

WHAT WILL IT TAKE FOR TANZANIA TO BECOME A DEVELOPMENTAL STATE?

Evidence from Tanzania
Governance Review 2010-11

POLICY FORUM BREAKFAST DEBATE

22 February 2013

WHAT IS A DEVELOPMENTAL STATE?

- **Strategy/policy timeframe**
- **The macro-economy**
- **‘Rent management’**
- **Agricultural transformation**
- **Industrial strategy**
- **Public goods & services provision**

STRATEGIC POLICY TIMEFRAME

A long-term development vision

- The TANZANIA DEVELOPMENT VISION 2025 calls for a ‘developmental mindset’, focusing on economic growth and ‘good governance.’
- Economic growth to be ‘private sector led.’
- The state should influence and facilitate ‘strategic investments’ and ‘selective industrial support’
 - IS VISION 2025 STILL RELEVANT?
 - IS IT BEING IMPLEMENTED?

THE MACRO-ECONOMY 2010-11

- **National debt**
2007 USD 4bn; 2010 10.8bn
- **Balanced budget**
Fiscal deficit 2007: 5% of GDP; 2010 6.9%
- **Inflation**
4.5% September 2010; 19.2% November 2011

(2010 WAS AN ELECTION YEAR)

RENT MANAGEMENT 1

Rent centralisation

Tanzania Revenue Authority	2005/06	2009/10	2010/11
Collection (Shs billion)	2,041	4,438	5,736
Annual growth (%)	20	10	23
GDP at market price	16,857	25,790	34,750
Revenue/ GDP (%)	11.8	14.6-17.2	16.4

RENT MANAGEMENT 2

Supervision

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. But...

RENT MANAGEMENT 3

Discipline, accountability

- The CAG notes serious weaknesses in MDA and RAS accounts, including non-compliance with the International Public Sector Accounting 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 3.3**)

AGRICULTURAL TRANSFORMATION

Productivity gains & market incentives for small farmers

- Which policy: ASDP, *Kilimo Kwanza*, TAFSIP?
- Smallholders or agribusiness (or both)? (Box 3.1)
- ‘Land grabbing’?
- State- (+donors) versus market-driven?
- Elections and ‘targeted’ subsidies

INDUSTRIAL STRATEGY

Targeted public investments, incentives

- **Which industries are prioritised?**
- **Taxation and regulation**
- **Exemptions and incentives**
- **Mining (Box 4.1), tourism (Table 4.2), agricultural processing**

PUBLIC GOODS AND SERVICES

**Efficiency, effectiveness,
and equity in public spending**

- **Public investments (power, ports, roads) undermined by corruption and inefficiency (Box 2.2)**
- **Education, health, water supply: mixed performance, undermined by the same factors**

CONCLUSIONS

TGR 2010/11 flags:

- Growing macro-economic imbalances.
- Continued misuse of public resources at all levels.
- Improved transparency but continued lack of accountability.
- Contradictory agricultural 'policies' and practices.
- Disincentives--taxes, regulation--to foreign and local businesses.

CONCLUSIONS

- To become more 'developmental', Tanzania must:
 - **Maintain macro-economic stability**
 - **Increase smallholder productivity**
 - **Improve quality, efficiency and equity in public goods and social service provision**
 - **Channel economic rents into productive activities**
 - **Develop a pro-active industrial strategy that will create employment and exports**

REGIONAL COMPARISONS

CORRUPTION PERCEPTION INDEX

www.transparency.org

Country	2010 (/178)		2011 (/182)	
	Rank	Score/10	Rank	Score/10
Rwanda	66	4.0	49	5.0
Tanzania	116	2.7	100	3.0
Uganda	127	2.5	143	2.4
Kenya	154	2.1	154	2.2
Burundi	170	1.8	172	1.9

THANK YOU!

Further reading

- African Power and Politics Programme:
www.institutions-africa.org
- Brian Cooksey and Tim Kelsall 2012. 'The political economy of the investment climate in Tanzania'
Research Report 01, June
- Brian Cooksey 2011. 'Public Goods, Rents and Business in Tanzania', Background Paper 01, June
- Tim Kelsall 2013. *Business, Politics and the State in Africa: Challenging the orthodoxies on growth and transformation*, London, Zed Press