

TANZANIA ECONOMY

"No worst, there is none"

Tanzania's economy was in an exceedingly precarious state at the beginning of 1981 which worsened sharply during the first quarter.¹ During 1981 and early 1982 a series of major actions were taken to raise exports, allocate imports more effectively, raise producer prices, adjust wages and salaries to limit their erosion by inflation, reduce constant price government recurrent spending moderately and capital budget spending sharply, reallocate external assistance to support rehabilitation and capacity utilisation (reducing new project spending), conduct major reviews of political economic performance, limit monetary expansion and increase consumer goods availability to cut inflation, tighten discipline to reduce waste and overcome corruption and illegal parallel market racketeering. For each case very substantial action was taken - at a high cost. But at the end of the first quarter of 1982 the situation both in respect to the existing situation and to short term prospects had worsened.

The evident question is why? To this there are alternative answers. One sees the basic causes in domestic policy mistakes (summarizeable as favouring managed over free markets and basic needs over export growth), although it agrees that the external shocks of 1973-76 and 1979-81 have greatly increased

problems of adjustment and management. That view is held by the World Bank,² the International Monetary Fund³ the majority of international journalistic commentaries⁴ and a minority of Tanzanians.

The other view grants serious domestic policy and performance mistakes - especially the import liberalisation, loose budgets and lack of concentration in efficiency in 1977-78, the failure to develop a coherent export strategy backed up by policy and resource allocation measures until 1981 and the total failure to develop a viable food procurement, storage and transport system (and over 1975-79 a coherent ground price policy) despite use of massive foreign technical assistance and major resource allocations.⁵ However, it argues that the 50% deterioration in the terms of trade over 1977-81 (reducing real material purchasing power perhaps 18%), the failure of real RV capita foreign assistance ever to regain 1973-74 levels⁶, the \$500-700 million costs associated with the Amin invasion and attempts to create a stable context for Uganda elections and the 1979-81 run of generally bad weather (following a 1976-78 run of good weather) were both more critical and prevented attempts to reverse the identified policy measures from bearing fruit. This viewpoint dominates two major internal studies,⁷ the ILO Basic Needs Mission Report⁸ and some journalistic coverage⁹ and is shared - with greater or less reservations - by a substantial majority of Tanzanians.

The debate is hardly academic as both the determination of an appropriate strategy for Tanzania and the mobilisation of additional external resources to initiate its implementation - seen by both sides as critical¹⁰ - turn on it. Available evidence suggests at least a bias towards the Tanzanian case. Tanzanian's performance over 1970-79 was above both the African and the low income country group averages¹¹ on growth of gross domestic product (near 5%), growth of food production (over 4%), increases in life expectancy (35 at independence, 51 in 1980), literacy, access to pure water (over 50% in 1981 versus perhaps 15% at independence) and access to basic health care (an average of three to four visits per person per year). Until the 1979-81 crisis industry was growing rapidly, had capacity utilisation of 60-70% of nominal (three shift, 365 day a year) rated capacity and substantial profits (versus 35% of capacity operation and sectoral net profits near 0 today). Until the National Milling financial collapse of 1977-80 public enterprise operating surpluses were growing and had reached 6% of gross domestic product while even in 1980 they accounted for 80% of all company profits (rather blown upon by the large NMC and transport parastatal losses). The major failings have in most cases been identified much more clearly and earlier by Tanzanians than by their outside critics and substantial policy and resource shifts made to correct them (except in the NMC - food storage area where a deadlock prevents action because external advisors and a limited number of officials apparently advocate policies unacceptable to the

Party and Cabinet while refusing to articulate and act on those called for by those bodies in early 1980).

The 1980-81 external shocks were real enough. For example the price of coffee fell by two thirds from July to July and never fully recovered - a trajectory wiping out the gain otherwise to be expected from a coffee crop 43% above the previous record level.¹²

Whatever the causes the situation is grim. Import strangulation holds industrial use to barely over a third of capacity leading to endemic shortages and recurrent absences of basic goods. Similarly it has forced fuel rationing for Dar es Salaam cars and fuel allocation more generally with serious implications for transport and up-country power generation. This in turn hampers agricultural production and its use when produced.

The low manufacturing output via the damage it does to sales and company tax revenue prevents closing the recurrent budget deficit of £100 million. Together with the goods shortages that deficit holds inflation at over 30%. While availability of public services may have had constant average consumer purchasing power has fallen about 15% since 1977 (30-40% urban, 5-10% rural) despite an increase in physical output per capita of 4 or 5%. The gap represents the terms of trade deterioration, the shift of resources to security spending during the war (now partly reversed) and the loss of 600,000 odd tonnes of food bought over 1976-78 but spoilt or

sold at a loss to avert spoilage before the 1979-81 poorer weather years.

Because the foreign exchange constraint is so tight and the external (trade and aid) situation so unpromising, 1982 can hardly show sharp improvements. What is surprising is that the economy did not collapse in 1981, that the will to formulate and act on tough corrective measures still exists and that Tanzania still insists on making its own economic policy in the face of pressure by actual and potential funding sources to accept inegalitarian, export-led growth models.¹³

Agriculture: Production, Procurement, Projection

Agricultural production over 1965-67, 1978-80 appears¹⁴ to have risen about 4% a year. That for food has risen about 5%. No usable data on the division between marketed and household consumed (subsistence) food exists so that the apparent rise in the share of the latter is more a deterioration of statistics than a return to subsistence.¹⁵ Until 1981 export crop production had been on a 1% a year declining trend or worse. The higher 1980-81 cashew (up almost 30%) and record coffee (up 50% to a new record 43% above the 1975-76 peak) presumably will reverse results at least for 1981 while food production probably rose distinctly less rapidly than the 3% population growth rate.

Travel prices have risen at least¹⁶ 5% relative to cost of living and 40% relative to urban incomes over 1975-80. 1980 and 1981 price increases may have held these gains but no more. For export crops there has, however, been a deterioration despite

substantial 1981 price increases for cashew nuts and coffee (the latter resulting from abolition of the export tax).

The present food shortages are - except in a few areas of complete crop failure - wholly urban.¹⁷ They take the form of absence of preferred staples (not of all staple foods at the same time) and of severe shortages of certain secondary foods (notably vegetable oil and sugar) which are either byproducts of industrial crops (cotton) or plantation produced. This does suggest that for food the basic problem is neither production nor prices - a view which the record coffee output suggests may be true for some industrial and export crops.

Procurement, transport, processing and storage seem to pose more severe problems than production except for cotton, where there are severe soil acidity problems affecting yields, and tobacco which is affected by the inordinate fuel requirement of curing and the plant's negative effect on the soil. Part of these problems arise from foreign exchange constraints. Others seem to flow from the fact that several crop authorities are among the weakest of the parastatals (with coffee a clear and cotton and cashew partial exceptions). Overuse of transport and failure to build adequate, decentralised storage as well as inadequate accounting have contributed to the bottlenecks impeding buying, processing, storing and moving crops. Some improvement is apparent in the Cashew Authority (especially on the export selling side), the Sisal Corporation and the Pyrethrum Authority but tea and tobacco remain weak (especially in financial management) and NMC a disaster area¹⁸ despite

intensive attempts to use NBC personnel to control its expenditure.

The Sisal Corporation faces special problems because - despite paying urban semi-skilled wages - it is losing cutters. The apparent reason is that they can do almost as well growing food for sale and sisal cutting is a very nasty occupation. Tea, coffee and sugar estates also face real but lesser recruitment problems.

Coffee has seen the control of coffee berry disease - once expected to cut output to 20,000 tonnes by 1980 - and major development programmes with 1980-81 output 67,300 tonnes. New development programmes are in progress with EEC assistance.¹⁹ Large scale farming's role has been marginally upgraded - the National Agricultural and Food Corporation's success in producing 30,000 plus tonnes of wheat (90% of domestic production) and 27,000 of paddy (perhaps 10% of production) have led to plans to raise these levels to 58,000 and 46,000 respectively by 1985/86.

1981-82 again required food aid. Roughly accurate early estimates of 400,000 plus grain imports needed (270,000 maize because of drought, 60,000 odd each of rice and wheat) led to initial approaches to would-be donors in April and negotiation of some agreements by June.²⁰ When the negotiation of more lagged (and delivery on earlier ones lagged because of South African measures to hamper transport of Zimbabwean maize) renewed approaches (not initial ones as wrongly reported) were made in October/November with greater success.

External Imbalance - The Strangler's Cord

In 1980 imports were over Sh 10,000 million (\$1,200 million) and exports under Sh 4,000 million.²¹ This was despite draconic cutbacks in allowed imports. Nevertheless it led to a basic deficit after aid and borrowing of over Sh1,500 million with arrears of commercial payments rising to Sh 2,500 million by mid 1981.

1981 results are probably somewhat better evaluated in terms of balance. Exports of goods appear to have reached about Sh 4,500-4,600 million (goods and services Sh 5,800 million).²² As prices declined this suggests a volume increase of over 20% - the first such leap since 1966. Imports were lower than in 1980 and the worsening of the arrears and foreign exchange holdings position seems to have been halted - but with both at disaster levels. Similarly actual default and debt service and repayment was averted - apparently very narrowly and with some delays.

However, the price of this "improvement" has been to force down production - especially but not only in manufacturing - to make adequate maintenance of existing assets impossible and to cripple transport and services (e.g. education, health, water) requiring substantial imports (e.g. paper, drugs, pumps - pipes - spares). Production is probably at least 20% below what it could be without the import bottle-neck and the lowest import bill consistent with running the economy reasonably efficiently is Sh 17,000 million or 70% above 1981 levels. Further import cuts are hardly feasible - grain, fuel, inputs into agriculture

industry and transport, and spares account for over 95% of all imports other than those tied to externally financed capital projects.

Exports - Toward An Operational Priority

1980 marked the first time export expansion had been given top priority (in two major addresses by President Nyerere).²³ In 1981 that priority was articulated into a series of goods and services export targets, policies and allocations of resources entitled the National Economic Survival Programme.²⁴ The combined target for goods and services for 1981 of Sh 6,200 million was 71% met in the first nine months and probably over 90% for the whole year.

1982 targets and measures - prepared with more information and forward planning than in 1981 - total Sh 8,130 million²⁵ which appears distinctly optimistic. Indeed, foreign exchange allocations seem to be being made on the basis of Sh 6,000 - 6,250 million (5% above 1981) which in turn seems pessimistic given 1981 results and the continuing priority attention being devoted to exports.

One thing the figures show is the tremendous gap to be narrowed - 1980 exports of goods were under 40% of actual imports of goods and 1981 still only of the order of 45%. Normal aid and other external borrowing cannot safely be expected to cover more than 25-30%. Therefore - in the absence of terms of trade changes - a 50% increase in exports would be needed to restore balance at 1981 import levels and one of about 175% (to say Sh 12,000 million)

to achieve balance at import levels consistent with effective utilisation of existing production and service sector capacity.

Such an inverse cannot come from existing major exports above. Thus the others in NESP on developing new or sharply enhanced exports in manufacturing and in pushing ahead toward major new largely export industry units e.g. Mufindi Pulp and Paper and Kilamco Amonia-Urea which, if successfully completed by the end of 1985, could provide export earnings in excess of those from coffee by the end of the decade. Because of the late development of coherent export policies and the disastrous 1973-75 and 1978-82 evolution of the terms of trade, the struggle to regain balance by altering production structures toward exports will be costly and require not less than five years to achieve any real semblance of balance and not less than ten to restore the relatively satisfactory payments position of 1972-73 or 1976-77 even if there are no further major adverse external trends or shocks.

Plans, Planning and NESP

Tanzania formally adopted a 1981-86 five year plan (for the first time covering Zanzibar) in 1981 with the 1981-82 Annual Plan adopted earlier representing its first segment.²⁶ However, the goals of that Plan - including 6% annual GDP growth - have been largely overtaken by the crisis and the basic strategic planning frame has become the sequence of annual NESPs.

These do not concentrate solely on exports. However, they are basically consolidation, survival and structural adjustment programmes with only minimal short term progress toward broadening public services and no realistic possibility (at least in 1982) of allowing any overall increase in real per capita consumption as opposed to averting massive shortages of selected basic commodities.

The main priorities in the 1982 NESP include²⁷ recurrent expenditure control for parastatals, regions and ministries; food self-sufficiency; concentrating inputs on priority manufactures in very short supply (e.g. soap in early 1982); shifting expenditure from creating new capital assets to maintaining and utilising existing capacity; breaking bottlenecks (e.g. in water, power supply, road and rail transport).

The 1981 Annual Plan already shifted expenditure away from new projects; in 1982 there will be more (presumably excluding individual components in ongoing programmes).²⁸ Most ongoing projects are export (pulp and paper, natural gas - urea - ammonia), import reduction (e.g. phosphates, insecticides), bottleneck breaking (e.g. power grid extension) or rural production expansion (e.g. EEC coffee development and World Bank agricultural rehabilitation programmes). However, the largest is the £75 million odd Dar es Salaam Airport expansion (largely financed by a French supplier credit and "sold" by the supplier) which is easily the most ill-chosen major project in Tanzania since the colonial groundnut scheme. Unfortunately it was already viewed as past the point of no return in early 1981 and will presumably continue.

The operational planning framework now turns on the NESP, the government and parastatal annual recurrent and capital budgets, the annual bank credit plan (budget) and the half-yearly foreign exchange budgets. In practice this shift repeats the experience of 1974-76 of concentrating responsibility in the Treasury and Bank of Tanzania with the significant exception that Planning is taking a detailed interest in overseeing export development (the one part of the 1974-76 programme which was almost totally unimplemented).²⁹

External Negotiation - Slow Progress or Deadlock?

Tanzania's negotiations with the IMF and World Bank in 1981 produced no major crisis but neither did they produce substantial agreed Fund facilities or Bank Structural Adjustment Credits and even clear prospects for securing either in 1982.³⁰ The Fund apparently proposed a massive (over 50%), trebling or quadrupling interest rates (to 35-40%), slashing real wages sharply (no increase in the face of probable price increases of over 50%), reducing real grower prices for food and export crops (nominal increases less than inflation) and decontrolling prices of consumer goods.

Tanzania saw these proposals as constituting a demand to recant on socialism, self-reliance and egalitarianism and the President rejected them (without actually naming the Bank or Fund) in unusually strident times in his Saba Saba (now Peasants) day address in Kigoma July 7, 1981.³¹ As the Bank has apparently endorsed the IMF price control, interest rate and devaluation proposals in general terms and called for private

sector "unleashing" in rather vague but to Tanzanian analysts alarming or counterproductive ways, Bank negotiations for structural adjustment credits (which must, in practice, be parallel to an IMF facility) made little progress.

Even the \$50 million agricultural rehabilitation loan has proven to be very slow disbursing - partly because of its narrow focus, partly because coffee development and support is - if anything - overfinanced from EEC and bilaterally and partly because actual articulation in respect to sisal and tobacco has proven difficult. However, World Bank project loan negotiation and disbursement (including disbursement of the first and negotiation of the second credit for oil exploration and natural gas development at the Sango Sango field) have gone much more smoothly.

Bilateral aid rose somewhat in 1981 with at least marginal shifts to import support and rehabilitation projects which now make up at least half the total versus perhaps 10% in 1979. However, major increases appear to be conditional on reaching agreement with the Bank and Fund.

Prospects for such agreement are unclear. The recent Bank report Accelerated Development In Sub-Saharan Africa: An Agenda for Action³² is clearly critical of Tanzania and egalitarian, public sector, food self-sufficiency, national economic integration and (in some but not all chapters) basic public service oriented policies. However, its data actually show an above average performance by Tanzania on almost all indicators except export expansion.

Tanzania has carried out two major internal research and analysis exercises based at the Bank of Tanzania - the "Exchange Rate Study" in the context of the IMF negotiations and a more general 20 Year Political Economic Review. It has also received the ILO Basic Needs report which is generally supportive of past policies except in respect to exports and therefore broadly supportive of NESP type adjustment strategy. Notably it does not recommend devaluation although in March 1982 Tanzania did devalue 10% and alter the basket of currencies to which the shilling is pegged.

An expert group comprising G.K. Helleiner and Cranford Pratt (of the University of Toronto) and Ernst Michanek (retired SIDA head) was jointly appointed by the Bank of Tanzania to prepare an independent analysis of requirements and programmes for a structural adjustment strategy in Tanzania. It is to report in April and discussion from the report of the team (often called "The Three Wisemen"³³) is seen as a possible starting point for achieving agreement between the Bank and Tanzania.

Macro Economic Outturn: Gathering Gloom and Uncertainty

In 1980 Gross Domestic Product at constant prices was recorded as rising by 3.6%³⁴ or marginally above the actual population growth rate of 2.8 - 3% (less than the intercensus rate of 3.3% because the 1977 Census was a fuller count, especially in rural areas than that of 1967). Allowing for terms of trade deterioration this would suggest a decline in overall national purchasing power of 2 to 2.5% and of average per capita purchasing

power of 5 to 6%. The industrial sector showed a 13% decline in value added and the agricultural a 2.4% growth (below population growth and probably overstated as the agricultural officers growth estimates appear not to go up sharply enough in good years and down sharply enough in bad).

1981 is likely to show worse results despite the record coffee crop. Overall GDP growth of 2 to 3% and national purchasing power decline of 4 to 5% appears likely with the slow agricultural increase and sharp manufacturing fall repeated.

Inflation (on an urban cost of living index basis) in 1980 exceeded 30%³⁵ and 1981 is likely to have been comparable - both rates much higher than Tanzanian past experience or targets although marginally better than results for developing countries as a whole. Minimum wages were raised from Sh380 a month in the first half of 1980 to Sh600³⁶ (slightly over £35) or just under 60% so that significant erosion of real income has continued at that level. Government salaries were raised 20-25% in 1981 (the first increase since the 5 to 15% of 1974) and parastatal ones somewhat less - markedly below the inflation rate. Grower prices (except for crops in unmarketable surplus) were raised 20 to 67% in 1980 and 1981 while prices for man-centrally marketed food (somewhat over half the total) rose about 40% in each year suggesting that peasant farmers with average or better production results probably were able to maintain their real purchasing power - if they could find any goods to buy without long journeys, a major if given the tendency of wholesale and sub-wholesale distributors to take easy town versus harder rural sales to retailers given shortages of goods and of rural transport.

Public Finance: Revenue Lags and Red Ink

in 1980-81 the preliminary estimate³⁷ of the recurrent budget deficit was Sh. 1,372 million (against Sh. 331 million initial budgeted) and total government borrowing from the banking system about Sh. 3,000 million (versus Sh. 1,900 million budgeted). The recurrent budget deficit is lower than 1979-80 or 1978-79 but is in stark contrast to the 1961-1977 record of recurrent budget surpluses in all years except 1974-75 (and a marginal deficit then relating purely to debt redemption).

The apparent problems lay largely on the revenue side. Expenditure at Sh. 9,986 million was 7% above estimates (or 4-5% excluding defence and related costs arising from Uganda support operations). Given the rate of inflation, that is surprisingly low overspending. Revenue - despite inflation - fell 5% short of budget estimates at Sh. 8,614 million. This resulted from export tax abolition to allow higher coffee, tobacco and sisal prices and the impact of the import constraint on manufacturing output (which probably cost Sh. 1,000 million in lost sales tax and customs revenues).

Development (fixed capital) Budget expenditure³⁸ in 1980-81 was estimated at Sh. 4,787 (70% of Budget votes, marginally above 1979-80 in nominal terms and down in real terms by up to 20%). However, this figure is likely to be revised upward since problems of bringing capital expenditure to book are substantially greater than for recurrent.

The 1981-82 Budget totalled Sh. 18,828³⁹ million - Sh. 6,622 million capital (down 6% in nominal and over a third in real terms on initial 1980-81 Budget votes), Sh. 9,735 million basic recurrent spending

and Sh. 2,470 million special expenditure (food subsidy on maize meal, parastatal financial rehabilitation, wage and salary increase, export incentives, contingency reserve). Expenditure on basic recurrent services (excluding parastatal rehabilitation and export incentives) was proposed to be about 20% above 1980-81 actuals in nominal terms, or (given cost inflation) 10% down in real terms including, and 6-8% excluding, defence. Revenue budgeted included Sh. 9,600 million normal recurrent, Sh. 4,000 million in basic foreign aid and Sh. 1,600 million in import support (with counterpart funds in practice used to support the recurrent budget), Sh. 800 million domestic security sales to non-bank institutions and Sh. 2,850 million bank borrowing.

Given the continued inability to sustain - let alone raise - manufacturing output with its consequential effects on sale and company tax and the high rate of inflation, 1981-82 outturn is likely to be worse than estimated. Moderate overspending on recurrent account, a revenue shortfall, capital budget expenditure under Sh. 5,000 million and bank borrowing well in excess of Sh. 3,000 million are only too probable.

Transport, Fuel, Energy: Bottlenecks and Possible Breakthroughs

Transport allocation in 1981 apparently improved judging by export performance. Overall availability almost certainly did not.

Tanzania Railway's deteriorating ability to move cargo (down to one half early 1970's peak levels) was not reversed. New locomotive purchases and a detailed study of problems, approaches and projects⁴⁰ may lay the groundwork for recovery on the technical side and Treasury capital injection on the financial, but the process is certain to be slow, given investment constraints.

Lorry and bus services suffered from inadequate availability of fuel, spares and repair facilities as well as the deteriorated state of many roads. Projects for improving repair facilities (EEC) and studies toward creating/equipping road maintenance units were begun but are not adequate to meet the required degree of improvement.

A further problem is the multiplication of enterprise owned vehicle fleets. These do provide service for the enterprise - assuming it can maintain them, which is not by any means always the case. But they usually run empty on backhauls and have seasonal periods of underutilisation which makes their annual carrying capacity low, and cost per kilometre high, compared to specialised haulage or bus company vehicles.

Fuel rationing was introduced for passenger cars in Dar es Salaam in mid-1981. After initial administrative snags it was working moderately well by the end of the year, but the impact on consumption appeared to be small. Allocation of petroleum products to priority users at regional level operated erratically with stocks bound for far away regions tending to be sold en route, or delayed by inadequate transport. Power supplies to several major industrial plants and both lake and Southern zone transport suffered recurrently.

Oil prices to Tanzania rose modestly in 1981 and declined somewhat in 1982. However, in 1981 the inadequate imports of petroleum and products still consumed over 40% of export earnings and the 1982 ratio is unlikely to be significantly below 40%.

Energy exploration and natural gas development as a chemical feedstock for producing ammonia and urea continued at a high level in 1981.

The gas field was proven, a set of joint venture contracts with Agrico (a member of the major US fertiliser group, the Williams companies) were signed⁴¹, design/fund negotiation toward the \$600 million plus fertiliser plant/gas field and pipeline were begun, and drilling of wells to produce gas and explore for oil at Songo Songo continued.

Petroleum exploration agreements were concluded with Shell and the International Energy Development Corporation in respect to substantial areas, and with downpayments to Tanzania totalling up to \$10 million. The old AGIP/AMOCO exploration effort shifted to offshore Mtwara with drilling scheduled for mid-1982.

Industry: Strategic Success into Operational Failure

Two evaluations of Tanzania's 1967-77 industrial strategy and performance reached positive conclusions, and indicated the imperative need to continue sectoral expansion and integration.⁴² Unfortunately, the more detailed also found (along with the NESP) that industrial capacity was already vastly in excess of what could be operated at attainable imported input levels, the pipeline of partly built plant was large and moving slowly, and that, therefore, new plant except in special cases was hardly a plausible short-term use of resources.

Output shortfalls in 1980-81 had drastic effects on availability of products and on government revenue. Those in cigarettes, textiles and beer alone probably cost Sh. 550-650 in sales and Sh. 50 million in company tax. Attempts to allocate scarce import capacity to make at least basic consumer goods readily available⁴³ came under severe strain, with soap almost totally unavailable in early 1982.

Some enterprises did relatively well, eg Tanzania Fertiliser Company

produced a record 69,000 tonnes in 1981⁴⁴ and Tanzania Distillers raised output significantly to generate a record Sh. 150 million in sales tax.⁴⁵

In textiles three new plants moved toward completion⁴⁶ while one existing one was nearly totally, and another sporadically, idle due to power and water supply deficiencies. Other textile plants suffered from weak maintenance as well as inadequate dye, chemical and spares import allocations. Rehabilitation in the cement industry was begun with a view to generating export earnings.

Several projects - including an economically unsound railway car joint venture⁴⁷ - were cancelled. Among those pushed forward were an insecticide plant⁴⁸ and a backward integration of the fertiliser production sector into phosphates⁴⁹ to reduce the import costs of present agricultural input supply programmes and the over \$250 million export oriented Mufindi Pulp and Paper project.

Basic Services: Seeking to Preserve Gains

The three basic services - primary education and literacy, access to pure water and primary health services - targeted for universal availability by 1990 (1986 in the case of primary education) made some progress, at least in quantitative terms, in 1981. Primary education continued on target for 1985/86 completion of conversion to universal enrollment for seven years. Adult education - especially literary - expanded after two or three years of relative decline. Rural water and health centre projects continued to broaden access and keep the 1990 targets within range.

However, on the quality side foreign exchange gaps imposed severe

constraints. Paper, pencils and books for schools, drugs and dressings for medical services and pumps, pipes, petrol and spares for water projects were all available at less than half the levels needed for normal operation.

Middle level personpower development continued to advance. The range of specialised secondary/tertiary institutes financed by ministries and parastatals outside the Ministry of Education system had an enrollment approaching 30,000 (comparable to Ministry secondary school enrollment) and in some technical and paraprofessional fields appeared to be closing the gap between supply and demand for middle level personnel which has, in past, been even more severethan that at higher levels. However, accounting and book-keeping training continued to lag because of a low pass rate apparently related to inadequate teaching. Expansion of centres directly related to training village personnel from a present annual output of 2,000 to 5,000 was begun during 1981.⁵⁰

Urban services have improved somewhat with renewed urban councils replacing responsibility to regional authorities who were basically rural oriented. However, they remain under severe pressure because of financial and imported goods constraints. In the case of Dar es Salaam a misplaced passion for neatness has led to somewhat restrictive interpretation of planning regulations, and to abolition of stall vendors at "unauthorised" vacant lot locations without providing adequate official neighbourhood market facilities. Confusion on site allocation jurisdiction between urban authorities and the Ministry of Lands (and the perceptible slowness and widely asserted, if rarely proved, corruption of both) has also led to numerous complaints.

Discipline, Morale and Corruption: Tensions and Tendencies

Morale in Tanzania is hard to assess. It appears to be higher in some rural areas than in towns and quite uneven among individuals in any context. At the end of 1981 it was not notably worse than a year earlier, though grim determination and resignation were the commonest positions with cynicism increasingly expressed as to possible results, even by those who had few basic disagreements with the overall directions of policy.

Criticism was widespread - in conversation, in speeches, in the press and in internal party and government meetings and background papers.⁵¹ It varied widely in nature and by policy area. For example, at the Tanzania Investment Bank Clients Seminar at Arusha in October 1981 attended by 200 major public and private sector managers detailed criticisms were common, but most were well within the government's broad strategy and policy frame. However, several ministries were sharply criticised for poor communication with, or understanding of, firms⁵² and the presentation of agricultural policy was torn to shreds, in a way suggesting that most participants had no faith in the Ministry, the autonomous technical body in practice controlling its policy (Marketing Development Bureau) or a majority of the agricultural parastatals.⁵³

Intellectual criticism - both from public sector based analysts and university ones - appeared to continue in 1979 and shift from ideological to programmatic. The University "New Left" appeared to be weakened by the loss of three of its leaders to Uganda where at least two became totally discredited in the eyes of some former disciples by their roles in the Binaiisa regime.

Total animosity to the system was concentrated among a minority of private businessmen and an uncertain number of "lumpen groups" comprising failed school leavers (eg three of the March 1981 hijackers), demobilised army personnel and some ex-businessmen and kulak farmers who have not re-established themselves.

Discipline in the sense of making do, and making ends meet, has been an imposed necessity for most Tanzanians, and one increasingly laid down by the Party and central economic ministries (with the exception of agriculture) to government and parastatal bodies. Given the magnitude of the cuts and re-organisation sought, the results suggest fairly high - if uneven, levels of discipline in many bodies but also an increased tendency to avoid action rather than to take the risk of being demonstrably wrong.

Disciplining continued in 1981-82 in the most notable single case with most of the Sugar Development Corporation top management and the Minister for Agriculture fired, as a result of a parliamentary enquiry into nepotism, negligence in the purchase of a decrepit godown and subsequent spoilage of sugar therein, and statements designed to hide the seriousness of the godown/spoilage errors.⁵⁴ Police action appears to have reduced sharply the wave of armed robberies which erupted after demobilisation of troops in 1979-80 placed guns and men trained to use them (probably less than 100) in criminal gangs.⁵⁵

Accountability improvement was also stressed with reorganisation of the National Assembly's Public Enterprise Committee, and amendments to increase its powers to require data.⁵⁶ The Public Accounts Committee also continued a high level of activity.

Perhaps the most notable factor in the climate of opinion in 1981 was the continued determination to reorganise, consolidate and fight back. Examples included the NESP and capital project cuts as well as bolstering management, eg. by recalling High Commissioner Nsekela to head the National Bank of Commerce, and rehiring ex-TIB Chairman Mbowe to head the Tanzania Development Finance Corporation (thereby at least tacitly accepting that his earlier dismissal⁵⁶ had been a serious mistake and injustice).

External Economic Co-operation

Tanzania devoted major attention to negotiating and acting to build up South-South economic relations, and to seek negotiated changes in the international economic system. While these have always been among Tanzania's priorities they appeared to receive more attention in 1981, as the impact of the international economic crisis deepened and hopes for a return to less depressed conditions faded.

At global level Tanzania participated actively in the UNCTAD series of conferences designed to lead to greater assistance to "least developed countries". However, despite a detailed presentation of its case and forceful speeches by Minister of Planning Malima, Tanzania shared in the general failure of the effort to generate any serious action by industrial economies.

At the Commonwealth Summit in Melbourne⁵⁷ and the Global Economic Summit at Cancun, President Nyerere made a reasoned presentation of how the international economic system had deteriorated over the past decade and what changes in trade, resource flow, financial institutions and other key areas were needed by poor countries and logically also desirable for rich. His sad assessment of Cancun⁵⁸ was that it had probably had some educational but very limited practical impact.

At the South-South talks in New Delhi in February 1982⁵⁹ and on the occasion of his receipt of the Third World Prize just before,⁵⁹ the President stated the case⁶⁰ for increased South-South co-operation both to provide opportunities for production and trade denied by the industrial economies, and to build up a Third World "trade union" of poor countries to negotiate changes with the North (in which he included socialist as well as capitalist industrial economies). To that end, he reiterated his 1979 pre-UNCTAD Group of 77 keynote call for a Third World technical secretariat to provide professional analysis and advice to Third World co-operation and economic co-ordination bodies and to negotiators.

Tanzanian regional economic relations development centered on SADCC which is covered in a separate essay.⁶¹ In respect to the proposed Preferential Trade Area, Tanzania negotiated several changes but in the end decided not to sign, because of its apparent inconsistency with other regional and bilateral co-operation agreements.⁶² East African Community asset and liability negotiations continued during 1981 with some signs that Tanzania was prepared to settle on terms similar to those proposed by the arbiter⁶³ if Uganda-Kenya differences on equitable division could be resolved.

Kagera Basin Authority project appraisal and pre-implementation planning continued, and an agreement in principle to establish a textile joint venture with Rwanda in Rwanda was reached.⁶⁴ Co-operation with Mozambique was broadened to include co-ordination of cashew nut export marketing⁶⁵ and an initial annual trade plan with Angola (potentially including petroleum was concluded.⁶⁶

Trade, finance (for oil exploration) and petroleum supply arrangements were made with Algeria⁶⁷ and the India-Tanzania Joint Commission

sought to expedite completion of the Indian financed Kagera sugar project, and reactivation of the closed National Bicycle company.⁶⁸

Tazara's operations again led to difficult negotiations with its
Zambian joint owners.⁶⁹ Securing additional locomotives and repairing
damaged sections made some progress, but the railway's tonnage, and
passengers carried, continued to slide. Further, its finances were
weakened by very heavy unpaid claims in Zambian public sector cus-
tomers, and Zambia's foreign exchange crisis led to unresolved delays
in remitting funds due to the Tanzania sector of the joint venture.

NOTES

1. See ACR 1981-82.
2. See Accelerated Development in Sub-Saharan Africa, An Agenda for Action, Washington 1981, and R. Liebenthal Adjustment in Low-Income Africa, 1974-78, Staff Working Paper No. 486, 1981.
3. For a discussion see R.H. Green "Political Economic Adjustment and IMF Conditionality: The Case of Tanzania 1974-81", Institute for International Economics Conference Paper, March 1982, to be published in conference volume.
4. Eg. A. Cowell, "Tanzania Needs Aid in spite of Crop Output", International Herald Tribune and Xan Smiley's various 1980 and 1982 reprints of modified versions of his mid-1980 Africa Confidential article.
5. See Green, op cit.
6. The contrary assertion excludes Chinese aid which in 1973 and 1974 was about two-thirds of total grants and loans.
7. Exchange Rate Study and 20 Year Political Economic Review, Bank of Tanzania, 1981 - latter to be published by Tanzania Publishing House.
8. 1982.
9. Eg. R.H. Green, "The survival plan that continues to buy time" Guardian Third World Review, 26 March 1982; Economist, 6 March 1982.
10. Eg. World Development Report 1981, World Bank, Washington, 1981, p.83.
11. WDR and Accelerated Development ... statistical tables and annexes.
12. Sunday News, 17 May 1981.
13. Even if the analysis is wrong accepting it would gain funds and in particular, would benefit the ministers and officials who actually bargain with the Bank and Fund.
14. Data are exceedingly weak and contradictory. The constant price output series in the National Accounts appears to be the least unsatisfactory.
15. Marketed production of food is underestimated by an out-of-date formula and the error is lumped with subsistence.
16. At least because the estimates exclude crops for which there is no official price, and the prices for these have risen more rapidly.
17. See eg. IHT, 3 March 1982.
18. See ACR 1981-82.

19. See Sunday News 17 May 1981; Africa Research Bulletin 15 August - 14 September 1981.
20. Personal communications with two of the negotiators.
21. Bank of Tanzania estimate.
22. "Economic Survival Strategy", Daily News, 10 February 1982.
23. See ACR 1981-82.
24. "Economic Survival Strategy", op cit; Minister of Planning Malima's 1981-82 Budget Session Speech Daily News, 23-24 June 1981, "NESP aims outlined" Daily News 23 January 1982.
25. "Economic Survival Strategy" op cit.
26. Minister for Planning, op cit.
27. See sources at note 24.
28. IHT and Guardian 27 and 23 March 1982 quoting President Nyerere.
29. See R.H. Green, D.G. Rwegasira, B. Van Arkadie, Economic Shocks and National Policy Making: Tanzania in the 1970's, Institute of Social Studies, The Hague, 1980.
30. See R.H. Green, "Political Economic Adjustment ..." op cit for fuller discussion.
31. Daily News, 8 July 1981.
32. Op cit.
33. With the danger, as one gloomy observer remarked, of being called "The Three Blind Mice" if their report fails to catalyze agreement.
34. Economic Survey 1980, Government Printer, Dar es Salaam, 1981.
35. ibid.
36. Minister for Finance Jamal, 1980-81 and 1981-82 Budget Speeches, Government Printer 1980 and 1981.
37. Budget Speech 1981-82, op cit.
38. Minister Malimia's Budget Session Speech, Daily News, 23 June 1981.
39. Minister Jamal's 1981-82 Budget Speech, op cit.
40. Marches tropicaux 7 August 1981; Daily News, 19 January 1982.
41. Marches tropicaux, 25 December 1981.
42. ILO/JASPA Basic Needs Mission Report; B. Joinet, Tanzanie manger d'abord, Editions Karthola, Paris, 1981 pp. 43 ff, 179 ff.
43. Radio Tanzania, 28 December 1981 and 19 January 1982.

44. Daily News, 19 January 1982.
45. ibid.
46. Marches Tropicaux, 15 May 1981; SWB 23 June 1981.
47. African Business, September 1981.
48. Marches Tropicaux 10 June 1981.
49. Africa Research Bulletin, 15 August - 14 September 1981.
50. Marches Tropicaux 14 August 1981.
51. Eg. the original draft background paper to the NESP which linked into general circulation, while clearly committed to basic Tanzanian strategy, was brutally critical of numerous policy, performance and institutional cases.
52. Treasury and (rather surprisingly) the Prices Commission and Bank of Tanzania were rated fairly well in this regard, but Planning and Agriculture very low.
53. NAFCO and the Coffee and Cashew Authorities were exceptions.
54. See eg. Daily News 2 February 1982.
55. Daily News, 31 January 1982.
56. See ACR 1981-82.
57. Speech printed in Bulletin of Tanzanian Affairs No. 14, January 1982.
58. February 22 1982 "Address when receiving the Third World Prize"
59. See articles of March 24 and 25 1982 in Guardian, Washington Post, New York Times for a fuller account of these 44 country talks convened by Prime Minister Ghandi.
60. "Address when receiving ..." op cit.
61. "From Dependence and Poverty toward Economic Liberation: The Course of the Struggle for Southern African Development Co-operation", this volume.
62. ibid.
63. See ACR 1978-79 essay on the death of the East African Community.
64. Marches Tropicaux, 4 September 1981.
65. Radio Tanzania, 9 July 1981.
66. Daily News 26 August 1981.
67. Daily News 13 June 1981; Africa Research Bulletin June 15 - July 14, 1981.
68. Marches Tropicaux, loc cit.
69. See eg. Marches Tropicaux, 17 April 1981; Radio Tanzania 20 April 1981; Daily Telegraph, 9 February 1982.