



**Continuity and change in Tanzania's
ruling coalition: legacies, crises and weak
productive capacity**

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LIST OF ABBREVIATIONS

ACT	Agricultural Council of Tanzania
ASM	Artisanal-scale mining
BIS	Basic Industry Strategy
BoT	Bank of Tanzania
CC	Central Committee
CCM	Chama Cha Mapinduzi
CHADEMA	Chama cha Maendeleo na Demokrasia
CSO	Civil society organisation
CTI	Confederation of Tanzanian Industries
CUF	Civil United Front
DRD	Domestic Revenue Department
EPA	External Payments Account
EPP	Elites, Production and Poverty research programme
FDI	foreign direct investments
GDP	Gross domestic product
Golkar	Partai Golongan Karya (Indonesia)
IMF	International Monetary Fund
LSM	Large-scale mining
LTD	Large taxpayer department
MP	Member of Parliament
MVIWATA	National Network of Smallholder Farmers
NEC	National Executive Committee
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
SAP	Structural Adjustment Programmes
SOE	State-owned enterprises
STAMICO	State Mining Corporation
TANU	Tanganyika African National Union
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TCME	Tanzania Chamber of Mines and Energy
TNBC	Tanzania National Business Council
TPSF	Tanzania Private Sector Foundation
TRA	Tanzania Revenue Authority

ABSTRACT

This paper presents analyses of the current composition of Tanzania's ruling coalition, comprised mainly of the ruling party (the CCM), the bureaucracy and the military, of how it has changed over time and of how its funding has evolved. Specifically, it discusses how historical legacies, structural changes in the economy and specific crises have influenced the composition of the ruling coalition, the holding power of its factions and the strategic use of resources to maintain its power. The paper concludes that Tanzania's ruling coalition is presently characterised by conflicts and bargaining among strong factional elites *within* the ruling coalition and by the increasing power of its lower level factions. Opposition parties are largely excluded from influence and remain weak. Economic entrepreneurs in the formal productive sectors are few and poorly organised. Their relations with the ruling coalition are ambiguous and largely informal, although exchanges of money and rents are of increasing importance in the relationship. Moreover, informal sector entrepreneurs and smallholders in agriculture are largely excluded from the ruling coalition. There is little evidence that the ruling coalition – despite decades of political stability – has used its position to build and strengthen the productive capacity of domestic entrepreneurs.

I. INTRODUCTION

The present ruling party in Tanzania, the CCM (and its predecessor, TANU), has been in power since the country's independence in 1961, longer than any other political party on the continent (Smith 2005, table 1). Moreover, the key features of Tanzania's ruling coalition until the early 1990s were 'close to that of a developmental state' (Khan 2010, 120). Groups that could potentially threaten the power of the ruling coalition were almost non-existent, while internal lower-level factions remained weak. Since 1995 the CCM has also won all competitive elections at the national and local levels by significant margins. Consequently, the ruling coalition has had a relatively high degree of stability for fifty years. This makes the case of Tanzania unusual in Africa.

Yet despite this political stability, productive sector capacity has not improved significantly since independence. Productivity, especially in agriculture, has remained largely stagnant for fifty years (Skarstein 2010). And while Tanzania's growth has accelerated in recent years, particularly in gold, manufacturing goods, tourism and services, it has largely been driven by foreign direct investments (FDI) and aid, which have not created many jobs nor led to significant positive structural changes (Research and Analysis Working Group 2009). Indeed, like in other African and Latin American countries, the structural changes that *have* occurred in Tanzania may well have resulted in labour moving 'in the *wrong* direction, from more productive to less productive activities, including, most notably, informality' (McMillan and Rodrik 2011, 1-3).

The bottom line is that living standards for ordinary people measured by GDP per capita have not improved much since the 1970s, de-

spite impressive economic growth over the past fifteen years (Nord et al. 2009, Figure 1). Furthermore, Tanzania's headcount poverty declined by only 2.4 percentage points between 1991 and 2007, compared, for example, to more than 20 percentage points in Ghana and Uganda (Hoogeveen and Ruhinduka 2009, 2; Treichel 2005, 17). The actual number of poor people is, in fact, increasing yearly (Hoogeveen and Ruhinduka, 2009, 64), although there may have been advances in other aspects of peoples' lives (such as education and health). Yet, measured by experiences of 'lived poverty (how frequently people go without basic necessities during the course of a year),' Tanzanians actually saw the quality of their daily lives worsen between 2000 and 2005 (Mattes 2008, 2 & 16).

Even this lacklustre economic performance since independence, especially during the hardship years of the 1980s, has not led to the emergence of a strong political opposition, nor have there been any sustained popular protests against structural adjustment, as has been the case elsewhere on the continent (Sandbrook 2000, 85). Indeed, the CCM has won all competitive elections since 1995 by substantial margins, except on Zanzibar. And while many prominent political leaders have been implicated in large-scale corruption scandals in recent years (Anti-Corruption Resource Centre 2009), the legitimacy of the party does not yet seem to have been significantly compromised. Almost three-quarters of adult Tanzanians were reported to 'feel close' to the CCM in 2008 (Afrobarometer and REPOA 2008), and the 2010 elections were again won by large margins, repeating the pattern from the three previous competitive elections since 1995.

The case of Tanzania therefore illustrates that political stability is far from sufficient to ensure sustainable economic growth and

poverty alleviation. Ruling elites must also be motivated to promote structural change and technological upgrading through public investments in activities with short-term risks but uncertain, long-term development benefits, and by public promotion of technology acquisition and learning that compensate for uncompetitive cost structures while learning takes place (Whitfield and Therkildsen 2011, 8). Or, to paraphrase Gray (2011, 259), while political stability is clearly important, ruling elites must also promote the two other important drivers of structural change to achieve sustainable growth and poverty alleviation: primitive accumulation and technology acquisition.

This paper presents an analysis of the Tanzanian ruling coalition that highlights the tensions in power relations and the potential threats to the hegemony of the ruling party since independence. This will help us understand why Tanzania's ruling elite has not been able to use the state and its resources to promote structural change and achieve sustainable poverty alleviation in a decisive manner, despite its long-term and long-enunciated vision to 'transform agriculture' and become a 'semi-industrial country' by 2025 (Rweyemamu 2009, 14; McHenry 1994).

The starting point for such analyses is the conceptual framework developed by the Elites, Production and Poverty (EPP) research programme at DIIS.¹ It makes three propositions about the incentives driving policy choices made by ruling elites: 1) 'ruling elites² support the development of productive sectors when they perceive that this will help them to remain in power'; 2) 'ruling elites

choose policies and implementation arrangements as part of their strategies for maintaining power,³ in particular for maintaining ruling coalitions⁴ and/or winning elections'; 3) 'good economic outcomes depend on a) close relations between the ruling elite and the relevant productive entrepreneurs based on mutual interests between them; and b) the ability of the ruling elite to create pockets of bureaucratic capabilities to implement specific policies' (see Whitfield and Therkildsen 2011).

The characteristics of the ruling coalition – its vulnerability, degree of fragmentation and sources of finance – are shaped by the country-specific structural and institutional setting, and by the strategies used by the ruling elite to stay in power. Crises can have a particular impact on the vulnerability and fragmentation of ruling coalitions. Systemic crises, which threaten the survival of a ruling coalition, can create 'pressure to mitigate the inimical economic consequences of [a] fragmented ruling elite. The number of veto players is "reduced" either by a formal reduction of the actual number of veto players (via constitutional change, coups, party restructuring, elections), by aligning preferences and thus reducing the effective number of veto players, and by relying on delegation of policymaking in order to "tie the hands" of the ruling elite in order to increase decisiveness of policymaking' (Whitfield and Therkildsen 2011, 23). Moreover, economic crises 'can

³ The *holding power* of a faction inside or outside the ruling coalition is based on its economic wealth, legitimacy and its ability to organise supporters and to mobilise them politically.

⁴ The *ruling coalition* refers to the ruling elite, as well as the groups and individuals who support the rise and survival of the ruling elite, typically in exchange for benefits. These groups and individuals keep the ruling elite in power by organizing political support, often in the form of patron-client networks.

¹ See <http://www.diis.dk/> for more information on the EPP programme.

² The *ruling elite* is the group of people who wields formal or informal power to make or influence authoritative decisions in government and/or the party in power.

change the characteristics of the ruling coalition by shrinking state revenue available to ruling elites for building coalitions and winning elections, by reducing foreign exchange earnings, and by drying up political funds. The resulting lack of easy access to resources can affect ruling elites' motivations, and how they engage with productive entrepreneurs' (Whitfield and Therkildsen 2011, 26).

Using key elements of this conceptual framework, we find first that since the early 1960s Tanzania's ruling coalition has consisted of overlapping factions of the CCM, the bureaucracy and the military. Only fairly recently – and reflecting the increasing importance of money in Tanzanian politics – have some economic entrepreneurs gained sufficient holding power to influence policy making and implementation, mostly through informal relations to the ruling elite. Secondly, over time lower level factions of the party and the bureaucracy have gained power, but elite bargaining continues to be centred on factions *within* the coalition, which is held together by the CCM's formidable ability to win competitive elections, although elections in Zanzibar are an exception to this. Thirdly, historical legacies have shaped the present structure of the ruling coalition, as first the colonial rulers and subsequently the one-party state motivated by economic nationalism have tried to suppress indigenous capitalist entrepreneurs. Still today these groups remain weak. Fourthly, over time major crises have shaped the coalition. The *mutiny crisis* in 1964 jolted the military into the ruling coalition, where it continues to play an important role. The *Structural Adjustment Programmes (SAP) crisis* resulted from the economic turmoil of the 1980s, leading to a gradual and uneven liberalisation of the economy, which weakened the ruling coalition and enabled more entrepreneurs to emerge. The CCM's

legitimacy crisis in the early 1990s, combined with donor pressure for democratisation, led to the (re)introduction of competitive elections. This has helped shift power towards lower level factions within the coalition and increased the power of entrepreneurs whose financial support is needed to win elections and build coalitions. Finally, growing resources since the mid-1990s (revenues, aid, rents) are increasingly being used by the ruling coalition to build and maintain itself and to win elections.

Thus, what emerges is a political settlement which – over the last fifty years – has been remarkably stable, but has also changed in many respects. However, these changes have not led to significant structural changes in the economy, and there is little evidence that the resources controlled by the ruling coalition are systematically being used to build capacity in the productive sectors. There are three main explanations for this. The reintroduction of competitive elections since 1995 has not reduced clientelistic politics. On the contrary, it has motivated the ruling elite to pursue populist rather than growth-enhancing policies.⁵ Moreover, elections have aggravated the internal fragmentation of the ruling coalition and increased competition among its factions. At the same time, the lower level factions of the coalition have gained in strength (Khan (2005)). Consequently, it has become difficult to establish pockets of administrative efficiency or to shift state resources that could help to build capacity in the productive sectors. Finally, a viable political settlement between the CCM and mostly Asian-Tanzanian entrepreneurs, which dominates the productive sectors in the formal economy (alongside foreign firms), has not yet emerged due to the

⁵ Kjaer and Therkildsen (2012) have explained some of the motivations of ruling elites to make such decisions.

ruling party's ideology of economic nationalism. This economic nationalism, which has broad public backing (Peter 2002), has hampered the design and implementation of industrial policies which are the key to sustainable growth and poverty alleviation in poor countries (Cimoli, Dosi, and Stiglitz 2009).

The paper is organised into five parts. It begins by presenting a snapshot overview of the present composition of the Tanzanian ruling coalition in Section 2. The following three sections then trace various aspects of change in the coalition over time. Section 3 addresses two subtle causes of coalition change: structural changes in the economy and education. Section 4 analyses changes in power relations within the coalition in response to the three crises, showing how these have affected the emergence of an entrepreneurial class. Section 5 explains how resources are generated and used by the ruling coalition specifically to build and sustain itself and to win elections. The final section of the paper, Section 6, presents conclusions and summarises the answers to why Tanzania's ruling coalition has been unable to spearhead structural changes in the economy that could lead to sustained growth and poverty alleviation.

2. PRESENT STRUCTURE OF THE RULING COALITION: PARTY, BUREAUCRACY, MILITARY

Political power in Tanzania today is mainly centred around the ruling party, the CCM, and in particular its central organs and the president (who is also the chairman of the party). Overlapping factions of the CCM, along with factions in the bureaucracy and military, make up the ruling coalition. This integration of factions is a key feature of the ruling coalition and an important explanation

for its power. Current relations with productive entrepreneurs are individualistic and ambiguous, although money politics is on the rise. Excluded factions in the opposition are weak.

Other scholars have also conducted analyses of power for Tanzania, which put the findings of this paper in perspective. Khan (2010), for example, argues that Tanzania's ruling coalition is centred on a weak dominant party. However, he overlooks the fact that the Tanzanian coalition differs from ruling coalitions in other countries in that factional conflicts about power occur within the upper echelons of the party, as well as between higher and lower level factions within the ruling coalition. For these reasons, we argue that the ruling coalition is better characterised in terms of its competitive clientelism between many strong internal factions. Using different conceptual frameworks than EPP, analyses by Cooksey and Kelsall (2011) arrive at similar general conclusions in most respects, as does Wangwe (2010). Khan and Gray (2006, 50) and Lindemann and Putzel (2008, 2) emphasise the inclusive nature of elite bargaining in Tanzania. The latter argue that the ruling party 'has been able to forge and maintain a centralised and inclusive political coalition' in which the organisation of patronage is 'centralised' and elite bargaining is 'inclusive of all significant sources of political, military, economic and social power within the territory of the Tanzanian state.' However, they overlook the fact that the opposition parties have been largely excluded from influence (only recently did the CCM enter a power-sharing arrangement with the opposition on Zanzibar), and they also ignore the often coercive nature of the state's relations with civil society associations (Mercer 1999).

Similarly, our analysis also differs somewhat from other analyses of power relations

in Tanzania. For instance, McHenry (1994) argues that ideological conflicts between idealist and pragmatic socialists have been central to power struggles – a view that Ewald (2011, 340-343) also seems to support. But we argue that today real conflicts are mainly about access to resources and about how to win elections to stay in power. In their analysis of the Tanzanian parliament's role in the first PRSP process at the end of the 1990s, Gould and Ojanen (2003) argue that this policy process was dominated by an iron triangle, excluding the CCM, of donor and state technocrats working closely with a select group of 'constructive' NGOs. Although this is plausible, it ignores the fact that the PRSP is not a good indicator of the political priorities of the ruling elites. Indeed, the PRSP was mainly prepared to attract donor funds and qualify for debt relief and has not been a reliable guide to what was actually implemented on the ground (Rweyemamu 2009).

Hyden (2005) and Mmuya and Tostesen (2007) regard donors as the most powerful actors in policy design and implementation. Moreover, the latter argue that 'centralisation remains a main feature of Tanzania's power structure.' This is an exaggeration. Based on the analyses presented below, the position on donors taken by Lawson and Rakner (2005) is more plausible: although donor influence is tolerated (but often deeply resented), 'in practice it is domestic political factors which exert a dominant influence over policy' and its implementation. It is, however, interesting that the authors mentioned above support our analyses with respect to the power of entrepreneurial groups. These are broadly seen as having limited although growing influence on policy making and implementation. Only a few entrepreneurs are openly part of the ruling coalition, although some have close personal relations with factions within it.

The present structure of the ruling coalition is the result of historical legacies in education and structural changes in the economy, as explained in section 3, as well as of the effects of various crises, as explained in section 4. But first a snapshot of the present ruling coalition is presented.

2.1 The CCM and its dominance

The power of the ruling party is based on three complementary factors: (a) a relatively strong and institutionalised party organisation that reaches down to the lowest level of society, giving the party significant advantages in competitive elections and in the control and use of rents; (b) close links to the bureaucracy and the military – two of the largest and best organised entities in Tanzania – through which inclusion and control over all significant sources of political, economic and social power is exercised; and (c) the continuing legitimacy of the CCM.

A strong organisation exists within the party. Power is centred in the party chairman, who is also the Union president, in the 30+ member Central Committee (CC) and in the National Executive Committee (NEC). A national level secretariat gives administrative and technical muscle to the party. It prepares the election manifestos and other party documents that have some influence on government policies and thinking; it helps to coordinate the regional and district level party organs; it distributes party funds to these organs; it helps the party to monitor government activities; etc.

During the last elections in 2010, the CCM won 258 of the 343 seats in parliament, and 63 per cent of the presidential vote. The margin of victory was less than in the elections of 2000 and 2005, but no worse than the results of the 1995 elections. The opposition does

not (yet) pose a serious threat to the CCM's hegemony – except on Zanzibar – and has, perhaps, helped to reinvigorate the CCM, as shown below. At district and village level the CCM dominance is even higher (see Section 4.1.3).

The ability of the party to reach the grassroots across the country is a result of the centralised power within the party and its deliberate party- and coalition-building activities. Consequently, the social base of the CCM today is very wide and encompasses members from many different state and non-state elites, including members of the police, army and state intelligence. Its geographical reach is also wide (Mmuya, 1998, 33-35). The party's social base therefore cuts across regional, ethnic and social divides. It claims to have 3.5 million members, far surpassing the membership of other parties (Ewald 2011, Appendix 1). None of the opposition, according to Mukandala et al. (2005, 5), 'has cultivated or entrenched itself in significant "social constituencies" nor with the mushrooming civil society organisations.' This may be an exaggeration. CUF clearly draws its support mainly from Zanzibar and from the Muslim population.⁶ Some of CHADEMA's new members of parliament started out as NGO activists on land issues.⁷ And in the 2010 elections the opposition did relatively better in urban constituencies and in the regions around Lake Victoria and Kilimanjaro.⁸ Unfortunately, apart from such observations, we do not know enough to decide whether the social base of the opposition is significantly differ-

ent from that of the CCM. However, we do know that civil society in Tanzania is generally weak despite the growth in NGOs since the 1990s.⁹ Generally, these organisations are still closely monitored or controlled by the party and/or government, including the local administration (Mercer 1999).

Nevertheless, factional conflicts within the party leadership abound. Some have run for years (see Section 4). More recently, in the aftermath of the 2010 elections, conflicts over the use and access to rents and the control of the party have exploded. These are the reaction of President Kikwete and his group to the relatively poor CCM performance in the 2010 elections and to the threats that some CCM leaders pose to his grip on the party. Thus, on 9 April 2011, in an unprecedented move, the Central Committee – including the whole of its secretariat and its Secretary General, Yusuf Makamba¹⁰ – resigned, and Kikwete as party chairman was asked to form a new team to achieve 'a real transformation of the party, to rectify its low morale and discipline'.¹¹ He appointed new members and dropped some powerful old ones, such as the former Prime Minister and Monduli MP Edward Lowasa (implicated in the Richmond scam,¹² which forced him to resign as PM in 2008), Igunga MP Rostam Aziz (past head of party finance and a prominent business-

⁶ And, for the first time ever, the CUF has won a couple of seats on the mainland in the 2010 elections.

⁷ CHADEMA is the largest opposition party. 'Land conflicts shift political alignments', *The Citizen*, 14 November 2010.

⁸ The opposition to TANU/CCM in the 1960s also came from these regions, a pattern that may be re-emerging now (Erdmann (2007, 20)).

⁹ Figures differ. Ewald (2002, 8) claims the existence of 9000 NGOs in 1999, while 4000 registered CSOs/NGOs are mentioned by Mukandala et al. (2005, viii).

¹⁰ His son, January Makamba, was appointed a member of the CC at the same time – perhaps as compensation for his father's expulsion? He takes up the post of head of foreign affairs, replacing the minister for Foreign Affairs and International Co-operation. Makamba junior is also the chairman of the parliamentary committee on energy and minerals. 'Fresh hope as the CCM announces teams.' *The Citizen*, 12 April 2011.

¹¹ *Tanzanian Affairs*. <http://www.tzaffairs.org/2011/05/the-renewal-of-ccm/> (accessed 1 June 2011).

¹² See Anti-Corruption Resource Centre (2009).

man thought to contribute substantial funds for the party) and Bariadi West MP Andrew Chenge (previous Attorney General implicated in the BAe radar purchase scandal, but with substantial regional support).¹³

In addition to these national level conflicts, lower level factions of the party have gained power. As already mentioned, the CCM dominates the lower level political bodies (district and village councils), which are increasingly important for its mobilization of votes to win elections. In addition, CCM candidates for parliament are nominated by the lower levels of the party – subject to screening by higher level organs, and assisted by members of the intelligence service – before they can contest the elections as party candidates. Hitherto, only party leaders at the district and village levels have participated in this process. The CCM, however, changed its nomination rules just prior to the 2010 elections so that all party members were given the right to vote in the nomination process. Consequently, it became more costly for candidates seeking a nomination to pay bribes, as more individuals with voting rights would now have to be paid. This change in the nomination procedure was pushed by Kikwete's supporters in an effort to reduce the power of wealthy politicians (such as Lowasa, Aziz and Chenge) in buying support for their protégés during party nomination campaigns. However, a few days before the party nomination, Yusuf Makamba removed the identity card control requirement designed to ensure that only genuine party members be allowed to vote. Substantial numbers of counterfeit membership cards were produced, and this undermined the intended purpose of the new nomination rule.¹⁴

¹³ Section 5 presents more detail about the rents.

¹⁴ Interview with NEC member (January 2011) and confirmed in additional interviews.

The third factor that helps explain the CCM's power is its continuing high degree of legitimacy. It is remarkable that Tanzanians are relatively positive in their assessment of the government's overall performance, regardless of their personal current living standards – and this despite the fact that sustained economic growth in the 2000s has not had much impact on poverty alleviation and has not significantly improved incomes for the great majority of people. Corruption scandals implicating top CCM and government officials do not yet seem to have affected the party's reputation significantly either (Mattes 2008).

2.2 The bureaucracy

The party has for many years maintained a firm grip on the bureaucracy, which now employs more than 300,000 people. Access to powerful positions in the bureaucracy is controlled by the president, who also chairs the party. He has extensive influence on these matters¹⁵ (in addition to his more wide-ranging powers to issue directives). Although some of these powers have recently been delegated, this does not preclude the president himself from taking decisions on personnel matters if he so desires. Practised for decades (Bana & McCourt, 2006), these powers have helped intertwine the CCM and government, an important basis of the CCM's influence.

Conversely, the bureaucracy has substantial holding power vis-à-vis the party. The importance of the bureaucracy for the CCM has in-

¹⁵ Specifically, the president appoints, promotes, terminates, revokes appointments, transfers and dismisses the Chief Secretary (who is also head of the civil service and Secretary to the Cabinet); Permanent Secretaries and their deputies; Heads of extra-ministerial/independent departments; Regional Administrative Secretaries for Regions; Regional and District Commissioners; High Commissioners and Ambassadors; members of the Public Service Commission; etc. (Bana and McCourt 2006, table 1). Divisional Secretaries with powers of arrest are also presidential appointees.

creased since the introduction of multiparty elections, as the loyalty of public employees is crucial to maintaining a majority vote to win the election. Members of staff from the regional administration, as well as district and village council employees, are especially important for mobilizing votes and helping the party to run its campaigns. Since grassroots elections are held one year prior to local government and national elections, the CCM members in political offices at that level are used to mobilise voters for the subsequent higher level elections (Tidemand and Msani 2008). Moreover, government staff are among the best organised in the country and therefore constitute important interest groups in their own right. It is, for example, mainly the Teachers' Union (the largest in the country) which has threatened to strike in recent years.

Factional conflicts, however, reduce the power of the bureaucracy. Inter-ministerial conflicts over their respective mandates, ministerial power vis-à-vis local authorities and their access to donor funds have run for years and are still prominent features of today's public sector (Therkildsen 2000b). This seriously affects the coordination of government initiatives between ministries, as well as between these and local governments. Neither the Cabinet nor the Cabinet Secretariat – its administrative arm – have been able to change this significantly (Mukandala et al. 2008). Some of these coordination problems have been exacerbated since the decentralisation reform started in the late 1990s giving lower level factions of the bureaucracy substantially more power, as discussed in Section 4.2.

2.3 The military

As will be explained in Section 4.3, the military mutiny in 1964 jolted army staff into the ruling coalition. Over the years the mili-

tary staff has been integrated into the party and the bureaucracy. This has meant that army officers could become cabinet ministers either through election to parliament or by direct presidential appointment – and they still can.¹⁶ The general presence of the military in the party and the bureaucracy has grown significantly. This is illustrated by the following hard to obtain (and therefore scattered) information from Lindemann and Putzel (2008) and from our own information. In 1987, 15 percent of the CCM's Central Committee members had a security/military service background, a percentage that increased to 20 percent by 2010.¹⁷ In 1982, more than 30 percent of all regional party secretaries were military personnel, though by 1987 this figure had fallen slightly to 24 percent. Similarly, in 1982 some 15 percent of District Commissioners were army officers. This percentage rose to 20 percent in 2000 and is now around 25 percent.¹⁸ Moreover, intelligence officers, whether in post or retired, are actively involved in the screening and vetting of CCM candidates for various posts in the party and in the nomination of party candidates for the local government and parliamentary elections. This, of course, gives them substantial influence.

2.4 Weak entrepreneurs

Some Tanzanian entrepreneurs maintain close, albeit mostly informal relations with members of the ruling coalition, but they are not (yet) a prominent part of it – nor are they many. Black Tanzanian capitalist entre-

¹⁶ Indeed, both the current president and prime minister worked in the intelligence services before taking up their present positions.

¹⁷ 2009 information from own data base.

¹⁸ The recent figure is from own data base.

preneurs are relatively few and far between and are only now emerging. Productive sector companies operating in Tanzania's formal economy are still mostly foreign-owned, usually by South African entrepreneurs, or, if the owners are Tanzanian, are typically of South Asian or Arab descent. According to Cooksey and Kelsall (2011, 52) this is also the case in most other large commercial enterprises found in the transport, import/export, retail, tourism, telecommunications, urban real estate and media sectors.

Only a few black Tanzanian businessmen have been able to compete with non-black Tanzanian or foreign-owned businesses. Cooksey and Kelsall refer specifically to the media and soft drinks mogul Reginald Mengi as Tanzania's only black African 'tycoon' (he was also the past chairman of the Confederation of Tanzanian Industries or CTI). He is currently using his newspapers to promote the government's 'Agriculture First' initiative. Other significant players include Iddi Simba (interests in manufacturing, trade and, agriculture; former Minister of Industry; former chairman of CTI), Juma Mwapachu (interests in investment and consultancy services, travel agencies and shipping; former chairman of CTI, former ambassador and former Secretary General of the East African Community) and Ali Mfuruki (interests in soft-ware and retail, and a former member of the board of the Bank of Tanzania). Black Tanzanian businessmen such as these have close contacts to the party, and some help finance its election campaigns.

The weak position of non-black entrepreneurs is fuelled by a general distrust towards them. Economic nationalism is still very much alive. The so-called indigenisation debate intensified after the privatisation of parastatals began (Aminzade 2003; Peter

2002)¹⁹ and still presents a political problem for the ruling coalition (Gray 2011). In addition, it seems that good relations with the CCM are an important factor for success in business. Thus on 7 April 2000, Makidara Mosi, a member of parliament for the opposition party NCCR, requested clarification from the Prime Minister, Frederick Sumaye, who had said that, 'If you want to do well in business you should join the CCM.' Sumaye denied this implication, but it is a fairly widespread view among many business people interviewed in the late 2000s that connections with the CCM can be very helpful for business (Babeiya 2011, 95).

The poor organisation of Tanzanian entrepreneurs in the productive sectors only further limits their holding power vis-à-vis the ruling elite. The case of the Tanzania Private Sector Foundation (TPSF) in this regard is instructive. Established in 1998 with support from the World Bank and other donors (who still provide the bulk of its funding), it is a self-declared apex of business associations. Together with the Tanzanian National Business Council – another donor-supported forum for government–business dialogue – it is the government's preferred association when dealing with the private sector. Observers argue that the TPSF has been co-opted by the government. Its present head, Esther Mwikiiza, has very limited business experience but used to run an NGO which had the previous president's wife as a patron. However, the TPSF has been weakened recently by the withdrawal of three important members (CTI, Tanzania Chamber of Mines and Energy (TCME) and the Tourism Confederation of Tanzania) who complained that the

¹⁹ A recent PhD by Matiku (2008) shows that economic nationalism also has strong supporters in the academic community, although there are also robust opposing views (Peter 2002).

TPSF excludes them from influence and that it is not effective in negotiating with government.²⁰ Most members of the TPSF board do, in fact, represent smaller traders through their membership in the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA). The Confederation of Tanzanian Industries (CTI), established in the early 1990s, has many large companies as members, but its chairman has always been a strong CCM supporter (see Section 4.4.2).

2.5 Conclusions

Tanzania's ruling coalition presently consists of factions of the party, the bureaucracy and the military. The power of productive entrepreneurs is growing but remains relatively weak, while the informal links between import/export traders and commercial businesspeople with the ruling coalition are stronger than those of productive sector entrepreneurs. However, Tucker et al. (2010, ix) argue that, 'because conflict [within the party] is largely defined by personality-based struggles for senior party leadership and cabinet posts, the likelihood that factional rifts will lead to a break-up of the CCM appears slim.' This is a plausible assessment. The party seems to be able to keep together very fluid factions across regions and social classes. Hence the paradox of Tanzanian politics: the party is strong enough to keep factions together, but too weak to impose discipline on them.²¹

The main reason why such factional conflicts have not (yet) resulted in a major break-up of the party is, according to Tucker et al., that 'the CCM remains a coherent organi-

zation with an infrastructure unmatched by any other party, and it seems likely to remain dominant for at least another decade'. The election winning capabilities of the the CCM machinery is still so formidable, that political entrepreneurs stand a much better chance of being elected as candidates of the CCM than outside it. This prediction is stated with some caution as it is not yet known if the recently purged powerful the CCM Central Committee members will react to their expulsion by starting a new party.

3. THE SUBTLE CAUSES OF COALITION CHANGES

The current structure of Tanzania's ruling coalition described above has come about in part as a result of structural changes in the economy over time. The historical legacies of education have also been important. Thus, over the years structural changes in the economy have led to new opportunities for wealth creation and accumulation, which in turn change the power structures that are based on such wealth (Khan 2010). It is this transformation in power relations that contributed to the changes in factional power within the ruling coalitions over time. Furthermore, historically education has also had a significant impact on elite formation and therefore on the membership of ruling coalitions in Tanzania, as has often been the case elsewhere (Easterly 2001; Banerjee and Duflo 2007).

3.1 Structural changes in the Tanzanian economy

Development entails structural change in a country's economy. This is a central insight of the literature on economic development.

²⁰ '3 bodies pull out of private lobby group', *Daily News*, 1 December 2010.

²¹ Khan and Gray (2006, Sections B.3.ii and B.3.v) came to a similar conclusion.

Structural change entails a diversification away from agriculture and other traditional products into industrial activities, modern services and so on. In the process, overall productivity is expected to rise, resulting in increasing incomes. Growth-enhancing structural change has typically been substantial in high-growth countries, for the economy will continue to expand as long as labour and other resources are transferred from less to more productive activities, even if there is little or no productivity growth within sectors. Globalization, which elsewhere has promoted technology transfer and contributed to efficiencies in production, appears not to have fostered that kind of structural change in Sub-Saharan Africa: ‘Labor has moved in the *wrong* direction, from more productive to less productive activities, including, most notably, informality... That is indeed what seems to have typically happened in Latin America and Africa’ (McMillan and Rodrik 2011, 1-3). This conclusion contradicts much empirical work on the productivity-enhancing effects of trade liberalization because such studies tend to ignore the impact on those workers who are displaced in the process.

Thus from the 1980s economic liberalization exposed mediocre enterprises to global competition. As a consequence, most had to shed labour and/or close down as they faced capital constraints and could no longer compete. The few remaining competitive enterprises could not absorb this excess labour. As such, ‘[s]tructural change has been *growth reducing* in Africa.... The bulk of the difference between these countries’ productivity performance and that of Asia is accounted for by differences in the pattern of structural change – with labor moving from low- to

high-productivity sectors in Asia, but in the opposite direction in Latin America and Africa’ (ibid., 27).

The Tanzanian case fits this analysis well. Since independence, the structure of Tanzania’s economy has changed more significantly than some statistics reveal. According to the World Bank (2007, 8), agriculture’s share of GDP declined from 50 per cent in 1990 to 46 per cent in 2005, and this has long been considered as a widely accepted ‘fact.’ However, more recent data, based on revised information on prices and activities, indicate that in 2001 the share of agriculture in GDP was only around 28 per cent according to the National Bureau of Statistics (2007, 8). The share of industry, according to these new estimates, has also increased more than previously thought, as has that of services, including government activities. However, scores of state-owned and private enterprises were closed down in the 1990s following the structural adjustment reform, leaving newly unemployed workers unable to find new jobs. Probably many moved into the informal sector, as McMillan and Rodrik describe, or into agriculture, even though productivity in this sector has remained largely stagnant for decades (Skarstein 2010).²²

At the same time rapid urbanisation took place, and presently some 30 per cent of the population live in urban areas. Dar es Salaam is now a city of many millions, and its population is growing some 6-8 per cent per year, while its economic activities account for more than 60 per cent of national income Mwase and Ndulu (2008, 430). This Tanzanian rural–urban migration has not so much resulted

²² Yu and Nin-Pratt (2011) have a somewhat more optimistic view on productivity increases in agriculture in Tanzania.

from people in rural areas being pulled by the prospects of rising incomes in the urban economy, as it has from them being pushed by a lack of income-earning opportunities in the agriculture sector.

This type of structural change has two major implications. Generally speaking, as already stated in Section 1, Tanzania has not been successful at significantly reducing poverty in recent years, despite impressive economic growth since the mid-1990s.²³ Moreover, new opportunities for wealth creation and accumulation have slowed down as a result of the apparently declining productivity of Tanzanian economy as a whole since the 1980s. This has significant negative consequences for the emergence of productive and technologically capable entrepreneurs, as will be explained in Section 4.

3.2 The importance of education for elite formation

Prior to independence, there were two main paths to elite status, both based on educational attainment. One route went through primary education (and secondary education for a few). These graduates eventually became teachers or clerks, and some then used this as a platform for active participation in party politics or voluntary associations. The other route went through university into professional positions. Occasionally, but rarely, some proceeded directly from university education into politics (McGowan and Bolland

1971, 37). In any case, there were very few African graduates at independence.²⁴ The educational system was segregated by race.²⁵

Education continues to be central for processes of elite formation. Official policy has always been to expand educational opportunities for primary and secondary level education (and donor funding has played an important role in this lately). On the other hand, access to higher education was restricted until the mid-1980s so as to fit manpower planning needs. Access quotas and affirmative action have been used to try to achieve the latter (Therkildsen 2000a, 84-88; McHenry 1994).

It is also significant that national service, established in 1965, also contributes significantly to processes of elite formation and intra-elite relations across ethnic groups.²⁶ Service in the military became compulsory in the late 1960s for both male and female secondary school leavers who wanted to enter university. As a result, a pool of people were formally brought together, some of whom later occupied positions in the ruling coalition. The importance of national service in

²³ There is disagreement about the sources of Tanzania's growth. The World Bank (2007) and the IMF (Nord et al. 2009) claim that the economic and structural reforms set in motion since the 1980s have contributed significantly. Others reject this (Research and Analysis Working Group 2009; Hvidt 2011, 51), arguing that growth has been driven by one-off events, aid, tourism and favourable but volatile external factors, as well as by extensification in agriculture, rather than by investment-driven growth.

²⁴ In 1962, only 147 Africans had a degree among the 2100 people employed in jobs that normally require a university degree (Van de Laar 1973, 225). The first university in Tanzania was established in 1962 in buildings constructed to become the headquarters for TANU, the ruling party (Coulson 1982, 223). Prior to that, Tanzanians went to Makerere University. Only one Tanganyikan received a single term in a European university between the wars, as this was believed to expose the native population to subversive ideas. Hence the establishment of Makerere University in Kampala. However, in 1950, Makerere only had 41 Tanganyikan students. There were no more qualified candidates (Iliffe 1979, 445-446).

²⁵ Asians and Europeans made up one percent of the population, but 50 percent of the government's educational budget was spent on them (van de Laar 1972b, 108). Only 27 percent of men and 8 percent of women had ever attended school in 1957 (Tordoff 1967, 184).

²⁶ In 1972 National Service was put under the control of Ministry of Defence. It appears to have been abolished for a while but was revived at the end of the 1990s. 'Submission to the 95th Session of the Human Rights Committee: March 2009', <http://www.wri-irg.org/node/6509> accessed 20 December 2010.

forging personal relations among university students is substantial according to many interviews with state officials.

Today the administrative-political elite is relatively well educated, and many networks are established on basis of secondary school, national service and university ties. However, access to higher education in Tanzania²⁷ is still limited and skewed. Only 51,000 students enrolled for higher education in 2005,²⁸ corresponding to only 1 per cent of the age cohort that was old enough to do so.²⁹ This is very low compared to other EPP countries (5 per cent for Ghana, 3-4 per cent for Uganda, 1 per cent for Mozambique and 7 per cent for Bangladesh).³⁰

Although the intake for higher education has grown strongly in the last ten years³¹ – especially after the World Bank (2002) changed its hitherto negative approach to higher education – most students in these countries come from the better educated segments of society. Thus, in Tanzania, almost all students who completed higher education in 1999 came from the richest income group, and 85 per cent of them were male (Morley, Leach, and Lugg 2009, figure 2). Students from poorer districts were also significantly underrepresented. The higher education system (including the secondary and even primary school systems) is increasingly stratified so that access is strongly correlated

with the particular school that students attended (*ibid.*, 62). It appears that economic advantage is converted into educational advantage, which in turn leads to positional advantages, especially in the public sector and the political parties.

3.3 Conclusion

Major structural changes in Tanzania's economy since independence, and especially since the early 1980s, have not led to significant increases in economic productivity. As a result, accumulation based on production has been highly limited. The CCM's attempt to undermine capitalist entrepreneurs has contributed to this as well. Thus the emergence of productive entrepreneurs with sufficient holding power to influence policy making and implementation arrangements has only slowly begun. This theme is further developed in the rest of the paper.

In contrast, the expansion of the national educational system since independence has produced a growing number of well-educated Tanzanians. Today, as in the past, formal educational qualifications are necessary (but not sufficient) to gain access to powerful positions in political and bureaucratic office. For Tanzanians who seek employment in formal business organizations, such qualifications are also increasingly needed.

4. CRISIS AND CHANGES IN TANZANIA'S RULING COALITION OVER TIME

This section focuses on changes in the ruling coalition and its relation to entrepreneurs. It explains how three crises have had an important impact on power relations within the ruling coalition and its relations to eco-

²⁷ Degree or diploma level and above (Morley, Leach, & Lugg, 2009, 58).

²⁸ Up from only 3146 students enrolled in the two public universities in 1990 (Morley et al., 2009, 59).

²⁹ This is measured by the Gross Enrolment Ratio: The number of pupils or students enrolled in higher education expressed as a percentage of the five-year age group following on from the secondary school leaving age (UNESCO 2009, 255).

³⁰ (UNESCO, 2009, 239 and 242-246).

³¹ Tanzania now has eight public and twenty-two private universities and university colleges (Morley et al., 2009, 59).

conomic entrepreneurs.³² The three crises are the *mutiny crisis* of 1964, the *SAP crisis* of the 1980s and the CCM's *legitimacy crisis* of the early 1990s.

4.1 The roots of CCM dominance and its changes over time

In Section 2.1, it was argued that the CCM's power is based on three complementary factors: (a) a strong party organisation; (b) close links to the bureaucracy and the military; and (c) legitimacy. How this power emerged and how crises have changed the party's power over time is the focus of the following discussion.

4.1.1 The party organization

In response to the economic crises of the late 1970s, which soon became a full blown SAP crisis (Wuyts 1998), the regime undertook 'a major effort to revitalize the party, eclipsing TANU with the Revolutionary Party (the CCM) and setting new conditions for the TANU rank and file to transfer their memberships to the new organization' (Smith 2005, 442). Then as now the CCM is one of the best institutionalised political parties in Sub-Saharan Africa, together with the Botswana Democratic Party, both of which have ruled their respective countries since their independence (Basedau and Stroh 2008, 23). This institutionalisation is an important basis for the CCM's power. Smith (2005, 449), for example, argues 'that it is the origins of, rather than the existence of, single-party rule that account for the long-term viability of some regimes and the surprising

vulnerability of others.'³³ In Tanzania, social groups in the coalition 'were vested in regime continuity by more than rent payoffs; they had predictable access to policy-making and political power and stood more to gain than to lose by standing by ... [the party] ... [which] provided a credible commitment to these coalition partners.'

Equally important, the central organs of the party have maintained substantial influence on who gets to be nominated to run for political office. As Iversen (2006, 12) explains, 'the incentives for politicians to campaign on a broad party platform depend on the ability of parties to control politicians' re-election chances.' In the CCM, the nomination of candidates for parliamentary and council elections is tightly controlled. The highest organs of the party, the NEC and CC, screen and nominate all candidates for presidential and parliamentary elections. This screening includes vetting by intelligence officers, thereby linking party and military, as explained below. Likewise, the party organs at district level screen and nominate candidates for council elections (but the NEC/CC can, and do sometimes, overrule these nominations). In principle, this represents a very strong centralization of political power, for once a candidate has been nominated by the CCM, the chances of winning a seat in an election are very high indeed (see Section 4.1.3).

In addition, there has been substantial continuity in the composition of the party's central organs until the recent purge (Section 2.1). This is partly due to the inclusion of so-called elders ('Waasisi/Wazee': Party Founders/Elders) in the CCM. In addition,

³² Such shifts in relative holding power between factions also changes how resources are used to build and maintain the ruling coalition and to win elections and this issue is dealt with in section 5.

³³ He compares parties in four countries (Guinea-Bissau, Indonesia, the Philippines, and Tanzania) and finds interesting parallels in the factors that account for the powerful and long-lasting position of the CCM and of GOLKAR in Indonesia.

the party's grooming and replacement process is carefully managed. Most of the 'CCM elites over time are persons that were brought up through either membership in the parent party's organs or its affiliated organisations,' especially the CCM Youths League, the CCM Women's Organization and the CCM Parents Association (Mmuya 2009, 22-23). Added to this is the fact that important social links between members of the political, bureaucratic and military elites have been built up through their education in a few high-quality public secondary schools, a single national university (until fairly recently) and army conscription of university graduates (Mmuya 1998; Therkildsen and Tidemand 2007, section 2.1). What emerges is a picture of a fairly close-knit group of people at the centre of the CCM, with often close personal relations emerging from many years of work in the party.

It adds to the relative strength of the CCM that the holding power of excluded factions is fairly weak, although opposition parties did relatively well in the 2010 elections compared to their poor performance in earlier elections. As Mukandala et al. (2005, 5) explain, 'over 90% of the talented and experienced politicians decided to remain in the CCM under multi-partyism.' Consequently the party's social base cuts across regional, ethnic and social divides. The party is therefore a loose coalition of competing factions. This generates conflicts within the CCM. Mmuya (1998, 67) identified four sources of conflict resulting from: (a) an ideological 'double vision' (between supporters of a market-led economy and reform, and those who argue for a continuation of Ujamaa-inspired policies, with an emphasis on state-led development and egalitarianism);³⁴ (b) a generational conflict

between elders and youth members, which does not seem to be about ideology but about positions and power; (c) a conflict between the party political elite, the party bureaucratic elites and the state/party elite to control the party; and (d) organisational conflicts between the Zanzibar and mainland wings of the party.

Mmuya's observations still largely seem to hold, although changes have occurred. The SAP crisis of the 1980s started a withdrawal – albeit uneven – of the state from commercial activities (such as trade and agricultural cooperatives) and the privatisation of state-owned enterprises. This reduced the possibilities for patronage that the party and the bureaucracy had used in the past. Moreover, the legitimacy crisis in the early 1990s, which resulted in the reintroduction of competitive elections in 1995, meant that the party organisation could no longer depend on the generous government subsidies of the past to run its organisation. These issues are dealt with in Section 5.1.

4.1.2 Close links to bureaucracy, military and societal groups

Party- and coalition-building activities to establish strong ties with important organized social groups, and with the state bureaucracy and military, are central to maintaining the power base of the ruling coalition. TANU embarked on these activities well before independence and continued to strengthen the party and its organisation after that (McHenry, 1994). Generally, all significant sources of political, military, economic and social power in the Tanzanian state were included or brought under party control. As Wangwe (2010, 38) writes: 'One consequence of the one-party system in Tanzania was to co-opt major players in society into organs of the Party. The system basically worked on loyalties and pa-

³⁴ McHenry (1994) makes the same point. See also Ewald (2011, Appendix I).

tronage relation—CCM (the Party) being the parent, using parastatals, cooperatives, military and the bureaucracy as its instruments. Until the early 1990s secretary generals of cooperatives and trade unions, the chairman and managing director of National Bank of Commerce, as well as senior members of the army or SCOPO (Standing Committee on Parastatal Organisations) have been all part of the Party's National Executive Committee (NEC), the centre of political decision-making in Tanzania' (see also Fischer 2006, 577).³⁵

Formally, that control ceased following the legitimacy crisis of the early 1990s and the change to multi-party competition. Many of the 'new generation organizations' are officially independent of the party and government, but also face 'enormous pressures for cooptation', e.g. through the threat of deregistration or by becoming members of state-initiated umbrella organizations (Lindemann and Putzel 2008, 31). Analyses of associational life in other sectors arrive at similar results. The CCM has clearly managed to maintain a high degree of control – also after the introduction of political liberalisation. *

It is such long-lasting ties to societal groups – and the party machinery built up over decades – that has made it possible for the CCM 'to react assertively to crises and to prevent economic shocks from pulling [its] coalitions apart.' For such 'truly institutionalized ruling party apparatuses helped greatly to provide a predictable set of political incentives that signalled to coalition partners that their interests would continue to be looked after' (Smith 2005, 449). However, this conclusion omits important additional factors that help to explain the CCM's continuing hegemony: the use of coercion to control opposition to its power, and – when political liberalisation

arrived in 1992 – the tilting of the playing field of political competition. These issues are taken up below.

4.1.3 *The ability to win elections (albeit on an 'uneven playing field')*

Khan (2010) argues that it was donor imposition and the threat of a withdrawal of aid which forced the ruling coalition to reintroduce legislation to allow multiparty competition in 1992. He also argues that there was little internal pressure for this change, as evidenced by the fact that opposition parties have done badly in subsequent elections.

This is correct as far as it goes. Donor funds did decline in the early 1990s (see Section 5). Sharp disagreements had surfaced over the management of aid programmes, rampant corruption and poor tax collection (Wangwe and Arkadie 2000, 102). But it was party leaders' reaction to the perceived legitimacy crisis of the CCM that was decisive. The party could no longer mobilise the population as TANU had been able to do; it had lost its legitimacy. Former President Nyerere argued forcefully that, by allowing competition, the party would be able to revive its popular base and therefore be better positioned to build socialism. The leadership also took the decision on pragmatic grounds, not wanting to resist the wind of change that had swept eastern Europe and the African continent (McHenry 1994, 66-67). And many in the CCM were simply convinced that they could maintain their hegemonic position in a multiparty environment (Peter 2002).

The latter assessment has, so far, turned out to be correct. Clearly, winning all elections at all levels since 1995 with substantial margins helps to boost the CCM's present power. Thus, the CCM candidate for presidency won 62 per cent of the vote in 1995, 72 per cent in 2000, 80 per cent in 2005 and 63

³⁵ On the relations of the party to CTI, see section 4.4.2.

per cent in 2010. The parliamentary elections have also been won by large margins: 80 per cent of seats in 1995, 87 per cent in 2000, 89 per cent in 2005 and 78 per cent in 2010.³⁶

In local-level elections CCM dominance is even greater. Aggregate information is only available for the 2005 elections, but it shows that the CCM won 93 per cent of the seats in local governments and 98 per cent of the seats in village governments (Tidemand and Sola 2010, 23; Therkildsen and Geelan 2009). Opposition parties have virtually no base at the local level. The process of district middle-class formation – districtization, as Gibbon (2001 842) calls it – ‘has occurred through the consolidation of business (and often political roles) of (former) district administrative officers, and through a growing number of retired or retrenched...administrators...resettling in their home districts.’ The local election results therefore show that at present the party has a strong base among such voters.

This account of elections is, however, incomplete without paying attention to Zanzibar. For as Mukandala et al. (2005, 33) argue, ‘the Union [between the mainland and the islands] continues to feature prominently in any serious discourse on Tanzania.’ The reason is that the role of Zanzibar is important for the CCM. While the ruling party regards the union with Zanzibar as a central part of both Nyerere’s and the party’s historical legacy, it is nevertheless divided on how to handle the many politically sensitive problems that this union generates.³⁷

Nyerere (1969, 291-294) saw the union between Zanzibar and Tanganyika in 1964 as an important step towards African unity. It was also intended to help stabilise the region during a tense Cold War period (Southall 2006, 236-238). However, the mainland paid a high political price for this. Even though Zanzibar accounts for less than five per cent of the union population, it is heavily overrepresented in the Cabinet, National Assembly and party.

Moreover, the politics of the union between the mainland and Zanzibar has always been troubled, all the more so with the political liberalisation of the 1990s. Thus, election results in Zanzibar are much closer, and marred by much greater violence and frequent irregularities, than those on the mainland (Cameron 2002). The 2000 elections, for example, led to riots in Zanzibar in January 2001, during which security forces shot into crowds of protestors, killing 35 and injuring 600 according to Human Rights Watch.³⁸ Violence erupted again after the 2005 elections, though the 2010 elections were relatively peaceful.³⁹

These elections indicate that an opposition party may eventually win political power on the islands. In the 2010 presidential elections, for example, the CCM’s candidate scored 50 per cent of the vote against the opposition candidate’s 49 per cent. The Civil United Front (CUF) also won 22 of the directly elected seats in the House of Representatives compared to the CCM’s 28.⁴⁰ Several observers argue that CUF could have won earlier elections had they been free and fair (Liviga

³⁶ ‘Seats’ exclude appointed members. See <http://africanelections.tripod.com/tz.html> (accessed 30 December 2011). The turnout for presidential and parliamentary elections as a percentage of the voting age population has increased from 1995 to 2005 (Ewald 2011, Table 9) – although it did drop significantly in the 2010 elections according to the website.

³⁷ McHenry (1994) gives an excellent account of the Zanzibar issue up to the early 1990s.

³⁸ <http://www.hrw.org/en/news/2002/04/09/tanzania-zanzibar-election-massacres-documented> (accessed July 2011).

³⁹ <http://www.eisa.org.za/EISA/pr20101103.htm> (accessed July 2011).

⁴⁰ <http://africanelections.tripod.com/zanzibar.html> (accessed July 2011).

2009b). This has pushed the CCM into prolonged discussions about power-sharing arrangements on Zanzibar. Agreement was finally reached in November 2009 (Tucker et al. 2010).

Zanzibar's relations with the mainland also remain a sensitive issue. In 1993, for example, 55 CCM parliamentarians proposed constitutional amendments to establish a separate government on the mainland. This was viewed as a serious challenge by the CCM leadership (Mukandala et al. 2005, 18). And in 2008 Prime Minister Mizengo Pinda was heavily criticized by both the CCM and the CUF on the islands for declaring that there would be 'nothing like the sovereignty of Zanzibar in the Union Government unless the Constitution is changed in future,'⁴¹ thereby seemingly questioning Zanzibar's sovereignty over its internal affairs.⁴²

This ambiguity in Zanzibar's status, combined with the real risk of the CCM losing power in the islands in future elections, is an important backdrop to understanding the political economy of Tanzania.

The party's concerns about winning elections are shared by individual politicians, for life as a politician has become more uncertain over time. During the Nyerere years, as Donge and Liviga (1986) have shown, few were forced out once they had been admitted to the inner circles of power (some were left out in the cold for a while if they had 'misbehaved', but most were re-admitted later). With the increase in political competition after 1992 – and the introduction of a two-term

limit for the presidency, which reduced presidential patronage – this has changed. Thus, 56 per cent of the elected members of parliament in 1995 also won a seat in 2000. From 2000 to 2005 that percentage fell to 45 per cent, and from 2005 to 2010 to 43 per cent. The survival rates for politicians on Zanzibar are even lower.⁴³

Although the multiparty elections (except on Zanzibar) have all been declared 'free and fair' by some local and international observers (Liviga 2009b, 19, 22-23), this is an over-simplification. The playing field is uneven. Liviga argues, for example, that only two of the repeals or amendments of forty laws that blurred the separation of powers or restricted or impinged on political and civil liberties have been implemented. These were recommended by the Nyalali Commission⁴⁴ of 1992 to pave the way for the multiparty system. Moreover, the amendments to the constitution in 2000 were biased in favour of the CCM.⁴⁵ Since the 2010 elections there have been renewed demands for a revision of the constitution, especially concerning the National Election Commission.

Added to this is the CCM's use of intimidation. A warning in 2007 by the minister in

⁴¹ 'Zanzibar: Premier under fire on Zanzibar status', *The Citizen*, 10 July 2008.

⁴² A recent dispute about the rights to the continental shelf, where oil and gas may be found, is another example of the tense relations between the mainland and the isles. See "East Africa: Zanzibar MPs protest Tanzania bid for more sea." *East African*, 18 February 2012.

⁴³ Based on an analysis of the names of MPs in the respective periods. This does not account for MPs who decided not to run for the second period or who died or withdrew for other reasons. The 2005 to 2010 figure is from Twaweza (2011).

⁴⁴ Set up to analyse the pros and cons of single and multiparty system for Tanzania.

⁴⁵ They included (i) election of the President on a simple instead of a majority of votes; (ii) Presidential power to appoint 10 MPs; (iii) allowing 'traditional hospitality' (*takrima*) in elections making the detection of corruption more difficult; (iv) permitting (potentially costly) house-to-house canvassing in election campaigns; and (v) raising the deposit for election petitions from Shs. 500 to Shs. 5 million thus raising the funding requirements (Mukandala et al., 2005, 3). The CCM dominance is maintained by only allowing party members to run for grass-root elections. The CCM's organisation at this level is much stronger and its geographical cover more widespread than those of the opposition parties, so that the CCM candidates are often unopposed.

the President's Office responsible for political affairs and civil society relations exemplifies this: 'opposition leaders are forgetting that the freedom they are enjoying is not available in other countries...they can say and do what they want because the CCM is tolerant and can withstand them; ...[opposition leaders are] inciting the public against their elected government; ...[the CCM] and its government are the only custodians of this democracy' (quoted in Liviga 2009b, 27). These are not just empty threats, as interviews with opposition politicians clearly indicate. There are many recorded cases of police arrests and harassment of opposition leaders during campaigns. Police refusal to grant permission for opposition rallies and violent dispersals of legal or illegal gatherings are also fairly common both during and between election campaigns (Kelsall, 2003, 61).

CCM control of and support from the bureaucracy during election campaigns should not be underestimated either. Although systematic information is lacking, there is circumstantial evidence to suggest that government resources are used in favour of the CCM during election campaigns (Liviga 2009a), and some indication that the party now measures the performance of key civil servants on how well they do in mobilising votes for the CCM, with the risk of transfers or sackings if they do not.⁴⁶

Nonetheless the CCM did lose some seats to the opposition in the 2010 general elections, and the CCM majority in the presidential vote did shrink, but this is not necessarily an indication of a longer-term weakening of the ruling coalition. The opposition also did well in the 1995 elections, but lost strength in the following elections due to internal conflicts (Kelsall, 2003, 59), and this can happen again.

For decades the ruling coalition has shown its resilience and its capability and willingness to use its control of the state against emerging groups that might threaten its power. The full impact of the uneven playing field on election results is impossible to assess, but it is undoubtedly part of the explanation for the CCM's success.

4.2 The Bureaucracy

All three major crises since independence have contributed to significant changes to the power of the bureaucracy. The mutiny crisis meant that military officers gained access to important positions in the public sector (see Section 4.3). The SAP crisis of the 1980s resulted in significant changes in the size and mandates of the bureaucracy⁴⁷ and also helped to set in motion a slow process of land reform which is still unfinished. The legitimacy crisis of the 1990s helped to push a devolution of powers on to district councils and to enhance the role of the bureaucracy in mobilising voters for the ruling party during elections. This is explained below.

In response to the SAP crisis, central government employment was reduced from 355,000 in 1993 to 264,000 in 1998 ((Therkildsen 2001, 16 & Appendix 3). Employment started to grow from then on, reaching some 330,000 by 2006, mostly as a result of donor funding to reach the Millennium Development Goals (Therkildsen and Tidemand, 2007). The earlier loss of jobs in government as a result of SAP-induced civil servant retrenchment and the privatisation of parastatals (see below) has subsequently been compensated for by a rapidly growing number of jobs in the social sectors.

⁴⁶ Interviews November 2010.

⁴⁷ Resource issues, including pay in the public sector, are analysed in Section 5.

The state remains the single most important source of work in the formal sector.

Thus, until the end of the 1980s most graduates found a job in the rapidly expanding public sector. This was made possible by three major economic policy initiatives. Nationalisation of major industrial, agricultural and commercial properties began with the Arusha declaration in 1967. A Basic Industry Strategy (BIS) centred on state-owned enterprises (SOEs) was introduced in 1975, aimed to boost industrial growth and employment and to transform the economy. And finally, a significant expansion of the cooperative movement was made in order to cut out the middle man in trade. Subsequently, at the end of the 1970s, trade permits were introduced to control the internal movement of goods. State trading agencies in both international and domestic trade were established.

Through these initiatives numerous job opportunities were created for educated indigenous Tanzanians as managers of state-owned firms, trading companies and cooperatives in the economic sectors. At the same time the emergence of economic entrepreneurs and a capitalist class, which was, as is still the case today, dominated by Asian-Tanzanians and foreigners (see Section 4.4), was stunted. It was the indigenisation agenda that motivated the state elite to push for these changes, as mentioned earlier.

As a result the public sector expanded. Thus by 1974 some 80 to 85 per cent of large and medium sized firms were state-owned (McHenry, 1994, 131), and the public sector's share in manufacturing employment rose from 16 per cent in 1967 to 53 per cent in 1982 (Skarstein and Wangwe 1986, 19-20). By 1988, Tanzania had 413 public enterprises plus some holding companies, of which 339 were commercial and

56 non-commercial (e.g. institutions of higher learning).⁴⁸

Following the economic crises of the early 1980s and the subsequent implementation of structural adjustment, access to state-provided jobs, especially in the parastatals, shrunk and 'the elite *in toto*' could no longer be reproduced (Kelsall 2002, 610). Those who had been retrenched or forced into retirement may have become active in the productive sector and in that way helped to build up an indigenous productive class of entrepreneurs. This is discussed in Section 5.4.

The SAP crisis also precipitated land reform, although it took many years to get it off the ground. Villagisation in the 1970s had weakened the informal traditional power structure. Instead, village governments received substantial powers of allocations over the seventy per cent of land which is classified as village land. In an effort to stimulate production in the early 1980s, the party began to encourage large-scale private farms while at the same time protecting villagers' rights to land through village titling, but corruption undermined implementation. Moreover, disputes within villages undermined collective control over land, and some became landless as a consequence. The Land Tenure Act of 1992 sought to rectify that (McHenry, 1994, 92).

In further efforts to stimulate production, the new 1999 Land Act aimed to speed up the commodification of land, to demarcate village boundaries, and to issue villages with certificates where border disputes with neighbouring village had been settled. Moreover, village councils were given the power to ti-

⁴⁸ Mozambique was the only country in the region with a larger number of state-owned enterprises – over 1,000 – while Senegal had 188, Ethiopia 180, and Ghana 130. Kenya, Uganda and Zambia had even fewer (Temu and Due 2000, 693).

tle the right of occupancy for individual land holdings (Kironde 2009; Khan 2010). Despite this, land allocation processes continue to cause many conflicts between villagers (Lerise 2005). Khan (2010, 33) states that generally ‘there are frequent disputes between villagers and investors over land use.’⁴⁹ Often conflicts arise because the right of occupancy can be withdrawn by the authorities if the land is not developed (and precisely what *that* means is open to wide formal and informal interpretation). Higher level authorities at district or national level also become involved where larger pieces of land are at stake. This often adds to the complications and to the opportunities for patronage (Sundet 2004).

However, in many cases it is the mandate of the village council (typically a few persons around the village chairman) to deal with land allocations and conflicts, although the village assembly and other organs at the village level are also supposed to be involved. In practice, such organs are often bypassed and decisions are made by village leaders only. Since almost all of them are CCM members (see Section 4.1.3), the lower level of the party and the bureaucracy (in practice the lines between the two are often blurred at this level) has acquired substantial power in dealing with the crucial asset of land. Khan (2010) argues that the power of the national level of the ruling coalition in Tanzania is potentially threatened by this power of the lower level factions over land allocations.

The legitimacy crisis of the early 1990s also had a significant influence on the bureaucracy. Life as a minister and as a top civil servant ap-

pears to have become more volatile. For example, ministers of agriculture and industry on average held the position for less than two years, while the permanent secretaries in the two ministries lasted around eighteen months on average.⁵⁰ We do not know if such changes merely reflect the practice of circulating individuals between posts at the same level, or if they actually are moved to less influential posts. In any case, such frequent changes must weaken the substantive sector insights of office holders in the ministries.

Structural changes within the bureaucracy have also been spurred by the legitimacy crisis. One of the most important reforms was focused on local governments. Starting in the late 1990s and dubbed ‘decentralisation-by-devolution’, its formal aim was to move power downwards in government and to make the local authorities accountable to democratically elected councils. In practice actual devolution of power to the authorities has been limited, as they depend on central government (or donors) for most of their revenues. They are not permitted to employ their own executive either (Tidemand and Sola, 2010). That said, the reform has given substantial power over implementation to the local authorities, even in the case of activities that are fully funded by central government. De facto, therefore, council politicians and staff have considerable influence on the day-to-day implementation of government activities in major sectors (primary and secondary education, water supply, health services, agriculture, rural infrastructure, etc.). As the ruling party controls most local authorities and almost all village governments, the lower levels of the CCM have substantial powers over this implementation.

Finally, it is important to stress that the decentralisation reform has also affected minis-

⁴⁹ Surprisingly, and as a warning against generalisations, Cooksey (2010a, 10) concludes differently. In a case study of horticulture in the densely populated Arusha region, he found that ‘... present investors have not experienced major challenges to their land rights from officials, politicians, businessmen or local populations.’

⁵⁰ Based on information for the 1995-2010 period.

terial mandates. Their role in a decentralised system of government is, in principle, to design policies, set standards and monitor the implementation of government initiatives through local governments. This division of labour is, however, fraught with conflicts over resources, as different factions of the central and local bureaucracy fight for control over jobs, rents, aid and revenues (Therkildsen 2000b).

4.3 The Military

The crises resulting from the failed army mutiny of 1964 and the war with Idi Amin in 1978-9 jolted Tanzanian army officers – and the army itself – into the ruling coalition. The failed mutiny was suppressed with the help of British troops. It was preceded by the violent overthrow of the government in Zanzibar. Both events exposed the vulnerability of the party, which responded by attempting both to co-opt and control the army, along with its top officers. Furthermore, the successful ousting of Amin cemented the army's position within the ruling coalition. Not only did this give the army influence over party policies, as has already been described, it also gave it significant influence over the implementation of policies, as army officers took up positions in the party and the bureaucracy (Cooksey 2010b; Lindemann 2010).

As a consequence military staff have been integrated into the party and the bureaucracy over the years. Prior to the reintroduction of multi-party competition all soldiers were required to join the party. A party structure was established in the army, and conversely army staff were given seats on the NEC, which enabled them to participate in the formulation of party policies and decisions. Military personnel were also increasingly appointed to positions in the civilian sphere, to govern-

ment and party posts and as managers and directors of parastatals. This 'militarization of the bureaucracy' gained pace from the 1970s so that the Tanzanian administration had increasingly come to look like a 'civilian-military coalition' by the late 1980s. Finally, this patronage of army staff has been combined with relatively generous access to state resources, as shown in Section 5 (Lindemann, 2010; Lindemann and Putzel, 2008).

4.4 Emerging entrepreneurs

A time perspective on three important productive sectors – agriculture, industry and mining – is provided in the following section. The discussion focuses on the (possible) emergence of indigenous entrepreneurial groups in each of these sectors. It shows that historical legacies and the SAP crisis in particular are important for understanding this.

For the approximately fifty years after independence an indigenous African entrepreneurial class has remained weak: limited in number, technological capabilities and organisational strength. That the informal sector accounts for some 60 per cent of Tanzania's GDP (World Bank 2005, 34) puts this into perspective. An important explanation for this is that the colonial regime deliberately discriminated against African entrepreneurs, as has the post-independence regime. Economic nationalism, providing jobs for indigenous Tanzanians who did not have the capacity to start their own businesses and compete with the Asian- and Arab-Tanzanian businessmen, quite as much as socialist aspirations, has driven these changes (Shivji 1975; Wangwe 2010, 11). The Arusha Declaration should be understood from this perspective.

The impact of SAP has also been significant, both in terms of weakening the overall productivity of the economy (Section

2.1) and because it set a slow process of accumulation in motion. Many politicians and state officials became gradually engaged in commercial activities. This is signified by the Zanzibar Resolution of 1991, which allowed members of the CCM to engage in what the Arusha Declaration characterised as ‘capitalist activities’ such as earning more than one salary, taking up directorships in private firms, having shares in private enterprises, renting out houses, etc. In effect, the declaration formalised the accumulation practices that party and government leaders had already been engaged in for many years. According to Peter (2002) the Zanzibar Resolution formally killed the 1967 Arusha declaration. In 2009 President Kikwete tried anew to separate business from politics. Among other things he proposed that politicians with business interests should let these be managed by a trust while they were in political office (REDET 2010). That proposal has apparently got stuck in the party due to internal conflicts.

In the meantime, some accumulation has occurred across various sectors. Depending on the extent to which these emerging entrepreneurs are organised or the individuals concerned control sufficient resources, they may begin to gain power to influence policy making and implementation arrangements. These trends are tracked below.

4.4.1 Agriculture

The legacy of Tanzania’s villagisation programme of the 1970s and early 1980s has been significant (Ponte 2002). It has contributed to the fragmentation of land holdings so that Tanzania is now classified among countries with ‘unsustainable’ small farm sizes (United Republic of Tanzania 2008, 60). Moreover, villagisation ‘was possibly the most important sole cause of agricultural stagnation in the period from the mid-1970s to the mid-

1980s.’ In addition, economic liberalisation, which began in the early 1980s as a result of the SAP crisis, aimed to increase productivity through specialisation. Instead it has led to income diversification and subsistence fall-back due to the risks of relying on the vagaries of a largely unregulated market (Skarstein 2010, 99, 103-104).

The SAP was strongly pushed by donors but also had some support in the ruling coalition (Holtom 2007). Nevertheless, it took fifteen years to reach a common agreement about the content and implementation of many reforms (White and Dijkstra 2003) Skarstein 2010). This drawn-out process shows that donors do have significant influence on the general parameters within which agricultural policies are made, as Hyden (2005) argues, but factions of the ruling coalition still have substantial influence on the implementation of policies.

Accumulation in agriculture was at first slowed down by the Ujamaa policies, but later, it must be assumed, spurred by the economic liberalisation of the 1980s. Unfortunately, there is little information about how fast this process is actually occurring. In 1994, only around one per cent of 3.8 million smallholders employed permanent wage labour.⁵¹ This indicates that landlessness is not yet a major countrywide problem, although it is in some parts of the country (Mbilinyi and Nyoni 2000).

Who benefited from the privatisation of state-owned farms is also unclear, as discussed in Section 5. Today, commercial farms around urban areas or in areas of high economic potential are typically owned by absentee civil servant or politician landlords. There is also limited information about who

⁵¹ National Sample Census of Agriculture of 1994/95 quoted in Skarstein (2010).

actually own larger farms today and what the land is used for, but the number of privately owned large-scale farms is still low, only 825 in 2003.⁵² A substantial indigenous Tanzanian commercial farming class is only slowly emerging. Their accumulation may be driven as much by land speculation as by agricultural production (Shivji 2009), although this is poorly researched.

There are many rumours about land acquisitions by foreign investors, but it is difficult to separate fact from fiction. For example, land for producing staple foods such as maize and rice is sought after by many foreign governments and investors (Therkildsen 2011). Moreover, over four million hectares of land have been requested for bio-fuel investments, particularly jatropha, sugarcane and oil palm (Sulle and Nelson 2009, 3), although only 640,000 ha have been allocated so far, and only about 100,000 ha of these have been granted formal rights of occupancy. Proposals for bio-fuel projects involving initial investments of up to USD 1 billion, or several billion USD over the next 10-20 years have been made. Maghimbi et al. (2011, 49) see this and other examples of land-grabs as evidence of a process of accumulation by dispossession, which continues ‘side by side with the “mainstream” process of accumulation’. However, it is too early to assess whether these investors will seek – and obtain – significant influence on policy-making.

As for domestic agricultural producers, they are poorly formally organised. Under one-party rule all major agricultural organisations were weakened, absorbed or co-opted into the ruling party. Lindemann and Putzel (2008) see this as a result of inclusive elite

bargaining, but the extent of authoritarian coercion in this should not be underestimated (cf. Wangwe, 2010, 9), as discussed in Section 4.1.

Political liberalisation in the 1990s opened up the de-linking of interest organisations from party control, but no strong producer organisations have emerged so far. Many NGOs are active in organising small-scale farmers, but few if any of them seem to have much formal or informal influence on national-level decision-making. Large-scale farmers do not have a specialised organisation of their own. The Tanganyika Farmers’ Association, originally established as a division of the Kenya Farmers’ Association in 1935, was registered as a separate entity in 1955 and was at that time an interest organisation for settler farmers, but it also ran a supply service for them. The TFA was nationalised in 1967, and when it was revived in the early 1980s as a company, it did not formally engage in lobbying. MVIWATA (*Mtandao wa vikundi vya wakulima Tanzania*) is the largest membership-based farmers’ organisation open only to full-time farmers. Started in 1993 with support from the French government, it has expanded to cover 5,200 active smallholder groups in 25 regions with about 70,000 households. As an interest organisation it is still weak, being thinly staffed and poorly financed (United Republic of Tanzania, 2008, 39-45), but it does seem to be keeping some distance from the CCM and the government.⁵³ The TCCIA, established in 1988 and heavily dependent on donor funds, has always been dominated by traders and is not an important lobby organisation for agriculture (Heilman and Lucas 1997). The Agricultural Council of Tanzania (ACT) is an NGO established in 1999 (under another name). It regards itself as an apex or-

⁵² This is a very low number indeed, given that that a farm of over twenty hectares would count as large (United Republic of Tanzania 2005, table 2 (ii), p. 12).

⁵³ Interview via e-mail, December 2011.

ganisation but has a limited number of member organisations and receives substantial donor support. It has very close relations to government, as its chief executive is a retired director of policy from the ministry of agriculture. Its chairman is a former manager of a sisal parastatal. Mr Salum Shamte now owns a privatised estate and has good relations with the political establishment.

Finally the Tanzania National Business Council (TNBC) is a newly established forum for government–business dialogue with the World Bank as its midwife. It has the president as its chairman. Its members are high-ranking government officials and representatives from the larger business associations (such as CTI, TCCIA, and TCME). The TNBC *did* develop a new strategy for agriculture (‘Agriculture First’ – ‘Kilimo Kwanza’ in Kiswahili) in 2009. The party leadership subsequently embraced it with enthusiasm and directed the government to implement it. The architects were high-ranking civil servants and prominent indigenous businessmen. It was hatched within a very short time and in secrecy (in contrast to the ‘participatory’ approach that the government officially favours when larger programmes are prepared). This is the only major example in Tanzania of a close state–business relationship that has resulted in some efforts to implement it. However, the agriculture ministries (which were not involved in the preparation of the initiative) are very sceptical so that factional conflicts may derail Kilimo Kwanza, even though it is being spearheaded by the president and the prime minister.

4.4.2 Industry

At independence, there was hardly any indigenous African industrial capitalist group (let alone class) in Tanzania. The few and minor ‘commanding heights’ of the economy were

owned by foreigners or Asians with recent Tanzanian citizenship. Industry employed only 75,000 people, more than half of them in agricultural processing. Around 70–80 per cent of total industrial production in 1965 (the first year of a detailed survey) was produced by foreign-owned firms (van de Laar 1972a, 85).

Nationalisation of major industrial, agricultural and commercial properties began with the Arusha declaration in 1967. Economic nationalism and indigenisation, as much as socialist aspiration, drove these changes, as already mentioned. Indeed, for a long time the party’s economic initiatives aimed to promote the ‘control of the economy by the indigenous people rather than by expatriates and others non-African in origin.’ Political control over resources in cooperatives was also implemented (McHenry 1994, 107).

As already mentioned, a Basic Industry Strategy based on import-substitution and centred on state-owned enterprises was introduced in 1975. Through economic liberalisation and the privatization of parastatals, the SAP crisis of the early 1980s opened the doors to foreign direct investment and primitive accumulation by local beneficiaries. This process was driven more by donors’ threats of economic crises than by pragmatic considerations about future industrial policy, and it led to the virtual de-industrialisation of Tanzania (Arkadie and Dinh 2004). It did probably not help many indigenous Tanzanians to become larger entrepreneurs (see Section 5). Most had neither the capital nor the managerial or the technical skills needed to take advantage of this dramatic restructuring. Thus, the 2008 Industrial Survey shows that there are only 680 manufacturing companies with more than ten employees in the country, and that some 60 per cent of manufacturing employment in these is in

foreign-owned companies or joint ventures (MTIM/NBS 2008).

The SAP-driven economic liberalisation of the 1980s, did, however, provide other opportunities. It unravelled the earlier attempts by the Nyerere regime to suppress accumulation and to promote social equality in the name of nation-building. This is well described (McHenry, 1994, Wangwe, 2010). At present, primitive accumulation centred in and around the state is mainly related to the possession and dispossession of land and mining rights, and to real estate deals and trade (Shivji 2009; Kelsall 2002). No systematic study on this has been done, but the impression gained from casual observation is that the main effect 'has been a resurgence of the Asian business community, not only in areas where they traditionally played a dominant role, such as trade, but also in new areas such as banking and finance, and real estate development' (Wangwe and Arkadie, 2000, 67-68). The present forms of accumulation therefore do not seem to be precursors of productive capacity, but may actually undermine it as the economic rewards in other sectors (including in politics) seem so much better. 'A genuine middle-class grounded in production and involved in the chain of accumulation is constantly stifled' (Shivji 2009, 50). A similar assessment is made by Khan and Gray (2006, 55). The increasing evidence of political competition and corruption reflects 'the growing opportunities available to political representatives in managing the non-market transfers and allocations of assets like land and natural resources.'

With the wealth basis for the holding power of most industrial firms being weak, it is no surprise that the organisational strength of industry companies is also limited. The TCCIA, which also seeks to represent small-scale enterprises, is weak, as already noted. The CTI, established in 1991, has many large

domestic and many foreign-owned companies as members and has received substantial donor support over the years. Moreover, all of its chairmen for the last twenty years have been prominent indigenous Tanzanian businessmen-cum-politicians with very good relations to the ruling party. Even so, several members interviewed were frustrated by the limited policy influence of the CTI. Indeed, while the CTI is active in issues related to taxation and wages, it does not seem to have had much impact on, or interest in, other industrial policy issues.

4.4.3 *Gold mining*

Over the past fifteen years, large-scale, capital-intensive, foreign-owned and -operated gold mining has been given priority over labour-intensive and local artisanal activities, thereby curbing the potential for the development of a prosperous Tanzanian mining industry run by domestic investors and entrepreneurs (Cooksey and Kelsall 2011; Bourgoignie 2011). This has created a situation in which local artisanal-scale interests, such as access to land, are increasingly being ignored, even though artisans continue to be given credence in policy and political discourse.

This represents a significant shift in policy compared to the Nyerere years. He put the limited large-scale mining activities in the hands of the state (Chachage 1995). The first comprehensive post-independence mining law was then promulgated in 1979. It vested the State Mining Corporation (STAMICO) with the legal powers to engage in the exploration, prospecting, research and exploitation of mineral assets. It also provided the basis for artisanal-scale mining (ASM) in the country and gave powers to the Minister of Minerals to set aside areas for the exclusive use of Tanzanian miners. In 1980, the government formally recognised ASM as an important

economic activity, began to earmark land for ASM operations and introduced trade regulations to encourage foreign suppliers of mining equipment to do business with artisanal miners (Cooksey 2011). A decade later, the government agreed to start purchasing minerals from artisanal miners through the Bank of Tanzania, the National Bank of Commerce and the Cooperative and Rural Development Bank.

Until the early 1990s, the local ASM sector was therefore given credence in both policy discourse and political practice. The political elite played an active role in addressing the specific needs of the sector. Moreover, large-scale mining (LSM) activities remained limited. When STAMICO was set up in Tanzania in 1972 it inherited a formal gold industry that had declined to insignificance, and there was limited active large-scale mining activity at this time. Foreign-owned companies were not allowed to hold mining concessions, which formally impeded the growth of the LSM sector through imports of capital and technological expertise. This also meant that Tanzania was not able to benefit from the global stimulus to gold exploration and mining resulting from the liberalisation of the gold price in 1975. However, in view of the country's considerable mining potential and poorly performing economy, LSM activities were increasingly considered a potentially important source of tax revenues and foreign exchange.

The country was opened up to exploration and mining after the adoption of a structural adjustment programme in 1986. The legal, regulatory and fiscal frameworks were later restructured substantially to create a sector which would be conducive to foreign private investment, and the Mineral Policy Act of 1997 and the subsequent Mining Act of 1998 reflected the direction charted by these

reforms. Thus, a sharp ideological shift in Tanzania's policy towards LSM has occurred between the Nyerere years of nation-building and state control of mineral assets and the introduction of liberalisation reforms. Most importantly, the new policy gave room to foreign investors in the mining sector, which had the effect not only of revitalizing the country's LSM sector, but also of bringing in the bulk of FDI into the country in general. In 1999, for example, FDI inflows for gold mining represented nearly 75 per cent of total FDI investment in Tanzania. Three international mining companies⁵⁴ now operate major gold mines and attract great attention with their large investments. The significance of the artisanal mining sector, which employs over 500,000 people (ILO 1999, 5), has been overshadowed by this development. Over the years there has been virtually no *local* accumulation in the gold minerals industry. Why is this?

Large-scale foreign-owned mining companies were prioritised in political practice by the ruling coalition due to their perceived potential in the development and rapid economic growth of the country. It was assumed (or naively hoped) that a liberalized mining sector could potentially contribute up to 10% of GDP and would generate enough wealth so that the country would no longer be dependent upon, or need, donor support.⁵⁵ The privatization of the state-owned mining sector prioritised foreign companies. Sometimes this required artisanal miners to be cleared from the land, thus reducing the land available to local artisanal miners. Currently all cadastral plots of land available for mining or

⁵⁴ AngloGold Ashanti Ltd, Barrick Gold and Placer Dome.

⁵⁵ Whilst nearly half of Tanzania's exports are now attributed to the mining industry, it only accounts for 3.2% of GDP and 3.6% of the Government's total tax revenues.

prospecting licenses have been issued, making it impossible for artisanal miners to expand their operations through the acquisition of new licences.

All this indicates that the Tanzanian government *did* succeed in gaining the confidence of the foreign mining companies. In contrast, the ASM sector was ignored, despite the declared intentions in the 1997/8 and 2010 Mineral Policies and Acts to develop it. Opportunities to support local capital accumulation in ASM were simply disregarded. Instead, prospecting licences were issued to a plethora of foreign exploration companies, and mining licences were given to the three major companies mentioned earlier. But no provisions were made in the reform process to build backward, forward or lateral linkages to the local economy through, for example, local procurement (this is often an important development objective in other countries).

Clearly, there was a ruling faction which favoured the development of an FDI-led gold-mining industry. However, evidence suggests that the ruling coalition was not united on this. The events which took place at the Bulyanhulu mine in Kahama District, now owned and operated by African Barrick Gold, are a prime example of conflicts within the coalition over the country's approach to the development of gold mining.

Artisanal miners here began activities in the region in 1975, and over the years the site has attracted them in their thousands (Cooksey and Kelsall 2011; Chachage 1995). However, when a prospecting licence was granted to the Canadian company Placer Dome in 1989, conflicts began between the mining giant and the thousands of local miners operating on this land. President Mwinyi visited the area in 1992 and reassured local artisanal miners of their rights to operate in

this area as long as they sold their gold to the Government.

A Bulyanhulu Miners' Committee was set up and applied for prospecting rights at the site, but its application was never considered. Instead, in 1994, the Ministry of Energy and Minerals decided to grant mining rights to large-scale transnational corporations, and Sutton Resources Ltd, a Canadian company, signed a Mine Development Agreement to be operated through a local subsidiary called the Kahama Mining Co. Ltd. In other words, despite President's Mwinyi's decision to support local artisanal mining in the area, the minister overruled his wishes and granted the licence to the foreign company. KMCL addressed the courts in 1995 to have the artisanal miners remaining in its licence area evicted, but the courts did not rule in its favour.

Despite this, the artisanal miners were not legally protected. In 1996, then President Mkapa showed that his government was committed to the development of a large-scale commercial mining sector when the minister responsible for mining told the artisanal miners to leave, as they were trespassing. Evictions were ordered in July 1996, and the site became the symbol for a new approach to mining policy for the country, where the large foreign-owned companies predominated over local artisanal interests.

This conflict between FDI-led and artisanal mining, combined with a lack of visible benefits to socio-economic development from mining privatization, has fuelled not only widespread discontent and popular resistance, but further disagreement within the ruling coalition over how to direct the mining industry. Consequently, in 2007 the Government established a commission headed by Justice Mark Bomani (commonly referred to as the Bomani Commission) to investigate

the mining sector and to review the existing mining development agreements with major multinational companies. It did *not* address the problems of artisanal miners. Instead, the 2008 report made numerous recommendations as to how Tanzania could enhance income from the minerals industry such as increasing royalties and granting fewer tax exemptions to new foreign investors. Also amendments to effective tax and duty concessions were proposed. The corollary of this focus on FDI in mining, which is at the root of ideological and economic debates and rifts within the present ruling coalition, is a continued neglect of artisanal miners (and in the case of Bulyanhulu, a tragic one).

This marginalisation of small-scale miners is reflected in the business organisation for the industry. The FDI-dominated industry is organized through individualized bilateral relations between the government and the mining companies themselves. While a Chamber of Mines and Energy was established in 1994, this structure remains very weak and only provides artisans with a symbolic role in the industry. Its members from the gold-mining industry are primarily the foreign executives or Tanzanian upper management staff of the three major mining companies and some of the foreign exploration companies. Clearly these global gold-mining giants hold such economic power that they do not need to be organized collectively. The problem is that the plight and economic interests of artisans are not being heard or formally addressed by this chamber (nor by government).

4.5 Conclusions

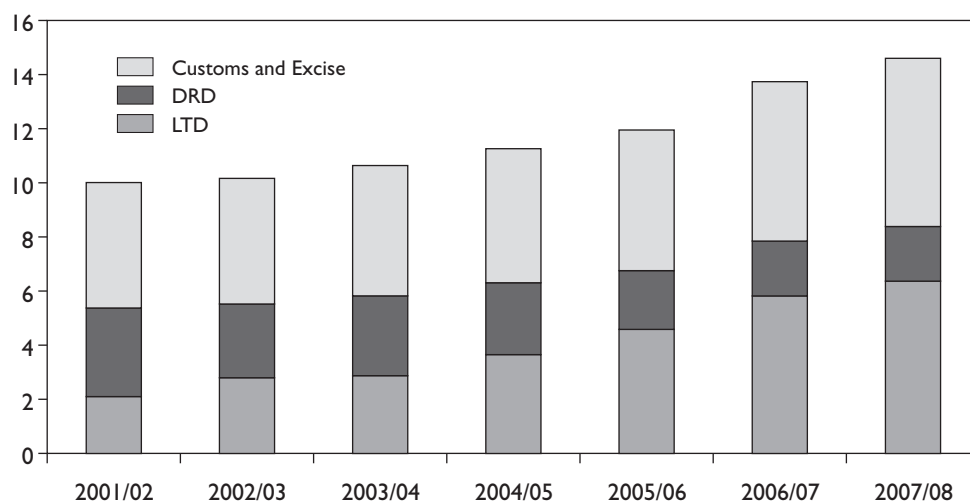
The importance of historical legacies in shaping the main features of the ruling coalition in Tanzania clearly stands out in the analyses

presented above. Both colonial rulers and the one-party state suppressed the emergence of an indigenous entrepreneurial group, which as a result remains weak today. Even at present, the ruling coalition's commitment to supporting it remains ambiguous. This is also reflected in state relations with business associations. There are many such associations in the productive sectors, but the major ones are not particularly strong and tend to be timid in their relations with the state, and often dependent on donor financing. It is difficult to find clear cases of instances where their influence has had an impact on government policy.⁵⁶ The small size of the formally organised business community and its diversity provide a further explanation for this lack of influence (Lofchie and Callaghy 1995). The ambiguous relations between the state and private-sector entrepreneurs pose a dilemma for many business organisations in steering between cooptation or confrontation in their interactions with the state (Heilman and Lucas 1997).

The analyses have also shown that crises are important in explaining changes in power relations between factions of the ruling coalition and between the coalition and the emerging entrepreneurial class. These crises, in particular the CCM's legitimacy crisis in the early 1990s, have generally increased the power of lower level factions of the coalitions, especially during the last ten to fifteen years. Zanzibar, and its role in the union, remains an important source of political tension, with the potential to break up the union with mainland Tanzania.

⁵⁶ See Gibbon (2005) for a selective analysis. The advocacy activities of most associations seem to concentrate on factors that can reduce production costs and taxes, not on more general policy issues for particular industries.

Figure 1. Tax collection by TRA department, 2001-2007 (percentage of GDP)



DRD: domestic revenue department; LTD: large taxpayer department

Source: Nord et al. (2009, figure 13).

5. RESOURCE USE TO STAY IN POWER

The analyses in this section are based upon the proposition – outlined in Section 1 – that a ruling coalition will seek to use the resources it controls to strengthen its coalition and to win elections (see also Mesquita et al. 2005; Kjaer and Therkildsen 2012). These resources consist of tax revenues, aid and rents.

5.1 Taxes and aid

Tax collection has increased significantly in recent years, from 10 per cent of GDP in the early 2000s to 14 per cent in 2007 (Figure 1) and 16.5 per cent in 2008 (IMF 2009, 18).⁵⁷ Since annual GDP growth rates of four to six per cent have been achieved from the mid-1990s (Utz 2008, table 1.3), the growth in the volume of tax-generated revenues has been

substantial. In shilling terms total revenues grew five-fold from 1996 to 2006 (Tanzania Revenue Authority figures from July 2010). The potential ability of the ruling coalition to ‘do things’ has therefore improved significantly since 1995.

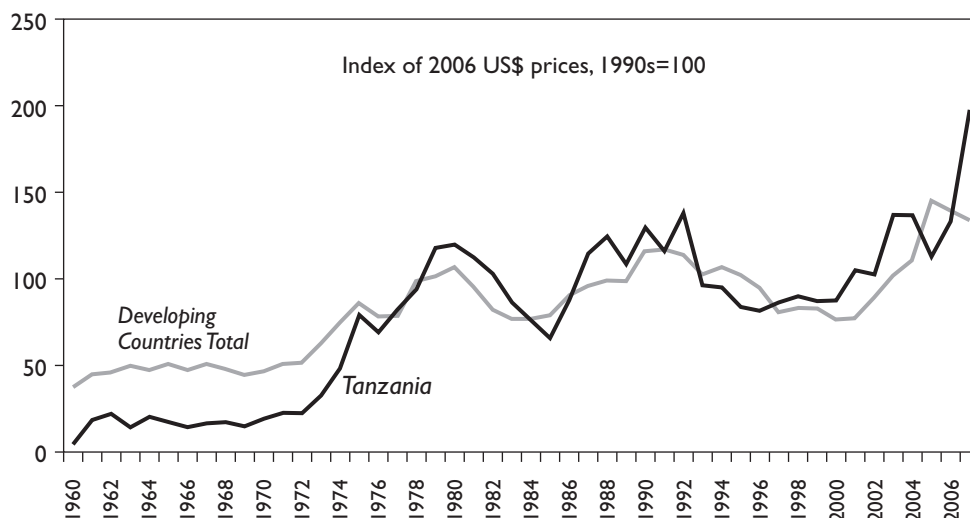
Equally interestingly, Tanzania’s largest companies are major contributors of tax revenues (identified as LTD in Figure 1). The Large Taxpayer Department handled the taxes of 410 companies in 2010.⁵⁸ Such firms paid almost *half* of total taxes in 2007, up from one-fifth in 2001.⁵⁹ If power follows money, this indicates that large companies should have substantial influence on policy-making and implementation. Yet, the analyses presented in Sections 3.4 and 4.4 show that this is generally not the case. This only further supports the argument that the relationships of such companies to the state are particularistic rather than formally organised.

⁵⁸ TRA list of large firms as of July 2010.

⁵⁹ Small and informal firms contribute little to total revenues (Hoogeveen and Ruhinduka, 2009, 62).

⁵⁷ Non-tax revenues add another 0.5 percent to the available revenues.

Figure 2. Net official aid to Tanzania and developing countries, 1960-2006



Sources: OECD DAC database; IMF staff estimates.

As shown in Figure 2, aid has continued to be an important financial resource in past decades, with volumes of aid growing rapidly in recent years. Aid volumes have risen from some USD50m/year in 1970 to between approximately USD1000m and USD1400m per year during the last decade (van Donge and White, 1999 and OECD data). However, the data in Figure 2 also show that donors reduced aid flows to Tanzania during the early phase of the SAP crisis (1980-1985), as well as during the legitimacy crisis of the early 1990s. Subsequently, aid increased again. In the 2000s, aid has made up some 10-12 per cent of GDP and a remarkable forty per cent of the government budget (IMF 2009, figure 2). Moreover, Tanzania receives forty per cent of this aid as budget support⁶⁰ (OECD 2007). As a group, OECD donors are clearly very important financiers of Tanzania's ruling coalition, and they help it, directly or indirectly, to fund coalition-

building and win elections, as illustrated in the following.⁶¹

5.2 The Party

Assessing the political economy implications of how and by whom the party is funded is both important and difficult, for much of this is done informally or in non-transparent ways. Here the focus is on the financing of the party itself, and on its use of public revenues to build and strengthen the ruling coalition and to win elections.

During one-party rule, TANU (and later the CCM) received subsidies from the government, approved by the party-controlled parliament. As a result, party funding was fairly generous. Today, public funding of political parties is regulated by the Political Parties Act. It states that any party winning 'at least five per cent of the total votes cast in

⁶⁰ More than any other EPP country.

⁶¹ The aid figures underestimate the importance of aid, as there are still some 1600 donor-funded projects in the country, many of which are funded off-budget (Frot and Santiso 2010).

the presidential elections and ... in addition ... a seat in parliament' qualifies for government subsidy. Since the CCM wins elections by a large margin (Section 3.1), this favours the ruling party. After the 2000 elections, for example, the party drew 'a monthly subvention of US\$547,000, while the combined parliamentary opposition parties draw less than US\$50,000 a month.' (Sokomani 2005, 87). This massive advantage in party funding is also stressed by Kelsall (2003, 61).⁶²

In addition, with membership up to 3.5 million, membership fees help to finance the party. The CCM also used to run commercial enterprises (through the SUKITA company), but has since closed down. By 1998 it had accumulated debts of TZS 12 billion (Fischer 2006, 358). The CCM also had its own oil company at the time, which, due to lucrative licence allocations and smuggling, was a highly lucrative business (Fisher 2006, 382). However, Ewald (2011, Appendix 1, 346-347) argues that the party still owns a number of companies, as well as real estate (office buildings, storehouses and factor buildings) in prime locations in all major cities. The party also owns all major sports arenas (except the new national stadium) and the Kiswahili newspaper, *Uhuru*. Business links with companies owned by the military may also exist (see Section 5.4).

Private contributions to parties are not regulated by law, nor are there any spending limits on them. Close but informal relations between business people and politicians are a prominent feature of patron-client relations in Tanzania. This is 'creating a political and economic oligarchy at the top levels of so-

ciety' (Tucker, Mukandala et al., 2010, 3) in which Asian business people especially (but not only) exchange the funding of CCM activities and its election campaigns for rents to individual companies and individuals. Such rents often consist of non-market access to property and other assets, as already mentioned, but also to licenses, duty exemptions, tax reductions, etc. (Wangwe, 2010). This has gone on for years, although interactions have probably been strengthened and accelerated following the SAP and legitimacy crises in the 1980s and 1990s.

These views are supported by Cooksey and Kelsall (2011, 89) who conclude that '[g]rand corruption is perpetrated by ad hoc alliances of politicians, officials (including members of the armed forces), and private brokers, usually with the tacit knowledge but not direct involvement of the President. Driving these scams is a combination of individual greed and the need to secure funds for ruling party election campaigns.'

The most spectacular known example of such corruption is the plundering of the External Payments Account (EPA) at the Bank of Tanzania (BoT), which, it is widely believed, was used to finance the CCM's 2005 election campaign. Ernst and Young, the audit company, estimated that most of the TZS 130 billion paid to recipients of EPA went to 'bogus companies set up for the purpose of emptying the EPA, an old commercial debt facility transferred from the Ministry of Finance to the BoT.' Payment of more than TZS 90 billion was 'based on "invalid and fraudulent supporting documents." Moreover, due to "missing information," the auditors could not establish [the] validity of the remaining TZS 40 billion' (Cooksey and Kelsall 2011, 27).

In the case of Zanzibar, rents have played a particularly important role in maintaining the

⁶² In 2008 the government proposed to introduce a Constituency Development Fund to allow members of parliament to control funds for community-oriented work. Given the dominance of the CCM, this gives its MPs an added advantage. The proposal was hotly debated and was enacted in 2009.

CCM's political power on the islands. Here, as discussed in Section 4.1.3, the party's position has become increasingly precarious since the political liberalisation of the early 1990s. To diffuse social and political unrest and to help the party continue to win elections, the CCM-controlled Zanzibar government lowered the rates on imported goods such as rice, sugar, wheat, flour, cooking oil, kangas and soap (Fischer 2006, 341). This has also turned into a lucrative smuggling business: goods are imported through Zanzibar to be sold on the mainland, sometimes not even entering Zanzibar, as only the documents make the journey for certification purposes. Therkildsen (2011) argues, in the case of rice, that some of the businesspeople involved in this traffic help finance the party, which explains why the 'Zanzibar route' – one of the most important channels of tax evasion and a main reason why it has been difficult for Tanzania to balance its budget in the past (Fischer 2006, 235) – has proved so difficult to close down. Highly subsidised electricity rates for Zanzibar serve the same political purpose (*ibid.*, 219).

Through its control of parliament and close relations to the bureaucracy, the party can also use public revenues and aid to further its cause. For example, according to Weinstein (2011), research on competitive democracies shows that the most effective distributive strategy of a ruling party to win votes is to target resources for districts where party support is weak. Tanzania is, however, different. From 1999 to 2007 the CCM targeted resources towards districts that voted for the party with the highest margin of victory. This is not a result of patronage politics, she argues. Rather, the 'CCM attempted to send a signal to non-supportive districts that lower vote shares are punished with lower per capita expenditures and smaller changes in budget rates.' This is a rational strategy be-

cause voters lack a viable alternative: given the CCM's continued hegemony, voters cannot rely on the opposition for government resources to improve their well-being.

Mesquita and Smith (2009) have a different view on this. They focus on the distribution of private goods (e.g. fertilizer vouchers for maize) and public goods (e.g. health-care facilities, school provision) across districts based on the presidential vote in the 2005 elections. They argue that the 'total vote share for the winning party generally has an insignificant effect on public and private goods allocations' at district level. However, districts loyal to the CCM⁶³ tend to receive more private goods than districts where the opposition does well. Here more public goods are provided.

These analyses are highly problematic.⁶⁴ The interpretation of statistical results depends on the data used, but the authors do not clearly specify their sources, nor the exact types of transfers that they are analysing. Thus, allocations of funds for development expenditures for local government (Local Government Development Grants) are formula-based and are, in practice, largely followed. Allocations of funds for recurrent expenditures (salaries and other expenses) are not formula-based, but are calculated on the basis of actual staffing, which varies widely across districts: there are, for example, far fewer students per teacher in urban areas than in rural ones.⁶⁵ This skewed distribution is not the result of a de-

⁶³ Measured as the number of votes for the second largest party (also called the minimum winning coalition).

⁶⁴ This section builds on discussions with Per Tidemand, for which we are grateful.

⁶⁵ In the early 2000s a larger analysis of local government staffing was carried out aimed to achieve a more equal distribution of staff across districts. The attempt was abandoned as teachers and health staff resisted transfers to marginal or rural districts.

liberate policy but a legacy of decades of allowing teachers to work in urban areas, where they prefer to live. It is therefore *not* the politics of winning elections which explains the fact that urban areas – where the opposition does relatively better – receive higher recurrent grants than rural areas. The third type of fiscal transfer involves the funding of larger-scale infrastructure (bridges, airports, roads, irrigation, etc.) or special activities.⁶⁶ These allocations are not part of the intergovernmental transfer system and may be vulnerable to political manipulation, but we do not know if such transfers are included in the authors' analyses.⁶⁷

Both papers are also based on another, equally questionable premise. It is assumed that the ruling coalition has sufficiently detailed knowledge to be able to fine-tune allocations to support or punish districts according to district-level voting patterns. That is unlikely. The Weinstein and Mesquita statistical analyses are therefore highly questionable (see also Section 5.3).

The approach taken by Kjaer and Therkildsen (2012) does not make such assumptions. In an analysis of landmark decisions⁶⁸ in Tanzania and Uganda since 1995, they show that these share certain key characteristics: citizens nationwide are targeted, policy implementa-

tion has immediate, visible results, and implementation can be clearly identified with the party in power. These characteristics fit a 'logic of winning office' and indicate that political elites *do* respond to popular demands for better government performance in the context of multiparty competition. This is contrary to arguments in much of the literature on policy making in Africa, which emphasizes the importance of factors such as clientelism, ethnicity, organized interest group influence and donor pressure in explaining major decisions.⁶⁹

It adds to our understanding of the emergence of populist election-focused politics in Tanzania to look at another landmark decision: inviting foreign direct investment in the mining sector in 1998 after decades of keeping such investments out. When that decision was taken, it signified an attempt by the Mkapa regime to start to exploit the country's mineral resources in a more intensive way. However, the political elite soon realised that this was seen by many as giving away the country's wealth to foreigners. The debate reflected a strong and widespread sense of economic nationalism. In response politicians now play the populist card in trying to renegotiate royalties and tax agreements with the mining companies (see Section 4.3.1). In other words, the mining policy was a 'developmental policy' that got bogged down in populist resistance.

5.3 The bureaucracy

The critical importance of the bureaucracy in the ruling coalition is clearly reflected in the budgets and in rent benefits. Civil serv-

⁶⁶ Such as fertiliser vouchers. These are only allocated to a limited number of important maize- and rice-growing districts, not to all districts, as Mesquita and Smith imply. Here the skewed distribution of vouchers is more about capture by the CCM's leaders at village and ward level than it is a result of a deliberate election-winning strategy by the CCM (Kjaer and Therkildsen 2012).

⁶⁷ For the 2010/11 financial year, districts received around 500 million USD as development grants, and around one billion USD in recurrent grants. Funding of larger projects is transferred through ministries and government agencies. Their budget information does not show allocations to individual districts (Per Tidemand, personal communication).

⁶⁸ Among the landmark decisions are the introduction of free primary education, the abolition of local government taxes and fertiliser subsidies.

⁶⁹ Government over-spending in election years – a familiar pattern across the world – is also used in Tanzania, as experiences from the 2010 elections show.

ants in Africa are, generally, the best paid in the world relative to the people they are supposed to serve, and Tanzania is no exception in this regard (Schiavo-Campo, Tommaso, and Mukherjee 1997, table 2). The difference can be seen as a rent that reflects its power. Indeed, the median salary level for public employees in Tanzania doubled from 1992 to 2001, while it declined in all other countries included in the study by Kiragu et al. (2004, figure 4.1). Moreover, against the advice of pay-reform specialists in the mid-1990s, primary-school teachers and health staff in particular benefited from salary increases. This cabinet decision was clearly aimed to improve relations with these front-line staff, who can help to mobilise voters during elections (Therkildsen 2000b, 67).

Subsequently, pay reform in Tanzania has lost momentum. Instead, the authorities have turned to allowances to implement their own organization-specific 'pay reform.' This is clearly documented by Valentine (2006). Today, various allowances are typically equally or more important for incomes than salaries are (Therkildsen and Tidemand, 2007). Some \$390m was spent on twelve different allowances in 2008, equivalent to the salaries of two-thirds of all primary-school teachers, and making up 59 per cent of the total wage bill in 2009. Allowances increased threefold between 2001 and 2006. They typically accrue to higher level officers and are also clearly used for purposes of patronage (Twaweza 2009).

Another example of rent benefits to the upper levels of the bureaucracy is the sale of government houses to senior civil servants, ministers and high-level CCM officials in 2005. Although many houses were in a poor condition, they were located in prime locations in Dar es Salaam and could be sold for a very handsome profit. Jakaya

Kikwete also benefited from the sale. After he became president in 2005, he announced that certain houses would be renationalised. This has not happened. (Cooksey and Kellsall 2011, 29).

With the decentralisation to local governments from the late 1990s, the lower level factions of the ruling coalition received rapidly increasing transfers of funds from the central government. Recurrent expenditures by local governments rose almost three-fold, from TZS 1.3 billion in 2001 to 3.1 billion in 2006. Their share of total government-recurrent expenditures rose from 18 per cent to 24 per cent during that period. In addition, the local authorities now spend 17 per cent of the total government development budget (Tidemand and Sola, 2010, 21).

The extent to which such transfers are used to build and maintain district-level factions of the ruling coalition is the basis for much speculation. The two analyses presented in Section 5.2 do not provide reliable evidence of systematic use of public funds for patronage and/or coalition-building. This is not to say that central and local budgets are consistently used for their formally intended purposes – they are clearly not, as visits to the constituencies of ministers and powerful members of parliament easily confirm. Expenditure-tracking surveys also show that there are significant problems with the flow of resources to primary education, for example, and that rural councils are the most disadvantaged. The reasons are many (complex system, poor management and supervision) according to Twaweza (2010), a critical NGO. Rent-seeking at the district council and school levels undoubtedly plays a role too although Twaweza does not say as much. But the leaks of funds illustrate the factional nature of the ruling coalition. Even in primary education, the improvement of which is an important

element in the CCM's strategy for winning elections, the party cannot control or prevent the diversion of funds as it channels its way through the bureaucracy and is distributed at the lower levels.

Rent-seeking is also prevalent in the mining sector, as the licensing process offers a unique opportunity for rents. While there is no single person to bribe in order to secure a prospecting or mining license in Tanzania, there is a sizable and inefficient bureaucracy with leakages and minor corruption at various points during the process. The waiting time for an exploration licence is about two years (while in Australia it is about two hours), and interviews confirm that these are often handed out to members of the ruling party for purposes of speculation. Yet despite their size and financial resources, mining companies have not in any sense 'captured' the Tanzanian state.⁷⁰ There does not appear to be any effective central coordination of rent-seeking in the mining sector or more generally.

5.4 The military

The importance of the military in the ruling coalition is also reflected in government expenditures. Military budgets 'appear to represent a systematic strategy of cooptation', as the percentage of the national budget allocated to the military increased from 4 per cent to 14 per cent between 1970 and 1990 according to Lindemann and Putzel (2008, 29). This percentage has dropped since then and now appears to be around eight percent according to Cooksey (2010b, Chart 2.1), although the budget is not transparent regarding defence expenditure. Moreover, according to Twawe-

⁷⁰ State capture occurs if a relatively small number of firms are able to extract concentrated rents or to purchase individualized provisions of under-provided public goods from public officials at various levels.

za (2009), allowances to the military (national service) was the fastest growing item across all sectors between 2007 and 2009.

Information about the military's involvement in business is very limited. However, since the SAP crisis of the 1980s the army /JKT has maintained its involvement in economic activities. It has, at various points in time, run a number of commercial enterprises, such as the Meremeta gold mine, the SUMA JKT tractor assembly factory in Kibaha, a 4000-hectare rice farm in Kilembero and some trading companies.

The SUMA JKT factory, in collaboration with Jeetu Patel, an Asian-Tanzanian businessman, has been licensed to import power tillers, a central element in the government's 'Agriculture First' initiative (Therkildsen 2011). Meremata received more than TZS 10bn from the External Payment Account scheme, which is now at the centre of a major corruption scandal (Section 5.2). The company was taken over by Deep Green Finance in 2005. However, the CCM Secretary General, Yusuf Makamba, 'denied that "CCM has any business links to Deep Green."' (Cooksey and Kelsall, 2011, 27).

5.5 Emerging entrepreneurs

Productive sector contributions to government revenues, the use of government funds in the productive sectors and the various rent transfers between state and business are dealt with below. The aim here is to assess the political economy aspects of these resources.

From a sector perspective, agricultural producers contribute only modestly to central government revenues because the great majority of producers are informally operating smallholders. District authorities do collect various crop cesses, and these can have considerable negative impact on production

(Cooksey, Shao, and Mkende 2007), but are generally small in aggregate terms. The industrial sector is claimed to contribute half of the government's own revenues generated through sales, corporate and income taxes imposed on industries (Mbelle et al. 2010, 30).⁷¹ The mining sector contributes only four per cent of government tax revenues, as some of the larger mines have just turned profitable, and companies utilise the tax deductions that their contracts with the government allow. Dissatisfaction with this is widespread among the public and the politicians, who clearly expected foreign direct investment in large-scale mining to produce significant revenues fast. During the legitimacy crisis in the early 1990s, for example, when donors were reducing aid due to government mismanagement of public funds, several top civil servants saw large-scale mining as a fast-track escape from donor dependency.⁷²

The most interesting fact about productive sector revenue contribution is, however, that only some few hundreds of large firms contribute a large proportion of total revenues. Because these firms operate across many sectors and are poorly organised as a group (formally as well as informally), they do not engage in collective action in dealing with the state. Instead many of them seem to prefer to deal with the government on an individual basis as shown below.

Government spending on productive sectors (relative to the total budget) has declined over the years and reflects the withdrawal of the state from them such sectors following the economic liberalisation of the 1980s. This trend has begun to change, certainly in

agriculture. The government increased allocations to agriculture from USD62.4 million in 2003/04 to USD158.5 million in 2006/07, with about 80 per cent of the sector development budget financed by donors (Wolter 2008, 17).

The cost of fertiliser subsidies is a very fast-growing budget item, rising from 4 per cent of the total agricultural budget in 2003 to 28 per cent in 2008 and representing a tripling of tonnage, though the productivity-enhancing effects are unknown (Therkildsen 2011). Allocations to promote small- and large-scale industries are very modest, as is the funding of initiatives to promote manufacturing exports, for example. Government funding of the mining sector, including small-scale miners, is miniscule.

Tax exemptions are a major type of formalised rent. Many have been politically controversial, and several ministers have, over the years, been forced to resign amidst accusations of favouring specific businesses. All such scandals seem to have involved imports of commodities related to agriculture, indicating that importers of such commodities have good connections to the ruling coalition (on rice imports, see Therkildsen 2011).

In recent years, tax exemptions seem to have been on the increase. In 2009/10 alone, 2.3 per cent of GDP or TZS 695 billion was granted in tax exemptions, more than twice as much as in Kenya in relative terms and roughly half the value of aid. Moreover, since 2005 there has been a significant increase in the cost of such exemptions. These are given for a number of reasons, but only those that aim to stimulate economic growth are briefly dealt with here. If used as intended, such exemptions for productive sector activities increase investments, employment and output growth, eventually leading to higher tax revenues in the long term. Favourable corporation tax rates

⁷¹ This figure is surprising because the sector is still relatively small. The authors do not provide detailed evidence for the claim.

⁷² Interviews, 1996.

on profits, deferred tax payments and reduced import duties are examples of such exemptions. Main beneficiaries are companies established under the Export Processing Zones Act, mining companies and other companies which hold certificates of incentives from the Tanzania Investment Centre and its Zanzibar counterpart (Twaweza, 2010). The extent to which the exemptions promote production and increase productivity is, however, unclear (for an example, see Mnenwa (2011)).

Tax exemptions for the commercial mining sector have also been granted. These have followed international standards for the industry and appear, therefore, not to have been given for reasons of patronage. They have benefited foreign mining companies, who have invested large amounts of capital to excavate their mines. However, substantial funds are tied up in tax disputes between the mining companies and the government (Cooksey and Kelsall 2011).

Looking back in time, the most important source of rent has probably been related to the privatisation of parastatals in the aftermath of the SAP crisis. On the one hand, this privatization did reduce the opportunities for patronage that state ownership of a large number of enterprises imply. Mukandala (1988) describes how parastatals served as avenues for individual capital accumulation through the 'phenomenal haemorrhage' of parastatal resources. They were also 'used by the ruling coalitions to sort out their intra-coalitional struggles...solidify their economic base and ultimately, consolidate their hold on state power.' Mukanda sees the struggles between two parts of the ruling coalition, parastatal managers and politicians, as ultimately destroying the parastatals (quoted from McHenry 1994, 148).

On the other hand, the rents and kick-backs distributed by the subsequent privatisation of

parastatals could be used to support members of the ruling coalition and help them engage in business. However, this process took on many forms, ranging from the outright sale of the government's entire stake in the asset to partial sales, concessions, leases and management contracts, to the hiving off and sale of non-core business activities. According to a study by Afrodad (2007), a total of 219 parastatals were privatized out of 400 marked for divesture, and 499 non-core assets were sold between 1995 and 2005. Of these 219 privatized parastatals, Tanzanians came to own 147 of them through 100 per cent share sales, 38 were privatized to foreign investors through 100 per cent sale, and the remaining 34 were sold through joint venture agreements between the government and Tanzanian nationals (some of whom were employees or managers at the respective parastatal). By the end of 2004, the number of parastatal enterprises with central government involvement had been reduced to 47.⁷³

Based on this information, Khan (2010) concludes that privatisation benefited foreign investors. Certainly many Tanzanians benefited too, but we do not know who they are, although most are likely to be from the Asian- and Arab-Tanzanian communities. Nor do we know what relationship they had or have with the ruling coalition, or whether their businesses have survived. Fischer (2006, 401-407, 555) provides the most recent detailed information about the privatisation of parastatals. According to him it was the party leadership code that held the CCM back from using the privatization process strategically to further party (members) interests. Moreover, because only a few party members actually had the funds needed to benefit from privatization, the CCM could not ensure that its

⁷³ Of which eight were at various stages of privatisation.

members benefitted significantly from the privatization process.⁷⁴ What parastatal retrenchees actually did and do for a living is also not well documented. Casual observations suggest that only a few of them started substantial businesses. Some became managers in foreign-owned firms that picked up parastatals when these were sold off (Kelsall, 2002, 610; Matiku, 2008). Few seem to have had the skills, capital and influence needed to buy up privatised companies. And some may have gone into real estate, hotels, construction or petty business. A indigenous entrepreneurial class with close relations to the ruling coalition is not emerging from the privatisation process, unlike what seems to have been the case in Mozambique (Pitcher 2011).

5.6 Conclusions

There is no clear indication that rents and the privatisation of state-owned enterprises have been deliberately allocated to enhance productive capacity or party interest, while the importance of aid is a striking feature of Tanzania's public finances. This does give donors considerable influence in various policy arenas, notably to do with macro-economic stability and various public-sector reforms, but in practice domestic political factors exert a dominant influence over policy and its implementation, especially at the sector level.

Since the mutiny crisis of 1964, the military has enjoyed relatively generous access to budgetary resources and has been allowed to engage in commercial activities, although the magnitude of these is not well known. The SAP crisis reduced the resources controlled by the ruling coalition, and also changed the

ways that rents, aid and revenues were used. The state slowly lost its ownership of commercial and productive-sector companies and the patronage opportunities that went with them. However, the resource situation has improved considerably since the mid-1990s in terms of both aid and own revenues. Following the CCM's legitimacy crisis in the early 1990s, ruling coalition-controlled resources are now more clearly used to build and maintain the coalition and to win elections for the party so it can stay in power. These requirements have brought business-people willing to contribute money into closer relations with the ruling coalition. In exchange, such people have benefited from various rents. A larger degree of mutual dependence and interests has emerged.

6. POLITICAL STABILITY WITHOUT SUSTAINED ECONOMIC DEVELOPMENT

The country's political settlement has been remarkably stable. Thus, the general configuration of the factions making up the ruling coalition – the CCM, the bureaucracy and the military – has not changed significantly since the 1960s, although important crises have caused some internal reconfigurations (in particular the mutiny in 1964, the economic crisis of the 1980s and the CCM's legitimacy crisis, leading to political liberalisation in the 1990s). It is only recently that private-sector groups and actors have gained influence, although productive-sector interests in (smallholder) agriculture and manufacturing, with some exceptions in the latter, are weak.

Thus, over time the Tanzanian ruling coalition has moved slowly from a '(weak) dominant party' towards 'competitive cli-

⁷⁴ This contrasts with the situation in other countries, such as Mozambique, where privatization was used strategically by the party to promote its members and interests (Pitcher 2011).

entelism', where lower level factions of the ruling coalition have gained strength over time. However, the competition for power and rents mainly takes place between factions *within* the ruling coalition rather than between the ruling coalition and excluded factions, as is normally the case in this form of clientelism (Khan 2010, 64). These key features of Tanzania's political settlement help to explain why the ruling elite has not been able to implement state initiatives that have led to significant structural changes in the economy. Nor have the resources controlled by the ruling coalition been used systematically to build up the capacity of productive sectors.

Moreover, the reintroduction of competitive elections since 1995 has not reduced clientelistic politics. On the contrary, it has motivated the ruling elite to pursue populist rather than growth-enhancing policies. Kjaer and Therkildsen (2012) have explained some of the casual mechanisms that motivate ruling elites to take such decisions to win elections. Moreover, elections have aggravated the internal fragmentation of the ruling coalition and increased competition among its factions. The political tensions generated by the union with Zanzibar and the growing threats to the CCM's hegemony on the islands following political liberalization are especially conflict-ridden.

At the same time, the lower level factions of the ruling coalition have gained in strength following the reintroduction of competitive elections in 1995.⁷⁵ This is partly due to their importance in nominating party members for political office and mobilising voters for the ruling coalition, and partly to the devolution (albeit feeble) of administrative and political power to local governments. Consequently, it

has become more difficult to establish pockets of administrative effectiveness at local government level or to shift state resources downwards that could help to build capacity in implementing priority activities in productive sectors such as agriculture because it has become more difficult to control the efficient use of rents that many factions lay claim to. Although the ruling elite (and, to some extent, donors) are able to set the policy agenda, it has much less control over the implementation process. This inability to discipline rent recipients is a key explanation for why state initiatives to promote productive-sector capacity have been relatively unsuccessful in Tanzania, despite its political stability (see also Gray 2011, 268-269; Cooksey and Kelsall (2011)).

Finally, a viable political settlement between the CCM and the largely Asian-Tanzanian entrepreneurs, which dominates the productive sectors in the formal economy (together with foreign firms), has not yet emerged due to the ruling party's economic nationalism. This type of nationalism, which has broad public backing (Peter 2002) and dates back to Nyerere's attempt at 'socialist' development, has hampered the design and implementation of industrial policies based on mutual state-business interests, which is a key to sustainable growth and poverty alleviation in poor countries.

Nevertheless, ruling coalition relations with capitalist entrepreneurs have gradually become more important since the 1980s, for ruling elites increasingly depend on entrepreneurs and other people with money to finance their political activities to stay in power. The individuals and groups who matter here are, in particular, traders and transporters, real-estate tycoons, entrepreneurs in the construction business and increasingly politicians using their position to accumulate legal and/or illegal wealth.

⁷⁵ Although central-local tensions existed much earlier (McHenry 1983).

It belongs to the picture that smallholders in agriculture, on which most Tanzanians depend for a living, are not part of the ruling coalition, nor are significant organised groups of entrepreneurs in the productive sectors. They do not control substantial and organised economic power, which could buy influence in the ruling coalition. This is a result of – and reflects – the fact that structural changes in the economy have been modest and gradual and that productivity increases in the productive sectors have been limited or stagnant.

Should a stronger entrepreneurial group emerge, this would not, in the foreseeable future, include many black Africans. Local entrepreneurs of Asian or Arab origin would certainly dominate, as they have done for decades. However, this group is not likely to engage in the types of business–state relationships that are typically needed to address longer term issues of economic and industry policies. Moreover, because a black African entrepreneurial group would probably have greater political legitimacy than the Indian-Tanzanian entrepreneurs, it would also pose a potential political threat to the present ruling coalition. This may also explain why the ruling coalition around the CCM seems to have fewer problems with foreign-owned companies: they are unlikely to pose significant threats to the ruling coalition, even though foreign companies (especially in mining) are occasionally the target of popular protests. The way the ruling coalition and the opposition parties manage the contradictions between economic and political liberalization in this context is therefore crucial for social stability, as well as in building an indigenous domestic entrepreneurial group that can drive economic growth and employment.

Another trend, which may have a longer term impact on Tanzania's political economy,

is that political and economic advantage (the two are increasingly difficult to separate) is converted into educational advantage, which in turn leads to positional advantage, especially in the public sector and the political parties. This trend may have accelerated in recent years but has also changed somewhat. Circumstantial evidence suggests that many children of top officials in the CCM and the government increasingly go to private schools and subsequently go abroad for university-level education. Upon return these children seek work in the private rather than in the public sector or in politics, where opportunities are now fewer and more insecure than in the past. This may also indicate that private-sector opportunities are improving and are gradually becoming more attractive. But some observers argue that for some of the children of the political-administrative elite this could also be a possible first step towards a later political career launched on the basis of wealth they have earned for themselves in the private sector.⁷⁶ On the other hand, this group may also eventually form the nucleus of a well-educated and politically well-connected group of indigenous entrepreneurs of a sort that Tanzania has not yet had.

The attempt over the last couple of decades by the ruling elite of the CCM to use capitalism to ensure the survival of its 'socialist' regime' has so far been successful. But after fifty years of independence and of relative political stability, the foundations for a strong economy that could lead to sustainable poverty alleviation are still feeble. At the same time, the importance of money in politics has increased with the need to finance the survival of the present ruling coalition in the context of competitive clientelism.

⁷⁶ Interviews, November 2010.

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