

The Political Settlement in Tanzania: Identifying feasible and high impact anti- corruption opportunities for long-term sustainable economic growth

Antonio Andreoni

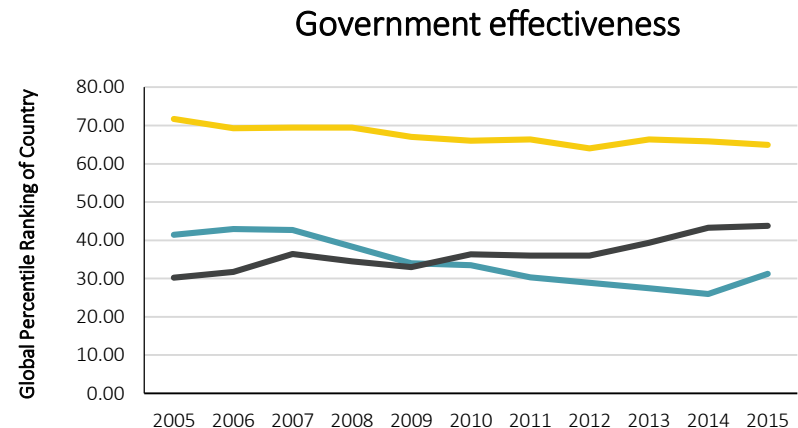
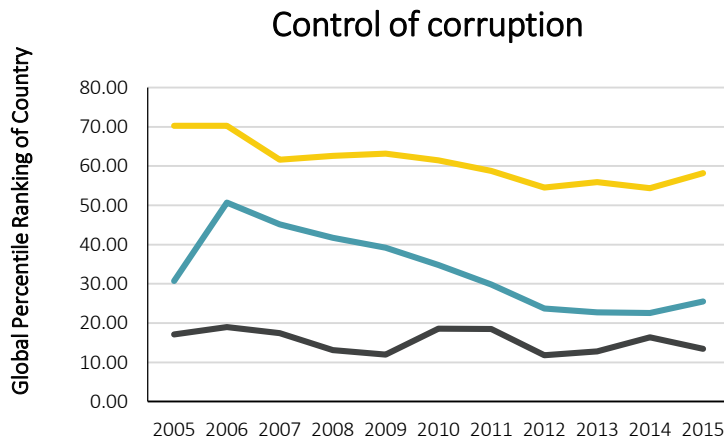
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ACE (Anti-Corruption Evidence) Research Consortium

Tanzania at a crossroads

Tanzania has achieved significant growth performances since 2005

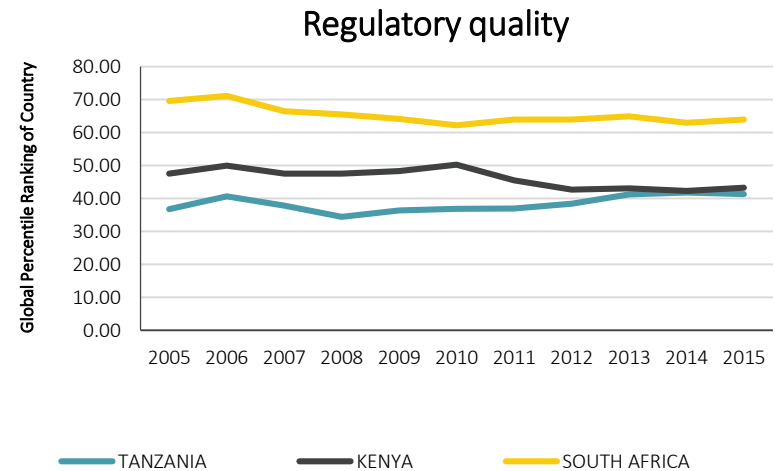
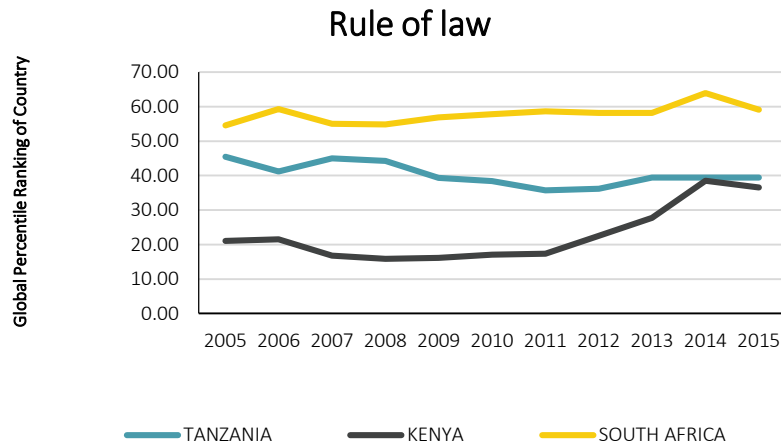
- **despite** poor scores on its governance indicators (especially with respect to the control of corruption and government effectiveness)



— TANZANIA — KENYA — SOUTH AFRICA

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And other related challenges...



- On the **rule of law indicator**, Tanzania also scores much lower than South Africa, but just above Kenya. However, while Kenya has improved its rule of law since 2011, Tanzania is on a downward trend.
- Tanzania also has the **worst scores in regulatory quality** and has not shown any signs of improvement since 2005.

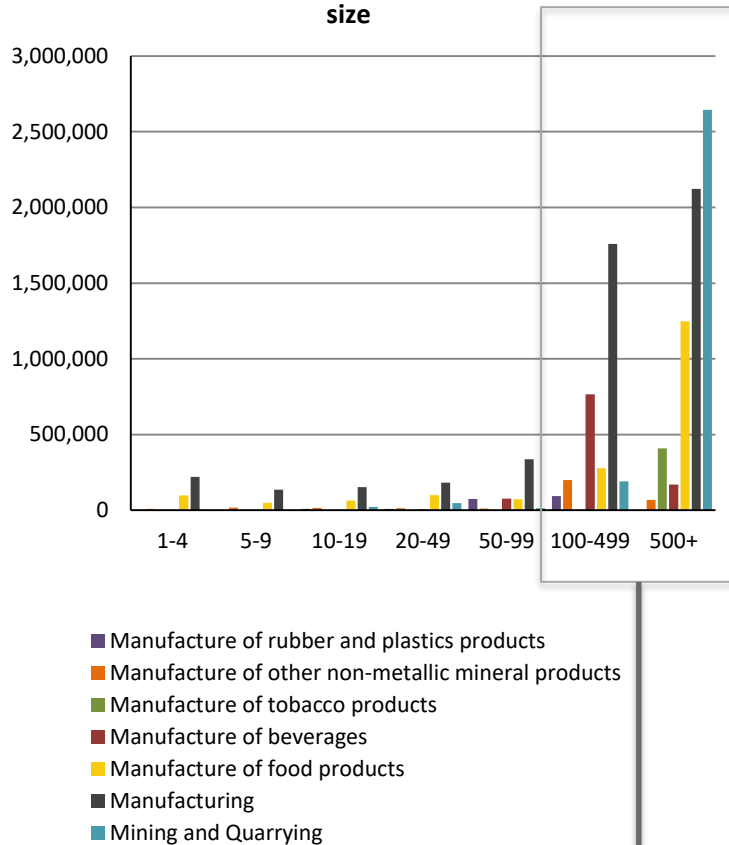
Tanzania at a crossroads

Tanzania has achieved significant growth performances since 2005

- **without sustained structural transformation**
 - **agriculture still dominant** (1/4 GDP, 2/3 Workforce) and constrained by capabilities/productivity/governance bottlenecks
 - **Informal service economy dominant** in urban areas and often linked to rents capture activities
 - **upward trend in manufacturing but discontinuous**, contributing less than 10% to GDP, slow and limited changes in industrial competitiveness and export performances, dualistic structure of the local production system

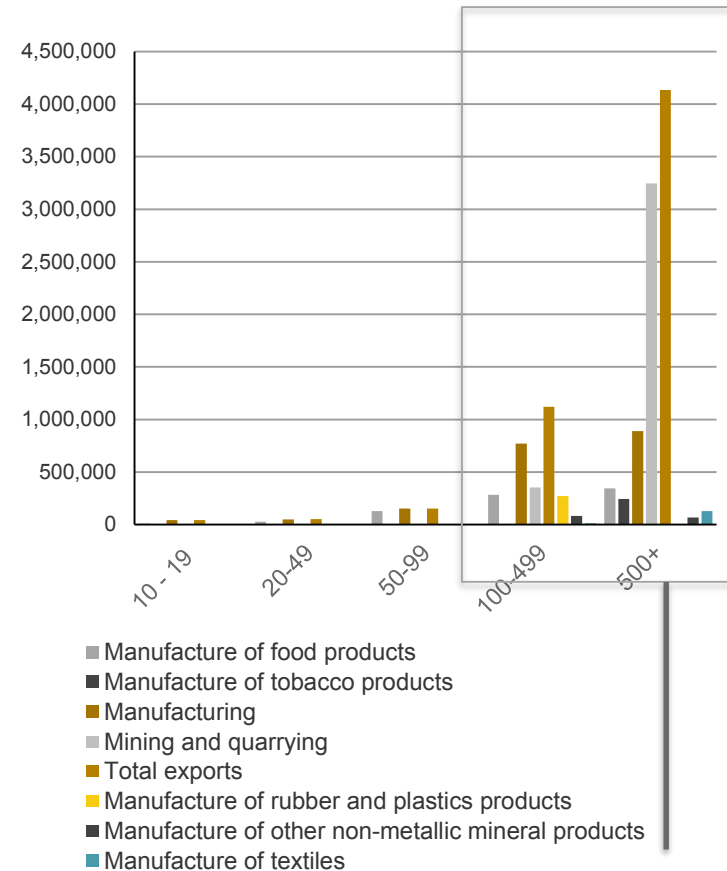
Tanzania at a crossroads: dualistic structure

MVA by industrial sector and major manufacturing industries and by establishment size



80%VA, 200 est

Total export by industrial sectors and establishment size



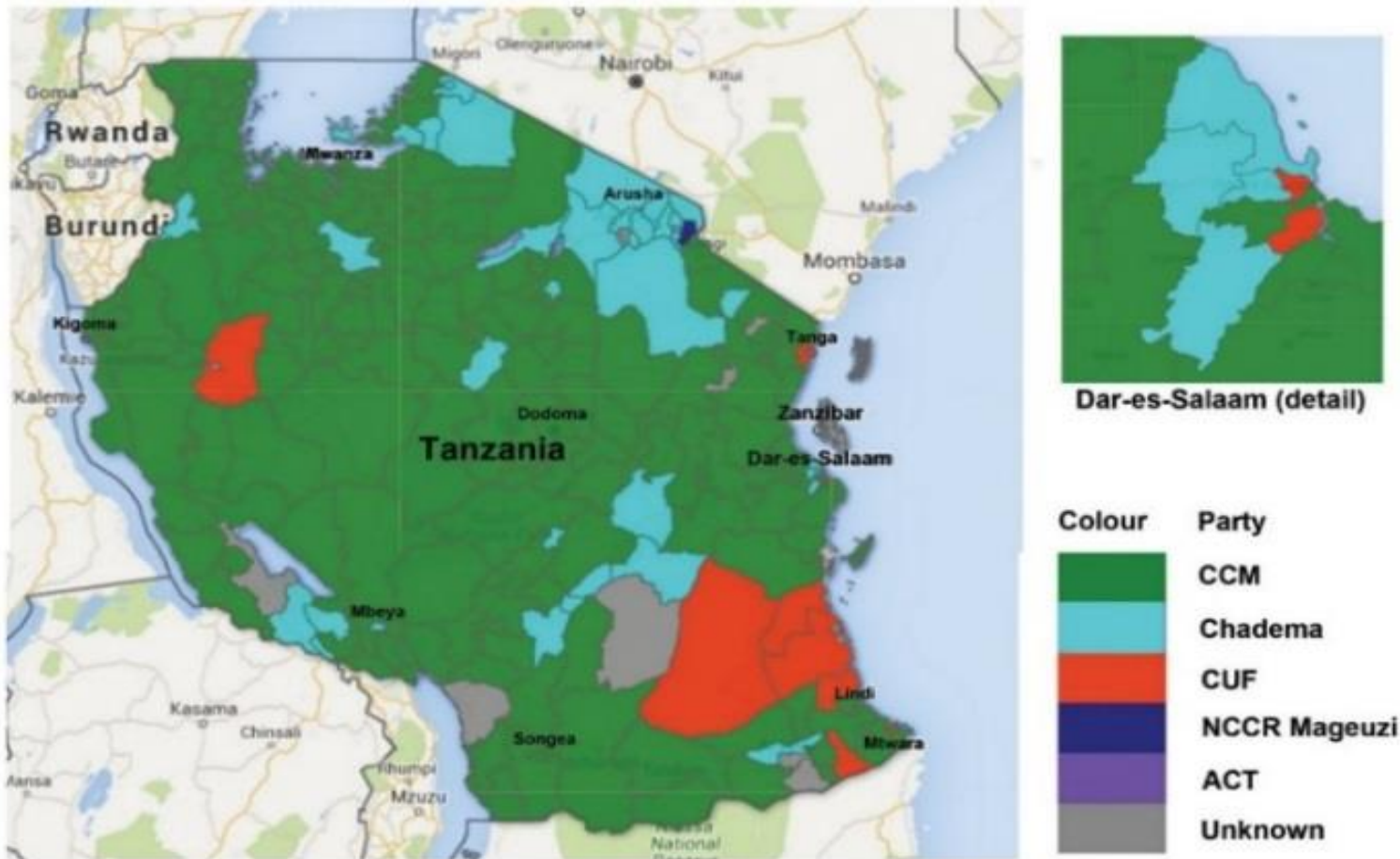
87%VA, 200 est

Window of opportunity

Tanzania faces a window of opportunity for addressing corruption in the country and unlock its growth potential towards structural transformation

1. **A political settlement in flux:** Dramatic acceleration in the **fight against corruption** combined with **pragmatic and deal-making approach** of the new leadership, is opening new forms of engagement between the public and private sectors and potentially reshaping the growth-governance relationship.
2. **Combination of vertical and horizontal anti-corruption strategies:** For recent progress in anti-corruption to be **sustainable**, sector-specific and incremental anti-corruption reforms need to be embedded in institutions and target specific processes, deliver pragmatic solutions and tangible results (quickly, **risk of running out of time** towards 2019 turning point), while opening new spaces for productive investments and diversification.
3. **Structural transformation for sustained and inclusive growth:** The achievement of these development outcomes in anticorruption is a critical ingredient in sustaining Tanzanian efforts towards its structural transformation | 6

Magufuli (58.5%) 2015 > 2+ Years in power



The Political Economy of Tanzania today: the long term view and deep roots

- The Nyerere developmental state and the deep roots of clientelistic networks in Tanzania (1961-1985)
- Privatisation, multi-partitism and corruption: the weakening of the dominant party under Mwinyi (1985-1995)
- The Mkapa reforms and the response to corruption of a weak dominant party (1995-2005)
- Grand corruption and competitive clientelism under Kikwete (2005-2015)
- **The “bulldozer” or the “builder”? The vulnerability of the authoritarian coalition and the potential developmental state under Magufuli**

A political settlement in flux: bulldozer phase

- Bulldozing the political settlement: The first phase (until late 2016) of the new government was characterised by:
 - a strong move to **centralise power around the President;**
 - A confrontational and **authoritarian approach towards the private sector;**
 - an increasing pressure on the opposition and media.

This approach suggests a political settlement characterised by an **authoritarian government** that is **vulnerable to losing power**, and seeks to strengthen its control over its own supporters (internal political factions and “regional lords”) and opposition by

- **breaking consolidated clientelistic networks**
- using **repression of the media and opposition’s** political space (in particular its regional rooting – CCM comparative advantage)

A political settlement in flux: builder phase?

- Building a new political settlement? More recently a shift towards:
 - **institutionalisation of power within CCM**, and coalition building;
 - disciplining the corrupt distribution of resources with a “**pragmatic approach**”, including **direct involvement in deal-making and investments** (although **without articulated policy framework**);
 - continued systematic repression of the oppositions and the media.

A subtly different political settlement, one where

- authoritarianism is balanced by **weakened opposition** and **strong top-down control over the party and government apparatus**
- government **attempts to re-allocate rents and establish new terms of engagement and procurement** (mining, power, infrastructure...) and different private sector responses (new forms of dialogue, uncertainty, ...)

Deal-making approach: cases

- In October 2016 inauguration of a \$120 million fruit processing factory in the outskirts of Dar es Salaam (Bakhresa)
- In December 2016 deal with Dangote which led to the re-opening of the biggest cement factory in the country
- In January 2017, concessional loan (from Turkey) for the construction of a 400 kilometre-stretch of the envisaged 1,200 kilometre standard-gauge central railway
- Other cases:
 - Signalling willingness to **allocate rents**, but **also discipline** them
 - Requesting businesses who cumulated capital (also thanks to their political connections / rents capture) to invest them in new industries

Anti-corruption approach in Tanzania, so far...

So far the anti-corruption agenda has relied on vertical efforts:

- **Rule by fear:** blaming and shaming allegedly corrupt people in both the public and private sector and direct involvement in anti-corruption operations, backed by the police and the intelligence.
- **Punishment:** removing people from key positions in public offices and authorities, and prosecution enforcement (also in the form of ultimatums and amnesty agreements).
- **Centralisation:** reducing potential resource leakages from the centre to the regions/districts by direct allocation of resources (e.g. fertilizers, education) and centralisation in the President's Office of resource allocation functions (e.g. sugar import licence)

> **Vertical forms of enforcement of the rule of law**

Does it work?

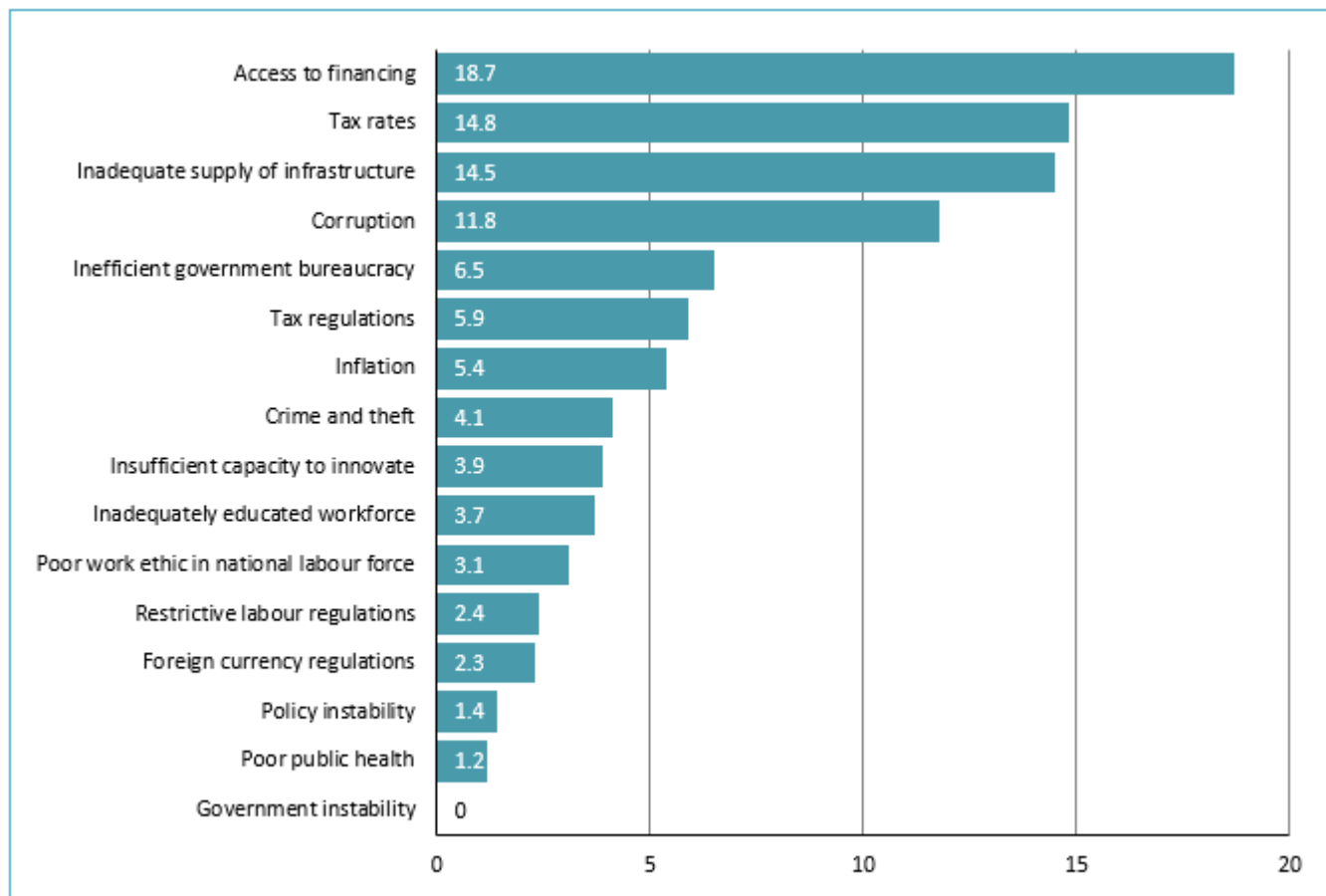
While the evidence is still scattered, **vertical anti-corruption strategies may have achieved some results.**

However, there are reasons for concern about the sustainability of vertical strategies and their effectiveness in terms of outcomes.

Vertical anti-corruption efforts are mainly attacking the manifestations of corruption created (and enabled) by a much more **diffuse and diversified set of processes, unfolding in different sectors.**

Corruption challenges in Tanzania

Figure 2: Most problematic factors for doing business in Tanzania, 2015



Source: Executive Opinion Survey (World Economic Forum 2016)

Corruption challenges in Tanzania

- Although in the WEF's Executive Opinion Survey, **corruption** is only the **fourth most important factor** hindering businesses, a number of **other factors** – for example, inadequate supply of infrastructures – are also **directly affected** by corruption.
- The business sector in Tanzania has identified **corruption as one of the top five constraining factors** in the country.
- The **pervasiveness of corruption**, and the need for effective anti-corruption strategies, also highlighted by
 - the Tanzanian National Business Council (TNBC, 2017)
 - the Tanzanian Private Sector Foundation (TPSF, 2017)
 - various important initiatives of the CEO Roundtable
 - the recent private-public sector dialogue hosted by TNBC (10 May 2017) identified a number of sectoral priorities including tax reforms, trade and custom rules enforcement, smuggling and counterfeits, agricultural inputs and land.

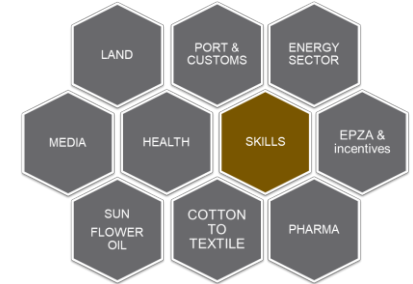
Anti-corruption strategies: The ACE Approach

- **Combining vertical and horizontal anti-corruption strategies** increases the chances of delivering better development outcomes and make anti-corruption efforts more sustainable (avoidance of resistance/backfire) because:
 - take into account the existing **political settlement** (*feasibility*)
 - target incremental changes by addressing ***different and specific types of corruption*** processes in each sector
 - provide **powerful organisations in the sector with alternative ways to generate income or coordinate activities in their own interest** (e.g. open new opportunities for productive investments in the private sector) beyond existing corruption practices

Different sectors, different types of corruption, different anti-corruption strategies for Tanzania



ACE Project example: Partnering for skills development

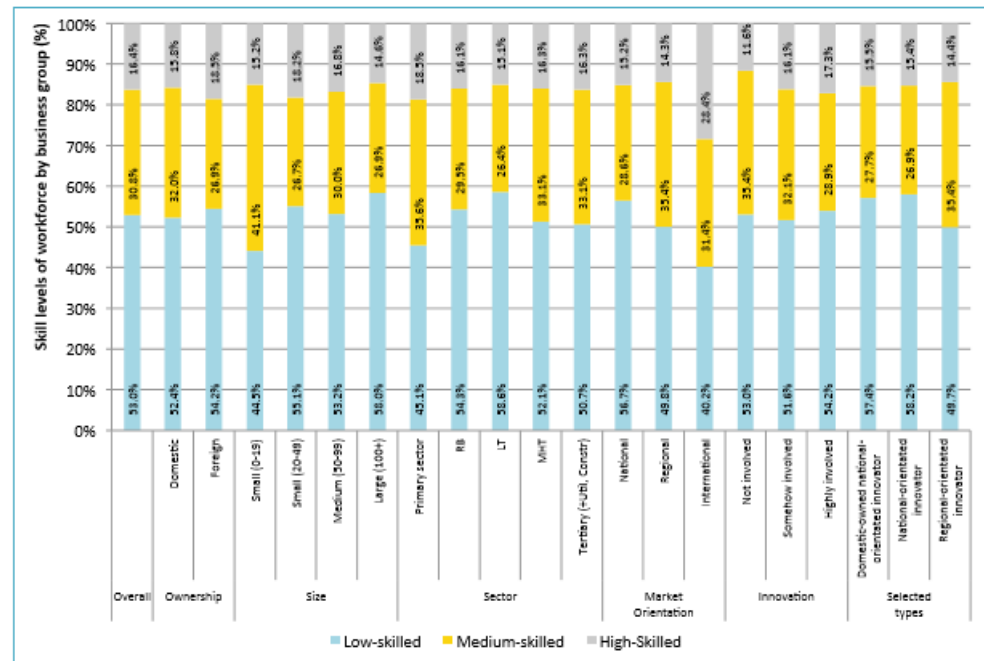


- Anti-corruption strategies as development policies:

Skills development

New skills development models (including skills levy reforms, rebate and incentive systems, sectoral skills levy, dual-apprenticeship, VETA-businesses partnerships,) with/for organisational capabilities development, improved productivity, and production competitiveness

Figure 7: Skills levels of workforce by different types of firms, 2012



Source: Andreoni in (MITI and UNIDO, 2012)

A (short-term) window to deliver results...

- Five main factors or dynamics will determine the trajectory of Magufuli's presidency and the reconfiguration of the political settlement in Tanzania.
 1. Lack of overall strategy and prioritisation, strong uncertainty
 2. Persistent difficulties in engaging the private sector (mistrust and strong ideological stance compromising economically "good" deal)
 3. CCM vulnerable transition and money politics (especially at the regional levels)
 4. Unsustainable vertical anti-corruption approach
 5. Need to innovative anti-corruption efforts: **"the fight against corruption must go hand in hand with innovative efforts to provide jobs and increase production"** (Ali Mufuruki, 29th Annual Camden Conference "The New Africa", Feb 2016)

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Working Paper **001**

**Anti-Corruption in Tanzania:
A political settlements analysis**

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ACE Anti-Corruption Evidence
Making Anti-Corruption Real

Briefing Paper **001**

**Tanzania at a crossroads:
anti-corruption and
the political settlement**



Key messages

- Tanzania faces a window of opportunity for addressing corruption in the country. Researchers should take advantage of this opportunity to identify realistic, sector-specific interventions that work with the grain of local politics to tackle corruption.
- The dramatic recent acceleration in the fight against corruption in Tanzania, and the pragmatic and clear-headed approach of the new political leadership, is opening new forms of dialogue between the public and private sectors.
- For recent progress in anti-corruption to be sustainable, sector-specific anti-corruption reforms need to be developed in institutions. These reforms can reduce the vulnerability to corruption in the public and private sectors, deliver pragmatic solutions and tangible results, while opening new spaces for productive investments and diversification.
- The effectiveness of these development outcomes in anti-corruption is a critical ingredient in sustaining Tanzanian efforts towards its structural transformation.

What is ACE?

The Anti-Corruption Evidence (ACE) research programme takes an evidence approach to anti-corruption policy and practice. Working with leading country experts, ACE is supporting the World Bank to deliver a series of 12 papers over the next 12 months. ACE is responding to the evidence needed by corruption scholars, policy-makers and practitioners to better understand the causes and consequences of corruption, and to identify effective ways to tackle corruption.

Anti-Corruption Evidence
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