

# The Political Economy of Tanzania

From Liberalization to Growth with  
Transformation

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# Outline

- Background and context
- Development and Poverty: evolution of thinking
- Growth: level, quality and the growth process
- Human development
- Current trends and their influence on policy
- Political economy of policy making
- Conclusion

# Background and Context

- Crisis of the early 1980s
- Responses:
  - National Economic Survival Programme (1981/2)
  - Structural Adjustment Programme (1982-85)
  - Economic Recovery Programme (1986-89)-  
Stabilization and liberalization founded on getting the prices right.
  - Adjustment with a human face- SDA (1989-92)

# Background and Context -2

- Demands for direction, back to development concerns and Poverty reduction concerns
  - Copenhagen (1995) and social concerns
  - Poverty eradication strategy (1996/97)
  - PRSP 1999/2000 as implementation of the comprehensive development framework (1999)
    - CDF as admission that arm-twisting and shock treatment has its limits
    - ownership, participation, social dimensions and poverty concerns and the return of the development agenda

# Background and Context -3

- Poverty reduction through growth (NSGRP 2005).

# Development and Poverty: evolution of thinking

- Evolution of thinking on development goals, growth and poverty.
- Goals of development have evolved from GDP to the human development index, poverty reduction concerns, entitlements and capabilities and wider social and political freedoms and sustainable development.
- Growth concerns: capital accumulation in H-D models of the 1950s to Solow's growth accounting and the new growth theory recognizing the role of human capital (ideas and knowledge)

# Development and Poverty: evolution of thinking-2

- Poverty and the broadening of its definition
  - Income dimension
  - Human development (literacy/education, longevity, health)
  - Risk and vulnerability: social protection
  - Power and voice dimensions
- The broadening of the concept of poverty implies that the set of policies that are relevant for poverty reduction has expanded and the interaction among policies has been recognized more explicitly.

# Development and Poverty: evolution of thinking-3

- State and market:
  - domination of market failures leading to mistrust of markets and in favour of state intervention and attempts to replace markets (1950s to 1970s)
  - to the rise of government failures and return to free market and liberalization (1970s and 1980s)
  - to recognition of institutional reforms and capacity to manage and regulate markets (from the 1990s).
  - Recognition of new perspectives and appropriate balance between state and markets (current concerns):
    - new market failures (information may be imperfect or costly, transaction costs, incomplete markets) and
    - new capacities taken into account in a dynamic context and
    - a more complex and nuanced role of the state (governance and coordination).

# Growth: Level, quality and the Growth process

- Liberalization and getting prices right: emphasis on refinements in efficient resource allocation and less attention to the level of capital accumulation and structural transformation (Trade liberalization, deindustrialization prevailed)
- Institutional reforms for growth e.g privatization (privatization did not lead to more productive and allocative efficiency unless accompanied by appropriate reforms of the overall institutional environment).
- Growth for poverty reduction: relationships explored and concerns over quality of growth receive attention

# Growth: Level, quality and the Growth process-2

- Policies for promoting equality of opportunity along with growth

# Growth: Level, quality and the Growth process-3

- Growth is necessary for poverty reduction but distribution matters i.e growth is not sufficient.
- Level of growth matters for poverty reduction but qualitative concerns of growth- structural change and institutional reform
- Growth with transformation raises questions of structural change, institutional reforms/development
- Processes of change need to be understood better (modelling dynamic change, lessons from East Asia as unorthodox ways, institutional reform as a continuous process)

# Growth: Level, quality and the Growth process-4

- The growth process
  - Accumulation process (higher levels of investment)
  - The centrality of technology, knowledge and innovations in the growth process.
    - New products
    - New processes
    - New markets
    - Information externalities
    - Coordination externalities
  - Organizational dimension: how society is organised for growth
  - Institutional changes (reforms, development).

# Human development

- Human development has been recognised as non-separable from poverty concerns and its interaction with growth has been established.
- Studies have been carried out on access to education and health but few have gone beyond the current policy programmes.
- Access to health services (e.g. Financing Public Health Care (Mushi, 2007)).
- Access to education and investment in education (e.g. further investment in education has been called for by Mbelle and Katarabo (2003)). However, investment in education remains a major challenge that studies have not addressed sufficiently.

# Current Trends and their influence influence on policy

- Globalization: closer integration of the world economy and the challenges of positioning for reaping the benefits and mitigating threats.
- Localization and decentralization: cristallizing of local and ethnic identities vs participation in development. The challenge of achieving complementarity between various levels of development: national, regional, Local governments, communities and households. Studies which have addressed the issue of community participation in development have generally found low degree of participation and ownership low in various areas such as managing solid waste collection (Kaare,...), managing the environment (Mascarenhas, 2000) and aid projects (Rugumamu on HESAWA).

# Current Trends and their influence on policy-2

- Urbanization challenges have received little coverage. Yet the poverty threat in urban areas is a major concern.
- Environmental degradation
  - Increased recognition of issues of global warming, loss of biodiversity and deforestation.
- Food security
- Governance and regulation/management of markets.

# Political Economy of Policy making

- Policy implications in most studies has been one of the weakest points.
- Policy making as an essentially political process- a process of managing and balancing interests of various groups in society.
- Need to enhance our understanding of the interaction between policies and politics.

# Political Economy of Policy making- 2

- Politics is not separable from policy making as it is a central means through which societies seek to resolve conflict over issues of distribution and values.
- Need for further understanding of choices about policy and the factors that influence policy adoption, implementation and consolidation of policy reform initiatives.
- Success of policies in realizing economic transformation will be influenced by approaches to political and social transformations.

# Conclusion

- The Poverty concept has broadened and policy for poverty reduction has become more complex.
- Growth alone has been shown not to be sufficient (level and quality of growth need to be addressed): who is growing and identification of actors in the growth process and distribution of opportunities for growth is a political process.
- Poverty reduction through growth has been recognized but sufficient work has yet to be done on understanding the growth process itself.

# Conclusion-2

- The quality of growth and its sustainability are major challenges for achieving socio-economic transformation.
- The centrality of technology and innovation to be recognized and allowed to occupy its right position in the growth process.
- The policy making process is a largely a political process and needs to be understood in greater depth if REPOA studies are to have a greater influence on policy.