

**GOVERNANCE IN THE UNITED REPUBLIC OF TANZANIA**  
**A BACKGROUND PAPER**

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## *Abstract*

Governance is the exercise of official powers in the management of a country's affairs at all levels. Good governance aims to better human life. It does so by trying to inculcate various values in the mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences, and exercise their rights and obligations. There is widespread consensus in Tanzania that good governance is oriented to realizing a broadly supported vision of human development. It is participatory, transparent and accountable. It respects the rule of law and it tries to respond equitably to the concerns of all persons, male and female, while making the best use of resources. This paper attempts to describe, in a brief compass, some of the key governance issues that have emerged, in Tanzania, in recent discussions.

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## Part One: Definitions and Current Initiatives

### I. Introduction

In 1994, Tanzania's prospects for social and economic progress were unclear. A weak fiscal performance in the 1993/94 financial year led to the creation of an IMF 'shadow' programme and strained Government-donor relations. Following a November 1994 disclosure that tax revenues were less than previously reported, some donors briefly suspended their non-project financial support of the government. Many Tanzanians were concerned that the country was not succeeding in its fight against corruption and mismanagement, and that democratic reforms were not proceeding quickly enough. Confidence in the government was low and the progress achieved in the previous decade was increasingly seen to be at risk.

Five years later, the picture is much improved. First-generation reforms planned for Tanzania during those uncertain days have largely been achieved. The country's first multiparty elections were held in October 1995. A structural adjustment programme has created reasonable macroeconomic stability: low inflation, increased tax revenues, and positive government savings have been achieved despite the adverse influence of drought in 1996/97 and El Nino floods in 1997/98. In April 1998, the Dar es Salaam stock exchange opened for business and by July two newly privatized companies were listed. Conditions now favour stronger economic growth. Second-generation reforms, which are more difficult and time-consuming and which involve a larger number of independent actors than the first-generation reforms, show significant progress. Further movement to a market-based economy is eclipsing previous reliance on control mechanisms and government ownership of the means of production. Recent successes include fiscal consolidation, aggressive restructuring in the financial system, rationalization of the civil service (with the workforce reduced from 355,000 to 270,000), and significant privatization of parastatals (with more than half of the 400 entities existing in 1993 now divested).

### II. What is governance?

In the implementation of these reforms, governance has become an important theme in the government's work. Governance is the exercise of political, economic and administrative powers in the management of a country's affairs at all levels. It comprises the mechanisms, processes, and institutions through which citizens and groups articulate their interests, mediate their differences, and exercise their rights and obligations. Because the state creates the legal and regulatory framework through which the citizens articulate their vision of the common good, governance involves examining how effectively the public and political institutions comprising the state serve the needs of the people. But governance also looks beyond the state to the private sector, the formal and

informal enterprises that generate jobs and incomes. Governance also takes an interest in civil society—trade unions, churches, NGOs, social clubs, sports clubs, cooperatives, professional associations and other groups that, outside of business and government, facilitate social, political and economic interaction by asserting their own and others' interests.

### **III. What is *good* governance?**

All societies are governed, but not all are governed well. Tanzanians, like people everywhere, seek *good* governance—that is, governance that results in the betterment of human life. Good governance is driven by a shared long-term vision of the level of development attainable in a given society and the action required to attain that level. Bettering human life involves expanding the capacities, and therefore the choices, of individual men and women, and in particular their ability to exercise their choices free of hunger, want and deprivation. Good governance is therefore responsive to popular interests. It involves increasing people's opportunities to influence the decisions that affect their lives. It involves meeting the needs of the present generation without compromising the right of future generations to enjoy the same range of opportunities.

There is now consensus that, to attain these broadly defined ends, the processes and institutions through which political, economic and administrative authority is exercised should meet certain conditions. They should allow all stakeholders, male and female, to take part in the decisions that affect their lives. They should ensure that political, social and economic priorities are based on broad consensus in society, and in particular that the poorest and most vulnerable can contribute to making decisions about the allocation of resources. They should promote the rule of law by ensuring that the law is fair and that it is enforced impartially, especially with a view to protecting human rights and freedoms (including the security of person and property). They should be accessible to the people that need them, structured in ways that maximally satisfy the people's interests, and efficient in the use of available resources. They should also be transparent, providing enough information on their activities to enable people to monitor them. Finally, the officials controlling these processes and institutions should be capable, efficient, ethical, professional and, perhaps most importantly, accountable: that is, in all appropriate instances, they should be required to justify their actions to the public.

### **IV. Current initiatives aiming to improve governance in Tanzania**

Although the Government does not yet have a national policy on governance, far-reaching procedural and institutional reform initiatives having in impact on governance are underway in several areas. Of these, the most important are fiscal and monetary reform, local government reform, and public sector reform (which includes both parastatal reform and civil service reform). These cut across the various sectoral reforms (e.g. in education, health, water, agriculture, and the environment), affecting all of them; in addition, they involve not only policy reform but also deep managerial and organizational reform. To understand what progress Tanzania has made, and is making, towards the achievement of

good governance, it is necessary to understand each of these overarching reform initiatives.

***Fiscal and monetary reform:***

With the assistance of the IMF and the World Bank, the Government since 1993 has increasingly approached economic management from a market orientation. It has liberalized interest rates, established competitive treasury bill auctions, reduced the rate of monetary expansion, and started to licence private banks and privatize public ones. It has also liberalized the insurance sector, improved revenue collection through the newly created Tanzania Revenue Authority and customs computerization, and established a functional capital market (the Dar es Salaam Stock Exchange). A three-year Rolling Plan and Forward Budget has been adopted; the recurrent and development budgets are being integrated; and efforts to strengthen accounting and audit systems are well underway. At the same time, despite adverse economic conditions over the last few years, senior government officials have demonstrated a firm commitment to fiscal discipline, reducing fiscal overruns and so improving macroeconomic data significantly. Unfortunately, these sustained efforts have not yet resulted in noticeable improvements in the delivery of basic services: wages and debt service obligations continue to limit the funds available to cover the non-wage operating costs of the government or to enable civil service wages to rise to competitive levels.

***Parastatal reform:***

An important aspect both of fiscal reform and public sector reform is parastatal reform, which consists chiefly in restructuring, liberalizing and privatizing key infrastructural sectors and utilities. This will have the effect of decreasing the Government's role in the economy, and increasing the private sector's role. Progress in this area has been good. About half of the more than 400 parastatals existing in 1993 have now been divested, and this will soon include the National Bank of Commerce (which in 1998 still accounted for half of the deposits in the banking system). For the next few years, restructuring and privatizing the utilities (including the Tanzania Telecommunications Company, the Dar es Salaam Water and Sewerage Authority, and the Tanzania Electric Supply Company) will be the priority.

***Civil service reform:***

The civil service reform programme aims to develop an efficient and motivated civil service able to deliver high-quality public services in a period of severe budgetary constraint. In an effort to reduce the civil service to an affordable size, about 77,000 posts have been eliminated since 1993, with the workforce now numbering about 270,000. The ratio of civil servants to population is now below average for low-income countries. These efforts will continue, through redefining government functions, privatizing or eliminating non-core functions, and introducing public-private partnerships into service delivery. Pay structures have been rationalized since mid-1996 to reduce the number of wage scales, include most allowances in the basic wage, and monetize most in-kind benefits. This process will continue in mid-1999, with a job evaluation and regrading exercise expected to lead to pay increases for professional and technical staff. A centralized personnel database and an improved payroll system should be in place by the

end of the year, To improve performance, executing agencies in 1999 will begin to develop performance targets together with details of the technical and administrative support required to meet them. Three executing agencies will pilot this effort in early or mid 1999; six others will join in late 1999, and the remainder will follow in 2000 and 2001. By December, a Public Service Commission should be established with the power and resources to ensure greater transparency in appointments and promotions.

***Local government reform:***

Local government reform, which aims to improve the quality and availability of public services provided through local authorities, is now moving forward rapidly. The Government recently decided to transfer funds for the full range of sectoral activities entirely and directly to local authorities instead of channeling them through the sectoral ministries. Under Phase I of the local government reform (LGR) programme, 35 local authorities will soon receive conditional and unconditional grants to finance local service delivery; Phases II and Phase III are expected to start later, on 12-month intervals, with each phase covering an additional 35 local authorities. A new ministry, the Ministry of Regional Administration and Local Government, has been charged with responsibility for regional and local authorities; the precise roles and responsibilities of this new ministry and the key sectoral ministries for disbursing block grants still needs to be clarified.

Reviews of the LGR process indicate concern that the capacities of the various local authorities to design and implement effective multisectoral programmes may be too weak, and in particular that weaknesses in accounting, procurement and financial reporting may undermine the integrity of the decentralization process. They also indicate concern that the process may be moving forward too quickly to allow the Government to establish the administrative and political capacities required for it to be a success. While plans are being developed to strengthen the capacities of local authorities and to ensure district-level adherence to national priorities, results are not likely to be visible soon. Full implementation of the plans will require commitment and investment over the long-term.

***The fight against corruption:***

Combatting corruption—the misuse of public office for private gain—is a central objective of good governance. It is also a central objective of Government. His Excellency, Benjamin William Mkapa, President of the United Republic of Tanzania, has unequivocally committed himself and his government to fighting corruption systematically, persistently and unyieldingly, at all levels. The President took the lead in this effort by publicly declaring his assets after assuming office and by creating a Presidential Commission of Inquiry Against Corruption to determine the extent of corruption in Tanzania and to suggest strategies for preventing it and punishing its perpetrators. The commission issued its report, commonly known as the Warioba Report (in virtue of its chairman, the Honourable Joseph S. Warioba), in November 1996 and the President subsequently released it to the public and directed government to implement its recommendations. In early 1998, he also appointed a Minister of State responsible for Governance as well as a Consultancy Team (headed by Justice Warioba) to monitor implementation of the recommendations in the Warioba Report.

In February 1999, the President reported on achievements to date. On the personnel side, these include the retirement, 'in the public interest', of numerous public officials (including in the police and the judiciary) as well as the removal of two ministers (including a Minister of Finance) and some 20,000 'ghost' workers from the civil service. In addition, some 800 revenue collection officials were dismissed for corruption or questionable integrity. On the administrative side, the civil service is developing a code of conduct, appointments and promotions are being made more open and competitive, and wages and retirement benefits are being improved to dampen the need for additional income. Procurements, distribution, revenue collection, and customs procedures have been revised to improve transparency and accountability and reduce the opportunities for rent-seeking corruption. In addition, tax administration has been simplified, securitized and rationalized, by introducing a value-added tax (VAT) system and taxpayer identification numbers.

The fight against corruption is far from complete, but real progress has been made in many areas—for example, in promoting the rule of law and in improving that transparency, accountability and integrity of government revenues and expenditures. Ironically, the Government's exemplary effort openly to determine the extent of corruption has contributed to a false sense among many observers that it has made no real progress in expanding transparency and accountability. In fact, the detailed evidence of corruption and mismanagement now available to the Tanzanian public is the principal example that much has already been done—even if it is also true that much remains to be done.

#### **V. The importance of a coordinated approach to governance issues**

It is clear, from the far-reaching reforms that the Government has pursued since the October 1995 election, that governance has become an important focus of development in Tanzania. Virtually all general and sectoral reforms aim to improve governance in one aspect or another. Moreover, the scope of these ongoing reforms is quite broad—touching on all the major organs of the state as well as important components of the private sector and civil society. What has been missing, since the early days of these reform initiatives, has been a succinct statement of the objectives and achievements of these reforms and the governance issues that have emerged in their context. Only with a relatively brief yet complete picture of Tanzania's interests in the governance area will it be possible to articulate a coherent set of objectives and strategies for improving governance—objectives and strategies that avoid duplication, exploit complementarities, reinforce one another, and follow rational sequencing. Situating current and planned reform initiatives within an organizing framework also helps to disclose areas which, through oversight or through design, have not yet been touched: the need for new or expanded activities may thereby become evident. Finally, it helps to ensure that activities are sustainable over the long run

## VI. The values that good governance seeks to inculcate

Good governance aims to better human life. It does so by trying to inculcate various values in the mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences, and exercise their rights and obligations. (Governance is silent on the substantive content of people's interests, rights and responsibilities, except to the extent that these concern the processes by which these interests, rights and responsibilities are articulated.) There is widespread consensus in Tanzania that the values constituting good governance should include the following:

- *Strategic vision*: Processes and institutions should be oriented to realizing a broadly supported vision of sustainable human development, with the contents of this vision reviewed and further articulated in an open and transparent manner and on the basis of a shared understanding of the historical, cultural and social riches of Tanzanian society.
- *Participation*: All men and women should have a real opportunity to influence the decisions affecting their lives, either directly or through legitimate intermediary bodies that represent their interests. This implies that all men and women should be assisted to develop the capacity to participate meaningfully in such decisions, and to defend their rights and freedoms under them. It implies that representative bodies consist in individuals who the people freely and openly elect to represent them. It also implies that political freedoms (particularly the freedom of speech and the freedom of association) should be respected.
- *Orientation to consensus*: Wherever possible, decisions mediating different opinions should be based on a broad consensus rather than on a ruling.
- *The rule of law*: The legal and regulatory framework in Tanzania should be fair, comprehensive, and impartially enforced, particularly with respect to the security of person and property. At the same time, the constitution must separate the judicial, legislative and executive powers and institute a system of checks and balances between the separated powers.
- *Responsiveness*: Processes and institutions must try to serve all stakeholders.
- *Equity*: Processes and institutions must try to serve stakeholders on an equal basis, without discrimination of any kind (and in particular without discrimination on the basis of gender).
- *Efficiency and effectiveness*: Processes and institutions must strive to produce results meeting people's needs while making the best use of resources, particularly in the delivery of basic services.
- *Transparency*: Processes and institutions must provide enough clear information to the people affected by them to enable those people to monitor their work.



- *Accountability*: Decision-makers in the state, in the private sector, and in civil society must be made to justify their actions to an appropriate audience, which will be the general public unless good reason can be shown for limitation.

Having presented this list, it is easy to see that governance issues reach into virtually every aspect of modern bureaucratic life. Even so, they apply with special force to selected areas. The question posed in developing a framework for a national programme on good governance for Tanzania is what areas require priority attention in the Tanzanian context. To answer this question, we need to sketch the principal domains of governance in Tanzania—the state, the private sector, and civil society.

## **Part Two: Outstanding Issues**

### **VII. Governance in the domain of the state**

Perhaps the most obvious domain for governance issues is the state, which has expanded enormously in recent history to touch virtually every aspect of human existence. The state is the basis of the social contract that defines citizenship. It is the instrument through which popular interests are mediated and it is usually the only authority mandated to control and use force. Generally speaking, the state has important responsibilities for executing the popular will, particularly with respect to the distribution of public goods and services. In executing these responsibilities, it usually develops an extensive legal and regulatory framework governing both public and private activity, including in the marketplace.

Good governance in the domain of the state implies government addressing the needs and concerns of all people, including the poorest and most vulnerable, in a fair, equitable and participatory manner. It implies increasing the opportunities of all people, male and female, young and old, to achieve their full potential and to live the lives that they hope to live. In particular, it means creating a stable macroeconomic environment that is conducive to fair trade; establishing and maintaining adequate standards of health, education and other essential services at affordable cost; and ensuring sustainable use of the environment so that future generations can enjoy the same or greater advantages than present generations. A well-managed state will also empower the people it is meant to serve, by creating robust electoral processes and a system of executive, legislative and judicial authority incorporating appropriate checks and balances. Generally speaking, this involves a capable executive and legislature, composed of individuals whom the people have freely and fairly elected to represent them, and an independent and professional judiciary capable of interpreting the law and enforcing it, under the rule of law. Moreover, the entire system must be responsive to the people and, when it functions well, it should be infused throughout with an atmosphere of trust and confidence.

The United Republic of Tanzania is a unitary state, of which the authority is vested in two systems of power—the Government of the United Republic of Tanzania, which has

authority over a defined list of union matters as well as over all matters concerning mainland Tanzania, and the Revolutionary Government of Zanzibar, which has authority over all non-union matters concerning Zanzibar. The country is divided administratively into 25 regions and 113 districts. In discussions in Tanzania, governance issues in the domain of the state tend to cluster into several basic areas, including constitutional matters; political and electoral processes; fiscal and monetary management (in general, with respect to revenues, and with respect to expenditures); the civil service (including in particular civil service remuneration); institutional reform; law enforcement; oversight, investigation and other anti-corruption measures; and Government-donor relations. Issues discussed in each of these areas are mentioned below:

***Constitutional matters:***

A number of constitutional amendments have been recommended in Tanzania in recent years, and the Government recently released a white paper on this subject. Among the issues being discussed are:

- The appropriate government structure for the United Republic of Tanzania and the bodies that comprise the federation, Tanganyika and Zanzibar.
- The scope of Presidential powers, and particularly the President's powers to appoint senior government officials and members of parliament, to declare a state of emergency, and to detain individuals without trial.
- The strength of institutional checks and balances, and particularly the ability of parliament to exercise its oversight functions with respect to the executive (with close attention to the professional capacities of parliamentarians and the adequacy of their staff and resources).
- The necessity of the link between party membership and eligibility for election (at present a candidate must be a nominated member of a registered political party) or for continued service (at present a member of parliament who changes party affiliation must resign his or her seat).
- The merits of the plurality ("first past the post") electoral system, which tends to favour large parties over small ones, as opposed to the proportional representation system, which usually results in a closer relation between votes won and seats won but can also lead to fractious coalition governments.
- The capacity of the public to remove an elected or unelected parliamentarian from office before his or her term expires.
- The propriety, in an era of multiparty politics, of the requirement that a Presidential candidate acquire more than 50% of the votes cast in a Presidential election to be declared President.
- The state of the forty "oppressive laws" identified by the Nyalali Commission.

***Political and electoral processes:***

Tanzania amended its constitution in 1992 to become a multiparty state. In October 1995 the country held its first multiparty elections for president and parliament in more than thirty years. Chama Cha Mapinduzi (CCM), the ruling party, retained control of the union government, with its candidate for president, Benjamin William Mkapa, obtaining over 60% of the vote. CCM also retained control of the presidency and the parliament of the

Revolutionary Government of Zanzibar. In the national election, opposition parties won 35% of the popular vote and 20% of the seats in parliament, bringing to five the number of parties represented in the parliament. Some of the governance issues that have arisen in the area of electoral process include:

- The formal and financial independence of Tanzania's two electoral commissions, the National Electoral Commission (NEC) and the Electoral Commission of Zanzibar (ECZ), and of bodies supervising sub-district elections.
- The ability of women to obtain political power on a basis of equality with men.
- The extent of popular participation in the electoral reform process.
- The transparency of party fund-raising in an era of multiparty democracy, and the adequacy of the Political Parties Act to ensure this transparency.
- The clarity of the distinction between the party and state, and in particular between the resources of the party and the resources of the state.
- The predominance of parliamentarians of the ruling party on the various oversight and accountability committees.
- The ability of the unelected civil service to participate in electoral politics without suffering undue consequences in their professional life.
- The adequacy of the government's civic education services.
- The extent to which district and sub-district government officials represent local constituencies rather than simply execute functions of the central government.

***Fiscal and monetary management:***

Much progress has been made in managing Tanzania's economy; for several years, macroeconomic aggregates have been stable. Revenue collection and administration has also improved. In July 1996, the Government merged various revenue departments into the newly formed Tanzania Revenue Authority (TRA). In the process, staff members of the old departments were vetted, and several hundred were dismissed on grounds of poor performance and/or suspected corruption. To deter malfeasance, TRA staff members are now required to declare their assets, senior management positions are held on annual contracts, and salaries have been raised to be competitive with the private sector (an innovation also allowed to employees of the Parastatal Sector Reform Commission, among others). Other reforms aimed at reducing opportunities for rent-seeking corruption include the introduction of a value-added tax (VAT) and a Taxpayer Identification Number (TIN). On the expenditures side, much has been done but much also remains to be done. The Warioba Report documented numerous problems, particularly in the area of government procurement, and also recommended numerous systemic corrective measures that are gradually being implemented. Governance issues arising in these areas include the following:

**In general:**

- The sustainability of positive macroeconomic aggregates, particularly in light of the demonstrative fragility of economic projections for small "price-taking" economies.
- The long-term impact of cash budgeting on forward planning.
- The eligibility of Tanzania for debt relief under the Highly-Indebted Poor Country (HIPC) initiative and the terms it may receive.

- The degree of Tanzania's responsibility for indebtedness incurred, on the strong advice of multilateral and bilateral donors, to fund projects that subsequently failed.
- The long-term impact of debt-service-induced cutbacks in spending on so-called "other charges".

On the revenues side:

- The rationality of the tax system.
- The observation of established government procedures for disposal of assets.
- The transparency of privatization procedures and the capacity of the Parastatal Sector Reform Commission to manage the privatizations effectively.
- The continued presence of discretionary tax exemptions, particularly in customs, and the consequent potential for abuse.
- The integrity, openness, lengthiness, and complexity of customs procedures, and in particular the lack of complete harmony in the customs duties applies on the mainland and in Zanzibar.

On the expenditures side:

- The transparency of budgetary allocations to the various spending ministries and executing agencies.
- The observation of established government procedures for the procurement, distribution and management of assets.
- Where it exists, the continued tolerance of spending commitments that exceed resources.
- The integrity and openness of bidding processes, including in particular the narrow dissemination of tender notices, the lack of standardization in documents or in processing deadlines (including deadlines respecting bid evaluations), the capacity of review committees to evaluate bids, the lack of publication of bid evaluations (especially in the Ministry of Works), and the lack of an effective complaint mechanism for bidders.
- The transparency of mechanisms for selecting consulting engineers.
- The integrity and openness of procedures for clearing cost increases in awarded contracts, and the enforcement of existing procedures.
- The capacity of government supplies officers to monitor the distribution of supplies and prevent leakages.
- The strength of the accounting and audit functions in the spending ministries, and in particular the integrity of periodic audits, the accountability of accounting officers and the strictness of sanctions for overspending and/or the misuse of resources.
- The capacity of the Office of the Commissioner for Tax Audit and Investigations.
- The lack of an Office of the Inspector General in the Ministry of Works, or of surprise inspections (of procurement, distribution, and implementation), as a deterrent to malfeasance.
- The openness of Controller and Auditor General (CAG) meetings and the capacity of the CAG to exercise its oversight functions fully.

***The civil service:***

As part of the Government's effort to establish an affordable civil service, the number of civil servants in Tanzania has been reduced from about 330,000 in 1993 to 270,000 today. As the wage bill was simultaneously increased by more than 40% in real terms, real wages between 1992 and 1997 rose by about 75%. Wage levels at the lowest levels in the civil service are now comparable to private sector rates, but wage compression means that the wages at the highest levels—that is, wages paid to senior technical and managerial staff—are still just one-half to one-fifth the wages paid for comparable work in the private sector. Even so, improved civil service remuneration has increased the wage bill's share of the budget from about 17% from 1986 to 1992 to 32% in 1996. Since debt service now claims about 34% of the budget, debt service and the wage bill together consume two-thirds of all budgetary outlays, leaving only one-third for so-called 'other charges', i.e. the capital and recurrent costs of running the government (including procuring school books, essential drugs, and so on). Although the Government has made a good start in improving civil service remuneration, much remains to be done. Moreover to help ensure that increased remuneration results in improved overall performance, many observers are advocating change in recruitment practices, in capacity building, and in accountability. Hence, among the principal governance issues arising in this area, there continues to be:

- The adequacy of civil service wages, which are still often below the level of a living wage for a man or a woman with a small family, resulting in a need for additional income, which is sometimes obtained through corrupt practices or else through inefficient practices (e.g. attendance of out-of-office seminars or workshops for the sake of additional payments, in participation fees or subsistence allowances).
- The compression of civil service wages (with the result that remuneration for senior technical and managerial staff, where qualified candidates are most required, is not competitive with the private sector).
- The practice, among certain donors, of paying salaries to civil servants employed on their projects that are significantly above the civil service scale.
- The adequacy of civil service pensions, and the protection of their real value from erosion due to inflation.
- The openness and transparency of the recruitment and promotions processes (with particular attention to issues of competitiveness, performance evaluation, merit-based remuneration, internal inspection, and the imposition of sanctions on wrongdoers).
- The availability of well-structured and forward-looking (in-service and out-of-service) training for civil servants.
- The accountability of managers for the performance of their subordinates, particularly for the delivery of public services.
- The extent of rent-seeking behaviour among civil servants.

***Institutional reform:***

In addition to these concerns about civil service remuneration, concerns have been raised about the ability of the civil service adequately to perform its core functions. Hence the list of governance concerns should include:

- The impact of downsizing and the creation of semi-autonomous executive agencies on the administration of government business, particularly respecting the delivery of basic services.
- The harmony and rationality of basic government structures, including horizontal inter-relationships between the ministries and executing agencies, and vertical inter-relationships between the centre, the regions, the districts and sub-district authorities (particularly in the context of local government reform).
- The capacity of the civil service at the central level to support ongoing activities while simultaneously implementing wide-reaching sectoral and general reforms.
- The capacity of district authorities to execute their new responsibilities under the Local Government Reform programme (with special attention to the areas of multi-sectoral planning and financial management), and the rapid pace at which the programme is expected to be implemented.
- The capacity of sub-district authorities to raise local revenues and control its expenditure.
- The financial and management responsibilities of the regional administrations.
- The degree to which a constrained resource envelope may result in under-resourcing essential roles and functions of Government, particularly with respect to the delivery of basic services.

***Law enforcement:***

Law enforcement is the domain of the police, other security forces, and the judiciary. The Warioba Report mentioned many deficiencies in this area. Many efforts are being made to improve work in this area, and particularly within the judiciary, where there have been numerous dismissals. Some of the governance issues emerging from the Warioba Report and various other sources include:

- The level of awareness of human rights law among officers of the law enforcement agencies at all levels, and the extent of adherence to human rights law.
- The limited number of legal professionals of all kinds in Tanzania, and the limited capacity of many individuals elevated to judicial functions.
- The extent of harassment, rent-seeking corruption, and excessive use of force in police actions and the limitations of parliamentary oversight in this area.
- The conditions of detention in a prison system designed to accommodate about half of the population now actually within it.
- The inefficiencies of criminal process, particularly with respect to issuing formal charges, granting hearings and trial dates to persons in detention, bringing criminal cases to trial, ensuring adequate legal representation (including confidential communications between accused persons and their counsel), and securing convictions (as a percentage of cases on remand).
- The level of corruption within the judiciary, at least in the lower levels, and in particular the extent to which clerks and low-level magistrates accept bribes to alter the outcomes of the judicial process.
- The transparency of the recruitment of judges and magistrates, particularly with respect to assessing their professional qualifications
- The possibility of creating a separate commercial court.

***Oversight, investigations, and other anti-corruption measures:***

Another set of concerns involves oversight and investigation, with many concerns specifically focussed on the Prevention of Corruption Bureau (PCB), the body mandated to address corruption within the civil service. (Following the Warioba Report, the PCB's budget has been increased to employ more staff and legislation has been passed to restore the Bureau's powers of search, arrest and detention.) Governance issues here include:

- The autonomy of the PCB as well as its capacity to undertake its functions (particularly with respect to the number, remuneration and qualifications of its staff).
- The seniority and independence of the PCB's Director General.
- The adequacy of the PCB's community education services.
- The adequacy of the Prevention of Corruption Act, particularly with respect to defining 'corruption', removing manipulable ambiguities, and imposing (financial and other) sanctions for violations.
- The capacity of the Ethics Commission to execute its oversight responsibilities under the Public Leadership Code of Ethics Act and the adequacy of sanctions imposed for ethics violations.
- The capacity of the Permanent Commission of Enquiry to execute its oversight responsibilities under the Permanent Commission of Enquiry Act, particularly in the area of human rights violations.
- The capacity of the Public Service Commission to handle disciplinary cases.

***Government-donor relations:***

Aid relationships have improved in the past few years, with donors demonstrating a stronger commitment to national ownership of development projects and Government demonstrating greater confidence and more firm direction. Donor participation in regular sector-wide meetings under Government leadership and donor contribution to "basket funds" in various sectors (health, education, roads and local government reform) as well as to the Multilateral Debt Fund are important positive developments. Even so, a number of governance issues remain, including:

- The extent to which donor decisions, involving not only the structure but also the financial modalities of cooperation, intrude on Tanzanian sovereignty.
- The size of the debt overhang, and particularly the impact of debt service payments on government spending on 'other charges'.
- The extent to which aid flows (including technical assistance) and project management structures bypass regular government structures.
- The extent to which the programming cycles of the various (bilateral and multilateral) donors is superimposed onto the government's expenditure programming cycle.

**VIII. Governance in the domain of the private sector**

The state is not the only domain where governance is important, for it is not the only domain that drives human development. Equally important is the private sector, which is an important (and usually primary) source of opportunities for productive livelihoods. As

Tanzania moves away from the command economy that dominated its past, private enterprise grows in importance, to have a greater and greater influence on economic growth, gender equity, environmental preservation, and responsible and effective participation in national and international commerce. Of course, the private sector cannot achieve the goals of growth and development on its own. It must work in partnership with the state, which can encourage private sector expansion by creating a stable macroeconomic environment, maintaining competitive markets, attracting investment, enforcing the rule of law, creating proper incentive structures, and protecting the environment (among other things).

***Taxation and tax evasion:*** One of the most visible intrusions of the state into economic affairs is the tax system. Though the powers of taxation are necessary to the proper functioning of the state, tax payers everywhere are concerned about the fairness of the system and the value of the services that the system funds. By and large, the private sector is prepared to pay reasonable taxes if tax revenues are properly used. In Tanzania, there has been significant progress in rationalizing the tax structure. Since 1995, a number of taxes have been eliminated and some rates have been reduced (e.g. the corporate income tax rate has been reduced from 40% in 1995/96 to 30% in 1997/98). Yet many people feel that there is room for further improvement and that tax spending can be better directed. Some of the principal concerns in Tanzania include:

- The coherence, rationality and simplicity of the tax system, and in particular the continued presence, in some areas, of taxes that are too numerous, too erratic, too high, or too much in the character of “nuisance” taxes.
- The redistributive effects of the tax system.
- The ability of local communities, and in some cases local service providers (e.g. health clinics) to collect, retain, and allocate revenues at the local level.
- The continued efforts of businesses to evade or underpay taxes, and in particular the extent to which some business people offer bribes and otherwise encourage corruption in order to do so.
- The extent of discretionary authority over granting certain tax exemptions.
- The continued practice of cash payments of taxes (allowing opportunity for corruption).

***The legal and regulatory framework:*** A pressing governance issue in Tanzania concerns the complexity of the legal and regulatory framework. A widely disseminated investor roadmap study recently found that new businesses typically need to file 160 pages of forms (with an additional 120 pages for specialized approvals in sectors such as mining, fishing, forestry and tourism) and take 36 months to progress complete the process. In addition, established businesses file at least 89 returns annually, with much higher numbers required from some businesses (such as banks (285) and hotels (454)). The administrative burden in Tanzania was found to be significantly greater than in Uganda, Namibia or Ghana (other countries where the study was done). This burden not only discourages new investment and inhibits formal-sector growth but also create opportunity for rent-seeking corruption. Regrettably, as businessmen justify bribery as a price to be paid to ensure survival, government responds by imposing further controls in an effort to



suppress corruption, and a vicious cycle is born. At the same time, virtually all observers recognize the need for a carefully constructed regulatory framework to ensure a smooth transition of economic power away from the state and towards the private sector. Hence the governance concerns in this area include:

- The complexity and extensiveness of the administrative and regulatory burdens imposed on both new and existing businesses, and the extent of discretionary authority permitted to officials (e.g. in granting exemptions).
- The regulatory framework that will govern the public utilities (telecommunications, electric power, water supply, shipping and harbours) once these utilities are privatized.
- The capacity of the Bank of Tanzania adequately to supervise a deregulated financial system, and the impact of the planned divestiture of the National Bank of Commerce.
- The capacity of the Tanzania Investment Centre to facilitate investment (and the possibility that it is simply another obstacle).
- The extent to which economic reform, while reducing or eliminating numerous opportunities for corruption at lower levels, has created other opportunities for corruption on a grand scale (e.g. with respect to privatizations).

**Popular participation:** Another set of concerns involves the ability of disadvantaged groups to participate in economic activities. Here the principal concerns include:

- The level of women's participation in the formal and informal economies, and in particular their access to authority and remuneration on a basis of equality with men.
- The capacity of credit facilities to extend credit to the poor, with particular attention to non-securitized credit.
- Within the business community, the transparency of the privatization process (particularly with respect to the ability of the private sector to enter bids on an equal footing).

## **IX. Governance in the domain of civil society**

The third domain within which governance issues are clustered is civil society. As the state and the private sector reshape and redefine their relationships, civil society also changes in important ways. For example, the growth of central administration and international commerce has profoundly changed the structure of traditional society, in Tanzania and elsewhere. In many places and among many peoples, traditional ways of life have withered in the heat of modern political organization and economic competition. Where once people channeled their participation in political and social life through the family, the age-set, the tribe and other communal groups, they are now increasingly channeled through groups related to individual interests, such as clubs (including especially sports clubs), charities, political parties, trade unions, cooperatives, professional associations, academic or research institutions, and other non-governmental organizations. Through their participation in such groups, individuals can increase their power to influence public policies and obtain access to public resources. They also provide a vitally important check and balance to the power of the government. Finally, by