



Tanzania's Path Towards Prosperity: Balancing the State, Market and Community

Concept Note

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1 Background and Introduction

1.1 Context - Tanzania Policymaking

Equitable growth and human development have been a cornerstone of Tanzania's development policy making since independence. The hallmark of this aspiration was consolidated in 1967 with the pronouncement of the Arusha Declaration. Through this declaration whose centerpiece was the *equality of humans*, Tanzania proclaimed socialism and self-reliance as the guiding principles for the country's social and economic development. In effect, Tanzania's aspiration for development was and remains *people-centered*, aspiring for humanness in its fullest sense rather than mere creation of wealth –all members ought to have *equal rights and equal opportunities*; in which all can live in peace with their neighbors without suffering or imposing injustice, being exploited, or exploiting; and in which all have a gradually increasing basic level of material welfare before any individual lives in luxury¹. Notwithstanding the continued focus on equity and human development, Tanzania has been preoccupied with finding a right mix of development policies and strategies for achieving the two desired outcomes.

In a bid to realize fast improvements in human development, during early years after independence, growth was sought within a mixed economy framework, which relied heavily on private efforts, especially in the directly productive sectors². Following the Arusha Declaration, the *state* played a major role of providing key social services such as health services, education and safe and clean drinking water. In addition to the focus of the state on social services delivery, a key feature of this period is that the state played an instrumental role in the productive economy with the creation and growth of many state-owned enterprises happening during this period. As a result of the implementation of development policies and strategies, Tanzania recorded significant achievements in social service provision. While this approach was successful in achieving rapid improvements in social wellbeing, particularly in education, health and water, it was unsustainable because of lack of continued GDP growth to support the huge public investments. This was particularly evident in the 1980s when the economic crisis in Tanzania significantly eroded the achievements in human development made during the 1960s and 1970s.

Another important period is 1986-1995. During the 1970s and late 1980s the Tanzanian economy was buffeted by economic crises of unprecedented proportions. Donor pressure intensified, requiring the government to combine economic reforms with political liberalization and decentralization, which was not to be easy as there were entrenched groups with interest to maintain the existing system. Policies during the period were directed at liberalization and implementation of partial reforms. Areas covered were the exchange rate regime, agricultural marketing system and domestic prices, initiation of financial system, parastatals, and civil service reforms. Most of the reforms were fully rolled out during 1996-2006 with a policy package on macroeconomic stabilization and structural reforms, privatization, liberalization of the financial sector, creation of market oriented regulatory framework, trade reform, regional integration, and fiscal consolidation. The expectation was that the reforms would lead to higher broad-based real GDP growth; decline in inflation to single digits; strong growth in nontraditional exports and turnaround in balance of payments; large increase in international reserves; moving composition of expenditure toward poverty-reducing programs; and creation of an efficient,

¹ Julius Nyerere 1968

² World Bank, 1977

competitive banking system and increased credit to the productive sectors of the economy. Reforms notwithstanding, there were still large segments of the economy dominated by public monopolies, there was insolvency of large state-owned enterprises/banks and losses in other parastatals, weaknesses in budget management, large fiscal deficits, accumulation of arrears, elusive macroeconomic stability and low growth for most of the period.

The period between 1995 and present has been characterized by the paradigm shift that emphasizes participation of other players in development thinking and implementation, other than the state, to entice broader ownership and accountability to the country's development agenda. The private sector, acknowledged as the engine of growth, occupies an indispensable place. There is a general understanding that the macroeconomic policy would lay out institutional foundation by fostering a productive public-private interface that will then give rise to an emergence of a developmental nation-state. Second, there is a realization that the overarching policy agenda should cover a wide range of issues including investment coordination, resource mobilization and fiscal sustainability, achieved via fiscal, monetary, exchange-rate and other financial policies that must be very well thought through, cogent and effectively coordinated and monitored. In effect, the intricate link between economic and social policies has been emphasized. For instance, theme of the Second Five-Year Development Plan was Nurturing Industrialization for Economic Transformation and Human Development which recognizes human development as the ultimate goal of any form of economic transformation. That said, the FYDP II affirmed that the growth desired would only be possible with the business environment that is reliable, secure and predictable for the private sector to profitably operate, sustain and flourish.

In summary, the operating environment is different now and multi-actor engagement has become indispensable. Foreign aid is not as forthcoming and the role of the private sector and other non-state actors in driving the economy continues to gain prominence and is increasingly appreciated. It has become clear that a longer-term view is paramount if a country is to maintain focus on its development agenda in a sustainable manner. Similarly, inclusion (gender, youth, and other marginalized groups) is a much stronger agenda, and the pursuit for an inclusive agenda and perspective has gained greater prominence in policy circles in Tanzania. Lastly, all stakeholders understand that it is imperative to maintain a stable macroeconomic environment for sustainable growth and development, since this lays an institutional foundation and fosters a productive public-private interface that gives rise to an emergence of a developmental nation-state.

1.2 Context – The Nordic Perspective

The Nordic countries, or the Nordics, are a geographical and cultural region in Northern Europe and the North Atlantic. The region includes the sovereign states of Denmark, Finland, Norway, Sweden, and Iceland, as well as the autonomous countries of the Faroe Islands and Greenland, which are both part of the Kingdom of Denmark. The Nordic countries have much in common in their way of life, history, religion, and social structure. Although not a singular entity today, they have a long history of political unions and other close relations, that translates into the modern day organized Nordic Cooperation.

Each of the Nordic countries has its own economic and social models, sometimes with large differences from its neighbors, but to varying degrees sharing the Nordic Model of economy and social structure. There is a high degree of income redistribution and little social unrest. These include support for a universalist welfare state aimed specifically at enhancing

individual autonomy and promoting social mobility; a corporatist system involving a tripartite arrangement where representatives of labor and employers negotiate wages and labor market policy mediated by the government; and a commitment to private ownership (with some caveats) within a Mixed Economy.

There are many similarities between the Nordic Model and the goals and aspirations of economic development in Tanzania since independence. The key features of the Nordic Model –market economy combined with strong labor unions and a universalist welfare sector –in which, the state protects and promotes the economic and social well-being of the citizens, based upon the principles of equal opportunity, equitable distribution of wealth, and public responsibility for citizens unable to avail themselves of the minimal provisions for a good life—have been pursued with varying degree of success overtime by Tanzania policymakers. Therefore, sharing the Nordic Model is about inviting and inspiring conversation and cooperation; the exchange of thoughts, ideas, and values like openness, trust, new ways of thinking, sustainability, and the equal value of all people. The aim is to reflect on how some these common values, that lay the foundation for the social and economic development of the Nordic countries, could potentially work as tools across their borders, for their partner in shared values and development cooperation –Tanzania.

2. Proposed Theme for 2021: Striking a Balance Between State-Market-Community

In May 2018, the Economic and Social Research Foundation (ESRF) and the Swedish Embassy in Tanzania in collaboration with the Government of the United Republic of Tanzania through Ministry of Finance and Planning (MOFP), organized a conference with a theme of “Equitable Growth and Human Development in Resource Based Economy: Dialogue on Stockholm Statement for Tanzania”. The conference was officiated by the then Honorable Minister of Finance and Planning, Dr Philip Mpango and discussed the eight principles of the Stockholm Statement in the context of Tanzania’s policymaking as the country aspired towards a middle income semi-industrialized economy.

Towards Prosperity: Balancing State, Market, and Community in the Pursuit of a Developmental Nation-State

The upcoming symposium with the theme of Tanzania’s Path Towards Prosperity: Balancing the State, Market and Community delves into the Nordic Model while continuing and expanding upon the previous dialogue on the Stockholm Statement. The pursuit of an equal and sustainable development for all, the fifth principle of the Stockholm Statement³ calls for a judicious balance among market, state, and community. This is based on an understanding that both markets and states have limitations and that there is a need for a working framework that allows each side to build upon their respective strengths. Whilst markets struggle to achieve inclusiveness and equity, states face challenges at achieving efficient allocation of resources. In addition, the fifth principle also recognizes that civil society organizations are key for achieving social cohesion, which is a prerequisite for good functioning of states and markets.

To enable an open conversation with prominent key stakeholders, we are proposing a symposium under Chatham House rules on Balancing State, Market and Community in pursuit of equal and sustainable development for all. The symposium will draw on the Nordic experience, and on the backdrop of values such as Openness, Trust, Transparency and Accountability. The conversation will entertain the dilemmas and challenges of various approaches aiming at striking the right balance for Tanzania in the pursuit of achieving her developmental agenda for the future. Below are some key aspects of the prevailing policy making environment:

- **Financing development:** Tanzania recently achieved a middle-income status based on its improvement in its GDP per capita. One of the challenges that the country will have to grapple with is how to finance development as it becomes ineligible for some concessionary debt and is increasingly forced to rely on other forms of financing to ensure implementation of its development agenda. In addition, Tanzania has found it difficult to unlock the desired private sector financing during the implementation of the first Five-Year Development Plan (FYDP I) and the second Five-Year Development Plan (FYDP II).

³ For more information on the conference in 2018 consult the [Recap of the conference on equitable growth with Nobel Laureate Joseph Stiglitz - Sweden Abroad](#) and short movie [Stockholm Statement applied on a Tanzania context - YouTube](#)

- **Reform agenda:** Tanzania is currently undertaking a number of policies, legal, and institutional reforms aimed at ensuring implementation effectiveness and creating a more enabling environment for businesses/investors. The continued implementation of the Blueprint for Regulatory Reforms in Licensing and Permits, under investment portfolio in Prime Minister's Office, ongoing national and sectoral dialogues, the development of an investment strategy and policy, are but few of the various reforms at both national and sectoral level that would in effect, affect the balance between state and market.
- **Youth and future generations:** There are growing calls for the need to develop an actionable strategy to defend the interest of future generations at national level and in multilateral forums. Essential for this transformation to occur is the recognition of future demographic shifts (e.g. many more people are yet to be born this century than are currently living, and future generations will largely be concentrated in countries in the Global South such as Tanzania); transboundary nature of intergenerational issues; the importance of defending and integrating the interests of those yet to be born across institutions and in decision-making processes.
- **Growing importance and relevance of technology and innovation:** during his inaugural speech to the Parliament, His Excellency the late 5th President of the United Republic of Tanzania, emphasized the need for the government to understand and take advantage of the opportunities that the 4th Industrial Revolution provides. The technology and innovation space is growing in its relevance in Tanzania both in government service delivery and in jobs creation for the burgeoning youthful population. The nature of the sector requires a very delicate balance between the government (regulator) and market (entrepreneurs) in order to allow for innovation whilst addressing other potential market failures.
- **Growing role of community:** non-state actors have observed considerable growth in terms of capacity and relevance in Tanzania and continue to play an important role in policy making and implementation. For instance, Faith Based Organizations are not only important at building national cohesion, but also at service delivery (education and health).

3. Objectives of the Dialogues

The main objective is to provide a setting for a conversation on how to balance state, markets, and community in the context of Tanzania contemporary policymaking. The conversation will entertain the dilemmas and challenges of various approaches that could contribute to implementation of the 3rd Five-Year Development Plan (FYDP III) and the drafting of the upcoming national development vision following the expiry of the current Tanzania Vision 2025.

The specific objectives of the symposium are to:

- Foster dialogue that promotes the exchange of ideas and innovative thinking among policymakers from public, private and civil society.
- Serve as a platform for policymakers to meet and have a consensus on how best to define and implement the desired balance between development stakeholders in Tanzania.

Chosen focus area:

In order to ensure contextual relevance and guide the discussion, the two topics below have been chosen based on their relevance to the Tanzania policymaking landscape and unique opportunities they present at advancing the key government priorities:

- A. Digital transformation in the age of the 4th Industrial Revolution — exploring how new technology is affecting the labour market by creating new opportunities for workers but has, at the same time, exacerbated inequality within nations.
- B. Inclusive economic growth aligned with the principles of the Stockholm Statement that policy should help ensure that development is socially and economically inclusive and does not leave behind groups of the population — whether identified by gender, ethnicity, or other social indicators.

4. Expected Outputs and Outcomes

The overall expected outcome of the symposium is an agreed modality for continued constructive dialogue on opportunities and challenges related to the interdependency between state, markets, and communities. The symposium seeks to awaken the understanding and demonstrate the relevance of the importance and the need for continued dialogue at all levels of government (national and sub-national).

5. Modality of the Dialogues

The symposium will enable a conversation about the dilemmas and challenges of various approaches on how to balance the interaction between markets, states, and community. The in-person symposium will be held in Dar es Salaam. In light of the objective of the symposium, the conversation will be held in a closed-door setting with a selected few key and influential participants while adhering to precautionary measures given the current situation.
