

WORKSHOP TO DEVELOP STRATEGIES FOR A
NATIONAL PROGRAMME ON GOVERNANCE

29th - 31st March 1999, Momela Lodge, Arusha

A STRATEGY ON TRANSPARENCY IN ECONOMIC
MANAGEMENT

By:

Samuel M. Wangwe

Executive Director

Economic and Social Research

Foundation (ESRF)

Dar es Salaam

TABLE OF CONTENTS

ACKNOWLEDGEMENT	II
1.0 INTRODUCTION.....	1
2.0 TRANSPARENCY IN ECONOMIC MANAGEMENT : THE CONTEXT	2
2.1 ECONOMIC LIBERALIZATION.....	2
2.2 POLITICAL LIBERALIZATION	3
2.3 GLOBALIZATION	4
3.0 THE RÔLE OF THE PRIVATE SECTOR IN THE RESTORATION OF ECONOMIC GROWTH.....	6
4.0 MAIN OBSTACLES TO PRIVATE SECTOR DEVELOPMENT	7
4.1 ECONOMIC REGULATORY FRAMEWORK IN INTERNATIONAL PERSPECTIVE	7
4.2 COMPARISONS WITHIN TANZANIA	10
4.3 CONSTRAINTS FACED BY THE PRIVATE SECTOR.....	11
4.3.1 Institutional Capacity to Enforce Contracts in Business.....	11
4.3.2 Investment in Infrastructure.....	11
4.3.3 Bureaucratic Constraints	12
4.3.4 Attitudes of Actors in Business Sector	12
4.3.5 Attitudes of Public Servants	12
4.3.6 Corruption	13
4.4 SOME IMPROVEMENTS HAVE BEEN MADE.....	14
5.0 TYPES OF REFORMS REQUIRED	16
5.1 PUBLIC-PRIVATE SECTOR INTERACTIONS	16
5.1.1 Participation in decision making	16
5.2 INSTITUTIONALIZING FIGHT AGAINST CORRUPTION.....	17
6.0 CONCLUSION REMARKS AND AREAS FOR FURTHER DISCUSSION.....	21
REFERENCES	22
APPENDIX I.....	23

ACKNOWLEDGEMENT

I would like to acknowledge the good contribution which Ms. Aisha Mwapachu made in providing research assistance for this paper. Ms. Mwapachu is a research assistant at ESRF.

A STRATEGY ON TRANSPARENCY IN ECONOMIC MANAGEMENT

1.0 INTRODUCTION

Tanzania is on the threshold of a momentous change and transformation in its political, social and economic dimension of development. Since the on going of economic liberalisation in mid 1980s and political liberalization in 1992, a new vision of political and economic relationships has taken the centre stage of human endeavours and development. On the one hand, economic liberalisation has and continues to transform the national ideological economic philosophies from that of planned socialist economy to a more market-driven economy. This process of change has entailed structural changes in the organisation and management of the economy. Importantly, it has enhanced the role of the private sector development and redefined the role of the public sector. This face change has, in turn, challenged the institutions of governance to transform their styles of working: from working with state-owned organisations to working with private sector players in the economy.

This paper examines the context in which the current liberalization process is taking place (Section 2) and presents an overview of the role of the private sector in the restoration of economic growth (Section 3). In Section 4 the paper examines the main obstacles experienced by the private sector in their relations with the government's regulatory framework. Section 5 addresses the types of reforms required to address the identified shortcomings. Section 6 is the concluding points for further discussion.

The context of economic management has changed substantially. The trend has been towards greater transparency in economic management. The shift towards greater transparency in economic management is being influenced by three categories of developments: economic liberalization, political liberalization and globalization processes.

2.1 Economic Liberalization

On the economic front there is a transition towards a more market-oriented economy and private sector led development. A market economy requires a change in the regime of policy influence from direct controls to eliciting responses indirectly via incentive instruments. The demand for in depth knowledge of how different markets function in specific country contexts has increased. In the new policy environment, economic management has to contend with the dual task making both the government and the market function more effectively and efficiently; a situation which generates demands for more information and a greater capacity for collecting, analysing and using the information for policy analysis and economic management. The capacity for managing a market economy differs substantially from the capacity for managing an administratively controlled economy. Managing policy for a market economy involves a greater understanding of how markets work and often involves establishing or reorienting the institutional foundations for markets to function. Institutions such as the legal and regulatory system, capital markets and banking systems and information management institutions need to be reoriented to the requirements of a market economy. In some cases even missing markets many need to be developed.

Simultaneously occurring is the shift from the public sector led economy to a private sector led economy. The changing position of parastatals has also meant a dilution of a major source of information for reviewing the performance of the previously parastatal-dominated sectors. Reliance on indirect sources of information has increased exerting demands for a new skill profile for basing policy advice on new and less direct sources of information. Here, the challenge is to create a strategic division of responsibilities between the public and the private sector which will be pragmatic and not preconceived but rather, relevant and suitable in the prevailing situation. In this context, one issue that is missing and urgently needs attending to is public-private sector partnership. Under the new circumstances it is expected that the government will explore avenues in which it can related with actors outside government in a transparent way in matters of economic management. For instance, it may be possible to contract out policy analysis to other parties outside the government. Arrangements may also be made to borrow people from the private sector to work for sometime in the government departments (as is done in other countries).

To date there have been various reforms which have attempted to articulate appropriate policy measures (e.g. interest rate levels and exchange rate determination) to accommodate these changes. However, there still remains a more difficult task of carrying out institutional changes which will, to some extent if not absolutely, delineate the complex boundary between the public and private sector. The pluralistic institutional structure should enable the state to play its role

of creating a favourable environment and efficient infrastructure so as to foster the efficiency of productive enterprises.

Furthermore the process of devising this symbiotic relationship between the public and the private sector is made more complex by the fact that this division does not end merely at the respective responsibilities of the state and private sectors, but also division among central authorities, local governments and local communities, as the state gives way to the private sector. The argument for decentralization is based on the premise that development initiatives and basic services (e.g. water supply and primary education) are best managed at the local level. The aim is to enable ordinary people to take charge of their lives and to make communities more responsible for their development process.

2.2 Political Liberalization

Tanzania has been undergoing a transition from a more closed political regime under one party to a more open and liberalized multiparty political system in which various groups in society can organize in political parties or in other forms of associations whereby they can articulate their interests more explicitly. The influence of the mass media has also increased considerably bringing up many more policy issues to the public domain and creating conditions for greater level of accountability in policy performance.

Political changes have emerged in the form of democratization and political liberalization. Various groups in the society have greater freedom to articulate their positions on various issues and hence make an impact on policy analysis and policy making process. Under the new multiparty politics various political parties are free to articulate a variety of positions and policies, in addition, various social groups such as, private sector, the civil society, youths and women are better placed to articulate their interests. This has been accentuated by the significant increase in freedom of press which facilitated an increase in the media involvement in the process of bringing policy issues to the public domain thus enhancing public awareness and facilitating greater public scrutiny of policy performance. It is becoming politically more risky and costly to make policy mistakes and to ignore the views of these groups which are slowly but surely gaining the strength and ground to impact the policy making process. It is becoming increasingly clear that, in this new socio political environment policy making is no longer a monopoly of the government. Currently, there are still perceptions among the various groups of stakeholders, actors such as the business community, traders and farmers' associations that their views have not been adequately incorporated in the policy making process. It is suggested that greater attention should be paid to devising the most appropriate ways through which all actors can be given the opportunity to present their views on policy proposals so that they can be incorporated in the policy making process. There is a need therefore to increase the ability of the state to manage and mediate diverse interests, which are a natural result of groups which are different in nature, size, and the degree of pressure that they can exert on the policy making process.

This new political setting has at least two implications on policy capacity building. First, capacity building has to address the challenge of enhancing the ability of the government to manage the interest of these various groups. Second, there is greater need to enhance the capacities of

various groups in society to enable them to locate their own interests in the broader context of societal interest.

2.3 Globalization

Globalization is a concept which is used to describe the shape of the world economy today. The phenomenon is associated with growth and transformation of trade, investment, finance and technology growing uniformity in social values and loss of national sovereignty. These features are not new. For instance, trade and investment flows, the most commonly used indicators of globalization are not new since they grew rapidly even in the 19th and early 20th Century. However, what is new is that in the 1980s and 1990s the process of globalization has accelerated (Bhalla, 1998).

Globalization is associated with at least five economic features and two non-economic features:

(a) Economic Features

- Growth in trade has been rapid characterized by the increase in the share of world trade to world GDP, shift in the structure of trade with exports of developing countries shifting from primary products to manufactures and the composition of overall trade becoming increasingly dominated by commercial services.
- Growth in foreign direct investment (FDI) and capital flows has exceeded growth in trade and output. There is also a growing shift from longer-term FDI to more short-term financial flows.
- Global production and consumption is depicted by increasingly internationalization of the production, distribution and marketing of goods and services.
- Global competition has become more intensified involving both price and quality of goods and services. Overall, the trend suggests that the changing market conditions now require firms to meet more refined and personalized customer tastes, as well as society's collective needs, as expressed through a wide range of democratic and associative mechanisms (OECD, 1992b)¹. Interaction between producers and these more demanding and better informed customers is an essential factor for growth and competitiveness.
- Trade and investment liberalization policies have set in and have been formalized by agreements under the World Trade Organization (WTO). Policies towards liberalization of trade and investment are also being promoted within the frame of OECD and various Regional arrangements such as EU, NAFTA and APEC.

¹. OECD, Information Networks and New Technologies: Opportunities and Policy Implications for the 1990s, Information Computer Communications Policy, No. 30, Paris, OECD, 1992b.

(b) Non-economic Features

- Loss of national sovereignty as transnational or global corporation are becoming all powerful forcing the role of the national state to change and become less autonomous in pursuing national economic and monetary policies. Facilitated by rapid cross-border flows of information and global integration of financial markets the policy autonomy of nation states has declined.
- Standardization of values and cultures has been facilitated by new information technology and advances in telecommunications. Standardization of consumer tastes is evidenced by the spread of fast foods (e.g. McDonald's), Coca-Cola, American films promoted through massive expenditures on advertisement.

The challenge here is to build the individual and institutional capacity to accommodate the implications of the globalization process and changes associated with it. It requires developing the ability to accommodate these changes by building the capacity to read signals from the changing world, and making the necessary policy adjustments to cope with these changes. Effective accommodation of these changes implies ability to forecast, assess and tap the benefits from these global changes, at the same time minimizing losses and keeping the costs to be borne by these changes at minimum.

To cope with the dynamic internal and external environment individuals and institutions alike are challenged to think globally (and regionally) and act locally. These challenges are best met under conditions of greater transparency in economic management permitting freer and faster flow of information in the economy and between the national economy and the global economy.

3.0 THE ROLE OF THE PRIVATE SECTOR IN THE RESTORATION OF ECONOMIC GROWTH

The role of the private sector in the economy has been increasing in the past 15-20 years. Its share in output, employment and investment has been growing as the share of the public sector has been declining. Acceleration of economic growth to levels which are sufficiently high to effectively reduce poverty will require that investment rates be increased. The bulk of that increase is expected to come from the private sector.

However, the share of private investment in quick-yielding activities and safe investments is quite high indicating that the private sector is still perceiving uncertainty in the investment climate.

Growth of formal employment has been low in the past two decades. In particular employment in the public sector has been curtailed by privatization and retrenchments. Private sector employment, however, has been growing at about 10% annually facilitated by the increase in investment in this sector.

An analysis of the structure, composition and pattern of investment made in conformity with the categorization of investment experiences recorded in Tanzania reveals that the period of the initial investment push (1965-69), the contribution of public sector investment accounted for 40-50% of the gross fixed capital formation, while the private sector's contribution amounted to about 50-60%.

The period of sustained investment expansion (1970-74) witnessed the reversal of roles between the public and private sectors. The public sector achieved dominance in investment activity, accounting for about 70% of gross fixed capital formation. This increase resulted from the combined effects of nationalizations, the establishment of new parastatal projects and enterprises, and the inflow of foreign aid; a substantial proportion of which flowed to the parastatal sector. Whereas the public sector's investment share was increasing in this period, that of the private sector was consistently declining to its lowest level at about 30%. During the reform period government policy has shifted towards privatization and encouragement of investments in the private sector. The share of private investment has increased to around 60-70% of total investments.

With an increasing share of private sector employment, output and investment coupled with the policy shift in favour of private sector development it is clear that the bulk of economic growth is expected to come from private sector activities.

4.0 MAIN OBSTACLES TO PRIVATE SECTOR DEVELOPMENT

The private sector in Tanzania is fragile due to many factors, including a fragile state-owned banking and financial system, uncertainty about the direction and the sustainability of the macro-economic policy framework, apprehension on the genuineness of government ideological shift to favour the private sector, the declining standards of education at all levels, absence of an equity capital market, and technological obsolescence. Also, many private businesses are family owned. Informal private sector entrepreneurs lack the business and marketing skills they need for success and are further frustrated by officialdom and bureaucratic obstacles including uncertainties in support services. The private sector organizations and business associations are also very fragile.

4.1 Economic Regulatory Framework in International Perspective

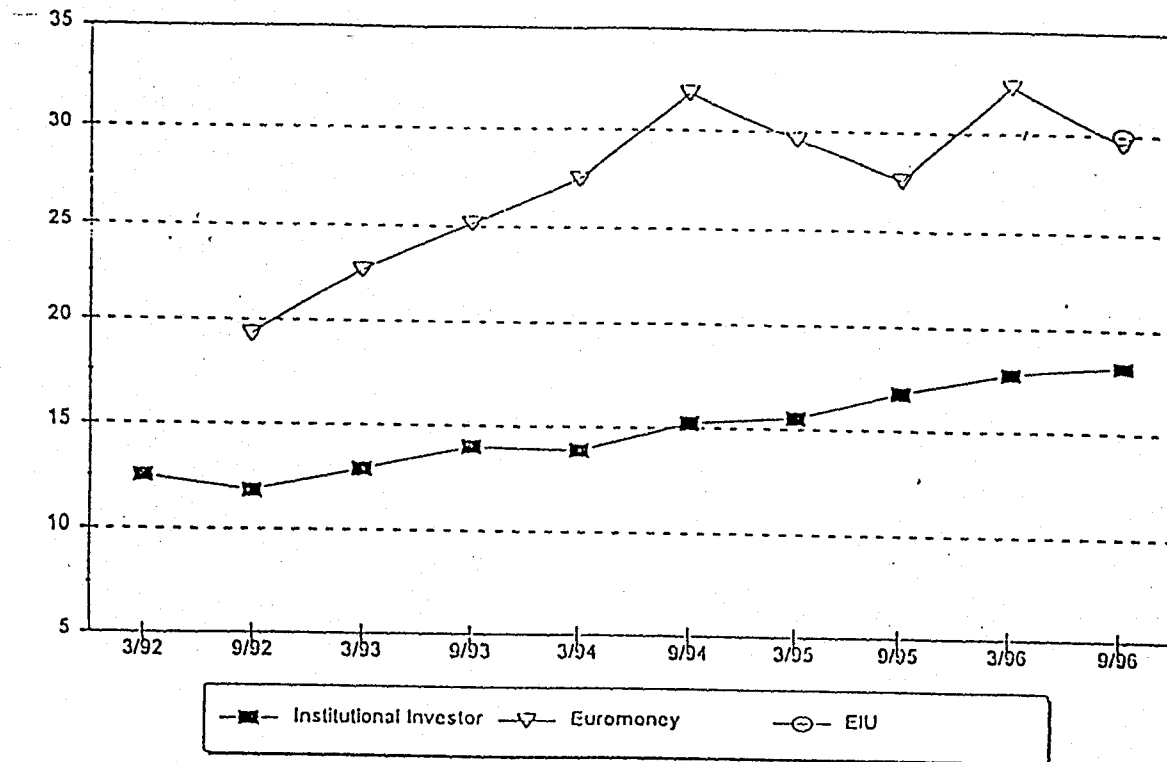
Whilst major steps have been made towards economic liberalization, it has been argued that the economic regulatory framework has remained strictly one of the pre-planned socialist economy that existed before and is not very supportive of the economic reforms that are being implemented (Loftchie, 1996).

In the Investor Roadmap study done for USAID in 1996 it was observed that Tanzania has a very inefficient bureaucratic system which is characterized by lots of procedures, delays in acquiring services, corruption and inconsistency. For example it was found in the study that "a firm could expect to submit at least 89 separate filings per year in Dar es Salaam as compared to 21 in Ghana and 48 in Uganda. Banks and hotels are expected to submit 285 and over 454 separate documents through the course of the year to various agencies of the government. The long list of operational requirements is evidence that the bureaucratic constraints hampering the private sector do not end once firms are established; but continues to have an adverse effect on firms.

Factors accounting for business uncertainty relate. First are costs associated with business uncertainty. They relate to macroeconomic instability; particularly inflation, exchange rate instability and variations in the cost of finance which all militate against sound business planning. Even more crucial is the investor perception of the sustainability of the current stable economic environment in the future. Government policy and credibility is a large part of this perception. Investor risk rating index for Tanzania based partly on the above factors shows a significant improvement from 10.9 in 1987 to 17.7 in 1996 out of a total possible score of 100. The best ratings in Africa currently are that of Botswana at nearly 50 and South Africa at 46. This rating reflects credit ratings based largely on economic performance but also on institutional quality. It is clear that Tanzania still rates very poorly in the perception of investors though improvements have been registered (see comparative scores in Chart 1 (a, b, c). It is anticipated that some recent developments will have a positive impact on the investor risk rating index for Tanzania. First, the Investors Forum (November, 1996) in which investment policy statements were made by the top political leadership to potential investors. Second, the efforts which the government has shown in following up on the commitments made at the Investors Forum may bear fruit. In particular, the arrangements for joint action on this matter between government and the private sector is an encouraging initiative. Third, the enactment of a new investment code

(expected in April, 1997) is likely to contain many of the current concerns of investors since its contents are being tabled to the business sector and other interested parties for discussion and comment. Fourth, the Investment Promotion Centre is being restructured to make it more promotional and facilitating.

Chart 1a: Tanzania Rating (1992-1996)



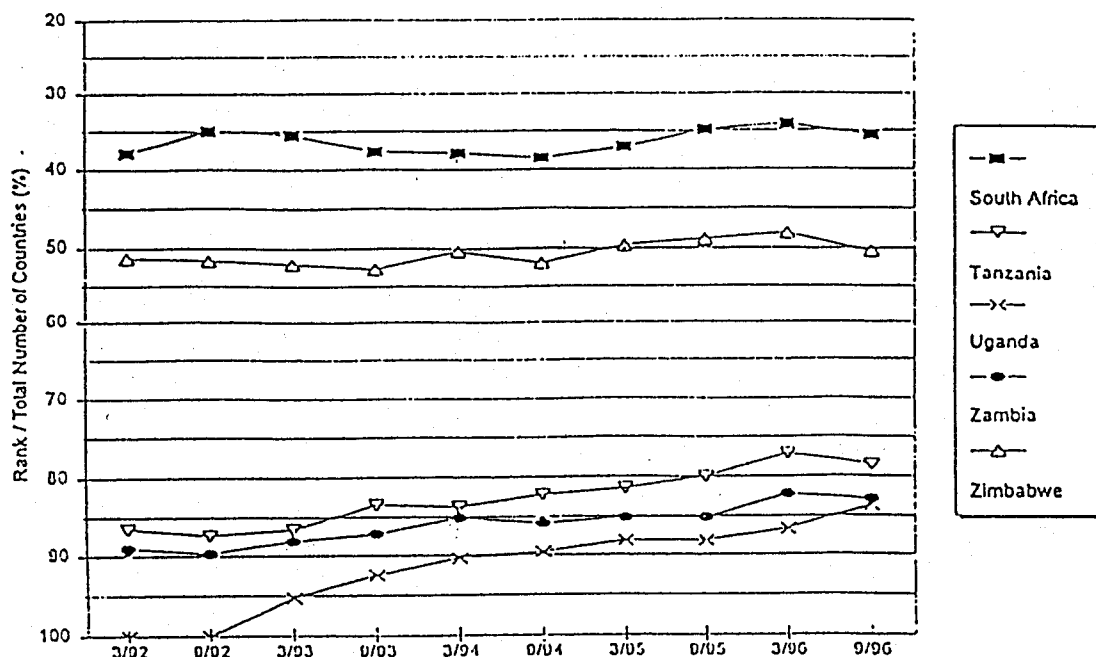
Source: "Private Capital Flows to Sub-Saharan Africa – A Supply-like Study" by S. Griffith-Jones, N. Bhinda and M. Marting (1997) A study of External Finance for Africa.

Chart 1b: Institutional Investor Ranks (Percentile of Sample, 3/92 – 9/96)



Source: "Private Capital Flows to Sub-Saharan Africa – A Supply-like Study" by S. Griffith-Jones, N. Bhinda and M. Marting (1997) A study of External Finance for Africa.

Chart 1c: Euromoney Ranks (Percentile of Sample, 9/92 – 9/96)



Source: "Private Capital Flows to Sub-Saharan Africa – A Supply-like Study" by S. Griffith-Jones, N. Bhinda and M. Marting (1997) A study of External Finance for Africa.

4.2 Comparisons within Tanzania

Also in a survey done by ESRF to determine the efficiency of public services in processing various licenses and permits in several regions in Tanzania it was found that there were wide variations in the time taken to process permits in the regions e.g. the lowest median delay of 1 day was observed in Mbeya and the highest was 78 days in Iringa (Wangwe et al, 1997) as shown in Table 1 below.

Table 1: Median variation of delays in obtaining selected services across regions

Type of Service	Number of days				
	Arusha	Iringa	Mbeya	Mwanza	Tanga
Telephone Service	202	111	2-3	11	8
Building Permit	8	78	1	12	2-60
Business Licenses	12		1	5	16
Type of Service	Number of days				
	Arusha	Iringa	Mbeya	Mwanza	Tanga
Electricity	182	100	364	100	39
Water	16	9	2	1	6

Source: ESRF-USAID Roadmap survey (Nov-Dec. 1997)

In many cases, the reasons behind obstacles facing the private sector have been suggested to be weaknesses of institutional and legal framework in establishing licensing authorities and procedure; and weak capacity of officers and ill equipped offices to carry out activities. Also most of the activities are not coordinated among the government agencies and hence the cost of doing business to the private sector is higher than it would otherwise be.

The large variations demonstrated that it is possible to make improvements if effort is made to address the delays.

4.3 Constraints faced by the Private Sector

4.3.1 Institutional Capacity to Enforce Contracts in Business

A lack of institutional capacity to enforce contracts have contributed to higher transactions costs as agreements are broken with impunity without fear of retribution. The losses associated with such flagrant abuse of law can indeed be very substantial. Apart from strengthening the judicial system more generally, expeditious dealing with disputes in industrial courts is essential for curbing such losses. Guarantees against risks of expropriation are also fundamental. In Tanzania this is an area where most investors perceive weakness of the current legal framework. It is believed that the judicial system has not geared itself to the new environment of private sector led development. It is hoped that the establishment and operationalization of commercial courts would help to reduce this problem.

4.3.2 Investment in Infrastructure

The infrastructural investments associated with poor services for business operation such as power, water, communication and financial services are essential for efficient and timely communication, reasonable utilization of installed capacities and access to working capital and investment finance.

4.3.3 Bureaucratic Constraints

By far not least are bureaucratic constraints to investment and business operations. Where these are pervasive they hinder expeditious clearance for establishing new ventures and constrain flexible responses to changing conditions which require unencumbered restructuring of operations. Delays in licensing, corruption and multiplicity of clearance points discourage businesses and raise set up costs.

4.3.4 Attitudes of Actors in Business Sector

The Tanzania economy has been operating in an environment of administrative controls over resource allocation and public sector led development whereby the private sector was frowned at as capitalism in a country aspiring to build socialism. The approach of government to business and its vision since 1967 was that of ultimate control over the economy as an investor and as allocator of resources increasingly marginalizing the private sector. The private sector which survived (and part of it flourished) during the hostile era learned to reap rents from gaps inadvertently or otherwise left by state operations or from favours in the allocation of scarce resources. Many of the capabilities which were built up in the private sector were geared to doing business in a non-competitive environment in which administrative controls and public sector ownership were extensive. Many of the capabilities which were appropriate for this kind of business environment were rendered redundant as economic management shifted since 1986 in favour of market orientation and competition.

On the side of the business sector the attitude of protection and high quick returns to investments has not given way to the attitude of competition and moderate returns to investments meant to improve quality and competitiveness of goods and services produced.

4.3.5 Attitudes of Public Servants

On the government side the attitude of control has not fully given way to the attitude of facilitating and providing efficient service to business. The perception of monopoly of policy analysis and policy making is giving way to acceptance of participatory and consultative approaches to policy dialogue albeit gradually.

In a study of Civil Servants' perception of private investment in Tanzania in 1998 it was found that :

- ◆ Civil servants do not receive a lot of job satisfaction from their jobs. Many complained of low pay, limited decision making authority and mistrust.
- ◆ Civil servants generally have positive attitudes towards the growth of the private sector but they also hold some negative attitudes towards business people (e.g. they are greedy, cunning and tax evaders).

- ◆ Civil servants believe that it is still government's role to guide business investment as well as enable it. Few saw any benefits from foreign investment.
- ◆ There is little interaction between civil servants and business people outside the regular encounters, they rarely socialize together.
- ◆ Civil servants are aware of the difficulties entrepreneurs face in establishing new businesses but do not believe they are solely to blame. Inadequate working facilities, conflicting regulations and business people's propensity to bribe also count.
- ◆ The experience from the process improvement workshops in which ESRF co-organized in several regions has shown that the interaction between the service providers and clients enhances understanding of the magnitude and nature of the problems involved and on how to best to solve them. The participants identified causes of delays and developed recommendations to reduce the delays.

4.3.6 Corruption

The business sector is also faced by the problem of rampant corruption across the entire spectrum of state institutions which raises the cost of doing business and therefore imposes an implicit tax on all Tanzanians (Loftchie, 1996). Transparency International ranked Tanzania as the fourth most corrupt country among the 85 countries sampled in the world, whilst Kenya and Uganda were ranked 10th and 11th respectively (CPI, 1998). The methodology used to derive this index has several flaws and it is quite subjective. Even though the Corruption Perception Index (CPI) used is subjectively measured (i.e. based on the perceptions of local and foreign businessmen and investors on the extent to which corruption pollutes the business environment); it still undermines the private sector and serious measures have to be taken to deal with it.

It is certainly realized that corruption is deeply institutionalized into the system and that this problem cannot be removed overnight. Some efforts have been taken such as mobilisation of public opinion against corruption and increasing the awareness and encouraging the public officials to bring irregularities or suspected corruption to the notice of the government. However, more could be done to reform and dismantle the systems that support corruption.

The ills of corruption

First, corruption raises transaction costs and therefore makes it costly to do business a situation that discourages investment activity.

Second, corruption raises uncertainty in the making of business decisions.

Third, corruption leads to inefficient economic outcomes by distorting the set systems of priorities in the economy, misallocates talent to rent-seeking activities and rewards those who put obstacles on the efficient delivery of public goods and services.

Fourth, corruption reduces the state's ability to raise revenue and reduces its ability to provide essential public goods and services.

Fifth, corruption overrides regulations needed by society and undermines the rule of law.

Sixth, corruption causes unnecessary delays and takes a large share of management's time to deal with bureaucracy negotiating permits, licences, signatures, etc. A survey of over 3,000 firms in 58 countries by the World Economic Forum's Global Competitiveness Survey for 1997 showed that greater incidence of bribery was associated with a greater share of management's time spent with bureaucrats and officials negotiating all sorts of permits licences and signatures.

4.4 Some Improvements have been made

Following the above recommendations, an assessment to determine the Roadmap's progress was carried out in 1998. In this assessment it was found out that comparing the situation in 1996 and 1998 considerable progress has been made as shown in Appendix I. More conspicuously, the following major changes have resulted:²

- The less than effective IPC has been replaced the TIC which places more emphasis on facilitating and registering rather than screening and regulating investment;
- The Department of Immigration has made significant progress in improving its issuance of Permits to investors and expatriates. Changes include creating a "green channel" for TIC certified investors, making the application procedures more transparent, and eliminating some submission requirements;
- Some agencies have recently completed, or are in the process of doing, major legislative and administrative overhauls i.e. Ministry of Energy and Minerals, VAT Department of Tanzania Revenue Authority (TRA), and the Customs Department of TRA and;
- A few agencies have made procedural changes that simplify the regulatory system for investors, which include merging regulatory processes and simplifying application submissions. Some of these agencies are the Registrar of Companies, Internal Trade Section and DCC.

The government must be commended for having implemented certain changes in various agencies as mentioned above. However, it is still felt that much work still has to be done to create a favourable and enabling environment for the private sector to function successfully. The following reforms have been suggested:

The gaps between attitudes of government officials and business sector operators can be reduced through institutionalized consultative mechanisms. Although encouraging steps have been taken to make consultations between government and business these have largely been *ad hoc*. These

2 *ibid.*

initiatives need to be nurtured through institutionalized consultative mechanisms.

In spite of these improvements it has been observed that some issues still frustrate the development of the private sector, which are among others³: -

- Cumbersome export and import licensing and other controls;
- Complex procedures and institutional deficiencies that make the process of registering or incorporating a business extremely time-consuming as mentioned previously;
- Non-transparent nature of the tax regime;
- High indirect taxes and other charges ;
- Inadequate commercial, intellectual property and bankruptcy law.

It has also been noted that Tanzanian business is further constrained by the poor condition of the country's infrastructure such as poor road network, inadequate telephone communications, irregular and unpredictable electricity and water services.

The Investor Roadmap study recommended the following things that could be used to help solve the problem that are facing the private sector as well foreign investors:

- The government should hasten the institutional reforms of the service companies and the local government in order to enhance efficiency in the provision of the services. It was suggested there was a need to reform the institutional framework to make it reform friendly;
- The procedures of processing and issuance of building permit and business licenses should be rationalized and streamlined to allow for fast and prompt completion of the service. The government or governing bodies of the selected services should decentralize the processing of these services so as to fortify efficiency;
- In order to enhance fast and effective service delivery, the government should devote to modernize and establish adequate infrastructure both physical, economic and utility related infrastructures.
- Strengthen human resources development by, among others:
 - (a) capacity building to fill existing gaps in skills and effective utilization of the existing capacities.
 - (b) better pay that will motivate workers to deliver more efficiently and honestly.

3 Investor Roadmap of Tanzania: Assessment of Progress, 1998

5.0 TYPES OF REFORMS REQUIRED

This section is addressing two broad categories of reforms : public-private sector interactions need to be consolidated including interactions with all stakeholders; and institutionalizing fight against corruption.

5.1 Public-Private Sector Interactions

It has been acknowledged that there has been increasing private sector participation in development issues. There is at the central level, a 'smart partnership' that has been established between the private sector and the government where there is constant dialogue between them to attain mutually agreed upon objectives.

5.1.1 Participation in decision making

(a) Interaction Facilitated by Studies

The private sector has interacted with the government and carried out negotiations based on studies done by ESRF and others. Initial success in this area suggests that the process can enhance transparency in economic management. To such cases can be cited here. First, the Budget Proposals of 1996 influenced the 1996/97 budget to some extent. The Task Force which was formed for this purpose later in the year drew membership from the private sector. The partnership continued into 1997 and had some influence on the 1997/98 budget.

Second, in an attempt to ease the numerous and taxes that are imposed by the Dar es Salaam City Commission (DCC) to industries, the CTI was commissioned ESRF to undertake a study which recommended that the industrial cess levy (which was narrow and discriminatory since it levied on unit cost of finished goods of certain industries e.g. aluminium products, cigarettes, beer etc) be replaced by a city service levy, which is broad based and equitable (see study of the DCC Finances for the CTI, 1997). The discussions between CTI and DCC represent a promising form of public-private sector interaction. More of such interaction should be encouraged.

(b) Discussing National Commitments : Case of the East African Cooperation

There has been involvement of stakeholders in various economic and social issues that affect them directly. Recently the EAC draft treaty has been subjected to open debate involving all groups in society. Reactions are beginning to surface. The most recent example of this has been the workshop that was held recently to discuss the terms pertaining to the East African Cooperation (EAC) treaty where the CTI and TCCIA appealed to the government to postpone signing of the treaty until it has been debated publicly. This kind of participation should be encouraged.

(c) *Coordinating Positions of Actors in the Private Sector*

The recent establishment of Tanzania Private Sector Foundation (TPSF) is a commendable effort toward establishing a forum for the business sector. The TPSF is a business representative body that is expected to unite the different business support bodies and provide a co-ordination point of reference for the whole business sector. It is therefore hoped that this body will improve government-business dialogue and relations in the future.

Indeed, it has been argued that the government-private sector relations have been based on responding to crises. The challenge therefore is to move from the transactional relationship (which is crisis based) to a transformational one which is informed by a shared vision (Mwapachu, 1997).

(d) *Participation in Policy Making*

The formulation of government policies has began to involve actors outside government. Most recent policy initiatives have drawn participation from broad sections in society. For instance, formulation of industrial policy, telecommunications policy, investment policy, mining policy, tourism policy and several others involved actors outside government. This trend towards transparency in policy making needs to be reinforced by institutionalizing it.

5.2 Institutionalizing Fight Against Corruption

Corruption can be fought. Indeed, it must be fought. According to the World Bank's Notes No.4 of May 1998 on Corruption and Development, it took England more than a century to bring corruption under control. Tanzania does not have to take that long. Lessons from Hong Kong and Singapore suggest that it is possible to shift from very corrupt regimes to relatively clean regimes within a short time. The experience of those who have fought corruption successfully and fairly quickly has shown that the following actions are effective in fighting corruption.

Mwapachu (1999)⁴ suggested in his article that the battle on corruption must centre on institutionalized reform and not a relentless pursuit of ostensibly guilty parties and that the government has to take credible and concrete measures to implement the recommendations of the Warioba Commission.

Along with this the following actions were suggested as effective in fighting corruption⁵:-

- Fostering accountability and transparency;

4 Mwapachu, J.V., (1998). CORRUPTION. The battle of our Lives. An article published in The African, Dar es Salaam, Tuesday, March 16, 1999.

5 Wangwe, S.M., (1998). TI's CPI: Is Tanzania Really that Corrupt? An article published in the Quarterly Economic Review, Vol.1 No. 3. July-September. 1998.

- Instituting and maintaining an appropriate political environment/being politically committed;
- Facilitating anti-corruption watchdog institutions;
- Instituting and making use of an appropriate legal framework, procedures and regulations;
- Prosecuting suspects;
- Making policy changes that target susceptible areas;
- Ensuring that civil service and other reforms move swiftly; and
- Having donor support in stemming corruption that emanates from or exists within their quarter.

(a) Fostering accountability and transparency

Accountability should be strengthened and transparency should be encouraged. In the name of fostering accountability and transparency, the following could be done.

Being transparent in implementing the Warioba Report. There should be regular and systematic reporting on what is being done to implement the Warioba Report. The report which the President issued on this subject in a step in the right direction. Such reporting should be made regular practice.

The role of civil society is very important in enhancing accountability. It can play a very important role in raising public awareness, carrying out corruption surveys and undertaking investigative journalism. Transparency is a major tool that can be used to fight corruption.

Acting upon the reports of overseeing institutions in a transparent manner. Reports by overseeing institutions like the Auditor General, Ombudsman and anti-corruption institutions should be acted upon and such actions should be handled in a very transparent way.

Campaigning publicly against corruption. Public campaigns against corruption should be encouraged. This point has been emphasized in the Warioba Report and needs to be implemented more explicitly. Use of information gathering and informative methods such as those that enable users to rate public service-providing agencies can result in the continuous monitoring of corruption, can improve public service delivery and reduce the incidence of corruption. For instance, in a recent survey of efficiency of public service in processing various licences and permits in several regions in Tanzania, the Economic and Social Research Foundation (ESRF) found wide variations in the time taken to process identical permits between the regions. At best this could be an indicator of the differences in efficiency among public service-providing agencies in the various regions. At worst it could be an indicator of the variations in the degrees of corruption. Whatever the case the exposure of such wide differences, is hoped, to put pressure on inefficient public

service providers.

Broader participation in the design, management, supervision and monitoring of the delivery of public services would help to reduce inefficiency and reduce opportunities for corruption in the delivery of those services.

Educating the public on their rights with regard to public services. Information is power. The public who are expecting service from public officials must be informed of the procedures, their rights and expected time it should take to receive specific public services. This point has been correctly emphasized in the Warioba Report. All it needs is implementation. In particular, the Report's proposals on the formation of the Truth Commission deserves special attention in this regard. Information on what to expect of public service is very important. For instance, if it is known that it should take three days to obtain a licence then it should raise concern and demand explanation if the same licence should take 10 days or more. Every public office should be transparent in terms the procedures and regulations to be followed so that the public is informed about what to expect. The public being served should have the option of reporting those who ask for bribes. This will give the public (especially the victims) a sense of confidence that the government is on their side.

The public should be educated about their right and obligations in the management and evaluation of public services. They should participate in the most appropriate ways.

(b) *Facilitating anti-corruption watchdog institutions*

Anti-corruption watchdog bodies should be established and where they already exist they should be enabled to perform. In the case of Tanzania, the Warioba Report found that some of these bodies had themselves become corrupt and some of them are incapacitated by the existing legal framework. The Warioba Report has made concrete proposals on how these bodies could be strengthened and facilitated to function more effectively. These should be implemented.

(c) *Making policy changes that target susceptible areas*

Policy changes should promote broad policy and institutional reforms targeting areas which are prone to corruption. These policy changes place emphasis on the prevention of corruption by taking steps that make corruption less lucrative. For instance, steps taken to shift towards reduced incidences of discretion, reduced rents accruing from discretionary regulatory systems, reducing enterprise subsidies, simplifying procedures, removing unnecessary regulations and licensing requirements that create barriers to entry by new firms and investors go a long way towards preventing corruption.

(d) *Ensuring that civil service and other reforms move swiftly*

Initiatives towards civil service reform and the implementation of the agreed reforms should be speeded up. A reformed civil service should be more accountable to the public it serves and should adhere to the set performance criteria. Recent developments in Public Service Reform have

emphasized quality and performance based on results. Their speedy operationalization would be consistent with improvement of public service and the consequent reduction of avenues for corruption.

(e) Having donor support in stemming corruption that emanates from or exists within their quarters

Transparency in economic management should apply to all actors and partners in development. In this context, donors and multilateral institutions can play an important role in helping countries like Tanzania fight corruption. This can be done in at least three ways. To start with, donors should fight corruption not only inside their countries but also corruption committed by their firms and officials abroad—in countries like Tanzania. They should take steps to practically stop tax deductibility on moneys spent by their companies on “commissions” along the lines already recommended by the 29 OECD members and the five non-OECD members in the Convention on the Combating Bribery of Foreign Public Officials in December 1997. Next, donors should refrain from lobbying for contracts for their companies circumventing the set procedures and sometimes linking (directly or indirectly) such contract awards to development assistance. As shown in the Warioba Report, it is not uncommon for some donors to lobby for contracts for firms from their own countries and directly or indirectly link such lobbying to various forms of development assistance. Worse still, sometimes when their firms lose in the bidding processes some donors have been quick to allege that corruption must have taken place. Such donors do not normally raise the same allegations when firms from their own countries win the contracts. Donors can help Tanzania fight corruption by refraining from such practices. Finally, donors and multilateral institutions should make use of their wider connections and exposure to dealings with different firms in many countries to help Tanzania identify corrupt firms so that they can be black-listed. These actions by donors would go a long way in forging genuine new partnerships in fighting against active and passive corruption with equal force in the framework of promoting transparency in economic management.

6.0 CONCLUSION REMARKS AND AREAS FOR FURTHER DISCUSSION

Developments in economic liberalization, political liberalization and globalization have implications on transparency in economic management. They all call for greater transparency in development management. The following issues deserve further discussion:

- Putting in place appropriate regulatory mechanisms to mediate competing actors in the context of a market economy. Economic liberalization also implies building the capacity to manage the liberalization process.
- Rationalizing the tax regime and enhancing transparency in procedures of tax assessment so as to reduce hidden discretion.
- Streamline and simplify the regulatory framework (e.g. registration and licensing procedures).
- Review the legal and regulatory framework to allow for institutionalized public-private sector interactions and participation in economic management.
- Removing bureaucratic barriers and enhancing efficiency in the delivery of public services. Involve all stakeholders in the management and monitoring of public services.
- Institutionalizing broad-based participation in policy making processes.
- Institutionalizing participatory approaches and transparency in economic management. Transparency in economic management is more conducive to effective mobilization of the otherwise scattered capacities in policy analysis.

REFERENCES

A study of the Dar es Salaam City Commission Finances. Report prepared by ESRF for the Confederation of Tanzania Industries. Dar es Salaam, 24th February 1997.

African Development Report, 1997. Oxford University Press, U.K.

Investor Roadmap of Tanzania: Assessment of Progress. 1998.

Loftchie, M.F and Callaghy, T. (1996). Diversity in the Tanzania Business Community its Implications for Economic Growth. Report submitted to USAID. Dar es Salaam, Tanzania. March 1, 1996.

Monthly Economic Review, Bank of Tanzania. Dar es Salaam, February, 1999.

Mwapachu, J.V. (1997). Speech of the Chairman of CTI. Sheraton Hotel, Dar es Salaam, Tanzania, 4th January 1997.

Mwapachu, J.V. (1999). CORRUPTION. The Battle of our Lives. An article published in The African, Dar es Salaam, Tuesday, March 16, 1999.

The Investor Roadmap of Tanzania. Draft Report prepared by The Service Group for USAID. December 1996.

Wangwe, S.M. (1997), Capacity Building in Policy: Challenges and Options.

Wangwe. S.M. (1997), Experiences with Investment Policies in Tanzania.

Wangwe, S.M. (1998), TI's Corruption Perception Index: Is Tanzania really that Corrupt. Article published in the Quarterly Economic Review, Vol.1 No.3. July-September, 1998.

Wangwe S.M; Semboja, H.H and Kweka, J.P.,(1998). USAID-ESRF Roadmap study on Customer Service Benchmarks. Report prepared for USAID Tanzania. Dar es Salaam, 1998.

Wangwe, S.M. and F.M. Musonda (1999), Globalization, Competitiveness and Regional Integration: with Special Focus on SADC, EAC, COMESA and SACU.

Wangwe, S.M and Tsikata, Y.M. (1999). Macroeconomic Development and Employment in Tanzania. Report prepared for ILO. Dar es Salaam, January 28th 1999.

APPENDIX I

Chapter 1: The Investor Roadmap

Figure 2:1 Illustrates some of the major changes that have occurred in the four process areas since 1996

Employing Activity	Agency Involved	1996 Practice	1998 Practice
Obtaining Class A Permit	Department of Immigration	<p>Takes 2 to 6 months</p> <p>Submissions: 5 photos Curriculum Vitae Memorandum of Association Articles of Association IPC Certificate Birth Certificate Educational Degrees Business Plan/Feasibility Study Sector Approvals</p>	<p>Take 2 days to 2 weeks</p> <p>Submissions: 5 photos Curriculum Vitae Memorandum of Association Articles of Association IPC Certificate</p>
Obtaining Class B Permit		Takes 2 to 6 months	Takes 4 days to 4 weeks

Reporting Activity	Agency Involved	1996 Practice	1998 Practices
Names clearance and registering firm	Registrar of Companies, Ministry of Industries and Trade	Two processes takes 3 to 6 days	One process takes 2 to 5 days
Getting Trades License	Internal Trade Section, Ministry of Industries and Trade	Forms in Kiswahili only Procedures not publicly available	Forms in Kiswahili and English Procedures posted for public review
Obtaining Certificate of Incentives	Investment Promotion Agency and Tanzania Investment Centre	Takes 3 to 4 months from IPC	Takes 3 to 5 days from TIC
Qualify for Certificate of Incentives	Investment Promotion Agency and Tanzania Investment Centre	Must have US\$ 500,000 if foreign investor	Must have US\$ 300,000 if foreign investor
Qualify for reduction of duty on capital imports		<ol style="list-style-type: none"> 1. Prepare import schedule 2. Submit schedule to IPC for verification based on business plan 3. Submit IPC verified schedule to Ministry of Finance for Remission Order 4. Ministry of Finance submits Remission Order to Customs 5. Customs matched approved times to capital goods when imported 	Register with TIC for blanket capital goods duty reduction
Receive Local Trades License	Dar es Salaam City Commission	<ol style="list-style-type: none"> 1. Applicant hosts health inspection; 2. Health inspector completes report; 	<ol style="list-style-type: none"> 1. Applicant hosts health inspection; 2. Health inspector collects fee, issues receipts, complete

		<p>3. Applicant picks up health certificate;</p> <p>4. Applicant takes certificate to Trade Officer;</p> <p>5. Applicant pays fee and receives receipt; and</p> <p>6. Trade Officer recommends Yes/No on License.</p>	<p>report;</p> <p>3. Health officer forward health certificate and receipt information to Trade officer; and</p> <p>4. Trade Officer recommends Yes/No on License.</p>
Obtaining Industrial License	Industrial Licensing Board, Ministry of Industries and Trade	Manufacturers with turnover of Tshs. 10 million must register.	Manufacturers with turnover of Tshs. 100 million must register.
Obtaining Commercial Fishing License	Fisheries Division, Ministry of Tourism, Natural Resources and Environment	License fees based on US\$ 80 per gross registered ton.	License fee is now a flat US\$ 16,000 per annum.