

EXTERNAL STIMULI AND NATIONAL PLANNING IN TANZANIA

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THE HOSTILITY OF THE EXTERNAL ENVIRONMENT

We have been oppressed a great deal, we have been exploited a great deal. It is our weakness that has led to our being oppressed, exploited and disregarded. Now we want a revolution—a revolution which brings to an end our weakness so that we are never again exploited, oppressed and humiliated.¹

This quotation from the Arusha Declaration reflects the importance which Tanzania attaches to development. The goal is a drastic reduction in the adverse effects of the triple alliance of poverty, ignorance and disease and a sustained increase in the moral and material benefits which accrue to all Tanzanians, not hereafter but here and now. Self-reliance is the appropriate strategy for achieving this goal. It assumes a hostile external environment but argues that the challenge which this environment poses can and should be overcome by a forceful, courageous and rational reorganisation of the domestic and external relations of the country. It does not imply isolationism. A state can be particularly active in international relations and remain self-reliant because self-reliance seeks to control rather than eliminate the interaction among states.

Similarly, self-reliance and self-sufficiency are not synonymous. Increased specialization of functions has made the international community very interdependent. It is unrealistic, therefore, for any country to aspire to self-sufficiency. Some of the resources that Tanzania needs for its development exist outside its borders. In fact, the underdeveloped nature of its own resources means that, in comparison with the advanced countries, it needs external resources more urgently and in greater quantities. It needs foreign capital and skilled personnel in order to raise the level of its economic output; it needs external markets for the sale of its export produce and the import of certain goods and services; and it needs external support for the maintenance of its security and in its struggle against colonialism and racialism in Africa.

Self-reliance is a strategy for a low-cost and high-benefit extraction of these external resources. It seeks to maximize all the resources which facilitate socio-economic development while minimizing all obstacles against it, and thus to ensure that international interactions are salutary rather than detrimental to national progress. Its significance lies in its search for adequate internal and external environments for development and the recognition that this search must be carried on within the context of the colonial heritage of Tanzania and the low level of national power which adversely affects the country's development.

The strategy assumed great importance in Tanzania following the enunciation of the Arusha Declaration in February 1967. Its adoption was significantly influenced by the impact of external conditions on the national planning process. External conditions adversely affected the 1961—1964 plan. At the beginning of the first year of the plan only the United Kingdom (UK) had given any foreign aid toward its implementation. It had offered £9 million in grants and £4 million in loans. Although other sources of aid were under negotiation it soon became obvious that only the UK aid would be available for the first year of the plan. Unexpectedly, therefore, domestic resources had to finance £3.9 million out of the £7.3 million previously expected to come from external sources. During the second year, capital expenditure was estimated to be £8.34 million. Again negotiation for aid from other than UK sources was still not completed. Under the circumstances the government had to halt many of its development projects during the remainder of the plan period.

The experience with foreign aid during the period of the First Five Year Plan was equally disappointing. During the pre-plan period it had been intended that government recurrent revenue would provide £8.6 million during the plan period; government securities would provide £14 million. In order to improve the role of domestic resources in providing these funds efforts were to be made to mobilize all possible savings towards the implementation of the plan. In spite of all these efforts, however, only £22.5 million was likely to be realized in local currency out of a total capital requirement of the government and parastatal organizations of £102 million including a local currency requirement of £50 million.²

Consequently, the Plan expected 78% of the government's investment to come from external funds. Comparative figures are 41% for the Nigeria 1962—1968 plan, 49% for the Kenya 1964—1970 plan and 50% for the Ghana 1963/64—1969/70 plan.³ For all sectors of the Tanzanian plan external resources were to account for 52% of the total resources. Of the estimated total capital expenditure of £246 millions external borrowing and investment were expected to amount to £71.5 million while £8 million was to come as grants. This external fund was part of the total government's estimated expenditure of £102 million.

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1. 'The Arusha Declaration' in Julius Nyerere, *Freedom and Socialism* (Dar es Salaam: Oxford University Press, 1968) p. 235.

2. The United Republic of Tanganyika and Zanzibar. *Tanganyika Five Year Plan for Economic and Social Development, 1st July 1964—30th June, 1969* (Dar es Salaam: Government Printer, 1964) Vol. I. p. 89.
3. R.H.Green 'Four African Development Plans: Ghana, Kenya, Nigeria and Tanzania' *Journal of Modern African Studies*, Vol. 3, No. 2, 1965 pp. 255-258.

The East African Common Services Organization expected £18 million from external loans and investment. Parastatal Organisations expected £12 million from external sources out of an expected expenditure of £21 million. The private sector expected £15.6 million from external loans and investments as well as £3.4 million in external grants, out of a total of £95 million.⁴

The emphasis at the time on external resources, and the optimistic expectations of their availability were reflected in the predictions of the Minister of Finance that at least £250 million would be needed during the 1975/80 plan period. He also estimated that by the end of the century the country would have absorbed about £2,000 million of external aid from the time of the inception of the First Five Year Plan.⁵ The performance of the plan proved these predictions and optimistic expectations wrong. The role of external resources had been overestimated and that of domestic resources grossly underestimated. 'It was forecast that about 22% of the Central Government expenditure and about 48% of the total investment expenditure would come from local sources. In fact, however, out of a total expenditure only slightly smaller in money terms than that planned, more than 65% of the Central Government capital expenditure was financed from domestic sources, and something like 70% of the total investment spending came from within Tanzania.'⁶

External market conditions have also had adverse effects on national planning in Tanzania. The country depends to a large degree on international trade. In 1968 it exported goods worth Shs. 1,626 million and imported goods worth Shs. 1,532 million. These are about 27% and 26% respectively of the total GDP for the year of Shs. 5,869 million. Comparable figures are 28% and 27% in 1954, 28% and 25% in 1958, 27% and 24% in 1962, and 32% and 29% in 1966.⁷

Thus, the external trade component of Tanzania's GDP ranges between 25% and 30%. Comparable figures for other countries are Zambia 54%, Ceylon 50%, the UK 14%, India 5%, the US 3% and the USSR 2%.⁸ Thus Tanzania relies more on the external market than such advanced countries as the UK, USA and USSR, and such large underdeveloped countries as India. It is, however, less reliant than such underdeveloped states as Ceylon and Zambia which depend on one major export crop.

This high trade content of the country's total GDP means that foreign trade significantly and directly affects its economic development. About 40% of the government's revenues comes from import and export taxes. In fact, both the total GDP and the monetary GDP of the country are fairly responsive to changes in imports, while imports are in turn sensitive to changes in the total monetary GDP and the domestic investment expenditure.⁹ In addition, there are indirect effects of foreign trade on development. Economic transactions may be impor-

tant on issues which do not affect the economy in any direct or immediate sense. They may serve to generate and transmit new ideas and experiences which may give rise to economically beneficial changes in attitudes and institutions and thus help to destroy some of the cultural barriers against economic growth. The state is likely also to have a general interest in its external markets, an interest which transcends narrowly defined marketing conditions. Consequently, it may become attuned to the needs of some sections of its community in a way that covers a great range of non-economic activities which may only have a very indirect effect on economic growth but may have a direct impact on other aspects of development.

Thus, deteriorations in the trade position of Tanzania have a significant effect on its development. The country has experienced serious difficulties in its external trade. The worsening terms of trade which began in 1963 have continued ever since. Consequently, the purchasing power of its exports has been declining. Export price reductions in 1965 cost about £12 million in export earnings. Similarly, import price increases the same year were equivalent to about £4 million worth of imports. In other words in 1965 the total loss from import and export amounted to £16 million.¹⁰ In fact the fall that year in the world prices of Tanzania's most important export crops—sisal, cotton, and coffee had a major impact on the country's First Five Year Plan. In the first place, it more than offset increased export output with a consequent fall in rural incomes. Secondly, it adversely affected the government's expectations of revenue, a significant proportion of which is realized through export taxes which are in turn related to export prices. Under these circumstances the Plan's expectations of funds were not met. For example, it had been planned that taxes from the sale of sisal would yield about £2,100,000 in 1964—1965. However, only £800,000 was realized.¹¹

In many other ways conditions of the external environment imposed constraints on the national planning process in Tanzania. Between 1964 and 1966 the prospects of a political federation of the East African States faded. The East African Community immediately came under severe strains. The economic ties holding the component states together began to loosen. In fact, in 1965 there was a real danger that the structure of East African cooperation would collapse. The Kampala Agreement of 1964 which sought to grapple with some of the causes of the strains proved inadequate and inoperative. It was left to the Philip's Commission which was appointed in 1965 to find some acceptable formula for holding the community together. However, the consequent Agreement was not signed until December, 1967. Meanwhile, the common monetary system was replaced by three separate currencies.

In 1964, the revolution in Zanzibar carried with it serious international implications which in part led to a union between Tanganyika and Zanzibar. In addition, between 1961 and 1967, a number of crises in the country's external

4. Henry Bienen, 'Foreign Aid and National Independence' in *Foreign Aid: Conference on Public Policy* (Dar es Salaam: University of East Africa Publication, 1964) p. 6.

5. *Ibid.* p. 6.

6. The United Republic of Tanzania. *Tanzania Second Five Year Plan* (Dar es Salaam: Government Printer, 1969) Vol. I. p. x.

7. K.A. Malima, 'International Trade and Economic Transformation of Tanzania' University College, Dar es Salaam, Economic Research Bureau paper No. 70. 10 p. 7.

8. *Ibid.* p. 7.

9. *Ibid.* p. 15.

10. G.K. Helleiner, 'Trade, Aid and Nation-Building in Tanzania' in A.H. Rweyemamu, ed. *Nation-Building in Tanzania* (Nairobi: East African Publishing House, 1970) p. 68.

11. Cranford Pratt, 'The Administration of Economic Planning in a newly independent state: The Tanzanian Experience 1963-1966' in *Journal of Commonwealth Political Studies* Vol. V: 1. March 1967 p. 41.

relations compelled it to reassess and reorganize its domestic and external affairs: Frelimo, which is based in Dar es Salaam, declared war on Portugal for the liberation of Mozambique; there was a massive outflow of capital from the country; a crisis developed over the establishment of an East German Consulate-General in Dar es Salaam; diplomatic relations with Britain were broken over the illegal seizure of independence by the white minority regime in Rhodesia; relations with the US were strained over an alleged plot by two US diplomats to overthrow the Zanzibar regime; and an international row ensued over the proposed railway to link Zambia and Tanzania.

In general, the effects of conditions in the external environment on activities in Tanzania were as follows: (1) to divert attention and energy away from domestic goals and resources; (2) to create uncertainty in the planning process; (3) to ensure failure in the attempt to maximize the use of external resources for development. This consequence stemmed from a poor understanding of the external environment, particularly the role of power and national interest in it, and the lack of congruence between the power and interests of the relevant groups in the domestic and international environments which gave rise to: (4) the external control of the planning process. Self-reliance may indeed be best understood as a strategy for remedying these adverse effects of the external environment.

External stimuli of high relevance and intensity affect the attention that decision-makers can devote to events. The tendency during the crisis in the external relations of a state is for its planners to devote a disproportionate amount of time and resources to external affairs. Since, however, there is a limit to the amount of attention that a state can devote to its activities, less attention is devoted to domestic affairs until the crisis subsides. The more authoritative and prestigious the source of stimuli the greater the attention it attracts. The most powerful and prestigious members of the world community are the advanced countries. Thus Tanzania focussed a disproportionate amount of attention on stimuli from these countries. This was reinforced by the outward orientation of the country resulting from its colonial heritage. Consequently, both the 1961—1964 and the 1964—1969 plans were prepared by expatriate experts and, like plans drawn up during the colonial era were biased towards infrastructural and capital-intensive projects for which external funds were vital. Domestic needs for growth-generating and labour-intensive projects, as well as domestic resources were neglected. Rational choice is limited by an excessive focus of attention on one set of factors. There is no doubt that crises in external affairs and conditions took some attention away from the reorganisation of domestic activities and mobilisation of domestic resources in the period before the Arusha Declaration.

This situation may be more readily understood when it is recognised that machinery of government was, in terms of its capacity, past traditions and flexibility, under-developed. The ability to process decisions was severely limited. It was even more difficult to switch one section of the information-processing and decision-making machinery from one set of events to another. There was a severe lack of resources for contingency planning and since most of

the significant external events of relevance to Tanzania were crises, their processing tended to take up most of the facilities for planning. In addition, there is usually a significant time lag before the machinery is moved from a focus on external conditions to one on domestic activities. It was not, therefore, until 1967 when the salience and frequency of crises in the country's external relations had decreased appreciably that any major attempt was made to focus most of the nation's attention on development planning and to revise political and administrative machinery for that purpose.

The Inadequacy of Information on External Conditions.

An effect of the external environment on Tanzanian domestic life stemmed from inadequate information in the country about external conditions. Some of this information is relevant for national planning. In order to make an effective, rational and conscious choice, national planners must be fully aware of the alternatives available to them at the time of decision. This is not possible in the absence of adequate information about the available options. Lack of adequate information limits national and effective choice. Precise information must be available to decision makers if there is to be only a minimum discrepancy between the objective conditions in the external environment and their picture of them.

Tanzania's ability to acquire information regarding external events is very limited. States use official and unofficial channels to obtain such information. Official channels include espionage and intelligence establishments. The lack of adequate material and human resources prevented Tanzania from using this source. Foreign missions and embassies constituted the sole official channel. A major role of the diplomat is to use his skill and familiarity with the host country to interpret data and make reliable assessments and forecasts about the responses of his host government towards his own government's policy. A good diplomatic apparatus may improve national planning by the use of vital external information to make some national decisions realistic.

However, Tanzania's diplomatic apparatus was very inadequate for this purpose. The absence of an experienced diplomatic staff steeped in discipline and tradition, and the shortage of personnel and finance hindered the use of this source of external information. For example, the Tanzanian Foreign Office opened in 1961 with only 39 civil servants. Although the number including Missions abroad expanded to 364 in 1967 and 477 by April 1970 it was still extremely small and inadequate in relation to the desired tasks. At least ten posts were not filled in April 1970 because of a lack of personnel. The Missions abroad were not adequately staffed. The number of workers including messengers and drivers at the different overseas Missions as of April 1970 was as follows: London 21, New York 20, New Delhi 23, Bonn 19, Peking 17, Conakry 12, Kinshasa 17, Stockholm 18, Moscow 17, Washington 16, Cairo 21, Tokyo 4, Addis Ababa 20, Paris 17, Ottawa 15, The Hague 17 and Lusaka 11. Most of these Missions were actually short of legal experts, economists and translators. Similarly, the Foreign Ministry at home was understaffed. The personnel

of its various divisions were grossly inadequate. From 1968 these divisions have covered the following problem areas: (a) Political (b) Africa and the Middle East (c) Economic, Cultural and Technical Cooperation (d) Administrative and Inspectorate affairs (e) Protocols and Treaties. For example, the Political Division which is responsible for the whole international community's political issues had only 13 members on its staff in 1962, while the African and Middle East Division which deals with over 50 states had only 8 people in 1970.¹²

The general poverty of the country limits the personnel that can be mobilized for foreign affairs. Tanzania cannot afford to engage in external relations to the neglect of vital projects in the other sectors of its activities. Personnel can, therefore, only expand at a rate in step with economic development. Before the 1965 financial reforms of the Ministry of Foreign Affairs, it spent about 1.8% of the Government's annual recurrent expenditure which was about 16% of the GNP.¹³ Ever since 1966, however, the President as head of the Ministry has reduced expenditure. While in 1963/64 the estimated expenditure of £219,000 was exceeded by £298,000 (an increase of almost 150%) the 1965/66 actual expenditure was £1,250 below the estimate.¹⁴ Consequently, personnel development both in the foreign Missions and at home has been seriously hampered.

The bureaucracy in general is the other official source of information about external conditions. Other sections of it, apart from the Foreign Office, deal with foreign countries and agencies. The more efficient the bureaucracy the greater the quality of the information it can acquire. Tanzania's bureaucracy was new and inefficient, and suffered serious manpower and financial problems. It was also fragile because of the intense struggle for power and influence within it.¹⁵ In addition, there was the problem of the underdeveloped communication network of the bureaucracy. An adequate and speedy transmission of vital information about external conditions is indispensable to successful planning for the extraction of external resources. This requires an adequate vertical integration within the bureaucracy, and between it and the foreign Missions at the periphery of the communications network. In Tanzania, however, this was the goal rather than the reality of the bureaucratic situation.

Unofficially, the most obvious source of information about the external environment is the Press broadly conceived to include newspapers, radio, television and magazines. Apart from the dissemination of news, the press affects information in several ways: (a) it gives the general scope of the news as official information is generally specialised; (b) it makes analyses of news and so aids the policy-makers' interpretation by providing comparisons; (c) it provides the decision-makers with a measure of the importance of events through the space allotted to news items and their position and prominence in the media. During the period under review the press in Tanzania was

12. The figures are taken from issues of *Foreign Affairs Bulletin*, Dar es Salaam, Ministry of Foreign Affairs Publication.

13. T.M. Shaw, 'The Foreign Policy of Tanzania 1961-1968' MA Thesis, University of East Africa, Makerere 1969. p. 301.

14. *Ibid.* p. 302.

15. David B. Abernethy, 'Political and Administrative Factors Affecting Economic Development Strategies in Independent African States'. A paper presented at the East African Social Science Conference, Kampala, December 1969, pp. 14-15.

largely underdeveloped and could not, therefore, carry out these functions effectively. The government carefully watched the activities of the newspaper, the *Standard* and owned Radio Tanzania; while the ruling and only Party owned *The Nationalist* and *Uhuru* newspapers. These were the significant components of the Press in the country; virtually they all supported government policy.

Such a state-controlled Press has many advantages in Tanzania because the leadership serves the true interests of the masses. It helps to create unity in a country whose colonial heritage emphasized diversity and encouraged forces of disintegration. This unity increases its ability to overcome the adverse effects of foreign penetration. It also increases the power that comes from the unity and mobilization of the people behind their government. Secondly, the Tanzanian political man is not yet fully class—or nation—oriented. He is motivated primarily by primordial and parochial concerns. A state-controlled Press helps to divert attention away from parochial issues and to focus it on national ones. Consequently, it aids the transfer of loyalties to the new nation. Finally, the mass illiteracy of the population may be exploited by unscrupulous agencies to sow the seeds of distrust and confusion in the country. This is prevented by the government's control of information.

On the other hand, however, this control frustrates the initiative of national planners. Limited access to information, especially critical information, makes it difficult for them to make more realistic assessments than the government. Such a press cannot provide an independent interpretation of events realistic enough to act as a useful comparison for the decision-makers. Consequently, the Press in Tanzania has been unable to improve the quantity and quality of the information which decision-makers have had about external conditions. In addition, the foreign news content has been sketchy, crisis-oriented and lacking in any serious analyses. Foreign affairs columns have been non-existent—no columnist has emphasized foreign affairs. The external information content of the Press, therefore, has been low.

These inadequacies of the apparatus for acquiring information about external events explain in part the errors in the predictions of the amount of external resources that could be harnessed to Tanzania's 1961—1964 as well as the 1964—1969 development plans. The former expected 100% and the latter 78% of the government finance to come from external sources. Both underestimated the time required to prepare the feasibility reports on the projects for which foreign aid was needed. Similarly, there was miscalculation of the time necessary to successfully negotiate this aid and the degree of internal coordination of activities necessary for Tanzania's success in these negotiations. For example, during the planning process for the First Five Year Plan it was intended that the Directorate of Planning would determine which of the outstanding projects should be financed by which foreign countries interested in assisting the country. The foreign aid section of the Treasury was expected to carry out the actual negotiations for the assistance. 'The result was a damaging confusion of roles'.¹⁶

16. Cranford Pratt, *op. cit.* p. 49.

Lack of adequate information about donor countries explains the planners' ignorance of, for example, the fact that many of the capital projects within the plans would not appeal to many of the donor countries either because they did not involve a high proportion of imports from the donors or because they were politically sensitive projects. Consequently, many of the projects of the 1961—1964 plan were abandoned, and domestic sources were suddenly made to provide some of the finances originally expected to come from foreign aid in order to implement projects in the two plans. New choices had to be made in a short time thus imposing strains on the planning process.

Similarly, the planners overestimated the humanitarian interests of the donors, particularly their willingness to accept Tanzanian wishes regarding what projects they should support. However, donor countries felt strongly that they should participate in the selection of such projects. In some cases they even proposed projects outside the plans.¹⁷ Many times, by their support of these new projects (a) they could not also support projects within the plans (b) foreign exchange and other resources were diverted away from some of the projects in the plans. Also, lack of adequate information explains in part the inability to predict the fluctuations in prices of the country's major exports in 1965. Thus strains were again imposed on the national planning process.

Uncertainty and National Planning.

The nature of the impact of inadequate information on national planning may best be explained by the role of uncertainty in the planning process. Uncertainty is any lack of sure knowledge about the course of the past, present, future or hypothetical condition. Most uncertainty tends to be removed as a result of the acquisition of information. Some uncertainty, is, however, intrinsic to particular situations. When present in any part of the planning process it acts to obscure the path from the goal to action. It thereby affects the emergent decisions by its impact on the level of confidence of the decision-makers. Thus inadequate information about external conditions hampers the extraction of external resources and consequently adversely affects plans based, even in part, on their use.

As a general rule the more information a decision-maker acquires the more confident he is of making the right decision. The more confident he is the less likely he is to discount gains which may accrue to him and his government from being right in planning their overall extraction and allocation of resources. Thus information is valuable if it creates confidence in the correct decision. However marginal returns from the use of information rapidly diminish toward zero because the more confident a man is about his decisions the less he believes he can gain from further information. Thus the less information a planner has the less confident he is of making the correct choice, but beyond a certain threshold the more information he has the less his confidence.

In the light of Tanzanian history this general statement needs some quali-

17. *Ibid.* p. 41.

fications. Uncertainty about the external environment became significant when the predicted external resources for implementing the 1961—1964 and the 1964—1969 plans were not realized and when crises developed in relations with West Germany, the US and Britain and over the Tanzam railway. Before the plans were drawn up there existed a high degree of confidence and a great optimism in the role of external resources in the planning process even though information about external conditions was grossly inadequate. There were no broad general principles and goals such as the Arusha Declaration provided, underlying the two plans and clarifying them. When no such clarification exists and in the absence of adequate information certainty may be high and consequently confidence may be high. Thus the additional information provided by the failure of the high expectations of external resources contradicted earlier information available to the planners thereby creating uncertainty and reducing confidence. Thenceforth strains were imposed on the planning process.

The problem thus posed cannot be solved until the level of development of the country is such that the personnel, finance and other problems of the bureaucracy in its information-gathering and related functions are solved. The strategy of self reliance seeks to minimize the problem by shifting emphasis from external to internal resources. More is known about domestic conditions than about external affairs. Thus, for example, the Second Five Year Plan is different from the two that preceded it. The Central Government budget for the plan requires about £185 million including a local cost of the Tanzam railway of about £15 million (£10 million of which would be raised by drawing down commodity credits). It was estimated that £70 million of proposed expenditure would come from external sources. If account is taken of the expected recurrent spending of the government over the Plan period this means that external sources will account for some 12% of total government spending. This is much lower than the equivalent figure for the First Year Plan.¹⁸

The Tanzanian Planning Society.

The external environment had another significant effect on activities in Tanzania. This is related to the configuration of power and interest within the country's planning society and, therefore, to the struggle for influence and control over the planning process. As President Nyerere has rightly pointed out, to plan is to choose. It is the conscious and rational choice of a nation. It may be a choice among goals, strategies, resources, segments or sectors of the society. The goals may be social, political, economic or cultural; or they may be subnational, national, foreign or transnational. Similarly the strategies, resources and sectors of the society may be sub-national, national, foreign or transnational. Planning in its totality, therefore refers to a series of conscious and rational choices about the extraction of resources and their conversion into goods, services and benefits which are allocated to various interested individuals or groups, with reference to individuals, subnational

18. *Tanzania Second Five Year Plan op. cit.* p. 213.

groups, the nation as a whole, foreign countries, and transnational groups such as foreign enterprises.

Hence, an adequate understanding of the Tanzanian planning process demands that the relevant planning society should be conceived, not as a monolithic system congruent with the national society but as a pluralistic one in which individual, subnational, national, international and transnational factors are interrelated. This conception is valid for two reasons: Firstly colonialism defined the relevant society in terms of transactions, responsiveness and dependence in a way that extended it across the national boundary to include groups from the international system, particularly from the former metropolitan country. This heritage persisted until 1967. Secondly, certain characteristics of the contemporary international system encourage the advanced countries to participate actively, formally and informally, in the life of the underdeveloped countries. These traits include the ideological cleavage, nuclear deterrent, large discrepancy in the power of the big and small states, and the general interdependence of states resulting from increased specialization of functions as well as improved means of communication and control.¹⁹

Thus between 1961 and 1967 the relevant planning society for Tanzania consisted of advanced foreign countries, foreign enterprises in the country, the national leadership, and sub-national groups and individuals. In an attempt to confront the problem of the relationship between domestic and international politics a new type of polity has been conceived. It is the penetrated polity which is different from the traditional national-state and the traditional inter-state system.

The penetrated political system is one in which non-members of the national society participate directly and authoritatively, through actions taken jointly with the society's members in either the allocation of its resources or the mobilization of support on behalf of its goals.²⁰

When, however, the active role of foreign countries and foreign enterprises is recognised, the Tanzanian planning society is better conceived as a transnational polity. In it the advanced countries, foreign enterprises (firms, experts and advisers) in the national society, together with the national leadership, participate jointly and directly, as well as indirectly, in the authoritative allocation of values for the nation. The struggle for the control of Tanzanian development is thus three-sided. However, an alliance exists between the foreign enterprises and the foreign countries of their origin.

In a significant way the availability of information affects the struggle for power in a planning society because power is related to lack of information. The pursuit of rationality under conditions of uncertainty leads planners to construct policies favourable to those with greater power. In the early post-independence period in Tanzania this meant that the ideas and interests of the advanced capitalist countries and foreign enterprises would prevail over

19. Okwudiba Nnoli, 'Some Implications of Contemporary World Politics for African Development' in *The African Review* Vol. I No. 1, March 1970, pp. 43-65.

20. James Rosenau, 'Pretheories and Theories of Foreign Policy' in R. Barry Farrell, ed., *Approaches to Comparative and International Politics* (Evanston Illinois: Northwestern University Press, 1966) p. 65.

those of the country's leaders. The influence of the former on access to the international market, their control of the centres of technological innovation, their superior capacity for data collection and analysis and their greater ability to provide skilled and experienced personnel and expertise for negotiations gave them a bargaining advantage in the planning group. This was coupled with the fact that the negotiations tended to be confined to the economic level. Tanzania's economic power is, however, less than its political power with the result that it benefits less from these negotiations than if they were conducted at the political level.

The influence of the non-national groups was further increased by the lack of cohesion of the Tanzanian leadership group. The three-year plan and the first five-year plan lacked any general strategy to coordinate and clarify their projects. The latter was better in this regard because it had some loose strategy in terms of education and manpower. But there was no central theme to the two plans. For the earlier plan, project memoranda were written up by the various Ministries and sent to the Treasury. There was no project preparation, evaluation or coordination. What emerged as the plan were merely estimates for three years with hardly any planning. The latter plan also saw an inter-departmental struggle for influence which reduced the cohesiveness of the Tanzanian group in the planning society.

The Incompatibility of Interests.

The discrepancy in power was significant because the interests of the informal alliance of the advanced capitalist countries and the foreign capitalist enterprises, and that of the Tanzanian leaders were neither congruent nor complementary. Under the circumstances the former tended to control the planning process and the nature of the resultant development to satisfy their interest but to the neglect of that of the national population. This conflict of interests between the advanced countries and the under-developed ones such as Tanzania is illustrated by the two UNCTAD conferences at which the advanced countries fought very hard to perpetuate the pattern of international economic relations which maximizes their interests but frustrates the interests of the underdeveloped countries. For example, the trade policies of the advanced countries act against the interests of Tanzania to develop primary products for export or to transform the pattern of export. Consequently, external market conditions have had a negative impact on the country's activities. The nature of Tanzanian trade is not very different from that of the other underdeveloped countries. Agricultural products constitute the major part of the exports. They are responsible for about 70% of the exports. Cotton, coffee, sisal and diamonds are the leading export commodities. In 1968 their share of the export trade was 17%, 16%, 10% and 8% respectively. But the country's share of the world market for any of its crops is small. Its percentage of the total world export of cotton was 1.1% in 1958, 0.9% in 1962 and 1.6% in 1966. Only for

sisal is the percentage high: 35% in 1958, 33% in 1963 and 31% in 1966.²¹ However, it is specifically in those commodities such as sisal, cashew nuts and pyrethrum, where its share of the world output is fairly significant, that the country suffers from organisational problems, and/or synthetics are adequate substitutes. Thus the country's ability to influence the prices of its major exports is very limited.

In addition, the produce may be sold through overseas brokers by auction, as in the case of coffee and cotton; through foreign controlled distribution networks, as in the case of meat products and pyrethrum; or to the marketing agencies of the socialist countries. In none of these cases does the country have any say whatever in the price structure of the processing or manufacture or the consumer prices that are attached to them. The government's efforts to influence export marketing strategy or the prices of the manufactured goods can, therefore, only have a very limited success. The potential is further lowered by the shortage of competent manpower or marketing know-how. Consequently, the purchasing power of the country's exports has been declining.

The advanced countries subsidize the production and export of primary products in which they cannot compete effectively in the international market because of domestic political pressure. The United States not only protects its weak agricultural commodities but promotes their expansion and consequently hampers growth in the export of more efficient producers in the underdeveloped countries. The Soviet insistence on barter trade creates a situation in which African primary products eventually find their way into the international market to compete with those of the country of origin. Under these circumstances the export potential of a country like Tanzania cannot be maximized.

Manufacturing in Tanzania emphasizes the processing of agricultural products for export. Some metal manufactures, petroleum, paper, plastics, cement, footwear, meat products, simple pharmaceuticals and clothing are also exported. But most of these are exported to underdeveloped countries favourably placed to buy from Tanzania. They include Kenya, Uganda, Zambia, Somalia, and Burundi. Only an insignificant proportion of the manufactured products is sold to the advanced countries. In fact, only meat products are exported to the advanced states. High effective tariffs protect the light industries of these states from competition with those of the underdeveloped countries. This acts to reduce revenue and to frustrate the growth of the industries of the poor states and the technological know-how that may result from such a growth. The Kennedy Round liberalization of trade did not include labour or raw-material intensive manufactures which are important in the poor states. Where, for example, in UNCTAD—II, preferences were given for the manufactures of the Third World countries, accompanying safe-guards are such that stringent barriers effectively limit such an export.

As far as foreign aid is concerned, the advanced countries have pursued interests which many times have conflicted with those of Tanzania. The type

21. K.A. Malima, *op. cit.* p. 12.

of capital aid which is fully useful for development is grants. Unlike export earnings, grants go fully and directly into capital formation in the public sector rather than through private hands. Unlike loans they do not carry the burden of repayment nor do they incur interest charges. However, the percentage of total aid that comes into Tanzania in the form of grants has been decreasing and the percentage of loans increasing. For example, out of the total external funds for the capital budgets of the country loans have constituted 72.7% in 1964/65, 84.2% in 1965/66 and 94.85% in 1966/67. At the same time the terms of the loans have been hardening.²²

The worth of aid is also reduced by its being tied to the purchase of goods from the donor country instead of from the cheapest or most efficient source. It has been estimated that the true, or grant value of aid to Tanzania is about half what the actual commitments are. This means, for example, that the true value of the country's 1966—67 aid of £7 million was about £3.4 million.²³

The divergence of the interests of the foreign economic enterprises and those of the Tanzanian leaders is reflected in the outflow of the net private long term capital from the country immediately after independence. This was followed by a much greater outflow which attained its highest level in 1964, the year of the Army mutiny, the Zanzibar Revolution and the union of Tanganyika and Zanzibar. When in 1965 capital outflows within the sterling area were brought under the same exchange control as applied elsewhere, this net outflow was converted into a net inflow. In 1966, for example, there was a net inflow of around Shs. 90 million.²⁴ The situation worsened towards the end of the year and in 1967, following the country's proclamation of its socialist intentions and the consequent nationalization of the 'commanding heights of the economy'.

More specifically, when the sale of sisal fell from Shs. 453 million in 1963 to Shs. 201 million in 1967 there was not enough finance available in that industry for reorienting the crop when the government nationalized its bankrupt companies.²⁵ Most of the fund had been transferred abroad. The foreign banks exported about Shs. 29.1 million abroad in 1966.²⁶ Between 1961 and 1967 the foreign insurance companies exported about Shs. 19 million a year abroad. Similarly, in 1965 the foreign industrial companies sent 70% of their net profit of Shs. 74 million out of the country. At the same time, the profits from their reserves which were kept outside the country were lost to Tanzania.²⁷ In the field of commerce as well, 23% of the total wage bill of Shs. 84 million in 1966 was sent abroad.²⁸ On the whole before nationalization, there was a capital export by foreign firms in Tanzania of about Shs. 170 million a year. When

22. M.J. Yaffey, *Balance of Payments Problems of a Developing Country: Tanzania* (Munchn: Weltforumverlog, 1970) p. 32.

23. G.K. Helleiner, *op. cit.* p. 67.

24. M.J. Yaffey, *op. cit.* pp. 33-34.

25. Aart J. Van de Laar, "Foreign Business and Capital Export From Developing Countries: The Tanzanian Experience". Mimeo. p. 1.

26. Mikael Selsjord, 'Recent Development in Commercial Banking in East Africa: a Statistical Analysis' in *Economic and Statistical Review*. (Nairobi: East African Statistical Department, September, 1966) p. x.

27. Aart Van de Laar, *op. cit.* p. 6.

28. *Ibid.* p. 8.

over-invoicing is included the amount rises to about Shs. 250 million. This means that about 21% of the country's GDP was exported in 1965 and 32% in 1966.²⁹ For a poor country with a per capita GNP of Shs. 456 this is an intolerable situation. The government found it difficult under the circumstances to extract enough surplus from these firms for use in long-term development projects. The removal of money from the country also adversely affected the country's balance of payments position.

At the inter-governmental level Tanzania also lost funds abroad. This is reflected in the dispute with Britain over the pensions of the ex-colonial civil servants of the country. It would have been difficult for Britain to absorb these civil servants in a short space of time. As a condition, therefore, for their attainment of independence, British colonies were made to assume some of the burdens of paying pensions and compensations to their respective ex-colonial civil servants. The cost to Tanzania amounted to £1,164,000 a year.³⁰ If, however, pensions were reckoned from 1961, the year of independence, the country would have been liable for only £150,000 a year. In other words over £1 million a year was incurred from colonial service. The annual charge of this cost on Tanzania's recurrent expenditure was about 0.4% of the GDP. In 1968 the country refused to continue to shoulder this burden or to refund the £6,500,000 UK loan which was used as compensation to the ex-colonial civil servants.³¹ It argued that many of the pensioners had not been invited by the Tanzanian people but by the British government whose rule was by force not consent. The British government should, therefore, bear all the responsibility for the pensions. The pre-independence agreement exploited the desire of the Tanzanian leaders for independence; it was made under duress and, therefore, should not bind the post-independence leaders.

In reprisal, Britain stopped all further aid to the country. The proposed £7.5 million development loan which was frozen in 1965 as a result of the break in the diplomatic relations between the two countries over Rhodesia was not reinstated after diplomatic relations were reestablished in 1968. The recruitment of further British technical staff for the country was stopped. An annual sum of £16.6 million accrued to Britain from the pensions of all its ex-colonial civil servants.³² The economic reprisals against Tanzania were intended, in part, as a deterrent against other countries which might also wish to repudiate their pensions agreement. It was, therefore, not, until March 1970 when the British assumed responsibility for all these pensions that the door was opened for future aid to Tanzania.

There was also a conflict of interests between the foreign enterprises and the Tanzanian leaders over the development of technology in the country. These enterprises were peripheral branches of giant multinational and multidivisional enterprises with headquarters in the advanced countries. The hierarchical nature

29. *Ibid.* p. 10.

30. The article by Hugh MacMillan part of which was reprinted in *The Nationalist*, Dar es Salaam, 6 March 1970 p. 4.

31. *The Nationalist op. cit.* 13 March, 1970, p. 1.

32. *The Nationalist op. cit.* 6 March, 1970, p. 4.

of their organisation, and their accumulation of capital at their headquarters tended to confine the innovation of products and techniques (technology) at the headquarters, with the periphery remaining imitative only. This frustrates the transfer of innovative skills and attitudes to Tanzanians and the development of technology within the country. The firms also have a strong interest in forestalling centres of innovation outside their headquarters because this would reduce the profit realized by their ability to spread new products and techniques as widely as possible.³³ Thus national development was adversely affected because only when innovative technology stems directly from the Tanzanian people may sustained economic growth be possible. Imitative technology of the type encouraged by the activities of the foreign enterprises does not yield such a growth.

The interests of the foreign enterprises and those of the Tanzanian leaders also differed over the nature of the nation's economic development. The emphasis of the former on immediate profit conflicted with that of the latter for a more balanced intersectoral growth which in the short-run might mean a reduction in corporate profits. Thus the goods and services which the foreign enterprises provided in Tanzania were developed with the taste and standard of life of the advanced countries in mind. This meant that the percentage of Tanzanians who could afford them was very limited, usually not exceeding 10%. Since, however, the foreign firms were part of multinational complexes their markets were extensive and international thus making it possible for them to maximize their overall profits in spite of the limited nature of the Tanzanian market. They could, therefore, afford to leave 90% of the nation's population outside the modern market thereby creating a serious urban-rural dichotomy which contributed to the backwardness of the rural areas. It was, on the other hand, in the interest of Tanzanian leaders to increase the size of the nation's modern market system by the production and sale of goods and services which considered the taste and standard of living of the vast majority of the population and the prices they could afford. Only by so doing could the tendency of the activities of the foreign enterprises to distort economic development be arrested and the foundation laid for genuine economic growth.

The divergence of political interests between Tanzania and the advanced countries also adversely affected Tanzanian development by its open challenge to the country's independence and its impact on the receipt of funds for financing development projects. The conflict between Tanzania and West Germany in 1964 was a clash of political interests. The former was interested in strengthening the union of Zanzibar and Tanganyika while the latter was interested in limiting the East German status in the new Union. To satisfy the West German interest would have created tension between the two parts of the new Union. The failure to accede to West German interests, on the other hand, led to economic reprisals. The Germans decided to withdraw their military assistance and

33. For a detailed discussion of why such enterprises wish to forestall new centres of innovation and technology cf. Stephen Hymer, 'The Multinational Corporation and the Law of Uneven Development' in J.N. Bhagwati, ed. *Economics and World Order* (NY: World Law Fund, 1970).

threatened to cut off their economic assistance as well. Their air force and marine advisers were evacuated on February 27 1965, and the proposal for the further development of the Kilombero Valley was frozen.

Similarly, when in 1965, the diplomatic relations between Tanzania and the US deteriorated over the alleged plot by two American diplomats to overthrow the Zanzibar regime, the US aid program in the country was curtailed. Of the total US loans from 1961 to 1968 of \$73 million, only \$31 million was made between 1965 and 1968. However, only \$18 million of this was made between 1965 and 1967, with \$13 million in 1968 when the Tan-Zam railway had become a significant international political issue.³⁴ The building of this railway in itself caused tension within the planning society. It was felt in the West that Chinese association with the project would introduce Chinese ideological influence into the area. Thus Western countries sought through propaganda and the sponsorship of alternative land and rail routes to sabotage the use of Chinese assistance for the project.³⁵

The conflict between Tanzania and Britain over the illegal seizure of independence in Rhodesia in 1965 also adversely affected the country's planning. When Tanzania broke off diplomatic relations with Britain over the issue, the latter retaliated by freezing the £7.5 million interest-free loan it had made earlier in the year, as well as the £350,000 granted to the Tanganyika Land Bank, and the £142,000 earmarked for the Pemba Telephone Exchange and Secondary school.³⁶ British aid to the country began to decrease. Consequently, whereas in 1965/66 Britain contributed 44% of the total foreign aid to Tanzania, in 1966/67 its share dropped to 4% and in 1967/68 to 2%.³⁷

Thus the effects of the discrepancy in power within the planning society between the Tanzanian leaders and the alliance of advanced foreign countries and the foreign enterprises were reinforced by the incompatibility of interests of the two sides. The consequence was a serious contradiction between the desire of the Tanzanian leaders to exert sovereign control over the country's domestic activities and the effective control of these activities by the advanced countries. The structural dependence of Tanzania on the advanced capitalist countries facilitated this control. Between 1961 and 1965 the country relied heavily on these advanced countries, particularly Britain for trade, aid, investment, and monetary transactions. Power is most effective in a situation of dependence; and when the interests are incompatible it works to the detriment of the interests of the less powerful and more dependent state.

34. Calculated for figures obtained from US officials.

35. A short but good account of the history of the Tanzam railway and the international conflict it has generated may be obtained from Tanzania Maelezo Feature Service, 'The Great Uhuru Railway: a Triumph over Blackmail' in *The Nationalist* op. cit. October 26, 1970.

36. *The Nationalist* op. cit. 13 March, 1970 p. 1.

37. Aid figures before 1966 obtained from figures on Table VI of the Treasury, "Government Finance and the 1965-67 Budget" in Hadley E. Smith, *Readings on Economic Development and Administration, in Tanzania* (Dar es Salaam Institute of Public Administration, 1966) p. 183. The 1966/67 and 1967/68 Figures are calculated from *Background to the Budget 1967-1968* (Dar es Salaam, Government Printer 1967).

The role of Self reliance.

Self reliance seeks to eliminate foreign control, reassert the nation's sovereignty over its development and remedy the adverse effects of this control on the interests of the Tanzanian people. This requires the elimination of the structures of dependence and an increase within the planning society of the power of the national leaders. In domestic affairs the policies of nationalization, socialism and rural development were meant to accomplish this task. If they succeed, they would drastically curtail the power of the non-Tanzanian groups and increase that of the nation's leaders. This would increase the country's independence to control its development, minimize the drainage of funds and prepare the grounds for genuine economic relations and international relations characterized by mutually beneficial interdependence. It would thereby eliminate many of the sources of tension, contradiction, stress and strain on the country's planning process thus reducing the negative and increasing the positive aspects of the impact of external stimuli on that process.³⁸

In intergovernmental relations self reliance seeks to encourage and promote only interdependent interactions. This is possible only after the elimination of the infrastructural and intergovernmental dependence on the advanced capitalist states imposed by the country's colonial heritage. Its strength as a strategy for the diplomatic extraction of external resources lies in its ability to eliminate the deleterious effects of international politics on Tanzanian development resulting from the low level of national power. It approaches the extraction of external resources, particularly foreign aid, with the rationalization that development is possible without them. The myth that external aid is an indispensable stimulant of development is rejected. Realistically, development may be slower than otherwise but it is, nevertheless, possible without foreign assistance. One cannot expect external aid to the degree that is necessary to stimulate development in the way that is idealized. There are too many new states chasing after very limited foreign aid resources to make this possible. On the other hand, the advanced countries do not have the will to provide the amount of economic aid that is necessary for economic take off in the poor states. In their own countries the wealthy states have not succeeded in eliminating poverty. Their foreign aid programs have political implications.

Part of the strength of self-reliance lies in its recognition of the political implications of inter-state economic relations and the dangers posed to the political independence of a poor state by its quest for development within the context of contemporary international politics. In the new atmosphere of informal access and transnational politics it acts as a watch dog against informal attack and control.³⁹ It seeks to reduce inter-governmental dependence and the consequences of informal access and maximise the positive role of external

38. Some like Shivji think that this task has not yet been accomplished. cf. Issa Shivji, 'Tanzania: The Silent Class Struggle' in *Cheche* Joint Organ of the University Students African Revolutionary Front and the TANU Youth League, University of Dar es Salaam, September, 1970.

39. For a discussion of informal access and its consequences for African development cf. Okwudiba Nnoli, *op. cit.* pp. 43-65.

resources on Tanzanian development by: less reliance on the big powers for trade and financial aid; greater reliance on the middle power for trade and financial aid; less reliance on the predominantly industrialized countries for investment and technical assistance; greater reliance on the predominantly agricultural but, nevertheless, advanced states for investment and technical assistance; greater unity among the poor states in their relations with the advanced ones.

Thus, Tanzania's policy of national self-reliance has internal and external dimensions. It unites domestic and foreign policies in the pursuit of development. It gives them cohesion and a common strategy. It is a strategy for reorganising the country's domestic and international relations to meet the challenge imposed by a hostile international environment, correct the adverse effects of that environment consequent on the country's colonial heritage, and minimize the cost and maximize the benefits of external resources to the country. It seeks to maximize independence, promote economic development and ensure socio-political stability in a way that enhances the moral and material welfare of all Tanzanians.

However, the successful implementation of the policies of self-reliance would still leave two problems of the external environment unsolved. The first concerns the acquisition of enough information about external conditions to eliminate the adverse effects of uncertainty on the national planning process. The solution of this problem must await a general increase in the trained manpower resources, financial resources and the general efficiency of the bureaucracy in the country. The second concerns the negotiating power of the Tanzanian leaders within the planning society. Although the power of the non-Tanzanian groups is significantly reduced by the policies of self-reliance it is still considerably greater than that of the Tanzanian group. There is still the need to maximize the latter's power.

Very often the country's negotiations with foreign countries are conducted by the External Finance section of the Ministry of Finance, the Ministry of Economic Planning and Development, the Attorney-General's office, plus the Ministry or parastatal whose projects are under consideration plus, in certain cases, the Bank of Tanzania, Tanzania Investment Bank and/or the Central Establishments. A few advisers are sometimes seconded to the negotiators from the Foreign Office. The country's emphasis during the negotiations seems to be on the application of the expertise of the relevant Ministry to the acquisition of the external resources desired. The country seeks to maximize its expertise or economic power at such negotiations. However, the political power of the country is greater than that resulting from the strength of its economy or its expertise. Political rather than economic power ought, therefore, to be emphasized.

This must mean the 'diplomaticization' of those Ministries and Departments which handle external negotiations. This may be done by increasing the role of the Foreign Office personnel involved in these negotiations. In fact, the present roles of the various Ministries and Departments should be reversed with the Foreign Office playing the central role and the others advisory ones.

'Diplomaticization' may also be accomplished by a more extensive and intensive training in diplomacy for the key personnel of the significant governmental agencies involved in international negotiations. Since, however, the newness of the country limits its ability to do this by reliance on in-service training run by experienced diplomats, it is necessary to have an institute of diplomacy in the country. The University of Dar es Salaam's Department of Political Science offers courses in international relations, but these are grossly inadequate for the practical tasks of diplomatic negotiations. It is the unfortunate neglect of the important role of the external environment on Tanzania's development which explains the fact that the University runs an Economic Research Bureau and a Bureau of Resources Assessment and Land Use Planning but no Institute of Diplomacy. A greater emphasis on the political factors of inter-governmental negotiations together with the internal and external policies of self-reliance would go a long way towards maximizing the benefits and minimizing the costs of extracting external resources for Tanzania's development.

Conclusion

In this paper I have attempted to examine the three-year and the first five-year development plans with a view to assessing and explaining the impact of conditions of the external environment on national planning in Tanzania. The two plans provide a backlog of facts, experiences and lessons on the basis of which a meaningful and comprehensive discussion may be carried on. In addition, they played a major role in the decision to adopt self-reliance as a broad general strategy of development, and are, therefore, very closely and directly relevant for understanding the *raison d'être* of that strategy, its functions and its hopes and aspirations.

Briefly, the lessons of the two plans make it quite clear that as much, if not greater, value must be placed on the understanding and control of its external environment as is placed on the understanding and control of the internal environment of the country. External factors must be seriously and consciously taken into account in the overall planning for development. They must be treated as vital in their impact on national planning and not just peripheral to it. Secondly, the external environment must be perceived not as a static system from which a country can extract whatever resources it wishes but as one that has dynamics of its own which affect how much of the external resources are extracted, how much of the internal resources are extracted, and how what is internally and externally extracted may be allocated.

Thus the administrative machinery for development planning, for data collection and analyses, project planning, evaluation and implementation, as well as the feedback mechanism for assessing the progress of planned projects must be organised, developed and rationalized to come to grips more closely and directly with the problems of resource extraction and allocation related to the external environment. A more conscious and determined effort is needed in this area because of its remoteness, strangeness, complexity, and immense difficulties. In addition, a conscious and realistic strategy for dealing with the

external environment is imperative in order to effectively and positively integrate it into national planning. Self-reliance is such a strategy. Its functions are to:

1. focus attention more on domestic resources and priorities;
2. minimize the adverse effects of lack of information about external conditions resulting from the poverty of personnel and finance in the country by a greater focus on domestic resources;
3. reduce the power of the foreign groups over national development whilst simultaneously increasing the power of the Tanzanian leaders by the full mobilization of domestic resources and the greater coordination of development projects around some central theme and greater unity among the poor states in their relations with the wealthy ones.

MANAGEMENT FOR SOCIALIST DEVELOPMENT IN TANZANIA: THE CASE OF THE NATIONAL DEVELOPMENT CORPORATION

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Since independence, the Tanzania government has initiated a number of policy measures in the economic field aimed at bringing a larger sector of the country's economy under public control. These measures have taken the form of establishing new undertakings as well as acquiring interest or control over existing enterprises which were under private ownership. However, not all the enterprises or undertakings which have come under the public sector have been administered and managed by the government directly. The administration and management of a number of these undertakings has been given to public corporations or parastatal organizations.¹ The National Development Corporation (NDC), presently with 50 or so associated and subsidiary companies and a few other investments, is the largest and oldest of all investment parastatal organizations in Tanzania.

What makes parastatals in Tanzania an interesting field of study in development administration is that after the Arusha Declaration in February 1967, they assumed a particularly important role in the economy. By assuming greater responsibility in the management of those sectors of the economy which had been bought under public control, the parastatals became critical instruments in the country's efforts towards socialist economic transformation. If the parastatals were to constitute the backbone and key to socialist development, what were the implications for their internal organisation and modes of operation? What changes have been necessitated by this shift in the accent of the role of parastatals in the economy of Tanzania? This paper seeks to look

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1. In this paper a parastatal organisation is defined as an 'organisation which is not an integral part of the Government, but an institution, organisation or agency which is wholly or mainly financed or owned and controlled by the Government. The criterion of such public enterprises would be ownership by the Government of 50% or more of capital shares, or other forms of governmental participation and effective influence in all the main aspects of management of the enterprise.'