldbank.org/wbi
World Economic Forum	www.weforum.org

ACRONYMS AND ABBREVIATIONS

AERC	African Economics Research Consortium
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
EPA	External Payments Account
EWURA	Energy and Water Utilities Regulatory Authority
FBO	Faith-Based Organisation
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
LAAC	Local Authorities Accounts Committee
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
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
NACSAP	National Anti-Corruption Strategy and Action Plan
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
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
TACCEO	Tanzania Civil Society Consortium for Election Observation
TADREG	Tanzania Development Research Group
TATA	Tanzania Association of Tour Operators
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
TIB	Tanzania Investment Bank
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

