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SELF-RELIANCE OR DEPENDENCE:
TANZANIA AND FOREIGN DEVELOPMENT ASSISTANCE

by

Grant Anthony Curtis, B.A.

c 1987 by Grant A. Curtis

A thesis submitted to the Faculty of
Graduate Studies and Research in partial
fulfilment of the requirements for the degree of
Master of Arts
in International Affairs

The Norman Paterson School of International Affairs
Carleton University
Ottawa, Ontario
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13 March 1987

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The undersigned hereby recommend to the Faculty of
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ABSTRACT

Despite the Arusha Declaration's precepts of increased self-reliance, freedom, and socialism, the political and economic trends in Tanzania indicate the continued external orientation of the Tanzanian economy and growing dependence, including dependence on ever-increasing transfers of foreign development assistance. Given the volume of foreign aid transfers it has received over the past twenty-five years, Tanzania represents a test case of the relationship between aid and dependant development. The influence and impact of Tanzania's dependence on foreign aid is studied to determine how such assistance has affected the direction of Tanzania's development.

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INTRODUCTION

In 1980, net aid flows to the United Republic of Tanzania from all sources amounted to U.S. \$625 million, accounting for nearly 70 percent of gross domestic investment (GDI) and 12 percent of gross national product (GNP).¹ Because of the amount of aid, and the number and variety of aid donors, Tanzania represents almost a test case for examining the relationship between aid and economic development. The following contributes to such an examination by assessing the impact of foreign aid on Tanzanian development, with particular reference to the country's growing dependence on foreign development assistance.

The Tanzanian case is of particular interest because of the country's strategy of self-reliance. A self-reliant strategy was to determine the direction of Tanzanian development by patterning the country's political, economic, and social development. The strategy also was to prevent the negative effects of external dependence. Twenty-five years after independence, Tanzania's success in avoiding external dependence and in pursuing its own political, economic, and social policies can be questioned. In

¹The World Bank, Accelerated Development in Sub-Saharan Africa: An Agenda for Action (Washington: The World Bank, 1981), Table 22, p.164.

considering Tanzania's dependence on foreign development assistance, the thesis will attempt to assess how independent or self-reliant Tanzania has been in terms of its economic and social development, and to what extent its objectives or policies have been influenced or compromised by a dependence on foreign aid, or the dictates of aid donors.

Despite the amount of material written about the Tanzanian experiment, analyses of the country's development have exhibited surprisingly little balance. Tanzania's development objectives and its development achievements, particularly in the area of social development (health, literacy, access to potable water, etc.) are well known. So are its failures. This retrospective review of Tanzania's post-independence history strives for balance, suggesting that both exogenous and endogenous factors have contributed to Tanzania's development. It also attempts to assess how external dependence has influenced Tanzania's development.

The first chapter introduces dependency theory, less as an insistent model of Tanzania's development than as a convenient point of departure for a discussion of external dependence, especially dependence on foreign development assistance. The chapter attempts to define "dependence" in Tanzanian terms and considers how increased self-reliance has been seen as a counterbalance to external economic dependence. As much as possible, the thesis tests Tanzania's post-independence history against dependencia

assumptions, and attempts the determination of a pattern of dependent development.

The second chapter details the four phases of Tanzania's post-independence history, and considers the importance of the Arusha Declaration in establishing Tanzania's development objectives. The chapter examines how the country's agricultural policies as well as external factors have affected Tanzania's economic performance.

A third chapter, "Aid and Dependence: The Tanzanian Example", studies the various dimensions of aid, including Tanzania's policy towards foreign aid, donor motivations, and the impact and influence of foreign development assistance. The chapter also deals with the related issues of development planning and aid coordination in Tanzania.

As Tanzania's largest aid donor, the International Bank for Reconstruction and Development (the World Bank) has exercised considerable influence in determining the direction of Tanzanian development. A final substantive chapter, "The Political Economy of Dependence: Tanzania's Relationship with the World Bank and the International Monetary Fund", analyzes the impact of World Bank development philosophies and lending policies upon Tanzanian development and details the growing influence the International Monetary Fund exerts over Tanzanian development. The chapter concludes by examining how World Bank and International Monetary Fund structural adjustment, conditionality, and "policy dialogue" continue to dictate

the direction of Tanzanian development.

A final section offers conclusions drawn from the various themes examined, and provides some suggestion of how foreign development assistance and external dependence will continue to shape Tanzania's future development.

CHAPTER 1 UNDERDEVELOPMENT AND DEPENDENCE

1.1 Introduction

The last twenty years were targeted as "decades of development". While much development has occurred (and even more attempted, with less success) considerable effort also has been devoted to the study of development. The following chapter briefly outlines the evolution of development theory. Such theory seeks to define "development", to explain the process(es) by which development might be achieved, and to analyze the various influences or factors which have constrained, limited, or prevented the effective prosecution of perdurable development.

Because relationships of dependence affect, if not govern, the development process, particular attention is given to dependencia, or dependency theory. Dependency theory, itself the subject of some debate, offers the most cogent, compelling, and dynamic account of the process of underdevelopment (or, in dependencia terms, the "development of underdevelopment"). The review of development theory, and its dependency variant, is not intended to provide the pattern against which Tanzanian development will be measured. Rather, such a review provides a point of departure from which to launch a more limited assessment of Tanzania's growing dependence on foreign development

assistance and of the impact and influence of such dependence on Tanzania's development path.

1.2 Development Theory Revisited

Many developing nations, including Tanzania, gained their political independence during the 1960s. But the nations of the so-called "Third World" soon discovered that political independence did not guarantee economic independence, much less rapid economic development. No theoretical arguments existed to explain a process of development, since there was a naively optimistic belief that modernization would create new, developed nations from societies considered traditional or backward. Development was seen as a transitory linear and mimetic process; the newly independent nations of Africa and Asia (as well as countries in Latin America which had previously achieved their independence) simply had to follow the Western European path of autonomous capitalist development to become fully modern, developed societies. Modernization could be achieved through an injection of capital and knowledge into the internal gaps and deficiencies characteristic of traditional societies. Such injection would yield economic growth, and consequently, development within a short time-frame. Modernization "theory" was positivist; there is no better expression of such optimism than W. W. Rostow's concept of a "take-off into self-sustained growth".¹

¹W. W. Rostow, "The Take-off into Self-Sustained Growth" in A. Agarwala and S. Singh, The Economics of Underdevelopment (New York: Oxford University Press, 1963).

The bourgeois, or conventional view of development was challenged when it became clear that the nations of the Third World were not developing. Increased attention was given to development as both an objective and process, and new theories were offered to explain why Third World nations were becoming neither modern, nor developed.

These new theories grew out of an historical analysis of Latin America, and constituted an attack on both conventional development theory and traditional theories of international trade. These radical theories were Marxist in orientation, and proposed that underdevelopment was a historical process, rather than an original or primal state. The radical theories rejected the notion of a linear path to development, a development continuum, and focussed instead on differences between the historical growth of capitalism in the western world and the failure of such growth in the Third World.

Andre Gundar Frank was the first radical theorist to postulate that the growth of capitalism itself creates underdevelopment: "Economic development and underdevelopment are the opposite faces of the same coin".¹ Radical, or neo-Marxist development theory ascribed underdevelopment in the Third World as the result or cost of the development process in the western economic "centre". This was more than the replacement of conventional dualism

¹ A. G. Frank, Capitalism and Underdevelopment in Latin America (New York: Monthly Review Press, 1967), p.35.

with new constructs of centre and periphery or metropole and satellite. Frank proposed that the underdevelopment of the Third World was generated by the same historical processes that created economic development in the western world, and was in essence the product of capitalist development.

Radical theory suggested that the structure of capitalism actually limited development in the Third World. Such suggestion constituted a significant advance in the understanding of development as a transitive process, and by questioning the structure of capitalism and the relationship between developed and un(der)developed, introduced questions of equality and dependence into discussion of Third World development.

Dependencia or dependency theory, as a refinement of radical development theory, was again based on the Latin American experience, although its precepts have been used to explain neo-colonialism in Africa. Dependency theory offered "a way of looking at the predicament of the Third World which directs...attention to structures, mechanisms, and causal relationships largely neglected by, and mostly contradictory to, conventional development theory".¹ Dependency theory saw development as an alliance of unequal partners, and sought to define underdevelopment in terms of a dependent relationship between rich and poor:

¹ Colin Leys, Underdevelopment in Kenya The Political Economy of Neo-Colonialism 1964-71 (Berkeley: University of California Press, 1975), p.xiii.

...the predicament of the "underdeveloped" countries was due to the application to them of western capital, know-how and political power, often over several centuries, in ways which had structured (and continue to structure) their economies and societies so as to continually reproduce poverty, inequality and, above all, political and economic subordination to the interests of western capital.

By postulating underdevelopment to be a self-perpetuating process, dependency theory suggests a relationship of permanent dependence, determined "by the extent to which...significant economic, social, and political developments are (and have historically been) conditioned by (or contingent upon) developments in the industrial countries."² Theotonio dos Santos, a prominent dependencia theorist, defines contemporary economic dependence as:

a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. Thus the dependent countries can only expand as a reflection of others. Dependence is based on an international division of labour which allows industrial development to take place in the centre, while restricting it in others, whose growth is conditioned by and subjected to the power centres of the world.³

Dependency theory refutes developmentalist doctrine. Dependency theory explains the process of underdevelopment by focussing attention on the features of structural

¹ Leys, Underdevelopment in Kenya, p.xiv.

² Thomas J. Biersteker, "Self-Reliance in theory and practice in Tanzanian trade relations", International Organisation (34:2, Spring 1980), p.230.

³ Dos Santos cited by J. Hartman, "Economic Dependence and Foreign Policy: The Case of Tanzania", The African Review (7:3-4), p.71.

dependence. By ascribing the symptoms of underdevelopment (economic, political, and social) as the consequence of a larger historical process, dependency theory affords a theoretical framework for the analysis of dependent development. The evidence of thirty years of dependence and underdevelopment bears some testament to such theory. As an analytical tool for understanding underdevelopment, dependency theory offers no prescription for change in the Third World. Through such theory, however, new generations of academics and, not incidentally, Third World leaders, began to see poverty in the developing world as the consequence of economic and political exploitation. Dependency theory provided the foundation for the demand for a new, more equitable, international order and for strategies that would loosen, or break the bonds of dependent development.

Today the precepts of dependency theory are widely held, if little discussed. Little has been added to the canon of dependency theory. Yet the notion of a transitive development process is implicit in most discussions of Third World development. The Organization of African Unity's "Lagos Plan of Action" constitutes the acceptance of dependencia assumptions: its analysis of the problems of inflation, recession, debt, imported dependence, and infrastructural decay focuses on the influence of external

factors.¹ But if dependency theory explains or accounts for the most significant structural distortions of underdeveloped countries, such analysis alone affords little in the way of solution or prescription, short of changing the world economic order. How can an underdeveloped country transcend dependence, and its attendant distortions?

In addressing this problem Goran Hyden suggests that instead of focussing on the nature of international economic relations as the cause of underdevelopment, developing nations must emphasize self-centred or inward-oriented forms of development which will strengthen the domestic base and thus afford development while avoiding dependence.²

Self-reliance, then, becomes a logical prescription of the dependency literature from which it at least partially evolved.³ The "Lagos Plan of Action", as the most recent response or reaction of African nations to development trends in sub-Saharan Africa, advocates greater self-reliance and greater intra-African cooperation in the context of the present world economy.

Self-reliance implies "...the capability and capacity of a nation or of a group of nations to initiate

¹ Timothy M. Shaw, Towards a Political Economy for Africa: The Dialectics of Dependence (New York: St. Martin's Press, 1985), p.95.

² Goran Hyden, Beyond Ujamaa in Tanzania: Underdevelopment and an Uncaptured Peasantry (London: Heinemann Educational Books Ltd., 1980), p.259

³ Biersteker, "Self-Reliance", p.230.

and implement autonomous decisions in various walks of life; the capability and capacity to provide over time a greater part of the needs of its people whether in terms of factors of production or of final goods and services."¹ In Africa, self-reliance has meant a commitment to break the inherited pattern of structural dependence by returning to certain traditional ideals, values, and lifestyles. Self-sustainment, a related concept, implies an ability to sustain the values and standards of living established as desirable and attainable through the use of available human and material resources.² Both self-reliance and self-sustainment are goals or objectives; more often, however, they have been proclaimed as a strategy for autonomous and independent development.

1.3 Tanzania: In Dependence?

Self-reliance is often espoused as a matter of rhetoric; few countries actually have adopted self-reliance as a matter of policy. In Africa, Tanzania is arguably the foremost example of a country that has attempted to pursue a self-reliant path. According to John Saul, "...in Tanzania, one can say quite unequivocally, the struggle for progressive solutions to Africa's development problems has been taken, in certain crucial spheres, a stage further than

¹David Fashole Luke and Timothy M. Shaw, Continental Crisis The Lagos Plan of Action and Africa's Future (Lanham, Maryland: University Press of America, Inc., 1984), p.xiv.

²Luke and Shaw, Continental Crisis, p.xiv.

in any of its sister states."¹ Furthermore, he claims that by engaging in

practical and progressive action, the Tanzanian leadership has also demonstrated the ability to reject some elements of the fashionable but bankrupt theories which premise development on the intensification of dependence--more foreign investment, more aid, more exports. Instead, it has seized hold of the concepts of self-reliance and social ownership as keys to effective transformation in ways novel to the continent.²

Such a paean heralds Tanzania's unique success in launching the country on a different development path. While the country's early vision of socialism and self-reliance, explored more fully in the next chapter, brought Tanzania fulsome praise (and some measure of disparagement) as well as international credit, the effectiveness of its strategy in actually achieving stated objectives has been marked more with failure than with success. This is particularly true of Tanzania's limited success in breaking the bonds of dependent development.

What are the characteristics of dependent development in Tanzania, and how do such characteristics conform to the precepts of dependency theory? Dependency theory focuses largely on the perpetuation of unequal economic relationships.. The model of peripheral economic development is so widely accepted because it accurately

¹John S. Saul, "African Socialism in One Country: Tanzania" in Giovanni Arrighi and John S. Saul, Essays on the Political Economy of Africa (New York: Monthly Review Press, 1973), p.238.

²Saul, "Tanzania", p.272.

describes the pattern and nature of trade and economic dealings between developing and industrial economies. Disadvantageous terms of trade, the exchange of primary commodities for manufactured goods, the repatriation of capital, or, indeed, a growing reliance on external aid and other financial transfers are all features of the Tanzanian economy. All contribute to the country's continued dependence.

But dependent development extends beyond economics and trade, although economic dependence determines or exacerbates other aspects of dependence. Political and cultural dependence feed upon economic dependence, creating a vicious cycle of dependence. That dependence reinforces and perpetuates dependence is the essence of dependency theory. Such has been the legacy of Tanzania. Dependence in all its variants has circumscribed the country's ability to realize its own development agenda, has limited its flexibility in choosing different options, and has compromised the autonomy of its government and institutions.

That Tanzania appears to have become more, rather than less, dependent in the course of the past twenty-five years does not necessarily prove the validity of dependence theory, or imply that Tanzania's development has been limited by an immutable law of dependence. The dynamism of such theory is at the same time its greatest strength and weakness. It convincingly describes the development process and accounts for the perpetuation of dependence. But

because it proposes the dynamic interaction and merging of various factors in a complex and volatile environment over time, it becomes difficult to rigorously examine any particular aspect. Hence it becomes difficult to transcend theory.

The balance of this thesis attempts to look at a particular component of the dependency relationship by examining Tanzania's growing dependence on foreign development assistance, and the impact of such aid on the country's development vision. The precepts of dependency theory are used in the examination of the relationship between aid and Tanzanian dependence. Such an examination affords a better understanding of Tanzanian development; it also reinforces an appreciation of the relevance of dependency theory in explaining dependent development.

CHAPTER 2 ON THE PATH OF SELF-RELIANCE

2:1 Introduction

Colonial jurisdiction of what is today Tanzania was relinquished in 1961; on 09 December 1961 the British Trust Territory of Tanganyika became the first East African nation state to achieve independence. Tanganyika, which later became the United Republic of Tanzania through union with the islands of Zanzibar and Pemba, began its independence as a poor country. With few mineral resources, a small and unskilled population, and a limited domestic market, the country had few economic opportunities with which to nurture its dreams of political and economic independence.

At independence, Tanzania was a nation of subsistence farmers. The traditional sector of the colonial economy, "excluded from the limited pattern of modern growth fostered by colonial trade...[was] characterized by low levels of productivity which barely provided subsistence for the inhabitants".¹ At independence, "subsistence food production accounted for one-quarter of recorded economic activity", or 45 percent of the country's gross domestic

¹Ann Seidman, "The inherited dual economies of East Africa" in Lionel Cliffe and John S. Saul, Socialism in Tanzania Volume 1 Politics An Interdisciplinary Reader (Dar es Salaam: East African Publishing House, 1972), p.61.

product (GDP).¹ As a dependent colony, Tanzania exported crude agricultural materials (primarily coffee, cotton, sisal, and tea). Most consumer goods (excepting foodstuffs) and all capital goods and equipment were imported from abroad.

Today, twenty-five years after independence, Tanzania remains a poor country, with a 1984 per capita GNP of less than \$U.S. 240.² In recent years, particularly, Tanzania has suffered economic "shocks" stemming from drought, petroleum price increases, a costly war with Uganda, and declining terms of trade for its primary commodity exports. The country also has reaped a failed harvest of mistaken domestic and international development policies. Now dependent on annual aid flows of up to \$U.S. 800 million (see Figure 1, page 55), Tanzania has become a ward of the international donor community. If Tanzania's "jubilee", then, affords little occasion for rejoicing, it does provide an opportunity for review and reflection. The

¹Roger Young, Canadian Development Assistance to Tanzania An Independent Study (Ottawa: The North-South Institute, 1983), pp.2-3.

²United Republic of Tanzania, Programme for Economic Recovery Report Prepared by the Government of Tanzania for the Meeting of the Consultative Group for Tanzania, Paris, June 1986 (Dar es Salaam, May 1986), p.2. This figure is 17 percent less than that in 1980. United Republic of Tanzania, Programme, p.5. An unattributed article, "Nyerere: Letting go with his hands clean", Toronto Star, 9 November 1985, p.B6 ranks Tanzania as the twelfth poorest country in the world. In 1979, Tanzania was 29th poorest of 159 developing countries, according to Rodger Yeager, Tanzania An African Experiment (Boulder: Westview Press, 1982), p.245.

following chapter is not intended to be a detailed or comprehensive analysis of Tanzania's developmental successes and failures.¹ Rather, the following profile of Tanzania's post-independence economic history provides a necessary background to an analysis of Tanzania's dependence on foreign development assistance, which is the subject of the present work.

Tanzania's post-independence history can be divided into four periods or phases: 1) Emergent Tanzania The Post-Colony; 2) Socialism and Self-Reliance: The Arusha Declaration; 3) Policy, Performance, and External Influence; and 4) Crisis and Adjustment.²

2.2 Emergent Tanzania The Post-Colony 1961 - 1967

With few mineral or other natural resources, Tanzania at independence had few economic prospects. The country's future seemed to lie with expansion (and exploitation) of the agricultural sector, the development of the country's human resources, and establishment of whatever industrial or manufacturing capacity as made economic sense.

In the years following independence the Tanzanian polity continued to exhibit the symptoms of its colonial

¹The Selected Bibliography lists several works which provide an analysis of Tanzania's post-independence economic history.

²The four periods represent a modification of those suggested by Okwudiba Nnoli, Self Reliance and Foreign Policy in Tanzania The Dynamics of the Diplomacy of a New State 1961 - 1971 (New York: NOK Publishers, 1978), pp.7-12.

past. As Nnoli indicates, the initial post-independence phase:

...was an extension of the pattern of interaction with, and attitude toward, the external environment which prevailed during the colonial period. Its major features were the dominance in the national economy of foreign ownership of the means of production, distribution, and exchange; the consequent foreign exploitation of indigenous resources; various forms of socio-cultural and political dependence which sustained these ownership and exploitative relations; the external orientation of the national economy; and the confinement of national participation in the international division of labour to primary production for export and the importation of manufactured goods; confidence in the salutary nature of external conditions; high hopes of benefits from foreign relations; and appeals to the humanitarian sentiments of the advanced countries, as the major means of international influence.¹

That Tanzania did not achieve greater dissociation from the "external environment" is unsurprising; indeed, the country's First Five Year Plan advocated closer economic integration to achieve economic growth and national development. The First Five Year Development Plan (1964-1969) required that some 60 percent of investment for productive industry and economic growth must come from sources external to Tanzania. Tanzania's expectation that such investment would be forthcoming was unrealistic; however, Tanzania implemented a number of fiscal and monetary policies (tax concessions, investment guarantees, repatriation of profit guidelines) to encourage foreign funding of its ambitious development plans.² Despite these

¹Nnoli, Self Reliance, p.7.

²Nnoli, Self Reliance, p.97.

incentive policies, Tanzania did not attract the desired level of foreign investment. Over the plan period Tanzania itself provided more than 60 percent of expenditure on development.¹ Such financial resources accrued largely from the country's undeveloped agricultural sector.

Even without anticipated levels of foreign investment, Tanzania achieved reasonably rapid and balanced growth in its post-colonial economy. The economy grew at a rate of 5 percent per annum over the course of the First Five Year Plan. Such growth was due to increased export receipts: export revenue grew by 60 percent between 1962 and 1967. Coffee, cotton, sisal, and diamonds made up the bulk of the country's exports, with cashew-nuts, tea, tobacco, cloves, and refined petroleum products comprising the balance of the country's export basket.² Increased export receipts afforded economic growth as well as the importation of an expanding array of consumer and capital goods.

Despite fairly significant economic growth in the first six years of independence, other of the promises of independence failed to materialize. Tanzania, under the charismatic leadership of Julius Nyerere, began its quest for more qualitative aspects of development, including broad based participation of the population in the development

¹ David H. Johns, "Tanzania" in Timothy M. Shaw and Olajide Aluko, eds., The Political Economy of African Foreign Policy Comparative Analysis (New York: St. Martin's Press, 1984), p.266.

² Young, Assistance to Tanzania, p.3.

process and a more equitable distribution of the benefits of economic growth.

2.3 Socialism and Self-Reliance: The Arusha Declaration

Dependence is a function of underdevelopment or neo-colonialism. For a country to free itself from its colonial past requires flag (political) as well as economic and socio-cultural independence. Nations like Tanzania which had achieved political independence in the early 1960s found themselves searching for greater economic autonomy, a measure of economic independence that meant, if not autarky, at least an increased degree of economic self-reliance. In Tanzania, the 05 February 1967 Arusha Declaration (and related pronouncements made the same February) provided a framework for both economic independence, as well as for the creation of a socialist and self-reliant state. The Arusha Declaration signalled a turning point in Tanzania's post-independence history.

The new society proposed by the Arusha Declaration was to be built on three, interrelated principles: "self-reliance", "socialism", and "freedom":

Self-reliance implied removing the obstacles to national development seen to be imposed by the outside world, and required the productive use of local resources, both human and material, to provide the goods which the majority of the population needed and could afford. This in turn implied the need for an economic system based on socialist, not capitalist, principles. Socialist production, it was argued, would take into account the needs and welfare of people first. Economic freedom could not be achieved without political freedom, and political independence in turn was meaningless without economic independence, itself based on national economic strength rather than

weakness. Each goal was thus explicitly linked to the others, and each depended upon the achievement of the other two for its own fulfillment.¹

According to the Dar es Salaam Daily News of 06 February 1967, these principles represented "the struggle for internal liberation".² Self-reliance addressed external considerations, socialism the country's internal orientation; together they would produce Tanzania's freedom.

Self-reliance entailed a re-ordering of the Tanzanian economy (and society) to both increase and more effectively manage internal and external resource procurement. Self-reliance dictated use of domestic rather than foreign resources as the basis of Tanzanian development. In 1967, as at independence, Tanzania had few economic resources other than its land and people. As an overwhelmingly agrarian society, its best hopes for "development" lay in increased agricultural productivity, from which would accrue the resources that would afford the country's developmental and social goals, including meeting the basic needs of the largest and poorest segment of Tanzania's population. Thus improvement in agricultural production by the rural peasantry became the focus of Tanzania's development strategy, with agrarian or rural development both a prerequisite and consequence of socialist development.

¹ Young, Assistance to Tanzania, pp.5-6.

² Africa Contemporary Record, 10(77/8/), B.403.

As early as 1961 Nyerere had called for a return to a traditional African social order based on the concept of "ujamaa", a Kiswahili word describing a traditional kinship communalism or "familyhood".¹ To Nyerere the tradition of communal ownership of the means of production represented "socialism". Nyerere saw ujamaa, people living and working together in cooperation and mutual respect for the common good, as the only means by which the well-being of Tanzania's peasant agriculturalists could be improved within a socialist and self-reliant framework. The 1967 policy paper, "Ujamaa Vijijini: Socialism and Rural Development"² called for the country-wide establishment of ujamaa villages in order to effect the radical social and economic transformation of rural Tanzania. Although not explicitly stated, the implicit premise of ujamaa was that communal production would increase agricultural production, which, in turn, would finance Tanzania's development plans, including or featuring (at least initially) an import-substitution industrialization strategy. Ujamaa represented a uniquely African conception of society that was intended

¹It should be noted that such a society is more mythical than factual. Traditional societies in Africa were based more on reciprocity than communal production. See Michael F. Lofchie, "Agrarian Socialism in the Third World: The Tanzanian Case", Comparative Politics (8:3, April 1976), pp.479-99.

²United Republic of Tanzania, Office of the President, "Ujamaa Vijijini: Socialism and Rural Development", 1969 (mimeographed).

to provide a moral justification for economic equality and democratic political participation.

The early ujamaa villages, some pre-dating 1967, were small, highly politicized, and committed to communal work; they were publicized widely as models of Tanzanian rural development. In 1969 there were 809 ujamaa villages. Within 3 years over 5000 villages had been established (or registered), some as a commitment to Nyerere's socialist ideology, many more as a consequence of government and party pressure and the promise of a wide range of infrastructure and services (water supplies, schools, dispensaries, farm supplies, equipment, loans, access to credit, etc.). Only a small proportion of these 5000 settlements were actual ujamaa villages, organized on the basis of communal ownership and production.¹ Ujamaa was gradually de-emphasized in favour of the more limited, but more easily achieved goal of villagization or nucleated settlements.

Self-reliance also meant a reordering of Tanzania's relationship with the external environment. The Arusha Declaration ordered the nationalization of the "commanding heights of the economy" in order to restructure the economy away from its external orientation and to sever the direct linkages between national and foreign business. By nationalizing most of the industrial, financial, and

¹Young, Assistance to Tanzania, Table 1.2, "The Growth of Ujamaa Villages", p.10; Andrew Coulson, Tanzania 1800 - 1980 A Political Economy (Oxford: Clarendon Press, 1982), p.242.

commercial companies in Tanzania (including the private banking system, firms engaged in food processing, and the sisal estates), Tanzania hoped to reinforce the country's development while limiting its dependence on the international capitalist system by assuming greater control of and responsibility for its most important natural resources and of the mechanisms through which economic surplus was extracted from and invested in the country. Nationalization (achieved through some attempt at full and fair compensation) gave the state ownership of the major means of production, distribution, and exchange, and with such control, of its economic future.¹

Self-reliance predicated an introverted or self-centred orientation. It did not signify isolationism or autarky, or a turning away from Tanzania's foreign policy of non-alignment. Nor did it mean that Tanzania would no longer seek foreign development assistance. Rather, self-reliance meant a deliberate departure from its neo-colonial past to a new and bold conception of its future as a classless, egalitarian society. As an approach to external resource procurement, self-reliance rejected the notion that foreign goods and services would be the central requirement for national development (the premise of the country's first development plan), or that external aid need be an

¹ Issa J. Shivji, The Silent Class Struggle (Dar es Salaam: Tanzania Publishing House, 1973), p.21.

indispensable stimulant to the country's development.

Tanzania would accept such aid as was offered generously and in accord with its own determined needs; it would not gear its development plans to the liberality of other countries, or to a foreign conception of development.

1967 and the Arusha Declaration, then, determined Tanzania's development path by ordering a reorganization of the country's internal and international economic relations. The Declaration firmly rejected the country's colonial past, and sought to change the country's neo-colonial status. As a blueprint for the construction of a new society, the Arusha Declaration launched Tanzania into a new phase of its post-independence history.

2.4 Policy, Performance and External Influence The Post-Arusha Experience

Although Tanzania did not cease or redirect its efforts to build a socialist state through increased self-reliance, the revolutionary momentum unleashed by the Arusha Declaration and the Mwongozo leadership code began to dwindle after 1971. In addition, contradictions between the goal of self-reliance and policies towards its achievement emerged as the "strategy" was tried by domestic reality and external influence. Although an "implementation phase" is a somewhat arbitrary historical categorization, Tanzania's early experience in creating a socialist and self-reliant state determined its present situation, and its present policies.

Few contemporary issues have been scrutinized more closely than the Tanzanian experiment. In recent years there has been considerable debate over Tanzania's success (or failure) in achieving socialism and self-reliance. This debate has been characterized by remarkably little balance. Some commentators posit that it has been the external environment which has limited Tanzania's success in reaching its socialist goals. Other analysts have claimed that it is Tanzania's socialist strategy, and particularly some of the economic policies which have been part of that strategy, which has prevented societal transformation in Tanzania. Few have examined the effect of both exogenous and endogenous influences, and the interplay of such factors, in their assessment of Tanzania's post-Arusha Declaration experience. As Roger Young notes in his review of Canadian development assistance to Tanzania, "The debate concerning the causes of [Tanzania's] poor record centres on the weight to be given, and the interrelationships between these external shocks and domestic policies to adjust to these external influences".¹

The remainder of this chapter reviews the effectiveness of Tanzania's domestic agricultural policies in the post-Arusha period, and examines the negative effect of exogenous factors on the Tanzanian economy.

¹Young, Assistance to Tanzania, p.13.

2.4.1 Ujamaa, Villagization, and Agricultural Pricing

As has been noted, ujamaa was Nyerere's vision of an ideal society. Ujamaa was not given definition beyond the broad, ethical principles of socialism and self-reliance and as such remained little more than ideology. As an abstraction, ujamaa gave little direction to actual cooperative organization of production. The linkages between communal production and societal transformation, between the rural sector and the rest of the economy, between subsistence and cash crop agriculture were not fully addressed. In addition, while it was a tenet of ujamaa that "...socialist villages must grow from an appreciation of the principles of self-reliance; they must grow through the efforts of their own members",¹ there was no coherent strategy or plan of action for the achievement of ujamaa. The absence of a plan or implementation strategy for the country's socio-economic transformation meant that necessary resources were neither identified nor allocated. Ujamaa, then, received only minimal planning assistance and fewer financial resources.

In the absence of a coherent strategy for the achievement of ujamaa, "villagization" became a goal or end in itself. In 1974 it was decreed that within two years all rural Tanzanians were to live in nucleated settlements, and

¹Nyerere quoted in Frances Moore Lappe and Adele Beccar-Varela, Mozambique and Tanzania Asking the Big Questions (San Francisco: Institute for Food Development Policy, 1980), p.23.

a massive resettlement campaign was conducted. By 1977 over 90 percent of the rural population (some 13 million people) was based in 7,684 officially designated villages.¹ Such settlement, however, did not engender the social transformation of the rural sector, or provide the foundation for Tanzanian socialism.

The focus on villagization reduced or limited the ujamaa ideal; the subsequent decreased emphasis on communal production further compromised ujamaa as an effective formula for the creation of a socialist state. The earliest ujamaa villages, which received such wide notice and which were heralded as the models for rural Tanzania, were small settlements committed to communal production. Villages established in the post-Arusha Declaration period allowed an increasing measure of private production. The 1975 Villages Act, promulgated to effect total villagization, sanctioned two types of production: communal plots and private "blocks"--small, adjacent plots under private cultivation, which together formed large fields of a single crop (to facilitate use of modern farm equipment, fertilizers, etc.). It is reported that communal lands became "token efforts demonstrating compliance to satisfy the officials",²

¹Adolpho Mascarenhas, "After Villagization--What?" in Bismarck U. Mwansasu and Cranford Pratt, eds., Towards Socialism in Tanzania (Toronto: University of Toronto Press, 1979), p.153. By 1980 there were some 8300 registered villages. Young, Assistance to Tanzania, p.9.

²Louise Fortmann cited in Lappe and Beccar-Varela, Big Questions, p.105.

Villages achieving 60% communal production were to be accorded multi-purpose cooperative status; by 1976 only 2 of some 7,000 villages had been thus designated.¹ Communal ownership and effort did not bear the fruit of increased production or a transformed rural sector; it could be questioned whether ujamaa "socialism" even took root.

The dynamic between popular participation and its darker twin, coercion, also contributed to the failure of the ujamaa "strategy". Nyerere promoted ujamaa as a vehicle for enhanced self-reliance and true democracy, a kind of self-determination and self-actualization through socialist principles. Yet the villagization campaign between 1973 and 1976 was anything but voluntary. Coulson, a critic of the villagization exercise, cites evidence of state coercion and destruction of property, crops, homes, and even food supplies.² Fortmann notes that "the use of force to implement a policy whose major component is cooperation is, in any event, a contradiction in terms....Coercion may be successful, but only at a price--it results in alienation and passivity".³ The peasantry was not engaged or coopted in a process of social transformation, rather, it became an unwilling partner in an exercise that provided real hardship

¹ Lappe and Beccar-Varela, Big Questions, p.105.

² Coulson, Tanzania, p.161.

³ Fortmann cited in Lappe and Beccar-Varela, Big Questions, p.105

with little evidence of benefit or gain.

The 1972 decentralization of planning and administration was intended to foster popular participation. Yet in the absence of any detailed planning towards the objective of villagization, the peasantry was involved in form only, causing one commentator to claim that decentralization, too, was a coercive tool, providing "expanded personnel to implement policies authored by the central government".¹

Because Tanzania's development plans were premised on increased agricultural production, it was necessary that an appropriate marketing structure and pricing policy for agricultural commodities be established to support the rural sector. Policies adopted by Tanzania in the 1967 - 1980 period had quite the opposite effect.

In colonial times marketing in Tanzania was conducted by Asian traders, with considerable efficiency and at low cost. In the 1950s rich peasants began forming cooperatives as an alternative to the economic power of Asian traders and the political power of traditional chiefs. The expansion of the cooperative movement became part of the struggle for independence. As Bryceson notes, "this had popular appeal rendering the cooperatives a formidable force in the struggle

¹Fortmann cited in Lappe and Beccar-Varela, Big Questions, p.105.

for independence."¹

At independence the Government decided to utilize the cooperative structure as a central instrument of rural development. The Government encouraged the establishment of cooperative societies throughout the country, covering most cash crops. In 1963 the National Agricultural Production Board (NAPB) had been established as a state marketing agency to coordinate the trade and marketing of grain. Under this structure, geographically-based primary crop or production societies were responsible for the procurement of all scheduled crops and their delivery to specified regional storage and transport centres. Farm producers received the difference between a price fixed by the NAPB and the marketing costs of the cooperative unions and primary societies. Although peasant producers received a lower cash return under such a tiered marketing structure, they were also to receive the benefits of increased credit, crop input, and tractor-hiring schemes afforded by the cooperative structure. This structure has been criticized by the academic community as being imposed from above, rather than stemming from the initiative of the farmers themselves, and

¹ Deborah Bryceson, Second Thoughts on Marketing Cooperatives in Tanzania: Background to Their Reinstatement (Oxford: The Plunkett Foundation for Co-operative Studies, 1983), p.3.

indeed, the system was resented by peasant farmers.¹ Despite a degree of mismanagement, inefficiency, and corruption caused partly by a too rapid expansion of the system, the cooperative marketing structure was viable. In addition, the cooperative societies gained not insignificant political influence.

Partly because of this influence, the agricultural cooperatives were replaced by a parastatal marketing structure. The parastatal structure was rooted in Nyerere's socialism and self-reliance ideology, and was an adjunct of the post-independence nationalization of much of the Tanzanian economy. The structure was also intended to complement the villagization strategy. The Government claimed that the agricultural cooperatives had exhibited capitalist tendencies which were both undemocratic and exploitative. It is unclear how a parastatal structure of marketing was to be more democratic; it certainly proved to be exploitative.

Two parastatals, the National Milling Corporation (NMC) and the Tanzanian Rural Development Bank (TRDB), assumed control of all produce buying, grading, transport, processing, and selling, as well as credit, extension, and input distribution functions. Crop-specific parastatals were later established for 10 crops: domestic food, oilseeds,

¹ A. R. M. Ritter, Tanzania's Agricultural Sector: An analysis of past performance and an evaluation of 1980-81 policy initiatives (Hull: CIDA Commonwealth Africa Division, 1981), p.43.

cashew-nut, coffee, cotton, pyrethrum, sisal, sugar, tea, and tobacco. The establishment of these parastatals increased the centralized control over both product development and marketing functions, created overlapping procurement and transportation systems, and greatly multiplied the attendant bureaucracy. By the end of the 1970s the only category of crops excluded from state marketing channels, that is, open to private trading, was fruits and vegetables.

From 1974 - 1981 a single, pan-territorial price for each scheduled crop was used; such prices were determined by an Executive Committee of Cabinet. Pan-territorial prices made no allowance for location or transport costs, and hence production in some regions was heavily subsidized. Prices were determined some 12 - 18 months in advance of actual production, based on estimated future production and estimated future selling prices. Producers received any residual, after associated marketing costs were deducted. As a result of these policies, the cash crop economy became locked into a continuous process whereby the deficiencies of the marketing system were institutionalized or entrenched, at the expense of the peasant producer; sub-optimal operation of the marketing system quickly became the norm.

It is notable that this period also was characterized by the use of force or coercion to stimulate agricultural production, increased production being needed to finance the country's development plans. Resurrection of colonial minimum acreage laws, fines for not following prescribed

cultivation practices, and the actual inspection of shambas (farm plots) were some of the measures used to force peasant compliance.

The inefficiencies of the parastatal marketing structure engendered failure as well as gross excesses. It is estimated that NMC stock loss and deterioration ran as high as 30 percent due to inadequate storage facilities, negligence, and large scale pilfering at all levels of the marketing, milling, and distribution channels.¹ And since the monopolistic nature of the parastatals induced little incentive to control costs, the administrative price tag of the structure increased at the same time as services to smallholders (supply of inputs, extension, crop collection, and especially crop payment) deteriorated. So great was parastatal inefficiency that by 1980 the accumulated indebtedness of the National Milling Corporation was more than 5 billion Tanzanian shillings, or three times the total producer value of all official crop purchases in 1979 - 1981. The NMC's accumulated indebtedness equalled 15 percent of Tanzania's monetary GDP.²

Although the parastatal marketing structure proved hopelessly inefficient and "gouged" the rural producers, with little positive economic or developmental effect, it appears that it was the country's agricultural pricing policies which

¹ Bryceson, Second Thoughts, p.18.

² Ellis, "Agricultural Price Policy in Tanzania", World Development, (10:4, 1982), p.276.

had the greatest negative impact upon Tanzania's rural agricultural sector. In the early part of the 1970s, producer price levels were all but neglected as an instrument of agricultural policy. There was little increase in monetary terms for export crops and staple grains, and an actual decline in real prices accruing to the small scale farmers who produce the vast majority of cash crops in Tanzania. As a result, "farmers beat a hasty retreat from many of the official sectors of marketing",¹ resorting to subsistence-based production or sale through illegal parallel markets where they received two to four times official prices.² As the International Labour Organization noted:

...this process can quickly develop into a self-reinforcing spiral. As farmers withdraw from the official markets, foreign exchange becomes even scarcer. Therefore, allocation of inputs, spares, and fuel are further restricted and production of essential consumer goods, availability of agricultural inputs and transportation capacity is further reduced which in turn reduces further import capacity. As this sequence of events keeps repeating and intensifying at each iteration, a serious situation becomes desperate, a structural decline becomes a crisis.³

Tanzania soon was embraced by just such a "scissors crisis". Marketed production fell as small-scale producers withdrew from the market economy. In Tanzania, then, efforts to

¹ International Labour Organization, Basic Needs in Danger A Basic Needs Oriented Development Strategy for Tanzania (Addis Ababa: International Labour Office Jobs and Skills Programme for Africa, 1982), p.45.

² Bryceson, Second Thoughts, p.17.

³ International Labour Organization, Basic Needs, p.45-6.

increase marketed production of agricultural goods while simultaneously holding down real prices paid to the agricultural producers proved to be self-defeating.¹

The decline in production was heightened by drought and crop failure in 1973 and 1974. Tanzania faced a deficit of over a million tons of cereals in the years 1974 - 1977. This shortfall was made up through foreign food aid and through imports costing some TSh 2000 million.² The importation of food grains exhausted Tanzania's foreign exchange holdings. Here, too, political concerns and the domestic pricing structure exacerbated the situation: to forestall a negative reaction of urban consumers to a sudden increase in wheat and maize prices, Tanzania continued to subsidize consumption by absorbing the difference in cost between import and sale prices. Because the Tanzanian domestic price for wheat and maize was about one-half the world price, such subsidization cost the state an additional TSh 1000 million.

The food deficit in 1973 and 1974 caused the Government to try and stimulate domestic crop production, but such effort has been described as "more of a reflexive action to national crisis than a premeditated component of a coherent strategy" directed to improve returns to rural

¹Ellis, "Agricultural Price Policy", p.277.

²Coulson, Tanzania, p.260.

producers.¹ Price incentives were introduced to encourage expanded production and marketing of domestic food crops, particularly maize, sorghum, millet, as well as the so-called drought crops. While the increase in prices compensated for increases in the cost of living, they did not necessarily make up for the previous real decline in prices which had occurred through both pricing policy and incentive neglect. However, even this limited increase in the money price of domestic and drought crops resulted in a dramatic increase in production.

But increased production of domestic food crops came at the expense of cash crop production. Producer prices for cash crops had not been increased or adjusted quickly enough to prevent a rapid deterioration in the marketed production of these foreign exchange-earning crops. The response of peasant producers to price incentives for food crops had engendered a new scissors crisis, as cash crop production further declined. Once again inadequate pricing policies had spawned undesirable results.

Ellis has concluded that "the evolution of marketed output broadly followed trends in relative producer prices since production over the decade [1970s] shows export output declined by 26 percent, staple grain output rose by 34 percent, and drought crop output is estimated to have

¹ Ellis, "Agricultural Price Policy", p.269.

increased by 620 percent".¹ While the massive increase in drought crop production staved off food shortages, there was no commercial or viable market for such crops outside the rural economy, yet another indication of the inappropriate agricultural policies pursued by an over-centralized bureaucracy aloof from the rural sector. Rather than encouraging an increase in both food and export crop production through realistic incentive policies, patterns of agricultural production became skewed to the production of subsistence and staple food crops.

What was the cost of these misdirected policies? Ellis approximates the foreign exchange cost of the decline in export crop production by calculating what the export earning from the principal crops would have been in the late 1970s if earlier output at least had been maintained. This calculation shows that at 1979 export prices Tanzania's basket of export crops would have earned nearly TSh 4.5 billion in foreign exchange rather than the TSh 2.5 billion actually earned in that year. The TSh 2 billion difference is equal to one-half of Tanzania's 1979 trade deficit.²

The agricultural policies pursued in the post-Arusha period proved largely counter-productive. In terms of increased production of cash crops the policies must be seen to have failed. The policies contributed little, if

¹Ellis, "Agricultural Price Policy", p.272.

²Ellis, "Agricultural Price Policy", p.276.

anything, to Tanzania's economic development, and could not have had a salutary or supportive effect in terms of the country's social or political goals. The policies had failed to "capture" the peasantry, or effectively enlist them in the task of socialist transformation.¹ Production had increased only in response to price incentives, but such incentives had not been used to maximum economic effect. It would be wrong to suggest, however, that the state had been unable to achieve economic surplus from the peasant sector. There are indications that it was entirely too successful. While the real sales price of export crops increased on average by 17.4 percent in the 1970s, producer receipts showed a real decline of 35.2 percent. This represents "a massive cumulative transfer of resources from peasant producers to the state".²

It also should be noted that despite the acclaimed rural development orientation of Tanzania's development strategy, the agricultural sector received but a small proportion of development expenditure throughout the 1970s. As Ritter details, planned allotment of development expenditures for agricultural and livestock development in the Third Five-Year Plan was only 13.5 percent of total, as

¹Goran Hyden, Beyond Ujamaa in Tanzania Underdevelopment and an Uncaptured Peasantry (London: Heinemann Educational Books Ltd., 1980). Hyden's book presents a thesis of an "uncaptured peasantry" as the major failing of Tanzanian socialism, as well as the major cause of failure of Tanzania's development efforts.

²Ellis, "Agricultural Price Policy", p.276.

compared with 24.2 percent for industrial development, although actual expenditures proved to be somewhat higher. Ritter sees this as a surprising bias against agricultural investment, given that agriculture accounted for over 53 percent of GDP in 1979 and over 75 percent of the country's foreign exchange revenues.¹

2.4.2 Exogenous Influences and Tanzanian Development

Of the external factors which have impacted upon Tanzanian development, none is more important, nor had such a negative effect, as the declining terms of trade for its export commodities. Over the past two decades, the over-all world market prices of Tanzania's agricultural exports-- coffee, tea, tobacco, cashew-nuts, cotton, and sisal--have declined, while the cost of petroleum, industrial inputs, machinery, and other imports has steadily increased. For example, a 1965 drop in the world price for sisal, then Tanzania's largest source of foreign exchange earnings, caused export receipts for sisal to drop by 35 percent (despite larger tonnage shipped). Such a decrease, in a single export commodity, virtually nullified the inflow of foreign aid pledged to Tanzania's first five year development plan.²

Tanzania has a fairly diversified export commodity portfolio. In the years 1972-1982, 1977 was the single year

¹Ritter, Tanzania's Agricultural Sector, p.31.

²Johns, "Tanzania", p.264.

in which the country's two leading export commodities accounted for more than one-half of export earnings. If such diversification buffers Tanzania from the worst effects of a "boom and bust" commodity price cycle, or from natural disaster (such as frost destroying an entire crop of coffee, as has happened to Brazil), the diversification lessens the potential for significant positive changes in foreign exchange earnings: "In most years a doubling of earnings from coffee, cotton, sisal, cashew nuts or cloves would increase the total export earnings by less than 10 per cent--usually not enough to offset inflation".¹

The declining terms of trade have had an incredible impact upon the Tanzanian economy and Tanzanian development. Using 1960 prices as a basis, the index prices of cotton fell from 99.9 in 1962 to 92.6 in 1967; for sisal from 96.5 in 1962 to 66.7 in 1967, for tea from 113.5 to 99.4.² The slide in commodity prices has continued for much of Tanzania's post-independence history:

between 1972 and 1980 Tanzania's terms of trade deteriorated by 21.5 percent when oil is left out of account. When oil is included they deteriorated by 35.7 percent; putting this in real terms, a country like Tanzania had to sell 38 tons of sisal, or 7 tons of cotton to buy a seven-ton truck in 1972. In 1980 that truck required 134 tons of sisal or 28 tons of cotton."³

¹Johns, "Tanzania", p.264.

²Shivji, Silent Class Struggle, p.19

³Julius Nyerere quoted in International Labour Organization, Basic Needs, p.43.

In 1981 that same truck (which symbolizes the kind of manufactured good Tanzania must import from abroad) required the export sale of three times as many cashew nuts, or three times as much coffee, or ten times as much tobacco as it had but five years earlier.¹

Between 1977 and 1978 the price of Tanzania's imports increased by 46 percent due to increased petroleum costs, both directly and indirectly as the increased cost of oil was factored into the price of the industrial or manufactured goods which Tanzania imported. The prices Tanzania received for its export commodities, however, declined: coffee decreasing by 9 percent; cotton by 0.5 percent, sisal by 30.4 percent; cashew nut by 36.2 percent, tobacco by 14.3 percent, pyrethrum by 23.1 percent. Tea, with an increase of 5.5 percent in 1977-78, was the only export commodity to register an export price increase.² What does such a downward slide in export prices mean to Tanzania? It has been estimated that if the 1977-78 terms of trade for Tanzania's export commodities had not changed at all, Tanzania's trade deficit in 1980 could have been reduced by half, from TSh 6 billion to about TSh 3 billion.³

Tanzania, like all non-oil producing LDCs, has been

¹William E. Smith, "Transition", The New Yorker, March 1986, p.76.

²International Labour Organization, Basic Needs, p.43.

³International Labour Organization, Basic Needs, p.43.

severely affected by the increased price of oil, both in terms of its own oil imports and the related increase in the secular price trend for industrial and manufactured goods. In 1980, Tanzania was importing less petroleum than it had in 1972, but the cost had increased by ten times. Imported petroleum costs accounted for almost half of the country's total export earnings.¹ The 1979 increase in petroleum prices added U.S. \$150 million to the annual oil import bill.² By 1980-81, up to 60% of foreign exchange earnings were required to pay for oil imports.³ Because of the severe negative impact of increased petroleum prices, Tanzania was designated as one of the "most severely affected" LDCs.

In addition to escalating oil prices and deteriorating terms of trade, Tanzania in the 1970s also faced four years of drought or flood-related crop failure (1973, 1974, 1979 and 1980); the dismantling of the East African Community;⁴ and a war with neighbouring Uganda, which is estimated to have cost Tanzania some U.S. \$400 million, with an additional \$350 million in demobilization

¹ Johns, "Tanzania", p.264.

² United Republic of Tanzania, Programme, p.5.

³ Ritter, Tanzania's Agricultural Sector, p.13.

⁴ Tanzania spent U.S. \$200 million to replace the services (airline, rail system, postal and telecommunications system) that the Community had provided. Smith, "Transition", p.79.

and adjustment costs.¹ The cost of drought, direct petroleum imports, and first stage indirect petroleum imports (transportation and petroleum products) alone have been estimated to have cost Tanzania some TSh 3,500 million between 1974 and 1977.² These exogenous factors dealt ~~crippling blows to Tanzania's economy;~~ in the context of mis-directed or ineffective domestic economic policy, they proved ruinous.

2.5 Crisis and Adjustment

Today Tanzania is in grave financial straits. In fact, in the early 1980s Tanzania was economically worse off than at any time since independence, and even had to import food, supplying only 87% of its people's caloric needs.³ Tanzania's economic growth has more than stagnated; it has declined:

GDP has declined continuously, by about 1.3 percent in constant prices since 1978. Only in one year (1980) has it shown any growth at all, so that GDP in 1985 now stands at least 5 percent below 1978. If account is taken of the deterioration in the terms of trade, the national fall in GDP stands at nearly 15 percent. But

¹Tanzania later claimed that Uganda owed it U.S. \$150 million due to a post-war demobilization and adjustment "loan". Reginald Herbold Green, "Political-Economic Adjustment and IMF Conditionality: Tanzania 1974-81" in John Williamson, ed., IMF Conditionality (Washington: Institute for International Economics, 1983), p.348.

²R. H. Green, D. G. Rwegasira, B. Van Arkadie, Economic Shocks and National Policy Making: Tanzania in the 1970s (The Hague: Institute of Social Studies, 1980), p.128.

³Yeager, Tanzania, p.37.

if account is also taken of the population growth during this period, the per capita decline is estimated at no less than 30 percent.¹

In 1980 the real value of the country's exports fell below its 1973 level. Tanzania's 1980 exports were worth TSh 4.4 billion; with imports totalling over TSh 10 billion there was a TSh 6 billion trade deficit. Exports thus financed only 42 percent of the country's import bill. There is a visible trade gap equal to about 100 percent of exports and perhaps 10 to 12.5 percent of GDP.² From 1962 to 1973 imports grew from 27 percent to 30 percent of GDP while exports fell from 28 percent to 22 percent, of which agricultural crops continuously made up about 70 percent.³ The trade deficit thus increased for several years. The 1978 trade deficit represented 25.1 percent of GDP.⁴ In 1970 Tanzania's balance of payments deficit was TSh 203 million (U.S. \$29 million); by 1979 the deficit had increased to TSh 3.7 billion (U.S. \$457 million), a fifteenfold increase.⁵

¹ Makumolo Abdallah, IMF Conditionality and the Third World: The Case of Tanzania, Research Essay, (Ottawa: Norman Paterson School of International Affairs, Carleton University, 1985), p.43.

² R. H. Green, "No Worst There is None? Tanzanian Political Economic Crisis 1978-???" in Jerker Carlsson, Recession in Africa Background papers to the seminar: Africa--Which way out of the Recession? (Uppsala: Scandinavian Institute of African Studies, 1983), p.109.

³ Jannik Boesen, "Tanzania: from ujamaa to villagization" in Mwansasu and Pratt, Towards Socialism, p.140.

⁴ Yeager, Tanzania, p.84-5.

⁵ Yeager, Tanzania, p.38.

The country's 1984 debt was U.S. \$3.5 billion (some U.S. \$170 per capita); Tanzania's external debt outstanding represented nearly 70 percent of GDP.¹ International debt service required 9 percent of export earnings in 1980, yet at TSh 2.3 billion (U.S. \$286 million), the country's international payments arrears equalled half the value of its 1980 exports.² Attempts to handle the trade gap over 1979-82 "led to the buildup of about U.S. \$350 million of trade arrears, U.S. \$100 million of short term external commercial bank credits, U.S. \$200 million in short term supplier credits, and U.S. \$20 million in delayed long term debt services--about 120 percent of annual export earnings".³

In 1980, import allocations could be granted for only 35 percent of requests, for those imports not financed by foreign development assistance. Constrained by import restrictions and a chronic shortage of spare parts and industrial inputs, the country's industries were operating at between 30 and 50 percent of capacity.⁴ Whereas the national inflation rate increased by some 1.8 percent per year between 1960 and 1970, it ran at 13 percent per year throughout the 1970s. By 1981 internal inflation was nearly 50 percent, and magendo (smuggling and black marketeering)

¹United Republic of Tanzania, Programme, p.19.

²Yeager, Tanzania, p.38.

³Green, "No Worst", p.109.

⁴Johns, "Tanzania", p.265.

was running rampant.¹

Essentially, then, Tanzania provides a striking example of the rapid deterioration of prospects for economic development in the Third World. Despite significant political stability (and not insignificant qualitative development achievements, including improved life expectancy, literacy, improved access to potable water and health care, equitable distribution of income),² disruption caused by

¹Rasmus Rasmusson, On Optimal Assistance with Special Reference to the Second Kenyan and Tanzanian Five Year Plans (Budapest: Centre for Afro-Asian Research of the Hungarian Academy of Sciences, 1973), p.6.

²"In his final speech to the Tanzanian Parliament, on July 29, 1985, Nyerere recited some of the accomplishments that he and his countrymen are proudest of. Since 1961, the number of children in the country's primary schools has risen from four hundred and eighty-six thousand to three million six hundred and sixty thousand--a 'tremendous achievement... unmatched anywhere in Africa'. In 1961, eighty percent of the adult population was illiterate; today, according to the government, eighty-five percent of the adults can read and write, partly as a result of an adult-education program, and Tanzania has the highest adult literacy rate in Africa. In 1961, eleven percent of the people had access to clean water; today, just under fifty per cent have clean water within four hundred and fifty yards of their homes. The number of hospitals has increased from ninety-eight to a hundred and forty nine, of rural health centres from twenty-two to two hundred and thirty-nine, and of dispensaries from nine hundred and seventy-five to two thousand six hundred and forty-four, while the number of Tanzanian doctors has gone from just twelve at independence to seven hundred and eighty-two--one doctor for every twenty-six thousand people, instead of one for every eight hundred and thirty thousand. The infant-mortality rate has declined from two hundred and twenty-five for every thousand babies born alive to a hundred and thirty-seven. Life expectancy, which was estimated at thirty-five years in 1961, is now fifty one. 'The infant-mortality rate is still very much too high, and an expectation of life of fifty-one years is very much too low,' Nyerere said in his speech. 'But if we make comparisons with where we came from, the advance is not small. We have laid

both external influences and inadequate domestic development policies has prevented the early achievement of Tanzania's economic, social, or political goals. Indeed, twenty-five years after independence these goals seem even more distant. The agricultural sector produces less today than it did a decade ago. The industrial sector is import dependent and has contributed little to Tanzania's self-reliance. A burgeoning public sector consumes an ever increasing proportion of the nation's resources.¹ Tanzania still relies on foreign development assistance to finance more than 70 percent of its development expenditures.²

In the face of economic disaster, Tanzania in June 1982 initiated a major effort to address some of the contradictions in its economic and development "strategy". The Structural Adjustment Programme (SAP) was directed to restructuring future economic activity through better incentive systems and to revising priorities in government spending to achieve a more sustainable external balance and

the foundations for further advance'. It is Nyerere's contention that these accomplishments are directly related to the grouping of most of the population into villages." Smith, "Transition", p.74.

¹The bureaucracy doubled in size from 1970 to 1976, and in 1980 took 16 percent of the national income. Jean-Pierre Langellier, "Tanzania's Socialist Choice", Manchester Guardian Weekly, 9 November 1980, p.14 cited by Linda Freeman, "CIDA, Wheat and Rural Development in Tanzania", unpublished paper, 1984, p.2.

²Some 60 percent of development expenditures in 1976 were foreign financed as compared to about 20 percent in 1969. Boesen, "Tanzania", p.140.

renewed growth; rationalization of production structures to achieve increased capacity utilization, improved manpower utilization and to reduce unproductive activities; and to improving planning and control mechanisms through more effective budgeting, monitoring, evaluation and enforcement of agreed priorities.¹ Under the Programme essential services were maintained, but more emphasis was placed on productive enterprise and less on infrastructural development. Some policies perceived to have been in error were reversed: farmers' cooperatives were reintroduced, the private sector was enlarged considerably, and budget allocations to the agricultural sector were increased. In addition, subsidies to crop parastatals and of sembe (maize meal) and foodstuffs were eliminated, school fees were introduced, and the size of Government was reduced by layoff and closure of some public corporations.²

But was such action too little, too late? Had Tanzania's development path deviated unalterably from that determined by the Arusha Declaration? And how had foreign development assistance, and the donors of aid, influenced the direction of its development? The following chapters consider the impact of such aid upon Tanzanian development, and assess the consequence of Tanzania's dependence on external development assistance.

¹ United Republic of Tanzania, Programme, p.5.

² United Republic of Tanzania, Programme, p.5.

CHAPTER 3 AID AND DEPENDENCE THE TANZANIAN EXAMPLE

3.1 Introduction

Foreign aid can be defined most simply as financial resources, transferred on concessional terms, which are used to assist development, particularly economic development.¹ Although such resources are provided on a concessional basis, foreign aid rarely is given freely. Aid donors have particular motives or objectives in providing such assistance.² "There is overwhelming evidence of very considerable intervention in the domestic and external affairs of aid recipients, which can hardly be thrown off once a country has accepted a strategy for development based on a continuing flow of resources from abroad; it becomes

¹The terms "aid", "foreign aid", "foreign development assistance", "external development assistance", and "international development assistance" are used interchangeably.

²Much has been written about the "theory" of foreign aid, including donor motivation. Some standard works include Robert Casson and Associates, Does Aid Work? Report to an Intergovernmental Task Force (Oxford: Clarendon Press, 1986); I. M. D. Little and J. M. Clifford, International Aid A discussion of the flow of public resources from rich to poor countries (Chicago: Aldine Publishing Co., 1966); Raymond F. Mikesell, The Economics of Foreign Aid (Chicago: Aldine Publishing Co., 1968); Lester B. Pearson, Chairman, Partners in Development Report of the Commission on International Development (New York: Praeger Publishers, 1969); Marian Radetzki, Aid and Development A Handbook for Small Donors (New York: Praeger Publishers, 1973); Keith Spicer, A Samaritan State? External Aid in Canada's Foreign Policy (Toronto: University of Toronto Press, 1966).

well-nigh impossible to draw back".¹ Dependence on foreign aid, and more importantly the consequences of such dependence, has become a feature of Third World development.

There is no simple and singular relationship between aid and dependence, aid and development. The nature of the development process, as well as the differential impact of development assistance or aid makes the relationship complex and multi-faceted.

The following chapter provides an overview of Tanzania's experience with foreign aid or development assistance through the various periods of its post-independence history. The chapter reviews the various dimensions of aid: Tanzania's policy towards foreign aid, donor motivations, the impact or influence of foreign development assistance. The chapter also deals with the related issues of development planning and aid coordination in Tanzania.

The Tanzanian experience is unique, given both the volume of aid received and the country's stated goal of increased self-reliance. While a review of Tanzania's experience with foreign aid might not afford a test case, or provide a comprehensive analysis of aid, it is hoped that it might illuminate, rather than obfuscate, some of the inherent connections between foreign development assistance and both

¹Just Faaland, ed., Aid and Influence The Case of Bangladesh (Bergen: The Chr. Michelson Institute, 1981), p.192.

dependence and development. Although particular circumstances might differ, or impact felt to a greater or lesser degree, the experience of other low-income African countries is presumed to be somewhat similar, if not directly parallel.

3.2 External Aid and Tanzanian Development

There has been no period of Tanzania's post-independence history in which foreign aid has not been of considerable importance. The continuing need for external development assistance has been a constant of Tanzanian history. Indeed, the country has relied upon foreign development assistance to finance a large proportion of its ambitious development plans.

Cranford Pratt has noted that nothing was more influential in shaping Tanzania's initial political strategy than the realization that an independent Tanzania would be incapable of maintaining the level and standards of existing government services, much less initiating large-scale development plans, without a great deal of foreign development assistance.¹ Tanzania's unbounded hope about the availability of external economic resources was reflected in the Minister of Finance's projection that some TSh 5,000 million of foreign aid would be needed between 1975-80. More startling was his estimation that by the end of the century

¹Cranford Pratt, The critical phase in Tanzania 1945-1968 Nyerere and the Emergence of a Socialist Strategy (Cambridge: Cambridge University Press, 1976), p.91.

Tanzania would have absorbed about TSh 40,000 million of external aid.¹

In fact, while the aid flows to Tanzania over the past twenty-five years amount to billions of dollars (Figure 1), Tanzania has experienced some disappointment over the levels of external economic assistance, particularly in the immediate post-independence period, and again in the mid-1980s. External resources were to account for 52 percent of all resources required for the country's First Five Year Development Plan, with 78 percent of the Government's investment to come from external funds (foreign loans and grants). Yet over the First Plan period, less than 40 percent of such investment derived from foreign sources.² In the first years of Tanzanian independence, more than 87 percent of total aid came from Great Britain; another 4 percent from West Germany.³ Hence, more than 90 percent of foreign aid receipts came from but two countries, Tanzania's former colonial masters. Despite the preponderant importance of these two sources of external aid, Tanzania chose to

¹Okwudiba Nnoli, Self Reliance and Foreign Policy in Tanzania: The Dynamics of the Diplomacy of a New State 1961 to 1971 (New York: NOK Publishers, 1978), p.97.

²David H. Johns, "Tanzania" in Timothy M. Shaw, Olajide Aluko, eds., The Political Economy of African Foreign Policy: Comparative Analysis (New York: St. Martin's Press, 1984), p.266. Out of a total development expenditure of TSh 480 million for the plan period, TSh 300 million or about 79 percent was expected from external sources. Nnoli, Self Reliance, p.5.

³Nnoli, Self Reliance, p.62.

forego further development assistance from these donors by breaking off diplomatic relations with Great Britain in 1964 (because of Britain's stance on Rhodesia and South Africa) and with West Germany in 1965 (over the Hallstein doctrine and Tanzania's recognition of East Germany). This assertion of political independence was consistent with Tanzania's non-aligned foreign policy, but it also bore real financial costs for the young country.

Figure 1: Total Overseas Development Assistance to Tanzania, Net Disbursement, U.S. \$ million 1970 - 1983.

Sources: Organization for Economic Cooperation and Development, Geographical Distribution of Financial Flows to Developing Countries Disbursements, Commitments, Economic Indicators (Paris: OECD, 1984), p.220; United Nations Conference on Trade and Development, The Least Developed Countries 1984 Report Annex Basic Data (Geneva: UNCTAD: 1985), Table 23, p.165.

Tanzania's disappointment over levels of external economic assistance in the First Plan period, and the necessity of reconciling foreign and domestic policies resulted in a concerted attempt to diversify sources of aid to both lessen dependence on any one donor, and to maintain or increase total aid flows. By the end of 1968 the sources of capital actually received by Tanzania had been diversified to include the following in their rank order of importance: the International Development Agency, China, USAID, Sweden, United Kingdom, Soviet Union, Japan, Denmark, Canada, West Germany, Zambia, Israel, and Yugoslavia.¹ But if Tanzania became a "truly non-aligned state" due to the greater diversity and balance in its economic aid sources, it became no less dependent on foreign development assistance to achieve an increased measure of economic independence.² Such is the paradox of aid.

Although Tanzania rather successfully diversified sources of aid as a means of limiting its dependence on any one donor, and by extension, limiting its susceptibility to political pressures exerted by the manipulation of economic relations, the country's early experience with the "aid game" contributed substantially to the decision that the country should pursue a socialist and self-reliant path.

¹Nnoli, Self Reliance, p.62.

²Susan Giletson cited in Maria Nzomo, The Foreign Policy of Kenya and Tanzania: The Impact of Dependence and Underdevelopment, PhD Dissertation, (Halifax: Dalhousie University, 1982), p.33.

The 1967 Arusha Declaration charted Tanzania's future: socialism and self-reliance were to be the guiding principles of the country's social, political, and economic development. The Declaration established the country's internal orientation and determined its bearings as an independent state. As a framework for the country's development, the Arusha Declaration also delineated criteria for seeking and accepting foreign development assistance.

The Arusha Declaration warned against the belief that Tanzania's development problems could be resolved by money alone:

It is stupid to rely on money as the major instrument of development when we know only too well that our country is poor. It is equally stupid, indeed it is even more stupid, for us to imagine that we shall rid ourselves of our poverty through foreign financial assistance rather than our own financial resources.

The Declaration also dealt specifically with the issue of foreign aid and the dependence and influence it can spawn. Aid should not endanger the country's economic or political independence, or its ability to make key policy decisions regarding the economy. Only aid consistent with Tanzania's social goals would be accepted:

How can we depend upon gifts, loans, and investments from foreign countries without endangering our independence?.... How can we depend on foreign governments and countries for the major part of our development without giving to those governments and countries a great part of our freedom to act as we please? The truth is that we cannot. Let us

¹Julius K. Nyerere, Freedom and Socialism A Selection from Writings and Speeches 1965-1967 (London: Oxford University Press, 1968), p.238.

therefore always remember the following. We have made a mistake to choose money, something which we do not have, to be our major instrument of development. We are mistaken when we imagine that we shall get money from foreign countries, firstly, because to say the truth we cannot get enough money for our development, and secondly, because even if we could get it such complete dependence on outside help would have endangered our independence and the other policies of our country.¹

The Declaration, however, did not preclude the use of foreign development assistance under partnership conditions with the government. While aid would be sought, it should be regarded as supplementary to the country's internal development efforts and must never be accepted if it were to limit national freedom:

We shall not depend on overseas aid to the extent of bending our political, economic, or social policies in the hope of getting it. But we shall try to get it in order that it may hasten our economic progress, and that it may act as a catalyst to our own effort.²

The Arusha Declaration ushered in a new period in Tanzania's history, marking its intention to create a self-reliant and socialist state. Self-reliance and self-directed internal effort, however, did not premise a reduction in foreign development assistance. The provision of adequate rural social services by the initial target deadline of 1991 implied a capital cost of TSh 4,000 million and an aggregate recurrent cost of TSh 10,800 million; such expansion of social infrastructure clearly lay beyond Tanzania's domestic

¹ Arusha Declaration cited in Michaela von Freyhold, Ujamaa Villages in Tanzania. Analysis of a Social Experiment (London: Heinemann Educational Books, 1979), p.10-11.

² Nyerere, Freedom and Socialism, p.238.

resources and predicated massive infusions of foreign development assistance.¹

If in the twenty years since the Arusha Declaration Tanzania has failed to re-orient the pattern of resource allocation to the rural sector, or to have generated self-sustaining development based on its own limited agrarian resources, the Declaration signalled a new direction in the country's history and development. The Arusha Declaration, and Nyerere's vision of a socialist and self-reliant state garnered a great deal of international attention, and ultimately financial support. The reasons for such support are discussed more fully below; in short, however, the Declaration struck a responsive chord in that it seemed the enunciation of a basic needs approach to Third World development.

It is a paradox that the Arusha Declaration, as a framework for socialism and self-reliance, should have engendered increased foreign development assistance to Tanzania. But in the years following the historic Declaration, aid flows to Tanzania increased. Until 1971, "the selectivity criteria stipulated by the Arusha Declaration in procuring foreign resources was in general

¹ Lizz Kleemeier, "Tanzanian Policy Towards Foreign Assistance in Rural Development: Insights Drawn from a Study of Regional Integrated Development Programs", Taamuli, (12, December 1982), p.62.

adhered to."¹ But as the international community responded to Tanzania's development vision with increasing amounts of financial aid, such provisions were relaxed. In 1967 about three-fifths of all development expenditures derived from the country's own resources. A decade later, loans and grants from foreign sources equalled half the country's development expenditures and 2/3 of Tanzania's central government deficit was financed by foreign sources, half by grants and the other half by low interest loans.² By 1981, annual aid contributions approached \$700 million, representing the highest per capita amount in sub-Saharan Africa.³ The internationally funded share of new development projects increased to nearly 70 percent by 1981.⁴

Such absolute increases in aid increased Tanzanian reliance upon foreign development assistance; it is more difficult to assess how such aid compromised the country's development objectives, or its specific development plans. Before addressing such issues, however, it is important to examine why Tanzania attracted so much aid, and became such an important aid client.

¹S. S. Mushi, "Tanzanian Foreign Relations and the Policies of Non-Alignment, Socialism, and Self-Reliance", Taamuli, (9, December 1979), p.6.

²Frances Moore Lappe and Adele Beccar-Varela, Mozambique and Tanzania Asking the Big Questions (San Francisco: Institute for Food and Development, 1980), p.110.

³Rodger Yeager, Tanzania An African Experiment (Boulder: Westview Press, 1982), p.77.

⁴Yeager, Tanzania, p.89.

3.3 Donor Motivations - Tanzania as "Aid Darling"

Modern man seems compelled to categorize. The arid field of international development has not escaped such compulsion. Not satisfied with the trinity of First, Second, and Third Worlds some commentators chose to speak of a Fourth World made up of the very poorest nations. Of the "less developed countries" or LDCs (terms now abandoned in favour of the slightly more positive, or at least less disparaging, "developing countries") there were those "most seriously affected" by dramatically increased petroleum prices. The "Group of 77", which now represents some 130 independent nations, lobbied for the establishment of a new international economic order. The term "least developed countries" (LLDCs) ranked those countries least favoured by nature, with the fewest resources and often the greatest development problems. Tanzania, by any accounting, belonged to this latter category.

Tanzania (at least until quite recently) has never been included in that most desolate of development categories, the so-called "basket cases" which require the greatest and most immediate assistance. However, throughout the 1970s and into the 1980s the international donor community by its concentration of development assistance accorded Tanzania almost preferential status. Why did Tanzania, a country of small population and little political or economic importance, become such an "aid darling"? What motivation caused both bilateral and multilateral donors to

be so supportive of the country's development plans?

The reasons for Tanzania's receiving a disproportionate "share" of attention and aid funds are many and varied. Some are almost geopolitical in origin. Others stem from the international respect given the country's leader, Julius Nyerere. Still others are linked to the persuasive and compelling manner in which Tanzania's developmental goals were articulated. The country's early success in rapid social development demanded recognition. And yet other reasons derive from the changing context of international development, the fads and trends and experiments embraced, abandoned, and summarily replaced.

Why has Tanzania attracted so much foreign aid? In the immediate post-independence period Tanzania received the bulk of its developmental assistance from but two donors, its former colonial powers Great Britain and West Germany. Tanzania's decision to break diplomatic relations with these two countries over matters of diplomatic principle caused a disruption in aid transfers and jeopardized the country's development plans. To forego such resources was a calculated political gesture: it cost Tanzania aid resources. But it also forced the country to come to terms with its political independence as well as its economic dependence on the United Kingdom and West Germany. If such action indicated a coming of age, it also represented a loss of innocence. Yet it was not a Pyrrhic victory. The decision to sacrifice foreign development assistance from Great Britain and ~~and~~ West Germany

prompted a concerted effort by Tanzania to diversify international contacts and sources of development assistance. With its non-aligned foreign policy intact, Tanzania successfully diversified its sources of aid to include both ideological blocs, the People's Republic of China, big as well as small industrial countries, bilateral and multilateral sources, developed Third World countries, and voluntary agencies, humanitarian organizations and religious bodies.¹ In addition, in a global arena where too few nations are prepared to make difficult political or economic decisions, particularly over a matter of principle, the Tanzanian action earned the country, and its leader, both stature and an increased measure of international respect.

Such respect was enhanced by the Arusha Declaration. The Declaration charted Tanzania's future, but its influence extended beyond Tanzania's borders. The Arusha Declaration seemed to be a coherent development strategy focussing on the rural poor; as such it articulated, in a very clear and compelling manner, a new development strategy that offered the promise of real and lasting development.

Despite impressive rates of economic growth in the developing world, absolute poverty and unemployment had increased. Few benefits from such growth had "trickled down" to the neediest sectors of the population. Indeed, income maldistribution had increased since the benefits of economic

¹ Mushi, "Tanzanian Foreign Relations", p.31.

growth went primarily to the small, and usually elitist, modern sector of the economy. In addition, despite massive investment in the modern sector, it appeared that it was a country's agricultural performance which continued to determine national income.¹ As a consequence, strategies which were based on capital infusion or "modernization" ("take off to sustained development", a focus on infrastructure and industrial projects, import substitution industrialization) had proven themselves unequal to the challenge of broad-based development.

But Tanzania offered an alternative model. The 1967 Arusha Declaration signalled a radically new, and more appropriate development strategy that afforded balanced growth in conjunction with improved living standards for the poor. The Declaration married employment considerations with a "basic needs" approach to development. Such a "strategy" seemed particularly suited to Tanzania and its prospects for development. With a small domestic market, an undistinguished resource base, and few comparative advantages, Tanzania had little scope for industrial development. Moreover, industrial development is costly and in the Tanzanian context would result in neither significant economic growth nor sufficient employment to bring about structural transformation.

¹Lizz Kleemeier, "Domestic Policies Versus Poverty-oriented Foreign Assistance in Tanzania", The Journal of Development Studies, (20:2, January 1984), p. 174.

With over 90 percent of its population engaged in agricultural pursuits, Tanzania is a rural, agrarian society. The Arusha Declaration seemed to recognize that Tanzania's future would remain tied to the agricultural sector and that effective rural development offered the best opportunity for the achievement of self-reliance and socialism. The Declaration promised to mobilize "...all the resources of this country to the elimination of poverty, ignorance, and disease".¹ In incorporating a basic needs strategy, Tanzania aimed to increase the quality of life of all its people through public sector investments, and not just increased consumption by virtue of enhanced economic growth.

If Tanzania's obvious developmental need made it a prime candidate for foreign development assistance, the policy framework provided by the Arusha Declaration gave the country considerable international prominence as an environment where balanced and lasting development might occur. From such prominence flowed considerable international good will, the wish that Tanzania might achieve its development objectives. In addition, in promoting its self-reliant framework, and by demonstrating (to some extent) its willingness to "go it alone", Tanzania increased rather than diminished its influence with the regional, African, and global systems.² An increased flow of aid resources was

¹ Nyerere, Freedom and Socialism, p.232.

² Johns, "Tanzania", p.278.

the tangible measure of such international support.

Other factors also contributed to Tanzania's status as a preferred aid client. Although the Arusha Declaration effected the nationalization of some sectors and industries in Tanzania, nationalization was achieved, in most part, through full and fair compensation. Under the provisions of the Declaration joint-venture partnerships were still possible. Such action reinforced respect for the country's development strategy. Of equal importance was the stature of its leader, Nyerere, and the rectitude of the country's government. Tanzania was politically stable, and the Mwongozo leadership code was seen as a refreshing counterpoint to the self-aggrandizement and corruption of so many Third World and particularly African regimes. In addition, Tanzania's satisfactory debt service (repayment of interest and amortizations) made it a favoured, responsible aid client.

As Kleemeier noted in a 1984 article, "donors gave priority to Tanzania in their aid allocations for reasons relating to the country's extreme poverty and perceived government policy".¹ Tanzania's avowed emphasis on agriculture as the real basis of development, and the focus on smallholder agricultural production was consistent with the latest in development trends, a basic needs approach to development. The Government of Tanzania's efforts to

¹Kleemeier, "Domestic Policies", p.177.

strengthen and institutionalize popular participation in planning and implementation, and its attempt to decentralize administrative authority met with donor approval as being in keeping with sound development practices. "In short, donors with poverty-oriented assistance strategies had numerous reasons to favour Tanzania with aid, prominent among which was the congruence between apparent government policy and the domestic policy requisites for meeting donor poverty alleviation objectives."¹

In addition, Tanzania attracted aid funds for geopolitical reasons. Tanzania diversified her sources of foreign development assistance to include both ideological blocs, as well as the People's Republic of China. To some (limited) degree, competition between and among such interests is translated into foreign aid, less as a matter of "spheres of influence" as to prevent the establishment of such spheres. As a nation pursuing a non-aligned foreign policy Tanzania has courted neither East nor West, much less attempted to play either bloc against the other or against the People's Republic of China. However, through receipt of foreign development assistance from the three major powers Tanzania has benefitted from such ideological tensions. In addition, Tanzania's position as a "front line state" and its relatively patient and pragmatic advocacy of a negotiated settlement of the South African apartheid question has

¹ Kleemeier, "Domestic Policies", p.177.

brought it more development assistance than it might otherwise have received.¹

3.4 Aid and Influence

Foreign development assistance rarely is given freely. Even at its most concessional, aid almost by definition bears certain costs. That donors felt Tanzania offered near ideal conditions for effective aid transfers entailed a certain price: Tanzanian policy had to conform, or seem to conform, to donor perceptions of what would work, what was acceptable, what should be emphasized, what excluded. Inasmuch as Tanzanian policy was congruent with such perceptions, Tanzania would receive aid transfers. But are there other costs, other influences which must be accepted as part of foreign aid?

A balance sheet of the benefits of aid, and associated costs is not possible. It is difficult enough to quantify aid flows to Tanzania, given the array of donors, no common definition of "aid", and various degrees of concessionality. It is all but impossible to attribute developmental result (or failure) to the "intervention" of foreign development assistance. At the most superficial level aid represents a net addition to a country's development efforts. But that presumes that aid does not have strings attached, or that it is used effectively. Aid can have a positive developmental effect; similarly its

¹Roger Young, Canadian Development Assistance to Tanzania An Independent Study (Ottawa: The North-South Institute), p.21.

effect can be either benign or counter-developmental. If it is not possible to assess the overall effect of aid transfers to Tanzania (or any other country), it is possible to make some trenchant observations about aid and some of its less desirable or negative effects.

It must be assumed that the more a country accepts aid, the greater the restraints upon its real economic independence. If an aid recipient might not have to adopt specific policies or act in a certain manner, it must be conscious of maintaining a political and economic environment that is compatible or conducive to continued donor generosity.

It can be argued that the growing importance of foreign aid has systematically biased the political and decision-making process in Tanzania, since foreign aid has its own dynamic of formally and informally mandated guidelines as to its use.¹ Donors can and do decide what kind of projects or programmes they will fund; they also can impose conditions on aid use. Richard Bird distinguishes between direct and indirect policy leverage. Direct leverage is action that goes "beyond influence and persuasion to condition aid, explicitly or implicitly, on specified host country measures".² Conditionality increasingly is

¹Yeager, Tanzania, p.110.

²Richard M. Bird, "Exercising Policy Leverage Through Aid: A Critical Survey", Canadian Journal of Development Studies, (11:2, 1981), p.372.

becoming a characteristic of foreign development assistance, and is effected either through "policy dialogue" between donor and recipient, or imposed unilaterally on a "take it or leave it" basis by the donor.¹ The issue of conditionality in the Tanzanian context is addressed in subsequent sections.

Indirect leverage is no less a characteristic of foreign aid. It might be more subtle or hidden, but its effects are of major importance. Indirect leverage, as the term suggests, includes the friendly advice and developmental expertise offered by donors.² It also embraces donor preference (rather than specific conditions) and whatever degree of persuasion to which an aid recipient might be subjected. Indirect policy leverage also accounts for the particular context or policy environment that surrounds foreign aid.

An example will serve to illustrate how indirect leverage can influence a recipient country's development. If aid agencies finance only foreign exchange costs, large-scale and capital-intensive projects become more attractive to both the donor, who may operate under an imperative to "move" aid funds, and the recipient, who is likely to seek as much foreign development assistance as possible. Such prestige projects might conform to donor interest, ability, or expertise, but may be inconsistent with the recipient's

¹ Kleemeier, "Domestic Policies", p.179.

² Bird, "Policy Leverage", p.374.

own development plans. Nonetheless, the recipient may choose, or feel pressured to choose, such projects because they are available, and donor funds could not be obtained for other projects. The choice does not end with the selection of the project. There are downstream implications such as recurrent foreign exchange costs, a capital-intensive bias to development, additional foreign involvement in terms of both technical assistance and imports, the stimulation of consumer tastes exceeding the country's economic resources, an enormously increased burden of debt. Once a country has accepted such assistance, it is very difficult to re-establish its own development priorities. As Tindler comments, "The oft-noted prevalence of these features in the most 'aided' parts of the developing world is surely sufficient evidence of the power of incentive structures--and of the relative ineffectiveness of the many 'conditions' supposed to offset these bad incentives".¹ Aid, then, can reinforce dependence on the outside world, a dependence Tanzania has sought to limit with its goal of self-reliance and socialism.

No assessment of the true, or grant value of aid to Tanzania is really possible. An early estimation, however, suggested that due to hidden costs only about half of aid

¹ Judith Tindler, cited in Bird, "Policy Leverage", p.379.

commitments represented true "aid".¹ While even half of total aid revenues to Tanzania amounts to millions upon millions of dollars, the discounted total provides a somewhat different perspective on aid to Tanzania, particularly if the consequences of negative influences upon the planning, selection, and implementation processes are considered. Some of the reasons for discounting total aid receipts are discussed below.

A significant hidden cost results from aid which is "tied", that is, the use of which is determined or limited by agreement to services, goods, or commodities provided by the donor country. The majority of development assistance loans are tied to the purchase of equipment, building materials, machinery and other commodities from the country which provides the loan. Organization for Economic Cooperation and Development statistics show that Canada, for example, tied 59.2 percent of its official development assistance (ODA) to purchases in Canada in 1982-83, more than any other major donor; the average of the other sixteen donor countries was about 34 percent.² In Tanzania the Chinese agreed that their development assistance loans could be used to meet the local cost of the TanZam Railway project, but this was effected by providing Chinese consumer goods which, when

¹ Nnoli, Self Reliance, p.174. The estimation is based on 1966-67 aid flows.

² Dan Turner, "Looking for a return on aid", Ottawa Citizen, 04 February 1986, p.E1.

sold, provided funds to pay local costs.¹ The value of tied aid must be discounted by the amount that such goods and services are more expensive than those that could be purchased elsewhere, or obtained locally. Studies have shown that on average the price of goods that are financed by tied aid exceed world market prices by 25 to 30 percent, to some degree cancelling concessional terms.² Procurement tying can also draw donors' programmes into those sectors where they have goods to export.³ Tied aid, then, is a form of export subsidy that is meant to assist the donor economy at least as much as the recipient nation. Wherever "economic self-interest" is used as a justification for foreign aid, tied aid is a preferred transfer mechanism and a feature of the donor country's aid programme.

In addition to reducing the real value of aid, tying also may have adverse effects on development. An assessment of Canadian bilateral aid to East Africa suggests that Canada is "...trapped into spending much of its aid on high-

¹The reduction in the level of TaZaRa construction activity as it approached completion worsened the balance of payments position by about TSh. 200 million over 1973-77. This was because local costs were 100 percent externally financed through commodity credits, which had made a significant contribution to the financing of import needs. R. H. Green, D. G. Rwegasira, B. van Arkadie, Economic Shocks and National Policy Making: Tanzania in the 1970s (The Hague: Institute of Social Studies, 1980), p.33.

²Teresa Hayter and Catherine Watson, Aid Rhetoric and Reality (London: Pluto Press Limited, 1985), p.15.

³Roger Ehrhardt, Canadian Development Assistance to Bangladesh An Independent Study (Ottawa: North-South Institute, 1983).

technology farms, projects which cost the recipient nations large amounts of scarce foreign exchange, employ few Africans, produce foods the majority of Africans do not eat, and have had disappointing economic returns."¹ Because procurement tied aid entails the transfer of specific capital goods or commodities or services, its use is somewhat limited. And as tied aid does not lend itself to certain sectors, such as education or small scale agriculture, negotiation of an aid package featuring such aid will likely be directed to those sectors which can most readily absorb the goods and services proffered by the donor. Such aid might not conform to the recipient country's own development priorities, this is particularly true when procurement tying is linked to projects. The [in]famous Dar es Salaam bakery, built with Canadian bilateral aid funds, is an example of the inappropriate use of aid and the non-developmental effect of tied aid. Tied aid also might result in increased administrative costs, and procurement or delivery delays. Second-round or downstream costs include the purchase of replacement parts or additional supplies, possibly on non-concessional terms. Often the incremental growth or development made possible by such tied aid is less than the effective cost due to aid tying, replacement in convertible currency, increased debt, and the secondary effects of servicing development loans on the terms of trade. The

¹Winnipeg Free Press, "Drought denied as famine cause", 4 June 1985, p.17.

practice of procurement tying does little to further development.

Project finance procedures often dictate a long delay in reimbursement of project expenditures, particularly reimbursement of local costs. In effect, such delay represents a reverse, interest-free loan from the developing country to the developed donor. In the case of Tanzania, the number of aid projects as well as of aid donors can make payment delays a serious financial problem.

Credit mixte or parallel financing is another form of "aid" that has hidden costs and "mixed" results. Such financing is less concessional assistance than a form of export subsidy used to encourage the sale of developed country exports to Third World clients. As the term "parallel financing" implies, it is usually offered in conjunction with some other form of development assistance, such as source-tied or project-tied aid. Credit mixte can be considered "aid" only if the goods or services it subsidizes cannot be obtained more cheaply elsewhere, and if the goods purchased by virtue of a credit mixte package make a greater contribution to the recipient's development efforts than would an alternative use of equivalent funds. Although Canada has not used credit mixte as much as some European countries, CIDA has directed \$415 million to its sister agency, the Export Development Corporation, over the past 5

years to encourage the export of Canadian goods.¹

Another significant consequence of aid-generated development is the matter of "local payments", including labour costs, payments for maintenance, spare parts and other operating costs. Tanzania must provide ever-increasing recurrent expenditure in order to maintain projects funded through external aid. The more projects and the more expensive they are, the heavier the debt the country incurs. Recurrent expenditure creates no new development or economic growth; it creates the illusion of well-being while masking a direct external dependency. "Government statistics indicate that for the years 1977 to 1980, recurrent expenditures were equal to 70 percent of overall government expenditures. In recent years, government revenues have fallen short of estimated revenues, placing a higher burden on the public sector to meet recurrent expenses."² The shortage of spare parts in Tanzania is an example of the country not being able to afford recurrent expenditures. It is unsurprising that the country's industrial plant operates at less than capacity utilization, or that machinery (often received as aid), rendered inoperable by the lack of replacement parts, lies broken and rusted. Because of the country's parlous economic situation Tanzania increasingly needs incremental foreign aid to meet recurrent expenditures, if not for balance of

¹Turner, "Return on Aid", p.E1.

²Young, Assistance to Tanzania, p.35.

payments support or to service its existing foreign debt. There appears now to be a growing awareness that both the donor community and the Tanzanian government have given inadequate attention in the past to planning for and coordinating future recurrent expenditures.¹

Foreign aid, of course, takes many forms, including the provision of technical assistance. Consultants, teachers, engineers, financial advisors, academics, and other development "experts" are part of the aid game. During the 1970s there were as many as 5,000 expatriates working in Tanzania under various aid schemes. Such assistance is estimated to have cost at least U.S. \$200 million per year.² Tanzania's need of technical assistance is unquestioned, and it is not suggested that the cost of such expertise should be discounted from total aid receipts. However, it should be recognized that technical assistance is a form of tied aid since salaries, transport, and living expenses often are paid in hard currency, and usually outside Tanzania. In addition, the cost of providing expatriate housing and infrastructure must be absorbed by the recipient

¹Young, Assistance to Tanzania, p.36

²The figure is based on Norwegian Kroner 200,000 per expert per year. Karl Borgin and Kathleen Corbett, The Destruction of a Continent Africa and International Aid (San Diego: Harcourt Brace Jovanovich, Publishers, 1982), p.77. A Kenyan Treasury official suggests that 40 percent of the U.S. \$400 million annual aid allocation to Kenya is eaten up by expatriate salaries, consultancy services, training and research: Ann Fitzgerald, "Kenya serves notice on aid donors", Financial Times, 10 January 1986, p.3.

country, or be included as part of an aid programme. Such costs are not insignificant, and do not make a direct contribution to Tanzania's development efforts.

The advice or expertise of technical assistance personnel rarely comes cheaply. In addition, because of inefficiency, vested interest, or inadequate knowledge of local conditions, the recommendations of expatriate counsel can produce deleterious or counter-developmental results. As Yasphal Tandon notes, "technical experts may be very knowledgeable and influential in their particular area of operation, but the degree to which they may become tools of foreign interests will depend on the extent of control and coordination maintained by indigenous policy makers in the higher echelons of government administration".¹ Technical assistance is often other than neutral, since it may be the avowed intention of its providers to influence policies, programmes or projects, for reasons that may range from the most altruistic and developmental to the most overtly self-interested. One example will serve to illustrate the latter case. A consultants' report recommended a project for building large grain silos, costing three times the original plan estimates and involving equipment and a technique which were available from one company in the world--the firm the consultants represented. Subsequent analyses by Tanzania

¹Yasphal Tandon, ed., Technical Assistance Administration in East Africa (Stockholm: The Dag Hammarskjöld Foundation, 1973), p.31.

revealed that cheaper and more technically versatile alternatives were readily available.¹

Except for outright grants of financial resources or commodities, much developmental assistance has to be repaid. Given the volume of aid to Tanzania, debt repayment of even the most concessional assistance granted over a period of years can amount to a staggering sum. Tanzania's total public debt increased threefold from 1967 to 1973, as did associated interest charges. Such charges tripled again in 1974, and were expected to be twice again as great by 1985.² With a public debt of some TSh 6,500 million in 1975, Tanzania ranked third out of the poorest 29 states in terms of debt.³ Tanzania's foreign debt service ratio (the proportion of export earnings that is used to repay principal and interest on external debt) in 1972-3 was 7.6 percent, but was growing at a rate of 13 percent per year.⁴ Debt obligations currently take up about 60 percent of current

¹ Idrian N. Resnick, The Long Transition Building Socialism in Tanzania (New York: Monthly Review Press, 1981), p.218.

² James H. Mittleman, Underdevelopment and the Transition to Socialism Mozambique and Tanzania (New York: Academic Press, 1981), p.225.

³ Mushi, "Tanzanian Foreign Relations", p.31.

⁴ Mittleman, Underdevelopment, p.225. As alarming as this is, it should be noted that Brazil's debt service ratio in 1977 was 40 percent.

export earnings.¹ With an overall growth in exports of only 7 percent, Tanzania has been caught in a credit squeeze that threatens to compromise the country's development. In effect, Tanzania has been borrowing against future economic surplus just to defray the cost of servicing its old loans, and new loans and aid resources must be found to pay off former loan commitments, at the expense of new development activity. Such is the spiral of debt in which Third World nations are now trying to escape.

The decision by some donor countries to reschedule loans to Tanzania, or to "write-off" debt entirely has alleviated, to some extent, the country's debt burden. For example, in 1977 Canada cancelled repayment of \$84.5 million in loans to Tanzania, by converting former loans into grants.² Despite such action, however, Tanzania still faces a mountain of debt and ever-increasing debt service charges.

In addition, it has been suggested that foreign aid has undermined Tanzania's drive to solve its own problems.³ Reliance on foreign aid saps indigenous enterprise or initiative. Such blunting of initiative should not be underestimated:

¹United Republic of Tanzania, Programme for Economic Recovery Report Prepared by the Government of Tanzania for the Meeting of The Consultative Group for Tanzania, Paris, June 1986 (Dar es Salaam, May 1986), p.19.

²Nzomo, Foreign Policy, p.399.

³Edward Girardet, "Foreign aid undermines Tanzania's drive to solve its own problems", The Christian Science Monitor, 4 February 1986, p.14.

The evidence from experience of the influence and dominance by the aid-givers over recipients is that it can have results that are unintended and undesirable in terms of the purpose of aid given for development. Constant subjection to outside advice and oversight holds back the emergence of such self-reliance and confidence in the management of affairs which can make poverty more bearable and pave the way for self-sustained development.¹

Rather than relying on its own resources and initiative, Tanzania increasingly looks to external resources as a solution to its economic problems. "Some observers claim that a deep-seated psychological dependency on foreign aid is taking root in the bureaucracy".² Such dependence is contradictory to Tanzania's goal of increased self-reliance. Furthermore, the debilitating loss of initiative, or sense of control, only can reinforce the country's dependence.

3.5 Planning for Development

Throughout the Third World hopes for development have been encapsulated in development plans. Development planning has proven to be imprecise as both an art and a science: the establishment of performance targets, resource needs, and investment strategies is often more a matter of prestidigitation than of balanced assessment or careful calculation. Statistics or other base line data, if available at all, are usually unreliable. In Tanzania, there has been little integration in the formulation of development plans. The country's first development plan, which covered

¹Faaland, Aid and Influence, p.13.

²Young, Canadian Assistance to Tanzania, p.37

the 1960-63 period, was very largely a compilation of the individual capital programs of separate government ministries, prepared almost exclusively by expatriate officers. Many of these programmes stemmed from the recommendations of the World Bank's 1960 Economic Survey Mission to the then Tanganyika. In creating the country's First Development Plan, the Ministry of Finance simply ordered and brought into line such programs with its own expectations of the capital which would be available to the government during the three year period.¹

But a list of public expenditure projects does not constitute a development plan, or at least not a comprehensive or integrated plan. The first plan "was only slightly better than a three-year development budget and did not represent or imply any significant attempt at comprehensive planning."² The lack of integration, or failure to use a development plan as a blueprint for the country's development, was due to a lack of sophistication in the discipline of development planning itself, and also was a result of the country's not having any idea of how to prosecute development or for what ends. The country's initial attempt at development planning took place in a policy vacuum. Rather than being a reflection of the country's development priorities, the first plan determined

¹Pratt, The critical phase, p.96.

²Nnoli, Self Reliance, p.151.

the priorities: the development of agriculture and the livestock industry, the improvement and development of communications, and the development of secondary and technical education.¹ As an amalgam of policy objectives with no detailed project preparations, evaluative mechanisms or coordination within and across government ministries, Tanzania's first development plan outlined development activities without a determination of what development should mean to the country. At independence, Tanzania had no sense of constraints. As a consequence, the leadership was "anxious to seize on everything that looked like an untapped opportunity. This orientation created a rather uncritical approach to policy-making."²

This deficiency was only partly addressed by the Arusha Declaration. The Declaration did afford a vision of the country's future, and did provide a framework for its political, social, and economic growth. However, even with defined policy objectives or aims--socialism, self-reliance, freedom, reduced dependence--the country lacked a coherent development plan, had no integrated strategy for achieving desired goals, and possessed no means by which to measure progress towards such ends. Nor was there any mechanism by which Tanzania could prioritize development activities as to

¹Nnoli, Self Reliance, p.151.

²Goran Hyden, Beyond Ujamaa in Tanzania Underdevelopment and an Uncaptured Peasantry (London: Heinemann Educational Books Ltd., 1980), p.72.

their importance in constructing the new social order. As a result, Tanzania's post-Arusha planning documents have been

rather loosely integrated documents starting with a few general growth rate calculations and sectoral priorities and ending with a long list of projects which bear little relationship to each other and sometimes not even to the stated priorities. And even these plans are in no way binding and already half-forgotten by the time they are printed.¹

That planning is conducted sector by sector, and often only project by project further contributes to the lack of cohesion or integration in the planning process.

Such planning difficulties are not unique to Tanzania; few countries, developed or developing, have successfully prepared comprehensive development plans. Too much planning is done in isolation and too much emphasis is given to general aggregate goals rather than to specific development projects coordinated within an integrated framework. Development plans..."tend to follow the recommendations of World Bank missions and of resident economists rather than to reflect a balance of indigenous political and social forces."² The planning process is made more difficult by lack of resources, both human and financial, which makes it difficult to choose between competing interests which might appear to be mutually

¹von Freyhold, Ujamaa Villages, p.110.

²Susan Aurelia Gitelson, "How are Development Projects Selected? The Case of the UNDP in Uganda and Tanzania", The African Review (2:2, 1972), p.365

exclusive, but both of which might contribute to the achievement of the country's larger development goals.

Because a country's development is the sum of various interventions and the product of diverse influences, development planning by definition must subsume all sectors, all authority and budget centres. Coordinating development activity on every front is not an easy bureaucratic exercise. In Tanzania, during the planning process for the First Five Year Plan (1964-69) it was intended that the Directorate of Planning would determine which project would be financed by which foreign donor offering development assistance. Yet it was the foreign aid section of the country's Treasury which bore responsibility for the actual negotiation. Furthermore, the Ministry of Finance had overall responsibility for economic policy, foreign aid and development planning, as well as for financial policy and taxation. Such trifurcation of responsibility, Pratt concludes, led to "a Jamaging confusion of roles".¹

Such confusion undoubtedly contributed to the lack of coordination between the various sectoral programmes or between each programme and the on-going planning cycle. For example, a twenty-year water development plan was prepared and ultimately accepted in isolation from other development

¹Cranford Pratt cited in Okwudiba Nnoli, "External Stimuli and National Planning in Tanzania", The African Review (1:3, January 1972), p.15.

activities. "It was not integrated with, or even examined relative to, what was being planned for the other sectors (by foreign consultants), nor was any attempt made to fit it into the existing five year plan."¹ Technical experts developed sectoral plans in relative isolation, and with little guidance, coordination, or control to ensure that such plans contributed to an overall developmental framework. The result was that the different plans not only failed to complement each other, in the sense that they pursued different general goals, but that inconsistencies detracted from developmental effectiveness, often at great cost. The sectoral plans also expropriated resources committed elsewhere under the country's planning cycle, further compromising the planning process. Through such an ad hoc planning process Tanzania "began to find that important planning decisions were more under the dominance of foreign influences, in spite of its policies of self-reliance."² Tanzania, quite early in its independence, had lost much of its decision-making power as well as control of its development path.

Tanzania lost such control mainly through default; the lack of a planning framework prevented nothing and allowed everything. Furthermore, despite the Arusha guidelines, Tanzania found it difficult to refuse aid, or

¹Resnick, Long Transition, p.218

²Resnick, Long Transition, p.218

more specifically, aid projects, which promised a measure of development, even if such development was not necessarily a state priority. Everything seemed a priority, everything of developmental importance. Tanzania had become dependent on the narcotic of aid.

The preparation of Tanzania's Second Five Year Plan was a somewhat more successful exercise. The planning process involved many more people, and particularly, more Tanzanians. In addition, "consultation led to a greater degree of consensus among the relevant ministries and institutions, and even where there has been no consensus the decisions embodied in the plan document have been adhered to with only a few exceptions".¹ But it is questionable whether such decisions reflected a coherent development strategy, or whether they were consistent with the country's policies. For example, it was government policy to reduce dependence on foreign aid. As a means to reduce such dependence, the Second Five Year Plan proposed that the capital budget should be financed by the country's own resources. The Ministry of Finance provided estimates of local funds likely to be available, and such estimates became ceilings for Government development activities. Foreign-funded projects, however, were perceived as being both free and incremental, allowing Ministries to exceed their budget ceilings. While such projects might be incremental, they

¹Nnoli, Self Reliance, p.152.

bore not insignificant downstream recurrent costs which would divert funds from future capital budgets, and other capital projects. As a result, "the degree of self-reliance (measured in terms of the percentage of local funds in the capital budget)....declined over the years of the second five year plan".¹ Hence the country's practices, if well-intentioned, took it further from its policy objectives.

Tanzania's stated developmental objectives found favour with the international aid community. In 1970 Tanzania received over U.S. \$50 million in official development assistance; by 1973 the amount of aid had doubled. The almost exponential growth in aid flows continued throughout the decade (see Figure 1, page 55). Such growth, coupled with continued deficiencies in the country's planning process, bore particular consequences. Chief among these was that in haste to aid Tanzanian development, many donors began to propose development projects which they would fund. The World Bank's involvement in Tanzania is a potent example of such "anti-planning". Because Bank experts were more organized than Tanzanian planners in assembling information necessary for new projects, and had the ability to prepare detailed project proposals, "...the Bank usually proposed projects to Tanzania before Tanzanians themselves had begun to think of such

¹Resnick, Long Transition, p.223.

projects".¹

Because of inadequate development planning, the lack of internal coordination, and because donor countries were prepared to support discrete projects (which they may well have designed) rather than contribute to larger programme or budget expenditures, a trend developed whereby potential donor countries and multilateral lending agencies selected specific sectors in which to concentrate their aid.

By 1972, for the most part, single countries or agencies dominated the assistance in each sector....Donors typically sent consultants to design the programs for the sectors in which they were interested. These plans moved through ministerial evaluation and negotiation channels and eventually provided the basis for both foreign lending and the implementation of projects for the sector.²

Tanzanian aid negotiators and planners appeared more concerned with getting as much assistance as possible than with the rationality of the particular projects financed. Such selection of projects and programmes, and the uncoordinated receipt of development assistance, was inimical to appropriate development planning. Had Tanzania had detailed macro-economic plans for its economic development it would have rejected some project proposals, since they did not contribute to the country's development objectives, or at least not to the same extent as some alternative use of equivalent funds.

¹ von Freyhold, Ujamaa Villages, p.114.

² Resnick, Long Transition, p.218.

Tanzania's uncoordinated acceptance of development projects proposed by donors resulted in more than missed development opportunities. Many prestige or show case projects were built, and on a larger scale than was necessary, with little developmental effect. More importantly, Tanzania had to accept the conditions under which aid was offered, and to cope with many of the hidden costs of aid. The volume of aid received by the country over-stretched its absorptive capacity, which itself is as much a function of managerial expertise as it is of a coordinated strategy. While lack of integration between different economic sectors and different economic enterprises might be a symptom of underdevelopment, the consequences of such development are likely to have a more lasting negative effect.

In her analysis of ujamaa villagization, Michaela von Freyhold suggests that World Bank projects devoted to export crop promotion helped to create shortages of food crops in Tanzania. According to von Freyhold, had there been a national land use plan, and a national plan for the production of food supplies, there would have been no food shortages.¹ Von Freyhold also charges that the World Bank has done little to support coherent planning in Tanzania: the failure to link the introduction of agricultural inputs and agricultural machinery to the agricultural sector to any

¹ von Freyhold, Ujamaa Villages, p.114.

industrial programme, or to anticipate the transport requirements of Bank sponsored projects reflects considerable shortsightedness.¹ Other commentators would make the more damaging charge that the World Bank, as the premier international development agency, failed to promote integrated development planning as part of a more sinister plot to make Third World nations like Tanzania ever more dependent on the capitalist centre.² Von Freyhold concedes that in recent years the World Bank has come to emphasize integrated development planning in Tanzania, but that in practice this has meant that export crop projects have also included some expenditure for training and for related social infrastructure, or that a project might include more than one export crop. She concludes, however, that such "integration" is "...still far away from the kind of comprehensive planning that Tanzania would need".³ Similarly, she notes that the World Bank has criticized Tanzanian efforts to control and direct the economy, which is the essence of development planning.

¹ von Freyhold, Ujamaa Villages, p.114.

² Teresa Hayter, Aid as Imperialism (Harmondsworth, Middlesex: Penguin Books, Ltd., 1971); Teresa Hayter and Catherine Watson, Aid Rhetoric and Reality (London: Pluto Press Limited, 1985); Cheryl Payer, The World Bank A Critical Analysis (New York: Monthly Review Press, 1982); Jill Torrie, ed., Banking on Poverty The Global Impact of the IMF and World Bank (Toronto: Between the Lines, 1983), et al.

³ von Freyhold, Ujamaa Villages, p.114.

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The need for an improved decision-making process in respect of both foreign exchange management and effective use of external development assistance was addressed in the country's Structural Adjustment Programme, which was announced in 1982. Tanzania, of course, had suffered economic reversals. The adverse trade environment and its impact on export receipts and import costs had contributed to uncertainty in the planning process. The Structural Adjustment Programme was designed to facilitate negotiation of additional financial support for the country's balance of payments as well as for other economic rehabilitation activities. In seeking such assistance the Programme reiterated the precepts of the Arusha Declaration: "In addition to our own domestic efforts, we also hope that flexible and substantial external assistance will be forthcoming, especially to those areas that need rehabilitation to get the economy on the right footing".¹ While the policy might have remained consistent, Tanzania's uncoordinated and poorly integrated development strategy had contributed little to the achievement of its development objectives.

3.6 Aid Coordination

Throughout the 1970s it had become apparent that the coordination of aid was at least as important as coherent

¹United Republic of Tanzania, Structural Adjustment Programme for Tanzania (Dar es Salaam: Ministry of Planning and Economic Affairs, June 1982), p.4.

development planning. Both were necessary to ensure maximum contribution to the country's social, economic, and political objectives and to guarantee that the country's development was not compromised unduly. From a Tanzanian standpoint, the coordination of aid has a number of dimensions.¹

An implicit dimension is the effective use of international development assistance in achieving national development objectives. In Tanzania, the Arusha Declaration outlined the country's policy objectives, and clearly indicated that foreign aid should be used as a catalyst, but never as a replacement, for indigenous effort. The Declaration determined how aid should be used, but coordination of such resources implies an explicit set of national investment priorities. Tanzania did not develop such priorities, relying instead on broader policy objectives or, at best, on sectoral goals (agricultural and livestock development, improvement in communications). The lack of an investment plan, a real deficiency in aid coordination, contributed to Tanzania's inability to determine the pace of development, to select projects, or to decide how to maximize limited developmental resources.

A second, and obvious dimension of aid coordination is the achievement and maintenance of a total resource balance. This entails coordinating the flow of aid to achieve a balance between external payments and the

¹ "Aid Coordination in Tanzania", unpublished manuscript, 1982, p.272.

development budget:

This is partly a question of the size of aid commitments; partly a question of maximizing disbursements within a given total of commitments; partly a question of tailoring the composition of aid to aggregate needs (such as switching from technical assistance to project support or from project support to food or import support as national balance requires). It is also a question of ensuring prompt reimbursement of local costs incurred by Tanzania.¹

Another aspect of effective aid coordination entails "limiting total aid flows, sectoral aid flows and flows to specific ministries and parastatals to amounts which can be absorbed within existing managerial, administrative, foreign exchange and budgetary constraints".² The ability to effectively administer aid might be of secondary importance to the determination of how aid can contribute to national development, but is of importance nonetheless. If a recipient country is foolish or short-sighted enough to "accept a project with integrated technical and capital aid but in an area not of priority developmental need, such a project may tie up so much secretarial and middle-level skill in the country that its alternative cost will be very high indeed".³ This is particularly true of a country like Tanzania, where skilled manpower has been at a premium, particularly in earlier years. Tanzania's development needs are great, but its absorptive capacity has put a real limit

¹ "Aid Coordination", p.272.

² "Aid Coordination", p.273

³ Tandon, Technical Assistance, p.17.

on what can be achieved, and achieved effectively. That Tanzania has tried to coordinate a great number of aid projects, over many sectors, and involving many donors, has immeasurably increased the difficulty of coordinating the effective use of foreign development assistance.

Aid coordination is necessary to maximize developmental effectiveness, and to avoid the hidden costs of aid: recurrent foreign exchange costs, increased import dependence, manpower needs which cannot be met by the recipient country, timing constraints, and production delays. Similarly, an overview of the terms on which aid is provided is essential:

tight central control is required to ensure that aid is available on the cheapest possible terms. This is not an easy task where tied aid is concerned for it involves a technical knowledge of commodities or services and of alternative sources and costs. The task is even more difficult when suppliers credits are involved.¹

Again, in dealing with a large number of donors, Tanzania faces particular difficulties. Coordination of aid presumes cordial cooperation between donor and recipient; coordination ensures that direct and reimbursable aid flows smoothly, according to agreement, and allows maximization of advance payments, giving Tanzania the greatest flexibility with least cost.² But such coordination is not easy to achieve.

Donors also have an interest in the effective coordination of aid. First and foremost, the efficient

¹ "Aid Coordination", p.275

² "Aid Coordination", p.275.

coordination of aid (including prioritization of objectives, negotiation of an aid package, implementation, administration, and evaluation) is a likely indicator of the effective use of aid, which is of paramount importance to aid donors. Because of the high rate of inflation both in donor countries and especially in Tanzania, donors are also preoccupied with improving the quality of aid. Hence coordination is necessary to capture continued and increased aid flows to Tanzania. Secondly, coordination cements a constructive working relationship between Tanzania and its donors, a relationship which can weather the inherent and inevitable strains of the development process. Aid coordination should allow donors to complement, rather than compete with, each other to the developmental advantage of Tanzania. And finally, aid coordination enables "donors to deal more effectively and perhaps more firmly, with aid requests which they feel are inappropriate. From this point of view effective coordination would discipline Tanzania as much as it might donors".¹

Such coordination of aid has been lacking in Tanzania. This deficiency has prevented Tanzania from assuming greater control of international development assistance, or to more firmly direct the use of such assistance to achieve its stated development goals. The absence of such coordination has cost Tanzania in terms of

¹"Aid Coordination", p.276

both independence of action and developmental effectiveness. It has also created a less than cooperative or reciprocal relationship between recipient Tanzania and its donor benefactors: donor scrutiny of aid-receiving projects "has led to a tighter control that is sometimes cumbersome for all parties and to a degree of donor involvement in the construction, management and administration of projects that is verging on being both embarrassing for donor and offensive to Tanzania."¹

3.7 Policy Dialogue and Conditionality

If the country's stated development objectives curried favour, and garnered significant international development assistance in the 1970s, the perceived failure of Tanzanian development policy has led, in the mid-1980s, to donor insistence that further assistance be conditioned upon a shift in the country's development strategy. Such conditionality, achieved through "policy dialogue" has become a feature of Tanzania's development.

According to Lizz Kleemeier, donors' interest in policy dialogue stems from a shift in their approach to concessional lending. Whereas donors were once prepared to provide assistance to countries or projects that conformed to a certain model of development, or which shared sympathetic development objectives, donors in the 1980s had become more interested in "the bottom line". Kleemeier claims that

¹"Aid Coordination", p.278

donors drew a lesson from the economic crisis which hit black Africa in the late 1970s: foreign assistance projects had failed in large part due to national economic policies.¹ A more balanced view might be that Africa's deteriorating economic prospects combined with endogenous inefficiencies (including poor planning and lack of coordination) demanded that international development assistance be used to greater effect. The result has been that donors, including both multilateral and bilateral sources, have come to condition further assistance to some extent on recipient policy reforms.

At its most blatant, policy dialogue has been used by the United States, and to a lesser extent by West Germany, to force African countries such as Tanzania to adopt market-oriented development strategies. There is little dialogue involved here: it is economic coercion based on sheer economic might.² The negotiation between Tanzania and the International Monetary Fund is a variant of this theme. There has been much dialogue, but little agreement, between unequal partners. The World Bank has taken a more subtle, but no less effective, approach to policy dialogue in Tanzania.

¹Lizz Kleemeier, "'Policy Dialogue' in the 1980s: Donor Participation in Tanzanian Policy-Making", paper presented at the joint meeting of the Canadian Association of African Studies and the Canadian Association of Latin American and Caribbean Studies, Montreal, May 15-17, 1985, p.1.

²Kleemeier, "Policy Dialogue", p.12.

As the largest of international donors, the World Bank is often regarded by other donors "...as the authority on policies to be followed by developing countries; in fact, donors appear much more inclined to pay attention to the views of the Bank than they are to those of the countries concerned".¹ The World Bank's leadership role recently has been shared by the International Monetary Fund, particularly in terms of conditionality and its impact on the domestic policies of developing countries. Policy dialogue and conditionality have moved to the forefront of the relationship between developed and developing, donor and recipient. Tanzania has not been immune to the influence of the World Bank and the International Monetary Fund. Because the sister financial organizations have played such an important role in Tanzanian development, and because together they hold such sway in the matter of policy dialogue and conditionality, the impact and influence of the World Bank and IMF on Tanzanian development must be further considered. The next chapter details Tanzania's relationship with the financial giants.

¹Faaland, Aid and Influence, p.10.

CHAPTER 4 THE POLITICAL ECONOMY OF DEPENDENCE -
TANZANIA'S RELATIONSHIP WITH THE WORLD BANK
AND THE INTERNATIONAL MONETARY FUND

4.1 Introduction

The World Bank and the International Monetary Fund have become the most important external actors involved in Tanzanian development. An examination of the role and influence of the sister financial organizations is essential to an understanding of contemporary Tanzanian development issues, including the country's growing aid dependence. The following chapter will review how Tanzania's agricultural development has been influenced by the advice, programmes, and development philosophy of the World Bank. The chapter examines the International Monetary Fund's role in structural adjustment, and assesses how "policy leverage" has made Tanzania both more dependent and more vulnerable to external influence.

4.2 The World Bank and Tanzanian Agricultural Development

The World Bank's involvement in Tanzanian development began with a World Bank economic survey mission in 1959, two years before Tanzania's independence. The mission was to "assess the resources available for future development, to consider how these might best contribute to a balanced programme of social and economic development, to make recommendations for practical measures to further such development, and to indicate the financial implications of

such recommendations".¹ The mission's 1961 report, "The Economic Development of Tanganyika", advocated "greater [agricultural] production coupled with preservation of the fertility of the soil".² Such production increases were to be achieved through dual agricultural approaches: an "improvement" approach and a "transformation" approach. The improvement approach comprised government promotion of cooperative unions and societies, increased emphasis on agricultural extension, and low capital-cost community development programmes. The transformation approach utilized model agricultural settlements and cattle ranches to demonstrate modern techniques of production and organization. The new settlements would provide "quicker and higher returns on investment and effort" and would serve as a pattern for agricultural development in Tanzania.³ Both approaches entailed considerable capital investment, and both proceeded from a premise of individualistic farming practices.

As Andrew Coulson indicates, the "transformation approach" was accepted uncritically by the newly independent

¹International Bank for Reconstruction and Development, The Economic Development of Tanganyika (Washington: Johns Hopkins University Press, 1961), p.130 cited in Payer, "Tanzania and the World Bank", Third World Quarterly, (5:4, October 1983), p.791.

²International Bank for Reconstruction and Development, The Economic Development of Tanganyika, cited in Payer, "Tanzania", p.791.

³Payer, "Tanzania", p.791.

Tanzanian government. An ambitious resettlement scheme was incorporated into the First Five Year Plan (1961-66). The scheme projected the establishment of sixty new settlements by 1970, with another 140 by 1980.¹ In 1965-66, 21% of total agricultural development expenditures were directed to the village pilot settlement schemes. Over 13% of the total government development budget was to be spent on such settlements over the five years of the Plan, although less than 5% of the population was to be involved.²

Because the transformation approach involved capital-intensive infrastructural development, the approach could not be adopted widely. Tanzania did not have the capital funds to establish model agricultural settlements throughout the country. Resources were limited, whereas expectations were unbounded. But without the promise of widespread delivery of services, there was no real demonstration effect. In addition, much of the cost of the transformation approach was passed on to the "model settlers", who found themselves saddled with debt burdens they could not carry, in spite of the production increases which were expected from such improved, more modern and efficient means of agricultural

¹Payer, "Tanzania", p.792.

²Idrian N. Resnick, The Long Transition Building Socialism in Tanzania (New York: Monthly Review Press, 1981), p.51.

production.¹ Rural Tanzania was not transformed (and only arguably improved) through this approach to rural agricultural development.

Although the World Bank provided an agricultural credit loan in 1966 as well as a series of loans directed towards export crop expansion, between 1966 and the early 1970s "a certain distance and mutual distrust" characterized the relationship between Tanzania and the World Bank.² Strains in the relationship were caused by the limited success of the initial resettlement scheme, as well as by the World Bank's refusal, on economic grounds, to fund the construction of a Tanzania-Zambia rail link. In addition, the Bank had certain ideological concerns about the provisions of the Arusha Declaration, particularly the nationalization of "the commanding heights of the economy" and the country's commitment to socialist rural development, including ujamaa villagization and communal production.³

Yet despite the Bank's reservations about rural socialism, the 1970s saw the beginning of a closer association between Tanzania and the Bank, including a convergence of World Bank and Government of Tanzania policy regarding agricultural development. Bank President Robert

¹ Payer notes that settlements were provided with much costly agricultural machinery, which was debited to the villages. Payer, "Tanzania", p.792.

² Payer, "Tanzania", p.792.

³ Payer, "Tanzania", p.792.

McNamara's focus on Basic Human Needs was compatible with Tanzania's social objectives. As part of its new poverty-based approach to development financing, the World Bank felt the need to show progressive sponsorship of a Third World nation committed to other than a capitalist development path. Partnership with Tanzania gave the Bank some degree of ideological legitimacy. Tanzania became the Bank's most important leftist client in Africa.¹

In Tanzania the ujamaa model of communal agricultural production was de-emphasized; if not abandoned. Emphasis had shifted instead to compulsory villagization of the rural population. The Government decreed that by 1976 the entire rural population must live in rural villages. Such villagization significantly affected the structure of rural Tanzanian society; it had less impact on agricultural production, since smallholder production had never ceased to be the basis of agriculture in Tanzania. However, in addition to villagization, patterns and types of cultivation as well as kinds of crops produced was increasingly prescribed and monitored.

While there is no evidence to suggest that the World Bank directly influenced the Tanzanian Government to abandon ujamaa villagization in favour of block farming (from a village base), the shift in policy favoured the World Bank's

¹ Payer, "Tanzania", p.795; Teresa Hayter and Catherine Watson, Aid Rhetoric and Reality (London: Pluto Press, 1985), p.203.

approach to agriculture. Had Tanzania become "a nearly perfect laboratory for the World Bank's new policy toward small farmers"?¹ It is probably too cynical to view World Bank support of villagization as part of a grand plan "designed to increase government control over peasant farmers and to facilitate extraction of the surplus".² However, the allegation is not groundless, since villagization did make it "...easier to control the peasantry and to dictate how, when and where they should produce their food and export crops".³

Throughout this period the World Bank provided Tanzania with loans targeted to cash crop development. Of the seven main agricultural programs designed by the World Bank after the Arusha Declaration, none were exclusively or primarily directed toward communal farmers and all focussed on cash crop production (tea, tobacco, cotton, sugar, cashew nuts, and maize).⁴ In fact, of moneys allocated to agricultural development, over 2/3 was to be used for the promotion of cash crops.⁵ Until the end of 1975 no World Bank project

¹Payer, "Tanzania", p.796; Michaela von Freyhold, Ujamaa Villages in Tanzania Analysis of a Social Experiment (London: Heinemann Educational Books, 1979), p.112.

²Payer, "Tanzania", p.796.

³Hayter and Watson, Aid, p.204, Payer, "Tanzania", p.796.

⁴von Freyhold, Ujamaa Villages, p.108.

⁵von Freyhold, Ujamaa Villages, p.108.

invested in the production of basic foodstuffs.¹

As part of its attempts to foster cash crop development in Tanzania, the World Bank also sponsored a programme of integrated rural development. Integrated rural development, like the previous transformation approach, featured the provision of infrastructural and agricultural inputs to improve both agricultural productivity and the quality of rural life. The integrated rural development model was part of the Bank's Basic Human Needs approach; it also was directed to the capitalized, mechanized production of cash crops. The World Bank encouraged bilateral donors to use its Kigoma Integrated Rural Development Scheme as a replicable (if costly) model of agricultural development.² The integrated rural development model did not transform rural Tanzania, however, largely because such development requires too much capital, but also because it is too far removed from prevailing modes of peasant production.

Although villagized "block farming" was as much a departure from the idealized ujamaa model as integrated rural development was from the traditional shamba, each of the successive approaches to rural agricultural development in Tanzania had a common antecedent in the improvement and transformation approaches first advocated by the World Bank.

¹von Freyhold, Ujamaa Villages, p.112.

²Payer, "Tanzania", p.797.

The Bank still believed that agricultural production should be improved, that it could best be improved through the adoption of modern farming practices, and that it should be directed to the production of export crops. Each successive approach was meant to transform the rural sector. All scorned the "backward" peasantry.¹ All were to feature basic infrastructural development. Each promised improved agriculture through the use of expensive (and imported) inputs, including the use of mechanized equipment and chemical fertilizers. All were crippled, to some extent, by lack of finance and the inability to provide attendant incentives, services, and infrastructure. All exhorted, or commanded, an unwilling peasantry to produce more, and more efficiently, in order to finance Tanzania's development. Each featured the increased production of export or cash crops. And all attempts to increase agricultural production foundered in the failure to "capture" the Tanzanian peasantry.²

That Tanzania's development should be tied to the creation of economic surplus in the agricultural sector has always been apparent: Tanzania has few resources other than its soil, and the peasants who live on that soil. The focus on efficient agricultural production, particularly cash crop

¹Andrew Coulson, Tanzania 1800 - 1980 A Political Economy (Oxford: Clarendon Press, 1982), p.161.

²Goran Hyden, Beyond Ujamaa in Tanzania Underdevelopment and an Uncaptured Peasantry (London: Heinemann Educational Books Ltd., 1980) p.9.

production, has been appropriate to Tanzania's situation, since it is only through increased export revenues that the country will be able to finance its ambitious development plans. Unfortunately, tacit acceptance of agriculture as the mainspring of the Tanzanian economy has not resulted in appropriate or effective rural agricultural policies, nor budgetary expenditures consistent with Tanzania's overwhelmingly rural character. Tanzania itself must shoulder major responsibility for such negligence. Such negligence is all the more regrettable in that Tanzania, with its socialist goals, seemed in the best possible position to create a productive rural society.

And what of the World Bank's role in Tanzanian rural development? Until the mid-1970s, the World Bank maintained but an arm's length involvement in Tanzanian agricultural development. It had recommended a transforming improvement of the country's agricultural base. It saw the need for increased production, especially of export crops. It had funded discrete agricultural development projects and programmes directed to cash crop development. But there is no evidence of a direct or overt contribution to the determination of Tanzania's agricultural policy. Although the Bank had an obvious bias towards capitalist development, the financial assistance it provided to Tanzania did not seem to compromise or handicap Tanzania's socialist aspirations. Indeed, Tanzania itself chose to abandon the ujamaa principle. From the mid-1970s, however, the Bank's power and

influence in Tanzania began to grow, and an aspect of dependence coloured the relationship between Tanzania and the World Bank. After 1974 the World Bank became involved in nearly every aspect of Tanzania's agricultural economy, including the structuring of internal marketing and pricing mechanisms. By funding projects and programmes in Tanzania, and by offering expert advice, the Bank had acquired a stake in Tanzania, and was in a position both to offer further advice, and to exercise influence as a lender. Tanzania, equally, assumed the obligations of a borrower, not the least of which was long term debt. Ten years later Tanzania's economic dependence is overt, as the World Bank, in conjunction with the International Monetary Fund, exerts direct influence on Tanzanian domestic policy.

4.3 Structural Adjustment and Conditionality: The IMF

Tanzania's relationship with the World Bank and International Monetary Fund reveals something of the predominant influence these two institutions wield over developing nations, particularly in regards the economic independence of Third World countries. An examination of Tanzania's client state relationship with the Bank and Fund also provides an example of the merging of the financial organizations' once separate roles.

The World Bank was established to provide funding for the long-term development of productive resources, first in war-torn Europe, and later in the newly independent countries of the Third World. The International Monetary Fund was

established to provide short-term balance of payments assistance to countries experiencing temporary overall deficits. Such short-term financing was intended to prevent either exchange rate instability or competitive devaluation in the international financial system. The IMF was not created as a development or lending institution; however, in recent years the IMF has assumed an extremely important and powerful role in influencing, if not determining, a country's monetary and fiscal policies and its relationship with the international financial community. This is particularly true of the countries of the Third World, which suffer chronic balance of payments difficulties.

As the Managing Director of the IMF, Jacques de Larosiere noted in 1984, "...the Fund cannot provide development aid, nor has it the authority to do so. The Fund is a monetary institution. The lending is linked to the implementation of an economic program by the borrowing country which is designed to correct its balance of payments problems over the medium term."¹ An IMF program of assistance is contingent upon the acceptance of agreements and conditions pertaining to a country's macroeconomic, and occasionally microeconomic policies. Because of the scope for influencing the direction of a country's development, the issue of IMF conditionality has moved to the forefront of

¹ Jacques de Larosiere, cited in Makumulo Abdallah, IMF Conditionality and the Third World: The Case of Tanzania, M.A. Research Essay (Ottawa: Norman Paterson School of International Affairs, Carleton University, 1985), p.7.

North-South relations.

Before 1974 Tanzania maintained a recurrent budget surplus with fairly adequate reserve levels. Commodity exports, and an impressive level of concessional aid transfers (more than U.S. \$300 million in 1974-5 alone), financed the country's development expenditures and its growing foreign debt. In 1974 Tanzania began to experience balance of payments difficulties, partly because of the increased cost of petroleum products, but chiefly as the result of declining international terms of trade for its export commodities. Tanzania also was importing an increasing array of industrial, development, and other goods.

In 1974 Tanzania, as a member of the International Monetary Fund, utilized the IMF's "soft" financial facilities to secure balance of payments support. Tanzania received a total of 49.37 million Special Drawing Rights (SDRs): SDR 10.5 million from the reserve (gold) tranches; SDR 28.37 million from the oil facility; and SDR 10.5 million (a first credit tranche) from the compensatory financing or credit facility. Tanzania's 1974-76 drawings represented about U.S. \$75 million or 7 percent of total external resources received during the period.¹

Because these were low conditionality drawings based

¹Reginald Herbold Green, "Political-Economic Adjustment and IMF Conditionality: Tanzania, 1974-81", in John Williamson, ed., IMF Conditionality (Washington: Institute for International Economics, 1983), p.356.

on what was perceived as a short-term and exogenously created balance of payment difficulty, the IMF prescribed no particular conditions or fixed monetary policies. In order to restore balance of payments equilibrium, Tanzania voluntarily imposed a ceiling on domestic credit expansion (including bank credit to government) and used import controls and indirect taxation policies to limit or compress imports. Tanzania also devalued its currency by 10 percent. Such a devaluation "was designed to facilitate domestic price adjustments (particularly higher producer prices) and avoid revaluation against major trading partners, rather than as an IMF condition or an attempt to use devaluation to alter the external balance".¹

In 1975, Tanzania and the IMF agreed on a stand-by arrangement for a second credit tranche of SDR 10.5 million, but Tanzania could not draw on the reserve since the ceiling on bank credit to the Government prescribed as part of the first tranche already had been exceeded. Tanzania, however, was able to draw SDR 20.61 million (50 percent of its quota) under a second oil facility, and another SDR 21 million as part of the IMF's compensatory financing facility.²

Negotiation towards a second credit tranche resumed in 1977, but was abandoned as Tanzania's foreign exchange position began to improve with the end of drought, a temporary surge

¹Green, "Adjustment", p.356.

²Green, "Adjustment", p.356.

in beverage receipts (following frost-induced crop failure in Brazil), and increased levels of concessionary development assistance.

Tanzania's balance of payments position improved to the point that by the end of 1977 Tanzania had a reserve of foreign exchange equal to about five months' imports. The World Bank and the IMF persuaded Tanzania to relax its stringent import controls, saying that the large reserve was too high for a less developed country and an embarrassment to Tanzania's donors. The financial sisters also argued that the importation of agricultural inputs and industrial goods would stimulate Tanzania's economic development.¹ Cheryl Payer, long a critic of the World Bank, offers circumstantial evidence that in early 1977 a World Bank International Development Agency (IDA) programme loan of U.S. \$15 million was offered as an inducement towards such import liberalization.² Tanzania received the loan. The "confinement system" which regulated the importation of goods into Tanzania was relaxed simultaneously.

While the liberalization was supposed to facilitate the importation of industrial inputs, it resulted in a flood of non-essential consumer goods into Tanzania. Green notes that some import relaxation was required in Tanzania, but writes that "the 1977 advice was for import levels that could

¹ Hayter and Watson, *Aid*, p.205.

² Payer, "Tanzania", p.798.

not possibly have been sustained unless the beverage price boom was viewed as the new norm".¹ By the end of 1978, Tanzania's foreign exchange reserves equalled only 10 days' imports. The "haemorrhage of reserves" resulted in little real economic development. More importantly, however, the elimination of the confinement system destroyed the Tanzanian Government's ability to control the level of imports or to adequately budget foreign exchange for essential imported goods. By accepting what turned out to be bad advice, Tanzania lost a measure of its economic independence.

The precipitous decline in Tanzania's foreign exchange reserves coincided with the end of the "beverage boom" and the collapse of the international terms of trade for other of its export commodities. The corresponding slump in export receipts, together with the direct effects of a second round of petroleum price increases, and the indirect, but far from insignificant, oil-related increases in the cost of all industrial imports, costs associated with the demise of the East African Community,² and the financial drain of a war against Uganda's Idi Amin,³ created a financial crisis for Tanzania. In addition, drought-related crop failures necessitated food imports. Tanzania again turned to the International Monetary Fund for balance of payments

¹Green, "Adjustment", p.357.

²See footnote 4, p.44.

³See footnote 1, p.45.

assistance. But with negligible reserves of foreign exchange and real export difficulties, Tanzania faced high conditionality borrowing.

Tanzania and the IMF reached agreement on an interim programme in early 1979. In receiving the balance of its first credit tranche (SDR 4.73 million) as well as other compensatory and trust fund resources, Tanzania agreed to a set of economic targets as well as a modest devaluation of the Tanzanian shilling. But by November 1979 negotiation towards a major financing programme broke down over Tanzania's objections to the IMF's demands. These demands were part of a standard IMF adjustment package: a substantial currency devaluation (between 50 and 60 percent); an increase in the domestic interest rate (from between 8 and 11 percent to something between 30 and 35 percent, to account for inflation); a nominal wage freeze (so that the inflationary effect of devaluation would be shouldered squarely by wage earners); extensive cuts in real government expenditure; elimination of the system of price controls (including the removal of subsidies to maize flour and fertilizer); an end to public sector deficits (the elimination of budget subsidies to public sector corporations); and a removal or loosening of import, tariff and exchange controls.¹

¹Green, "Adjustment", p.358. It should be noted that the IMF insists that whatever the origin of a balance of payments deficit, whether it be internal or external, in rich or poor, has no bearing on the adjustment measures required.

In 1980 Tanzania and the IMF again sought agreement on a SDR 195 million extended facility loan (some U.S. \$235 million), including SDR 15 million from the compensatory financing window. Such a loan represented 327 percent of Tanzania's IMF quota.¹ Negotiation towards the three year stand-by agreement was premised on specific performance criteria, including a joint examination of Tanzania's exchange rate; the conclusion of a Bank of Tanzania interest rate review (with the expectation of increased deposit and lending rates); a ceiling on additional government borrowing and government expenditure; and a reduction in the country's external commercial arrears.

That Tanzania had a balance of payments problem, which was likely to continue, was not at issue. What was at question was how to improve Tanzania's economic situation, and restore external balance to its trade and financial position. What package of economic reforms would restore economic balance, and with what consequences for the country

The IMF offers the same prescription to both developed and developing clients--export more, import less, squeeze out inflation--as a means to adjust to new international economic conditions. Or, as Kighoma Malima, the Tanzanian Minister of State sardonically noted, "flu or malaria--the same old pills no matter what the ailment". The foregoing cited in Agit Singh, The Present Crisis of the Tanzanian Economy: Notes on the Economics and Politics of Devaluation (Bergen: The Chr. Michelsen Institute-Development Research Action Programme Working Paper #299, 1983), p.31.

¹ John Loxley, "Tanzania: Origins of a Financial Crisis" in Jill Torrie, ed., Banking on Poverty The Global Impact of the IMF and the World Bank (Toronto: Between the Lines, 1983), p.206.

and its socialist future? A second question, which became the subject of a parallel debate, was the extent to which Tanzania's balance of payments difficulties had been caused by endogenous, rather than exogenous factors. An exploration of this secondary debate affords the context of the more important discussion of the economic policies required to counter Tanzania's particular economic difficulties, and the longstanding disagreement between Tanzania and the International Monetary Fund.

The IMF attributed Tanzania's economic problems largely to domestic economic mismanagement in difficult economic times. The Fund pointed to overspending by an uncontrolled bureaucracy as the cause of the budget deficit, and was particularly critical of the allocation of scarce resources to universal social programs (health, education, water) and to subsidies for food products, particularly maize flour. The IMF also claimed that the prices paid to producers through an unwieldy parastatal marketing structure had discouraged production, particularly of export crops. Indeed, producer prices for export crops had declined in real terms relative to food crops, to production inputs, and to consumer goods purchased by farmers.¹ The IMF analysis iterated a kind of "scissors crisis": the decline in export production leading to a fall in export revenues, which caused import shortages, which in turn reduced capacity utilization

¹Abdallah, IMF Conditionality, p.49.

in the traded goods sector and further depressed Tanzania's productive output. Tanzania's worsening economic situation, then, quite apart from the external trade environment, could be traced to a pricing mechanism that did not offer sufficient incentive for production.

Tanzania, on the other hand, argued that its economic problems largely were externally caused, rather than the consequence of inadequate, inefficient or misdirected domestic economic policies. While Tanzania blamed its balance of payments difficulties on an adverse external environment, it also has acknowledged that domestic economic management could be improved: the 1982 Structural Adjustment Program was largely directed to such improvement.¹

The IMF's solution to Tanzania's external disequilibrium centred on "demand contraction" as a means of adjusting to on-going balance of payments difficulties. The Fund's approach focussed on greater control of spending and a reliance on free market forces to bring about economic stability, as well as increased output, export growth, and sufficient price stability. The standard IMF "adjustment" programme attempts external equilibrium through devaluation or through alteration of a country's exchange rate; internal disequilibria are dealt with by changes in monetary and fiscal policy.

¹United Republic of Tanzania, Structural Adjustment Programme for Tanzania (Dar es Salaam: Ministry of Planning and Economic Affairs, June 1982).

Tanzania, on the other hand, advocated a policy of "domestic supply enhancement" or expansionary stabilization.¹ Rather than limiting expenditures to available resources, Tanzania hoped to stimulate higher levels of economic activity. Tanzania proposed increased imports as a means of stimulating agricultural and industrial production. Tanzania argued that increased production would lower prices while generating increased government revenue through increased sales and excise taxes.² Tanzania's preferred course, then, would be to focus on those bottlenecks which prevented export-led balance of payments recovery and future economic development.³ Tanzania felt that the IMF's demand management measures were irrelevant to its balance of payments difficulties, and would only create an unmanageable inflationary spiral. In addition, Tanzania claimed that any reduction in government expenditure would

¹Singh, Present Crisis, p.8. There is an irony in Tanzania's advocacy of a macro-policy of supply enhancement. In 1977 Tanzania all but exhausted its foreign exchange reserves through such liberalization of imports. At that time, Tanzania was following World Bank advice. Given the earlier experience, it is surprising that Tanzania favoured this policy measure, or that it anticipated being able to control greatly increased importation to positive economic effect.

²Singh, Present Crisis, p.8.

³Singh, Present Crisis, p.8. A study by R. H. Green supports such a conclusion. He claims that had IMF and World Bank funds been made available to Tanzania (some TSh 1,155 million), the clearance of transport bottlenecks would have allowed some TSH 500 million higher exports for a net available gain of SDR 200 million, such gain representing both a decrease in the country's arrears and an increase in tax revenue. Green, "Adjustment", p.359.

implicitly affect the rural sector, and would constrain the provision of health, primary education, and water services to the rural sector.¹

Because there was no congruence between the two approaches to economic recovery, negotiation towards an IMF assistance package stalled in 1981, although discussion continued on an on-again, off-again basis for the next several years. The basis of disagreement between Tanzania and the International Monetary Fund was not fundamentally an ideological one, since socialism or modes of production or a particular development path were not at issue. Rather, it was disagreement over what economic policies would be most effective in restoring external equilibrium to Tanzania. That the disagreement persisted for so long without any apparent shift in respective positions, much less compromise, made it appear a contest of wills, a test of Tanzania's economic independence against the financial paramountcy of the International Monetary Fund. It appeared that the respective positions of Tanzania and the Fund quickly became ossified, preventing any real negotiation or the achievement of a compromise agreement. Both sides, as well as their supporters and detractors, continued to present and defend a preferred package of monetary and fiscal policies. Like the North-South Dialogue, the discussion between Tanzania and the IMF has seemed a dialogue between the deaf; like the North-

¹ Payer, "Tanzania", p.796.

South Debate, one side clearly was clearly the weaker partner.

Much of the protracted negotiation between the IMF and Tanzania turned on the question of devaluation, although such focus has been "probably out of any relation to its possible use in any stabilization and reconstruction program".¹ In its 1981 review of the Tanzanian exchange rate, the IMF advocated a 66 2/3 to 75 percent devaluation of the Tanzanian shilling.² To the IMF, devaluation is a more effective, and more easily achieved means of bringing about external balance than demand management alone. By changing the relative price of exports and imports, devaluation constrains import demand, since the local currency cost of imported goods is increased. Such demand contraction obviates the need of additional money supply. Devaluation also gives price incentives to the producers of export commodities. Such incentives positively affect production, with increased exports further aiding economic recovery. In the Tanzanian case, the IMF believes that devaluation (or a floating exchange rate) will correct the appreciation of the Tanzanian shilling against world currencies. Devaluation, the IMF suggests, will also reduce economic leakages caused by smuggling and will discourage the parallel market in foreign exchange.

¹Green, "Adjustment", p.365.

²Green, "Adjustment", p.360.

Tanzania consistently rejected a large devaluation of its currency, although the lack of an agreement with the IMF, or more accurately the consequences of not coming to terms with the IMF, led to considerable debate in Tanzania of the comparative virtues and drawbacks of at least a nominal or phased currency devaluation. Tanzania maintained that the 65 percent devaluation recommended by the IMF would make imports more expensive, without any positive impact on exports, particularly since it takes several years for sisal, coffee, or cashew nuts (Tanzania's chief export commodities) to reach the production stage. As well, Tanzania questioned the wisdom of stimulating farmers to produce more for export in the face of both serious declines in international terms of trade and of world economic depression.

There was also concern that a major devaluation would lead to a cut in overall consumption and real wages, as well as an increase in the price of all imported goods, relative to workers' incomes. Devaluation also would lead to a redistribution of income away from those who produce for the domestic market or who consume imports to those who are involved in the production of exports or import substitutes. According to A. Singh, "The seeds of inflation and political destabilization lie precisely in these two intended effects of devaluation".¹ In this latter concern are buried both equity and political considerations. First, Tanzania prides

¹ Singh, Present Crisis, p.21.

itself on its attempt to create an egalitarian socialist society, a society without great disparity in income, status, or opportunity. Devaluation would tend to shift income from urban wage earners and food producers to producers of traded commodities or cash crops. Such a shift is inconsistent with Tanzania's social goals and the goal of increased food production.¹ But the more insistent political reality is that a major devaluation would result in compensatory wage demands from the urbanized work force (which arguably best can afford the increased cost of imported goods, or goods made with imported inputs). It has been suggested that devaluation or the elimination of the subsidy on maize flour (also advocated by the IMF) could lead to street or "bread" riots, as seen in other countries attempting to adjust to new and difficult economic realities.²

Following a minor devaluation in 1979, domestic inflation in Tanzania increased from a not insignificant 10 percent to 20 percent by the end of the year.³ The 1981 Bank of Tanzania exchange rate study concluded that a major devaluation would lead to uncontrollable inflationary spirals that would reduce or destroy Tanzanian attempts at economic

¹Sidney Dell, "Stabilization: The Political Economy of Overkill" in Williamson, IMF Conditionality, p.35.

²Loxley, "Tanzania", p.206. This refers specifically to the abolition of the subsidy on maize flour production and suggested price increases from 3.50 shillings to 8.00 a kilo.

³Green, "Adjustment", p.357

planning and management.¹ In his analysis of the devaluation issue, Singh suggests that a 75 percent devaluation would raise the rate of inflation to over 100 percent per annum.² He also claims that contrary to IMF projections, a large scale devaluation would "...cause an internal price upheaval (at the cost of a great deal of inflation) which will end up by reproducing much the same price relationships--between prices and wages and between internal and external prices--as prevailed before the devaluation".³ Hence devaluation would be an ineffective as well as unselective mechanism of demand management. Another commentator, Sidney Dell, concurs in this, saying that devaluation to deflate demand would be an inappropriate attack on cost inflation when the economy is already operating considerably below capacity.⁴ It has also been suggested that contrary to discouraging a parallel or black market in currency exchange, a major devaluation would produce greater economic uncertainty, thus intensifying pressures for capital flight through illegal channels. Singh claims that a devaluation of the magnitude demanded by the IMF would increase by 100 percent the illegal market rate for

¹Green, "Adjustment", p.356.

²Singh, Present Crisis, p.71.

³Singh, Present Crisis, p.21.

⁴Dell, "Stabilization", p.38

the shilling relative to the U.S. dollar.¹ Tanzania also argued that a removal of exchange and price controls, as advocated by the IMF, would make the flight of capital abroad easier, swelling black market profits. The Government of Tanzania also maintained that undue credit restraint would choke off economic recovery.²

The IMF has exercised conditionality in refusing Tanzania any balance of payments support pending compliance with the IMF prescription of demand contraction, including a major devaluation. Tanzania has come some distance in acceding to the IMF's demands, although it would deny that it has made any concessions. In the past few years Tanzania has implemented a number of policy measures consistent with the IMF's requirements, such as eliminating some price controls designed to subsidize the (urban) consumer, raising interest rates, and freezing the budgets of all parastatal bodies. Subsidies of maize meal, insecticides, and fertilizers also have been eliminated. The minimum wage has been increased by 35 percent, and school fees have been introduced. Recent policies have seen a significant increase in the producer price of export crops (by up to 55 percent).³ These are

¹Singh, Present Crisis, p.15.

²Loxley, "Tanzania", p.210.

³United Republic of Tanzania, Programme for Economic Recovery Report Prepared by the Government of Tanzania for the Meeting of the Consultative Group for Tanzania Paris, June 1986 (Dar es Salaam, May 1986), p.5.

all notable accommodations, made in an attempt to secure International Monetary Fund assistance. In addition, over the course of two and a half years Tanzania devalued the Shilling 56 percent in dollar terms, or 128 percent in Tanzanian Shilling terms.¹ Taken together, such accommodation represented all but a capitulation to IMF demands. However, they were not considered sufficient by a mission of IMF officials in February 1985. The IMF demanded a further devaluation, to at least TSh 35 to the U.S. dollar, and an even greater reduction in the country's budget deficit.²

Given the IMF's obdurance, it has seemed but a matter of time before Tanzania would have to accede to the IMF's adjustment programme. It is remarkable that Tanzania has survived the past five years without IMF balance of payments support. In the face of an external trade imbalance and poor economic prospects, Tanzania has had declining resources with which to maintain, much less develop the country.

With a 1984 current account deficit in excess of U.S. \$500 million and an overall payments arrears of over U.S. \$100 million, Tanzania could expect little improvement in its economic situation without IMF assistance, or without the structural adjustment loans available from the World Bank

¹Tanzania, Programme, p.15. Through devaluation the TSh depreciated from TSh 8.30 = \$U.S. 1 (June 1982) to TSh 18.90 = \$U.S. (March 1985).

²Abdallah, IMF Conditionality, p86.

once Tanzania has accepted the IMF's terms and conditions. Agreement with the IMF would provide a net addition to Tanzania's foreign exchange of some U.S. \$100 million from the IMF and another U.S. \$50 million from the World Bank.¹ Such assistance, however, will not be a panacea for all of Tanzania's economic problems. It is estimated that the country's industrial sector needs a U.S. \$800 million infusion of imports to restore capacity utilization.² As Tanzania will not soon receive this level of funding, from either external sources or increased export revenues, the country's economic prospects are anything but sanguine.

Tanzania concluded an agreement with the International Monetary Fund in early 1986; details about the specific conditions or policies which Tanzania accepted as part of the agreement or about the nature and scope of any assistance Tanzania might receive from the IMF as yet are not in the public domain. However, in a report submitted to the donor Consultative Group for Tanzania in June 1986 Tanzania proposes an "Economic Recovery Programme" as an intensification and continuation of the country's earlier structural adjustment programme.³ The Programme (adopted

¹Singh, Present Crisis, p.90.

²Abdallah, IMF Conditionality, p.90.

³Tanzania, Programme, p.14.

in the country's recent (budget) is directed towards the achievement of sustained growth in real incomes and welfare improvements. The major objectives of the recovery programme are: to increase the output of food and export crops through appropriate incentives for production, improving marketing structures, and increasing the resources available to agriculture; to rehabilitate the physical infrastructure of the country in support of directly productive activities; to increase capacity utilization in industry through the allocation of scarce foreign exchange to priority sectors and firms; and to restore internal and external balances by pursuing prudent fiscal, monetary, and trade policies.¹

The Programme's specific policy measures are directed "to providing adequate incentives to agricultural and other producers, and to reduce the gap between the demand for, and the supply of, domestic and external resources."² Such measures largely are those of the standard IMF adjustment programme, including increased producer prices, exchange rate adjustment, and other policies designed to control inflation and improve efficiency in the allocation of domestic resources, including improved economic management and rationalization of the public sector. The Programme also commits itself to continued devaluation for "as long as there

¹Tanzania, Programme, p.14.

²Tanzania, Programme, p.14.

is over-valuation in the Tanzanian shilling",¹ with complete removal of any over-valuation in the exchange rate within the three years of the recovery programme.²

With the announcement of the Recovery Programme, Tanzania appears to have adopted the IMF's prescription for economic recovery and long term economic growth. Whether such measures will contribute to Tanzania's recovery and growth, as they have elsewhere in sub-Saharan Africa, remains to be seen. In terms of Tanzania's economic sovereignty and independence of action, the recent agreement would seem to represent a capitulation to the economic might of the International Monetary Fund, and IMF conditionality.

4.4 Policy Dialogue and Beyond: Tanzania as Dependent Client State

That Tanzania and the International Monetary Fund could not achieve a compromise agreement, representing some accommodation to each other's views, should be seen as a major failure of the North/South Dialogue. As John Williamson has noted, "the resulting perpetuation of a tragedy does not reflect credit on any of the partners".³

The International Monetary Fund has been resolute in insisting that Tanzania accept a total package of monetary policies before any balance of payments support could be

¹Tanzania, Programme, p.15.

²Tanzania, Programme, p.15.

³John Williamson, "The Lending Policies of the IMF", pp.605-660 in Williamson, IMF Conditionality, p.652.

granted. As a consequence, the Fund has been criticized as being both doctrinaire and reactionary. Some have seen the failure to come to mutually agreed terms with Tanzania as further proof of the IMF's free-market ideology, all but alleging that the IMF's hardline approach has been adopted to inflict maximum damage to Tanzania's socialist development plans. The IMF, however, claims that it is only concerned with a recipient's income distribution, policy instruments, or social aims inasmuch as such factors impinge on the ability of the recipient to repay any assistance provided. It asserts that the policies it advocates are the only ones which will correct Tanzania's (or other countries') balance of payments problems.

However, in refusing balance of payments assistance until the recipient agrees to the "right" economic policies, the IMF directs both the direction and pace of its client's development. The IMF's financial power and influence allows it to make severe intrusions upon the sovereign responsibility of independent states. As a financial organization with secure control of its purse strings, world-class economic expertise, as well as the responsibility to ensure that its financial assistance is repaid, the IMF is inviolate. Tanzania has proven itself an inadequate David to the IMF's Goliath, as each passing month has brought Tanzania closer to capitulation to the IMF's demands. How will the recent agreement affect Tanzania's development? Will agreement with the IMF signal the end of Tanzania's

economic independence, making her but a client state of the IMF, the World Bank, and the international donor community?

It should be emphasized that the dispute between Tanzania and the IMF has never been based on the principle of conditionality itself, but rather on the impact of such conditionality on the Tanzanian economy and its prospects for economic development. Tanzania has questioned the efficacy of the IMF's demand management policies, and fears that the implementation of the conditionality "package" would alter, if not compromise, the direction or nature of the country's development. Tanzania's international reputation, if not its own identity, has been premised on its socialist aspirations. There is concern that the IMF programme will push Tanzania towards market-oriented, non-socialist development, such development going "...against the whole grain of the Tanzanian political system, on which ultimately Tanzania's political stability is founded."¹

The current role and function of the World Bank and International Monetary Fund, as sister financial organizations, has become far less clear than at their establishment. This is particularly true since 1974 and the impact of successive increases in petroleum prices. Because the oil price increases resulted in substantially larger import bills and consequent payments deficits, payments adjustment in Third World countries required structural

¹ Singh, Present Crisis, p.24

change. But, as Williamson notes,

supervision of a program of structural change involved Fund intrusion into questions of investment priorities, microeconomic efficiency, and the structure of incentives, all of which have traditionally been the preserve of the Bank. In the late 1970s, the Bank, for its part, concluded that since the main constraint on more acceptable rates of development was once again balance of payments, fulfillment of its responsibilities required it to provide a facility to support coherent programs of structural adjustment aimed at earning or saving foreign exchange. Thus, the traditional frontier between Fund and Bank was breached from both directions.¹

What this blurring of responsibilities has done, in the case of Tanzania, is to reinforce the Fund's conditionality, since "it is the Bank's function to advise on how the government's investment plans can best be accommodated within the Fund's ceilings"²--all of which significantly reduces the scope of a recipient client to independently determine its own investment or development plans. It should be noted that the World Bank's structural adjustment loans carry, if anything, even more stringent terms than those of the IMF, precisely because they reach down to a sectoral level and require policy adjustment. It is also worth noting that the IMF and World Bank are currently meeting to examine how they can cooperate in lending activities, including collaboration on loan packages. Such coordination will routinize what has developed over the past 10 years, and will provide a new basis for World Bank/International Monetary Fund relations.

¹Williamson, "Lending Policies", p.617.

²Hayter and Watson, Aid, p.59.

The new alliance between the sister financial organizations will but strengthen their position vis-a-vis Tanzania and other developing country clients.

The dispute between Tanzania and the IMF also brings into some degree of focus the issue of aid leverage. Such leverage has been defined by Teresa Hayter, long a critic of aid, as the notion "...that developed countries, or international institutions, should use their power to withhold or increase aid as a means of influencing the general economic policies of developing countries in specific directions".¹ In the case of Tanzania, the IMF has made the provision of any balance of payments assistance conditional upon the adoption of free-market economic policies, even when such policies run counter to the very fibre of Tanzania. Tanzania's accommodation to the IMF's policies (in order to that it might receive IMF balance of payments support) is evidence of the success of such economic suasion.

The World Bank, too, has exercised some degree of policy leverage in support of its own programmes, as well as in support of the IMF conditionality package. Because the Bank is widely recognized as the most powerful of the various bilateral and multilateral aid organizations, other donors often either follow the World Bank's lead, or mediate their preferences and demands through the Bank and the IMF. In

¹Teresa Hayter, Aid as Imperialism (Harmondsworth: Penguin Books Ltd., 1971), p.17.

some developing countries, the World Bank has organized or chaired country donor conferences, to better coordinate development programmes and development funding; as the most important single donor, and as the organization that seems to give lead to developmental philosophy, acknowledgement of its preeminent position gives the Bank considerable scope to influence, through aid, development initiatives in a recipient country, potentially in opposition to that country's own development path. Such, might be said, is the case of Tanzania.

Furthermore, what Liz Kleemeier has termed "policy dialogue"¹ has now come into play, with other donors making further development assistance to Tanzania conditional upon Tanzania coming to terms with the IMF. John Loxley has cited evidence of Tanzania's donors jumping on the IMF bandwagon: the United Kingdom and the Netherlands have made further ODA (Official Development Assistance) to Tanzania conditional on a settlement with the IMF. Similarly, the Nordic countries have indicated their support of devaluation as the most effective means for Tanzania to adjust to her economic difficulties, a policy advocated by the IMF. Support for devaluation, of course, does not necessarily correspond with any desire that Tanzania abandon her socialist development

¹Liz Kleemeier, "'Policy Dialogue' in the 1980s: Donor Participation in Tanzanian Policy-Making", paper presented at the joint meeting of the Canadian Association of African Studies and the Canadian Association of Latin American and Caribbean Studies, Montreal, May 15-17, 1985.

path.

It must be noted that in the past, Tanzania has been quite successful in using a (reverse) form of aid leverage to solicit additional aid funds. In fact, aid flows to Tanzania have increased as her economic situation has deteriorated. But such leverage has had a direct cost: Tanzania has had to agree to some economic or other policies which have affected the direction of Tanzanian development. Tanzania thus has run the risk of compromising her development path. She definitely has become more dependent on aid flows.

John Loxley, in his examination of the origin of Tanzania's financial crisis, indicates that, "there can be no question that many of the problems of domestic mismanagement and shortages of foreign exchange could be traced back to external advice from aid donors and to aid projects. Of course", he continues, "nobody admits that; aid donors are not prepared to take the responsibility for the problems in Tanzania."¹ Payer notes that "Tanzanian agricultural strategies over the past decade, and many of the particular policies and projects singled out for criticism in the report, were not only financed by the World Bank, but, according to insiders' accounts, in many cases were shaped by World Bank advice and conditionality".² She also remarks

¹ Loxley, "Tanzania", in Torrie, Banking on Poverty, p.213.

² Payer, "Tanzania", p.803.

that the World Bank is now in the position of "criticizing its own record and Tanzania for persisting in accepting Bank/Market Development Board advice. No clue that shared responsibility or of Bank/MDB error can be found".¹ Payer comments on the injustice of Tanzania having to pay the entire cost of these mistaken policies while enduring the high-handed scolding handed out in Bank reports.² Such is the legacy of developmentalism--in disowning and discrediting development policies it once advocated and funded (some on less than concessional terms, it is important to remember) the Bank not surprisingly has engendered both confusion and resentment on the part of Tanzania. Payer goes so far as to claim that such advice has left the conviction that the Fund and Bank were virtually creating a crisis which would give increased power over the Tanzanian government.³ This is a particularly jaundiced view of the free market motives of the World Bank and the IMF. However, the sentiment was voiced by President Nyerere in 1980 when he asked whether the IMF is "a device by which powerful economic forces in some rich countries increase their power over the poor nations of the world?"⁴ In analyzing the Tanzanian experience with the

¹ Payer, "Tanzania", p.806.

² Payer, "Tanzania", p.807.

³ Payer, "Tanzania", p.799.

⁴ Julius Nyerere, cited by David H. Johns, "Tanzania", in Timothy M. Shaw and Olajide Aluko, eds. The Political Economy of African Foreign Policy Comparative Analysis (St. Martin's Press, 1984), p.276.

World Bank and International Monetary Fund, the recurrent theme is that the dominant policies of the North in the ruling councils of the global financial institutions, and the "development theories and ideology adhered to by Western officials, have intensified rather than assuaged the basic asymmetry of international relations.¹ A similar conclusion was reached by P. R. Lawrence in his examination of Tanzania's 1971 aid package: "its agreements were concluded for projects which tended to reflect and buttress its dependence upon and integration into the centre."² Payer has gone so far as to allege that such "assistance" is but a guise to bring socialist Tanzania within the realm of capitalist production.³ And indeed, there is some evidence to support such an assertion. The World Bank has certainly favoured a free market mechanism, and has supported, more than anything else, the production of cash crops. The former approach better conforms to donor interests and further reinforces the colonial heritage of exchange of raw materials for manufactured goods. Hence, Tanzania, along with most other developing countries, has become ever more mired in dependent relations. It is not unfair to say that IMF and World Bank policies have made severe intrusions upon the

¹R. Cranford Pratt cited in Torrie, Banking on Poverty, p.14.

²P. R. Lawrence cited by John S. Saul, "African Socialism in one Country: Tanzania", in Arrighi and Saul, Political Economy of Africa, p.278.

³Payer, "Tanzania", p.797.

sovereign responsibilities of Tanzania, at least in terms of forcing Tanzania to accept certain prescribed policy measures if it expects to receive any balance of payment or development assistance.

Tanzania hosted the first World Bank mission twenty-six years ago; with some degree of historical perspective it is now possible to review the balance sheet. At the time of the Arusha Declaration, Tanzania owed the World Bank only TSh 71 million. Only six years later the debt had mushroomed to TSh 512.2 million, with more loans and credits planned.¹

Tanzania's socialist philosophy and progressive development policies made her the world's "aid darling". But now, scarcely a decade later, the country is being penalized for pursuing those same policies. The IMF, the World Bank and other donors have become disenchanted with lack of developmental success in Tanzania and are calling, nay demanding a change in Tanzania's approach to development. Will change result in a Tanzania quite different from the one so celebrated (in vision, if not in reality) only a few years earlier?

¹ von Freyhold, Ujamaa Villages, p.108.

CHAPTER 5 DEPENDENCE REINFORCED AID AND (UNDER)DEVELOPMENT

5.1 Aid and Dependence

On the tenth anniversary of the Arusha Declaration, President Julius Nyerere declaimed "...although our nation is not by any means economically independent; we are not becoming more dependent on others as time goes on and development increases".¹ If such a statement was viewed with skepticism at the time, today such a declaration would be met with derision. By any measure Tanzania must be considered a dependent nation.

Dependency theory suggests that development in the Third World is but a reflection of development in the capitalist order, the development gap being a consequence of dependent development. Dependency theory explains how trade, aid, and other economic relationships between a peripheral or satellite economy and the metropolitan centre create linkages of dependence that prevent autonomous or self-directed growth and development. This is the structure of dependence.

Tanzania conforms to the dependency model of peripheral economic development. Twenty-five years after political independence the Tanzanian economy continues to bear the characteristics of structural dependence. Peasant "

¹Julius Nyerere, cited by P. F. Nursey-Bray, "Tanzania: The Development Debate", African Affairs (79:34, January 1980), p.64.

agriculture remains the mainstay of the Tanzanian economy, with some 43 percent of GDP deriving from agricultural production, much at a subsistence level.¹ Primary commodities, other than minerals, provide 90 percent of the country's export earnings. In itself, the skewed composition of Tanzania's export trade has little bearing on the country's economic dependence; however, that the terms of trade for its commodity exports have proved perennially disadvantageous has meant that the country has had to produce ever-greater quantities of primary goods (in the face of increasingly expensive imported inputs) just to maintain its economic position. The country continues to import most manufactured goods, including machinery and technological goods, as well as industrial inputs from abroad, mostly from the developed, metropolitan countries.

The country's ~~dual economy~~ is a further reflection of the structure of economic dependence. As with other peripheral economies, the relationship between the modern and subsistence sectors in Tanzania is somewhat weaker than that which integrates the industrial or modern sector with the external order. Although the productivity of the peasant agricultural economy has permitted the growth of a small, urbanized industrial sector, such industry remains import dependent. The links between agriculture and industry in

¹United Nations Conference on Trade and Development, The Least Developed Countries 1984 Report (New York: UNCTAD, 1984), p.213.

Tanzania are not well integrated, and have not proven to be mutually reinforcing. Industrial activity (mining, agricultural processing) comprised but 20 percent of the country's GDP at independence; by 1980 the sector accounted for only 22 percent.¹ The domestic production of manufactured commodities has been limited, and has not served as an incentive to increased production of agricultural or other primary commodities, which might have financed further industrial or export growth. Furthermore, the development of isolated consumer goods industries has made the country ever more dependent on foreign capital, technology, equipment, skills, and energy, all of which bear heavy economic costs.²

Tanzania also increasingly has become dependent on foreign economic resources. At the time of the Arusha Declaration, only 20 percent of government development expenditures were foreign financed; by 1976, 60 percent of such expenditures were funded by foreign loans and grants.³ In 1981 more than 70 percent of the nation's development budget came from aid transfers.⁴ The country thus depends

¹Rodger Yeager, Tanzania An African Experiment (Boulder: Westview Press, 1982), p.37.

²Jannik Boesen, "Tanzania: from ujamaa to villagization" in Bismarck U. Mwansasu and Cranford Pratt, eds., Towards Socialism in Tanzania (Toronto: University of Toronto Press, 1979), p.140.

³Boesen, "Tanzania", p.140.

⁴A. A. Cayer, ed., Notu Bene Country Companion - Tanzania, (Afton, Nova Scotia: Adelard Enterprises Limited, 1983), p.6.

on foreign development assistance to fund its development, and increasingly, to finance both operational expenditures and budget deficits. Such transfers, however, largely are negated by debt repayment and other repatriation of capital. By 1981 Tanzania had accumulated foreign debt arrears in excess of \$US 500 million.¹ The country today carries an increased debt burden, with hardening terms.²

The perpetuation of a pattern of peripheral development, a skewed or immature economy, reliance on foreign development assistance, an onerous debt burden, these are the measures of economic dependence. Such dependence, however, is but one feature of a process of underdevelopment that dependency theory attempts to explain. According to dependency theory, underdevelopment is a dynamic and transitive process. While economic dependence might be the predominant feature of such underdevelopment, dependency theory claims that economic dependence, including dependence on foreign economic resources, creates, augments, reinforces, or perpetuates the other variables of the dependency equation. This is the true nature of dependence.

Underdevelopment is the product of dependence; economic dependence, political dependence, social and cultural dependence. Dependency theory would define a

¹Cayer, ed. Nota Bene, p.6.

²Tanzania's outstanding external public debt (including undisbursed funds) was U.S. \$2,594 million in 1984. The World Bank, World Development Report 1986, Table 18, (Baltimore: John Hopkins University Press, 1986), p.214.

dependent nation as one which does not have effective control over decisions which determine the country's economic, political, and social development. Tanzania has lost such control. As a dependent nation, Tanzania's ability to pursue its own economic, as well as social and political agenda has been compromised. As a consequence of such dependence, and the failure of its policies of self-reliance, Tanzania has become a ward of the international aid and financial communities.

The country's growing dependence on foreign development assistance can be seen as antithetical to its professed goals of self-reliance and self-directed development. Tanzania's dependence on aid extends beyond its quantitative flow. There is no necessary or insistent correlation between the volume of aid and its impact. Because aid is used in a particular context and because such use entails real opportunity cost, it is impossible to assess or quantify the real effect or impact of foreign development assistance. Nor can total aid flows accurately be discounted to better reflect the differential impact of aid. However, because aid conditions development in a pattern that creates but further dependence, aid serves as the lubricant of neocolonialism.¹ Tanzania represents a compelling example of how foreign aid has impeded rather than reinforced indigenous development efforts and has negatively affected

¹Guy Arnold, Aid in Africa (London: Kogan Page Limited, 1979), p.14.

the achievement of the country's development goals.

The 1967 Arusha Declaration was intended to strengthen Tanzania's economic and political independence, as well as to direct the country's social structure. Nyerere offered a vision of a new society based on African tradition. But as much as the Arusha Declaration remains a commendable statement of Tanzania's intention to pursue a self-reliant development path, it did not provide a strategy, much less a coherent and integrated strategy, for the achievement of an African Utopia. As policy the Declaration afforded only a few of the components of a strategy for increased economic self-reliance and social and political development. While the Arusha Declaration marked Tanzania's development path, it failed to direct progress on that path, the path to socialism and self-reliance. The Arusha Declaration failed to enhance either the country's freedom or its independence of action, and hence failed to liberate Tanzania from the bonds of dependence.¹

P. F. Nursey-Bray maintains that "Tanzanian socialism, despite some signal achievements, has failed to provide a basis for autonomous development, and has thus been

¹It again should be noted that few countries, including the centrally planned economies, effectively have developed coherent and integrated development plans, much less plans for rapid and radical social and structural transformation. The development path of the People's Republic of China, too, has been characterized by abrupt changes in direction, or alternative courses to a redefined social goal.

unable to implement its programme of social change."¹ John Saul similarly believes that the missing link in the chain of Tanzania's socialism lies in the absence of an effective strategy to guarantee that state control over economic surplus and over economic decision-making is used effectively towards structural alteration of the economy. Saul notes that Tanzania remains a long way from conceptualizing, let alone realizing in practice, the construction of a markedly "self-centred system".² Although the Arusha Declaration provided the rhetorical outline for a socialist and self-reliant Tanzania, it failed to delineate how the concrete goal of a self-centred economic system might be achieved, and did not specify the steps which must be taken, in the context of day-to-day planning, for its realization.³

Tanzania also has failed to develop an effective strategy for the use of foreign aid. Just as rhetorical commitment to broad policy objectives does not constitute an effective development strategy, so a claim to self-reliance does not afford a framework for the effective use of foreign development assistance. An effective strategy

¹Nurse-Bray, "Tanzania", p.69.

²John S. Saul, "African Socialism in One Country: Tanzania" in Giovanni Arrighi and John S. Saul, Essays on the Political Economy of Africa (New York: Monthly Review Press, 1973), p.273.

³Saul, "African Socialism", p.275.

...first requires rational, concrete decisions about the sectors and activities in which foreign assistance can and cannot participate, the type of assistance which is desired and not desired, the kind of loan covenants to which the government will agree and not agree, etc. Second, these objectives must translate into clear, consistent, and practical guidelines governing aid negotiations and the subsequent monitoring of political and program implementation. Third, the political will and determination to reject offered assistance not meeting the decided criterion must back up both decisions and guidelines, otherwise the strategy has no force or application.¹

Tanzania has not developed such a strategy. Although the Arusha Declaration prescribed that foreign aid would be used only as a catalyst to internal effort, and even suggested that Tanzania would be prepared to forego foreign development assistance that did not correspond to the country's own development priorities, this dictum largely has been ignored.

In the absence of both a development strategy and a framework for Tanzanian-directed use of foreign aid, Tanzania has drifted considerably from the broad policy objectives proclaimed so bravely in 1967. As evidence of this drift, Tanzania has found that important planning decisions have come under the dominance of foreign influences.² Rather than pursuing a self-directed development path, the country's development has been influenced by the actions of more than a dozen bilateral and multilateral donors. Or, as Yeager has summarized, "national interests may be determined in Dar es

¹Resnick, p.79.

²Resnick, p.217.

Salaam, but the pursuit of these interests is constrained by decisions taken in more powerful capitals".¹

It has been noted that through the mechanism of aid Tanzania has accepted advice or projects or choice of technique that have not served the country's larger development goals. Tanzania has been relatively uncritical in its acceptance of projects proposed by foreign donors and much development expenditure has been directed to projects and sectors outside those designated as priorities by the country's development plans.² The SIHA bakery, or the Mgololo Valley pulp and paper mill are examples of aid projects which have not furthered Tanzanian development. But there are more important examples of how foreign aid has altered Tanzania's chosen development path. Tanzania's acceptance of World Bank advice on the improvement and development of its agricultural sector has altered profoundly the course of Tanzanian development. Such advice, directed to both the improvement and the transformation of the country's agricultural economy, dictated a particular kind or direction of development based on agricultural modernization and skewed toward the increased production of export or cash crops. Critics of the World Bank's role in Tanzania claim that in proposing, funding, and later conditioning the direction of Tanzania's agricultural development, the World

¹Yeager, p.49.

²Yeager, p.47.

Bank has pushed "Tanzania towards market oriented, non-socialist development".¹ Tanzania, through the acceptance of World Bank advice and aid has embraced such integration, at the cost of decreased self-reliance. In the process, Tanzania has become even more linked, in a subordinate manner, to the external order.

Such is the nature of aid and dependence. Aid abets dependence; dependence begets increased dependence. It would appear that over the last twenty years Tanzania's development principles, as well as its chosen development path, have been compromised, if not abandoned as Tanzania has been brought into closer connection with the international community, according to the guiding rules of the international economic order. Although it is unquestioned that foreign development assistance has contributed greatly to the country's development efforts, one commentator has surmised that "on the whole foreign aid moved Tanzania away from its objectives".²

Tanzania has become entrenched in a relationship of dependence, and is "hooked" on the narcotic of aid. One of the country's worst fears is decline, or static growth, in

¹Agit Singh, The Present Crisis of the Tanzanian Economy: Notes on the Economics and Politics of Devaluation (Bergen: The Chr. Michelson Institute-Development Research Action Programme Working Paper #299, 1983), p.30-1.

²Idrian N. Resnick, The Long Transition Building Socialism in Tanzania (New York: Monthly Review Press, 1981), p.131.

aid transfers.¹ Yet increased transfers on other than concessional terms offer limited opportunity for the country to break the bonds of dependent development, since increased aid will exacerbate the influence of donors, and further increase the country's dependence and debt. Tanzania no longer aims for a self-directed or self-reliant future. Rather its more limited horizon is, at best, one of decreased dependence.

5.2 Tanzania's Future: Self-Reliance or Dependence?

Can Tanzania, now dependent on foreign aid, plagued by foreign debt, victim of external circumstance, suborned by donor conditionality expect to limit its external dependence? In recent years Tanzania has come to recognize that improved self-reliance and autonomy of decision-making are incompatible with shrinking foreign-exchange earnings. The Minister of Finance indicated the importance of increased export earnings for self-reliance in the following terms:

...we are totally dependent on foreign loans and grants for the foreign exchange component of investment. That is not acceptable--it biases approved investment to what can be financed externally. It gives foreign agencies and institutions too great an influence over our policy....That is why reduction of our exports far from furthering self-reliance, has endangered it. That is why we must now give priority of attention, of time, of personnel, of resources to raising exports, even though

¹United Republic of Tanzania, Programme for Economic Recovery Report Prepared by the Government of Tanzania for the Meeting of the Consultative Group for Tanzania, Paris, June 1986 (Dar es Salaam, May 1986), p.18.

we cannot hope thereby, to solve all of our external balance problems in isolation of the international situation.¹

Of dire economic necessity, then, export development has been emphasized as the key element of Tanzania's development strategy. Tanzania needs increased export revenue to finance not only its development programme (including recurrent expenditures stemming from previous development projects and programmes), but also regular or operational budget expenditures. In addition, Tanzania's schedule of debt repayment has made export expansion, and the promise of increased export receipts, an economic priority. Without increased revenue, incremental development activity has become a receding possibility.

A vigorous programme of export promotion might result in reduced financial dependence, but such diminution, like incremental development, belongs to a somewhat distant future. In addition, export promotion should be seen as something of a calculated risk. Enhanced export production will require the same high levels of financial investment, the same degree of imported capital and goods as were absorbed in Tanzania during the 1970s. Failure to increase exports to meet a rising share of the country's import requirements will result in higher levels of debt, increased

¹Budget Speech given by A. H. Jamal, Tanzanian Minister of Finance, reported in 20 June 1980 Daily News, cited by A. R. M. Ritter, Tanzania's Agricultural Sector: An analysis of past performance and an evaluation of 1980-81 policy initiatives (Hull: CIDA Commonwealth Africa Division, 1981), p.72.

levels of debt repayment, and hence actually increase the country's dependence. In the 1970s, production and exports did not keep pace with increases in Tanzania's import bill. Increased production and increased export will result in significantly increased revenues only if the international terms of trade do not suffer a further slide. Tanzania's export commodities, historically, have been subject to fickle demand.

Export promotion offers the future possibility of reduced financial dependence; it does not promise increased self-reliance, other than a quantitative reduction in the ratio of imports to GDP, and that only if export promotion is successful. Furthermore, such a "strategy" does not address Tanzania's continued dependent relationship with the external order. Nor does it account for how the state is to encourage increased production for export. In short, Tanzania still lacks a strategy or mechanism with which to capture the efforts of its rurally-based peasantry.

In addition to increased export production, Tanzania's recently announced Programme for Economic Recovery also is directed to increased, and sustained, concessional aid flows. With the Recovery programme in place (and presumably with the sanction of the IMF) Tanzania has appealed to the Consultative Group of donors to both increase the level and the share of non-project aid, as well as to redirect aid flows towards cushioning the impact of inflation and increasing the supply of agricultural inputs and

incentive goods to increase the utilization of existing capacity.¹ With such an appeal, the role or function of aid in Tanzania has changed. Rather than providing external resources for such activities as might provide either growth, development, or some admixture of the two, aid to Tanzania is now required to sustain or resuscitate previous initiatives, or to complement adjustment policies which alleviate the country's accommodation to difficult economic circumstances.

There are two significant aspects to Tanzania's petition to its bilateral and multilateral donors. The first is that while the promise of balance of payments and World Bank financial support suborned Tanzania into acceptance of the IMF's demand contraction policies and the restructuring of its economy, Tanzania still hopes to employ supply enhancement as a way of stimulating its economy. Although on the surface this appears to be Tanzania's pursuing its own favoured economic policies, it actually represents a further accommodation to or integration with the existing world economic order. Rather than pursuing self-reliant economic growth, Tanzania has chosen to tie its economic future to increased exports on the world market.

Secondly, the petition for continued development assistance is a measure of Tanzania's dependence on external aid. Such aid might act as a catalyst to the country's own efforts, but such efforts are directed not to societal

¹United Republic of Tanzania, Programme, p. 18.

transformation, but rather to halting economic decline. Real development, on a self-reliant model, is deferred to such a time as economic conditions permit. That Tanzania has but limited control over such conditions signifies that Tanzania has no real control over either the pace or direction of its development, at least until (or if) it can secure sufficient development resources through increased production, particularly of primary export commodities. Because such linkage with the external order leads to reinforced dependence and continued underdevelopment, it would seem that Tanzania's prospects for either reduced dependence or self-reliant development are immeasurably reduced.

In addition, Tanzania seems to have used up much of the credit and good will the donor community was prepared to extend to it. In the 1980's Tanzania is seeing its own aid leverage eclipsed by the failure of its development policies and its poor economic performance; the country is no longer the favoured child of the international donor community. Tanzania is no longer heralded as an example of an alternative development path. Tanzanian self-reliance (as well as Tanzanian socialism) has become a footnote of contemporary African development. Tanzania will probably attract less attention and command less influence in the future.¹

¹David H. Johns, "Tanzania" in Timothy M. Shaw and Olajide Aluko, eds., The Political Economy of African Foreign Policy Comparative Analysis (New York: St. Martin's Press, 1984), p. 279.

Now twenty years after the Arusha Declaration promised a unique development path, the precepts of self-reliance and independence have been overturned: Tanzania moves within the ambit of international capitalism and shares the developmental norms of other dependent African countries.¹ Massive amounts of foreign development assistance have not contributed to Tanzania's development goals. Far from becoming self-reliant and independent, Tanzania is very much a dependent nation.

¹Nursesey-Bray, "Tanzania", p.69.

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