

Strategic Long Term Planning and Policy Management: Some Reflections from Tanzania

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Introduction

Long term planning has always been an important characteristic feature of a Soviet style economy. Although the Soviets and the communist block did not explicitly use the term strategic planning their long term plans aimed at the development of specific "strategic" sectors with a view to attain specified objectives within a defined period of time (usually up to twenty years). In such economies the strategic long term planning was a deliberate effort of the government to control the mobilization and distribution of resources towards the achievement of a desired goal (Leys, 1973). The common goal often stated in these long term plans were to achieve higher standards of living for the citizenry.

Economic planning in such type of economies meant a variety of things — namely replacing both the market and the political process with a "scientific", "technical" exercise for eliminating distortions. At times these (distortions) were deliberate policy choices to protect socially legitimate interests from the potential damage that could be done to them by the market process.

The problem with technocratic long term planning as practiced in command economies is that the process requires the availability of massive information with respect to, for instance, people's tastes, industrial requirements, foreign market conditions and consumption levels. Apart from these static information require-

ments, the planning body had to get information to accommodate any dynamic changes in production, distribution and exchange. This has practical limitations in the sense that the planning body could not collect sufficient information either for the static or dynamic situation. The consequence of this anomaly was that long-term plans were characterized by either "overshooting" or "undershooting" the objectives. In terms of day-to-day socio-economic life long-term strategic plans translated into either shortages or surpluses of commodities.

With the exception of a few countries like Russia, North Korea and Cuba where central planning of the economy is still practiced, most countries are now increasingly relying on the market as a means of allocating resources (World Bank, 1998). Strategic long term planning and policy management in market dependent economies means different things from those implied in command economies. This paper uses examples drawn mainly from Tanzania's long term plans to highlight some of these differences.

Planning in Tanzania after the Adoption of Economic Reform Programs (ERPs)

The Soviet style of central planning was introduced in Tanzania in the 1970s following the promulgation of the Arusha Declaration in 1967. However, the first comprehensive statement of the country's economic

policy after independence is found in the First Five Year Plan for Economic and Social Development (Rweyemamu, 1964 p. 45). The main objective of the plan was to raise per capita GDP from £19.6 in 1960/62 to £29.3 in 1970 and to £45.1 in 1980. The First Five Year Plan and other subsequent plans developed in Tanzania failed, for various reasons, to achieve the stated goals. Once it became evident that centrally planned economies often result in crises and that the command economy type of planning did not have a built-in mechanism to deal with these crises, the Government of Tanzania sought to re-introduce planning that relied on market forces. Thus, since the introduction of far reaching Economic Recovery Programs (ERPs) in 1986, the 'invisible' hand of the market has systematically replaced the central planning body as a means of allocating scarce resources to unlimited development needs. In Tanzania today the market virtually determines the prices of all commodities. One major weakness of planning that relies on market forces is its insensitivity to distribution of resources within the economy.

Strategic Planning and the Logical Framework Analysis (LFA)

One of the main features of strategic long-term planning is the use of the Logical Framework Analysis. Although strategic long-term plans do not categorically indicate the use of LFA, its main characteristics are observed in most long-term plans. Some essential elements of LFA are:

(i) **The Narrative Summary** - Most LFAs have a narrative summary which contain

statement(s) relating to the objectives of the plan. In the Development Vision for Tanzania 2025 document for example, the main objective of the long-term plan is to raise the living standards of Tanzanians. The narrative summary section of the LFA could have multiple or sub-objectives. Care has to be exercised however to ensure that the objectives are not conflicting.

(ii) **Measurable Indicators** - Another central part of an LFA is the one which contains measurable (or quantifiable) planning indicators. In this section, the LFA shows quantifiable indicators (of success or failure) in implementing the plan. Using the Development Vision for Tanzania 2025 as an example, some of the measurable indicators show that by year 2025 Tanzania will be able to eliminate (reduce to 0%) abject poverty. It is important however for LFAs to have realistic measurable indicators.

(iii) **Assumptions** - An LFA is constructed on the basis of certain simplifying assumptions. These often relate to external and internal environments, which have to remain stable for the long-term strategic plan to hold. The most frequent assumptions made are those relating to the ability of the economy to grow annually at specified rates, stability of prices and a pro-growth external sector environment.

(iv) **Assessment** - Finally, an LFA must provide policy makers

with random access memory to assess the implementation of the long-term plan and to make adjustments where necessary. The assessment section provides alternative policy options for achieving the stated objectives. It is an important avenue for policy makers to ponder steps towards the operationalization of the strategic plan.

Having described, albeit briefly, some elements of strategic planning, it is appropriate to link it to some existing plans in Tanzania, the most important of which is the country's Development Vision 2025.

Long Term Planning and The Tanzania Development Vision 2025

A vision for development is an articulation of a desirable future condition or situation which a nation envisages attaining and the plausible cause of action to be taken for its achievement. A national vision therefore seeks to actively mobilize the people and other resources towards the achievement of shared goals. A shared vision arouses people's aspirations and is the spark that uplifts the nation out of the mundane. In the process, it instills the courage and determination to rise to challenges at the individual, community and national level. A vision is a vehicle of hope and an inspiration for motivating the people to search and work harder for the betterment of their livelihood and for posterity. (URT 1999, p.2). The need to formulate a new economic and social development vision for Tanzania emanated from the outcomes of economic reforms, especially those that

were pursued since the early 1980s. Subsequent social and economic reform measures were therefore a response to the persistent economic crisis in the country and the world as a whole.

By the mid 1980s the government realized that the past development policies and strategies were not responding adequately to changing market and technological conditions in the regional and global economy and were not adapting to changes in domestic socio-economic conditions. It also realized that earlier development policies and strategies were not in consonance with the principles of a market led economy and technological development occurring in the world, and started preparing three-year reform programs with strategies focusing on a few economic and social areas.

In 1986 the government adopted socio-economic reforms which continue to be implemented to date. The reform measures are however not adequately informed by a national long-term development philosophy and direction. So that these reforms had to be underpinned by a long-term development philosophy if they were to be owned and sustained by the people. Hence the idea of a national vision emerged.

During this long period, the whole philosophy of working for the country's development and that of its people started losing direction and, as a result the country lost its vision which had originally been based on long-term development objectives. The government and the society in general realized that the nation lacked direction and a philosophy for long

term development and was working in a socio-economic vacuum. Development Vision 2025 was designed to fill this vacuum.

There are 6 basic components in the Development Vision: These are¹:

- (i) Scope of a national development vision – This section gives, in general terms, the development attributes which Tanzania will have by the year 2025.
- (ii) Analysis of previous national development visions – reviews achievements, constraints and setbacks in previous national development strategies.
- (iii) Objectives of the Development Vision 2025 achieving quality and good life for all, good governance, rule of the law and building a strong and resilient economy that can effectively withstand global competition.
- (iv) Issues to be noted during implementation of the Development Vision: need for Tanzanian society as a whole to measure a competitive development mindset as well as maturing a self-reliance culture.
- (v) Guidelines in implementation of the Development Vision
- (vi) Preparation of an enabling atmosphere for implementation of the Development Vision.

It is also envisaged that by the year 2025:

- i. Tanzanians will be living in a substantially developed society with a high quality of life.
- ii. Abject poverty will be a thing of the past.

- iii. Tanzania will have graduated from a least developed country to a middle income one.
- iv. The economy will have been transformed from a low productivity agricultural economy to a semi-industrialized one led by modernized and highly productive agricultural activities which are effectively integrated and buttressed by supporting industrial and service activities in the rural and urban areas.
- v. A solid foundation for a competitive and dynamic economy with high productivity will have been laid.

Once in place these achievements will enable Tanzania to be a nation imbued with five main attributes. They will enable Tanzanians to attain:

- (i) High quality livelihood
- (ii) Peace, stability and unity
- (iii) Good governance
- (iv) A well educated and learning society; and
- (v) A competitive economy capable of producing sustainable growth and equitably shared benefits.

Tanzania's Past Development Visions

Tanzania has gone through two national visions: first, the vision to achieve independence. Every Tanzanian understood and accepted that goal, which was a basic human right. After independence in 1961 it was realized not everybody understood his or her consequent obligation; namely, that enjoying the fruits of independence implied hard work. Hence the post independence

1. Abridged from URT, 1999, Development Vision 2025.

catchphrase “Uhuru na Kazi” which was intended to exalt the importance of hard work in realizing the development which was championed in the struggle for independence.

The second national vision was the Arusha Declaration. It articulated a philosophy of socio-economic liberation based on socialism and self-reliance as the long-term national goal of Tanzanians. The Declaration was accepted by the majority of Tanzanians and galvanized them into working for its realization. Thus, since February 1967, the development vision of Tanzania as well as the principles and programs enshrined in the Arusha Declaration have guided the policies for social and economic transformation.

However, the Arusha Declaration strategy did not adequately address the complexity and dynamic character of policies and incentive structures which were necessary to effectively drive the development process. The strategy was overly based on state control of the major means of production, distribution and exchange and on the prospect of a growing and viable public sector as the principle engine of economic growth and development.

Constraints Identified in the Past Visions

- (i) A donor-dependency syndrome and a dependent and defeatist development mindset;
- (ii) A weak and low capacity for economic management;
- (iii) Failures in good governance and in the organization of production; and
- (iv) Ineffective implementation syndrome.

The Donor-Dependence Syndrome

The mindset of the people of Tanzania and their leaders has succumbed to a donor dependency and has resulted in an erosion of initiative, lack of initiative and lack of ownership of the development agenda. This has not been conducive to addressing the development challenges with dignity, confidence, and determination of the nation's destiny.

- (i) External dependence and the erosion of confidence, dignity and determination have demobilized the ability to effectively utilize human, physical and mental capacities to take initiative and to search for options to solve developmental problems.
- (ii) The mindset of leaders and Tanzanians in general has neither been supportive of hard work, ingenuity and creativity, nor has it provided a conducive environment for these attributes to emerge. There is a high degree of apathy and lack of accountability and self-motivation. Initiative, ingenuity and creativity in Tanzania are at low ebb. Consequently a culture of admiring “effortless” success has erupted and, with it, productivity based on individual initiative and the spirit of community development have not taken a positive shape.

Implementation of Strategic Long Term Plans

Experience has shown that for successful implementation of Strategic Long Term Plans it is necessary to have short-and medium term plans. These provide an opportunity for policy makers to review their stra-

tegic plans. In Tanzania, the Rolling Plan and Forward Budget (RPFB), the Medium Term Expenditure Reviews (MTER), the Public Expenditure Reviews (PER) and the Budget are examples of the short to medium term plans which are viewed as important in realizing the strategic long term goals. The Public Expenditure Review PER and Budget processes are reviewed here as illustrative cases.

The Public Expenditure Review (PER)

The PER process was initiated in Financial Year (FY) 1998, and was jointly designed by the Government of Tanzania (GOT), the World Bank and other bilateral and multilateral donors. The focus and objective of PER was to strengthen budget management in Tanzania. For the PER process to succeed it is essential for its contents to be defined by the government's requirements in developing a medium-term expenditure framework and the timing of activities into the budget cycle.

Under the Policy Framework Paper (PFP) for 1998/99-200/01 GOT has committed itself to undertake several measures to strengthen the PER process. For example:

- (i) it is the intention of the Tanzanian government to conduct PER on an annual basis and integrate the PER process into the budget cycle
- (ii) the government intends to prioritize development expenditure among and within sectors and ensure their consistency with the Medium Term Expenditure Framework (MTEF).

Motivation and Evolution of PER in Tanzania

Until the World Bank, which conducted recently Public Expenditure Reviews (PER) local participation was limited to providing documents, data and other budget information to missions from Washington. Even the participation by other donors and stakeholders was minimal if any. The main concern by GOT was that the PER was just another instrument of the World Bank and other bilateral and multilateral donors to drive Tanzania's development programs and intrude excessively upon matters of domestic policy. Since the output was a World Bank document, follow-up action and commitment to implementation of the recommendations of PER final report was therefore weak. The lack of ownership of the process by GOT, also meant that sustainability of the process was in jeopardy.

Since Financial Year 1998 (FY98) there has been a major shift in the framework for doing the PER to make it effective, sustainable and beneficial to both the government and donors. Unlike the PER strategy for FY 98 which was designed mainly by GOT, World Bank and donors, it represented essentially a continuation of the PER process begun in FY 98. The framework for implementation was developed and agreed at a donors meeting which was organized by GOT in June 1999, to review the results from the FY 98 PER.

Through the PER there is now agreement that there is need to focus more on strengthening budget management as the overarching goal for future PER. It is hence vital that the design

of the PER process and its contents be defined by government's requirements in developing a medium term expenditure framework. In addition, the timing of PER activities and outputs were designed to fit and feed into the budget cycle. The task of strengthening the budget process was to be led by GOT and involve partners willing to participate in it. On its part GOT committed itself to undertake several measures to strengthen the PER process. These measures include: -

- (i) a commitment to conduct PER on an annual basis and to integrate the process into the budget cycle;
- (ii) prioritization of development expenditures among and within sectors to ensure their consistency with the Medium-Term Expenditure Framework;
- (iii) seeking to achieve full coverage of budgeting and accounting of donor-financed expenditures in the context of PER in the medium term to long term.

Budget Management Concerns

GOT places a high priority on improving the predictability of the budget to facilitate planning by spending ministries. Predictable budgets ensure adequate provisions for counterpart funding to improve disbursement of committed donor finance and elicit adherence to agreed priorities. To this end, the Ministry of Finance has set up quarterly consultations with donors and representatives of sector ministries to review the implementation of agreed actions and status of donor funding. Further action is required to enhance coverage of donor resource commitments in the budget frame and ad-

herence to them. The PER process in this sense is an important instrument for collective action in this direction.

In Tanzania the budget still shows variances between projections and out-turns. This problem has been most pronounced for development budgets where the shortfall of donor disbursements and local funding on average has been in the range of between 60 and 80 per cent of budgets for donors and between 25 and 80 per cent for local funds. These gaps are partly a result of unrecorded donor support, shortfalls in local counterpart funds, and inaccurate projections. The uncertainties arising from these gaps undermine the predictability of budgets, and in turn, stifles any serious budget restructuring efforts. This problem is most observed in non-wage expenditures (the "other changes" category) which are typically treated as residual after financing debt service requirements, salaries and earmarked allocations. The degree to which donors operate outside the budget remains high.

In FY 97 for example, 70 per cent of total donor financing did not enter the budget frame. In FY 98 this amounted to 72 per cent. The shortfall in local counterpart funding has been a major cause of delays in project implementation. Adequate provision and disbursement of these funds would go a long way towards speeding up implementation of agreed projects. The Ministry of Finance has issued a circular requiring that it coordinate all discussions concerning donor financing of all activities. To the extent that the capacity exists in the Ministry of Finance to perform this coordinating

Table 1: Sources of Budget Shocks

	FY97			FY98			FY99			
	Budget	Outturn	Budget Outturn	Budget	Outturn	Budget Outturn	Budget	Budget to Feb	Outturn to Feb.	Budget Outturn
	Tsh	M	%	Tsh	M	%	Tsh	M	M	%
Total	703142	685630	98	800200	700969	88	779786	519857	524212	101
Resources										
Domestic Revenue	563756	572030	101	671500	619083	92	699521	466347	466274	100
Import support	139386	113600	82	128700	81886	64	80265	53510	57938	108
Less First Claim	371075	399776	108	422500	421831	100	435360	290240	249837	86
Expenditures										
Debt service and Arrears	185710	200548	108	196500	203024	103	190578	127052	103610	82
Wages and Salaries	185365	199228	107	226000	218807	97	244782	163188	146227	90
Expend. And Dom. Dev.	332067	285854	86	377700	279138	74	344426	229617	274375	119
Total Other and Development	387822	311897	80	518400	410348	79	562898	375265	258013	69
Other Goods and Services	260831	187327	72	274300	223763	82	298433	198955	212104	107
Domestic Development	126990	124570	98	244100	186585	76	264465	176310	45909	26
Residual (cheques issued)	-55755	-26043	47	-140700	-131210	93	-218472	-145648	16362	-11
Adj. To cash and other items				6600				-35821		
Residual (cheques issued)	-55755	-26043	47	-140700	-124610	89	-218472	-145648	-19459	13
Financing of Residual	55755	26043	47	140800	124610	89	218472	145648	19459	13
Foreign Project Financing	48152	63900	133	149400	174362	117	229000	152667	34706	15
Domestic Financing	7603	-37857	-498	-8600	-49750	578	-10528	-7019	-15247	217

Source: United Republic of Tanzania, Public Expenditure Review, Vol 1 pg 19

function, it is better that efforts be directed to strengthen that capacity rather than letting uncoordinated approaches continue to thrive.

Budget Sustainability

Fiscal sustainability is often compromised by inappropriately projecting recurrent cost, ignoring the implications of overly ambitious targets or public investment drive which does not adequately provide for their recurrent cost financing. This situation is often worsened by uncoordinated

expansion of sector programs without taking into account resource envelope constraints for effective operation and proper maintenance of installed capacities. Over time a mismatch between the two expenditure tracks emerges resulting in an inability to sustain the level and quality of service from such an investment undertaking.

Cases of vigorous investment programs to meet universal targets for primary education, health and water

in the second half of the 1970s serve as a vivid example. Deterioration of capacity to deliver public services and gross underutilization of costly past investments during the 1980s were primarily a result of inadequate provision to meet recurrent costs.

The primary concern is to ensure that sector programs are properly costed both in terms of investment financing and implied budget requirements for maintaining the level and quality of services provided from them.

There is also need to do a reality check in the total expenditure requirements against the overall resource envelope both presently and in future.

This concern also arises from the fact that development expenditure for achieving set targets faces easier budgets constraints given that a large proportion is financed through donor resources. In contrast, recurrent expenditure requiring maintaining the level and quality of services enabled by public investments has to be financed largely by GOT's limited budget resources. GOT would like to see the integration of recurrent and development budgets to allow budgeting and expenditure to be more responsive to the phasing and implementation of sector programs. Without this budget flexibility and predictable MTER to guide sectoral allocations, sector-wide approaches

could be jeopardized.

Budget Efficiency Enhancement

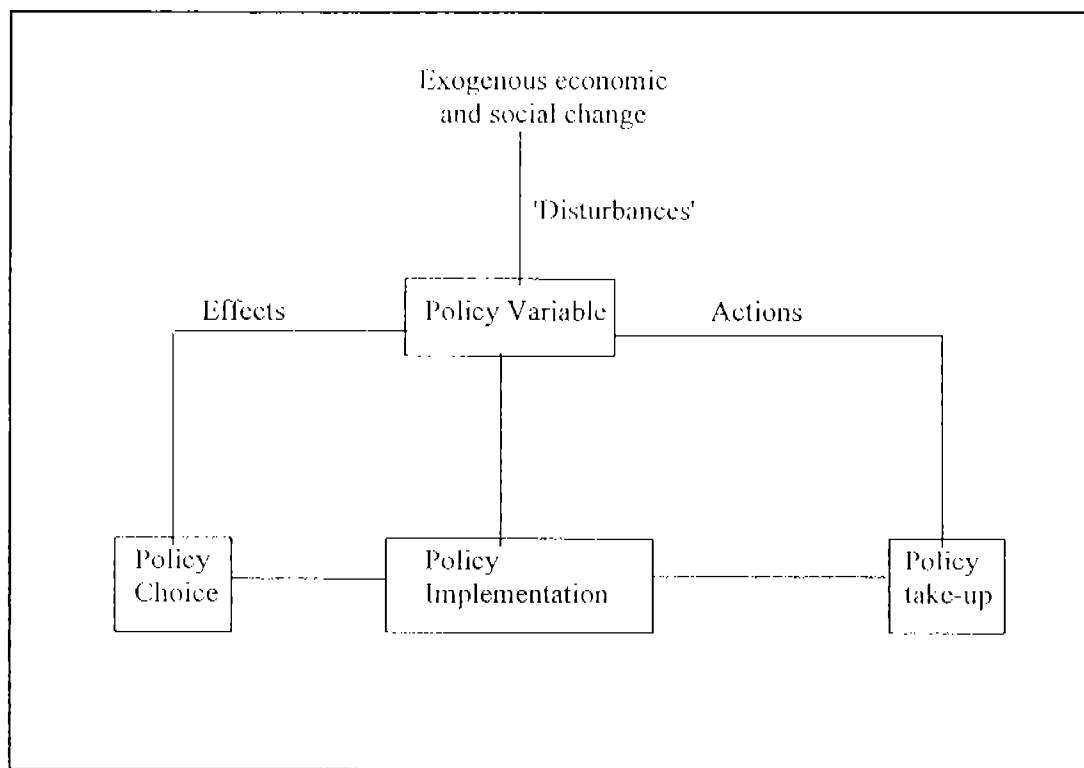
Starting with the FY 96 GOT adopted a *ācāsh* budget approach as a means to ensure that the spending units live within their allocated means and to encourage efficiency through hard budget constraints. Progress has been made in enforcing overall budget discipline and avoiding recourse to soft financing options, including monetary expansion. The practice of conducting mini-budgets, which used to be the main avenue for accommodating extra-budgetary expenditures, has been discontinued.

GOT has also worked to curb diversions of allocated resources and disbursements to ensure that they reach the intended beneficiaries and perform the relevant functions. A starting point in the context of PER

process was to determine the extent of leakage in budgetary allocations to service delivery units and suggest measures to plug such fund diversion. The government is also in the process of introducing performance budgeting and this measure is expected to improve budget performance as measured by output indicators, unit costs and measured deliverable quantity of service for a given allocation of budgetary resources.

An effective policy management process has to commence at the policy formulation stage. Policy formulation and analysis is a process of identifying problems, analyzing them with a view to provide an appropriate policy option set for circumventing the problems (Schmidt, 1999). According to Schmidt (1999) the process of policy management can be modeled in a simple cybernetic feedback loop.

Figure 1: The Policy Cycle



Source: Adopted from Schmid, G. (1999), p.8.

In cybernetic terminology, the political system "sends signals" to the policy variable (e.g. labour market, inflation, external sector, exchange rate, etc) in the form of programs, "registers the return signals or "feedback", compares these to the set of objectives (targets) and keeps altering the rules and programs until the feedback "confirms" that an objective has been met.

While the real world is somewhat more complicated, the structure of the policy variable feedback loop remains the same: the political system registers deviations from its goals (e.g. "full employment, flexible exchange rates, single digit inflation) caused by exogenous "disturbances (economic and social change) that influence the policy variable.

These deviations are interpreted in more or less complex decision making process, and new policies are subsequently chosen (policy choice). The resulting programs may include setting new goals. The measures function either as positive or negative incentives for the behavioural disposition of the target groups in the policy variable (e.g. the unemployed, business-groups, etc) or the policy take-up in figure 1. However, policy impact of policy variable (e.g. labour market) is not identical with the sum of individual actions because exogenous changes ("disturbances") and the interdependency of individual actions can cause systematic failure of otherwise rational actors (Schelling, 1975).

Recent Policy Management Priorities in Tanzania Targeting Inflation and Poverty Reduction

Inflation Targeting

One of the most successful policy management outcomes in Tanzania has been inflation control. Defined as an annual change in consumer

price index (CPI), inflation in Tanzania was as high as 30% during the crisis period of the early 1980s. However a combination of policy choices including restricting money supply, introduction of fiscal and financial discipline coupled with periods of bumper harvests resulted in lowering inflation to single (about 6%) digits in 2000. The new objective is to maintain inflation rate at below 6%.

Poverty Reduction

Under Tanzania's National Development Vision 2025 the overall objective is to eradicate abject poverty by 2025. By the year 2010 the aim is to reduce to half the proportion of Tanzanians with inadequate access to basic needs, the proportion of food poor and the proportion of rural poor. In the medium term the target is to reduce the proportion of categories of the poor by 6% in 2003. The long term targets for reducing income poverty are to:

- (a) reduce the proportion of the population below the poverty line by half from 48% to 24%;
- (b) reduce the proportion of food poor by half from 27% to 14%; and
- (c) reduce the proportion of rural poor by half from 57% to 29%.

The achievement of these targets is dependent however on external and internal environmental factors, including the positive performance of the economy.

Concluding Remarks

Strategic long term planning has meant different things in different socio-economic formations. The term, as it is applied in most econo-

mies relying on market forces means a management tool. The LFA is an important characteristic feature of the long term strategic planning.

As Schmidt (1999) has shown, an effective policy management is one which recognizes the interplay of policy variables, policy choice and policy implementation. In developing countries like Tanzania this comprehension is still lacking.

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