Monograph Series on Administrative Responses to the African Economic Crisis

The Case of Tanzania

Edited by

R. Baguma, M. Halfani and A. Sendaro

African Association for Public Administration and Management

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1.1 Introduction

The economic crisis that has engulfed Tanzania is in the first instance as a result of the structural features of underdevelopment. The economies of LDCs are dominated by primary production, mainly agriculture and/or mining, which produce most of the internationally tradable goods, followed by services and manufacturing sectors which produce mostly for local consumption, but both sectors being highly dependent on the revenue obtained from tradable goods. The economic crisis sets in when the economic linkages between the internal sectors are asymmetrical on one hand, and on the other hand when international trade results in persistent balance of payments deficits, leading to the balance of payments crisis.

Apart from structural factors, there are other factors which may occasion or aggravate the economic crisis, such as negligence, incompetence, laxity, lack of accountability enforcement, low capacities, etc., which may be conveniently called administrative factors.

The Tanzanian case is typical of a country that has suffered from both structural and administrative factors, and the government has been busy devising measures to deal with both, in terms of attempts to revamp the national economy, as well as improving its performance and that of its agencies. Thus, there are macro-economic and structural issues concerned with initiating economic growth on one hand; on the other hand there are issues specific to the government's own internal operations, which—as already noted—have either caused or aggravated the economic crisis. These include the burgeoning size of government operations which have resulted in an increase in government expenditure portfolios, which has in turn affected the total economy variously, especially as follows:

i. It has constrained the size of the potential resources that could be mobilized for investment in the productive sectors of the economy.
ii. Because the government could raise enough revenue through taxation, it has resorted to deficit financing through bank borrowing, which fuelled inflation and contracted the banks' potential to lend to the productive sectors.
iii. Resort was also made to external borrowing, which initially increased the inflow of resources, but subsequently (when the loans started to mature), increased the scale of resource outflow, which further aggravated government deficits.
iv. As resources available to the government declined relative to the level of required expenditure, various expenditure items started to suffer from under-funding, thus reducing the level and quality of service delivery.
v. Partly because of the liquidity problem, which was in turn partly due to managerial inefficiencies in government, the level of productivity and efficiency declined, worsening the situation further.

This study mainly focuses on government responses to what we have termed the "administrative" factors, towards redynamization of government effectiveness in managing its business in an economy that is engulfed in crisis. Three broad areas are addressed. First, the public policy framework is examined, especially the policy-making environment and the policy-making mechanisms, including the various patterns of information and data gathering; the roles of various agencies and experts; and generally the organization for policy formulation and management. We consider this area to be of particular significance, because we believe that the economic crisis and the resultant fiscal crisis worsened due to adoption of foulty policy decisions, without a critical review of their likely consequences, which later plunged the government into expenses it could ill afford, yet it could not easily extricate itself from.

The second issue we address is civil service performance. It is obvious that the Civil Service, besides its top echelon involvement in public policy advice and analysis, constitutes the central agency for implementing government policies. In this regard the Civil Service has two important aspects: first, the civil service as an entity, i.e., its size and structure and their impact on the economy and on government expenditure; second, the procedures and processes of the Service in implementing government policies, i.e., the competence and productivity levels of its staff, its patterns of behaviour, and how these in turn impact on government effectiveness in managing its business.

The third area we focus on is the management of government finance and other resources. Obviously when we talk of the economic crisis, this, reflects itself in financial liquidity problems. Our focus here is on how the management of government finances has been cause or effect of the financial crisis experienced by the government, and to document the responses taken so far to redress the situation.

Finally we present specific sectoral cases in respect to education, health and communication in order to establish whether problems identified within the general government managerial framework transcend the sectoral areas, and to examine the responses so far undertaken by the government, including their potential to overcome the specific problems identified.

The four issues are treated in some detail in sections two, three, four and five, respectively. However, before we give a detailed treatment of these issues in the respective chapters, it has been found prudent first to give an account of the economic crisis as it evolved in Tanzania,in order to better understand the administrative responses of the government has taken. The rest of this section attempts to provide such an account.

1. 2 Nature and Character of the Economic Crisis

The economic crisis of Tanzania is descernible from several economic indicators, including annual GDP growth, per capita income, balance of payments deficits, budgetary deficits, industrial capacity utilization, levels of inflation and the cost of living, among others. Below we present information related to the above indicators as a basis for understanding the magnitude of the problem over time, before we delve into the causes which have either precipitated or aggravated the crisis.

Our time frame will be 10 years, mainly 1975/76 to 1985/86, inclusive. While it is true that the economic problems started earlier with the first abrupt increase in the price of petroleum (1972/73), we believe that ten years is a long enough period as a basis for an objective and general assessment. Moreover, the economic crisis in Tanzania became acute from around 1980. In Table 1 we present figures for GDP and per capita income for 1982–1986, with 1976 as a base year.

Table 1. GDP and Per Capita Income (PCI) in 1976 Prices

Year	1976	1982	1983	1984	1985	1986
GDP in mil. shs	21,652	24,104	23,472	23,930	24,561	25,486
PCI in Shs	1,328	2,225	1,185	1,167	1,159	1,164

Source: United Republic of Tanzania (URT), **Annual Economic Review,** various years

As a measure of real income, the fall in the per capita income indicates that production has not kept pace with population growth. However, the magnitude of the decline also indicates that it is not only population growth that has outpaced economic growth, but that the real growth of the productive sectors has actually declined in absolute terms.

Table 2 shows growth in different economic sectors. This table makes two things obvious. One is that there has been consistent growth in the service sectors. For example, public administration has grown by 54.5 per cent over the period, equal to an annual growth rate of 6 per cent, a similar case has been that of for money and banking. On the other hand, we witness decline or stagnation in the productive sectors, especially agriculture, whose annual growth has been marginal. There has also been a sharp decline in industry, which has witnessed a fall of nearly 30 per cent between 1978 and 1986, equal to an annual decline of 3.6 per cent.

Table 2. Economic Growth of Different Sectors (1978 – 1985) in 1976 Prices (in Mill. Shs)

	Sector	1978	1979	1980	1981	1982	1983	1984	1985
1	Agriculture Forestry, etc	8,998	9,066	9,418	9,511	9,639	9,597	9,463	9,788
2	Mining	189	200	189	193	193	174	176	163
3	Industry	2,730	2,821	2,683	2,382	2,304	2,103	2,159	2,075
4	Energy and water	286	318	400	417	420	413	439	461
5	Construction	783	879	932	890	930	549	629	577
6	Commerce and Trade	2,797	2,839	2,839	2,925	2,668	2,612	2,640	2,662
7	Transport, Storage and Communication	1,699	1,634	1,818	1,652	1,694	1,473	1,703	1,848
8	Money and Banking	2,208	2,338	2,483	2,529	2,702	2,817	2,920	2,993
9	Public Administration	2,937	3,349	3,657	3,916	4,221	4,450	4,555	4,761
10	Less Bank Charges	485	501	531	549	667	716	754	767
11	Total	22,142	22,943	23,888	23,666	24,104	23,472	23,930	24,511

Source: United Republic of Tanzania (URT), **Annual Economic Reviews,** various years

The information presented in Table 2 corroborates that presented in Table 1, confirming the decline in production. However, growth alone, is a partial indicator of the crisis since it does not indicate, for example, the state of the balance of payments, because, it is quite possible to have stagnant growth and a positive balance of payments, if the volume of imports decreases proportionately or if the country becomes less dependent on imports for its development. Table 3 shows the export position for the years 1975 to 1985. It shows vividly that for quite a long period Tanzania's exports could only meet part of its imports, a situation which has led to chronic balance of payments deficits.

Table 3. Tanzania's External Trade (in Million Shillings)

Period	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Exports	2,764.0	4,108.0	4,464.2	3,670.6	4,484.3	4,165.7	4,807.4	4,028.6	4,270.1	4,354.8	4,265.9
Imports	5,709.4	5,349.5	6,161.3	8,792.7	9,073.2	10,307.9	10,047.2	8,595.6	8,876.5	9,652.8	15,287.8
Balance	2,945.4	1,241.5	1,697.1	5,127.1	4,588.9	6,142.2	5,239.8	4,567	4,605.4	5,297.9	11,021.9

The information provided in Tables 1–3 on the trends in economic performance and the external trade position give clear pointers regarding the economic situation at any given point in time. The moment growth declines, especially when the decline erodes the import capacity of an economy that is dependent on imports for its sustainability and growth, other problems begin to crop up, initially as derivatives, but over time they acquire their own independent character as specific features of an economy in crisis. These include problems in government financing, escalation of inflation and a rise in the cost of living.

The Tanzanian economy has experienced all three problems. Because of low productivity, the tax base declined at a time when government expenditure was growing; consequently it became difficult for the government to balance the budget and it had therefore to resort to deficit budgeting through bank borrowing. The recurrent budget deficit reached an all-time high between 1978/79 and 1981/82, when the overall deficit was 12 per cent of GDP.

Government deficit financing does not of course necessarily mean that the national economy is in problems. At times it is a reflection of government investment policy, which may occur when the government is undertaking ambitious large projects and makes resort to deficit financing through public borrowing in expectation of recovering the borrowed sum with interest the moment the project is operational. In such a situation deficit financing is channelled towards development financing and should be short-lived, but when deficit financing persists over a long period and especially when it is meant to finance recurrent expenditure, then it is a reflection of an eroded revenue base, which is one indicator that production and the general health of the economy are in problems. This seems to have been the case in Tanzania over the years.

Inflation, which has been high in Tanzania, is said to occur when there is too much money chasing too few goods. It does not however necessarily indicate that the economy is in problems all the time. Sometimes, as in the above case, it may arise from government borrowing from the banking system, in which case it may be confined to the time period when the money supply is in excess of the supply of goods. At other times inflationary measures are especially adcpted in order to make a country's products more competitive in international markets, in which case inflation is actually a strategy to stimulate production and external trade. However, there are occasions when the existence and persistence of inflation is indicative of problems of supply of goods and therefore an indication of economic problems. This again seems to have been the case in Tanzania, and we believe it is the case with many African countries suffering economic hardships.

The cost of living, when it is high, is a result as well as a reflection of inflation, that is the erosion of the real value of money or shortage of goods in the market. In either case, when the cost of living is persistently escalating, it means that the economy is in problems, that is either supplies are too few to meet demand, or the cost of production is too high in relation to income levels. Table 4 indicates the cost of living as indicated by the national consumer index.

Table 4. National Consumer Index (1977 = 100)

Year	1977	1978	1979	1980	1981	1982	1983	1984	1985
Rate	100	106.6	120.3	156.7	196.9	253.9	322.6	439.2	585.4

Source: Bank of Tanzania, Economic and Operations Report, June, 1986, Table 27 (27(a)

The general features and character of the economic crisis in Tanzania are reflected in the decline in production, leading to limited exports and export earnings, which have resulted in problems of payments, thereby reducing the import capacity. Low imports have then contracted the production capacity of agriculture and industries, further reducing production. This has in turn eroded the national tax base, forcing government to resort to deficit budgeting, which together with low production, has precipitated inflation and consequently the rise in the cost of living. Thus it is a chain of causalities.

These problems had other negative spill-overs, in terms of reactions by the people whose real incomes had been severely reduced, by 13.5% for rural incomes and by 65% for non-agricultural wage incomes between 1979 and 1984. A more visible reaction has been the evolution of black markets, smuggling and of diverting labour from activities lending themselves to government regulation and taxation to informal, sometimes illegal, activities which have been characterized as the second economy (Maliyamkono 1985).

1.3 Causes of The Economic Crisis

Over a period of time, there have been concerted efforts by the government, scholars and members of the informed public to search for the real causes of the problems as a basis for objective remedial measures. Local efforts have also been complemented by those of members of the international community, especially institutions such as the IMF, the World Bank, and countries which have an interest in the development of the Tanzanian economy. The causes identified may be classified as structural, policy and natural; they have also been classified as domestic and external.

The most glaring structural cause of the crisis is the country's dependence on a weak primary sector, which is sensitive to natural disasters, external factors such as international commodity prices and internal policies - especially pricing and investment policies. Thus, the major cause was the decline in domestic production of agricultural products going hand in hand with the fall in commodity prices in the international market, occasioning contraction of the national income and the capacity to import. It is in order, therefore, to delve at some length into the causes of the fall in agricultural production before we proceed to look at other causes, especially the balance of payments deficits, which we believe are more effect than cause.

1.3.1 Agriculture

What then are the causes of the fall in agricultural production? At least six different causes have been identified which singly and collectively have affected agricultural performance. These include pricing policy, lack of incentive goods, low commodity prices in international markets, poor infrastructure, bad weather, and lack of production inputs. It is thus a combination of domestic, external and natural disasters. We will briefly elaborate on each.

(i) Pricing Policy

Up to and including the early 1970's there was a steady growth in Tanzanian agriculture, while between 1974 and 1984 it grew at a low pace of 2.2 per cent per year, well below the population growth rate of 3.2 per cent per year. However, during the same period the production of the principal export crops declined. One of the explanations is that, over a period of time, agricultural prices remained either stagnant or declined in real terms, and peasants reacted by cutting back on agricultural production for export. There is some correlation between prices paid and production trends for the major export crops.

Table 5. Producer Prices for Peasant Export Crops 1973–1979 (in TShs.)

Year	Coffee	Cotton	Cashew	Tobacco	Tea	Pyrethrum
1973	243	86	72	445	57	224
1974	341	91	64	356	46	255
1975	308	108	54	300	41	216
1976	498	83	46	290	37	269
1977	448	74	36	237	48	208
1978	–	70	48	211	43	185
1979	244	81	49	238	41	175

Source: Bank of Tanzania, Credit for the Development of Agriculture in Tanzania, 1979, Tables; and Bulletin of Crop Statistics, 1980–81, Ministry of Agriculture, 1981, Dar-es-Salaam.

It is now recognized that peasant production started to fall partly due to the fall in real prices at a time when the value of money was falling and prices for merchandise were going up. Concurrently as the domestic prices for agricultural commodities were falling, export commodity prices were also experiencing a downward trend, especially beginning with the 1972-73 oil price rise, which sent the world economy into a global recession. At the same time import prices of essential inputs, machinery and spares went up. The resultant negative terms of trade had an impact not only on the balance of payments position but, even worse, on imports of inputs such as fertilizer, pesticides etc. and on the production of incentive goods to support agriculture.

(iii) Unfavourable Weather

Although Tanzania is well endowed with surface water, the country does not as yet have the capacity or technology to harness water for irrigation purposes. Agricultural activities therefore continue to depend on rain water. During the late 1970's and in 1981 Tanzania experienced extended drought over most of the country, and this affected agricultural production, further worsening a situation which was already bad.

(iv) Agricultural Management

Agricultural management, especially extension work and marketing, had traditionally been handled by the Local Government and Cooperatives, respectively. Beginning 1972, Local Governments were abolished and a deconcentrated Central Government introduced instead. In 1972 Cooperative Unions were also abolished and crop authorities created in their place. Unfortunately, the new institutions, especially the latter, were rather insensitive to the peasants' needs in agricultural management. They turned out to be expensive in their operations and often failed to purchase peasant production and/or pay peasants for their crops promptly, further discouraging the peasants and dampening their morale.

These factors and others such as poor transport contributed to the decline in agricultural production, thus greatly contributing to the economic crisis. Besides the above factors, it is also true that the investment policy of the time did not give sufficient attention to agriculture, being more predisposed to industry.

1.3.2 Industry

As noted earlier, one of the features of the economic crisis in Tanzania is low industrial capacity utilization. Initially this was an effect of the fall in agricultural production coupled with the worsening of the terms of trade which precipitated the balance of payments problems. The problem of national liquidity in terms of shortage of foreign exchange transformed itself to problems of liquidity for the industries. They suffered from shortages of supplies of spare parts and imported production inputs. For these reasons production declined in most industries, in some cases to as low as 20 per cent of installed capacity.

Falling installed capacity utilization had numerous effects. First, to some extent agriculture and the rural population generally depend on the industrial sector for some agricultural inputs, especially for manufactured consumables. The shortage of goods in the market had not only the effect of lowering morale, but it also set in motion a process of smuggling, whereby peasants had to trade their produce with smugglers who in turn smuggled them out of the country in exchange for manufactured necessities. In the process, the country lost the produce, and money was being withdrawn from the formal money market and the tax base contracted as the smuggling activities do not lend themselves to tax assessment.

A similar situation obtained in the urban areas. With chronic shortages of essentials, many workers spent most of the time scrambling for the few goods available, and therefore less time doing effective work, which further lowered productivity in both the industrial and service sectors.

Thus, what was initially seen as an effect of the decline in agricultural production and the unfavourable terms of trade, transformed itself into a cause which further aggravated the economic crisis.

1.3.3 Monetary and Fiscal Policies

It is now realized that monetary and fiscal polices pursued earlier contributed to the economic decline, even if not directly. Two aspects of these policies are important, namely the exchange rate and deficit budgeting.

The exchange rate of the Tanzanian Shilling, which was pegged to the SDR, had for a long time remained constant, at a time of escalating inflation and rises in the domestic cost of production, which in reality resulted in its overvaluation in relation to other tradable currencies. This had a negative effect in that Tanzanian products could not compete effectively in the international markets, a factor which discouraged export of manufactures and other untraditional commodities, thus limiting export volumes and foreign exchange earnings.

The second aspect, namely deficit financing, at a time when growth was contracting and the tax base being eroded, had an inflationary impact on the economy, especially because of the deficit-financed recurrent expenditure, particularly the huge public administration.

As noted earlier, in addition to the above-mentioned primarily structural factors, there have also been administrative factors which have aggravated the crisis. We now turn to look at these factors in the next three chapters, and at what measures the government has been undertaking to improve the situation.

Institutional and Organizational Setup for Public Policy Process and Management 2

A comprehensive analysis of the management of public policy process has to include an examination of the policy environment as a point of departure. In this section we consider three elements of the policy environment as crucial. These elements are the development philosophy which provides political direction, the status of the economy and the external factor.

2.1 The Development Philosophy

The Arusha Declaration of 1967 introduced the philosophy of socialism and self-reliance as the guiding philosophy for the development of the country. One question which always comes out in people's minds is, why was the Arusha Declaration proclaimed in 1967?

There are two possible answers. One argument focuses on the events which took place between 1961 and 1966. During this period, several changes took place. The European officials left and their places in the economic management system were taken over by Tanzanians. The Africanization programme was launched immediately after independence in 1961. Thus, those who chanced to step into the shoes of the departing colonial officers inherited the privileges and fortunes previously enjoyed by the Europeans. This resulted in social inequalities and disparities, creating dissatisfaction among the unprivileged majority. This trend of events became a potential source of future social unrest, which the leadership was not prepared to face. In this sense, the Arusha Declaration was a logical consequence of these events.

The second argument focuses on the international arena. In the early years of independence, Tanzania drew most of its financial support, in the form of foreign aid, from Britain and West Germany. But in 1965, it broke its relationship with Britain over the Southern Rhodesian issue of the Unilateral Declaration of Independence (U.D.I.). A year earlier, in 1964, Tanzania had broken diplomatic relations with West Germany when the former recognized the diplomatic presence of East Germany in Zanzibar. Therefore, the consequences of all these international dynamics and conflicts were the withdrawal of aid and support to Tanzania by Britain and West Germany.

Two views emerge out of these arguments. The first view, based on the first argument, explains the occasion of the Arusha Declaration in terms of events on the domestic scene, i.e., that the events that took place between 1961 and 1966 and the resultant social disparities gave birth to the Arusha Declaration. The other view is based on the second argument that because the chances for support from West Germany and Britain were shattered, the political leadership had to resort to the Arusha Declaration, emphasizing self-reliance as a development strategy. Both views are sound and one is tempted to conclude that it was the combination of these factors which actually led to the proclamation of the Arusha Declaration at this particular time.

The 1967 Arusha Declaration was a culmination of the following pre-crisis developments.

(i) Widened scope of Development operations: Due to the aspirations of the political leadership, the Government pursued social-welfare and egalitarian policies which resulted in emphasizing free social services. The consequences of this line of development were the expansion of the state involvement, increasing the size of personnel and costs. To achieve the objective of self-reliance, the state assumed an active role in production by creating numerous parastatal organizations. In 1965 the National Development Corporation was established to control the industrial sector. In 1971, Commercial Housing Estates were nationalized and the National Housing Corporation and the Registrar of Buildings controlled Housing. The National Trànsport Corporation was created to control the transport sector. Twenty years after the Arusha Declaration, Tanzania had over 400 parastatal organizations. All these measures increased state involvement in the economy both in role and scope.

(ii) The egalitarianism underlying the policies of the Arusha Declaration sought to minimize income differentials especially in the public sector which is the greatest employer of labour. As a result, salaries, remained low and compressed. This meant laxity at work. On the one hand, the low level of remuneration led to low work morale and lack of incentives. On the other hand, the emphasis on democracy and people's participation led to a management style which de-emphasized close supervision, accountability enforcement, lack of respect for authority, opens the door for laxity at work, truancy and absenteeism, resulting in lowered efficiency and productivity.

2.2 The State of the Economy

During a period of ten years between 1970 and 1980, several events took place in the national economy. 1971 witnessed the first oil-shock. Between 1972 and 1980 Tanzania faced a drastic shortage of food necessitating an expenditure of T.shs. 2.9 billion (1980 prices) for importing Maize, Rice and Wheat. During the same period, the East African Community broke up and Tanzania lost some of the vital services which were provided under the community: a National Airline, A Harbour Corporation, a Railways Corporation, Posts and Telecommunications. All these services had to be established at the cost of over Tshs 2 billion. At the same time the prices of primary commodities drastically fell at the international market, eroding the foreign exchange earning power of the country. The situation was aggravated by constant production decline of the export crops declined by between 25% for Cotton and 87% for Tobacco and Tea. Only Coffee seemed to survive in this period with a declining rate of only 5% hastily. The culmination point in the economy came in 1978 when Tanzania went to war with Uganda. The Uganda war is estimated to have cost Tanzania Tshs 4 billion in addition to the loss of lives.

Despite all these economic shocks, the economy of Tanzania was relatively healthy until 1978. The Government experienced fiscal problems in the financial year 1978/79 when recurrent expenditure over-shot recurrent revenue by a wide difference. This situation of expanding expenditure and declining revenue raised great concern on the part of the Government. Emergency measures were taken with the quick introduction

Programme (NESP), Structural Adjustment Programme (SAP), Economic Recovery Programme (ERP One) and now Economic and Social Action Programme (ESAP or ERP two).

2.3 The External Factor

During the sixties and early seventies, the external factor was relatively favourable. The international commodity market, though fluctuating, was stable in the sixties until 1971 when the economic depression set in. By 1976, Tanzania had started to experience trade deficits but the volume of the deficits was still small and manageable. For example, in 1976 the trade deficit was only US$157m. equal to 32.2 per cent of the export value. In 1987 the comparable figure was US$643m equal to 214.3 per cent of the export value.

In a similar vein, the foreign aid flows in terms of loans and grants were still easier to come by and the external debt burden was minimal. Debt servicing was equal to 10.3 per cent of total exports in 1981. In 1988 it was projected to reach 76.8 per cent of exports.

Policy measures adopted during the crisis ushered several changes. The total effect of these changes resulted in a general reduction of the public sector and expansion of the private sector. Economic liberalization created favourable conditions for the expansion of private investment at the same time making it difficult for the operation of public enterprises. Commodities from the inefficient public enterprises could not compete with the unexported goods from more efficient economies in the market. On the other hand, constant devaluation of the national currency made it more difficult for home public industries to import raw materials and machine parts from abroad, even with the import support provided under the ERP. The situation was more favourable for the private sector which has a link with foreign sources of capital. As a result of these factors, the crisis period seems to be favourable ground for private investment. Indicative of this trend is the growth in capital formation. Between 1982 and 1987, capital formation rose by 231.6 per cent in the public sector while it rose by 682.8 per cent in the private sector (Tanzania Economic Trends Quarterly Review Vol. 1, No. 2 July 1989). The trend was reversed in 1983 when, for the first time, capital formation was higher in the private than in the public sector. In 1984 public capital formation was 5.9 per cent of GDP while in the private sector it was 9.4 per cent of GDP. By 1988 it was 24 per cent of GDP in the latter. This was obviously a process of de - nationalization of the economy.

2.4 Responses in Policy Framework and Process

The economic crisis had a profound impact on the policy related to investment. This resulted in the need to review and reorganize the policy making framework and the process. Three main administrative responses have been identified, namely, the Policy Making Framework, Information Gathering for Policy Formation and the Increased Role of the Foreign Element.

2.4.1. *The Policy Making Framework*

The economic crisis has demanded enhanced efficiency in public policy management, which has in turn led to institutional reorganization of the key policy organs. The basis for such reorganization were the numerous recommendations of various commissions instituted for the purpose of deriving such recommendations. These commissions included the Presidential Commission on one Party State of 1964. This commission recommended the establishment of a One Party state. The Turner Commission came up with two reports in 1966 and 1975 respectively. The permanent Labour Tribunal (PLT) and the Minimum Wage Board were established as a result of the Turner reports. The Pratt Commission of 1969 produced a report which recommended several changes. As a result of the recommendations, the 1972 Decentralization reform was adopted. An Economy committee (KRUM) recommended several changes including closing some offices, power transfers between Central Government and Parastatals and a twenty per cent reduction of the Government Labour Force.

The first crisis commission wince the onset of the economic crisis was the Kisumo - Hamad Commission of 1983. This commission came up with many recommendations. Of policy importance here is the recommendation of the rationalization of the ministerial functions. As a result the Ministry of Manpower was dis-established and the manpower function was transferred to the President's Office. The number of ministries was cut down from twenty one to fourteen. Thus one witnesses here the first institutional reorganization of the administrative system in response to the economic crisis.

The most recent policy commission since the onset of the economic crisis was the Nsekela Commission, which came up with a wide range of proposals for change. Among the proposals, the following are important for policy management:

(i) The establishment of a State Planning Commission which would be responsible for coordinating sectoral plans, evaluation of economic performance and coordinating the use of human resources.
(ii) Manpower Planning be placed under the Planning Commission in the President's Office.
(iii) The Bureau of Statistics be transferred from the Ministry of Finance to the President's Office.
(iv) To enhance the Prime Minister's role of policy coordination, a Policy Coordinating Unit be set up in the Office of the Prime Minister.

To implement Nsekela report, an Interministerial Task Force was set up to work out a new Government Structure as follows:

The Office of the President:

The new structure of policy management puts high emphasis on strengthening the Office of the President. Two central organs have been set up, namely the Planning Commission and the Civil Service Commission.

(i) The Planning Commission

This organ was formed in 1989 under the Office of the President. It became responsible for economic management and, specifically, the coordination of the planning function. In managing the economy, the Planning Commission makes an assessment of various policies with the aim of strengthening the implementation of existing policies and initiating new ones. Besides, the commission coordinates the day-to-day implementation of policies in the different economic sectors to ensure that steps are taken to solve any problems which may arise:

The Commission has more powers than the Ministries, Regions and other organs. It advises the Government on all planning matters and the economy in general (Interministerial Task Force 1989).

The commission, being above all the ministries, enables the president to control planning policy. Through the commission, the President, who is also the Chairman of the Commission, exercises over all economic management and planning direction and implementation monitoring.

(ii) The Civil Service Department

This Department was set up in the President's Office as recommended by the Nsekela Commission. It was placed under a Minister of State directly under the President. It has assumed increasing powers in respect of personnel policy. This would ensure that "there is one Civil Service in the country and not a collection of departmental services". The duties of the department include:

Making sure that Government Officers establish work targets and performance standards, design effective mechanisms for monitoring and supervision of officers at work, ascertain that descriptions to enhance efficiency and to institute an effective mechanism for making every civil servant accountable for his work and responsibility.

Like the Planning Commission, the Civil Service Department enables the President to directly control personnel policy as the Head of the Civil Service. The Interministerial Task Force argues:

In this regard, the capacity to co-ordinate and supervise civil service policy and administration has suffered considerably resulting in erosion of ethics and falling discipline ... It is important that there is a strong central authority to co-ordinate and supervise civil service policy and administration. We are convinced that this can be possible if these functions are placed directly under the Head of the Civil Service. (Interministerial Task Force 1989).

The Prime Minister and First Vice President

The Prime Minister is the co-ordinator of all Government business. He co-ordinates policy implementation on a day-to-day basis. In order for the Prime Minister to efficiently play his coordination role, two changes were necessary:

(i) Relieve his office of all sectoral functions i.e. information, broadcasting and printing which were previously under the Prime Minister's Office (PMO).
(ii) Establish a Policy Coordination Unit to strengthen policy coordination.

The Ministries

In 1987, the Interministerial Task Force came up with a proposal to streamline the Ministerial setup. Their main argument was that the current nature of the economy (in a crisis), political orientation and social environment call for a small but effective government. The Task Force, therefore, proposed a cabinet of sixteen ministries.

Secondly, the Task Force recommended a categorization of the Ministries into four groups. The following table shows the full ministerial categorization:

Table 6. Ministerial Categorization

"Core" Ministries	Economic Ministries	Socio-economic Ministries	Social Services Ministries
Finance	Industry & commerce	Local Govt	Education
Foreign Affairs Home Affairs	Agriculture & Livestock	Information, Tourism, Culture, and sports	Health Justice
Defence & National Service	Water, Energy & Minerals		Labour, Youth & Social welfare
Economic Planning	Land, Housing and Natural Resources		
Science & Technology	Communications Transport & Works		

The present Ministerial organization is based on the above categorization except that the Ministries of Economic Planning and Science and Technology has not been established. Instead a Planning Commission and a Science and Technology Commission have been separately created, the former under the President. It was hoped that the above organization of the Ministries would facilitate optimum efficiency and effectiveness in policy management.

The Cabinet

Central in the management of policy in Tanzania is the cabinet. This Organ comprises all the Ministers, in that sense, bringing together all the sectoral and central (core) Ministries. Thus the organization of the cabinet is of great importance. The present cabinet has been organized into four functional committees (Presidential Circular No. 1 of 1985). Table below shows the cabinet committees, and their Minister members.

Table 7. Cabinet Committees and their Membership

Committee	Chairman	Deputy Chairman	Minister Members
1. Economic & Finance	President	Premier	Finance Agriculture Livestock Economic planning Lands & Tourism & Natual Resources Water, Energy & Minerals Communications Cabinet Affairs Foreign Affairs Without Portfolio State Minister (PMO)
2. External Affairs	President	Premier	Defence & National Service Justice Home Affairs Minister of State (President's Office) Finance Economic planning
3. Community Development	Premier	Finance	Education Economic planning Health Labour & Manpower Communications & Works Ministers of State (President's Office & PMO)
4. Constitutional & Parliamentary Affairs	Premier	Minister of Justice	Home Affairs Finance Minister of State (2nd v/press.) Labour & Manpower Minister of state (PMO) Without portfolio (party Sec. Gen.)

Source: Presidential Circular No. 1 of 1985

The cabinet is served by a cabinet secretariat which provides supportive services. The Secretariat is responsible for making all the preparations and doing the ground work for the cabinet policy meetings. It also keeps record of the cabinet work etc.

A new input in the policy process was the introduction of a new post, that of Private Secretaries to the Ministers. Previously, only the President and the Prime Minister had Private Secretaries. It has become necessary that the post be extended to the Ministers. The argument here is that the Ministers have traditionally been dependent on the Principal Secretaries of their Ministries. This has created a tendency where the Ministers have become part of the Civil Service Bureaucracy. Secondly it has created overlaps in the work of the Ministers and that of the Principal Secretaries. Under this situation, the Ministers have been involved in the work of their Principal Secretaries i.e. the administration of the Ministry. On the other hand, the Principal Secretaries have been used as Private Secretaries of the Ministers thus doing the work of the Ministers instead of their actual work. This situation has caused inefficiency in the work of both the Ministers and the Principal Secretaries.

Essentially a Minister is a political leader who represents the people as a member of Parliament (MP). He represents the President in the Ministry and the sector headed by the Ministry. The Minister also leads his Ministry in the implementation of the country's policies and the official ideology. He is the spokesman of the Ministry responsible to Parliament as an MP and to the President as a Minister.

On the other hand, the Principal Secretary is the Chief executive of the Ministry. He is responsible for the day-to-day administration of his ministry. He is in charge of all bureaucratic work in the Ministry.

The introduction of the post of Private Secretary to the Minister is an innovation directed at strengthening the role of the Minister vis-a-vis that of the Principal Secretary. He provides support to the Minister by assisting the latter to monitor the implementation of policy in the Ministry.

In general terms, therefore, the President defined, in a circular in 1985, the duties of the major offices of the Government involved in the policy management process.

The objective of this circular is to clarify the duties of each office in a clearer way and to show how each office will perform its duties on the basis of collective responsibility to enhance efficiency (Presidential Circular No. 1 1985)

Interministerial Technical Committee

This is a committee which comprises all the Principal Secretaries. The Principal Secretary to the President's Office is the Chairman. The major responsibility of this committee is to go through and deliberate on policy proposals from the different ministries before forwarding them to the cabinet. As its name indicates this is just a technical committee without any significant policy role. It puts final touches to the policy proposals before transmitting them to the cabinet secretariat.

Sectoral Development Committee

This committee draws its membership from the sector concerned. The Minister of the sectoral ministry is the Chairman. The duty of this organ is to consolidate and coordinate sectoral policy proposals before submitting them to further deliberation.

2.4.2 The Policy Process

The foregoing discussion is a description of the institutional organization for policy management in Tanzania. But structures apart, it is also necessary and important to see what actually takes place within the structures.

When one talks about policy process, one would be referring to a three stage process, namely, policy formulation, policy implementation and policy monitoring and evaluation. The three policy stages are related and linked. They can be broken down into the following analytical categories (Mutahaba *et al* 1989).

(a) Policy formulation

- (i) Interest or problem articulation and aggregation
- (ii) Definition of the problem
- (iii) Collection of data
- (iv) Development of options, and
- (v) Selecting an option

(b) Policy implementation

- (i) Organizing
- (ii) Staffing
- (iii) Communication
- (iv) Coordination
- (v) Financial and material mobilization

(c) Monitoring and Evaluation

- (i) Determination of information needs
- (ii) Generation of information
- (iii) Transmission of information
- (iv) Assimilation, analysis and assessment
- (v) Feedback to policy formulation

For effective policy management, there is need to have an institutional organization which can facilitate the attainment of all the above activities. Such an institutional framework needs to be designed in a manner that allows the logical flow of these activities.

In the case of Tanzania, policies are themselves classified into two categories. The Tanzania administrative system makes a distinction between basic policies on the one hand and operational or implementational policies on the other hand. Basic policies are those policies which are concerned with (PMO circular No. 1, 1984):

- (i) Interpretation and elaboration of the country's ideology in different sectors.
- (ii) Changes in the ideology of the country as may be necessitated by the prevailing conditions; and
- (iii) Any new orientation on the national ideology of socialism and self-reliance.

On the other hand, operational policies would include:

- (i) Strategies or programmes for the implementation of various Party decisions.
- (ii) Strategies for promoting productivity and success in implementing Government and Parastatal programmes for national development
- (iii) Clarification of technical issues in different sectors.

The categorization of policies does imply that basic policies fall under the authority of the Party. Either they are formulated by the Party or they are formulated with its full knowledge and consent of the Party. On the other hand, the Government has the power to make final decisions on all issues regarding operational policy except when the cabinet or the President feels that it is necessary to get the approval of the Party. Or if any Party organ demands to see such decisions (PMO circular No. 1, 1984).

The main problem with this categorization is the fact that it is not always easy to distinguish between what can be regarded as basic policy and what can be taken to be operational policy. The Government itself recognizes this problems.

> It is not always easy to distinguish between basic and operational policies. What is important is that Government Ministries should bear in mind ideological issues while they can make final decisions on basic decisions of the Party on different sectors. (PMO circular No 1).

Because of the difficulty of making a distinction between the two sets of policies, it has been possible for basic policies to pass as operational policies and vice versa. This, therefore, makes the categorization to be less useful and operational. In other words, the Government can use this loop-hole to make final decisions on basic policies in the name of implementation.

As regards basic policies made by the Party, the Ministers, in their capacities as Party commissars in their respective ministries, still have the duty to advise the party on the real situation in the various sectors and the economy as a whole before the Party and the Ministries. Before 1984, the procedure for this communication was not clear. In 1984, the Government clarified the procedure to be followed:

> The President has directed that all matters related to the Government and Government leaders communicated to the Party should be communicated through the Prime Minister. This means that Ministers will direct their communication to the Party through the Prime Minister and the Party will also communicate to the Ministers through the Prime Minister. (PMO circular No. 2, 1984).

However, this procedure applies only to policy matters. Ministers can communicate directly with the Party on non-policy issues. In the same vein, the Regional Commissioners can communicate directly with Regional Party organs without reference to the Prime Minister on non-policy issues.

As for operational policies, the Government does not have to refer to the Party. It has full powers to make final decisions on operational matters. Decisive in this case is the cabinet which makes the final decisions. The process has been aptly described by Nsekela.

> Cabinet papers are prepared by the Ministries. Then they are scrutinized by the Interministerial Technical Committee before they are finally submitted to the cabinet (Nsekela Commission).

In other words, the ministry initiates policies. Where it is appropriate, the ministry makes consultations with the relevant department in the Party. Then the policy is submitted to the cabinet. The latter's decision is final in the case of operational policy and it forwards the decision to the Party for its approval in the case of basic policy.

In terms of the above policy model, it is clear that most of the technical activities of policy formation are accomplished at the ministerial level. It is at the ministry where the problem or interest is articulated, data is collected about the problem, analyzed and options developed. But it is the cabinet which selects the option to be implemented. Thus, the cabinet is the critical organ in the process of policy formulation. At this level, policy formation becomes a political question involving a political choice of what option to be adopted.

When it comes to policy implementation, it entirely becomes the responsibility of the ministry. The ministry undertakes organization of work, staffing of the posts, developing proper and appropriate communication system, coordination of implementation and finally marshalling and mobilizing materials and financial resources to achieve efficient policy implementation.

However, monitoring and evaluation is a responsibility of higher organs, namely, the Party, the Cabinet, Parliament etc.

> Given our experience and practice in the history of our country, the Government is responsible for periodically making reports to the Party on the progress and problems of the implementation of Government policies (PMO circular No. 1).

The cabinet is the top policy-making organ in the Government administrative system. It is therefore, responsible for monitoring and evaluating the implementation of its policy decisions. The Cabinet receives feedback from the implementing organs and through this feedback system the Cabinet can make assessment on the progress of implementation.

So far, the analysis of the policy process shows clearly that the process is a top-bottom one. The policy management process is highly centralized. The role of the Ministries in policy formation is limited to the technical aspects of problem articulation, data collection and analysis and the development of options. The power to decide on what option should be adopted lies with the President. The Planning commission whose chairman is the President controls planning policy. Again the Civil Service Department controls manpower and personnel policy.

Communication with the Party is controlled by the Prime Minister and First Vice President. The ministries have no autonomy in having policy communication with the Party.

Though the planning function seems to be decentralized to the sectors and regions, in practice, the Planning Commission issues planning guidelines which have to be closely followed. The planning units, therefore, cannot operate outside the central planning guidelines. Besides giving guidelines, the Planning Commission monitors and supervises the whole planning process. It has the power to summon Ministers and Regional Commissioners to come and explain their plans.

Reasons for the tendency to centralize policy management during the economic crisis period are not explicit. However, experience has shown that those countries which have adopted structural Adjustment Programmes (SAPs and ERPs) have tended to create policy management structures which favour centralized management. This is probably because SAPs have been socially unpopular for their social ills. While SAPs may have been successful in raising rates of economic growth, checking rates of inflation, cutting down government spending etc, they have led to increased malnutrition increased illiteracy, and so on. Therefore, it is logical that the implementation of SAPs calls for a strong Government with centralized powers to create the appropriate discipline needed.

2.5 Improved System of Information Gathering

Efficient policy management calls for efficient ways of gathering information. One of the conventional institutions in use for gathering data is the Bureau of Statistics which was formally under the Ministry of Finance. This institution was transferred to the President's Office following recommendations by the Nsekela Commission. The Bureau of Statistics is an important source of various types of data including economic and demographic data.

Of recent, other data gathering institutions have been created. Such institutions include the Tanzania Development Research Group (TADRED), the Informal Sector Study team etc.

The increased use of commissions does constitute a valuable source of data and information. The nature of their work is such that a lot of information is generated and analyzed. The commissions use the information to advise the Government on policy issues.

The Government is also increasingly using informed groups from institutions of higher learning to conduct research and consultancy. These professional groups play an important role in generating and analyzing information for policy management.

2.6 Increased Role of the Foreign Element

A new force in the policy management in Tanzania is the external influence from foreign aid donors. Before the economic crisis, the foreign donors' influence on policy was very limited and peripheral. It was indirect, coming in the form of choice of projects and areas which they preferred to support. This influence, limited though it was, sometimes resulted in distortions of the Government's own plans. Even then the impact of this interference was not great.

With the onset of the economic crisis, the Government found itself in greater need of external aid. This trend of events created favourable conditions for the active participation of the foreign donors in policy management. More foreign experts were brought into the system. At the initial stages, there was heavy dependence on foreign consultancy even for tasks that could be done by using indigenous experts.

Of all the external agencies, the World Bank and the International Monetary Fund (IMF) are most active. They become the custodian of fixed policy packages regarded as the cure for all the economic crisis problems. They created conditions under which international donors would not provide assistance unless a country in need of that assistance agreed to abide by their conditionalities. This became a dilemma to Tanzania because the IMF conditionalities run counter to the long-term development objectives of the political leadership.

For quite a long time, Tanzania resisted the IMF conditionalities. But as the economic crisis intensified, the Government had to give in and reach an agreement with the IMF and the World Bank, which paved the way for other donors to resume their support. The effect of this is that since the Government signed the first agreement with the IMF the latter now literally dictates the policies and policy changes to the Government. Certain policies which go contrary to the development ideals of the country have been forced on the administrative system. Constant devaluation, for example, led to high inflation, raising prices of most imports to exorbitant levels. Cut backs in Government budgets have led to a drastic deterioration in the quality and quantity of social services, and economic liberalization policy has negatively affected the domestic industries.

In terms of policy formulation capacities, Tanzania's administrative system has lost quite a lot of ground. For a long time policy packages have been dictated into the policy. In this way the administrative system has become a recipient rather than a formulator of policy. This has reduced the policy management capacities of the administrative system.

In conclusion, therefore, we would argue that although the Tanzanian administrative system has developed a centralized policy management system which indicates strength, it has lost substantial policy powers to the foreign element. Most key policies are dictated in the form of SAPs and ERRs. The system has no choice but to implement these programmes as they are fed into it.

Administrative Measures to Improve Productivity and Efficiency of the Civil Service

3

3.1. Introduction

Recovery from the economic crisis, the nature and character of which has been documented in the first section, requires, among others, a dynamic, innovative, spirited and motivated public service to steer the nation towards improved productivity and transformation. There has however been a general consensus that the public service has been inefficient and unproductive. Indeed there is a linkage between the economic crisis and the crisis in public service productivity. This linkage manifests itself at three levels:

i. The size of the public service and its attendant wage bill, is said to cause budgetary constraints, especially when it is too large, thereby making the wage bill out of proportion to the financial ability of the state to raise revenue for the productive sectors and other essential infrastructural and social services. This aspect is seen to be part of the causes of the economic crisis, as resources are drained by the service.

ii. Once the economic crisis has set in, it restrains the ability of the state to remunerate the civil service personnel adequately, whereby they become demotivated and demoralized, with the consequence that productivity at work declines, as public service members evolve such behavioural patterns as moonlighting; engaging in secondary activities during working hours; soliciting bribes before rendering of services; or spending hours looking for essential but scarce goods. In the above sense, the economic crisis is seen to be cause, at least partially, to the crisis in civil service productivity.

iii. Further, the economic crisis is said to be compounded by low capacities of the civil service, especially when decisions and operations take longer than normal to be made or accomplished, respectively. This is usually the case because of several handicaps, including lack of modern management techniques, application of productivity improvement techniques, performance appraisal and measurement techniques, and absence of an accountability framework. The three factors are mutually reinforcing.

The Tanzanian government has recognized the above situation, and consequently various responses have been initiated to contain and ultimately reverse it. This section intends to document and review those responses and their potential for coming to grips with the economic crisis. In sub-section two an attempt will be made to explore the nature and character of the problems; in sub-section three we look at the various responses carried out by the government so far, while in sub-section four we make a general review of those responses, with a view to making recommendations with regard to redynamising and invigorating the civil service, especially steps and actions needed to be taken to improve productivity, efficiency, effectiveness and accountability in the service.

3.2. The Economic Crisis and the Civil Service

The relationship between the civil service and the economy, particularly for developing countries with a Tanzanian type of economy, is obvious. In most African countries the state comprises the main economic actor. This is so for various reasons, but especially due to the colonial heritage.

The colonial regime, concerned with their own imperial interests, did not take sufficient initiative to create a business and commercial class, with sufficient capital, entrepreneurial skills and acumen to steer the economy to greater heights. The ushering in of independence was seen therefore to provide the opportunity for rapid socio-economic transformation, yet in the absence of a local entrepreneurial class, the state became the main dependable organ for that activity. It was not only called upon to facilitate economic activity through various regulatory measures, but it was also called upon to take an active role in the actual planning, resource mobilization and execution of economic and social programmes. The civil service, as the right arm of government for advising on policy, and responsible for the eventual execution of those policies, occupies a central position and plays a crucial role. Therefore, the relationship between the two is close, almost symmetrical. Below we review civil service factors which might have contributed to or aggravated the economic crisis, as well as look at how the economic crisis might have resulted in poor performance in the civil service.

3.2.1 The Size of the Civil Service

With the onset of the economic crisis in most of Africa south of the Sahara, the question of the appropriate size of the public service has acquired special currency. Various experts on the subject are engaged in a lively debate as to whether African public service sizes are appropriate or not. Elliot Berg suggested way back in 1981 that as much as the crisis in sub-Saharan Africa might have been externally induced, measures taken by African governments were faulty and imprudent. He observed that the public sector in Africa was overburdened; instead of concentrating on central tasks only, it engaged in demanding activities of a secondary nature, as a result of which the public sector has grown much faster than the economic base and capacity can permit (World Bank 1981a; E.Berg 1986 44–59).

A counter-argument to the above position is presented by R.Green, who states that the public sector in Africa has to play a leading role in socio-economic management. He further asserts that:

> This is more a matter of contextual necessity than ideological preference. Given the very late start, weak private domestic sector capacity, poor domestic saving mobilization capacity and extreme openness to trade, African economic development (whether capitalist or socialist) will require large public sectors—both governmental and public enterprises. There is no general case that African public sectors do too much; in most cases they probably do too little (Green 1985, 34–35).

As the above review indicates, the exact determinants of an appropriate or inappropriate size remain elusive. The common indicators applied include the share of civil service pay in GDP and in government revenue as well as its numerical size in relation to the total work force. While these indices have problems, especially in terms of determining the appropriate cut-off point, we are using them in an attempt to illustrate the Tanzanian situation.

3.2.2. Low Productivity and Inefficiency in the Civil Service

Table 8 shows the share of government employment in total national wage employment for the years 1963–1985.

The other indicator of whether the civil service is disproportionate to the capacity of the economy to sustain it is the relative annual growth rate of the national economy on one hand, and that of the civil service on the other. Table 9, shows the average annual rates of growth of GDP, on one hand, and on the other hand the average annual rates of growth of public administration at 1976 prices.

Table 8. Share of Government Employment in Total Wage Employment 1963–1985 (%)

Year	Government	Parastatal	Private
1963	23.1	4.9	72.0
1964	24.6	5.0	70.4
1965	26.9	5.3	67.8
1966	29.0	5.0	66.0
1967	31.6	4.8	63.6
1968	34.0	18.6	47.4
1969	35.6	19.7	44.7
1970	35.9	22.5	41.6
1971	41.1	11.1	39.8
1972	35.1	23.0	41.0
1973	32.9	32.0	35.1
1974	36.8	29.6	34.9
1975	31.5	33.6	34.5
1976	30.6	34.9	33.4
1977	32.8	33.8	28.0
1978	34.7	37.3	30.0
1979	37.0	33.0	29.2
1980	37.1	33.7	27.3
1981	38.1	34.6	27.3
1982	38.1	34.6	27.2
1983	38.2	34.6	27.3
1984	38.1	34.6	27.3
1985	38.5	34.6	26.9

Source: "Surveys of employment and earnings 1962 to 1980; Economic Surveys 1962–1981, Manpower Surveys 1980 and 1985; Annual Manpower Reports to the President 1979–1984".

Table 9. Average Annual Rates of Growth of GDP and Public Administration at 1976 Prices (%)

1. Year	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
2. National GDP	0.40	1.26	1.87	1.98	1.48	1.33	0.79	1.11	1.28	1.5	11.7
3. Public Admin.	6.62	13.12	11.60	8.01	8.68	7.18	6.09	5.33	4.94	3.44	3.19

Source: *National Accounts of Tanzania*, Bureau of Statistics—1988, Appendices 1 and 4.

An analysis of Table 9 shows clearly that the annual growth of the civil service outpaced that of the economy by a very wide margin. For the whole period 1977 to 1987, the annual growth rate of the economy was below 2 per cent, the highest being 1.98 for 1980, and the lowest being 0.4 for 1977, with annual growth averaging 1.22 for the period 1977 to 1984. Public administration grew at an annual average rate of 8.33 per cent during the same period. It is from 1985, when as we will see later corrective measures began to be taken, that the annual growth rate of public administration fell below 5 per cent.

The implication of such disparities in growth rates is that the public administration system increasingly burdens the national economy and constraints its growth, as the government is called upon to pay huge and increasing sums of money from a non-expanding economy, thereby contracting the capacity to save and invest in productive areas.

The cost of public administration to the economy can be further deduced from Table 10, which shows expenditure on public administration as a proportion of GDP at 1976 prices.

Table 11. Public Administration as a Proportion of GDP at 1976 Prices (in %)

Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
%	10.8	11.5	13.4	14.2	13.6	15.2	15.2	15.5	15.0	14.9	13.0	12.2

Source: *National Accounts of Tanzania* 1976–1987; Bureau of Statistics, DSM, 1988, Table 4a

As already noted, it is not easy to say what the appropriate proportion of GDP that should constitute public administration is. However, it is argued that a share of, say, 15 per cent burdens the economy and is indicative of a large size of the civil service, and when it is consistently large it may precipitate or aggravate the economic crisis.

From the data provided in Tables 8–10 one cannot conclusively establish whether the size of the Tanzanian civil service is too large or not. However, the government itself has conceded that it is rather too large, and has from around 1985 taken measures to face this problem, which measures will be documented in sub-section three.

3.2.3 Low Productivity and Inefficiency in the Civil Service

The effective performance and productivity of any organization depends on its personnel, who as administrators/managers, planners, organizers, thinkers, and doers, collectively and individually translate decisions into actions, process raw materials into consumer articles, etc. Thus, the quality of services and goods, as well as speed and efficiency in fulfilling an assignment, depend very much on personnel, other factors being equal. However, effective realization of efficiency in role performance, and therefore raising the productivity levels of an organization or agency, depends also on other organization variables, especially on how the service is organized in order to effectively dovetail the efforts of various staff members towards attaining the organization's goals. It depends also on the system and levels of compensation, the skill levels and competence of staff, the tools and equipment in use and the application of appropriate techniques and technologies.

The relationship between the civil service and its efficiency on one hand and the economic crisis on the other can be gauged in terms of a cause-effect relationship. The economic crisis, once it has set in, restrains the ability of the government to remunerate its staff adequately, thereby lowering their morale, which is translated into lowering of efforts at work, in the end making the cost of the activities performed more expensive to the government. Moreover, the economic crisis normally has other attendant vices, such as shortage of essential goods, raising the cost of living, inflation and the like. These also affect the productivity of the service adversely, as when people spend office-time out looking for essential consumer articles, and engage in moonlighting on and off duty, pilferage, bribery, etc. Such activities cost the government dearly in time and money, thereby aggravating the economic crisis. Similarly, low productivity, arising for example from low competence of staff or use of archaic technologies, costs the government dearly in terms of time taken to complete an assignment, or in terms of poor quality of the end product, whether it is a service or a tangible good.

Productivity, especially in the public sector, has been defined as a function of the way in which technological, capital and human resources are managed, especially the efficiency with which an organization's resources are utilized to produce final output (Prokopenko 1989 p.21). Three types of productivity measurement are normally applied. First, there are efficiency-type measures, which compare the inputs or resources an organization uses with the final goods or services it has produced. Second, there is work measurement, which is mainly concerned with the activity itself rather than its results, and are usually measured in terms of activity per unit of time. Work measures evaluate intermediate activity by assessing resource requirements under a given technology or set of conditions. Third, is effectiveness measurement, which is a way of measuring how well an agency is meeting the public purpose it is intended to fulfil.

Unfortunately, the productivity measurement techniques have not been used consistently, and there is a general absence of scientific productivity targets, particularly of services. Consequently, productivity measurements are rarely done, with the result that it is difficult to establish clear productivity levels. Nonetheless, notwithstanding the above observation, we will attempt to establish productivity levels by using two approaches. First, whenever specific targets have been set in quantifiable terms, we shall try to relate the targets to levels of achievement (i.e., effectiveness measurement). Second, we shall try to complement this with the use of impressionistic evaluation, especially where such evaluation has been made by members of the informed public.

> large savings representing 44% of the approved provision for those votes. I have to repeat that the huge savings under the development vote year after year indicate that either the estimates are not being framed on a realistic basis or that the projects are not progressing according to schedule. (Report of the Controller and Auditor-General for the financial year ended 30th June, 1988; p.3).

In our view the latter is the most probable, which is a clear indicator of less than satisfactory productivity levels, irrespective of what the causes may be. It is moreover important to note that the level of satisfaction derived from an incomplete development project, i.e., its impact on the public and/or the economy may be negligible or zero. Besides, delays in implementation of projects in an unstable economy such as that of Tanzania usually result in the escalation of costs and thus compound the burden of an already financially starved economy, thereby aggravating the economic crisis.

Poor Management of Budgetary Flows

Table 11. Budget Allocation and Performance (Supply Vote) 1979–1988 (in mill. Shillings)

Year	A	B	C	D
1979	6,835.2	7,587.6	–752.4	–11%
1981	7,614.7	8,087.7	–473.0	–6.2%
1982	9,627.2	10,319.4	–692.2	–7.2%
1983	11,711.6	11,829.2	–117.6	–1%
1985	16,034.4	17,122.7	–1,088.3	–6.8%
1986	19,663.1	20,503.5	–840.4	–4.3%

Table 13 gives the extent of unvouched and wrongly vouched expenditure. The total amount for the various years is phenomenal, ranging from 3 to 7 per cent of the recurrent allocation before 1983. Of course, the unvouched or wrongly vouched expenditure does not necessarily mean that the respective sums were not expended on government business, but the motive for making unvouched expenditure which cannot be ascertained tempts one to make such a conclusion.

What is important, though, is that civil service operations are assumed to be routinized, strictly procedural, and observing the established operational regulations. Therefore, the recurrence of such anomalies as mentioned above in the management of budgetary flows means that the procedures and regulations provided are not strictly adhered to, which is a clear indication of laxity in the management of government resources and lack of accountability enforcement, both indicative of the inefficiency of the system.

All the above evidence points to the fact that productivity in government, when looked at from the perspective of the management of budgetary flows, has been low and disturbing, and must have contributed in no small measure to the economic crisis.

Laxity at Work

A casual observer of the work process in the Tanzanian Civil Service cannot escape noticing the sluggishness, laxity, I don't care attitude and related behavioural patterns which characterize its operations. Roads are in disrepair, phone-calls go unattended, files are misplaced, vehicles go unserviced, refuse in urban centres piles up and is not collected; indeed almost any conceivable activity takes much longer to perform than the norm.

Unfortunately, as observed earlier, the Tanzanian Civil Service has not developed any reliable work-measurement techniques which can give us concrete performance and productivity levels of the service. Nevertheless, studies that have been conducted in the area are conclusive that work performance levels have been low and declining.

Laxity at work and indiscipline became particularly rampant from the 1970s, so that in 1978 the government formed a committee headed by Mr. Benard Mulokozi, then the longest-serving Principal Secretary, to study the situation and look into ways and means of rehabilitating discipline in the Civil Service.

In its submission, the committee noted strongly that the service suffered from indiscipline and lack of commitment, which manifested themselves in laxity, coming late to office, leaving the office early or for long periods, and nepotism in appointments and promotions.

The committee further recommended the following measures to be taken by the government:

i. requiring all top civil servants to abide by the laid down civil service rules and regulations;
ii. requiring all disciplinary authorities to take prompt action against any act of indiscipline; and
iii. requiring the modification of the Security of Employment Act of 1964 so as to

The report and the recommendations were accepted by the government. Despite the adoption of the report, the situation did not improve substantially, if at all; indeed when in 1983 the structural adjustment programme (SAP) secretariat was looking into reasons for failure to attain the objectives of the various plans and programmes, it observed that "there was serious indiscipline in the civil service". It noted, for example, that:

i. features of a well-managed civil service were completely non-existent;
ii. a central "data bank" on civil servants was virtually non-existent;
iii. often no records were kept of even basic information relating to appointments;
iv. no effective appeal system existed in the civil service for senior civil servants who felt maltreated; and
v. the system of promotion as laid down in the official regulations no longer functioned due to favouritism. (Nsekela Report, 1987, Vol. I, p.17).

In 1985 the government appointed a Salaries Review Commission to look into the salaries and other terms and conditicns of the Civil Service, under the chairmanship of Mr. Amon J. Nsekela, Chairman and Managing Director of the National Bank of Commerce. Among its various observations, the commission noted the following:

> The interviews we conducted and the various memoranda submitted to us confirm clearly that there has been serious deterioration in discipline. The current economic difficulties have further aggravated the problem to crisis proportions. Most civil servants, particularly in the lower and middle echelons, spend only part of the official working time in the office. For the rest of the time they are outside their offices either hunting around for scarce commodities or pursuing sideline activities to earn extra income, and during that part of the day they are in the office, their level of performance is very low due to lack of concentration. Absence of clearly defined job description as well as work targets have aggravated this situation. Also, most of them are absent minded, brooding over problems of livelihood. In some institutions services cannot be offered to legitimate beneficiaries without bribes (Nsekela Report, 1987 Vol. I, p.17).

The report notes further that due to the Party's behaviour of over-patronizing the workers, the government "disciplinary machinery has become unwieldy and eroded the power of management to manage" (ibid).

Such a situation as has been documented by the three studies noted above is not indicative of a healthy system. It is obvious that a system characterized by the extent of laxity, indiscipline and lack of commitment to the tune exposed, is not optimally productive. The loss to the government arising from such behaviour at work is necessarily enormous, because government pays for work not done, a situation which has aggravated the economic crisis immensely.

3.3 Factors Contributing to Low Productivity and Inefficiency

Several factors have been at play to bring about the dismal situation described above. Below we discuss them under four sub-headings, namely,

i. inefficacious organizational arrangements and processes for managing the service;

ii. absence of a clear accountability framework and lack of accountability enforcement;
iii. low levels of compensation; and
iv. low operating capacities.

However, these categories are not mutually exclusive as they sometimes overlap and often reinforce one another to aggravate the situation and perpetuate the crisis. Below we provide an elaboration of each of the factors.

3.3.1 Inefficacious Organizational Forms and Processes for Managing the Civil Service

The origin, structure and system of the civil service of independent Tanzania (Tanganyika) derived from the 1962 Republic Constitution, Article 18 (Cap. 499). The administration of the Civil Service, inclusive of local government, is constituted of the following agencies; namely the President; the Head of the Civil Service; the Principal Secretary Establishment; the Civil Service Commission; the Local Government Service Commission; and finally KAMUS, i.e., a body responsible for recruitment of public employees in auxiliary and subordinate grades. Each of the above agencies performs, on behalf of the President, various administrative roles.

The administrative functions, as contained in the Standing Orders, include five main areas, namely; the organization of government procedures for the conduct of business; correspondence, general office routine and equipment; appointments, confirmation, promotion, etc.; emoluments and retiring benefits; and rules of conduct, discipline and termination of appointments.

Over time some changes have taken place in almost all the five areas. Most of the changes have been introduced as a result of adopting reports of government-appointed commissions for that purpose, usually reflected in Establishment Circular letters, in Standing Orders and Regulations, or in Civil Service Acts (amendments). Establishment Circular letter No. 7 of 1963 effected the recommendations contained in the Adu Commission Report covering the entire Civil Service Machinery. Establishment Circular Letter No. 6 of 1965 allowed certain categories of civil servants to join trade unions, and Establishment Circular letter No. 15 of 1968 amended Establishment Circular letter No. 7 of 1963, covering a whole range of issues including specification of posts, duties, methods of entry and control, discipline, promotions, training and examinations. Civil Service Regulations, 1970, addressed itself to issues of appointing and disciplinary authorities, as well as stipulating conditions of leadership. Finally, before the enactment of the 1989 Civil Service Act, to be discussed later, was Establishment Circular letter 1974, stipulating new schemes of service of different cadres, especially changing designations, salary scales and entry qualifications replacing those of 1963, 1965 and 1968.

Some aspects of the civil service regulations of 1970 deserve special mention. The powers of the President with respect to appointments and discipline for some specified categories of officers were delegated to the Principal Secretaries and Heads of Departments or Divisions.

However, Article 34 of the same regulations states that "notwithstanding the provisions of Regulation 33, the Principal Secretary to the President may, in relation to any officer whosoever, exercise all or any of the powers delegated to a disciplinary authority by these regulations".

A completely new aspect in the Civil Service was the introduction of the leadership code —known as the conditions of leadership. This was a direct result of changes in the political direction arising from the deceleration and adoption, in 1967, of socialism and self-reliance as official Party philosophy. Subsequent to that, the Party pursued an egalitarian strategy which resulted in the need to suffocate any capitalist tendencies among the political leadership as well as in the Civil Service.

Pursuant to the Party directives, sub-section (b) of section (3) of Article 21 stated categorically that "No person who is a citizen of the United Republic shall be qualified to hold or be appointed, promoted or transferred to a civil service post the salary or the minimum salary scale of which is or exceeds twelve thousand, eight hundred shillings per annum, unless he satisfies the conditions of leadership".

These conditions of leadership were stipulated in the second schedule of Regulations. Paragraph 1 of the schedule states the following:

A person to whom the provisions of this schedule apply shall not be qualified in the terms of sub-paragraph (b) of paragraph (3) of Regulation 21, if he or his spouse -

(a) is the beneficial owner of any share in any company incorporated or established in the United Republic or elsewhere or of any interest in any such share;
(b) holds the office of a director in any company incorporated or established in the United Republic or elsewhere otherwise than as a nominee of the Government or of any statutory corporation or of any company of which the majority of ordinary shares are held, directly or indirectly, by the Government or by a statutory corporation;
(c) is the beneficial owner of any house or other building or of any interest in a house or other building which, or any portion of which, is in the exclusive occupation of some other person in consideration of payment of rent, fee or other valuable consideration whatsoever other than lawful deductions from the wages payable to a domestic servant in respect of occupation by him of any portion of such house or of any living quarters attached thereto;
(d) is in receipt of two or more salaries;
(e) being a person engaged in any trade business, profession or vocation, employs any workman for purposes of, or in connection with, such trade, business, profession or vocation.

The Civil Service system described above has manifested problems in both structure and processes. A recent study on its performance found out several weaknesses related to the structuring of operations, especially the following:

i. There were too frequent changes in the Government structure which led to unsystematic growth of employment levels and excessive running costs.
ii. Lack of an effective system to control the growth of employment due to (a) an absence of any scientific method to relate creation of new posts to increased workload; as the practice was for the various ministries to negotiate the creation of new posts with the Establishment Division of the Ministry of Labour and Manpower Development, (b) the regulations that restricted appointments to approved establishment were not usually adhered to.
iii. Special Appointments Committees (KAMUS) responsible for appointments of employees in MS2 scales and below did not abide with the requirements,

especially as the Chairmen of the Committee, namely Ministers and Regional Commissioners for Ministries and Regions respectively considered those functions to be very peripheral to their normal duties, but also because the expected screening was not normally effectively done so that unsuitable people were appointed to the service.

iv. The system required the President to effect all appointments from MS Scale 7 upwards. However it was seen that most of those officers especially in MS 7–11 are officers with normal responsibilities without any direct working relationship with the President; this created unnecessary demands on the President's time, and usually resulted in delays in either appointments or promotions of the respective officers.

Even more serious weaknesses were in the processes, i.e., there was less observance and less strict adherence to the regulations and procedures provided in recruitment, training, promotion, discipline, etc. It was noted, for example, that recruitment to the service in respect of those in the then administrative grade that while jobs are specified by the type of basic qualifications required for good performance, the situation had deteriorated to the extent that recruitment to the civil service was limited to allocation of school and college leavers without regard to their vocation, ability and character or interest. Schools and colleges have no career masters, and finalists from the institutions choose their careers by name of institution as opposed to jobs. Canvassing and counselling are not practised. This has led to the recruitment of unsuitable staff for the civil service (Nsekela Report, 1987 p.20).

Another operational weakness has been in record keeping. This arose due to various factors, including the disintegration of a central store for all staff records from 1972 when the government initiated a decentralization programme, and records were moving from the centre to the regions and later back to the centre; the already noted frequent reorganization of ministries and departments, which has not only led to difficulties in processing promotions and retirement benefits for the Civil Service, but has as well given loopholes to the creation of unnecessary jobs and positions, including the existence of ghost workers in the service. A Civil Service census undertaken in 1988 discovered a total of 6054 ghost workers in Dar-es-Salaam alone.

The problems discussed above have aggravated the burgeoning size of the Civil Service and the attendant budget, and contributed to laxity and inefficiency in the system, contributing to the internal crisis besetting the service as well as aggravating the economic crisis generally.

3.3.2 Absence of a Clear Accountability Framework and Lack of Accountability Enforcement

Charles W. Anderson once observed that "we cannot decide whether a proposal for public action is desirable or undesirable, whether the results of a public program are to be adjudged a success or failure except in the light of a standard" (*American Review* 1979).

Most of the problems that have engulfed the Civil Service and reduced or constrained its performance arise partly from the absence of clearly defined accountability regimes, especially due to the absence of clear productivity targets and performance measurements, and partly from a realization of accountability enforcement where a semblance of an accountability framework exists.

While referring to performance appraisal of the Civil Service Staff, the Nsekela Commission noted in respect to the former:

> We observed (however) that since there are no clearly defined responsibilities in the scheme of service for various officers, most government officers have neither clearly defined job descriptions nor work targets. This makes the appraisal system unrealistic. Furthermore, the evaluation forms have no provision for the appraiser to summarize the tasks performed during the review period. Similarly whilst the evaluation forms are also meant for the assessment of the individual employee's suitability for confirmation in the Civil Service, the factors determining one's suitability are not reflected. Furthermore the marking system of alphabetic characters in various performance criteria has a limited scope for the purpose of overall assessment. We noted that there is no feedback system which would allow the employee to know the outcome of the appraisal exercise.

Where there are no clear performance standards or productivity targets and where job descriptions are vague, it is difficult indeed to have a scientific and objective way of measuring the level of achievement. The resultant difficulty in evolving and instituting accountability regimes means that it is also difficult for the service to improve "assessment of efficiency in programme delivery, and probity, prudence and effective management in planning, acquisition, use and disposal of key administrative and information resources" (Prokopenko, 89, p.54).

Such a situation as described above kills initiative for the hard-working, stifles innovation, encourages extravagance, protects the indolent and lazy, and ultimately kills the will to work among the various cadres, which is what happened in Tanzania.

Besides the lack of clear performance criteria, the Tanzanian Civil Service has experienced laxity in accountability enforcement even where some form of conformity structure to give regulations IS provided. We observed in the last section how the financial regulations are floated in the management of budgetary flows; we remarked also about absenteeism, coming late to work and similar behavioural patterns which have characterized the Civil Service during the crisis period. Although there are clear rules and regulations to be observed and clearly stipulated disciplinary procedures in each case, as well as sanctions for non-conformity, they are not strictly adhered to.

Thus, as a result of lack of a clear accountability framework in terms of clear performance criteria, as well as the relaxation of accountability enforcement, civil service personnel have become inefficient and unproductive.

Inappropriate Levels of Compensation

In order to attract and retain a committed and spirited staff, it is essential that they get reasonable compensation. A poorly paid staff cannot exert enough effort at work for a long time. This is true of public and private organizations. As Lindauer observes,

> Declining levels of pay and deteriorating job performance are not independent events; stated differently, we should not expect work effort on the part of public servants to be wage inelastic. The response of workers to declining real compensation is complex. Workers may seek out other opportunities where the relative returns to their labour time are higher. This can be done by leaving or simply not joining the public service. It can also be done by moonlighting, both on and off the job. Another alternative is for workers to increase their leisure time by decreasing their work effort in response to declining material benefits (Lindauer 1986).

The above seems to be a correct description of what happened in Tanzania during the 70s and 80s.

The Nsekela Commission, for example, found out that in 1986 the minimum wage had fallen to 36 per cent of that of 1975. They observe:

> The minimum salary of the OS scales coincides with the present minimum wage for employees in urban areas which is Shs. 810/= since July 1984. However the average inflation rate was around 10.3 per cent per annum between 1969 and 1975, rose to 14.7 per cent during 1976–80 and jumped to about 30.2 per cent per annum during 1981–1986. In 1986 therefore the minimum wage of Shs. 810/= per month was equivalent to only 36 per cent of the real wage in 1975. (Nsekela 1987 p.26).

While the real wage of the lowly paid has deteriorated to the levels shown above, the rate of deterioration has been higher for those in the middle and high brackets, as Table 14 shows.

Table 14. Fall in Real Wage for Public Employees 1969–1984

Year	Minimum Wage	Average Wage	Top Salary
1969	100	100	100
1974	135	133	56
1979	58	77	26
1984	40	31	11

Source: J.Semboja and O.Therkildsen, "Options for Improvements in District Council Financing", Mimeo 1990, p.9.

Semboje and Therkildsen further observe that in 1884 real wages had fallen to around forty per cent of the 1969 level for the lowest paid employees and to almost one-tenth for the highest paid. The fall continued up to 1988, when minimum wages were only one-fourth of the real minimum wage twenty years earlier. In the process the real wage difference between top and bottom wages had shrunk considerably as well. The progression of taxes in Tanzania has added to the compression of real wages. These trends have had devastating effects on both productivity and discipline in the public sector.

Pay erosion, which has come about due to the failure of government pay policies to adjust civil servants' salaries and wages to respond to inflationary changes and rises in the cost of living, has affected civil service productivity and efficiency variously. Reduced income of the magnitude observed above, besides inducing desertion of skilled personnel from the service, and lowering morale for all affected persons, has compelled workers to evolve patterns of behaviour that are detrimental to the wellbeing of the service in the process of adjusting to the situation. Indeed it is not only morale and commitment to duty that are affected, but there has also been a relaxation of supervision leading to indiscipline, laxity, pilferage, corruption, lack of care for public property, etc. The collective impact on productivity and efficiency can only be imagined.

3.3.4 Low Operating Capacities

Low operating capacities manifest themselves in low levels of competence of various cadres, application of archaic equipment and tools, as well as in the non-adoption of current productivity improvement techniques and technologies.

3.3.4.1 Low Competence of Staff

In an environment where technological changes are taking place fast, and management styles and tools are updated on a continuous basis, it is essential for the civil service staff to keep on updating their skills accordingly in order to keep pace with developments.

Prior to 1972 all recruits to the civil service in administrative grades had to undergo various types of training before being confirmed in their positions. Of special mention in this connection are the following:

i. Induction courses: These were usually short courses undertaken at the time of joining the service for the purpose of familiarizing the new recruits with the various operations and culture of the civil service such as minuting, report writing, handling of confidential and classified information, standing orders, elements of administrative law, financial regulations, etc.
ii. In-house training: During the probationary period a new staff member was attached to a senior member, who assigned the former responsibilities, supervised and counselled him, and monitored his performance before making recommendations to the relevant organs about his suitability to be confirmed in a service on permanent terms.
iii. Professional examinations: Certain schemes of services require officers to pass professional examinations before further advancement. Such professional examinations include the law examination for immigration officers, stores management examinations for stores officers, and government accounting examinations for accountants.

It has been discovered, however, that from the early 1970s, especially after the introduction of the Decentralization Programme in 1972, these staff training programmes were relaxed. Indeed from around 1973 to 1986 induction courses to new recruits were completely abandoned; professional examinations were administered sporadically, and counselling and supervision of new recruits were not undertaken with any seriousness.

The Nsekela Commission, for example, had the following to remark with regard to induction courses:

> The civil service has its own working culture to which new entrants must be introduced. Such introduction is normally done through induction courses which cover the rules, regulations and administrative instructions used for the Management of the Civil Service ... The orientation of civil servants in this manner is no longer done and the result is that the quality of service is adversely affected (Nsekela Report 1987, p.22).

Besides the above deficiencies, performance appraisal forms used in the civil service were found wanting in most essential elements, as "there are no clearly defined responsibilities in the schemes of service for various officers, most officers have neither clearly defined job description or work targets ... the evaluation forms have no provision for the appraiser to summarize the tasks performed during the review period ... etc" (ibid).

Besides the above systemic functions, which under any circumstance should constrain the level of performance and productivity, efficiency and productivity have also been constrained by low competence of various staff members due to lack of exposure to modern management. In a study by Gelase Mutahaba commissioned by the government to look into the training needs of top executives in government and parastatals, it was found out that

> Government Policy on in-service training of top executives has been imprecise and ambivalent, encouraging training in some of its directives but showing a lack of support for it in other directives.

The study found out that, as a result, there was a great need for training of top executives to raise the level of their performance, especially in the following areas; financial management, general management, public policy management, government regulations, productivity improvement techniques, etc. Altogether, the study identified about 700 top executives in government and parastatals that required some training (Mutahaba 1980).

It should be clear from the above exposition that the competence of the various staff members has not been optimal, in which case the level of service delivery has been lower than the costs incurred, thereby contributing to the economic crisis.

Furthermore, low competencies have been compounded by the scanty adoption and use of appropriate tools and equipment as well as modern management techniques and technologies.

It must be strongly noted that modern administrative (management) techniques and technologies as well as the use of appropriate tools and equipment constitute *opportunities* which, when judiciously adopted and applied, should increase the productivity and efficiency levels of the service substantially. Failure to adopt and apply them therefore can be construed in terms of lost opportunities to reinvigorate the civil service system.

Modern management techniques are many; however, they all tend to serve the same purpose, namely productivity improvement. They include such techniques as management by objectives (MBO), Performance Improvement Programmes (PIP), and Performance Evaluation and Review Techniques (PERT). Others such as Job Analysis, Organization Development (OD), Critical Path Analysis (CPA) and Organization and Methods (O&M) are more concerned with work and organization structuring, for the same purpose of productivity improvement. Modern Management Technologies are mainly constituted of Information Technologies (IT), mostly computer-based, such as Decision Support System (DSS), Automated Decision Conferencing (ADC) as well as Management Information Systems (MIS), to mention only some. It is sad to note that none of the above has been applied to any appreciable extent in the management of the civil service in Tanzania.

3.4 Government Responses

The problems experienced by the Civil Service which have impacted negatively on the economy and the operations of the service itself could be said to constitute four categories: first, the large size of the service in absolute terms; second, organizational and managerial, i.e., the existence of inefficacious organizational forms for effective and efficient management of the service; third, low competence and capabilities manifesting themselves in low competence of various staff and lack of use of appropriate techniques and technologies; and finally, behavioural patterns including non-adherence to laid down rules and regulations, laxity at work and lack of accountability enforcement.

Administrative responses have been initiated in respect to each category, although some problems remain. Below we describe the responses.

3.4.1 The Size of the Civil Service

The problem of size has from the point of view of the government been contextualized in terms of costs, number of persons in the service and functions. Responses have therefore been directed at these areas. Altogether, the following five specific actions have been taken:

(i) Reducing the Size of Personnel

In 1984 a Presidential Commission was established to look into ways of reducing costs in the public sector. Among its terms of reference was to see how the services could get rid of personnel thought to be surplus or undesirable. Consequent to the study, the government undertook the retrenchment exercise in 1986, whereby more than 26,000 people are said to have been retrenched. The total saving on personnel emoluments was initially small as the government had to pay retirement benefits; was believed, however, that subsequently the saving would be substantive.

(ii) Civil Service Census

In 1988 the government undertook a civil service census to determine the exact number of government employees in the service. Of the 303,000 workers in central and local governments, 84,746 were found to be doubtful cases. After verification measures were taken, it was discovered that in Dar-es-Salaam alone there were 6,054 confirmed ghost workers, with total payment of T.Shs. 121 million a year.

(iii) Relaxation of Bonding

The government has also relaxed bonding of post-secondary school graduates. Previously all those pursuing post-secondary school education were required by law to work for the government or authorized agencies for a minimum of five years. While this guaranteed five years of uninterrupted service to the government by the respective graduates, it also guaranteed them automatic placement by government, which in some sense contributed to the burgeoning size of the service. From 1988 the bonding has been relaxed and graduating students are no longer guaranteed automatic placement.

(iv) Hiving-off Functions and Contracting Out

We have noted earlier that the government introduced the Decentralization Programme in 1972, when it abolished local authorities. Subsequent to these changes the government assumed responsibility for all expenditure, local and central. A reversal decision was taken in 1982 to reinstitute local authorities, which came into being in 1984. In the process the government hived-off some functions it previously handled to the local authorities alongside with some personnel and obviously some costs. For example, from 1984 to 1988, local authorities raised about 30 per cent of all revenues, the rest being provided by the central government in the form of grants to cover expenses for contracted-out functions.

(v) Cost-sharing

The final response has been the adoption of cost-sharing measures, especially the introduction of user-charges for services such as education and health, which were previously freely provided by the government.

As a consequence of the above measures the government has arrested the previous fast growth rate of the civil service, and from 1984 we see a consistent decline in the growth rate.

3.4.2 Improving the Organizational Forms and Processes for Managing the Civil Service

The main problems in this respect were seen to revolve around too frequent changes in government structure, lack of an effective system to control the growth of employment, non-adherence to established regulations, the existence of many appointing authorities, an absence of clear job classification, and poor record keeping.

The main response has been in the reorganization of the management of the civil service. In reaction to the recommendations of the Nsekela report, the government enacted the Civil Service (Amendment) Act of 1989, in accordance with which the following measures have been instituted:

i. Appointment authorities have been rationalized, so that KAMUS, which were previously chaired by the Ministers and Regional Commissioners in respect of Ministries and Regions respectively, are now chaired by Principal Secretaries and Regional Development Directors, respectively. Furthermore the Presidential appointment powers have been further delegated, so that he now deals with those in the SS grade only while those below, i.e., GS Grade 3–10 and RP 1–9, are dealt with by the Civil Service Commission. Further, direct employees must be interviewed as well as undergo an induction course on appointment. There has also been a regrading of the Civil Service into four categories, namely, OS scales ranging from OS1 to OS10; general services scales to cater for all pensionable posts except those for rare professionals; Rare Professionals Scales (RP) ranging from RP1 to RP9; lastly in the super scale (SS) ranging from SS1 to SS5, those in SS5 being Chief Secretary, Chief Justice and Controller and Auditor-General.
ii. The Civil Service Department Establishment (which has been moved to the President's Office) has been mandated with, among others the following duties:-

    a) make sure that government offices establish work targets and performance standards;
    b) design an effective mechanism for monitoring and supervision of officers at work (as far as practicable supervisors are also supervised);

c) ascertain that subordinate officers are given defined job descriptions in order to enhance their efficiency and accountability; and
d) improve record-keeping by establishing a manpower data bank (if possible to be computerized) and institute improved performance appraisal mechanisms.

3.4.3 Compensation

The government has always recognized that wages and salaries of civil service personnel have been inadequate and that over time their real value has been eroded by inflation and the rising cost of living. While recognizing this fact, it has been constrained by the ability of the economy to pay better wages and salaries, as well as by the political thinking of the leadership, which pursued egalitarian policies which have tended to punish those in the higher brackets.

Thus, the salary structure of the Tanzanian Civil Service has two main characteristics. It is firstly low in absolute terms, if one uses the cost of living index; secondly, salaries are compressed, such that in 1986 the ratio between the lowest and highest paid was 1:6 Comparable ratios for Malawi, Nigeria, Sudan and Zambia for 1983 were 1:19.8; 1:9.2; 1:8.2 and 1:6.9 respectively.

In 1986 the government appointed a Minimum Wages Board which submitted its report the same year and came out with three alternatives, namely:

i. according to the cost of living index, the minimum wage should be Shs. 2,234 per month;
ii. according to the consumer price index, the minimum wage should be Shs. 2,230 per month;
iii. according to the economic capability of the country, the minimum wage should be fixed at Shs. 1,062 per month.

The Nsekela Commission report recommended two important measures, firstly to restore the value of the minimum wage to its 1975 level, which in 1986 should have been Shs. 2,250/=, and secondly to decompress the salary structure from the existing ratios of 1:6 to 1:9 between the lowest and highest pay.

The government began to implement the Nsekela recommendations in phases starting 1988. However, no sooner had they started than the value of the shilling fell so much that, given the obtaining cost of living index, the salaries paid in 1989 were lower in real value than those of 1987, and much lower than those of 1975.

3.4.4 Accountability Enforcement

Lack of accountability enforcement arose from the absence of a clear accountability framework, especially clear job description, job design and performance appraisal standards on one hand, and on the other, laxity in supervision and to low morale, itself due to poor compensation. Proposals to arrest this situation have been noted in the last two sub-sections. However, most of these still remain proposals as no concrete action has so far been instituted, except in the management of budgetary flows, which has started to bear results.

Table 15: Summary of Constraints, Causes, Effects and Responses

Constraints	Causes	Effect	Response	
1. Large size of service	1. Lack of accountability for work 2. Low operating capacity 3. Poor compensation	Too expensive	1. Reduce size of service 2. Hire-off functions 3. Institute accountability framework	1. Contraction 2. Contraction 3. Regulation
2. Low productivity	1. Poor orga-nizational arrangements and processes 2. Lack of accountability framework 3. Low operating capacity 4. Poor compensation	1. Poor services 2. Costly services	1. Rationalize organizational forms, processes 2. Institute accountability framework	Regulation
3. Inefficiency	1. Low operating capacities 2. Lack of accountability enforcement 3. Poor compensation	Poor and costly services	1. Institute accountability framework 2. Accountability enforcement	Regulation
4. Laxity and indiscipline	1. Lack of accountability enforcement 2. Poor compensation	1. Increased costs 2. Poor services framework 3. Lack of accountability enforcement	1. Institute accountability 2. Enforce accountability	Regulation

3.5 Conclusion

We have so far documented various responses that the government has initiated in order to come to grips with the problems engulfing the civil service during the economic crisis period. As noted in the first section, government responses can take the form of expansion, contraction or regulation of its scope and operations. Below we summarize the constraints affecting the civil service, their causes and responses in order, firstly, to plot the pattern and mode of government responses, and secondly and more importantly, to assess the potential of the various responses to achieve the main goal of raising productivity and efficiency of the service.

The first issue of concern is the mode or pattern of response. As can be seen from the Table 15, only two of the three modes of response have been applied, namely contraction and regulation; and of the two, the latter transcends the whole spectrum. This means therefore that most problems of the civil service are organizational and behavioral. As such they need to be regulated rather than changed in scope, which would call either for contraction or expansion of operations.

Our second concern is to assess the potential of the various responses to come to grips with the identified constraints. As can be seen from the table, there are a total of five responses, namely,

i. reduce the size of the service;
ii. hive-off some functions;
iii. institute an accountability framework;
iv. rationalize organizational forms and processes; and
v. enforce accountability.

The first and second refer to the size of the service and hence address themselves to the issue of scope. While implementation of those aspects might reduce the absolute size of the service, and some costs, it does not by itself quite address the other causes which contributed to the large size of the service.

Again with the exception of response number five, which addresses the issue of organizational forms and processes, the others, namely institution of accountability framework and accountability enforcement, are principally control mechanisms to ensure conformity with the service requirements; they do not however guarantee efficiency and higher productivity of the service. Moreover, particularly the accountability framework has so far not been institutionalized, in terms of having clear performance appraisal forms, work targets, clear job description, etc., in which case the objective situation remains the same.

What is most important, though, is to have an efficient and effective service that is productive. This demands addressing the constraints and causes holistically, rather than selectively. For example, while poor compensation appears as a cause for all the four constraints, it does not appear at all as response. Of course, as noted earlier, the government raised the nominal salaries and wages following the recommendations of the Nsekela Commission. The spirit of the recommendation was to restore wages and salaries to their 1975 real value or purchasing power. However, again as noted earlier, the value of the increases was immediately eroded by devaluation, so much so that the original objective was defeated.

Poor operating capacity also appears as a cause of three of the four constraints. To elevate operating skills calls for the acquisition of modern skills, technologies, techniques and tools and gear. This has not been addressed squarely. Of course, as we noted, there has been a reinstitution of induction courses for new entrants, which are also top-executive programmes, but they do not as yet address themselves sufficiently to issues of productivity.

Therefore, the main problem with administrative responses in as far as the civil service is concerned has been lack of systematic causality analysis, which should help to establish the interrelationships of the various causes and how each of them impacts on the quality of the services.

It is therefore highly recommended that, in order to bring about substantive improvements in civil service operations, the government take a frontal approach towards eradication of the various constraints, and in particular it will have to give attention to the adoption, institution and institutionalization of productivity improvement techniques.

Administrative Responses to the Economic Crisis: Measures to Improve the Management Financial Resources

4

1. Introduction

The Tanzanian Government has experienced and continues to experience a fiscal crisis. Indeed the relationship between the economic crisis experienced by the country and the fiscal crisis experienced by the government are said to be symbiotic; each is part of the other in a cycle of causalities that reinforce one another.

The government financial crisis manifests itself in persistent insolvency expressed in deficits in government accounts arising from the volume of current expenditure (financial commitments) being in excess of current revenue. The Tanzanian government entered the fiscal crisis in financial year 1978/79, when current expenditure exceeded current revenue, and the crisis has continued.

The economic crisis is said to have precipitated the fiscal crisis in various ways, the major ones being the following:

i. as economic growth declined and national receipts stagnated or dwindled, government sources of revenue also contracted, reducing its resource realization potential;

ii. the escalation of foreign debt also had the same effect as above, as more and more of the realized resources were expended on foreign debt servicing, leaving limited sums to the government;

iii. the inflation that has come partly as a consequence of the economic crisis, and was subsequently fuelled by government fiscal policies of deficit financing through resort to bank-borrowing, reduced the value of the shilling while escalating the cost of government operations.

The economic crisis and the resultant inflation also meant that the value of pay of government personnel declined while the cost of living escalated. As a result, workers were demoralized and resorted to patterns of behaviour noted in the previous section, the consequence of which was to increase real government expenses, further aggravating liquidity problems.

On the other hand, government financial problems are said to have aggravated, and at times precipitated, the economic crisis in at least two important ways. Firstly, huge government expenditures called for taxation of investible surpluses; secondly, with increased deficits, the government resorted to bank-borrowing, thereby fuelling inflation and reducing the funds available for other potential borrowers, in both cases constraining productive investment potential and growth.

The government has been called upon to face both issues simultaneously, namely, to attempt to solve the economic crisis as well as improving government financial liquidity.

This section is concerned with documenting the administrative responses the government has taken in respect of the latter. We are contextualizing the issue in terms of attempts (responses) to reinvigorate government financial management, using the term management in its wider sense as planning, budgeting, and administration of financial resources. In sub-section two we take note of the nature and character of government financial crisis; in sub-section three we document what we consider to be salient causes of the crisis; in sub-section four we document the responses that the government has made so far; and in section sub-five we analyze those responses in view of their potential to bring about the required changes.

4.2 Basic Characteristics of the Financial Crisis in Government

The government financial crisis expresses itself in various ways, three of which are most glaring: one, consistent revenue constraints to fund its operations, resulting in persistent deficits; two, as a result of the first, the under-funding of government operations; and three, also a consequence of revenue constraints, increased indebtedness and dependence on external financing. Below we elaborate on these factors.

4.2.1 Revenue Constraints and Persistence of Deficits

Table 16 shows the trends in revenue and expenditure from the mid-1970s.

Table 16: Index of Revenue and Expenditure Trends

	1976/77	81/82	85/86	86/87	87/88	88/89
Current Revenue	100.0	101.4	92.5	97.7	124.3	139.5
Current Expenditure	100.0	140.0	122.5	134.4	151.4	186.2
O/W Consilidated Fund Services	100.0	142.3	243.8	320.8	434.1	571.1
Ministerial Supply Votes	100.0	142.2	132.7	146.7	145.5	174.4
Regional Supply Votes	100.0	86.2	41.8	59.6	67.2	90.6
Total Expenditure	100.0	118.9	90.8	108.1	118.4	148.7

The table shows clearly that until 1987/88 current revenues had not changed substantially, registering only a one per cent growth in 1981/82, then experiencing relative decline until 1987/88. This contrasts sharply with current expenditures, which have experienced some fluctuations, but all on the higher side. By 1988/89, for example, expenditure was 86.2 per cent higher than in 1976/77.

The table also shows that the consolidated fund services grew much faster than the other expenditure portfolios, reflecting a sharp rise in government indebtedness and rising repayment services. As will be shown later, debt-service charges had risen to 28 per cent of total government expenditure by 1988/89.

Table 17: Government Revenue and Expenditure 1975/76–1987/88 (Tshs million)

	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Current Revenue	3,848.4	5,200.2	6,005.6	6,435.7	7,360.4	8,528.7	9,777.4	12,313.9	15,467.3	18,252.7	20,632.0	31,102.8	51,146.0	70,141.4
Current Ex-penditure	3,933.2	5,014.8	5,598.9	7,227.9	7,419.0	9,531.6	13,040.0	14,055.0	15,272.3	21,370.6	26,381.0	47,793.6	60,071.0	90,272.0
(Deficit)/ Surplus	(84.8)	185.4	406.7	(792.2)	(58.6)	(1,002.9)	(3,262.6)	(1,741.0)	195.0	(317.9)	(5,749.0)	(11,690.8)	(13,584.0)	(20,130.6)
Total (Deficit) Surplus	(2,337.8)	(3,058.6)	(2,924.3)	(5,542.6)	(5,242.6)	(5,761.9)	(8,458.6)	(6,121.1)	(4,517.0)	(9,066.9)	(11,566.0)	(23,322.8)	(26,180.0)	(48,530.6)
Deficit as % of Total Ex-penditure	37.8	37.0	32.7	46.3	41.6	40.3	46.4	33.2	22.6	33.2	35.9	48.1	33.9	40.9

Source: Table B1 and B5

Note: Revenue excludes external aid

The supply vote for ministries has registered substantial increases during the period under review, though not as spectacular as those in the Consolidated Fund Services (CFS); nevertheless there is a clear discrepancy in growth trends between this vote and current revenue generation.

The relative stability in total expenditure up to 1987/88 is due to the sharp decline in the Regional Supply Vote after 1985, when local authorities were reinstituted and required to raise own revenue for some of their functions. It was also due to the sharp decline in development expenditures. What one has to note, though, is that total expenditures include debt service obligations which, as stated earlier, have been rising. Thus, when these sums are excluded there is a decline in the actual operations expenditure funds left to the government from current revenues, thereby creating a gap which the Government has normally filled through local and foreign borrowing.

Government financial constraints are further reflected in actual government revenue and expenditure as well as in the levels of deficits as a percentage of GDP, which are indicated in Tables 17 and 18, respectively.

Table 18 shows government revenues, expenditure and the deficits as percentages of GDP for the years 1976/77 to 1986/87.

Table 18. Revenue, Expenditure and Deficit as Percentage of GDP

1975/76	76/77	77/78	78/79	79/80	80/81	
Total Revenue	17.7	19.5	19.7	18.8	18.8	18.7
Total Expenditure	18.1	18.8	18.8	21.1	18.9	20.9
Development Expenditure	10.4	12.1	10.0	13.9	13.2	10.4
Deficit	10.8	11.5	9.6	16.2	13.4	12.6

	1981/82	82/83	83/84	84/85	85/86	86/87
Total Revenue	18.2	19.3	20.0	18.2	15.4	16.1
Total Expenditure	24.3	22.2	19.8	21.4	19.7	22.1
Development Expenditure	9.7	7.0	7.4	5.4	4.3	6.1
Deficit	15.7	9.7	7.2	8.5	8.6	12.1

The above two tables show clearly the persistence of government deficits during the whole period. Such deficits of course are bridged through local and foreign borrowing, both with restraining implications for the economy and for future debt obligations. Resort to local bank-borrowing, for example, has fuelled inflation, and to some extent contracted the ability of the banks to raise sufficient credit for the productive sectors, especially the private sector, with a decelerating effect on economic growth.

4.2.2 Underfunding of Government Operations

A paradox exists in the demand for and supply of government expenditure. While government expenditure has outpaced revenue and also while sometimes actual expenditure has exceeded the budgeted allocations, there has also been, as a result of financial crisis, consistent underfunding of various government operations - leading to a deterioration in the level and quality of service delivery. The Public Expenditure Review (PER) report, for example, noted that:

> Most programmes of the Government are seriously underfunded, typically receiving ... about one third of the supply vote needed to perform functions at the level they are designed. Agricultural extension workers are ineffective because they lack the transport to reach farmers, and even if they did they have no message to extend and no materials with which to demonstrate it. Schools are seriously short of text and exercise books and the education system which bravely embraced new challenges in the 1970's, is now in danger of producing illiterates. Hospitals are frequently without essential drugs and medical supplies, and thus unable to fulfil their curative mission. Office workers, short of basic stationery and equipment, have seen their productivity plummet. All departments are short of transport, or if vehicles exist of the necessary recurrent funding to keep the vehicles on the road, inhibiting the delivery of government services and the supervision of staff (PER, 1989, p.2).

It has also been observed, with local government funding for example, that the central government has consistently failed to provide the required funds to meet recurrent expenses for the services the central government has contracted out to local authorities. For example, it has been noted that "while the cost of maintaining a primary school pupil in a class for a year had risen to T.Shs. 700 in 1987, the Government only provides grants to the extent of T.Shs. 100 or 13 per cent of required level of funding" (Baguma 1989).

The recurrence of such underfunding for the various government operations has affected the quality of the services very adversely.

4.2.3 Increased Indebtedness and Dependence on External Financing

Another important indicator of the government's financial solvency problems is the increased indebtedness and the corresponding rise in debt service obligations. Debt service obligations, for example, had risen from 6.8 per cent of total public expenditure in 1970/71 to 31.4 per cent in 1986/87, which naturally reduced the level of programme expenditure. As a result of reduced expenditure, government domestic revenue has become more dependent on external financing. As the PER report notes,

> External funding of the Development Budget has been rising steadily since the early 1970s as recurrent surpluses have turned into deficits. Donors now contribute to recurrent budget programmes through direct supply of consumable materials such as essential drugs and school textbooks. Commodity aid, extended primarily to support the Balance of Payments, has now become a crutch with which the Recurrent Budget cannot dispense (PER 1989, p.5).

Consequences of such developments are the deterioration in the quality of service delivery, especially in the social service sector, including education water and health; a deterioration and near-collapse of the infrastructure, particularly roads; and program and projects implementation bottlenecks, especially those requiring a substantial local funding component.

In the next section we review some of the major causes that have contributed to the fiscal crisis.

4.3 The Fiscal Crisis and Government Financial Resources Management

In section one we identified briefly the major characteristics of the economic crisis and the main contributory factors. We noted also that its causes were both exogenous and endogenous. In this section, we shall refer only to the "home-made" factors, i.e., those factors which relate to government financial management, namely planning, budgeting, revenue mobilization and the administration of government funds.

Typically, government financial resources management constitutes the bridge between internal operations of the government and moderation of national economic activities, involving the mobilization and dispensation of financial resources. With regard to internal operations of government, it is concerned with raising the requisite revenue, but even more so with setting performance standards and unit productivity of funds.

The plans and budgets constitute government policy instruments for identification, mobilization and allocation of resources for development and effective governance. The latter also provides the legal framework for financial resources dispensation. As the World Bank (1988, p.120) has noted:

> The two primary tools typically used in controlling and allocating public spending are the medium term plan and the annual budget. The medium term plan promotes careful consideration of spending alternatives, facilitates the phasing of lumpy investments over several years, and provides some indication of the sustainability of proposed revenue and expenditure pattern over the medium term. The annual budget is the authoritative legal document for allocating resources.

However, experience has shown that in many African countries both planning and budgeting have not been adequately used to meet their basic objectives. It has been noted, for example (UN 1984 Mimeo.), that:

> Experience has shown that long-term forecasting and planning have not proved to be entirely successful owing to uncertainty and changes in world economic conditions and their effects on the availability of resources for the developing countries. National planning processes have largely emphasized targets to be attained over the medium or long-term period, but have failed to show the needed resilience and feasibility to respond to changes. In a number of countries budgets still represent a compilation of public revenues and expenditures, and are not used as an effective instrument of public policy and management.

Revenue mobilization in the context of government financial management refers to the processes and operational mechanisms for the collection of the revenues identified in the budget, especially taxes, fees, user charges and foreign loans. Effectiveness in resource mobilization depends on the institutional arrangements in place as well as upon the rules and regulations provided for that purpose. For many years, however, resource mobilization has tended to face problems: there have been problems of tax assessment, collection, and administration of tax laws, which have rendered revenue collection and accountability difficult.

Administration of financial resources on the other hand refers to the manner, process, patterns, procedures and regulations for the dispensation and control of government financial resources. Its main goal is to realize a high level of financial resources productivity through judicious and efficient management, and in the process reduce waste. The process of financial resources administration incorporates issuance, acquisition and disbursement of funds, control and evaluation.

The process and procedures of financial resources administration normally derived from the legal provisions provided for in the financial rules and regulations, as well as in the budgets and the budgetary processes. In practice, however, Tanzania has experienced several problems, including laxity in the application of the rules and regulations, as well as continued reliance on out dated methods and techniques, which have resulted in poor administration of scarce financial resources.

Together the four elements of financial management, that is, planning, budgeting, revenue mobilization and administration of the available resources, have played a significant part in the evolution and intensification of the obtaining government financial crisis, and we therefore propose to look at each of them in some detail.

4.3.1 Planning

The significance of planning in the context of government financial resources mobilization and management is obvious. Plans, specifically as they are concerned with fiscal policies, projects identification, appraisal, and recommendation, depend on the correct assessment of availability and productivity potential of financial resources. Therefore, decisions arrived at during planning, if not taken with due care, may plunge the government into unreasonable financial commitments. Most of the loss making projects, especially parastatal bodies and other undertakings that have blown up government financial resources, owe this to the manner in which they were planned and executed; it is important to note that the moment a project is on the ground it ties up national financial resources for its subsequent sustenance expenses.

In the past, planning has exhibited at least four major weaknesses: namely, lack of fiscal planning, poor investment decision-making, lack of close linkages between planning and budgeting, and absence of appropriate coordination between planning and plan implementation.

Inappropriate fiscal policies have been noted as one of the major causes of fiscal crisis in government; they have also affected the negative growth of the national economy. This has been the case because of poor or lack of fiscal planning, which ideally "involves formulating a phased investment programme projecting current spending needs, and assessing revenue availability and borrowing requirements for three to five years all in the context of a consistent macro-economic framework" (World Bank Report, 1988, p.8).

The government is used to the preparation of medium and long term plans in addition to annual plans. However, the medium and long term plans are not usually guided by clear and comprehensive fiscal plans. They have ended up as a compilation of projects with little or no correlation to the availability of investible resources, and their eventual fiscal impact on overall economic growth and government operations has been minimal. Investment decisions made without sufficient appraisal of cost-effectiveness or cost-benefit analysis got implemented. Such projects, which started without careful feasibility studies to determine their economic viability, have suffered from several problems during implementation. Such problems as location, lack of inputs, power and fuel supply, capacity utilization, poor quality of goods, low market demand, inappropriateness of technology, supply of spare parts, etc. have plagued several projects in the past.

The effect of poor investment decisions has been to draw the government into deeper financial commitments, including debt repayments, sustenance of uneconomic projects, subsidies to loss making parastatals, etc. As a result of such wrong decisions in planning, projects whose financial returns cannot sustain their costs were created and maintained. These reasons alone account for most of the public enterprise deficiencies in Tanzania.

Another problem noted above is lack of close linkages between planning, especially between medium-term planning and annual budgeting. One of the advantages of a medium term fiscal plan, seen earlier, is that once it has been formulated, it provides guidance and linkage to annual budgeting, whereby the annual budget becomes a comprehensive one-year slice of the medium term plan, or of a rolling plan where that is in place. However, in the past medium term plans have been noted for lack of close linkages with the annual budget. It has been observed (UN, 1984) that:

> Five Year Plans have, in most cases, been developed with limited regard to making them operational documents. As a consequence the linkage between plan formulation and projected allocations and actual disbursements has been a restricted one. In general, such medium term plans have been drawn up on little reference to actual resource availability and have furthermore proved to be too cumbrous and rigid to prove useful in organizing development policy and the direction of resources.

Because of the lack of close linkages, annual plans have continued to exhibit the traditional budgeting characteristics of using the objects of expenditure as bases for financial allocation. Hence, budgets have merely reflected sources of government revenue and expenditure items rather than being policy instruments for growth and development through the determination of return rates to investment. Another weakness arising from weak linkages between planning and budgeting is the failure to consider debt management during the planning process. While foreign resource flows would sometimes appear in the revenue portfolios, most plans and projections overlooked repayments as a future expenses; therefore, no anticipation was made of the effects of debt repayment on the economy when they became due. As a result the government continued to contract foreign debts without making provisions for their future repayment. We are currently witnessing the debt crisis which has added to the intensity of the financial crisis.

The last major weakness in planning is the absence of appropriate coordination between planning and plan implementation in the sense that there have been weak linkages between planning and the agencies involved in plan execution. It has been observed (UN, 1984) that:

> In some cases countries have set up sophisticated planning agencies; those agencies have prepared sophisticated macro-economic models and shown significant theoretical refinements in economic planning. But the existence of complementary institutions, ranging from policy making agencies, appropriate operating administrations, generally

seemed to have been taken for granted. One result of this situation has been the circulation of an erroneous statement that plans were good but implementation was bad. This really mistakes the objective of planning to be simply that of preparing of plan document. To be effective planning has to be seen as a process working through a network of policy and operational institutions.

One example is that after the launching of the Structural Adjustment Programme (SAP), the development issued an implementation schedule covering the entire socio-economic spectrum, aportioning responsibilities to various public agencies, and indicating schedules for completion of various assignments. However, it was realized at the end of the SAP period that very few of the organizations had responded to the schedule and that the plan was not in any position to take any follow-up action. As a result SAP almost fell through. However, even more importantly, wherever a planned project which involved government or external funding had been adopted for implementation the planning agency responsibility ended there, leaving it to the treasurer and sectoral ministries to proceed with implementation. The impact of the subsequent financial demands on the treasurer or the projects' real contribution to the economy were not consistently seen through.

4.3.2 Budgeting

The budget is an important instrument of government for the moderation and regulation of public and government operations through the process of programming and allocation of resources. In this view it complements the planning function. At the same time, the budget provides the key to government financial policy. It serves as a tool for financial management and legislative control of government finances by providing a framework along which public accounting, monitoring, evaluation and accountability processes are applied. As Bentil (AAPAM, forthcoming) put it:

> Budgeting is an important instrument in the implementation of national development strategies and in the management of the national economy; it is a process by which the government formulates goals and objectives for the fiscal year, establishes possibilities for the use of scarce resources, mobilizes and allocates resources among specific programmes and activities, identifies policies and the operational modalities to implement programmes and projects and provides for an evaluation of results in relation to objectives, targets and utilization of resources.

Through the process and patterns of acquisition and dispensation of financial resources, the budget moderates the national economic activities in at least three important ways, which in turn determine the growth potential in the economy and equity issues. One is allocation, which is concerned with the manner in which national resources are shared between the public sectors, among different competing demands in both the public and private sectors, and between allocational and other demands; the second is stabilization, which is concerned with the impact of government operations on the economy and the need to adjust the budget in the light of macro-economic changes; and the third is distribution, that is, how different patterns of public expenditure impact on the incomes of different groups. These are budgetary (fiscal) policy issues whereby a choice of a given mix will result in one or another specific economic response by the public and yield different patterns of economic behaviour, e.g., accelerated growth, stagnation, inflation, etc.

Budgeting thus plays an important role in the projection of government revenue and expenditure and, more significantly, as an instrument and strategy of economic growth and transformation. However, the budgetary process has exhibited weaknesses, and the budget strategy has sometimes been counterproductive and has contributed to the financial problems it is supposed to have resolved. Weaknesses which budgeting has manifested include the following: continued reliance on orthodox approaches to budgeting; lack of integration between the budget and the national plans; inadequate concern with issues of management; and generally focussing more on expenditure than on growth. Below we look at each of them in some detail.

First, there has been a persistent tendency to make budgetary allocations on the basis of financial needs of departments/ organizations and on the objects of expenditure within those organizations, i.e., item funding. This pattern of determining expenditure does not take into account the cost-effectiveness of the expenses incurred, nor does it consider returns or contributions of the items so funded; in addition little or no use is made of programme and/or performance budgeting approaches which take into account the money-worth of the funded activity. The approach is inefficient and it condones extravagance and waste.

Second, the budgeting process has exhibited lack of integration between the budget and national plans. The need for integration of the two has been underscored by the World Bank in that "short term budgets need to reflect a well-considered longer-term perspective and medium-term plans need the accountability and relevance provided by direct links with the budget".

The tendency has often been for the budgeters to disregard the planners, as people concerned with economic aggregates, and always keen to draw the government into more and more financial commitments. On the other hand, because planners are not guided by a comprehensive medium to long-term expenditure plan, and therefore not conversant with the financial resource flow potential over the immediate and medium to long-term expenditure plan, tended to propose projects which sometimes the budget could hardly accommodate. However, given the political weight of the incumbents of the planning and budgeting agencies, sometimes many projects were incorporated in the plan, and if they depended on initial foreign funding they were implemented. Ultimately, however, they rely on the budget to provide funds for their sustainability, thus raising government expenditure levels beyond what would have been reasonably the case. The PER report has noted in respect of recurrent funding arising from the development budget that:

> ... in the middle of the 1970s, when the Tanzanian Government was implementing a development programme approximately two thirds the size of its Recurrent Budget, the latter would have needed to have grown by around 6.4 per cent per annum simply to accommodate the rise in operating costs of completed projects. Given that the development programme is not the only source of pressure on the recurrent budget, the underlying growth of the economy would have had to have been several percentage points higher if adequate revenues were to be generated to meet recurrent costs (PER 1989, p.15).

Third, the budgeting process tended to concern itself more with expenditure than with growth and the creation of more capacity. Because budgeting starts with the identification of expenditure items, without necessarily considering the immediate and even the ultimate revenue generation potential, or the general impact on the economy, subsequent budgetary activities tended to concentrate on methods and strategies of generating the revenues to meet the expenses. Thus, taxation became merely a process of raising resources (extractive) from the public without commensurate concern about the impact the level of taxation will have on the economy, e.g., expansion or contraction, and without relating closely expenditure to growth, especially of projects and project finance, assets and gear. Budget administration and controls have accorded greater importance to rules and regulations in terms of whether funds have been expended within the authorized provisions, payments have been for the budgeted purpose, and cash transactions are in accordance with the financial regulations. The controls are obviously important to check misuse of funds. However, such measures do not help to curb the "ill-use" of the same funds. Cases abound of over-invoicing of stores and equipment, and even of payments made for services not rendered or goods not delivered. All this is due to the absence of useful indicators of the cost-effectiveness of the expended sums, and poor or absence of systematic monitoring and performance audits (see annual reports by the Exchequer and Auditor-General).

Fourth, in many cases the budgets have not incorporated project maintenance costs. This arose in part from the absence of a medium and long-term investment and expenditure plan, in part from lack of foresight regarding the recurrent expenditure of projects. As a result, projects deteriorated fast from lack of appropriate servicing and maintenance, eventually claiming huge sums on the part of government for their rehabilitation. The PER report notes in respect to maintenance:

> Allocations for maintenance have failed to keep pace with inflation and virtually all programmes have broken down, illustrated by deteriorated roads, blocked drainage systems, broken water supplies, inserviceable equipment and collapsing buildings. In times of economic stress, maintenance may be neglected for a period without visible effect. But the situation in Tanzania has long since passed this point, and capital invested in infrastructure, worth many times more than the cost of foregone maintenance, is now being lost [Per 1989, Vol. II, p.3].

Tanzania now faces an even greater problem arising from lack of maintenance of infrastructure and gear. The deterioration in infrastructure requires huge rehabilitation expenses; yet, that has happened at a time when the government is in financial crisis. Delays in rehabilitation worsen the situation, often with negative spill-overs to other economic and social activities, claiming more resources and further aggravating the financial crisis.

The above inadequacies in budgeting have impacted adversely on the financial crisis either by contributing directly to deficit creation, especially through the nature of taxes imposed and through wrong investment decisions, or indirectly when budget decisions have contracted the growth of the economy. Either way the budgets contributed substantially to the governments' financial crisis.

4.3.3 Revenue Mobilization

Revenue mobilization constitutes one of the processes of government financial resource acquisition as provided for in the budget and the attendant legislation. The major sources of government revenue comprise of various taxes while the main function of revenue mobilization is collection of revenue that is legally due to the government. However, the government failed to raise sufficient revenue not only because of the shrinking tax base, but also because of deficiencies in tax administration. The weaknesses have included poor tax assessment, poor information systems, faulty tax legislation and inefficient or corrupt tax collectors, which have resulted in either tax evasion or under-assessment of the taxes due to the government, either way leading to loss of government revenues.

Table 19 shows the composition of government current revenues for the years 1975/76–1988/89 in percentages.

The table provides a number of important revelations. It shows that the most dependable taxes have been consumption and excise duties, which from 1980/81 have contributed more than 50 per cent of the tax revenue except for 1982/83, when their contribution was 49.5 per cent, still the highest source of tax revenue for that year. Next in importance have been the income and personal taxes which have since 1980/81 accounted for more than 25 per cent of the annual tax yield. Together the two groups of taxes have accounted for around 80 per cent between 1980/81 and 1986/87.

The proportional rise of the two taxes relates in part to the steady decline in export duties from a share of 16.1 per cent in 1976/77 to 0 2 per cent in 1981/82; they were subsequently completely abolished. Similarly, import duties, while fluctuating, decreased in significance between 1979/80 and 1985/86.

The decline in export duties was due to a deliberate move by the government to boost exporters' incomes, especially in agriculture, particularly when it was realized that the tax, coupled with huge cuts on export receipts to fund the operations of the inefficient crop authorities, meant peasants received a small residual price which discouraged them from exerting more effort in production. The measure was also intended to boost industrial exports, as many industries started under the Basic Industrial Strategy (BIS) in the 1970's had started production.

The fluctuations and declining trends in the import duties were due to three main factors. First, they were an effect of the declining capacity to import imposed by the effects of the economic decline; second, government policy was to waive taxes on various imports considered essential in the economy, especially those in support of the BIS; and third, there were high tariff rates, the consequence of which has been for various importers to evade taxes by bribing customs officers to classify goods under tariff durest as being either duty-exempted or as qualifying for low duties.

Table 18 also shows revenues, expenditure and deficit as a proportion of GDP. From the table at least two things are clear. First, the level of revenue mobilization has been rather consistent, ranging between 17 and 20 per cent from 75/76 to 84/85, declining slightly to 15.4 per cent in 1984/85, before picking up again to 21.1 per cent in 1988/89. As noted earlier, however, the level of mobilized revenue has not corresponded at all with the level of expenditure, which has consistently outpaced it. Hence, when revenue mobilization is related to revenue demands, it is clear that resource mobilization has not been effective.

Moreover, it is important to note that it is the items under the consumption and excise duties—namely beer, cigarettes, petroleum and textiles, which together yield the highest percentage in this category. On the other hand, the share of income tax has somewhat declined despite the fact that the marginal tax rates are high.

The picture that emerges is that tax policy and strategy has been counter-productive in terms of helping the growth of the economy and broadening the tax base. The imposition of high tax rates on personal taxes must have restrained investment, thereby restraining growth of incomes, which should be reflected in increased levels

Table 19. Central Government Current Revenues 1975/76–1988/89, percentages

	Actuals												app. est	est.
	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89
Import duties	11.7	6.2	10.1	13.9	11.0	7.7	6.9	5.9	6.2	8.4	7.5	18.0	12.7	15.0
Export duties	4.1	16.1	8.9	7.0	6.3	2.5	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Consumption and Excise duties	42.4	33.6	36.4	40.2	40.2	51.3	52.5	49.5	57.6	55.9	52.1	53.4	53.2	51.3
Income and Personal Taxes	28.4	26.8	23.1	29.5	33.0	32.2	33.2	30.8	26.5	25.8	30.9	23.0	18.1	22.3
Other Taxes and Income Sources	13.4	17.2	21.6	9.0	9.5	6.2	7.3	13.7	15.6	9.9	9.5	10.6	16.0	11.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Tanzania Public Expenditure Review, 1989, Vol. III, Table B6

Note: Excludes Grants and Commodity Aid

of tax yield. With regard to beer, cigarettes and textiles, three of the four items contributing substantially to revenue from consumption and excise duties, the available data show that they have all been producing under capacity, ostensibly because of lack of sufficient funds for essential imports. Thus, the high rates of tax imposed on them do not take into consideration the need for them to plough back adequate revenues so as to create an even greater taxable base.

Besides the above weaknesses in the taxation system, the government sometimes failed to collect revenue due to it, as Table 20 indicates.

Table 20: Revenue, Deficit and Arrears of Revenue Appropriation in Aid 1980/81–1984/85 (in T.Shs. Mil)

	1980/81	1981/82	1982/83	1983/84	1984/85
A. Revenue	8,528.7	9,777.4	1,2313.9	15,467.3	18,252.7
B. Deficit	1,002.9	3,262.1	1,741.1	195.0	3,117.9
C. Arrears	2,854.3	1,298.8	1,318.5	1,434.7	123.9
D. C/A%	33	13	11	9	1
E. C/B%	28.5	40	76	736	4

Source: Reports of the Controller and Auditor-General for the relevant years

Except for 1984/85, when the arrears were a small fraction of total revenue and deficit, it is clear that for the other years the government did not exert enough effort in the collection of revenue legally due to it.

Another major deficiency in revenue mobilization has been tax evasion and avoidance, as noted earlier. Besides corruption, which has influenced under-assessment, evasion and avoidance have been due to the information gaps which exist both in the government and among eligible tax payers. The income department does not maintain up-to-date information about the national economic activities and income trends which are essential for their tax assessment. At the same time, a majority of the eligible income tax payers, including farmers, small businessmen, and almost all those involved in the informal sector, do not maintain appropriate accounts. Even the transactions of the big businesses, which maintain accounts, are usually not cross-checked, which allows them to conceal or doctor the factual information and thus avade taxes.

Ossoro has summarized the causes of weaknesses in domestic resource mobilization into five areas, namely:

i. a decline in real terms of sales taxes due to shrinkage of the excisable tax base, compounded by delays in adjustment of specific excise rates;
ii. poor performance of corporation taxation receipts, due partly to the declining financial performance of parastatals and partly to difficulties in taxing the more dynamic trade sector;

iii. failure of wages and salaries in the public sector to keep pace with inflation, causing income tax collection to fall in real terms;
iv. the negative effects of an over-valued exchange rate on import duty receipts and difficulties associated with collecting the correct level of duties to "own-funds" imports; and
v. a general deterioration in collection performance with low pay, inadequate equipment and other factors that have lowered production and morale (N. Ossoro, Tanzania's Financial Capacity, 1988, Mimeo p. 9).

4.3.4 Administration of Financial Resources

Administration of government financial resources includes vote-management, i.e., the acquisition and disbursement of funds, accounting and auditing. The three operations are expected to facilitate expediency and efficiency in financial resource use by realizing high standards of performance, forestalling waste and realizing high returns from funds expended. In practice, this has not been the case, partly because of procedures that have been in place, which emphasize controls and observance of regulations rather than performance and productivity. As a result there have been inefficiencies in resource use, which have in turn contributed to the escalation of costs and the deepening of the financial crisis. Below we look at the procedures that have been in place and some of the problems they entail.

Regulations and Procedures

The regulations and procedures for the administration of government finances have the following major characteristics:

(a) the legal framework emphasizes proper authority and correct accounting procedures;
(b) expenditures must conform with warranted provisions and virement between budget expenditure heads must be authorized by the warrant holder or the treasurer;
(c) warrants are issued on equal periodic basis without due regard to nature and timing of actual expenditure;
(d) financial statements record cash transactions which do not give indication of performance achievement; and
(e) the controls relate to budget inputs without due provision to measure performance.

The above and other legal and regulatory provisions play an important role in ensuring proper use of government funds, and help to contain malpractices such as embezzlements, extravagance and abuses in financial resource administration. However, in their current status they are decadent, and more relevant to the past, when government business was primarily regulatory and less concerned with productivity and performance. The problem of decadence transcends the three operations, i.e., operations or vote-management, accounting and auditing.

Vote-Management

Management of operations is, in financial terms, constrained by rigidities in financial regulations and lack of use of cost-effectiveness indicators for measurement of performance and cost/value of operations. The financial regulations demand strict observance of processes.

While certain operations may need to be financed at a given point in time, the warrants are only realized at specified periods; a certain vote may remain dormant because the budgeted item is not available, or its need is deferred. At the same time another purchase may be necessary which was not provided for in the budget, or whose vote is already depleted, but virement becomes difficult to effect. Such rigidities cause delays and some times result in the escalation of operation costs. While controls are useful, there is also need for flexibility to allow for timely decisions, fast operations and optimal use of resources.

A related issue is that government operations are classified in terms of duties rather than tasks, and personnel are paid for what they are and not for what they do; there is no attempt to measure the value of output as a basis for effecting payments. Although performance measurements are essential, as we saw in the last chapter, either little or no attempt has been taken for their adoption, especially adoption of cost-effectiveness measures, in order for the government to realize the "value for money" expended.

Besides the above problems, the stipulated regulations and procedures, themselves wanting as we have seen, have also been floated as table 21 indicates.

Except for items 6, 7 and 8, which are strictly losses of government revenue, the others cannot, strictly speaking, be construed as losses. They indicate in the first instance the level of laxity and non-observance of the relevant financial and stores regulations. However, when the argument is stretched further, the existence of such magnitudes of anomalies in financial resources management affects performance levels adversely, and has contributed in no small measure to the financial crisis in government.

Accounting and Auditing

Accounting and auditing are mainly instruments of control of financial transactions. The former is concerned with:

(a) proper recording of all financial transactions in the form of receipts and expenditure;
(b) maintenance of records that reflect the propriety of transactions and give evidence of accountability for assets and other resources in public use; and
(c) classification of data in a way that provides useful information of controls and for the efficient management of programmes.

A major problem with accounting and auditing is that both have remained too traditional in character. Accounting as practised is concerned with mainly recording cash transactions, instead of cost accounting, which would provide a measure of performance and productivity. Auditing, on the other hand, continues to concern itself with the appropriateness and authenticity of cash transactions as provided for in the

Table 21. Anomalies in the Administration of Government Finances

	1980/81	1981/82	1982/83	1983/84	1984/85
1. Unvouched & improperly vouched expenditure	434.07	317.96	213.48	337.67	302.82
2. Payments made on the strength of proforma invoice	148.02	225.51	238.24	102.70	206.80
3. Stores not taken on ledger but paid for	49.40	50.60	36.30	48.28	75.34
4. Purchases made without proper authority	31.49	26.18	10.72	38.43	51.32
5. Nugatory expenditure	11.71	4.29	49.77	27.55	10.93
6. Losses of cash	11.95	21.03	26.76	25.25	16.20
7.Losses of stores	32.70	93.50			39.94
8. Outstanding personal advances and imprests	221.79	408.33	601.71	526.97	800.20
9. Excess votes (supply vote only)	650.05	793.00	422.73	937.67	1,256.64
10. Overdrafts (supply vote only)	2,041.52	3,400.1	3,501.26	3,697.13	4,121.31

Source: Annual Reports of the Controller and Auditor-General for the relevant years

budget—i.e., vote auditing - instead of efficiency auditing which provides the means of appraising the performance of operations (L.Z. Mosha, 1984).

Another problem shared by the accounting and auditing systems is lack of well-trained personnel, primarily due to low rating attached to the two functions by the top decision makers in the Treasury, which is reflected in low remuneration and poor incentive systems for the accounting and auditing cadre in many countries (Mosha, 1984).

The Controller and Auditor-General also remarked in respect of the auditing staff that:

> The staff position remained extremely critical during the year under review. This could however deteriorate further unless positive steps can be taken with the support of the Government authorities to improve staff terms of service, making these at least comparable with those of other similar institutions. The situation has been aggravated by the departure of most of the expatriate officers who were not in a position to renew their contracts on the present terms (Controller and Auditor-General's Report, 1985, p.2).

Yet another problem with accounting is the general laxity in actual observances of accounting requirements and the poor state of accounting standards coupled with lack of accountability enforcement. Table 22a and 22b show levels of conformity with accounting requirements.

Table 22. Conformity with Accounting Requirements

Table 22a: Rendering of Accounts

	1980/81	1981/82	1982/83	1983/84	1984/85
a	20	17	16	17	17
b	37	36	34	39	32
c	57	53	50	56	49
d	35	32	32	30	35

Key:

(a) Number of accounts received on due date
(b) Number of accounts received after the due date
(c) Total of a and b
(d) a as a percentage of c.

Table 22b. Standard of Accounting

	1980/81	1981/82	1982/83	1983/84	1984/85
a	21	20	22	17	19
b	3	10	6	8	5
c	26	21	23	25	21
d	6	4	5	6	4
e	56	55	56	56	49
f	38	36	39	30	39

Key:

(a) Accounts which received a certificate of correctness
(b) Partially certified accounts
(c) Accounts not certified
(d) Accounts not rendered/considered
(e) Total of a,b,c, and d
(f) a as a percentage of e.

Source: Annual Report of the Controller and Auditor-General for the five years

In Table 22a the level of compliance is nowhere even close to half; similarly in Table 22b the highest level of conformity with the required standard is under 40 per cent. This low level has been consistently remarked upon by the Controller and Auditor-General. An example is the following excerpt from his 1985 Report:

> The reasons for the accounts of the 11 Ministries and 15 Regions not having been certified were the existence of significant errors in the accounts and the common failure to prepare bank reconciliation statements. Despite my repeated comments, in my previous reports, on this recurring weakness in accounting control and its serious implications, little or no progress has been evident (Report of the Controller and Auditor-General, 1985, p.4).

In this section we have tried to expose government financial management weaknesses, which have either precipitated or aggravated the financial crisis over a number of years, particularly since the economic crisis set in. In the next section we document some of the responses the government has so far made.

4.4 Government Responses

We have contextualized government financial management in broad terms in respect of planning, budgeting, revenue mobilization and revenue administration. In this contextualization some of the issues are instrumental, others incidental, while some may be even peripheral to the managerial function. The planning and budgeting activities, for example, embrace various important issues which are not managerial in the strict sense of the word and which are not necessarily amenable to administrative responses, e.g., planning and budgetary related responses, especially those which are due to IMF and World Bank conditionalities, are of a macro-economic focus and structural in nature.

Accordingly we will set such responses aside and focus our attention on responses that are mainly administrative in nature, although, we admit, the demarcation line is sometimes difficult to draw. Below we document the administrative measures so far undertaken to improve the levels of financial management.

Government responses to the economic crisis started as early as 1981, when the government launched the National Economic Survival Programme (NESP) as a three-year programme to revive the economy. By that time insufficient analysis of the causes of the crisis had been carried out, and the official thinking still believed that the crisis was simply caused by eternal factors, and that it was of temporary duration (Rugummisa 1980). Measures envisaged in NESP were naturally stop-gap measures. Moreover, issues of financial management, other than a call for thrift, were not well addressed.

Under SAP it was recognized that the economic crisis was deep-rooted and needed external support. In protection of its socialist policies, especially the achievements made in the social welfare sector and the commitment to a centrally planned economy, the Tanzanian Government chose a strategy that excluded the IMF because of its stringent conditionalities, but relied very much on external donors.

Basic issues relating to financial management incorporated in SAP included the following:

i. switching the focus of the budget and orienting it more towards maintenance, rehabilitation and basic needs;
ii. review of income tax, to incorporate taxation of non-salary incomes;
iii. undertaking budgetary cuts in order to reduce government bank borrowing and hence growth of money, and thus curtail inflation;
iv. look into ways of improving the management of the public enterprises;
v. improvement in financial controls, especially by looking into accountancy needs, standardization of accounting and book-keeping systems, and expansion of training in accountancy and book-keeping; and
vi. application of performance indicators in budgeting, and strengthening of the Public Investment Division of the Treasurer (Implementation Schedule for the SAP 1982).

The SAP failed to work, mainly because many donors were unwilling to support it to the extent required. SAP was replaced by the Economic Recovery Programme (ERP), after reaching agreement with the IMF in 1986. The ERP was a three-year programme lasting from 1986/87 to 1988/89 and has been succeeded by the Economic and Social Action Programme (ESAP), which is another three-year programme to last up to 1991/92. It can be safely said that it was during ERP, and now ESAP, that earnest actions were taken towards recovery of the economy, and we propose to document responses towards improvement in the government's financial management undertaken during this period.

4.4.1 Planning

In the last section we identified four major problems previously affecting planning as:

- i. lack of fiscal planning in terms of a phased investment programme projecting current spending needs, and assessing revenue availability and borrowing requirements in the context of a consistent macro-economic framework;
- ii. poor investment decision-making, which usually drew the government into deep financial commitments, eroding future government capacities to sustain the consequent projects and programmes;
- iii. lack of close linkage between planning and the annual budget; and
- iv. absence of appropriate coordination between planning and plan coordination; especially the lack of linkages between planning and the agencies of implementation.

During the ERP and now ESAP these problems have been addressed variously. Of most significance has been the establishment of the Planning Commission in the President's Office, with clearly defined functions and responsibilities, including the broadening of the planning function to encompass assessment of investment and expenditure potential and the coordination of foreign borrowing and debt management. The Act establishing the Commission established clear plan and plan implementation coordination mechanisms, and streamlined the Commission's role in supervision of implementation, review and feedback.

The planning focus has also shifted substantially towards fiscal planning, especially with the use of a rolling three-year public expenditure perspective. Further, it takes into account inter-sectoral linkages and resort is made to programme planning rather than project planning, used before. In order to improve investment decision-making, planning as currently done is guided by concentrating of the available resources in priority areas with a potential high output. During the ERP and ESAP three main areas have been identified for concentration of investment, namely, rehabilitation of infrastructure, agriculture, and revival of industrial capacity utilization. New projects have been discouraged.

4.4.2 Budgeting

Problems experienced by the budgetary system in the past have been identified as (i) reliance on orthodox approaches to budgeting (item fundings); (ii) lack of integration between the budget and the plans; and (iii) budgets usually focussing more on expenditure than on growth.

Responses with respect to item two have been covered above under "planning"; planning now gives direction in respect to the use of national resources, including current expenditures.

Of specific significance has been the budgetary restructuring whereby now budgeting goes beyond a single year in planning expenditure as well as the use of the recurrent budget as the principal focus for expenditure planning. Further is the adoption of a rolling three-year public investment programme, which sets ceilings for the development budget to be consistent with the recurrent ceilings and to discourage ministries from initiating projects with inadequate finance.

4.4.3 Resource Mobilization

Problems previously encountered in revenue mobilization included poor tax assessment, faulty tax legislation, tax evasion, and poor tax collection. Measures so far taken to rectify the situation include the following:

i. Fiscal policy during the ERP was geared towards reducing the overall fiscal deficit to between 8.3 and 10.4 per cent of GDP, to be achieved by increasing revenue realization by 0.5 per cent of GDP and restraining expenditure.
ii. The government effected tax reforms, first by rationalizing the sales tax structure and introducing an excise tax. The number of ad valorem tax rates was reduced from 26 to 7 and the maximum rate was reduced from 300 to 50 per cent. The excise rates are mostly ad valorem, ranging from zero to 75 per cent, with a total of seven rates. It has also been proposed that the sales tax rates be reduced to three, not exceeding a maximum of 40 per cent during 1990/91. This sales tax reform was a move towards introducing a unitary sales tax rate.
iii. Institutional strengthening of the customs and sales department has been undertaken, and measures continue which include procedural simplification, computerization and broadening, and strengthening training.
iv. From the 1989/90 budget the government reformed the income tax by reducing the marginal rates of personal income taxes from a range of 15 to 55 per cent to a range of 10 to 50 per cent and raised the minimum taxable income.
v. The government adopted various user charges on roads, education and training and raised fees and licenses on airports, travel, business and motor vehicles.
vi. The government further strengthened tax administration by recruiting more personnel, providing equipment, facilities and incentives, and increasing penalties for evasion and noncompliance.
vii. The government reformed the tariff structure and rates, by lowering the tariff rates which previously were as high as 150 per cent, simplified the structure, and reduced the number of exemptions.

4.4.4 Revenue Administration

The main problems with the administration of financial resources have been laxity and lack of compliance enforcement, continued reliance on traditional methods of accounting and auditing, especially the non-application of performance accounting and efficiency audits; and lack of training.

In the bid to improve the level of financial administration, the government has emphasized two issues, the first being training, which has been of two types. Measures have been taken to have more qualified personnel in accountancy. There has also been the launching of appreciation courses for accounting officers; for example, between March and April 1987, the Ministry of Finance in collaboration with the Institute of Development Management organized a seminar on public financial management for all accounting for officers, namely Principal Secretaries and Regional Development Directors.

Secondly, the government set ceilings to the expenditures of government departments and, in order to ascertain compliance, ministries are no longer allowed over-drafts from bankers unless they are authorized by the relevant authority.

4.5. Conclusion

In the last section we documented the measures the government has taken in order to improve the management of its financial resources. Given the range of responses and the nature of the problems earlier identified, we propose to assess the potential of the responses to address the problems.

The main problems the government has faced are the persistent deficits. The measures so far documented have been concerned with bridging the gap between revenue and expenditure. The planning responses have directed their attention towards better coordination of planning and bringing about effective economic management, including that of the government budget. The expected outcome is economic growth, which should widen the revenue base, while proper economic management should result in greater efficiency and saving.

The budget, as we saw, has tried to bridge the gap through rationalization of the expenditure portfolios, so that resources are geared towards priority areas with direct economic growth potential. Also, hiving-off dispensable expenditures, is expected to help in narrowing down the deficits. Equally, the budget has also concerned itself with reducing its dependence on bank borrowing, especially in order to contain the growth of money, lower inflation and release bank resources for investment in productive sectors to propel economic growth.

What has been the effect of the measures taken so far? Table 23 shows the growth trends for export crops from 1985/86.

Table 23. Official Purchases of Export Crops 1985/86–1988/89 (in '000 tonnes)

	1985/86	1986/87	1987/88	1988/89
Coffee	54.0	41.1	45.7	55.1
Cotton-seed	107.8	213.4	230.0	205.0
Sisal	30.2	33.2	33.2	35.0
Tobacco	12.5	16.4	12.9	11.8
Tea (made)	15.5	14.1	13.8	16.0
Cashewnuts	18.8	16.5	25.5	22.0
Pyrethrum	1.4	1.2	1.4	1.6
Cardamon	0.2	0.3	0.2	0.3
Cocoa	1.6	1.9	1.9	2.0

Source: S.Rugumisa, A Review of Tanzanian Economic Recovery Programme, DSM, 1989

As can be seen from the table there is an evident growth in export production, especially comparing 1985/86 (a year before launching ERP), and 1988/89 (the last year of ERP). Altogether the economy grew at an average rate of 4 per cent per annum, realizing a net growth of around 1.2 per cent; previous net growth had been negative for a number of years. From the economic perspective, therefore, the ERP policies have had a positive impact.

The situation with regard to fiscal deficits, is represented in Table 24.

Table 24. Current Revenues, Expenditure and Deficits as Percentage of GDP 1985/86–1988/89

	1985/86	1986/87	1987/88	1988/89
Current revenue	15.4	16.1	19.7	21.1
Total supply vote	15.0	16.1	15.3	17.3
Total current expenditure	19.7	22.1	23.1	27.2
Deficit	4.3	6.0	3.4	6.1

Source: Tanzania Public Expenditure Review, Vol. III, Table B7

Although the deficit between current revenue and current expenditure has not narrowed (indeed it has widened from 4.3 per cent of GDP in 1985/86 to 6.1 per cent in 1988/89), there are still positive trends discernible from the table. First, while in 1985/86 the current revenue was equal to the supply vote expenditure at around 15 per cent of GDP, in 1988/89 while the supply vote expenditure had gone up to 17 per cent of GDP, current revenue was much higher by around 4 per cent of GDP. The magnitude of total deficit in the latter fiscal year is due to the increase from 4.2 per cent of GDP in 1985/86 to 9.9 per cent in 1988/89.

Second, the table shows that the government had increased its revenue mobilization capacity; an important aspect to take note of is that the 21.1 per cent of GDP in 1988/89 is equivalent to around 33 per cent of GDP in 1985/86, since during the ERP period GDP had grown by around 12 per cent above the 1985/86 level.

Alongside these developments the government managed to restrain itself from bank-borrowing, which was reduced from T.Shs. 5.6 billion in 1985/86 to net repayment in 1988/89 (ESAP 1989, p.5).

When we turn to the actual administration of government finances, the situation becomes gloomy indeed, as Table 25 illustrates.

Table 25. Anomalies in the Administration of Government Finances 1985/86–1987/88 (in Mill. Shs.)

	1985/86	1986/87	1987/88
1. Unvouched and improperly vouched expenditure	424.09	540.02	1,073.61
2. Purchases made without proper authority	22.01	45.66	109.46
3. Losses of cash	41.62	283.32	57.63
4. Losses of stores	40.28	191.79	33.37
5. Overdrafts (supply vote)	4,060.04	3,197.5	3,327.67
6. Outstanding advances and imprests	1,002.24	1,028.96	1,246.49

Source: Reports of the Controller and Auditor-General for the relevant years

A comparison with Table 21 shows that there does not seem to be much improvement. It seems that controls are still lax, and there are inadequate sanctions to enforce compliance and accountability. The picture painted above can be replicated with regard to conformity with accounting requirements. Indeed the gains made in the other aspects to boost government revenue and control expenditure will most likely be lost if financial discipline is not enforced.

Another problem still faced by the accounting and auditing machinery is, as we have seen earlier, sluggishness in adopting modern techniques of accounting and auditing, which has been compounded by shortage of staff. The Audit Department, an establishment of 126 auditors in Grade III and above, had an actual strength of only 75 in 1987/88. The controller and Auditor-General lamented in his 1987/88 Report that:

> As in several previous years, the staff position continued to be critical. Apart from the steady drain of trained local officers who are apparently attracted by higher remuneration and other benefits elsewhere, a number of serving expatriate officers have departed because of insufficient incentives (Report of the Controller and Auditor-General, 1989, p.2).

The situation thus remains precarious, and concerted efforts need to be exerted towards strengthening financial resources administration in its various aspects.

Administrative Responses to the Economic Crisis in Tanzania: The Social Services

5

5.1 Introduction

In the face of an unprecedented world economic crisis, Tanzania has suffered a great setback in providing the population with the basic social services. The period between 1978 and 1985 witnessed a sharp decline in both quality and quantity of all social services, including education, health, housing and water. In his 1988–89 Budget Speech, the Minister for Finance and Economic Planning aptly described the crisis:

> It will be recalled that this programme was endorsed by this National Assembly to readdress the deteriorating economic situation which emerged between 1978 and 1985... the nation as a whole was experiencing deterioration in production and in provision of various services; problems which manifested in rapid decline in people's living standards, an acute shortage of commodities, a breakdown of crucial economic infrastructure ... deterioration of Social Services ...

In relation to the crisis, the government of Tanzania has adopted steps and measures for purposes of alleviating the social consequences of the crisis. The objective of this section is to explore the real and actual nature and scope of these administrative responses upon education, transport and water. It includes a dynamic analysis and evaluation of the administrative responsive pattern within the three areas of social services mentioned above. Specific focus is on the following variables;

(i) public policies as they have changed in response to the crisis, and their effect on policy capacities;
(ii) manpower and institutional or structural changes for implementation; and
(iii) resource mobilization and management during the crisis period.

At the end, we should be able to see a specific response pattern, i.e., whether the government (administration) has contracted in its scope of operation or whether it has expanded its area of activities. In either case we should see how the administration has redefined its role towards either expansion or contraction of its scope.

Of eventual importance is what has happened to accountability, commitment, participation, coordination, effectiveness and cost.

5.2 The Broad Policy-Making Framework

5.2.1 The National Economic Survival Programme (NESP)

The actual beginning of administrative responses to the crisis was the National Economic Survival Programme (NESP) of 1981–82. NESP was an emergency programme responding to the economic crisis. It addressed itself specifically to:

(i) increasing foreign exchange by increasing exports;
(ii) stringent measures in spending foreign exchange;
(iii) increasing food supply and security;
(iv) provision of essential commodities for the people

It is important to make a distinction between NESP on the one hand and subsequent programmes, on the other. NESP was a national programme based on national aspirations and hopes. It focused on internal resource mobilization. In 1982 NESP expected to mobilize T.shs. 8,131 million (1982 prices) through the export of goods and services produced within the economy itself. NESP stipulated that "this money is planned to be obtained from agriculture, industry, minerals, livestock; natural resources, game, services, etc."[2]

Secondly, NESP conformed to the tradition of policy formulation patterns. NESP itself reveals;

> ...Our National Economic Survival Plan was formulated and approved by the Party's National Executive Committee (NEC) in its sitting of May 1981 ...[3]

5.2.2 Structural Adjustment Programme (SAP)

On the other hand, SAP, which succeeded NESP became heavily dependent on foreign resources. The financial basis of SAP was foreign loans. Secondly, SAP did not follow the traditional policy formulation pattern. The programme was formulated outside the routine policy patterns. The transformed policy formulation shifted the focus from the national structures i.e. the party and Government to external agencies e.g. the Paris Club, the World Bank and the International Monetary Fund (IMF).

A report of a conference on the "Impact of the IMF and World Bank Policies on the People of Africa" reveals that these institutions have assumed the role of management of policy. They approve annual national budgets, foreign exchange budgets, post their representatives to the Central Bank, Ministries of Finance and Trade and Industry ... approve monetary, fiscal and tariff policies and give clearance certificates before countries can negotiate with other foreign lending agencies ...[4]

5.2.3 The Economic Recovery Programme (ERP)

The most influential factor in the current policy formulation is the Economic Recovery Programme (ERP) drawn up by the Paris Club in 1986. An opening statement of the Minister for Finance and Economic Planning in his 1988–89 Budget Speech is revealing;

> ... the starting point is to examine the stage we have reached in implementing the objectives and targets of the Economic Recovery Programme started two years ago.[5]

Indeed, as the above quoted statement reveals, any discussion on the public policies of necessity starts off by looking at the policy objectives of the Paris Club in the ERP. These objectives were summarised on the 1988–89 Budget Speech;

> ... the Economic Recovery programme was conceived with the objective of marshalling of national resources and undertaking concrete measures to augment foreign exchange earnings, rehabilitate essential economic and social infrastructure, increase industrial

economic and social infrastructure, increase industrial capacity utilization and restore favourable fiscal balance as well as the balance of payments.[6]

Macro-policy directions under ERP

Policy measures advocated by the ERP are divided into three main categories. The first category concerns macro-economic policies which focus on the balance of payments, monetary policies, interest rates, government budgeting and price and distribution. The second category is the sectoral (micro) policies which emphasize agricultural production, transport and communication, industrial energy and social sectors. The thrust here is on productive sectors.

The third category of policies is the whole question of availability of foreign exchange needed to facilitate production in key sectors. These three categories are the guidelines for sectoral policies, as will be noted below.

The ERP makes it categorically clear in its investment policies that investment will only be directed to the productive sectors states;

> new investment will be held to a minimum by restricting the Development Budget largely to the completion of ongoing projects. New projects will be undertaken only exceptionally and if (i) they directly increase export earnings, (ii) promise to remove serious bottlenecks impending present production, and (iii) provide for the basic needs of the population, in terms of essential goods and services. Thus, the investment programme will be restricted and priority will be given to the revival of production in agriculture and industry, and the alleviation of the key bottlenecks particularly in the transportation sector.[7]

Given the ERP investment policy, it is clear that new projects can only be started in the productive sectors. This means that new social services projects such as those of health and education cannot be undertaken because they do not meet the criteria for new investment. As a result of this, total investment on social services has been drastically reduced since the inception of the ERP as table 26 below shows.

Table 26. Resource Allocation in Different Sectors

Sector	1986–87 %	1987–88 %	1988–89 %
Directly Productive Sectors	44.7	41.0	41.0
Economic Infrastructure	27.9	31.4	30.0
Social Services	19.3	14.6	10.0
Administrative & Other Services	16.1	13.0	19.0
Total	100	100	100

Source: 1986–87, 1987–88 and 1988–89 Budget.

The table shows the declining financial allocations for social services under the ERP, from 19.3% in 1986–87 to 10% in 1988–89. This is a reflection of the implementation of the investment policy of the ERP. It signifies a change in investment from the pre-crisis policy as stated by the Minister for Planning in his 1972–73 Economic Survey;

"... expenditure on health, water and education has continued to increase in accordance with the Party directive that these services be given top priority ..." (Economic survey of 1972–73)

Expenditure on health has risen from 5 million shillings in 1973-74. Expenditure on water and power has risen from 220 million shillings in 1972–73 to 400 million shillings in 1973–74. Expenditure on education has more than doubled to reach 124 million shillings in 1973–74.

5.3 The Education Sector

5.3.1 The Economic Crisis in Education

The economic crisis manifests itself in all the sectors of the economy, the productive as well as the service sectors. In the education sector, the economic crisis has manifested itself in the form of drastic shortages of teaching materials and equipment, books, teachers, classrooms, laboratories, etc. For example, in 1984, only 3.1% of standard seven leavers could get places in form one. the 1982–83 textbook-student ratio was 1 to 5 with the intention of reducing this ratio in 1984–85 to 1 textbook to 2 students. In 1984 when Universal Primary Education started, there was a shortage of 33.3% of classrooms and 75.3% of teachers' houses. At present, every school pupil requires 35 exercise books per year but the Ministry of Education (MOE) can only provide 6 exercise books per pupil.

In 1987 the MOE faced a shortage of 19,185 classrooms and 60,197 primary school teachers. This is in addition to more than 600,000 desks. 9 All these shortages were due to lack of financial resources.

5.3.2 Sectoral Policies in Education

The above analyzed macro-policies of the ERP have become the guiding factor in all the sectoral policies. One of the conditions of ERP policies was the principle of cost cutting on government spending to enhance efficiency. Several cost-cutting measures had been adopted. Relevant in the case of education was "the introduction to parents' contribution towards the cost of secondary school education" (ERP, p. 9)

In response to this condition of parents' contribution, the Minister of Education introduced a policy of emphasizing private day Secondary Schools built by parents. These private Secondary Schools are cheaper to run compared to government boarding schools. When this policy started in 1985–86, there were four day Secondary Schools built that year. The number of these schools rose by 200% in the next year (1986–87). Since 1986–87, the policy had been to complete ongoing projects and the expansion of secondary education would be undertaken at a lower cost by the establishment of these day Secondary Schools by the parents in villages. This increased form one places from 9,500 in 1984 to 16,000 in 1985–86. Expansion of Secondary education in government Secondary Schools was done mainly by expanding existing schools. Expansion in terms of building new secondary schools was highly limited. Education policy as directed in the ERP is quite explicit;

> Important requirements for these ... services are basically of recurrent nature ... teaching materials and such items as laboratory equipment and chemicals in the case of education. The main objective of the recovery programme is improving the quality of services provided

rather than expansion ... Thus, with regard to provision of recurrent requirements first priority is given to increasing the supply of equipment and materials ... (ERP, p. 33).

Guided by this policy, the Ministry of Education, since 1985–86, decided to direct most of its efforts to the provision of school materials, equipment, books and teachers. Since then expansion in education at all levels had been in the area of recurrent supplies.

In addition to this policy there also has been a renewed emphasis on self-reliance activities in schools as a measure of reducing costs in education. At an education conference held at Arusha in 1984, the Minister of Education outlined the role of schools as instruments of imparting knowledge, providing services and producing goods: "In other words, teachers and pupils will be required to teach and learn at the same time produce goods or services. In this way pupils will meet part of the cost of their education" (Speech by Minister of Education of Arusha, 22 Oct. 1984).

The main emphasis in education policy had been to improve the quality of the service rather than expand it. In order, therefore, to achieve the necessary increase in the service, the government transferred responsibility to other institutions. The private sector among others, has tended to play a bigger role in expanding secondary education. As can be noted from the data above, NGOs have been very active in building day secondary schools sponsored by the parents themselves and religions organizations.

The responsibility for primary education was transferred to district and urban councils. The MOE concentrated on providing teachers, teaching materials and equipment, books, etc.

5.3.3 Institutional Changes in the MOE for Efficiency

During the government decentralization of 1972, local governments were abolished. The central administration took over all the functions formerly performed by the local governments. This included primary education. During the crisis period 1978–1985 steps were taken by the central government to reinstate the local governments. As a consequence of this reform, the function of primary education was handed over to district and urban local governments. In the Education Minister's 1986–87 speech he made this point clear by saying that "the implementation of most activities concerning primary education is now being undertaken by local governments".[13] The Ministry would provide general policy on the development and quality of primary education, provide enough and well trained teachers, teaching materials, books and professional advice.

The change in both macro and micro-policies necessitated corresponding changes in bureaucratic structures within which the policies are implemented. Each sector had to make some changes in its structures suitable for the implementation of the new policy changes.

At the Arusha Conference on education, the Minister for Education aptly made this point by saying that "it is necessary to create structures and procedure appropriate for disseminating education to enable the people to cope with future changes" (*ibid*).

At the Ministerial level, two new commissions were established in addition to the traditional departments and directorates, one for education studies and one for education services. The Ministry of Education would not be split but would remain one for purposes of effective coordination. As from 1985–86, with the reintroduction of urban and district councils, the Ministry had to transfer more powers to regions and districts to enable them to fully supervise schools, colleges and all education activities there. The Ministry of Education on its part would establish new organs at the headquarters for strengthening teaching, conducting education through long distance communication and ensuring the development of foreign languages for teaching purposes. By implication, therefore, the MOE is closely linked with the new Ministry of Local Government, Cooperatives and Marketing. In addition, the MOE is also tied up with the Regional Administrative Structures since the Regional Education Officers operate within these structures. These structural links may raise some questions on coordination of activities.

There is also the question of the semi-autonomous secondary schools and colleagues especially the private secondary schools. How the MOE can effectively coordinate and control these institutions is one of the problems.

5.3.4 Resource Mobilization in Education

The Ministry of Education has identified specific areas to which resources are channelled. The main thrust is on the expansion of secondary and higher education. The major goal is to increase secondary school places. Secondly to increase university places in order to meet manpower requirements for the country. This has necessitated the construction of new Secondary Schools both by the government and by the parents and non-government organizations (NGOs). Thus, in 1985–86 the government intended to increase form one places from 9,000 in 1984 to 16,000 in 1985–86. Together with the provision of teachers and teaching materials, the government had to spend Tshs. 5 million in 1985–86.

As for higher education, the Ministry of Education (MOE) concentrated on the expansion of teaching space, laboratories, libraries, workshops and the construction of student hostels and staff houses at both the University of Dar-es-Salaam and Sokoine University of Agriculture. In 1985–86, the Ministry spent Tshs. 127.68 million for this purpose.

The pattern of resource mobilization in the MOE has continued to date. Table 27 below shows the mobilization of financial resources by the MOE from 1985–86 to 1988–89.

An important feature of resource mobilization to be noted in Table 27 is the growing dependence on foreign resources. This dependence had been increasing over the years during the economic crisis period. As we shall see, this dependence has a great impact on the efficiency and speed of resource mobilization.

Table 27. Mobilization of Financial Resources (current prices)

Year	Local (Shs. m)	Foreign (Shs. m)	Total (Shs. m)
1985–86	375.3	150.5	525.8
1986–87	160.5	336.8	497.3
1987–88	297.6	450.9	748.5
1988–89	–	–	896.6

Source: 1985–86—1988–89 Budget Speeches

Table 28 shows how funds spent on education were distributed between the different branches of education. The table shows that the MOE does not have a regular pattern of allocating its resources among the different branches of education. The total figures, however, show a rising pattern in the expenditure of education. This pattern may not necessarily mean an expansion in education, one reason being the rising costs per student per year. Table 29 shows the rising cost of educating one student at every level.

Table 28. Financial Allocation in Different Branches at Current Prices

Branch	1985–86 (Shs. m)	1986–87 (Shs. m)	1987–88 (Shs. m)	Total (Shs. m)
Primary Education	39.1	33.6		72.7
Adult Education	3.2	31.8	87.5	122.5
Secondary Education	29.8	109.2	87.6	226.7
Teachers Education	48.2	44.0	95.8	188.0
Higher Education	127.7	90.0	338.3	555.9
Technical Education	145.9	126.7	139.0	411.6
Total	375.3	497.3	748.5	1,621.0

Source: 1985–86—1987–88 Budgets

Table 29. Annual Cost per Student at Current Prices

Level of Education	1982 (shs.)	1987 (shs.)
Primary level	337	957
Secondary level	7,542	17,358
University level	21,000–30,000	94,000–110,000

Source: Presidential Report to the Third Party (CCM) Congress, 1987

A second factor in rising costs is the devaluation of the shilling. The ERP recognized the inflationary consequence of devaluation:

> ... Consequently the Tanzanian shilling depreciated from 8:30 = 1 US.$ (June 1982) to 18.90 = 1 US$ (March 1985) ... since these actions occurred during a period when output was stagnant or declining and exports were falling, they contributed to inflationary pressures in the economy... Exchange rate action for this purpose is warrantable as long as there is over valuation of the T.Shilling. However, it is only tenable if it can be accompanied by output increases; otherwise it can be inflationary and distabilizing (ERP, p. 15)

Since the inception of ERP, the government had sought to cut down resources demands from the government budget. Several measures have been taken along the lines of the mobilization of non-government resources. One of such measures was "the introduction of parents' contribution towards the cost of Secondary School Education" (ERP, p. 9). Currently parents are required to contribute 3,000 shillings and 1,500 shillings per child per year in government boarding and day secondary schools respectively. The second measure was the introduction of a development levy on every adult citizen to be paid to district and urban councils. This levy is intended to finance social services including education, particularly at primary level.

Another measure of resource mobilization was the MOE policy of increasing day secondary schools built by parents and NGOs. This output shows the MOE's efforts to increase secondary school places with non-government resources. Table 30 below shows the expansion of private secondary schools in relation to government secondary schools as an indicator of resource mobilization.

Table 30. Private vis-a-vis Government Secondary Schools

Year	Government Schools	Private Schools	Enrolment Govt. Schools	Enrolment Private Schools
1983–84	85	85	39,737	31,482
1984–85	85	96	42,892	36,633
1986–87	95	107	43,911	45,703
1987–88	102	142	45,821	58,225
1988–89	113	175	52,158	75,542

Source: 1983–84—1988–89 Budget Speeches.

The table shows that the government has mobilized more non-government resources than its own. the expansion rate in secondary schools between 1978 and 1986 has been 3.55% in government and 7.34% in private secondary schools. That is to say, the private sector in secondary education has expanded two times more than the public sector between 1978 and 1986. There are more students in private secondary schools in 1988–89 (75,545) than in government secondary schools (52,158).

Even when one considers the expansion in technical, teacher and higher education where the MOE has a monopoly, one does not see much in terms of the expansion rate. Table 31 gives an indication of this expansion in the form of administrative output showing the scope of resource mobilization by the MOE.

Table 31. Education Expansion in Other Branches

Branch	Technical Education			Teacher's Education			Higher Education		
Year	Colleges	Teachers	Students	Colleges	Teachers	Students	Colleges	Teachers	Students
1984	2	195	1470	38	951	9,255	1	–	3,266
1985	2	197	1454	39	934	12,311	1	–	3,412
1986	3	229	1550	39	1,048	12,407	2	–	3,342
1987	3	224	1567	40	1,023	11,667	2	0	3,373

Source: 1987 Economic Review

From the table one can note that between 1984 and 1988 there was an addition of only one technical college, only two teachers' colleges and only one University. The number of teachers and students has remained almost constant. For example, the difference in student population at the University between 1984 and 1987 is only 107 and only 205 in the case of technical schools. A significant increase of 2,412 students was recorded in the teachers' colleges, and this was because of the great demand for teachers for primary and secondary schools.

The response of Government is vividly reflected in the question of resource mobilization. For example, budgetary expenditure on education had been declining from 17.7% in 1987 to 11.3% in 1978–79 to 5.5% in 1984–85 to 5.4% in 1987–88 and, finally to 5.0% in 1988–89. Also data on schools show a bigger expansion in the private than in the public sector. In 1983–84 there were 85 government and 85 private secondary schools. In 1988–89, private secondary schools have increased by 205% while government secondary schools increased by 13%. This means that more private resources were mobilized than those of the government, indicating that the government contracted its scope.

5.4 The Transport Sector

5.4.1 The Economic Crisis in the Transport Sector

The transport sector has been badly hit by the economic crisis. The greatest damage has been experienced in the road system. All roads are in very bad conditions. this poor state of roads is reflected in the 1988–89 budget speech of the Minister for Communication, Transport and Works. The Minister reported in Parliament that 10,300 kilometers of trunk roads needed rehabilitation and out of these the Ministry plans to cover 4,160 kilometers in 1988–89. In his report, President Mwinyi reported that: "Most of our roads are poor and at times it is very dangerous to use them" (Presidential Report, p. 36).

The effects of the economic crisis on the transport sector are not only limited to roads. Other areas have equally been affected e.g. railways, harbours, airports, telecommunications, etc. All these areas have been faced with lack of funds to buy new equipment and spare parts. In all these areas, the crisis was manifested in a drastic decrease in capacity and efficiency. For example, the capacity for dry cargo sea transport increased from 1,747,023 tons in 1974 to 2,081,000 tons in 1979, an increase of 19%, but there was a sharp capacity decline after 1979 which necessitated major rehabilitation especially of the port of Dar-es-Salaam.

5.4.2 Sectoral Policies in the Transport Sector

The Ministry of Communication and Transport has just formulated a National Transport Policy. A summarized statement of the policy is quite revealing:

> The ultimate goal is the development and maintenance of a single multi-model transport system of surface (roads, rail, marine, pipeline) and air transport links... to enhance ... and to open up new socio-economic opportunities through enabling the maximum utilization of agricultural and mineral resources ... (Ministry of Communication and Transport, National Transport Policy, 1988).

As can be noted, the Transport sector is an important part of the economic infrastructure which fits in well with the ERP criteria for new expansion. Reference to table 26 above shows that between 1986–87 and 1988–89 investment on economic infrastructure remained more or less constant at an average 30% of total investment. Rehabilitation of infrastructure occupies top priority in the ERP policies. As regards roads, the policy states that "Rehabilitation, improvement and expansion of the road network will be based on socio-economic criteria. This is because these operations involve heavy investments" (*ibid*).

This policy is in line with one of the important objectives of the ERP of reviving economic infrastructural services to support production. Consequently, in 1985–86, the Ministry started seven new road projects with a total of over 585 kilometers. The 1985–86 budget put more emphasis on the construction of new roads. The major aim was to make roads to be all weather. The seven projects were an addition to five other important roads started in 1980 as shown in Table 32 below.

Table 32. New Important Roads Started in 1980 (1980 prices)

Road	Distance (km)	Cost (Tsh. m)
Mwanza-Musoma-Sirari	306	351.0
Morogoro-Dodoma	285	465.0
Makambako-Songea	155	278.7
Kibiti-Lindi	330	250.0
Kobero-Lusumo-Isaka	220	360.0

Source: 1980 Economic Review

The table shows the early efforts of the government to respond to the economic crisis with regard to the transport sector. Such efforts were directed to increase the transport capacity to cope with the deepening crisis.

Road rehabilitation is also an important policy item. Major rehabilitation works are undertaken to cover important roads which were dilapidated. According to the Ministerial policy in the 1986–87 Plan "the thrust of policy in the plan will be directed towards the economic areas in general and sectoral economic areas with the hope of economic revival" (1986–87 Development Plan). Thus, even in the case of major rehabilitation the guiding condition is production. The necessity for major rehabilitation seems to have been brought about by a failure of the sector to take proper maintenance measures. In 1980, the Ministry sought to establish 15 maintenance gangs at the cost of Tshs. 112.5m (1980 prices) but the Ministry got only Tshs. 10m. This amount was too small for the road maintenance requirements.

As for the railways, rehabilitation work is most important. The Tanzania Railway Corporation (TRC) undertook major rehabilitation by the replacement of old rails and repair of bridges. Again the emphasis was on projects aimed at increasing the transport capacity for goods and passengers. Table 33 shows the carrying capacity for TRC between 1980–83. This transport capacity was expected to increase after the arrival of various equipment, shown in Table 34.

Table 33. TRC transport capacity 1980–83

Year	Tons	Increase in tons	Increase in %
1980	940,000	–	–
1981*	1,033,000	93,000	10
1982*	1,137,000	104,000	10
1983*	1,250,000	113,000	10

Source: 1980 Economic Review
* estimated capacity.

Table 34. Ordered Equipment 1979–80

Type	1979	1980
Locomotive engines	65	28
Coaches	62	135
Wagons	755	60

Source: 1980 Economic Review

The same policy governed ocean transport. The major undertaking was the expansion of the port of Dar-es-Salaam. In 1984–85 the World Bank made available a loan to the Tanzania Harbours Authority for the construction of a grain terminal and container berth.

In the 1988–89 Budget, the Ministry plans, in addition to the expansion of the port of Dar es Salaam, to improve the ports of Tanga (with German assistance) Kilwa, Lindi and Mafia (with NORAD assistance). In its five-year programme (1978–82) the Tanzania Harbours Corporation (THA) undertook the following projects:

- i construction of dry dock and workshop at Dar-es-Salaam port;
- ii excavation of the Dar-es-Salaam port;
- iii construction of a grain terminal;
- iv construction of container berths;
- v construction of an oil jetty;
- vi construction of ship repair facilities; and
- vii purchase of port equipment.

Transport policies, as noted above, show that the Government has expanded its scope. The policies state that the ultimate goal is development and maintenance of the transport sector. Development here means expansion into new projects. The new projects will be directed to the opening up of new socio-economic opportunities. However, even in this case, the main policy emphasis is on the on-going projects rather than on purely new projects. The latter would be undertaken only when necessary and when they meet the ERP criteria for new projects. The main thrust is on rehabilitation of existing infrastructure.

5.4.3 Structural changes in the Transport Ministry (MCW)

With the formation of the new Ministry of Local Government Cooperatives and Marketing, the regional and district engineers who are responsible for regional and district roads were placed under the new Ministry. But since there is need for effective supervision, the Ministry of Communication will now directly provide the needed technical supervision. Consequently, new departments have been formed within the Ministry for supervising rural and regional roads. The best structure is still being worked out. The process is still going on.

The MCW has recently formulated a policy, the first since independence. In this policy, the MCW has specified its structural links with other Ministries. The policy document stipulates that the MCW has the overall responsibility (in its leading and advisory capacity) for all policy, development and operational matters relating to the whole sector. This includes the development and maintenance of trunk, roads, aerodromes, railways, road transport, ports, etc.

The MCW is structurally linked with the Prime Ministers' Office (PMO) in as much as the latter is responsible for the development and maintenance of regional roads, motor vehicle allocation, transport licensing etc. The PMO through the regions also deals with certain policy aspects and operational strategies for different modes of transport.

Secondly, the MCW is closely linked with the Ministry of Local Government, Cooperatives and Marketing (MLGC) which, through the district and urban councils, is responsible for the development and maintenance of district, urban and unclassified roads.

Between 1980 and 1983, over 54,000 various vehicles were needed for transport. Also, in the-long term plan one of objectives is that by the year 2000, all regional towns and municipalities will be linked with tarmack roads. Structurally, this means that the MCW is closely linked with the Ministry of Industries for the manufacture of tar, spare parts, etc.

Other Ministries related to the MCW in terms of structures include the Ministry of Finance for financial allocation, the Ministry of Trade and Industry which produces transport equipment such as tyres and tubes, spare parts etc., the Ministry of Energy responsible for oil and petrol and the Ministry of Home Affairs responsible for road safety etc.

The only significant structural expansion, therefore, was the formation of new a department to supervise regional and district roads. This has been necessary because the regions and districts need technical support from the Ministry in supervising road construction, rehabilitation and maintenance. In this respect, therefore, there has been some expansion in the structures of the Ministry of Communication and Transport.

5.4.4 Resource Mobilization in the Transport Sector

Transport projects are normally expensive. Consequently, the Ministry of Transport is mobilizing a lot of financial resources. In 1985–86 for example the Ministry spent a total of 305.09 million shillings for the construction of new and rehabilitation of old roads, and 15 million shillings for maintenance. In the same year, the Ministry spent 341 million shillings for railways. In the year 1986–87, road construction and rehabilitation consumed 440 million shillings, railways used 158.1 million shillings and 1435 million shillings were spent on seq ports.

In the year 1988–89, the Ministry of Communication and Transport was estimated to spend a total of 5.5 billion shillings for both development and recurrent spending. In three years' time (1988–89 — 1992–93) the Ministry will mobilize and spend 6,618 million shillings in implementing thirteen rehabilitation programmes.

Road transport, which accounts for 60% of all surface freight in the country, necessitates the purchase of a large fleet of vehicles. To meet this big demand, the government intends to buy 1800 new lorries every year in the next five years. This means a total of 9000 lorries in a period of five years. 2,100 buses will also be needed in the same period. These vehicles call for mobilization and utilization of a lot of funds.

What is alarming about resource mobilization in the transport sector is the heavy dependence on foreign resources. In 1985–86 the Minister for Communication and Transport reported to Parliament that "efforts to look for donors for several road projects will continue" (1985–86 Budget Speech).

This statement reveals that the expansion of the transport sector is entirely dependent on foreign resources. The implication of this is that the efficiency and speed of expansion will be determined by those who donate the funds and not by the Ministry of Communication and Transport. This raises a serious question as to who really controls the development of transport and for whose interests. for example, the road maintenance project (TRM) was highly dependent on foreign money. Road maintenance faced great problems in 1983–84 when a World Bank loan for the purpose had aided. The project was revived during the ERP in 1985–86 when another loan was secured from the World Bank. In that year, Tshs. 15.0 million were set aside —Tshs. 14.0 million in foreign exchange and only T.shs. 1.0 million were local. This loan, however, expires in 1989 and what will happen to the project after that year is anybody's guess.

The Tanzania Harbours Authority (THA) on the other hand, received a World Bank loan in 1984–85 for the expansion of the port of Dar-es-Salaam. In 1985–86, the THA undertook eight projects using this loan. These projects are still going on in 1988–89 under the supervision of the World Bank. In addition, feasibility studies are being conducted in Tanga port under German assistance and in Mtwara port under Dutch assistance. Improvements are also being made in small ports of Kilwa, Lindi and Mafia under NORAD assistance.

The Tanzania Railway Corporation (TRC) is concentrating on rehabilitation work. The corporation is directing resources to the purchase of engines, wagons, coaches etc.

The dependence on foreign resources poses a lot of problems with regard to project implementation. The sixth highway project was delayed because of delayed contract completion. The Minister of Communication and Works reported in Parliament during the 1988–89 Budget Session: "Also after the delay in completing contracts, my Ministry has now completed arrangements for the implementation of the sixth highway projects".

Though the Minister did not make it clear what caused the delay in contract completion, it easily appeals to reason that the possible cause (possibly the only cause) was the delay in obtaining the resources needed to cover the contracts. The resources did not come in time. Sometimes these resources are hard to come by and normally efforts to look for donors continue for a long time.

The expansionist response of the Ministry of Communication and Transport can also be noted in resource allocation. This sector of transport is highly favoured by the ERP, and the government plans to spend big amounts of resources. Because of the large size of resource commitments, the government largely depends on external resources. The sixth highway project, for example, had to be delayed because the ministry did not complete contracts early enough. This massive project depends on large foreign funds. Another large project is the Core Agricultural Rural Road Programme to be supervised by the World Bank. This programme concentrates on cash crop areas.

Many other projects in the transport sector e.g. the railways, the ports, etc. depend on foreign resources. This is evidence that the government intends to spend large amounts of resources showing an expansion in scope and operations.

5.5 The Water Sector

5.5.1 The Economic Crisis in the Water Sector

As in the case of the other sectors, the water sector has been adversely affected by the economic crisis. In this sector, the crisis manifests itself in the shortage of finances to implement the water projects.

Investment decisions made without sufficient appraisal of cost-effectiveness or cost-benefit analysis got implemented. Such projects, which started without careful feasibility studies to determine their economic viability, have suffered from several problems during implementation. Such problems as location, lack of inputs, power and fuel supply, capacity utilization, poor quality of goods, low market demand, inappropriateness of technology, supply of spare parts, etc. have plagued several projects in the past.

The effect of poor investment decisions has been to draw the government into deeper financial commitments, including debt repayments, sustenance of uneconomic projects, subsidides to loss making parastatals, etc. As a result of such wrong decisions in planning, projects whose financial returns cannot sustain their costs were created and maintained. These reasons alone account for most of the public enterprise deficiencies in Tanzania.

Another problem noted above is lack of close linkages between planning, especially between medium-term planning and annual budgeting. One of the advantages of a medium term fiscal plan, seen earlier, is that once it has been formulated, it provides guidance and linkage to annual budgeting, whereby the annual budget becomes a comprehensive one-year slice of the medium term plan.

Pursuant to this policy, villages were to have all completed rural water projects handed over to them. They were to ensure their running and maintenance. In addition, villages were to be required to contribute not less than 10% of the construction costs of rural water projects.

Project investment in rural water is undertaken according to the macro policies of ERP. The emphasis being on on-going projects, with new projects kept to the minimum. As a result, in the budget of 1988–89, the ministry intended to start only one new project.

The change in policy also concerns urban water. Inasmuch as rural water service was not free, urban water service was also to be paid for. In 1988–89 budget, it was stated that "Government decision from now is that all towns in the country must be self-reliant in running water services out of the incomes obtained from water services" (*ibid.*).

The change of policy, from one of paying casual labour provided by the villagers, to self-help has made promotional work necessary among the rural population. This creates the necessity of conducting informative meetings to the villagers (Troil 1986, p. 65).

Similarly, district and regional water committees will be formed and strengthened to enable them to provide more effective supervision. For that purpose, every region and district is required to have an active water committee.

It is, however, important to note the difference in policy between rural and urban water. In the case of rural water, the people will participate not only in running and maintaining but also in the construction of water projects. In the case of urban water, the policy of people's participation will only be in the running of water services. Consequently, all water projects in urban areas are undertaken by the government using contractors: "... the implementation of most urban water supply projects had good performance due to the fact that most of the projects are implemented by contractors with strict time schedules..." (Budget Speech 1987–88).

Emphasizing the dual rule of urban water, i.e., both as a social service and as economic infrastructure, the Minister of Water stated that "water is an essential service for economic and social development in urban areas" (*ibid.*).

The pattern of investment in urban water projects also conforms to the ERP requirements. Emphasis is still on on-going projects. New projects are restricted: "In general, projects which will be undertaken in 1987–88 are those which are on-going. Out of fifty-two projects in the 1987–88 plan, only two are new" (Budget Speech 1987–88).

Policies regarding rural water supply show a tendency of contraction on the part of the government. Rural Water is regarded as a service. Under ERP policy direction, the service does not meet the criteria for expansion. Thus, the Ministry's policy is that people have to participate in all activities in the implementation of rural water projects. It is working out the best method and procedure of involving the people. This is obviously a transfer of responsibility which shows contraction on the part of the government. The latter, however, will continue to meet most of the running costs for some big rural water projects.

The case of urban water is slightly different. Urban Water is regarded as an economic infrastructural service and, therefore, water projects meet the ERP criteria for expansion investment. As a consequence, the MOW undertakes urban water projects by using contractors.

5.5.2 *Structural Changes in the Water Ministry (MOW)*

The Ministry of Water is fairly new. Thus, its structure is still developing. At the level of the Ministry itself, three directorates have been instituted. One directory deals with Project Preparation, the second with the construction of Rural Water Projects and the third with wood-bamboo technology for water distribution.

The policy of people's participation in water projects has called for new structures. Every village is now required to form a water committee and a water fund to be set up by the village government for the running and maintenance of rural water projects within their means. The central government, however, will still run major rural water projects because of the large amounts of money required especially the cost of electricity, diesel and chemicals for the treatment of water. The people will be required to meet all other costs within their means.

Structural arrangements of the Ministry of Water show contraction in the rural water sector. After the completion, rural projects are handed over to the villages and districts. The Ministry of Water withdraws and it is no longer responsible for the running and maintenance of the projects. Regional, district and village water committees will then take up the responsibility over these projects. Structurally, therefore, the different water committees at the regional, district and the village levels replace the Ministry showing that the Government has contracted and transferred its responsibilities to the various water committees.

As for urban water, the Ministry is fully involved. It makes agreements with contractors who undertake the projects.

5.5.3 *Resource Mobilization in the Water Sector*

Just as in the case of Transport projects, Water projects also require heavy investment. The Government invests in large water projects because of large amounts of money needed. Consequently, the Government heavily depends on external sources of money to implement water projects. In his Budget Speech of 1986–87, the Minister for Water reported that "Mtwara and Mwanza projects are among the big urban water supply projects being implemented with the assistance from the EEC" (Budget Speech 1986–87).

The heavy dependence on foreign resources creates fears as to the capacities of the MOW to support these projects when the donors decide to leave. These fears have been aptly expressed by Troil, in relation to Mtwara-Lindi project:

> After transfer, Mtwara and Lindi Regions would have to compete with other regions of the country in order to get funds for the running of the water supply, which the project has built. This might well mean that there would be a lack of funds and in particular, foreign currency allocations for the necessary materials... (Troil 1986, p. 49).

Mtwara-Lindi Water project is typical of a project heavily dependent upon foreign money. Table 35 below illustrates this point.

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As for urban water, the Ministry is fully involved. It makes agreements with contractors who undertake the projects.

5.5.3 *Resource Mobilization in the Water Sector*

Just as in the case of Transport projects, Water projects also require heavy investment. The Government invests in large water projects because of large amounts of money needed. Consequently, the Government heavily depends on external sources of money to implement water projects. In his Budget Speech of 1986–87, the Minister for Water reported that "Mtwara and Mwanza projects are among the big urban water supply projects being implemented with the assistance from the EEC" (Budget Speech 1986–87).

The heavy dependence on foreign resources creates fears as to the capacities of the MOW to support these projects when the donors decide to leave. These fears have been aptly expressed by Troil, in relation to Mtwara-Lindi project:

> After transfer, Mtwara and Lindi Regions would have to compete with other regions of the country in order to get funds for the running of the water supply, which the project has built. This might well mean that there would be a lack of funds and in particular, foreign currency allocations for the necessary materials... (Troil 1986, p. 49).

Mtwara-Lindi Water project is typical of a project heavily dependent upon foreign money. Table 35 below illustrates this point.

Table 35. Fund Sources for Mtwara-Lindi Project (current prices)

Source of funds	Amount (Tshs)	Percentage of contribution
Finland	87,000	59
UK	25,800	17
UNECIF	20,400	14
Tanzania	14,500	10

Source: Sitari: Workshop on Finnish-Tanzania Cooperation

It shows that 90% of the costs of the Mtwara-Lindi project are met by foreign funds. The crucial question here is whether or not the government will be able to support the project in the future. The Finniwater Project is also heavily dependent on foreign manpower. Troil reveals that: "the project has not made much attempt to replace the expatriate staff, with local staff and the expatriate staff, 18 in number is still holding all the key positions".

The project however, did train some manpower as shown in Table 36 below. As one can clearly note from the table, the types of skills taught are at the artisan level. Therefore, Troils' observation that expatriates are holding the key positions is a valid one since the manpower training pattern does not provide training for the key positions. This means, then, that the project will perpetually depend on expatriates in the key positions.

Table 36. Manpower Training by the Mtwara-Lindi Project

Type of skill	Number of staff
Rotary drilling	2
Machine auger investigator	1
Shallow well auger	3
Shallow well excavator	2
Shallow well concrete slab making	2
Shallow well maintenance	2
Water works machine installation and maintenance	2
Electrical	1
Plumbing	2
Mobile machine maintenance	1
Resistivity sounding	1
Seismic sounding	1
Vehicle maintenance	2
Steel construction and welding	1
Quarry	1
Well disinfection and water laboratory	1
TOTAL	25

Source: Workshop on Finnish-Tanzania Cooperation

If Tanzania is to achieve its objective of providing clean water to every citizen within 400 metres by the year 2000, the government will need to mobilize 12 billion shillings at the rate of 1.33 billion shillings per year (at 1982 prices). This is a lot of money by any standard.

In 1986–87, the ministry spent 299.9 million shillings for rural water and 87.4 million shillings for urban water supply. In the following year (1987–88) it spent 314.7 million shillings for rural water and 1,074.0 million shillings for urban water projects.

Besides the use of government resources, the ministry also intends to mobilize resources from the people's contribution. It has been stated above that people themselves will be expected to run and maintain their own rural water projects. In addition to that they will be required to contribute not less than 10% of the construction cost of these projects. In urban areas, the people will also be required to contribute towards the running of water services.

As in the transport sector, the water sector mobilizes a lot of foreign resources. Urban water infrastructural projects are financed by loans from foreign donors. The EEC, for example, is financing big urban projects in Mwanza and Mara. This means, therefore, that the government has to mobilize a lot of resources for these projects, showing an expansion in scope on the part of the government.

5.6 Incentives and Productivity in the Services Sector

5.6.1 Low Levels of Remunerations

The most relevant incentive item in the services sector has been extremely low levels of remunerations. Increases in personal income have been lagging behind the rise in the cost of living. Between 1978 and 1988, inflation rose by 300% while the incomes of the low salary bracket rose by 175% which means that the standard of living of this category of workers went down by 125%. The standard of living of the middle-income bracket had already declined by 140% by 1984. The high-income category was in a worse position, the standard of living of this category had gone down by 175%.

5.6.2 Tax Reform

Measures to counter the trend of falling standards of living had been taken by the government. There had been several tax reforms. The range of marginal tax rates were reduced from 20% to 75% and 55%. The minimum taxable income was increased from Tsh 1200 in 1978 to Tsh 1500 in 1988.

5.6.3 Salary Increases and Allowances

Salaries were increased by 20% for the lowest cadre and 10% for the highest cadre in the civil service. In addition, various allowances were introduced. The university teaching staff were given 25% of their gross salary as untaxed tutorial allowance. Subsistence allowance, when travelling on duty, had been raised many times. The review of salaries and allowances is now a yearly event.

5.6.4 Change in Civil Service Norms

Despite these salary increases and tax reduction, however, the workers' incomes are still very low relative to the cost of living. This has necessitated an important change in the norms of the civil service. Now civil servants can engage in income generating activities while in the past civil servants were not allowed to do so. This change of norms has implications in terms of civil service efficiency, commitment and effectiveness. One possibility is that civil servants divide their time between their work and their personal projects. Concentration seems to be on the personal projects, reducing the commitment and efficiency of civil servants.

Another effect of this change is reflected in financial management. Evidence shows that many civil servants have diverted a lot of public financial and other resources into their own projects. Many civil servants have invested in real estate, building big houses for renting. In terms of financial management, there has been violation of financial procedures. A substantial amount of government expenditure is not accounted for every year.

Accumulation requirements of civil servants most likely contribute to corruption in the civil service. For purposes of capital accumulation for investment in personal projects, civil servants tend to resort to selling the otherwise free services in the form of bribes, kickbacks, etc. Huge losses of public funds are experienced in almost all public enterprises, cooperatives, marketing boards, etc. This has resulted in decay in civil service morality in the country.

5.7 Conclusion: Administrative Responses in the Social Services

The data contained in the text enables us to establish that the Administrative responses of the Tanzanian Government have not been uniform all the time but that the general pattern is that the Government has contracted in the case of social services (education) and at the same time it has shown expansion in the economic infrastructural services (transport and water). This responsive pattern has been supported by data on policies, structures and resource mobilization.

In the case of policies, it has been evident that the main policy thrust is in conformity with the policy requirements of ERP. In education, for example, the policy states very clearly that expansion is not a priority. Both the ERP and the MOE adopt a similar position that what is now of priority is to improve the quality of education rather than expand it. As a consequence, the MOE concentrates on the provision of teaching materials, equipment, books and teaching space, especially in relation to the primary level.

As for secondary education, the MOE takes responsibility for some expansion. But this exapansion is done through the mobilization of private resources. Data on administrative ouput show that the MOE has pursued a policy of inducing NGOs and parents to build more day secondary schools and we have seen that the present intake for secondary schools is far more in private than in government secondary schools. In addition to this, parents have to contribute towards meeting part of the costs.

With regard to teacher and higher education, for which the MOE has full responsibility, the expansion is minimal. Data show that the increase in higher education institutions has been very small between 1984 to 1988. All this shows that the MOE has been pursuing a policy of contraction.

The policy of contraction is also apparent in the structures. The MOE has contracted responsibility for primary education. The Ministry of Local Government, Cooperatives, and Marketing (MLGC) shoulders the greater responsibility for primary education. The

MOE is left with a technical role of providing technical advice to the MLGC and the regions and providing teachers and teaching materials.

In terms of resource mobilization, it is also clear that the MOE has cut down on education spending. The overall budgetary allocation for education has been declining over the years. The new secondary schools which are being built and run by NGOs would have otherwise been a burden on the MOE. The small increase in teacher education institutions proves the fact that the MOE is adopting a policy of contraction.

In the economic infrastructural services (water and communication) the same trends are evident. The ERP is still the guiding factor. Given the importance of economic infrastructure for production, the ERP allows development and expansion in the water and communication sectors. Thus, data show new projects being undertaken in these sectors. New roads are being constructed. Likewise new water projects are being started both in the rural and urban areas. It should be noted, however, that this expansion is conditional, in that, it has to conform to the ERP criteria for expansion. According to the ERP investment policy, new projects can only be undertaken when necessary. Otherwise, even in this case, the emphasis should, as for as possible, be put on rehabilitation and maintenance.

As a result of the expansion policy in the economic infrastructural services, there is some corresponding substantial structural expansion. Water committees are formed at the regional, district and village levels. The MOW will have an interactive relationship with these different regional, district and local structures. In the same way, the MCW will have to interact with the regions through its new departments scheduled to monitor and supervise road works in the regions. The MCW interacts with different Ministries such as the MLGC, the POM, the Ministry of Home Affairs, the Ministry of Energy, etc.

On the whole, however, the government has also contracted in terms of policy formation capacity. In this part of the study, it has become clear from the data that the government has sacrificed most of its policy formation powers to outside financial agencies. The World Bank and the IMF seem to have assumed these powers. They approve annual budgets and plans. They are represented in the policy-making organs such as the Ministry of Finance, the Central Bank, etc. All the policies and resource mobilization pattern of all the sectors studied here conform to the policies and direction of the ERP, which is a programme initiated and now being supervised by the World Bank and the IMF through the Paris Club.

The remaining question now is what impact this pattern of responses has upon the functioning of the government in relation to the social services.

When administrations react or respond to situations the assumed objectives is to enable such administrations to be efficient and effective in terms of speed of operation, quality in delivering the desired goods, accountability and commitment to the people, better participation and coordination of the Government machinery, and cost reduction. The Government of Tanzania has in mind all these positive attributes. The concerned ministries have adopted policy changes in the hope of achieving efficiency and effectiveness in terms of all those variables. These policy changes as guided by the ERP are made to readdress the deteriorating economic situation by mobilizing or marshalling resources in the most efficient way possible.

However, things do not always work out the way they are expected. A lot of intervening factors came in to change the course of events. The MOE adopts policy changes to cut down costs of education. Day secondary schools are emphasized because they are cheaper to run. But as we have seen this does not help the MOE to cut down costs. It is supposed to provide teachers and teaching materials, which are equally costly. On the other hand, however, one can argue that the involvement of other institutions in providing education, for example, local governments and NGOs, has enabled the government to avoid costs of building new schools. In this particular sense, the government has been efficient, if cost cutting is taken as a measure of efficiency.

By following a policy of contraction the government becomes less committed, less accountable and probably less effective. Thus, in terms of commitment and accountability, the government becomes inefficient. It cannot ensure, for example, that local government or NGOs provide the needed quality and quantity of education to attain the national policy goals in education. The governments insists on raising the quality of education but it is the local governments and NGOs which pay the teachers, build the classrooms and teachers' houses, which are necessary inputs for raising the quality of education.

Also by its policies of contraction, the government reduces its participation and weakens its coordinative role. This means that the government becomes less efficient if the two variables are taken as a measure of efficiency. The aggregate result of all this is a deterioration of education services.

It has also been established that the responsive pattern of the government towards the economic infrastructural services is one of expansion. By this pattern of response the government hopes to be efficient in policies, structures and resource mobilization. While policies and structures may seem to lead to efficiency, problems arise when it comes to resource mobilization. We have noted that there is heavy dependence on foreign resources. Often such resources are not forthcoming and even if they come, they may not come in time. For example, the Minister for Communication and Works revealed in Parliament that there was a delay in completing project contract, implying that the resources for footing the contracts did not come in time. The results are delayed or inefficient implementation of projects. Therefore, even if policies and structures may be compatible with efficiency in all its attributes (speed, intensity, quality, commitment, etc.), resource mobilization draws back the efforts in implementation of development projects.

Another aspect of the policies of expansion is the question of over-stretching. The government's desire to expand its scope may sometimes lead to inefficiency because it has over-stretched beyond its capacity. This seems to be the case when the Minister for Water admitted in his budget speech that the implementation of his ministry's projects was hampered by the scarcity of money, both local and foreign.[31]

This statement implies that the government has created more demand for resources by undertaking more projects than the available resources can support. This over-stretching leads to inefficiency rather than efficiency.

The aggregate picture that we get from this area of the study is that the administrative responses in terms of policies, structures and resource mobilization have not given the government any better capacity in encountering the economic crisis. In the first place, the policies, at least some of them, are contradictory. For example, the ERP urges the government to pursue a policy of currency devaluation. According to the ERP, this policy is supposed to foster efficiency. But on the contrary, this has led to great inefficiency as the Minister for Water once admitted that the problem of the acute scarcity of money has been caused by the devaluation of the Tanzanian shilling.[32] This point is also confirmed by the ERP itself which admits that devaluation can be destabilizing if not matched by an increase in production.

While the government may score short term successes, in the long term, the country loses and the government becomes even less capable of responding to the crisis. Short term policy considerations seem to have replaced long term national policies. The policy of contraction from social services such as education, health and water has a long term negative impact on the standard of living of the people. In the long run, people will be less literate and less healthy.

In terms of policy-making capacity, the government seems to have transferred its powers to the international agencies. The short-term ERP styled policies have forced the government to shelve its long-term policies. One long-term objective of the MCW is that of linking all regional towns and municipalities with tarmac roads. But with the policy orientation of the ERP, this goal is not likely to materialize. The only justification for new roads is production. Since some of the regional towns are not in productive areas, it is not justifiable to link them with new tarmac roads.

Also the country aims at providing water to all by the year 2000. But given the short-term policy orientation of the ERP, it is unlikely that this objective will be attained. The attainment of this objective calls for heavier government commitments, in terms of resource investment, than the ERP can allow.

Thus, one of the suggestions that comes out of this study is that the government should not sacrifice its long term policies. The government will be better off by pursuing its long term policies than indulging in externally originated and controlled short-term policies.

We have also seen that the government is facing a lot of limitations in project implementation because of the heavy dependence on foreign resources. So long as this dependence continues, the government has very little chance in running its operations efficiently. The suggestion here is that the government should devise strategies of self-reliance in resources at least to reduce this foreign dependence.

In order to rationalize both the policies and strategies as suggested above, there is a strong need to undertake a comprehensive policy review which will enable the government to have an in-depth examination of all its policies, both short and long term. This will enable the government to identify obsolete and inoperative policies and therefore reform these policies accordingly. The review also should include the strategies adopted to implement such policies. This is so necessary because in the face of a growing economic crisis, it is obvious that some policies become redundant and reform is necessary.

Rationalization of the Parastatal Sector 6

6.1 The Evolution and Growth of the Parastatals

A parastatal body in Tanzania is defined as "a body which is not an integral part of government but is an institution, organization or agency which is wholly or mainly financed or owned and controlled by the government". The criteria for distinguishing such enterprises would be ownership and control by the government of 50% or more of the capital shares or other form of government participation and effective influence in all aspects of management of enterprises and includes any company at least 50% of whose share capital is owned or controlled by the government or any parastatal organization.

Since 1967, when Tanzania announced the Arusha Declaration in which socialism became its official philosophy, there has been a visible shift in the relative importance of public and private enterprises. Increasingly ever since the accent has been on public enterprises. In 1967 the share of public enterprises was quite small, save for the railways, harbours, posts and telecommunications, and airlines, which Tanzania co-owned with her partner states in the now defunct East African Community. At that time the public enterprises were under the Tanganyika Development Corporation (TDC) later The National Development Corporation (NDC) which had been established with the following objectives:

(1) ... to facilitate the industrial and economic development of Tanganyika and, in particular, and without prejudice to the generality of the foregoing, to promote, finance, develop and manage, and assist in the promotion, financing development and management of:

   (a) new or existing undertakings
   (b) schemes for better organization and modernization of, and the more efficient carrying out of any undertaking, and
   (c) the conduct of research into the industrial and economic potentialities of Tanganyika.

(2) In carrying out its business the corporation shall have regard to the economic and commercial merits of any undertaking it promotes, finances, develops, manages and assists and the economic position and potentialities of Tanganyika as a whole.

However, even with the establishment of the NDC, the position of the public enterprises in the national economy remained relatively small. Tables 37 and 38 show the relative importance of both the parastatal and private enterprises in terms of capital formation.

Table 37. Comparative Capital Formation by Government, Private and Parastatal Organizations 1962–1966

Capital formation (1961–1964 in '000; 1965 and 1966 in Mill. Shs.)

Year	1961	1962	1963	1964	1965	1966
a. Private	14,472	11,956	13,900	16,563	383	443
b. Government	11,061	9,549	8,124	11,442	693	910
c. Parastatal Organizations	988	2,896	2,485	2,576	34	91
d. Total	26,521	24,401	24,509	30,581	1,010	1,444
e. a:o	17:1	4:1	55:1	6:1	11:1	5:1
f. d:b	27:1	8:1	10:1	12:1	30:1	16:1

Source: Various Economic Annual Reviews —Tanzania Government.

Table 38. Comparative Capital Formation by Private and Public Enterprises, 1975–1979 (in Mill Shillings)

Capital formation:	1975	1976	1977	1978	1979
(a) Private Enterprises	1,070	1,925	2,421	3,013	3,511*
(b) Parastatal Organizations	1,173	1,340	1,916	1,937	1,484
(c) a:b	0.19:1	1.4:1	1.3:1	1.6:1	2.4:1

*The private enterprise figures bring together monetary capital formation from the entire private sector, and do not necessarily refer to private enterprises in terms defined earlier.

Table 39: Employment Composition of the Enterprise Sector 1976–1978

Sector	Years		
	1976	1977	1978
Private Enterprises	49.1	48.19	40.6
Parastatal Organizations	46.2	46.3	55.7
Missions	2.9	3.1	2.3
Corporative	1.8	1.7	1.4
Total	1·00	100	100

Source: Survey of Employment and Earnings 1976–1978, Dar-es- Salaam, Ministry of Planning and Economic Affairs, 1981

Tables 37–39 are indicative of the general trend, with shifts consistently in favour of the parastatal sector, which until the late 1980s enjoyed a privileged position in the national economy. It should be clear, however, that there must have been strong reasons for the growth of public enterprises and for the parallel relative decline in the importance of private enterprises. We proceed to discuss factors that gave rise to this situation.

6.2 Factors behind the shift in government policy on public and private enterprises

The emergence of public enterprises in Tanzania, particularly in their present context, has its roots in the Arusha Declaration which, while promulgating socialism and self-reliance as the official philosophy of the state, stated:

> A truly socialist state is one in which all people are workers and in which neither capitalism nor feudalism exists. It does not have two classes of people, a lower class composed of people who work for their living, and an upper class of people who live on the work of others.

In the wake of the Declaration, and in pursuance of its objectives, the country witnessed the nationalization of several enterprises, including financial institutions such as commercial banks and insurance firms; large farming estates; mines; export and import businesses, etc. Given the nature of their business, the nationalized enterprises could not be run as government departments, hence parastatal bodies had to be created to undertake their operations. Subsequently many more parastatal bodies were created wherever it was felt prudent that some activity not falling within the structural ambit of the ministries had to take place. There are currently more than 350 parastatal organizations, covering the service sector, agriculture, manufacturing, commerce, finance, construction and transport.

The basic explanation for the rapid growth of public enterprises in Tanzania has more to it than just ideology. These considerations are philosophical, economic, and strategic.

(i) *Ideological Considerations:* The Arusha Declaration stated in no uncertain terms that the policy of TANU was to build a socialist state. The nation was bent on developing a society of equality, dignity and justice. Private enterprises by their nature and practice, operate on the basis of realization of maximum profits from capital invested. However, the profit or surplus is, from the perspective of socialist economic analysis, a result of labour; hence the expropriation of the surplus by the entrepreneur is an act of exploitation, i.e., an unjustified appropriation of labour power; to that extent everything possible should be done to negate private enterprises in favour of public enterprises.

Further, from the philosophical point of view the state is the representative of the collectivity; it is therefore through the state that the collectivity expresses its common interests. The state in Tanzania, having adopted socialism as its philosophy, with among other objectives the need to foster equality of opportunity, and equity in the distribution of social goods, in order to enhance a progressive levelling in incomes and standards of living, felt it prudent to have control over the most important surplus-generating enterprises so that it would be able to plan and effect the distribution of the surplus.

Thus, ideological considerations are a major factor among the explanations for the sprouting of public enterprises in Tanzania, which explains the relative marginalization of the private sector.

(ii) *Economic Considerations:* From a purely economic point of view, the growth and apparent bias in favour of public enterprises is premised on a number of factors. First, the level of indigenous private enterprises and the capacity of the private sector to contribute to capital formation are both low. It was thus felt that if the country wished to make rapid transformation, particularly where huge capital outlay was required, it was advisable for the government either alone or in collaboration with foreign capital to take the initiative and spearhead capital mobilization. This made it necessary for the government to create public enterprises for the performance of those functions.

A second aspect refers to the need for technological innovation and development. Most indigenous private enterprises in the countries of the third world use readily available and often simple technologies from the international market. They either do not have the capacity to import, modify and adopt advanced technologies, or they do not feel strongly the need for Research and Development (R & D), as it is a costly undertaking which might eat deep into their surpluses. Yet it is quite obvious that in order to have sustained development, R & D is an essential component of the development package. Under these circumstances only public enterprises can be expected to shoulder economic undertakings where R & D are important components.

While these two factors do not explain the marginalization of the private enterprise sector, they explain the growth of the parastatal enterprises, which in the process changed the relative ratios of the two.

(iii) *Strategic Considerations:* The birth of some public enterprises cannot be explained in either ideological or economic terms, but mainly on account of their strategic importance to the general welfare of the state. Most of these are in the service and utility sectors. It was felt that some functions, such as railways, roads, water, communication, energy supply, education, etc. could be better handled by the state than by private companies.

In some instances they need huge capital outlays which the private sector may not be able to raise. At the same time, their gestation period is too long, and in certain instances they may not break even at all and have to operate on government subsidies.

Such limitations naturally put off private entrepreneurs from investing in these areas, particularly since most indigenous businessmen have limited capital, which they would prefer to invest in areas which generate fast and handsome returns. At the same time, some of these sectors are so strategic to the economy and general welfare of the state that the government cannot afford to ignore them and still hope to make viable progress.

6.3 The Performance of Parastatal Organizations: A Review

This brief review examines the commercially-oriented parastatals. The term commercial is used loosely to cover all enterprises which are supposed to operate in a business manner and generate profits. The review also addresses the holding parastatals, which are supposed to help their subsidiaries to generate profits.

This review, which relies on secondary data from previous studies, especially World Bank Report No. 7100-TA, *Parastatals in Tanzania: Towards a Reform Program*

(1988) and various government commissions' reports, uses a limited number of indicators essentially to amplify what is already known as the poor or less than satisfactory performance of the parastatals in the country. Tables 40, 41 and 42 indicate financial performance, levels of efficiency between public and private enterprises, and average indicators of performance of public and private industrial firms, respectively. Table 43 shows resource flows between the government and the parastatal sector between 1981/82 and 1985/86.

Table 40 shows clearly that for the three years running the number of parastatals incurring losses was consistently around 45 per cent. Tables 41 and 42 show that, given various indicators of efficiency, the parastatal sector compared poorly with the private sector while Table 43 shows that overall the government was a net funder of public enterprises instead of being a net recipient of revenue.

With regard to the place and role of holding parastatals, a report of the Presidential Committee to review their performance for 1990 found that of the 23 holding parastatals, only one, the National Development Corporation, was performing its original functions adequately. While holding parastatals were essentially required to establish and nurture subsidiary companies, most had become a burden by draining the subsidiaries' revenues through management fees for services not provided. Most of the holding parastatals have been found to be top-heavy, expensive, and lacking in capabilities to lead or establish subsidiary organizations.

Table 40. Financial Performance of Parastatals Audited by Tanzania Audit Corporation, 1983–85

	1983		1984		1985	
	No*	PBT**	No*	PBT**	NO*	PBT**
Parastatals with profits	196	3,876.5	213	2,911.9	189	3,811.4
Parastatals with losses	165	(910.2)	171	(2,994.4)	165	(1,853.0)
Net Profit	361	2,966.3	384	(82.5)	354	1,958.4

Source: Tanzania Audit Corporation Annual Reports

* Number of parastatals

** Profit before tax in million TShs.

Table 41. Percentage of Production Lines Operating at Different Levels of Efficiency, by Ownership 1985

A. Percent of All Activities				
	Domestic Resource Cost/a			
Sector	Less than One	Greater than One/b	Infinity (Neg. value added)	Total
Public	14	16	35	65
Private	10	21	4	35
Total	24	37	39	100

B. Percent of Sector

	Domestic Resource Cost/a			
	Less than One	Greater than One/b	Infinity (Neg value added)	Total
Public	22	24	54	100
Private	28	61	11	100
Total	23	27	50	100

/a Short-run Domestic Resource Cost: cost of domestic factors (labour and capital assumed at sunk cost, shadow priced) for generating one unit of world priced value added calculated at actual levels of capacity utilization. Calculations made at capacity rates attainable if foreign exchange for recurrent inputs were not a constraint are not significantly different.

/b Excluding infinity

Source: World Bank, *Parastatals in Tanzania: Towards a Reform Programme*

Table 42. Average Indicators of Performance in Public and Private Industrial Firms

	Public	Private
Manhours per Employee	2,160.2	3,009.0
Labour Cost per Employee	13,490.0	8,355.8
Labour Cost per Manhour	5.7	2.9
Output-Labour Ratio	41,944.4	90,467.0
Output-Manhour Ratio	19.0	31.2
Labour Cost/Total Cost (%)	32.8	15.9
Capital-Labour Ratio (5)	2.8	23.8
Capacity Utilization	56.2	50.2
Output-Capital Ratio	1.4	1.4
Size of Firm-Employee per unit		
Capital per Unit (at 1000 per unit)	25,782.0	16,248.1

Source: World Bank, *op.cit*, Table 1.9

6.4 Some Causes for Poor Performance of Parastatal Organizations

The preceding brief review has shown that the commercially- oriented public enterprises have not performed effectively. Previous studies of the sector have found out that the causes for ineffectiveness of the parastatals are many and varied. Below we register the more glaring ones.

6.4.1 Misinterpretation of the Arusha Declaration

A recent government study has established that the goals and objectives of the Arusha Declaration were grossly misinterpreted with respect to government participation in business ventures. While the spirit of the Declaration was for the government to control the commanding heights of the economy, there was uncalled for involvement control the commanding heights of the economy, there was uncalled for involvement in business ventures which did not relate to the main objectives of the Declaration. This resulted in the formation of many non-viable parastatals. The increase in numbers also meant that the available resources were spread so thinly that many institutions were started on a weak capital structure.

6.4.2 Too Many Control Agencies

There have been too many agencies exercising controls over public enterprises. A minimum of 15 organs have been identified to be involved in influencing, exercising control over 15 and imposing demands on parastatals. These include the President, the parent ministries, the Ministry of Finance, the Standing Committée of Parastatal Organizations (SCOPO), the Tanzania Audit Corporation, Boards of Governors, Workers' Committees, the Workers' Organization, etc.

The result of so many agencies has been to give contradictory directives imposing unnecessary demands, and altogether to confuse the lines of command and accountability. This in turn leads to management failure to operate on business principles, as it spends most of its time attending to conflicting demands of the various agencies.

6.4.3 Weak Leadership

It has been noted also that the failure of many parastatal organizations to perform effectively has been due to weak leadership. The leadership issue has many dimensions. The fast rise of parastatals resulted in the appointment into managerial positions of people lacking in experience and expertise. Often, these people were from the civil service, as there was no stock of experienced people to fall upon. The enterprises, therefore, became experimental grounds, ending in some cases with disastrous results.

At the same time, it has been observed that Boards of Directors, which are empowered to be policy initiators and accountability enforcers, have usually been weak, lacking in experience or interest, often appointed on political grounds and sometimes being too large and ineffective.

Moreover, management authority has been circumscribed. Managers are not free to hire the best personnel they would want, they cannot fire undesirable workers without going through a long chain of arbitration mechanisms, etc. As a result, many managers hesitate to take action, which has sometimes paralysed the performance of the organizations.

6.4.4 Laxity and Lack of Accountability Enforcement

As with other workers in public service, workers in the parastatal sector evolved behavioural patterns that are not conducive to efficiency and effectiveness. A relatively low level of compensation has resulted in low morale, laxity at work, moonlighting, etc. An overpatronizing party, which emphasized workers' rights without corresponding emphasis on their responsibilities, has compounded the laxity and negligence.

Besides laxity on the part of workers, there has also been lack of accountability enforcement. Targets are not fulfilled, many organizations persistently make losses and rules and regulations are floated or not abided by, but few or no sanctions are imposed on the culprits. This lack of accountability enforcement stems in part from enforcement responsibilities being vaguely scattered among many supervisory agencies.

6.5 Some Government Measures to Redress the Situation

The government took various measures to rectify the situation as it worsened. The approach has involved commissioning studies to identify the problems and their nature before proposing solutions. The following are some of the studies carried out, and their recommendations are considered below.

6.5.1 The Hamad Committee

The Hamad Committee was appointed by the President in January 1983 to look into ways and means for cutting down operating expenses and improving productivity and efficiency in the public corporations. Most of the committee's recommendations were adopted by the government and action was supposed to start in June 1984. Broadly, the committee observed the following:

i. A number of parent ministries had no capacity to supervise effectively the parastatals under their jurisdiction. It was recommended that ministries strengthen those areas responsible for the supervision of the respective parastatals, especially in the areas of accounting, management and planning.
ii. It was discovered that there were normally conflicts between executive chairmen and general managers when the two posts were substantive. It was recommended that executive chairmanship as a substantive post should be disestablished. Only general managers should head organizations.
iii. It was also found that the Boards of Governors were generally large, had too many members of Parliament, and were weak and could not effectively control or supervise the general managers since they too were members of such boards. It was thus recommended that the size of the boards be reduced, members of Parliament cease to be part of governing boards and general managers cease to be members of the boards.
iv. The study also found that there was generally lack of thrift in the use of company resources and over-employment. It recommended retrenchment and other cost-saving measures, especially by selling company cars to officials and then providing them with assistance in running them.

Some of the above proposed measures were implemented. MPs ceased to be appointed to the boards; in many cases the post of executive chairman was abolished; the corporations' senior staff were sold company cars and provided 70 litres of fuel a week as subsidy, and there was retrenchment of some 20 per cent of parastatal workers in 1986.

However, a Presidential Implementation Review carried out in 1984/85 found that the goals of the exercise had not been fully met, especially because many ministries still lacked the capacity to supervise effectively parastatals under their jurisdiction.

The Nsekela Commission also noted that most of the problems afflicting the parastatals arose from the multiplicity of institutions and agencies supposed to carry out various supervisory roles. The Commission noted that such a multiplicity resulted in contradictory directives, lack of clarity, lack of adequate operational autonomy on the part of parastatals, and an absence of a central agency to which the parastatals are accountable for the generic problems. The Nsekela Commission proposed a central focal agency —the Public Enterprises Authority —to replace the many scattered agencies and act as the central authority in supervising the parastatals.

After the review of the Nsekela Commission, the cabinet decided on 19 May 1988 to establish a central agency —the Public Enterprise Monitoring Board —whose functions would be to monitor on a continuous basis the performance of the public enterprises.

6.5.3 The Presidential Committee on the Rationalization of Holding Corporations

Cabinet Circular No 51/1988 of December 1988 directed a fresh look at the holding parastatals in order to cut down government expenditure.

The Standing Committee noted that, in the course of time, the essence and spirit of the Arusha Declaration with regard to state control over the commanding heights of the economy and the use of public institutions for public participation in the economy to spearhead socio-economic transformation had been grossly misinterpreted. As noted above, this led to the proliferation of undesirable public corporations, including most of the holding corporations.

The study also noted that a number of public enterprises had started with a poor capital structure, without proper feasibility studies, sometimes on political grounds, and lacked effective leadership. The study noted that the existence of many enabling acts created confusion in accountability. It thus recommended various measures, including:

i. the dissolution of most of the holding parastatals, while identifying, in light of the spirit of the Arusha Declaration, strategic companies which the government should continue to own;
ii. review of the Company Ordinance (Cap. 212) to bring it in line with the current times, and subsequently to register all public corporations under the company act; and
iii. liquidation or selling out of unstrategic, loss-making corporations so that the government could manage fewer companies more effectively.

Consequent to the three studies, the government has started taking some corrective actions in order to rationalize and streamline the parastatal sector. It has identified six options as follows:

i. Liquidation of commercial parastatals: Those commercial parastatals which have been making losses, and which are not of strategic significance are to be liquidated or sold out.
ii. Deregulation of peripheral institutions as parastatals: During the heyday of

ii. Deregulation of peripheral institutions as parastatals: During the heyday of parastatal development, there sprang up some parastatals of a dubious nature, for example district development corporations involved in purely local small business, yet they were known as parastatals because they were registered under the parastatal act. The government has decided that an inventory of such organizations be taken and they be deregulated. They may continue to operate under the company ordinance act, or they may be liquidated, sold out, etc, provided the government ceases to be party to such organizations.
iii. Dissolving some of the holding parastatals: Given the findings of the various studies noted earlier, most holding parastatals no longer play any useful roles. Indeed the government is considering introducing one sole organization known as the Public Enterprise Authority (PEA) which will be responsible for the control, regulation and coordination of the remaining commercial public enterprises.
iv. Privatization: Privatization is seen from two perspectives. First is through the opening up of the economy to private entrepreneurs, especially by eliminating the monopolistic privileges previously accorded the parastatal sector. Through liberalization, the public enterprises are now called upon to compete with the private entrepreneurs or among themselves. In order to attract private investment the government has adopted an investment policy which guarantees the security of private capital, and for the coordination and promotion of development capital, the government has already set up an Investment Promotion Centre (IPC). The second aspect of privatization is simply to sell off some of the unstrategic organizations to private entrepreneurs.
v. Converting others into joint ventures: There are some parastatals that are jointly owned by the government and some private/external organizations. The government is now considering opening up more enterprises to private participation, especially those that are economically viable but suffer either from weak management or poor capital structure.
vi. Consolidation of the financial base of viable and **key** parastatals.

6.6 Conclusion

From the foregoing it is clear that the economic crisis acted as an eye-opener in respect of the role and scope of the parastatals in the national economy. This led to government response, which was essentially at two levels: namely the conceptual and operational. At the conceptual level, the government has redefined the role and scope of the parastatals, by for example reclassifying and categorizing the various parastatal organizations.

At the operational level, the mode of response adopted by the government is essentially contracting and regulatory. Thus there is a viable shift by the government from operating some parastatal organizations. Indeed, after the exercise that has been started, it is possible that the number of parastatal organizations will have dropped by more than half. In addition to withdrawal, the government has also undertaken some regulatory responses, especially in as far as the privileges of parastatals are concerned.

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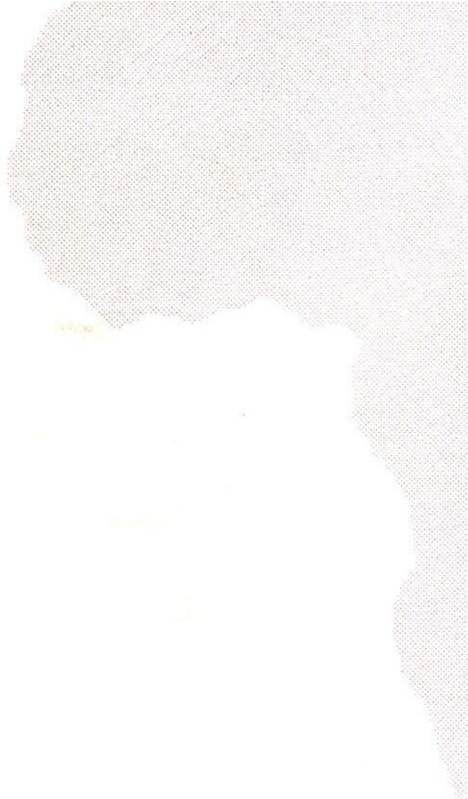

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