

BTI 2010 | Tanzania Country Report

Status Index	1-10	5.58	# 67 of 128	
Democracy	1-10	6.15	# 57 of 128	↘
Market Economy	1-10	5.00	# 81 of 128	→
Management Index	1-10	5.29	# 60 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	41.3	HDI	0.53	GDP p.c.	\$	1184
Pop. growth	% p.a.	2.8	HDI rank of 182	151	Gini Index		34.6
Life expectancy	years	55	UN Education Index	0.67	Poverty ²	%	96.6
Urban population	%	25.1	Gender equality ¹	0.60	Aid per capita	\$	69.5

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

Tanzania faces no major problems with stateness. On the mainland (Tanganyika), government leaders are chosen in generally free, but not entirely fair, elections. Various factors, however, limit political participation. The ruling party won the December 2005 presidential and parliamentary elections with an increased majority of approximately 80%. In contrast to the mainland, general elections in Zanzibar, in which President Amani Abeid Karume won against Seif Sharrif Hamad, have been neither free nor fair.

Separation of powers is well defined in Tanzania, though the executive dominates. While the judiciary functions relatively independently, it is regarded as inefficient and corrupt. International donors as well as local reform activists continued to criticize the government for its reluctance to take the necessary steps to fight corruption. Tanzania has an essentially stable party system, which is dominated by the former state party. While the governing party is broadly anchored in society, opposition parties are yet to grow deep roots despite appealing to popular issues such as corruption. The landscape of interest groups is sparse. The majority of citizens support democracy.

Tanzania is one of the world's least developed countries. It is heavily dependent on foreign aid. Market competition is limited. The strength of the national economy fluctuates widely, though during recent years some signs of improvement have emerged. Policies introduced by the government to stabilize prices showed positive results until the onset of the international financial crisis. Before the crisis, Tanzania had one of the lowest inflation rates in Africa. Currency policy in the wake of the financial crisis has been less successful. Property rights are legally guaranteed in principle, but corruption and inefficiency limit the government's ability to enforce the law. A comprehensive program for privatizing state enterprises is under way. Tanzania lacks an efficient strategy to combat poverty. Health and education programs are also weak. Only the latest reform in both of these areas appears to have reversed their decline,

according to health and education indicators. Tanzania's GDP showed a remarkable growth rate of more than 7% in recent years. Though it declined slightly in 2006, it recovered in 2007 and 2008 to more than 7%. The IMF and the World Bank regard Tanzania's macroeconomic setting as stable and favorable for further structural reforms. Despite fundamental difficulties, the government continues to pursue strategic reform goals, particularly in the economic arena. Reforms are murkier with regard to democratization (especially in Zanzibar). President Amani Abeid Karume, elected in 2005, is unlikely to make any major policy changes. The government surprisingly handed over efforts to advance reconciliation in the Zanzibar conflict to the leadership of Chama Cha Mapinduzi (CCM) and the Civic United Front (CUF), but this strategy failed to yield positive results.

Tanzania has not made any major progress toward democracy. Despite this, civil society groups and some articulate members of certain opposition parties (tacitly supported by factions within the ruling party) have pushed for increased freedom of opinion and more government accountability. Only external pressure brought by the international community has a chance to stimulate a process of democratization in Tanzania. The country's overall socioeconomic development has continued to improve slightly during the period under review. Tanzania must move toward eliminating corruption and bureaucratic barriers if it hopes to maintain growth and effectively combat poverty. The election results of 2005 underlined the continued stability of the mainland government and to some degree also semiautonomous Zanzibar, in which the lingering conflict remains unresolved. The political division will persist and may endanger the union of Tanganyika and Zanzibar. If the impasse is not resolved before the next election in 2010, and if the elections are not free and fair, violent conflict in Zanzibar will become likely.

History and Characteristics of Transformation

An evaluation of transformation in Tanzania is complicated by the political partition of the United Republic of Tanzania (the Union) into Tanzania mainland (formerly Tanganyika) and the two semiautonomous islands of Zanzibar (Pemba and Unguja), which each have their own constitution, parliament, government and budget. Development has unfolded quite differently in these two parts of the country. On the mainland, the one-party system gave way quite peacefully to a multiparty system, while in Zanzibar transformation was marked by violent clashes and sustained repression of opposition parties, especially the Civic United Front. Zanzibar has remained an authoritarian regime within the Union. It should be kept in mind, however, that barely 3% of Tanzania's total population – less than half the population of the capital Dar es Salaam – lives under this authoritarian regime.

Tanzania's political transformation was initiated by the Union government (1991) after an internal dispute among the elite and controlled from above by the former single party, the Chama Cha Mapinduzi (Party of the Revolution, CCM). This first phase of liberalization and democratization ended in 1995 when the country held its first multiparty elections after more

than 30 years of one-party rule. As the top-down liberalization continued, opposition voices in the party system and civil society, though very weak at first, grew more organized and articulate in their demands. A presidential commission appointed in 1991 advocated introducing a multiparty system early in 1992; even though over 80% of more than 30,000 citizens polled at that time expressed support for one-party rule, a majority also favored a greater participatory role for the public. Since the first multiparty elections in 1995, internal fragmentation has weakened the opposition further, as demonstrated by the former state party's decisive two-thirds majority win in the 2000 elections and its even better result (over 80%) in 2005. Elections continued to be significantly better organized on the mainland than in Zanzibar. In 2005 elections in Zanzibar, the ruling CCM Zanzibar won by a narrow margin over the Chama Cha Wananchi (CCU, Civic United Front), though the final results remain controversial. The vote divided Zanzibar between one island, Pemba, clearly dominated by CCU and another, Unguja, dominated by CCM. Violent confrontations between police and opposition followers date back to the election outcome of 1995 and escalated further after the disastrous 2000 elections, sending a flood of more than 2,000 refugees to Kenya. The violence began to subside in 2001 after talks between the opposition and the government gave way to a peaceful conflict resolution process that included new partial elections in 2003. Since then, the country has achieved no major progress. The election campaign in 2005 was again marred by violence, but to a lesser degree than in 2000. The winner still ignored the envisioned government of national unity.

The economic transformation of the formerly socialist-oriented, state-controlled economy began in 1986 with the first IMF structural adjustment program. Tanzania implemented this program erratically until the mid-1990s. After 1995, Mkapa's governments pursued market more consistently. Since then, the country has made progress in privatizing state enterprises, despite lingering resistance, and in deregulating the economy. Furthermore, Tanzania's fiscal policies markedly reduced the rate of inflation until the emergence of the international financial crisis. Since the crisis began, inflation has spiked from single digits to 13.3%.

No severe economic crises have complicated Tanzania's journey towards democracy; in fact the opposite is true. The second half of the 1990s brought relatively favorable growth rates, slowly rising to more than 6% and 7% since 2001 despite weather-related slumps in some years. Nevertheless, despite a prolonged period of macroeconomic stability, the government has failed to institute the necessary reforms to overcome the structural weaknesses of the Tanzanian economy, namely a heavy dependence on development aid and agriculture (much of it at the subsistence level) and a limited diversification of exports. The government's relatively positive cooperation with the World Bank and the IMF, which has particularly praised Tanzania's macroeconomic management (especially its commitment to fiscal discipline), yielded a new Poverty Reduction and Growth Facility (PRGF) program in 2000. In 2001, Tanzania qualified for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative and benefited from the Multilateral Debt Relief Initiative (MDRI) with major write-offs of multilateral debts in 2006. By 2008, the debt stock stood at about 30% of GDP.

Transformation Status

I. Democracy

1 | Stateness

Tanzania faces no major problems with stateness. The state has established a monopoly on the use of force throughout its territory. The persistence of crime, however, threatens public safety and order. A rising crime rate in the capital Dar es Salaam has fueled public, state and international concern. Violent crime poses the greatest threat to public order. Incidents of violent crime include skirmishes that arise from socioeconomic conflicts over land and the grazing rights of semi-nomadic groups. These localized conflicts sometimes escalate to the scale of tribal conflicts, spontaneous eruptions of violence and overreactions on the part of the police during demonstrations, although this is mainly seen in Zanzibar. On the mainland, Tanzania does not have a problem with state identity. In a situation nearly unique in Africa, Tanzania has, for the most part, achieved a harmonious social integration of its different ethnic groups. For the mainland, defining citizenship and who qualifies as a citizen is not a politically relevant issue. Questions of citizenship arise only in terms of the relationship between the mainland and semiautonomous Zanzibar.

Monopoly on the use of force

The Zanzibar opposition has launched an effort to achieve a greater measure of autonomy, but this political issue is linked to religious problems. Both governments and opposition leaders in Zanzibar, which is 99% Muslim, want to join the community of Islamic states, but the secularly-oriented Union government on the mainland, which is one-third Muslim, one-third Christian and one-third practitioners of native religions, has refused. Only a small, radicalized minority of Muslim fundamentalists in Zanzibar wants a religious state. During the previous review period, some of these groups turned to sporadic violence, such as using small bombs against tourist centers and state installations.

State identity

The separation of church and state is largely assured in Tanzania, but problems arise when some Muslims perceive themselves as victims of social discrimination in areas such as access to public office and education. In this context, radical Muslims have increasingly clashed with police and radical Christians in Dar es Salaam. A majority of the religious elite, and probably most of the population, is intent on cooperation with the government and peaceful conflict resolution.

No interference of religious dogmas

The state has a basic infrastructure throughout the territory, though it is weak and often functions poorly. Administrative staff is poorly trained, prone to political interference and, because of low pay, susceptible to (petty) corruption.

Basic administration

2 | Political Participation

On the mainland, government leaders are chosen in general, free, but not entirely fair elections. In comparison with the highly problematic first democratic elections in 1995, the elections of 2000 and even more so of 2005 showed definite improvements. Factors limiting political participation include unequal access to the media (radio broadcasting in particular) limited distribution of the qualitatively weak press and police restrictions on rallies and events held by opposition parties. In the run up to the December 2005 elections, the ruling party and the government increased the pressure on opposition parties. The government administration and local CCM cadres, for example, blocked the few local governments (district councils) run by opposition parties from implementing their policies. In contrast to the mainland, general elections in Zanzibar since the transformation have been neither free nor fair, and the government lacks democratic legitimacy. Although opposition parties and civic groups may organize and articulate their interests, they are exposed to state repression, sometimes on a massive scale. Zanzibar's government has arrested and held opposition delegates for years without charge. Police forces have killed many people during peaceful demonstrations, and 2,000 refugees fled to Kenya in 2000. The situation improved significantly following the October 2001 reconciliation agreement (Muafaka) between the CCM and the opposing Civic United Front (CUF). As a result, the government eased repression, released prisoners and created the conditions for most refugees to return. In 2003, by-elections for the Union and Zanzibar parliament were held, although not without tensions. The 2005 presidential and parliamentary elections showed no substantial improvement on the previous one. While the Southern African Development Community (SADC) and AU observers viewed the election as free and fair, in other words as reflecting the voters' will, others (EISA, NDI, Commonwealth) were much more critical, reporting numerous irregularities, selective media coverage, violent overreaction of the police and an overly close relationship between the security forces and the ruling party.

Free and fair elections

Elected leaders have full power to govern. The role of the military is muted. The military is effectively co-opted and its leadership, down to the middle ranks, is closely integrated into the ruling party.

Effective power to govern

The government limits citizens' rights to assemble peacefully. The state requires rally organizers to obtain police permission in advance, which can be denied on various grounds. Police forces interfere with assemblies, particularly at political rallies and demonstrations during election time.

Association / assembly rights

The constitution provides for freedom of speech but does not expressly provide for freedom of the press. In practice, the Union government infringes on these rights, and the semi-autonomous Zanzibar government heavily limits them. The law limits the media's ability to function effectively. Print media has been subject to considerable government restrictions, including the enforcement of a code of ethics. In Zanzibar, the media's access to government information is severely curtailed. In February 2007, the government published a draft Media Services Bill to regulate the media. The bill was harshly criticized because it imposed restrictions on the work of journalists, allowed for political interference in the broadcast media and required every publisher and broadcaster to deposit a cash bond. By the end of January 2009, parliament had not yet passed the bill.

Freedom of expression

Independent political and civic groups – weak even by African standards – can form freely but are occasionally restricted by undemocratic interventions. Freedom of opinion is assured in principle, but media that criticize the government are occasionally subject to retaliatory harassment, including intimidation, vandalism of editorial offices, prohibitions on publication and advertising bans. In 2008, the weekly Swahili newspaper MwanaHaslisi experienced several conflicts with state authorities; in October the state suspended it for three months for publishing, allegedly, "seditious material." In advance of the 2005 elections, the government officially warned lecturers at the University of Dar es Salaam that they could lose their jobs if they got actively involved in (opposition) party politics.

3 | Rule of Law

The separation of powers between the executive and legislative branches is fundamentally assured, but the executive clearly dominates. Despite its absolute majority in parliament, the CCM government does not always respect the legislature's constitutional role. Instead, the parliament takes a back seat to party committees, as seen in the debate on the report of the presidential constitutional commission. On the other hand, the parliament has also decisively voted down bills proposed by the government.

Separation of powers

The judiciary functions relatively independently, although it suffers from a significant lack of resources and a very heavy workload. Furthermore, the judiciary is inefficient to such a degree that the system can hardly provide an expeditious and fair trial. Corruption, virulent at lower administrative levels as well as among government officials, poses a serious problem. In 2007, the parliament passed a new Prevention and Combating of Corruption Bill. The new act transformed the largely ineffective Prevention of Corruption Bureau (PCB), which existed only on the mainland only, into the Prevention and Combat of Corruption Bureau (PCCB) with extended investigation powers. The public welcomed the new law as a positive approach in the country's fight against corruption.

Independent judiciary

In general, the state does not adequately prosecute corrupt officeholders. The Prevention of Corruption Bureau's (PCB) record was poor. Of the more than 10,000 cases reported, only a paltry several hundred have been prosecuted. Even fewer were convicted. The courts heard only about 5% of corruption cases reported to the PCB's regional offices from 2000 to 2005. The government prosecuted almost no high-level corruption cases. Only recently, a few former high-level government leaders such as a former finance minister and former minister of minerals and energy were detained on corruption charges. It remains unclear whether these arrests together with the reformed Prevention and Combat of Corruption Bureau (PCCB) signify a more serious attempt to fight corruption at all levels, even at the highest, or if they merely represent strategic moves against political opponents.

Prosecution of office abuse

The state occasionally violates civil liberties, especially freedom of assembly and human rights while in police custody. In Zanzibar, civil liberties are severely circumscribed and at times massively violated. The public views lower courts as corrupt and inefficient. They are also overburdened because of personnel and material shortages (hearing rooms, record keeping systems). Administrative deficiencies in the judicial system limit citizens' ability to seek redress for violations of basic freedoms. Distrust of the police and legal processes has often led citizens to take the law into their own hands.

Civil rights

4 | Stability of Democratic Institutions

For the most part, Union's democratic institutions on the mainland carry out their intended functions, thanks mostly to the fact that the governing party has an absolute majority in parliament. Problems arise primarily from inefficient administrative systems. In principle, all the relevant actors accept democratic institutions. No strong or specifically anti-democratic veto powers exist. In Zanzibar, the situation is different. Zanzibar's formally democratic institutions do not function in the intended way but within an authoritarian framework.

Performance of democratic institutions

Individual state institutions are not always sufficiently accepted by all relevant actors. Government officials occasionally feel a greater obligation to the former and current state party than to the legislature. This assessment does not apply to Zanzibar, where the government does not accept democratic institutions.

Commitment to democratic institutions

5 | Political and Social Integration

Tanzania has an essentially stable party system, in which the former state party dominates. It garnered more than two-thirds of vote and elected offices in 2000 and even more in 2005 (206 out of 232 seats in parliament). Few differences distinguish one party platform from another and the opposition is fragmented among five parties in the legislature. These parties are heavily personality-oriented (“big men”). Internal battles have repeatedly resulted in membership and leadership realignments. None of the opposition parties was able to field candidates for all constituencies of the 2005 parliamentary elections. CCM, the former state party, covered all areas of the country. At the same time, the party system is polarized especially between the CCM and the CUF, the strongest opposition party. The CUF has its major stronghold in Zanzibar, especially on the island of Pemba. CUF boycotted the Zanzibar parliament several times, and occasionally the Union parliament as well. The main dividing issues between the parties are the conflict in Zanzibar and the future of the Union. While the governing party is broadly anchored in society, the opposition parties still show shallow roots and high voter volatility.

Party system

The landscape of interest groups is sparse. The trade unions are weak, and though they have managed to free themselves from their dependence on the former state party, they do not yet represent a fully independent force. Some exceptions exist, such as the Teachers Trade Unions (TTU), which have often demonstrated the capacity to organize and act. Farmers have their own political interest group, while cooperatives see themselves as purely economic organizations. Business interest groups maintain close links to the ruling party and the government.

Interest groups

According to the Afrobarometer survey, support for democracy has declined from approximately 85% in 2000 (one of the highest percentages in Africa) to 38% in 2005. Tanzanians, however, still prefer democracy to any other kind of government. At the same time, support for multiple political parties declined less from 67% (2002) to 52% (2005). In 2000, about 62% of Tanzanians were satisfied with the way democracy was working. This figure declined to 37% in 2005, which reveals an increasing dissatisfaction with the current government. Opinion surveys in 2008 confirmed this by indicating dissatisfaction with the president’s performance. Political protests do not call the regime or its constitution into question (apart from Zanzibar, where small minorities reject the authoritarian regime but are assumed to aspire to an Islamic political order).

Consent to democratic norms

Self-organization in Tanzania has been limited to elitist and urban-based groupings out of touch with the broader society. This isolation makes them vulnerable to the state's accusations that they lack national authenticity, which in turn delegitimizes them in the eyes of the society they purport to serve. Civil society groups are thus politically weak. Despite this, they have been able to consolidate themselves and, given the weakness of the political opposition, have developed a certain importance in public life. Most NGOs are elitist, urban-based and depend financially and politically (for protection) on international bodies. Christian churches and church-related organizations, together with the Muslim Council, play a relatively prominent role in this respect, although militant representatives of religious organizations have contributed to mounting tension between religious communities and are directly responsible for violent clashes. Civic organizations are concentrated in the urban centers, where they seek to fulfill an important monitoring function.

Associational
activities

People organize themselves informally rather than relying on state, public or formal organizations to improve their situation. For the majority of the rural population, the peasant society with its close informal networks of extended families still provides the structure to confront the challenges that emerge from economic, social and natural disasters.

II. Market Economy

6 | Level of Socioeconomic Development

Tanzania is one of the world's least developed countries; it is heavily dependent on foreign aid and market competition is limited. The strength of the national economy fluctuates widely depending heavily on changing weather conditions for agriculture. Key development indicators show an exceptionally low level of development. In 2005, Tanzania ranked 159 of 177 countries evaluated on the HDI, three ranks higher than in 2004. Social exclusion is quantitatively and qualitatively extensive and structurally ingrained. A high percentage of the population lives in absolute poverty, with 35.7% below the national poverty line (1990-2004) and 57.8% living on less than \$1 a day (purchasing power parity, or PPP; 1990-2005). The most recent survey indicates that the incidence of poverty declined to 33.3% in 2007. Tanzanian women live in relative deprivation, ranking 137th out of 157 countries on the United Nations Development Program's (UNDP) Gender Development Index (GDI). Despite comparatively low-income disparities, indicated by a Gini coefficient of 34.6 (2000-01), Tanzania's level of development permits freedom of choice only for a tiny minority of the population.

Socioeconomic
barriers

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	11351.4	14141.9	14331.2	16825.6
Growth of GDP	%	6.7	7.4	6.7	7.1
Inflation (CPI)	%	4.7	5.0	7.3	7.0
Unemployment	%	-	-	4.3	-
Foreign direct investment	% of GDP	2.9	3.5	4.2	3.8
Export growth	%	15.0	12.3	-0.2	-
Import growth	%	5.3	7.4	3.6	-
Current account balance	\$ mn.	-361.7	-864.3	-1171.6	-1855.8
Public debt	\$ mn.	6226.7	6219.7	2928.8	3683.9
External debt	\$ mn.	7805.1	7796.2	4239.9	5063.0
Total debt service	% of GNI	1.1	0.9	0.8	0.6
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	15.9	15.2	16.2	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.6	3.0	3.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.1	1.0	1.0	1.0

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

Market competition fundamentals are limited in Tanzania and operate under a weak institutional framework. The informal sector contributes a significant, but difficult to quantify, share of economic activity. Subsistence farming is common in rural areas.

Market-based competition

The government of Tanzania does not prioritize combating monopoly formation, although no obvious reason compels it to do so. Though the state has reduced tariffs substantially (from an average of 15.4% in 2000 to 7.2% in 2006) non-tariff barriers such as inefficient customs and port authorities continue to impede trade. These non-tariff barriers indicate a high degree of protectionism. With its structural adjustment program, Tanzania pruned back its extremely dense thicket of regulations governing foreign trade. Nonetheless, national rules seriously restrict the freedom to start and operate a business.

Anti-monopoly policy

Despite the government's official commitment to liberal market policies and foreign investment, the state administration and the ruling party betray a growing hostility toward foreign business. The same is true of large portions of Tanzanian society. This animosity stems from the perceived "sell out" of Tanzanian enterprises during the privatization process mainly to (white) South African companies (seen as representatives of the former enemy in the fight against apartheid, in which Tanzania played a crucial role). This favoritism toward foreign investors is partly caused by an uneven application of rules between Tanzanians and foreigners and "illiberal" differential access to benefits between the two that have accrued from business transactions in favor of the foreigners. "Ugenishaji" literally translated as "Foreignization" refers to the illicit deals between local political elites and foreign partners, which exclude local actors and fail to result in local re-investment.

Liberalization of foreign trade

The privatization of the state bank puts the banking system in the final phase of reform. The licensing of 23 commercial banks (2008) of which 50% are foreign affiliated that are also active elsewhere in Africa also represents a positive development trend. The private capital market is exceptionally small with only a small, although slowly increasing number of companies listed on the stock change. On the Index of the Economic Freedom (2009), the Tanzanian economy improved in six out of 10 categories and ranks 11th out of 46 sub-Saharan African countries and 93rd in the world (out of 179). The index, however, still classifies it as "mostly unfree."

Banking system

8 | Currency and Price Stability

The government's price stability policy shows less positive results than before. The IMF largely controlled the country's monetary policy when, by 2002, the rate of inflation dropped by 1% with nearly all price controls lifted and without having to tighten monetary policy excessively. This was one of the lowest inflation rates in Africa. Since then, inflation has inched up again to 6.4% in 2007 and an estimated 9% for 2008. The increase from 2006 to 2008 was mainly due to increased food prices and high world fuel prices. Currency policy has been less successful. Because of a persistent foreign trade deficit and variable international transfers (such as development aid), since 2006 the shilling has fallen steadily relative to the U.S. dollar, apart from a short recovery in early 2008.

Anti-inflation /
forex policy

The government generally exercises strict discipline in its fiscal policy through a cash budgeting system. As a result, the IMF and the World Bank regard Tanzania's macroeconomic setting for further structural reforms as stable and favorable. The budget deficit remains very moderate, although debt continued to be very high overall at about \$8.1 billion (2005) or about 70% of GDP (estimates). In 2006, the debt was reduced by a substantial write-off down to \$4.2 billion, equivalent to an estimated 30% of GDP, as part of the Multilateral Debt Relief Initiative. Two events signify growing international financial confidence in Tanzania's macroeconomic stability. In 2006, the Poverty Reduction and Growth Facility (PRGF) expired, and since the country no longer needed the IMF's financial assistance, it was replaced by a Policy Support Instrument (PSI). This gained a favorable review by an IMF mission in 2007. In the same year, the U.S. government awarded about \$700 million under the Millennium Challenge Corporation.

Macrostability

9 | Private Property

Property rights and property acquisition are legally guaranteed in principle, but corruption and inefficiency in the judicial system limit their effective enforceability. Landownership is regulated by the Land Act of 1999, which upholds the principle of "rights of occupancy under government leaseholds." There is an informal system of land distribution in urban areas, which is insecure and causes increasing numbers of disputes.

Property rights

A comprehensive program for privatizing state enterprises began in the early 1990s. After a very slow start, the pace picked up during the period of review. About three-fourths of 395 state enterprises had been privatized by 2001. The privatization of large infrastructure operators – such as for telecommunication, electricity, railways and ports – has slowed down and is still incomplete. In 2007, the government renewed its efforts to privatize some of the remaining parastatals; Tanzania

Private enterprise

Railways Corporation was leased for 25 years to a foreign investor. On the other hand, the sale of the National Insurance Corporation (NIC) proved to be difficult and raised doubts about the government's commitment to privatization.

10 | Welfare Regime

Because of insufficient financial resources and administrative shortcomings, Tanzania essentially lacks an efficient state network to combat poverty. Basic education and health care systems leave many gaps in coverage. The country's health and education indicators – once relatively favorable for an African country – have long since hit bottom. The negative trend, indicated by sinking life expectancy and school attendance and a growing illiteracy rate, persisted into the end of the 1990s despite the structural adjustment policy and economic growth. Today about 31% of Tanzanians are illiterate. Only the latest reform policy focusing on education and health appears to have turned the tide. Numbers of primary schools, teachers and pupils (although less so in secondary schools) have risen substantially between 1998 and 2005. Net primary enrollment ratio is up from 49% (1991) to 91% (2005). A number of institutions attempt to compensate for gross social differences, however insufficient. In rural areas, family, clan or village structures still provide a relevant form of social security. Drought or other calamities put these structures under stress and negatively affect food production. In addition, structural economic reforms have also had a negative effect on these “security nets.”

Social safety nets

Fewer women than men have access to higher education. This is partly due to rural traditions (partly ingrained in religious beliefs) in which male children are considered more of an economic asset than female children. Only women who come from privileged families and live in urban areas have access to higher education and public office.

Equal opportunity

11 | Economic Performance

For the last seven years, the GDP showed a remarkable (at least for Africa) growth rate of more than 6% (2006: 6.7%, 2007: 7.1%, and 2008: 7.1%). It is expected that growth will only slightly decline in 2009 to less than 7% and increase again in 2010. However, the country remains heavily dependent on foreign aid. After a period of price stability, inflation rebounded, and the current account balance remained structurally negative. Foreign exchange reserves (excluding gold, which is mined in Tanzania) increased quite substantially from 2000 to 2006 but declined slightly since then. The per capita GDP was still very low at \$744 (PPP) in 2005 but has risen during the previous years from \$580 in 2002 and \$520 in 2000. So far, economic development has had little impact on the country's deeply ingrained poverty. Current economic growth rates are still considered insufficient for reducing

Output strength

poverty meaningfully. According to the 2005 – 2010 National Strategy for Growth and Poverty Reduction (NSGRP, Swahili: MKUKUTA) a substantial reduction in poverty requires not only growth rates of between 8% and 10% but also a much longer period of implementation. The potential of the national economy is relatively low in part because of climatic conditions and the dominant agricultural sector (45%), to which there is still no alternative. A booming and fast-growing mining sector, mainly gold, has shown growth rates of more than 15% in recent years (2000 – 2007) but contributes only 3% to the GDP (2005).

12 | Sustainability

Environmental awareness is minimal, though it is growing slightly in urban areas. The government adopted a National Environmental Policy first in 1997, which parliament codified in the 2004 Environmental Management Act. The policy and the act were both donor driven. At present, little is known about the implementation of the act's regulations.

Environmental
policy

Public expenditure on education amounts to 2.2% of GDP (2002 – 2005). This is lower than it had been in 1991 (2.8%). The net primary enrollment has improved from 49% up to 91% in 2005. No high-quality institution exists in Tanzania for education and training or research and development. Even many people who have been to school are functionally illiterate. In fact, the youth literacy rate (ages 15-24) has declined to 78.4% (1995 – 2005) compared to 81.8% (1985 – 1995). The standards at the University of Dar es Salaam, the biggest institution for higher learning (there are two other universities, formerly colleges), seem to have declined further.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

Tanzania's very low level of economic and social development, weak basic market economic structures, very poorly educated populace, scant civic traditions, inefficient state administrative system, and only moderately established rule of law presented extremely adverse conditions for continuing the transformation process at the start of the period under study. On the other hand, positive factors include the broad support for the government and, on the mainland, an absence of serious ethnic conflicts (a degree of national identity and integration that is comparatively high for Africa).

Structural
constraints

The country has a rudimentary modern physical infrastructure, which is stressed by very heavy use. New investments such as road rehabilitations are necessary every few years. One major infrastructural improvement was the new bridge crossing the Rufiji River (2003) and linking the southern parts of the country to Dar es Salaam throughout the year, which was previously not the case.

The HIV and AIDS epidemic has negatively affected life expectancy and infant mortality. Life expectancy declined from 53 years (1993) to 45.9 years (2004), though it seems to have recovered in recent years with an average of 51 years (2000 – 2005). The adult infection rate is at 6.5% (2005); 1.4 million adults between the ages of 15 to 49 are infected. The infection rate is much lower in rural than in urban areas (13%). Since 2001, the government has established a national plan to combat the disease. The plan is designed with a multi-sectored approach. This includes plans to provide antiretroviral drugs to about 500,000 infected people by the end of 2008. Testing facilities are to be rolled out to 82 hospitals countrywide. The aim is to stop the increase in prevalence before 2010. Since many well-educated people are infected, the epidemic will have negative effects on development perspectives. Much more people die of malaria (over 300,000) compared to AIDS (140,000). Despite fundamental structural difficulties, the government is able to pursue its transformation strategy with ever-increasing consistency and resolve. In the economic arena, the government achieved a measure of stability through (still inadequate) political reforms. It has also grown more adept at managing multiple institutions.

The impetus towards self-organization within civil society faces an array of social, economic, political and cultural barriers. Some of these barriers are the result of bad memories of the mass organizations in Tanzania's socialist past.

Civil society traditions

By far the most difficult challenge for the government has been the political confrontation in Zanzibar, a situation rooted in old social and cultural conflicts. The situation in Zanzibar threatens the Union and thus pushed the issue of state identity to the foreground. Another indirectly related problem is the growing socio-religious tension and conflict between Muslims and Christians.

Conflict intensity

The issue of land allocation and use is yet another area of conflict. Tensions have flared between government authorities and residents in urban areas over re-allocation of land for residential development. In a number of rural areas, tension has mounted between agriculturalists and herders, which have drawn in the interests of the state, human rights activists and political entrepreneurs.

II. Management Performance

14 | Steering Capability

The government is continuing to pursue strategic reform goals, particularly in the economic arena but less clearly in democratization. Before the 2005 elections, a number of occurrences indicated that the government was again more concerned with keeping itself in power than with furthering the process of democratization. First, complaints by opposition parties increased concerning the registrar of political parties. The registrar is nominated by the president and holds ill-defined powers that comprise administrative as well as juridical functions. This ambiguous position facilitates the registrar's ability to manipulate the law in favor of the government. Secondly, a very subtle form of repression has increased against well-known opposition figures. The government's tactics of repression include threatening the livelihood of the opposition figures' families by withdrawing professional licenses and putting them into remand for dubious allegations, which in the end (after a couple of months) could not be substantiated. Thirdly, orders by the university administration (2004) prohibit lecturers from engaging in partisan political activities. The government, however, has not applied this rule consistently (a number of national leaders of opposition political parties teach at the University of Dar es Salaam and ran in the 2005 elections). Fourthly, the parliament, which is dominated by the ruling party, amended the electoral law so that it prohibited the formation of a coalition government for the Union. The parliament again rejected

Prioritization

the proposal to allow independent candidates. Fifthly, local administrators, ruling party officials and cadres in rural areas outside Dar es Salaam frequently obstruct the public activities of opposition parties. Local governments (District Councils) controlled by taken opposition parties find themselves administratively and politically obstructed. More recently, after a number of high-level corruption cases involving ministers, the president tried to step up the fight against corruption in 2008. In sum, Tanzania, even beyond the authoritarian regime in Zanzibar, is still seen as a hybrid regime.

Despite capacity problems, Tanzania's economic reform and stability policy earned approval from international financial institutions and donors, although the privatization program and particularly the fight against corruption still elicit criticism. Despite international approval for Tanzania's macroeconomic achievements, a number of problems remain. The IMF review of May 2008 noted three major challenges: maintaining fiscal stability, dealing with inflationary pressures, and addressing governance weaknesses and strengthening public accountability. The implication is that Tanzania requires further structural and institutional reforms in order to maintain and increase its growth potential. Tanzania should prioritize improving its infrastructure and public services in health and education. The preservative power crisis, which affects not only private households but industries as well, was poorly managed and remained basically unresolved. The achieved economic growth still needs to be translated into substantial poverty reduction.

Implementation

President Kikwete, since coming to power, has not proposed substantial policy changes. Instead, he continues his predecessor's policies. Political leaders are able to learn and have replaced failed policies with innovative ones albeit often only slowly and cautiously.

Policy learning

15 | Resource Efficiency

The government does not make efficient use of available human and organizational resources for its transformation policy. It still allows considerable waste of precious public goods and often lacks sufficiently qualified manpower to effectively utilize economic and political assets. The battle against corruption has gained some ground. The government started to intensify its anti-corruption policy by focusing on petty corruption at the middle and lower levels. With the help of a cash budgeting system, the government can relatively effectively control the use of appropriated funds according to budget plans even though all quantitative goals have not been met. Control remains inadequate at the lower administrative levels.

Efficient use of assets

The government tries to coordinate conflicting objectives and interests, but only its economic reform policy achieved a coherent outcome. Even in this ambit some problems remain: lower levels of the administration are able to obstruct to some degree the government's open market policy; within the ruling party itself a large faction is pursuing a more nationalist economic policy in favor of indigenous enterprises. While "indigenization" was an issue during the election campaigns, the nationalist rhetoric in economic policies seems to persist. Factions within the ruling party also nourish the sentiment of what is understood as the "sell-out" of the nation's riches. In reality, this increased presence of foreign companies in the Tanzanian economy is caused by the absence of competitiveness among local entrepreneurs and politicians.

Policy
coordination

The Transparency International (TI) Corruption Perception Index (CPI) 2008 ranks Tanzania 102nd of 180 countries. The nation's CPI improved for some time. Of a possible 10 points, Tanzania earned only 1.9 points in 1998, but rated 2.7 points in 2002, 2.9 from 2004 to 2006 and 3.2 in 2007. During the period under investigation, however, Tanzania's rating declined to 3.0 points in 2008. International donors continued to criticize the government for its reluctance to take more effective measures to fight corruption. Like his predecessor, the new president has publicly taken a strong stance against corruption. After a series of high-level corruption allegations, parliament passed a new Prevention and Combating Corruption Bill (for mainland only) in 2007. Nothing indicates, however, that this new attempt to fight corruption has produced real reform with potentially lasting results. National and international observers believe that even the new Prevention and Combat Corruption Bureau will be a government rather than an independent public body. It is too early to judge whether the detention of two former ministers on corruption charges in November 2008 indicates a more serious effort to fight corruption in the government and administration; it might be only a political ploy against a rival faction within the ruling party.

Anti-corruption
policy

16 | Consensus-Building

Aside from the government in Zanzibar, no important political actor openly opposes the goal of establishing a market economy and democracy. Only a small and insignificant group within the ruling party maintains different ideas about a socialist democracy.

Consensus on goals

Some politicians in the ruling party – a "conservative" faction of partly Ujamaa ideologues – are skeptical about the market economy orientation. Different interpretations naturally exist about what Tanzania's democracy should look like.

Anti-democratic
veto actors

The reformers have been able to control and for the most part integrate all the relevant actors, again with the exception of the Zanzibari government and the party leadership on the islands, where small sections of the opposition have become more radical and militant. Hence, the Union government has generally managed to reduce the potential for conflict – particularly with regard to Zanzibar – and seeks consensus across lines of conflict on many issues.

Cleavage /
conflict
management

All in all, the leadership does very little to promote the role of civic engagement and solidarity, although the rhetoric of solidarity flies high in public. Likewise, political leaders tend to ignore civil society associations rather than support them or take their issues into account. Since Tanzania's one-party rule is a tempered authoritarian regime, reconciliation efforts have been necessary only in a few isolated cases.

Civil society
participation

Major differences exist between the mainland and the islands where authoritarian rule was much more brutal. Unresolved tensions between victims and perpetrators of injustices still hang heavy on Zanzibar, of which the most recent ones (victims of the events of January 2001 on Zanzibar) have become a central issue of the peace accord. While the Union government's efforts to reconcile the Zanzibar conflict yielded some positive results before the 2005 elections, the achievements remain fragile. Since the new Union government took over, it has made no major effort to push the reconciliation process further despite the fact that the opposition is challenging the very close election results. The Union government did not push the Zanzibar government for a "government of national unity." A change of strategy, handing over the reconciliation process to the party leaderships, did not yield any new results. The CUF is internally split over their political strategy against the CCM government. There seems to be an increasing dissatisfaction with the conciliatory policy of the current CUF leadership.

Reconciliation

17 | International Cooperation

The government has worked constructively with bilateral and international donors to institute Tanzania's transformation to democracy and a market economy. This applies more to the economic and less to the political sphere. The government makes the most use of international aid and seems to have undergone a substantial learning process. However, because of the dependency on international assistance – ODA (net disbursement) was at 12.9% (2006) of GDP and at \$39 (2005) per capita – the government has hardly any alternative but to comply with the policy prescriptions of international donors.

Effective use of
support

Its international partners have a reliable and largely predictable view of the Tanzanian government. With the new president, who previously has been a minister of foreign affairs for many years, Tanzanian foreign policy has changed its style to a “pro-active diplomacy.” For example, most recently within South African Development Community (SADC) the Tanzanian government took sides with governments that criticized Mugabe’s authoritarian policies in Zimbabwe.

Credibility

The government continues its longstanding tradition of being active in international affairs such as the Rwanda Tribunal and tries to mediate in all the conflicts around the Great Lakes. The country has hosted several hundred thousand refugees from this area. The government is an active member of various international political and economic organizations in south and east Africa and has sought to deepen its many and varied international cooperative relationships. In 2005, the regional integration of east Africa into the East African Community (EAC) was revived as Tanzania, Kenya and Uganda established the East African Customs Union. The implementation of the new union was a matter of political contention. At the same time, parts of the business community revived the debate about rejoining the Common Market of East and Southern Africa (COMESA membership terminated in 2000). The situation is complicated, because Tanzania is also a member of the Southern African Development Community (SADC). Membership in all three regional organizations is not feasible in the long run. In 2008, Tanzania agreed to a proposal that called for a political integration of the three regional organizations into one. This attempt, however, could also be interpreted as a strategy to avoid any decision on the triple membership. It could also further delay the whole process of regional integration. With regard to the inaugurated transformation of the EAC into the East African Federation, in 2007 the Tanzanian government, as well as the other EAC governments, abandoned the proposal of a fast-track approach by 2013 after almost 80% of about 65,000 Tanzanians interviewed rejected the idea.

Regional
cooperation

Strategic Outlook

Tanzania's government shows little willingness to continue with democratic reforms. Very much a party insider within the long-ruling CCM, the new president has made no moves to initiate change. Further progress in democratization would require external pressure to compel the government to introduce more reforms. A stronger impetus can hardly be expected from opposition political parties. Although the state finances all political parties represented in parliament, the opposition parties are too weak to challenge the ruling party, even if united. They even lost ground in the 2005 election. The same weakness also characterizes voices of opposition within civil society. A split in the ruling party could make a difference. However, a larger split-off from the ruling party is unlikely given that party officials have nothing to gain by joining the opposition. Factions and infighting within the CCM were visible during the national congress in 2007, but all losing candidates accepted defeat and no splits or deep political rifts emerged. Two issues have the potential to fragment the ruling CCM (although both are unlikely): the relationship between Zanzibar and the mainland and the fight against corruption. While the new president has consolidated his position within the party and the government, opinion surveys indicate a growing dissatisfaction with government, state administration and, to a lesser degree, with the president. The overall state of affairs owes to the structural weakness of oppositional forces in the country. This weakness is in part the result of a very subtle but effective politics of repression carried out by the government. This strategy goes largely unnoticed (or is accepted) by many external observers. In some cases, international actors turn a blind eye to this repression, because they prefer political stability to unrest. The international community must acknowledge that no further progress in democratization will be made without greater pressure exerted on the Tanzanian leadership to implement reforms.

In order to maintain growth and effectively combat poverty, the government must eliminate corruption and bureaucratic barriers. An early optimism voiced by many observers about an apparent newfound dynamic since the new president has taken office has elapsed. Early signs that the new president would take a more resolute stance on fighting corruption have yet to bear fruit. The president has made two major efforts at strengthening anti-corruption policy without achieving visible results. The almost chronic power crisis has kept the government otherwise occupied. Thus, it is difficult to envision major reforms coming soon. The unresolved Zanzibar crisis will be a major challenge for the government until the next general elections in 2010. If the elections on Zanzibar are not conducted in a free and fair manner, violent conflict on a larger scale than before is very likely. The more radical faction within the CUF (and perhaps not only that one) will potentially lose patience with the current leadership's conciliatory tone. Donors should start to talk to the Union government very early in advance of the election in order to put pressure on the Zanzibar government to conduct free and fair elections.