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A Constitutional 'Ujamaa' and a Practical Market Economy in Tanzania: A Potential Attribute to Poverty

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Abstract

The practice of market economy in Tanzania is constitutionally unfounded and the constitutional Ujamaa (the philosophical framework) is practically impossible in the current context of globalized world. This dilemma has created an ideological vacuum that makes it easier for any leadership in power to change policies and laws to suit either constitutional *Ujamaa*, or the practice of market economy without consistency. This has led to unpredictable change of policies and laws that have adversely affected the country's basic objective of eradicating poverty, ignorance and diseases. Tanzania is one among countries whose people are impoverished despite the fact that it is endowed with immense natural resources. This paper sets out to examine the extent to which the dilemma has bred increased poverty. Employing a qualitative approach through a review of documents, the paper argues that the absence of a clear connection between the Constitution and the economy has negatively impacted Tanzania's economy.

Keywords: *Ujamaa, constitution, market economy, poverty, Tanzania*

Introduction

When Tanzania got independence in 1961 from the British, she inherited a market economy (characterized by a capitalist private sector) from the colonialists. The economy was in the hands of a few British colonial masters and Asian businesspeople, while majority Africans were poor (Mandalu et al., 2018). The country's objective was directed towards poverty alleviation. Literature shows that the first development plan was implemented between 1961 and 1964 without changing colonial rules. The national income increased steadily at 6.7% as formal wage-earning activities through public services, industrial and agricultural activities were expanded. According to Pratt (1976), minimum wages were increased and workers were encouraged to settle permanently in towns. Sansa (2010) adds that agriculture (which involved most common citizens) grew at 4.8% yearly from 1961 to1965. Its contribution to GDP averaged 59% between 1961 and 1964.

However, such development did not reduce poverty: instead, it increased inequality among social groups that existed during colonial Tanganyika. According to Pratt (*op cit.*) and Tangri (1985), these social groups were big commercial businesspeople represented by capital owners/investors; petty-trading and artisanal group represented by Asians and urban middle-class men and women based in urban areas; and poor

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urban workers and rural peasants represented by Africans. These inequalities led to imbalances and market failure; making it difficult to realize the primary objective of alleviating poverty, and a majority of Africans remaining poor (Ngowi, 2009). To extricate the country from this quagmire, it was thought prudent to change the rules i.e. the Constitution and laws from market economy to '*Ujamaa',* a set of moral principles that was used as the basis for African socialism by Mwalimu J.K. Nyerere, the first president of Tanzania.

According to Maghimbi (1994) *Ujamaa* is a philosophy that reflects a society based on love, working together, and respecting humanity. This was the basis of '*African Socialism*' by Mwalimu Nyerere. Nyerere (1962) defines socialism as an attitude of mind, where people care for each other's welfare. In this perspective, every person in an African society is a worker. Therefore, there is no socialism without work. In fact, a society that fails to give its individuals the means to work, or having given them the means to work, prevents them from getting a fair share of the products of their own sweat and toil, needs putting right. Similarly, an individual who, having been provided by the society the means to work and can work, but does not do so, is equally unacceptable. Such a person has no right to expect anything from the society because s/he contributes nothing to the society. These were the bases for *Ujamaa* in Tanzania, which was deemed as the appropriate ideology to bring about development in the country.

Ideological change in Tanzania began with the Interim Constitution of 1965 by declaring a one-party state. The capitalist ideological practices (including market economy) were ultimately changed through the Arusha Declaration of 1967 that moved the country from 'capitalism' to 'socialism'. Consequently, the state became the sole owner of the major means of production through *nationalization* of private property. Clarence (1970) mentions the nationalization of nine banks: three British banks, two Indian banks, one Dutch bank, one African bank, one Pakistani bank, and one Tanzanian bank. Subsequent nationalizations were in different forms such as the acquisition of shares (e.g., the acquisition of share capital in Tanzanian businesses of eight export-import firms and two mills, and all foreign-owned corporations), taking majority holdings in eight manufacturing firms (ibid.); and in some cases, a complete acquisition of private companies (e.g., the National Insurance Corporation; privately-owned English language Newspaper (*The Standard*), four private-owned ginneries, and three oil mills). All this was done under laws and policies which were consistent with the Interim Constitution.

Also, emphasis was put on agriculture for rural development, *Ujamaa villages* were established by the Ujamaa Villages Act of 1975 as a measure to redress poverty among the rural people. According to Maeda and Kaduma (1975), Ujamaa villages intended to transform production that was private and scattered into communal and planned production in line with a policy paper, '*Socialism and Rural Development*' issued by Mwalimu Nyerere in 1967, which outlined the structural reorganization in the rural areas in transition towards the goals of the Arusha Declaration.

The objective to alleviate poverty was then cemented in the Constitution of 1977. For example, Art. 9(j) of the Constitution puts economic activities under state ownership and control; while Art. 9(i) endorses a command economy to direct wealth to the development of the people by eradicating poverty, ignorance and disease. As a result, development plans were designed to be implemented in an interval of five years through the policy of '*Ujamaa and Self-reliance.*' For instance, education for self- reliance was aimed to impart knowledge and skills to a person to become independent for national development. Also, vocational training Acts were passed in 1972 and 1974 to formally guide the training and certification of artisans. The trainings necessitated the establishment of Small Industries Development Organization (SIDO). The aim was to reduce poverty through massive employment. According to Skarstein and Wangwe (1986), SIDO aimed to assist and promote the establishment of units that employed simple, labour-intensive technologies that utilise locally available human and material resources.

The outcomes of the policy changes and implementation were impressive. For instance, between 1965 and 1978 literacy rose up by 60%; revenues exceeded estimates, with the government being able to spare £8m for developmental expenditure from own resources; there was a massive employment in agriculture; and the GDP grew from 4.8% to 5.9% (Skartein and Wangwe, *ibid*.).

However, global economic changes in 1980s challenged the practice of many alternative philosophical frameworks in favour of market economy. Tanzania, too, was caught in the web of market economy; and was made to introduce and practice liberal policies and laws without including such changes in the fundamental objectives of the Tanzanian Constitution. Only some policies and laws were changed and/or formulated to suit market economy. There was no clear direction to the economy since, while the Constitution says that Tanzania is a socialist country, it started to practise a capitalist market economy. Thus, this paper sets out to examine the persisting dilemma of applying two incompatible ideologies in Tanzania, and its impact on the economy. It is argued that being a socialist state on paper, while in reality practising a moderated liberal economy affects the objective of eradicating poverty in Tanzania. The lack of a clear direction to the economy makes it easier for any leadership in power to change policies and laws at will and inconsistently; a condition that has led to the misappropriation of public funds and other malpractices that hinder development and increase poverty.

A Theoretical and Conceptual Framework

This work is guided by constitutional economics or a constitutional political economy framework. As a concept, constitutional economics was introduced by James M. Buchanan in 1985. He defines it as a domain of inquiry that involves a study of rational-choice framework, where an individual is capable of making a rational choice of constraints s/he is facing, and the decision-making problems. According to him, constraints that restrict a set of feasible choice options may be imposed by nature, history, a sequence of past choices, other persons, laws and institutional arrangements, or even by customs and conventions. To make rational choices, individuals must live by rules. Thus, the capacity for rational choice is extended to include capacity to choose among constitutions. In other words, there is a clear link between rational choices and rules. To make rational decisions, one must have clear rules as devices for coping with the unknown. Similarly, Vanberg (2005) attests to the view that rules (including moral rules) can be looked at as tools that serve human ends. Hence, constitutional economics concerns itself with the role of rules in human social life.

Using the constitutional economics framework to analyse the objective of the newly independent Tanzania in 1961, (i.e., developmentalism logic), one would clearly see the link between the choice of decisions (*Ujamaa*), and the rules (the Constitution, policies, and laws). Development is highly influenced by the relationship between the market and the state, whereby the relationship is dependent on the constitution. According to Vanberg (ibid.), constitutions are rules of the game that define constraints under which individuals are allowed, in their arena, to pursue their interests. He finally, links *improvement of markets* and *constitutional rules* in that "… improvement in the political arena means to adopt and to maintain constitutional rules that enhance citizen sovereignty." It implies adopting and maintaining an economic constitution that enhances consumer sovereignty. Such an emphasis leads to two general assumptions. First, constitutional rules have impact on economic performance. Elster (1995) argues that well-defined constitutions improve economic performance by promoting values of stability, accountability, and credibility. These values have clear connections to economic performance as follows:

(a) Accountability ensures that politicians are held responsible for their actions, and thus economic efficiency and security are enhanced. Constitutions establish structures to ensure checks and balances among them;
(b) The provision of basic rights (socio-economic and political rights) is crucial for the stability and credibility of states. These rights facilitate investments and promote economic efficiency. According to Elster (1995), economic efficiency often requires precommitment, which, to be credible, requires citizens to be endowed with effective political rights. In addition, economic rights promote long-term investments and ensure stable property relations; and
(c) Political institutions that are embodied in constitutions and those created by them are crucial to the functioning of government machinery.

Second, constitutions have an economic logic. They are designed to suit a specific economic framework, such as market economy or planned economy. For example, Article 9 of the Constitution of Tanzania (1977) specifically says:

> … the object of this Constitution is to facilitate the building of the United Republic as a nation of equal and free individuals enjoying freedom, justice, fraternity and concord through the pursuit of the policy of Socialism and Self-reliance which emphasizes the application of socialist principles.

In the understanding of constitutional economics; the two assumptions would lead into two main conclusions. (a) there is a causal relationship between constitutions and economic performance; and (b) the relationship between market and state in their operations is tied-up by constitutions. In a similar way Epstein (1985) argued that a constitution is a general guarantor of free market. In fact, proper functioning of a market depends on the character of particular rules. Hayek in Vanberg (*op cit.*).

A constitution establishes an inviolable tie-in between a state and economy. It sets the goal and objectives: laws and policies which form the basic edifice of the country. It is out of this philosophical framework where a country (state) identifies a clear path to economy. A constitution also clarifies the role of the state, as well as the role of the market. Thus, a constitution is variably defined to refer to a principal document that provides direction to a state on socio-political and economic matters. Some scholars define it as the guarantee of rights to individual citizens by placing limitations on government power. Two broad definitions are worth mentioning for clarity. Section 3 of the Tanzania Constitutional Review Act 2014 defines a constitution as the fundamental law, written or unwritten, that establishes the character of a state by defining the basic principles to which a society shall conform. Also, it lays down the distribution of powers and functioning among pillars of the state by describing the organization of the executive, legislative and judiciary; the regulation, distribution and limitation of different state organs, and the event and manner of the exercise of its sovereign power. Others define a constitution as a set of fundamental legal-political rules that are binding on everyone and which concern the structure and operation of institutions of government, political principles and the rights of citizens based on widespread public legitimacy.

Furthermore, a national constitution defines boundaries of a political community; the nature of authority in a political community; and political institutions. It also expresses the identity and values of a national community; establishes and regulates political institutions; declares the official religious identity of a state and demarcates relationships between non-secular and secular authorities; and lastly, commits a state to particular social, economic or developmental goals (Bulmer, 2017). From the two definitions, it is clear that a county's constitution clarifies the ideology, laws and policies of a country toward achieving development goals. It also defines the role of the state and the market in an economy by establishing and regulating institutions. It is equally correct to argue that when a constitution fails to clearly define the ideology and/or laws and policies, development goals cannot be achieved.

An ideology is simply a system of ideas and ideals that form the basic economic and political theory. Dijk (1998) elucidates that ideologies form the basis of specific arguments for, and explanations of, specific arrangements, or indeed influence a specific understanding of the world in general. These specific arrangements are political and economic. They explain about production and distribution of goods and services; put regulations for market operations as well as state functioning; and establish political and economic infrastructure. Generally, an ideology is something like a shared framework of social beliefs that organizes and coordinates social interpretations and practices of groups and their members, shaping power and other relations between groups (*ibid.*). Thus, an ideology should clearly define the relationship between the state and the market by indicating a set of principles that explain how a society should work, while offering a political and economic blueprint for a specific social order. For example, market economy is an economic model based on neo-liberalism, which is a paradigm for economic and policy making (Thorsen, 2010).

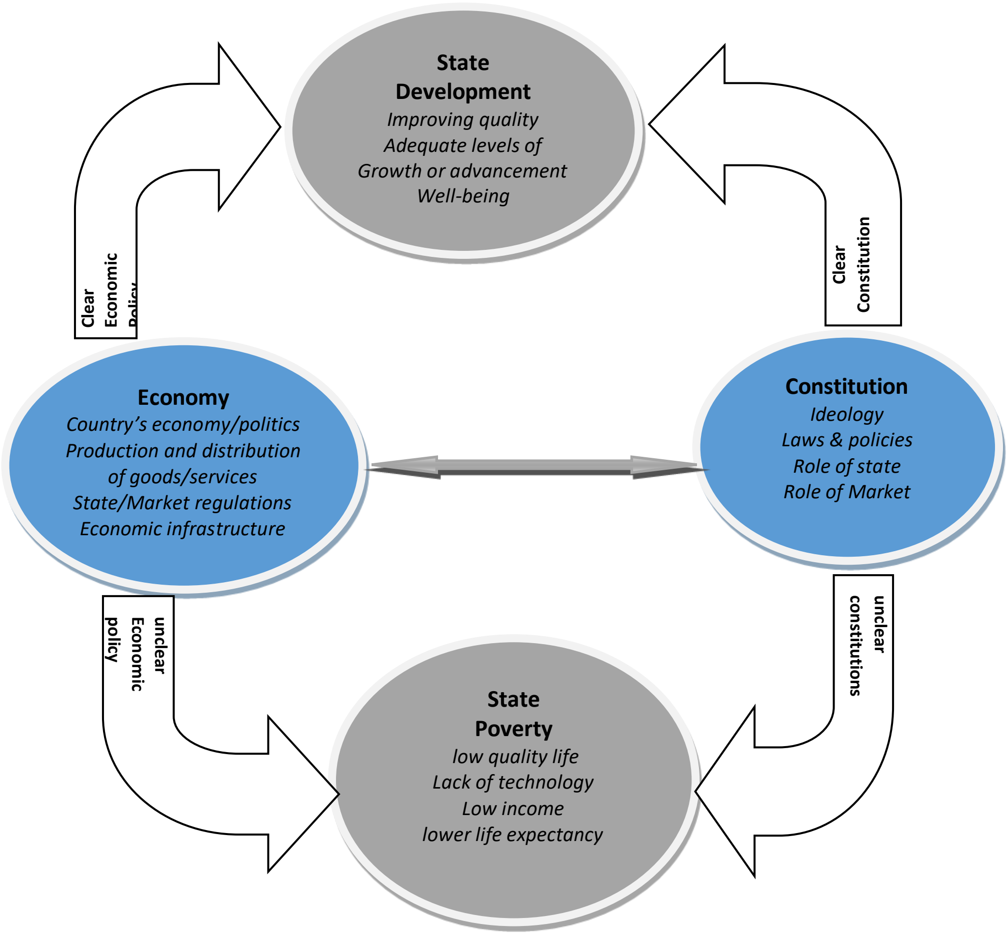

Figure 1: The Relationship between Constitution, Ideology and Economy

Neo-liberalism refers to an ideology whose goals include the diffusion, deepening and preservation of constitutional democracy; limited government and individual liberty and basic human and civil rights that are regarded as instrumental for decent human existence. The role of the state under this ideology becomes very minimal so as to allow the market to operate freely. On the other hand, socialism is an ideology of planned or command economy. It simply refers to a political and economic theory of social organization which advocates that the means of production, distribution, and exchange should be owned and regulated by the society as a whole. The role of the state under this framework is central.

Brown (1959) defines economy generally to mean "… a system by which people get a living." The standard of living of an economy will depend on its productivity and on the prices at which it can exchange its products for others. Market economy, command economy, or mixed economy develop on the basis of ownership of the means of production. The purpose of an economy is to satisfy human wants by using available resources. Rich economies are able to satisfy human needs in terms of improved quality of life, growth or advancement, and well-being. On the other hand, poor economies are those that have not been able to satisfy human wants and thus lack or have low quality of life, are powerlessness, have massive unemployment, and wallow in poverty.

Fig. 1 above explains the relationship between economy, constitution and ideology. and their consequences on development. It suggests that when a constitution is clear and so as economic policy the country experiences improvement on quality life, adequate levels of growth or advancement and leads to development. On the other hand, unclear constitution and economic policy leads to poverty whereby there is low quality of life, lack of technology, and lower life expectancy. Poverty is a complex, and yet a multidimensional concept. According to the World Bank (2015), it is the lack of multiple resources leading to physical deprivation. This deprivation may be in the form of minimum subsistence, scarce resources or opportunities, lack of capabilities to manage life, lack of conditions to achieve satisfaction, inequality and exclusion, and violation of basic human rights. Generally, poverty is considered to be a measure of deprivation of the basic needs that a person, household or community requires to attain a basic standard of living. Deprivation can be measured either in terms of a lack of resources (like income, assets), capabilities (skills, knowledge, technology), or both. Statistics show that 1.6 billion people are considered poor across measures of access to social services and security, with the largest global share of the poor people being in South Asia, and the highest intensity in sub-Saharan Africa (Development Initiatives, 2016). Tanzania, for instance, experiences economic growth amidst pervasive poverty with substantial proportions of the population experiencing retarded or shortages of food, clean water, and other basic necessities (Mwombela *et al.*, 2018).

Tanzania under Ujamaa

Tanzania is constitutionally under *Ujamaa*. Art. 9(k) and (j) of the Constitution state that "… *the country is governed according to the principles of democracy and socialism…*" and that "… *economic activities are **not** conducted in a manner that may result in the concentration of wealth or the major means of production in the hands of a few individuals*." The two sections indorse socialism and a command economy; and make the state the sole producer and provider of goods and services. The policies and laws formulated during the early period of implementation of Ujamaa included the Arusha Declaration (1967); villagization policy and law (1975); Ujamaa and self-reliance policy; education for self-reliance policy (1978); the *Mwongozo* policy of 1971; etc. Coherence between the

Constitution and the policies/laws was necessary for achieving development, and relieving the people from poverty. The Arusha Declaration guided the economy in theory and practice.

Arusha Declaration was drafted to stipulate specific principles for development. It explicitly stated that the "*development of a country is brought by people, not by money*" (Maeda & Kaduma, 1975). The emphasis was put on agriculture for self-reliance as stipulated by the Ujamaa Villages Act of 1975, and thus the establishment of *ujamaa* villages. The Act stressed the need for a type of development that is rural-based and relies on internal resources. It required the society to prepare individuals to engage in communal production. According to Maeda and Kaduma (*ibid.*), the objectives of ujamaa villages were to:

(a) Enable each member to earn a just income;
(b) Establish communal farms, shops, industries, commercial and service activities;
(c) Market all products of villages, including those from private plots; and
(d) Give villagers an opportunity to receive adult education, medical treatment, pure water, improved housing, and other essential services for an adequate material standard of living and fuller human development.

Since agriculture was – and still is -- the backbone of Tanzania's development, villages became the focal points for the country's development.

As mentioned earlier, successes were noted in the first years of the implementation of the Arusha Declaration and the policy of self-reliance. Indicators of human development such as literacy, growth and advancement, improved living standards, etc., were impressive. For example, literacy rose up to 60% by 1976 from 25% in 1967 (Green, 1979); the illiteracy rate declined from 90% in 1960 to 10% in mid-1980s (Kamuzora, 2009). In the 1966/1967 fiscal year revenue exceeded budgetary estimate by £4m, and the government was able to spare £8m out of its own resources for developmental expenditure, while external sources provided £6m (Clarence, op cit.).
Moreover, the newly created public corporations were minting huge profits. For example, the NIC sustained a double rate of business through the fiscal year 1967/1968; NBC recorded a profit of TZS17.2m in the first full year, and then TZS31.2m between 1968 and 1969; STC made a profit of £250,000 in the first 8 months; NDC was able to plough back profits of TZS30m into development projects including 57 bridges, 3,283 miles of roads, 46 schools, 44 dispensaries, and 44 new settlements. Other noted improvements were on people's well-being due to improved access to social services such as preventive and simple curative medical facilities, pure water, transport, and decent housing. For instance, Sansa (*op cit*.) demonstrates that primary education enrolment increased from 33.8% in 1967 to 53.1% in 1975; secondary education enrolment increased from 2.7% in 1967 to 3.1% in 1975; life expectance increased from 45.6% in 1967 to 48.7% in 1975; there was an increased employment in the agriculture sector; and the GDP rose from 4.8% in 1967 to 5.9% in 1975.

However, the noted successes were short-lived. Public corporations started performing badly due to, among other things, internal problems of coordination. Observers say that during the final years of the *Ujamaa* era, basic consumer goods were rarely available, the transport infrastructure was collapsing, and the government was unable to provide many of the basic health-care and education services. In this regard, inflation rate tripled from 12% in 1976 to 33.3% in 1985; export rates decreased from 26.5% in 1976 to 6.8% in 1985; and the GDP growth rate decreased from 5.4% in 1976 to 4.6% in 1985 (Edwards, 2016). In response the government implemented the National Economic Survival Programme (1981/1982) to relieve the country from the economic crisis, which nevertheless failed. This condition of the economy led to the adoption of the Structural Adjustment Programme (SAPs) 1982/1986. The SAPs were implemented through the Economic Recovery Programme (ERP) and Economic and Social Action Programme (ESAP), which were introduced in 1986 and 1988, respectively. The two programmes were devised to pave the way for market reforms that were deemed necessary to enhance efficiency in the performance of the economy through private sector enterprises.

The reforms were associated with liberal policies which were fundamentally antagonistic to the *ujamaa* socialist ideology. And yet, there was no other option than adopting them anyway. This dilemma led Mwalimu Julius Nyerere to step down voluntarily from presidency in 1985. The successor, Ali Hassan Mwinyi, accepted liberal economic policies and dismantled the foundations of the Arusha Declaration. The Zanzibar Resolution of 1991 was a last nail in the coffin of the Arusha Declaration, and consequently practical *ujamaa*. Yet, the Constitution, CCM manifesto, Zanzibar Resolution of 1991, and the then chairman and president of Tanzania, still maintained the clause of the policy of building socialism and self-reliance. For example, while addressing the country at the Diamond Jubilee in Dar es Salaam on 25th February 1991, Ali Hassan Mwinyi, the then President, said, "… *the Arusha Declaration exists, I repeat, the people who are responsible for this understanding are the CCM members*." Consequently, Tanzania became socialist *on paper* and *liberalist in practice*. A reconciliation of socialism in theory and liberalism in a practice, has had an adverse impact on Tanzania's development endeavours.

Ideological Dilemma: Ujamaa Within the Context of a Practical Market Economy (1980s - 2014)

The practice of market economy is not founded in the Constitution of Tanzania, and the laws establishing its 'pseudo' practice are rather null and void. The adoption and implementation of SAPs through policies and laws is the only legitimate proof to the practice of market economy. However, the unfounded practice alone does not provide adequate theoretical and institutional infrastructure to achieve national development. The practice of market economy started effectively in 1990s through formulation of policies and enactment of laws to facilitate the implementation of the Economic Recovery Programme (ERP) and the Economic and Social Action Programme (ESAP). These programmes were imposed by the IMF and the World Bank, and thus, compared to Ujamaa, their implementation lacked serious commitment on the part of the government.

They were taken as strategies to revamp the economy and not the path towards development. Most importantly, the then president and the public at large believed and lived Ujamaa at heart. This partly explains the pseudo practice of market economy and its failure to alleviate abject poverty among Tanzanians.

The implementation of the two programmes through currency devaluation and structural reforms was done in two major forms: (a) trade liberalization (1986 - 1995) and (b) privatization of public enterprises (1996 - 2006). A number of changes were made with trade liberalization. These included:

(i) Removal of internal trade barriers to allow private traders to operate. For instance, barriers on agricultural products were removed to allow private traders to buy and transport up to 500kg of food grains, the currency (TZS) was devalued, subsidies were reduced, producer prices of rice, maize and export crops were raised etc. (Due, 1993);
(ii) Individuals were allowed to import goods and sell at market prices;
(iii) foreign exchange was decontrolled and bureau de changes were allowed to operate in urban areas;
(iv) Private businesses such as small hotels, service enterprises, small kiosks selling all types of goods, wholesaling and retailing food, safari operations, etc., were encouraged.

Regarding privatization of public enterprises, the government started by formulating privatization policies and legislations in piecemeal. The Public Corporations (Amendment) Act 1993 came to transfer public ownership of firms to private individuals and/or groups of individuals. The Act established the Presidential Parastatal Sector Reform Commission (PSRC), which was the representative of the government in the whole process of privatization. According to Paschal (2015), the forms of transfer included direct sale of assets (sale of part or whole of the public enterprise to a private investor, or sale of an asset in the form of public stock offering); contracting and leasing (where government uses private firms for the provision of goods and services); and voucher systems (where government distributes vouchers to eligible consumers so that they can purchase goods and services from private suppliers).

Privatization as a strategy to reform public sectors in least developing countries (LDCs) has been a controversial move in several respects. As Chittoo and Nowbusting (2011) argue, first, the private sector has a very strong interest in preserving, and creating monopolies, and thus committing a firm to the private sector is putting the fox in charge of the henhouse. A clear direction towards privatization has to start with the foundation, i.e., the ideology and constitution. Second, in order to handle competition in the private sector appropriately there must be clear and harmonious rules to regulate the private sector and prevent it from sinking the economy into further problems of poverty and underdevelopment. The lack of internal commitment by the government to institute proper liberal policies through constitutional review and appropriate laws and policies is linked to the lack of a clear ideology on the direction of the economy.

The above arguments are confirmed by the experiences of the privatization of public parastatals in Tanzania. First, privatization of public parastatals was full of surprises and against the wishes and participation of the vast majority of the people. The process was done in a big hurry such that about 90% of public enterprises were privatized within a very short time. According to Makulilo (2012), more than 380 parastatals were privatized by 2003. Big firms were sold to foreign companies or Asian-Tanzanians. For examples, NBC[1] was sold to Solutions Network Group of South Africa; CRDB was sold to DANIDA of the modern state Denmark; DAWASA was privatized under contract between Biwater International Ltd of England and Wales (80%) and a partner Gauff Ingenieure & Co. KG-JBG of German Corporate (20%); TANESCO was privatized under management contract of 10 years to TANESCO-Solutions Network Group of South Africa; TTCL was sold to the Consortium of Celtel International BV of Netherlands and DETECON GmbbH of Germany, etc. Other parastatals were sold on enterprise by-enterprise basis including, the East Usembeze Tea Estate that was sold to the Commonwealth Development Corporation (CDC); Kagera Sugar Company was sold under joint venture with Booker Tate (UK Company); Kilimajaro Coffee Estates was directly sold to CDC (UK Company); Mifundi Tea Co. was privatized to Lonrho (former owner); Ngombezi Sisal Estates was sold as management contract with Booker Tate; Ralli Estates was directly sold to a UK Company, etc. (Due, 1993).

Privatization in Tanzania was very much contested as the outcomes were diverse. The most noticeable challenge was that a large part of the economy was still under government control. There was no adequate infrastructure for efficient running of market economy. The assumptions that competitive markets could lead into reduced government deficits; reduced inflation to protect expanding exports through currency devaluation; access into external capital; and reduced budget deficit: all had multiple implications. On one side, there were noticeable progresses such economic growth rate which increased to 7%, inflation rate which dropped to a single digit, there also emerged a strong growth of non-traditional exports and government reserves increased (Mandalu, *et al.* 2018). However, all these failed to reduce poverty among the majority of Tanzanians. For example, Paschal (2015) demonstrates that employment decreased after privatization by 33.3%. As characteristic of the private sector, wages decreased for the majority of workers. Kaiser (*op cit.*) says:

> "… the quality of life of the majority of Tanzanians has declined in the wake of eroded incomes, in real terms, and the general escalation of costs of the most basic necessities of

[1]According to Cull and Spreng (2011) NBC got restructured and split into two in 1997 resulting into new NBC and NMB. 70% shares of the new NBC were sold to ABSA Group in 2000 and 49% of shares of NMB were sold to Rabobank of the Netherlands in 2005. However, the discussion for the privatization of NBC took almost 10 years before its eventual sale.

> life. .... the urban workers being called upon to share costs of education and health at a time when their incomes are inadequate even for meeting food needs."

In actual sense, people continued to be poor and even poorer; and the social gap between the haves and have-nots started to widen at a higher rate. Kaiser notes that the quality of life of the majority Tanzanians deteriorated, meanwhile the life of their counterpart minority Asians improved tremendously, exacerbating the pervading perception that the wealth divide in the country is intensively on racial lines. Apparently, corruption became rampant.

For examples, there have been a series of corruption scandals between 1999 and 2014. These include the radar deal (£28m); EPA (TZS138b); Tangold (US$13.7m); Meremeta (US$118m); Deep Green (TZS10.6m); IPTL (US$1m a month for 15 years); Richmond (US$123.2m); Dowans (US$65.8m plus interest); Symbion (US$561m); Tegeta Escrow (TZS306bn); Kagoda (TZS40b); Identity Cards Project (TZS200bn); NDC (US$2m); BOT Twin Towers (TZS15bn), etc. (Tanzania Affairs. 2009; Mtandao wa Vijana for Change, 2009; FEMACT & SAHRINGON, 2009; Slaa, 2007; Mtulya, 2015; 2016; and Cooksey, 2017).

The Independent Power Tanzania Ltd (IPTL) Saga started after signing a 20-year power purchase agreement (PPA) in May 1995 between Mechmar Corporation (Malaysia) and the Tanzania government to redress energy crisis in the country. According to Cooksey (*ibid.*) the deal was surrounded by rent-seeking involving senior officials and politicians, which culminated into overpricing by US$23.5m (hence substantially higher monthly capacity charges). Later, due to clashes between TANESCO and IPTL over capacity charges, the BoT opened the Tegeta Escrow Account to hold capacity charges payable to IPTL by TANESCO until the parties had reached an agreement. Before reaching that agreement, up to late 2013 a total of TZS306bn had been siphoned out of the BoT irregularly and deposited in two different bank accounts (in two banks) - thus, the infamous ESCROW scandal (*ibid.*).

Since IPTL could not meet the power needs of the country, TANESCO signed another emergency power project with RICHMOND in 2006 to generate 120 megawatts of gas-fired electricity – a deal of US$23.2m. However, as per later findings by a Parliamentary Select Committee (2008), RICHMOND was a shell company with no power-generation experience (thus the tender agreement was a swindle); and this led to delays in commissioning partly due to the company's inability to finance the procurement, transport, and installation of the power plant. Ingeniously, RICHMOND metamorphosed into DOWANS (based in the United Arab Emirates) in late 2006. The new company took over the activities of RICHMOND but remained idle for two years while continuing to receive capacity charges of about US$4m per month. Later, DOWANS took TANESCO to arbitration at the International Chamber of Commerce and in 2010 was awarded US$65.8m (plus interest) for the breach of contract for non-payment of capacity charges. SYMBION was the subsequent successor of DOWANS, which again having failed to meet its contractual obligations, went to the same arbitration body to claim US$561m from TANESCO for breach of contract, non-payment of power supply, and other monies owed (*ibid*).

All of this cinematic TANESCO saga failed to redress energy crisis while contributing to increased power costs. Generally, the IPTL project had a disastrous impact on the Tanzanian economy. For example, according to Cooksey (ibid.) the cost of power outages to the economy in a single year (2013) was 4% of the GDP, or nearly US$2bn. This ultimately had effects on the quality of life of most Tanzanians. Many people could not do small businesses to earn their living due to power-cuts and high electricity costs, leave alone limited access to electricity.[2]

The above TANESCO and other scandals have evolved for over the past two decades, causing Tanzania huge direct and indirect costs. According to Cooksey (2017) the direct cost to Tanzania is estimated to be US$1.5bn (i.e., including inflated and avoidable costs of IPTL; SONGAS delays; poor sequencing of energy sector expansion; the Richmond debacle; litigation; non-implementation of ICSID rulings of Feb. 2014 and Nov. 2016; and TANESCO's chronic insolvency). The indirect costs are immeasurable, and include:

(a) High costs of electricity and power-cuts that constrain investor confidence in doing business in the country, and compromises business competitiveness in Tanzania;
(b) International donors withholding a budget support of over US$500m in 2014 in protest to the ESCROW scandal, and the suspension and eventual cancellation of negotiations for the second US government Millenium Challenge Account worth US$450m, largely earmarked for power generation; and
(c) Countless small manufacturers and service providers forced to close down.

As mentioned earlier, poverty reduction strategies were initiated by the IMF/ World Bank in the 2000s, and Tanzania was just a recipient of the strategies. The first implementation policy was established in 2005 after the cabinet's adoption of National Strategy for Growth and Reduction of Poverty (NSGRP) -- 'MKUKUTA' in Kiswahili. It aimed to eradicate extreme poverty and promote broad based growth, i.e. (a) growth and reduction of income poverty; (b) improved quality of life and social well-being; and (c) good governance and accountability. These targets were directly linked to achieving the international Millennium Development Goals by 2015. However, the performance of MKUKUTA was not impressive, and did not achieve the set targets. URT The Ministry of Finance (2012) reports that Tanzania's economy grew by 7% per annum over the last 10 years, but such growth did not translate into significant reductions in

[2]Cooksey (2017) drew examples from the CDC Group and Overseas Development Institute report (2016), which showed that only 20% of Tanzanians had access to electricity compared to a median of 34% for Sub-Saharan Africa. Again, the World Bank Enterprise Survey (2013) estimated that power outages in Tanzania cost businesses about 15% of annual sales. Both scenarios contribute to massive unemployment and abject poverty in Tanzania. Based on World Bank (2015), the basic needs poverty and extreme poverty in Tanzania were 28.2% and 9.2% respectively in 2012.

income poverty. Thus, income inequality remained unchanged at 0.35 between 2001 and 2007. MKUKUTA was reviewed in 2010 and implemented between 2010 and 2015. This new MKUKUTA was also linked to vision 2025[3] and commitment to the Millennium Development Goals. There were slight improvements in terms of reduced poverty. URT The Ministry of Finance (2012) reports that basic needs poverty was reduced from 34% in 2007 to 28.2% in 2012 and extreme poverty from 11.7% in 2007 to 9.2% in 2012. Nevertheless, majority Tanzanians who live in rural areas remained poor/extremely poor. The same report shows that around 12m Tanzanians live below poverty line, while 4.2m live under extreme poverty.

A Practical Resuscitation of Ujamaa (2015 - to date)

Ujamaa has mysteriously come back in practice in Tanzania from 2015 following the ascendance of President Magufuli into power. During campaigns Magufuli promised to change the political landscape by dealing with corruption and facilitating economic growth to make Tanzania a 'donor country'. The passion to revamp Tanzania's economy by eradicating corruption was clearly noticeable. Some of his promised strategies to achieving a corrupt-free Tanzania and high economic growth were to:

(a) Establish a court division to deal with corruption cases;
(b) Re-institute the spirit of hard work under the slogan '*Hapa Kazi Tu*';
(c) Make free of charge access to education (up to Secondary level); and
(d) Re-formulate policies and laws that are considered instrumental for the country's development.

The promised strategies to make Tanzanian economy strong today pose some interesting questions with regard to their feasibility and legality.

The first question is, which ideology guide the economy of Tanzania? With this regard, the present Tanzanian constitution still provides for the existence and implementation of Ujamaa. However, most of the existing policies and laws do not favour the practice of Ujamaa and its associated strategies as they were changed during the implementation of liberal policies to suit market economy. This confusion is a big challenge to investors in Tanzania. Second, are designed strategies suitable for the global economy? Apparently, the global and economic environment has changed greatly. Globalization has created an environment in which countries operate in a 'global village' (i.e., not in isolation). In other words, Tanzanian political and economic decisions are very much influenced by decisions of other countries in the global economy. Besides, Tanzania is a developing country that depends heavily on development assistance from countries practising liberal policies. Any political or economic decision made has to be supported by political and economic interests of donor countries. Therefore, the practice of Ujamaa is subject to international political

[3]Vision 2025 is the development strategy aimed to transform Tanzania into a middle-income country by 2025 attributed by high quality livelihood; peace, stability and unity; a well-educated and learning society; and a competitive economy capable of producing sustainable growth and shared benefits.

and economic obstacles. The idea of making Tanzania a donor country under Ujamaa is a mere 'fantasy'.

The restoration of Ujamaa has been noted in several policy decisions and actions by the government, including:

(a) *The notion of self-reliance in the economy has come back in various ways.* First, it is through involving government in the economy by investing heavily on the Air Tanzania Company Limited, Standard Gauge Railway and several other mega projects. Said and Bahemu (2018) report some of these mega projects as Tanzania–Uganda Oil Pipeline (US$30bn); US$345m for the major upgrade of Dar Port (a grant from the WB) complemented by US$63m from the government and US$12m from DFID), Construction of New Chato Airport (TZS39bn); Stigler's Gorge Hydroelectric Power Station (TZS4.5tn); Standard Gauge Railway (US$1.2b); and revival of the ATCL where Tanzania bought 6 aircrafts in cash).

The impact of government's involvement in the economy is two-fold. One, it weakens government performance. The IMF (2018) shows that recent economic performance is mixed: GDP data point to continued strong growth; while other high frequency data indicate a weakening economy. For example, bank non-performing loans are on the rise; and the overall current account deficit increased to 72.7% for the year ending 2019. Two, increasing role of the state in doing business has to some extent weakened competitiveness of the private sector. Consequently, some private investments have winded up operations due to lack of funds and loss of confidence. For instance, the Nakumatt supermarket, Shoppers Trading Ltd, and many other small-scale businesses have closed during 2018/2019. The IMF (ibid.) shows that FDI fell to 2% of GDP in 2017 from 5% in 2014.

Second, it is through emphasizing everybody to work hard. While this is a commendable step towards higher growth of the economy, it was not accompanied by favorable rules. For instance, demoralization through arbitrary firing of public workers, a halt in public employment, illegal removal of salary increments, etc. amidst a shrinking private sector. Unemployment increased as a result. IMF Country Report No. 18/11 (2018) indicates high poverty and large underemployed youth population as a significant challenge to Tanzania. Similarly, *Nipashe* (April, 2019) reported the World Bank as saying "... the number of dependants is increasing if compared to those with formal jobs."

Third, it emphasizes on maximum tax collection. This has been accompanied with making and unmaking of laws, sometimes with arbitrary enforcement of rules. For examples, the Natural Wealth and Resources (Permanent Sovereignty) Act 2017, Natural Wealth and Resources Contracts (Review and Re-negotiation of Unconscionable terms) Act 2017, Tax Administration Act 2015 and Tax Administration (Remission of Interest and Penalty) Order 2018, The Written Laws (Miscellaneous Amendments) Act 2017 (Mining Act amended), Finance Act 2017, etc. Three examples are worthy noting. One, the decision by Tanzania to end the investment Treaty with Netherlands in April 2019. Two, a series of court charges and harassment to the renowned famous businessman Yusuf Manji (CEO, Quality Group Ltd). According to Citizen (2017) TRA closed one of his companies over unpaid TZS12bn tax bill. Again, in July 2018 the Court of Appeal ruled against the Golden Globe International Services Ltd (owned by Manji) and Quality Group Ltd over the ownership of the telecommunication business MIC TZ Ltd operating as Tigo Tanzania (leading to compulsory sell of his shares). In June 2018 Manji and 4 others were charged over a Bank debt of over TZS26bn, and in December the same year, the Quality Centre and Quality Extended Enterprise were placed under receivership over a debt owed to the Eastern and Southern African Trade and Development Bank (PTA Bank). Another example is the confrontation with ACACIA, a multinational mining company, which was slapped with taxes and fines amounting to US$190bn, which made the world horror-struck (*Business News*, 2018). All these scenarios and many more have worsened investment climate in Tanzania.

(b) T*he fight against corruption*. The decision to establish a special court division to handle corruption cases (commonly known as *High Court Corruption and Economic Crimes Division of Tanzania*) was a quick response to fight corruption in Tanzania. A number of laws were amended to reflect the current need. These laws included among others the Public Procurement Act 2016 and Finance Act 2017. However, the CAG report (2018) shows misappropriation of public funds in different sectors/departments: e.g., police uniform (TZS6bn unaccounted for); police training (TZS600m unaccounted for); NEC procurement (5000 BVR with inappropriate systems); NHIF procurement (defective system for US$3.59m); sickness of the Speaker of the National Assembly (US$950 per day for 5 months (approximately TZS467m) were used as allowances); ATCL (operational deficits for 2 years); etc. Also, the CAG Report (2019) showed numerous misuses of public funds and /or corruption.

(c) *Free education policy at primary and secondary levels*. Free education policy was among Ujamaa policies. It aimed to create a knowledge population for economic growth. The implementation of free education policy started in 2016 following the CCM 2015 election Manifesto. One basic challenge of free education in Tanzania is the quality of education. According to Mbawala (2017), with increased enrolment, the challenges of free education are demands of capitation grants in schools, supply of teaching materials, infrastructure, etc. all these have an impact on the quality of education.

(d) *Population policy*. The government at various occasions encouraged people to give birth to many children and discourage the use of birth control policies. According to president Magufuli, population growth has some potential to economic growth simply because of the potential labour force gained from population growth. He said, "people who use family planning methods are lazy. They do not want to work hard to feed a large family" (KFF Daily Global Health Report, 2018). He further emphasized that people should give birth to many children without worrying about their education since the government provides free education. Notwithstanding, there was no change made to other existing and related policies (i.e. health and population policies).

Alongside the foregoing policy changes, there are other policies and laws in favour of privatization and market economy (formulated during privatization era) which are still operational, raising the dilemma of how to successfully implement either Ujamaa or market economy. This ideological predicament affects, and will continue to affect, Tanzanian economy and people's livelihood for long until an overhaul of the Constitution and its subsequent laws is done. This work appreciates the preliminary constitutional review efforts made in 2014. However, the process was aborted without clear reasons. At this juncture, constitutional review is not an option if Tanzania really wants the best for the people.

Conclusion

Tanzania attained independence from the British in 1960s. Socialism was chosen as a development path towards a united, equal nation of Tanzanians living together supported by an agricultural economy. The implementation of socialism in its unique form of Ujamaa was faced with challenges, yet its successes were noticeable. People's livelihoods improved, while maintaining equal access to resources and opportunities. More importantly, Tanzania has been termed as an island of peace. Global economic changes of the 1980s swept away continual implementation of Ujamaa, and introduced market economy in the country. However, no changes were affected in the Constitution to ensure a smooth implementation of market economy; rather some changes were made to existing policies and laws to accommodate the practice of market economy. This confusion has had major impacts on the economy. These have included rampant corruption, misappropriation of public funds, massive unemployment, unfriendly business environment, and the prevalence of abject poverty. To unravel this dilemma and its associated impacts, Tanzania needs an urgent overhaul of the Constitution and laws to clear the way to a specific ideology suitable for the development of the country.

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