# Good Governance and Development in Tanzania: Some Ethical Issues

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## 1. Introduction

Good governance is in vogue today, yet as it is well known one can trace it as far back as Aristotle (484–425 B.C.) in his "polity" or even further back to Confucius (511–479 B.C.), who was concerned with a wise government that acted meritoriously and responsibly to promote social harmony (Palmer 1997, p. 372).

In the more recent past, however, good governance has been thrust into the limelight as it entered the lexicon of international development agencies, which are never short of catchy concepts. In Africa it came to the fore in the World Bank *Report* of 1989, which identified the crisis in Africa as one of governance, characterized by extensive personalization of power, abuse of human rights, widespread corruption, and the prevalence of unelected and unaccountable governments. As a remedy, the report proposed liberalization and democratization (Hyden and Bratton 1992, p. 5).

With the above situation in mind a minimal state was recommended for the continent. Since then, however, there has been a movement toward support for an effective state. The World Bank *Report* of 1997 stated that while a minimal state might do no harm, it could neither do much good (p. *iii*).

Governance as it has been variously defined stresses two important thrusts. The first has to do with the legitimacy of the public realm (Hyden and Bratton 1992, p. 7). In this case it deals with the rule of law and legitimate authority. The second focuses on the judicious exercise of official powers in the management of a country's resources for the betterment of the life of its citizens (Munishi 1997, p. 10). In that context, therefore, good governance is linked to development, because its democratic and management aspects, as shown above, make sense only when they improve the lives of citizens.

We believe that good-governance programmes as proposed by such international organizations as the World Bank and the International Monetary Fund (IMF) have met with criticism because it is not always shown clearly how the majority of citizens are going to benefit from such efforts. The beneficiaries of these programs seem to be a small minority of citizens in the countries for which such programs are proposed.

Indeed the same logic could explain the demonstrations against the World Trade Organization (WTO) in Seattle and subsequent protests in Devos and Washington protesting, among other things, the usurping of

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public policymaking and decision making with global implications by a small group of self-appointed politicians and technocrats.

Critics of good-governance programmes have asked questions related to the ownership of the reform agenda. Often such programmes are seen as donor driven and as having consequences that do not touch large sections of the population. Thus, for example, "correct" macroeconomic reforms (reduction of public expenditure, privatization, financial liberalization) often lead to only modest improvements in the economy in the short run while the consequences of the reduction of public expenditure are easily seen in increased unemployment.

Critics of good-governance, however, cannot evade the crisis of the African situation as described earlier. It becomes sobering when we add Sartori's end result of bad politics: "parasitic encroachment, waste and overall impoverishment" (Hyden and Bratton 1992, p. 4).

It seems to us that we need to examine closely the two sides of the same coin so as to determine the importance of good governance in the development endeavour in Tanzania. Good-governance programmes have typically been criticized for being externally driven, but the World Bank has recently proposed its "comprehensive development framework," which is calling for partner countries to be placed in the driver's seat so as to both own and direct the development agenda (World Bank 1999).

Although a cynic might cast doubt on the capability of a leader who has to be "taught" how to take charge of his country's development, the principle involved is of critical importance to Tanzania and the African continent as a whole. It calls upon the country's citizens and its leaders to take into their hands the destiny of their development. It calls for the building of internal cohesion and capability—not in isolation, but each time to find a niche in the international interaction that would assure them of some progress.

## 2. The Governance Realm in Tanzania

In discussing the governance realm Hyden and Bratton used intermediate-range concepts of authority/reciprocity and trust/accountability instead of polar-end concepts of power/exchange and compliance/innovation. *Authority*, which is legitimate power, refers to the voluntary acceptance of an asymmetrical relationship. *Reciprocity* means that actors contribute to the welfare of others in the hope that they will receive some appropriate consideration in return. *Trust* implies tolerance and cooperation, and *accountability* refers to the effectiveness with which the governed can exercise influence over governors (Hyden and Bratton 1992, p. 12).

These are parameters within which governors and governed can be engaged and give fruition to development. The use of naked power by African governments might cause a lot of pain and damage to African people. Further, such use also exposes the failure of such governments to come up with public policies that could be implemented voluntarily, which is a sign of governmental weakness. Since exchange as a mutually and beneficial relationship hardly exists in such situations, the citizens have often taken the "exit option" in their relations with the government.

The challenge to good governance in Tanzania is determining how to create the political will to form a new conjecture focused on bringing progress to all citizens. It is no accident that discussions on a possible National Governance Programme have brought up issues such as the need for a legitimate constitution; the creation of an effective legislature and a fair electoral system; the protection of human rights and basic freedoms; and the creation of a system that allows for accountability, transparency, and integrity in the management of public resources and the participation of citizens in political, economic and social decision making (URT 1998, p. 4).

Attempts to institute a new governance realm in Tanzania, however, are facing formidable challenges. Good-governance reforms are being implemented in a hostile environment both domestically and internationally. At the domestic level reforms are confronted by slow economic recovery and high expectations. In external relations they are confronted by the power and hegemony of economic giants and multinational corporations.

In both cases the issue of distributive justice comes up. At the domestic level local taxpayers believe they are not getting a fair return on their taxes in the form of services. In the global dimension the governing elite in Tanzania have complained about an unfair global system where the powerful set the rules. There is also the question of the hegemony of multinationals that use their control over finance and technology to take advantage of Tanzania's resources. The main protesters in this area are citizens who strongly believe that their leaders have signed disadvantageous contracts with such corporations.

A classic example of the latter is the discovery of huge gold reserves in Western Tanzania. Small-scale miners were removed from the scene in the early 1990s and the big corporations entered. Yet a distressing set of data was given in the Tanzanian Parliament by the Minister for Industry and Commerce (MIC) in 1998 that showed a decline by 92 percent in gold exports in 1997 compared to the previous year. The implication of the MIC's report is that exports by these multinational corporations are being made without the government's knowledge and that the corporations are therefore unlikely to be paying their export taxes as local exporters do.

## 3. Status of Governance in Tanzania

Tanzania has had varied experiences in terms of different ideologies and economic policies. In recent years the political system has seen the peaceful transfer of political power involving three Presidents. Such experimentation with both socialism and capitalism could in theory provide a rich experience. Yet Tanzania remains one of the poorest countries in the world, which points to a consistent systemic failure to bring sustainable development to its people.

A reflective examination of the Tanzania experience will show good and bad legacies to governance, taking into account the socioeconomic context of the times, for the international economic environment has not always been good to Tanzania, a good example being the increase of oil prices in the 1970s. There have been times of good leadership intentions, which were, however, guided by poor socialist policies; at another time there was a valid reform agenda, but it was hampered by poor leadership and widespread corruption.

Because of personal integrity standards set by its first President, Tanzania has made periodic efforts to purge corruption in the government and society. Lapses however, have always occurred. This calls for an institutionalized good-governance regime capable of consistently dealing with problems of corruption.

The status of good governance in Tanzania can be established by looking at the different elements that as a whole make up the governance realm. The first element concerns constitutional and rule-of-law matters. These have implications for political stability in that they enhance or undermine the legitimacy of the political system. The second element has to do with economic policy and management, which refers to the economic strategy being pursued and is affected by the international economic system. This element also includes transparency, accountability, and integrity in management of public affairs. It is concerned with the efficient and proper use of government revenue and national resources.

### *3.1 Constitutionalism and Rule of Law*

The crucial challenge to good governance in constitutionalism and rule of law is the maintenance of the political stability enjoyed by Tanzania since its independence. This stability has been built on the base of agreement on the rules of the political game, although serious doubts have also emerged.

The issue of the constitution and rule of law raises serious doubts about the willingness of the current governing elite to reach agreement with its people, including the contending elite, on extensive and acceptable constitution reform. Such reform is seen as important because the existing constitution was drawn within the logic of the single-party rule that existed before 1992.

Instead of a widely agreed-upon constitutional process, the government chose a one-sided committee and then selected some issues from the committee's report and finally used its majority in Parliament to pass constitutional changes. The changes ran counter to the general spirit of those seeking constitutional reform: for example, there was a general call for the reduction of the powers of the President, but instead the constitutional changes increased presidential powers.

The danger of the lack of involvement of many parties in the drafting and passing of measures for constitution reform is that the document passed will lack legitimacy and thus will not be perceived as binding by all citizens. After all, a constitution is a social contract, and one party cannot draw a one-sided contract with only its own signature and expect other groups and citizens to accept it.

In the context of constitutional change in Tanzania, power has been exerted instead of authority. Legitimacy is therefore unlikely to be enhanced, and the social capital of the regime is likely to be sapped by the failure to build an acceptable consensus.

Another aspect of rule of law is human rights. Although Tanzania does not have one of the worst records of human right abuses in the world, there are nevertheless many instances of human rights abuses. Some recent very serious human rights abuses occurred in Zanzibar, a semi-autonomous state within Tanzania, following the 1995 elections. People lost their basic freedoms, jobs, and property for political reasons, and some were arrested and put in remand prison for many months without any specific charges leveled against them in court.

The position of the current regime on issues of constitutionalism and rule of law is therefore ambivalent. In a recent statement, the President urged the UN system to assist the country in development areas instead of only insisting on the "soft" issues of democracy, human rights, and governance. He argued that without development the rights of citizens are untenable (*Daily News* [Dar es Salaam, Tanzania], May 24, 1999). Yet it is even more true that without regime legitimacy it is difficulty to mobilize citizens and other resources for development.

The state can ensure good governance by using legitimate power, which is authority (instead of threats and manipulation). It needs to cultivate trust by taking care of the welfare of its citizens and being sensitive to their views instead of thinking of them as just agitators.

### *3.2 Economic Reform and Its Challenges*

The economy of Tanzania is haunted by two important legacies. The first is colonialism, which created a dependent and underdeveloped economy dominated by primary exports. The second is that of the socialist economic strategy after 1967, which included attempts at establishing a local industrial base, the building of infrastructure, and the provision of social services and basic needs on an egalitarian basis.

Whatever the intentions of the socialist strategy, the results were negative. In the first place industrialization took place at the expense of investments in agriculture. At the same time either the projects were not completed or industries were underutilized, tying up scarce capital, most of it in foreign loans. Secondly, growth and redistribution became fiscally unsustainable, consequently social consumption far outstripped Tanzania's sluggish growth. As the result of the above, the policy of socialism comes up as the main culprit in identifying governance problems related to economic performance. Arguably, many resources were wasted by socialism.

The solution was seen in liberalization, which was introduced during the second presidency in 1985–95. The new policy led to improvement in the supply of consumer goods and services, which had previously been in short supply because of unnecessary regulations. This went hand in hand with increased foreign borrowing, which did not improve the economy significantly while increasing indebtedness. When we add into the equation a marked increase in corruption during this time, then the economic situation became critical.

Domestic house cleaning became particularly problematic during the second term of the second presidency (1990–95). It has been observed that up to the 1992 financial year the government maintained a sound financial stance. In the 1993–94 financial year, however, the fiscal situation deteriorated dramatically. The government resorted to bank borrowing, both from the central bank and commercial banks. Attempts to widen the tax base were not followed through, and tax exemptions, far from being eliminated, increased further, culminating in a suspension of donor balance-of-payments support in late 1994 (URT 1997, p. 3).

The lesson learned by the third President, who came to power in November 1995, from the aid suspension was to institute financial discipline in government and to start paying off the external debt, which led to the return of donors. The strategy of free-market capitalism introduced during the second presidency has continued. What has changed is the introduction of a stricter government financial discipline, which most people regard as very commendable.

Two areas of current economic policy have implications for good governance. The first concerns organizational issues such as tax collection and fiscal discipline. The second concerns the external part of the economy, especially the international financial system and the implications of debt servicing. These raise the issue of the economic strategy followed by Tanzania.

By improving tax collection and adhering to expenditure ceilings, the government has introduced the idea of good governance in the collection and utilization of government revenue. A number of distributive justice issues have come up, however, as regards the extent of taxation. The first issue concerns tax exemption and tax holidays for foreign investors. Local businessmen do not see why they should pay high taxes while external investors do not, especially when there is urgent need to uplift the existing infrastructure. Indeed, exemptions have been used fraudulently to import luxury goods (URT 1996, p. 337). The question might be asked as to why a poor country needs investors who cannot pay their taxes. Employment of a few lowly paid local staff cannot be enough of a benefit to justify such foreign investments.

The second tax issue concerns the way people's taxes are being used. Tanzanian taxpayers are not given much respect, either by the central government or by the local governments. The government collects taxes and then decides on their use without considering the priorities of taxpayers. Even servicing the domestic debt, which in 1999 stood at Tsh. 850.8 billion, does not receive priority (*Guardian* [Dar es Salaam, Tanzania], May 21, 1999). Most of this domestic debt arose from the failure of the government to pay for services provided by local corporations and businessmen. Some such local businesses have gone bankrupt.

The current picture of the government shows 35 percent of revenues going to debt servicing, 33 percent to wages of government and public-sector employees, and the remainder going mostly to "other charges." The development budget accounts for less than 5 percent of the overall budget. To make things worse, there is a disparity between what is budgeted for development and what is actually disbursed for expenditure. The development budget usually shows a shortfall. In the first half of 1997, total expenditure in Tanzania was 13.7 percent below target. Development expenditure was 61.8 percent below target, while debt servicing was 6.2 percent above target (URT 1997, p. 7). The implication is that most of the government's funds do not go to the development of its citizens.

Distributive justice in the form of fair allocation of tax resources in light of contributions is not taken into consideration. Some of the worst losers are the women of Tanzania, who make considerable contributions to production and commerce but are hardly visible in the national budget (TGNP 1998, 1999).

The impact of the international financial system on economic policy in Tanzania manifests itself in the debt trap and in the control of such areas as industrial and trade policies by international organizations such as the IMF and WTO. Debt servicing has become a burning issue, especially since the current government is giving it high priority. Debt servicing increased from 20.2 percent in 1995 to 34.5 percent in 1996. In the 1999–2000 budget, it is expected that Tshs. 488.2 billion will be used for debt servicing, compared to Tshs 120.15 billion in 1995–96 (*Daily News* [Dar es Salaam, Tanzania], May 24, 1999).

The President has argued convincingly that the government cannot default on earlier loans. He has also called for debt relief as well as better terms in the relations between the North and South (*Daily News* [Dar es Salaam, Tanzania], May 24, 1999). Yet there are basic questions that need to be asked, especially when the debt is ever increasing, despite payments against it that account for around 35 percent of the budget. By May 1999 the external debt in Tanzania was standing at US$8.295 billion from just below US$8 billion a year earlier (*Daily News* [Dar es Salaam, Tanzania], May 24, 1999).

Citizens are asking when the belt tightening will end. Nyerere has argued that people are not fools, because when rains fail or El Niño causes floods, they do not blame it on the government but demand emergency aid and will not accept an excuse for inaction by the leaders on the plea that the IMF wants the government to give first priority to servicing the country's debt (Nyerere 1998).

President Mkapa is well aware of the debt trap. Quoting the World Bank *Report* of 1999, he stated that poor countries paid US$13 billion for every $1 billion they received as loans. Despite borrowing less than what they paid back, the total debt in developing countries rose again in 1998 by US$150 billion to the new total of almost US$2.5 trillion (World Bank 1999). What is more important, however, are the steps to be taken to deal with the situation. There is a need to fight for a new international economic order, yet one cannot wait for results from that front while doing nothing about the situation in one's own country. Steps need to be taken at the national level while working hard for solutions at regional and international levels.

In our opinion, the way to deal with the debt trap is to focus on future loans. Today the government justifies the high percentage of debt servicing on grounds that the country needs to be creditworthy so as to get new loans. Yet the argument is not carried forward to indicate measures that need to be taken to prevent a repeat of past mistakes related to taking loans. It is established that the debt crisis emerged because most loans were spent on unproductive projects or on current consumption, most of it conspicuous. More important is the fact that most of the funds, averaging around two-thirds, usually were spent in donor countries though their corporations or in payment to their consultants (George 1988, Nyerere 1998).

It would seem to us that having established that, the next step would be for the government to be very selective on any new loans to be taken. At present new aid is seen as an achievement worth celebrating. In the process the distinction between grants and loans is often not made: the whole package is referred to as "aid." In both cases, however, donors take control of its disbursement and the implementation of programmes. Yet when programmes fail, frequently the reason given is local corruption. One would expect that the local government would take control of decisions concerning the use of loans. After all, these are loans to be repaid with interest by local producers and taxpayers.

It seems to us that loans should not be taken unless what they are used for will contribute directly or indirectly to their own payback. In that case the path for such repayment needs to be shown unambiguously. Important social services such as education and health need to be paid for by domestic taxpayers' money and grants because such taxpayers value those services. Grants that require local financing as a condition, especially those going up to 50 percent, also need to be scrutinized, because they often lead to the allocation of taxpayers' money to low-priority areas or to excessively priced services or technology.

Rethinking the nation's economic strategy so that it emphasizes national priorities seems urgent. The free-capitalism strategy that is being used at present has dangers, since it allows international organizations such as the IMF and WTO to limit the scope of policymaking in Tanzania. Indeed, the "Asian tigers" are often proposed as good examples from which African states could learn about development. Yet it is often forgotten that the model of development of such countries as Taiwan, Hong Kong, and South Korea is based not on free-market capitalism but rather state capitalism. The latter accepts that capitalist competition is the most effective way to generate economic growth but rejects the principle that the free market is the most efficient way to regulate the economy (Palmer 1997, p. 30).

State capitalism allows the state the opportunity to reap the benefit of capitalist enterprise while at the same time allowing the pursuit of national interests. It is not uncommon to hear leaders of industrialized nations talking of pursuing the interests of their nations; indeed, occasionally some even add "the most selfish interest of our nation." In contrast, the recent mineral franchise sales and privatisation in Tanzania have made a number of informed citizens doubt whether the nation's interests are being taken care of.

It seems, however, that the lesson is in the process of being learned, although not yet being put into practice. Urging Tanzania's diplomats to identify and focus on national interests, the President asked them to take inspiration from the words of Mark Twain, who said that the principle of give and take is the principle of diplomacy; you give one and take ten (*Daily News* [Dar es Salaam, Tanzania], April 24, 1999). Indeed for a country that gives much and receives less, Tanzania might start modestly by giving one and at least expecting two.

## 4. Conclusion

As we are now in the twenty-first century, Tanzania is facing many development challenges. The country is operating in a difficult international environment. Yet solutions have to start in Tanzania while the struggle for a better global system is waged. If good governance as a programme has been proposed by international development agencies, there is nothing to prevent Tanzania's leaders and citizens from taking advantage of the conjecture to develop a new governance realm based on authority, reciprocity, trust, and accountability. Constitutionalism and rule of law are imperative for political stability, without which development is untenable. Tanzania has enjoyed political stability for many years. Despite deficiencies in the political system efforts have been made to enhance legitimacy and hence build up social capital. The general belief that, despite weaknesses, the system was generally fair helped in creating such stability, which is likely to be threatened by excessive use of power and control mechanisms. It is important, therefore, for the governing elite not to ignore citizens' oversight of the government and instead build trust between the two sides.

In the economic arena there is a need to encourage a productive private sector, as opposed to a parasitic businessmen class thriving on corruption and nondelivery of paid-for services. Effort needs to be made to encourage competent entrepreneurs, including women entrepreneurs, who are often discriminated against in credit programs.

Tanzania would be on the way to good governance if the government maintained and improved on the present political stability by enacting an acceptable constitution and by respecting the rights of its citizens. It would strengthen good governance by ensuring transparency, integrity, and accountability in the conduct of public affairs so as to limit corruption through dubious contracts. Finally it is important for its citizens' development to ensure that opportunities are created for them to be involved in gainful activities commensurate with the twenty-first century.

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