
SMET MODEL

**TOWARDS INCLUSIVE AND SUSTAINABLE
ECONOMIC DEVELOPMENT**

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List of Abbreviations

ACT-Wazalendo	Alliance for Change and Transparency – Wazalendo
AfDB	African Development Bank
AGM	Annual General Meeting
AGOA	African Growth Opportunity Act
AIDS	Acquired Immunodeficiency Syndrome
ATE	Association of Tanzania Employers
BAKWATA	Baraza Kuu la Waislamu Tanzania /National Muslim Council of Tanzania
BoT	Bank of Tanzania
BoTA	Bank of Tanzania Act
CBO	Community Based Organization
CBT	Cashewnut Board of Tanzania
CCM	Chama cha Mapinduzi
CCT	Christian Council of Tanzania
CETA	Civic Education Teachers’ Association
CFTA	Continental Free Trade Area
CHADEMA	Chama cha Demokrasia na Maendeleo
CHF	Community Health Fund
CPA (T)	Certified Public Accountant (Tanzania)
CTI	Confederation of Tanzania Industries
CUF	Civic United Front
DANIDA	Danish International Development Agency
DRC	Democratic Republic of Congo
EAC	East African Community
EPA	Economic Partnership Agreement
EPP	European People’s Party
ESRF	Economic and Social Research Foundation
EU	European Union
FCA	Free Competition Act
FCC	Free Competition Commission
FDC	Folk Development College
FT	Financial Times
FYDP	Five Year Development Plan
GATT	General Agreement on Tariffs and Trade

GDP	Gross Domestic Product
GEPF	Government Employees Pension Fund
HIV	Human Immunodeficiency Virus
HIS	Health Information System
ICT	Information and communication technology
ILFS	Integrated Labour Force Survey
ILO	International Labour Organization
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
ISSA	International Social Security Association
IUCEA	Inter-University Council for East Africa
JKCI	Jakaya Kikwete Cardiac Institute
KAS	Konrad-Adenauer-Stiftung e. V.
kWh	Kilowatt hours
LAPF	Local Authorities Pension Fund
LGA	Local Government Authority
LHRC	Legal and Human Rights Centre
MCT	Media Council of Tanzania
MDAs	Ministries Departments and Agencies
MDG	Millennium Development Goal
MKUKUTA	Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
MKURABITA	Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania
MOHCDEC	Ministry of Health, Community Development, Gender, Elderly and Children
MOHSW	Ministry of Health and Social Welfare
MP	Member of Parliament
MSA	Media Service Act
MSI	Mobile Systems International
MW	Megawatt
NACTE	National Council for Technical Education
NBS	National Bureau of Statistics
NCCR-MAGEUZI	National Convention for Construction and Reform – Mageuzi
NEC	National Executive Council
NGO	Non-Governmental Organization
NHIF	National Health Insurance Fund

NLD	National League for Democracy
NRI	Networked Readiness Index
NSSF	National Social Security Fund
OCGS	Office of Chief Government Statistician
OECD	Organisation for Economic Co-operation and Development
OFC	Optic Fibre Cable
PEDP	Primary Education Development Plan
PPF	Parastatal Pension Fund
PPTC	Post-Primary Technical Centre
PSPF	Public Service Pension Fund
PSSSF	Public Service Social Security Fund
PV	Photovoltaic
RDT	Rapid Diagnostic Test
RECs	Regional Economic Communities
R&D	Research and Development
SACCOs	Community Savings and Credit Cooperatives
SADC	South African Development Cooperation
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SAP	Structural Adjustment Programme
SAUT	St. Augustine University of Tanzania
SDG(s)	Sustainable Development Goal(s)
SEDP	Secondary Education Development Plan
SHIB	Social Health Insurance Benefit
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprise
SMET	Social Market Economy model for Tanzania
SOE(s)	State Owned Enterprise(s)
SSRA	Social Security Regulatory Authority
STI	Science, Technology and Innovation
SWOT	Strengths, Weaknesses Opportunities and Threats
TaESA	Tanzania Employment Services Agency
TANESCO	Tanzania National Electric Supply Company
TASAF	Tanzania Social Action Fund
TB	Tuberculosis
TCB	Tanzania Cotton Board

TCCIA	Tanzanian Chamber of Commerce, Industry and Agriculture
TCU	Tanzania Commission for Universities
TEC	Tanzania Episcopal Conference
TFR	Total Fertility Rate
TFTA	Tripartite Free Trade Area
THMIS	Tanzania HIV/AIDS and Malaria Indicator Survey
TIC	Tanzania Investment Center
TNBC	Tanzania National Business Council
TPSF	Tanzania Private Sector Foundation
TRA	Tanzania Revenue Authority
TRL	Tanzania Railways Limited
TTCL	Tanzania Telecommunications Company Limited
TTU	Tanzania Teachers' Union
TUCTA	Trade Union Congress of Tanzania
TZS	Tanzanian Shilling
UDBS	University of Dar es Salaam Business School
UDSM	University of Dar es Salaam
UN	United Nations
UNDESA	UN Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	The United Nations Educational, Scientific and Cultural Organization
URT	United Republic of Tanzania
US	United States
USD	United States Dollars
VAT	Value Added Tax
VEC	Vocational Education Centre
VETA	Vocational Education and Training Authority
VICOBA	Village Community Bank
WCF	Workers Compensation Fund
WEF	World Economic Forum's
WTO	World Trade Organization
ZATUC	Zanzibar Trade Union Congress
ZECO	Zanzibar Electricity Corporation
ZSSF	Zanzibar Social Security Fund
ZUPS	Zanzibar Universal Pension Scheme

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Preface

Tanzania has gone through different economic reforms since independence, such as the Arusha Declaration in 1967 and the Trade Liberalization in 1986. The Arusha Declaration brought – based on a belief in equality – public ownership and control of means of production and aimed at an extension of welfare and social services to the rural areas. The Trade Liberalization targeted fair prices and enhanced product availability. All these were necessary conditions or given situations at that time. Since then much has been done to improve the lives of Tanzanians. However, to date many people are still poor and the country's resources are diminishing. People still walk miles in search of food, water, education and health services. Economically, the national productivity is not under an indigenous private sector. The country depends on foreign owned multinationals. Further, the economic growth is not reflected in the national economic development. Some of the Tanzanians cannot afford a single meal and die due to a lack of health services. The ignorance level seems to have increased, our facilities are not enough to cater for the needs of an increased number of pupils enrolled for primary schools and our education system does not match with job requirements. The agricultural sector, which we say is the backbone of our country's economy, does not produce adequate results. This situation calls for new approaches, a new philosophy, a new direction and new thinking for the benefit of the current and future generations. This publication strives to substantially contribute to efforts undertaken along this line.

It is deemed necessary that the country needs a new economic order to achieve its objectives. The lessons learnt from Germany, other EU countries, countries worldwide and our own experiences through all reforms since independence drive us towards a Social Market Economy model, which proves success in inclusive economic development. It is suggested, that Tanzania can move to the next level and become a strong economy and competitive

in regional and international markets if the country adopts this model according to its own circumstances. Their vast experiences enable the authors to come up with a Social Market Economy model for Tanzania (SMET) which aims to suit the country's context. The publication takes the readers through the meaning of Social Market Economy, an analysis of the situation of Tanzania today (including a Strengths, Weaknesses Opportunities and Threats (SWOT) analysis), the newly developed Tanzanian Social Market Economy model including its values, strategies on how to achieve the targets and how it is going to be implemented.

The publication has been prepared by a team of experts, including Professor Honest Prosper Ngowi, Father Dr. Charles Kitima, Dr. Winnie Nguni, Mr. Ntui Ponsian Prot, Ms. Chrispina Kiemi and Dr. Stefanie Brinkel and it has been supported by Konrad-Adenauer-Stiftung e. V.

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The *Konrad-Adenauer-Stiftung e. V. (KAS)* is a German political foundation named after Germany's first Chancellor after World War II (1949-1963), Konrad Adenauer. The key thrust of the foundation's work is to promote democracy, sustainable development, good governance, international relations, regional integration and social market economy. KAS offices are in charge of over 200 projects in more than 120 countries worldwide. KAS has been operating in Tanzania since 1964, having been invited by the “Father of the Nation”, Mwalimu Julius Kambarage Nyerere, to support leadership trainings at the Kivukoni College in Dar es Salaam.



1. Introduction

Struggles of development have taken different routes and approaches in many developed and developing countries. Some countries succeeded earlier, others needed more time but reached their goals. Many other countries are still working on their development plans though results may not be pleasing. Some changed their strategies but still the attained level of development is low and poverty levels have remained high. Tanzania is not an exception in this struggle. Tanzania witnesses some encouraging economic growth rates but very disappointing economic development. The majority of citizens still lives in abject poverty. The reasons for success and failure may be complex but the main ones may be the approach, the philosophy, the “software” and ideology. All these can be explained by the type of *the economic model* used. Countries which succeeded may be role models for others to learn, though circumstances and conditions may be different.

A prominent economic model which has brought successful and stable development in several countries, including Germany and Scandinavian countries, is known as Social Market Economy. The present publication attempts to adapt the Social Market Economy model to the situation and conditions in Tanzania, taking into account its historical and social context, in order to draw the path for inclusive and sustainable economic development in the country. A detailed characterisation of the Social Market Economy concept (section 2) and an analysis of factors determining the economic situation in Tanzania to date (section 3) lay a solid foundation for the development of the Social Market Economy model for the country and its implementation (section 4). Finally, the publication gives a conclusion and calls upon policy makers and society at large to accept and ensure that SMET becomes a reality in Tanzania (section 5).

2. Theoretical Background of Social Market Economy

As Leipold states, “*Economic management was, and is always, in need of and dependent on an order (set of rules and institutions)*” (Leipold 2008, p. 144). It is believed that without a proper and clear economic order, it will be very difficult for Tanzania to achieve economic growth that is inclusive. At the same time, market economy is deemed necessary for an efficient economy. However, pure free market economy has a danger of increasing poverty because it is not inclusive as few people or companies may exploit others in the process of trading. The state therefore has a role to play in order to harmonise the situation, but the level of control must not be at the expense of competitiveness and innovation.

2.1 Economic Order – A Classification

While the basic problem of economic management – the scarcity of goods and services – is ever present, different ways of shaping the economic order have emerged over time (Leipold 2008, p. 144). Two essentially diverging ways are the *market economy* and the *centrally planned economy* (socialism/planned economy) (Leipold 2008, p. 144). In between, a third category evolved, known as *mixed economy*, which shares aspects of market economy and centrally planned economy.

2.1.1 Centrally Planned Economy

Leipold holds that in a *centrally planned economy*, the economic processes are planned by one central government authority and coordinated through a national plan; and in such state-planned economy, individual economic freedom is not an element of the system (Leipold 2008, p.145). In the centrally planned economy, “the private ownership of the means of production should legally or factually become collectively or nationally owned,” as Schüller and Welsch confirm (Schüller/Welsch 2008, p. 429). In doing so,

the private sector and innovation tend to become weak and inefficiencies may increase.

2.1.2 Market Economy

In contrast, in “a *market economy*, the economic processes are independently planned by individuals or economic units while being coordinated via markets and prices. Market economy therefore represents a system of decentralised planning and coordination of the economic processes where the degree of scarcity of goods and services is expressed in market prices” (Leipold 2008, p. 144). With regard to the institutional order and the policy question of ‘what shall the relationship between private responsibility and intervention by the government be?’, different concepts of market economy have emerged – between the liberal concept and the concept of welfare, the concept of *Social Market Economy* is to be located (Leipold 2008, p. 145).

2.1.3 Social Market Economy

Social Market Economy combines private enterprises with regulation and state intervention in order to establish fair competition – maintaining a balance between a high rate of economic growth, low inflation, low levels of unemployment, good working conditions and social welfare. “The aim of the ‘Social Market Economy’ is an appropriate synthesis between the liberty of the market and social balancing based on government interventions” (Leipold 2008, p. 145). As opposed to other economic models, Social Market Economy is inclusive of the local people, allowing them to participate and positively contribute to the economic growth of their country.

2.2 Characterisation of Social Market Economy

This section (2.2) will elaborate on details of the theory of Social Market Economy, including potential actors and their roles as well as its principles.

2.2.1 Social Market Economy – An Introduction

According to the European People’s Party (EPP) ‘Social Market Economy’ is the expression of a philosophy committed to a human society aiming at the dignity, well-being, self-determination, encouragement, freedom and responsibility of all individuals. The founding fathers of the Social Market Economy – Alfred Müller Armack, Walter Eucken, Leonhard Miksch, Franz Böhm, Wilhelm Röpke, Alexander Rüstow, Konrad Adenauer and Ludwig Erhard – envisioned and implemented an economic system a) where economic growth and social sustainability were no longer opposed to each other but would work in harmony in order to ensure a sustainable and positive development for society at large and b) that was intended to combine the values of individual freedom, solidarity and subsidiarity (EPP 2009, pp. 2-3).¹

The Konrad-Adenauer-Stiftung e. V. (KAS) describes Social Market Economy as “a model that puts the human being at the center of its attention and sets out from there, from the individuals, their capacities, needs, and motivations. This is a clear distinction from socialist approaches, which centre on the collectiveness and claim the right to direct and intervene, rather than adhere to economic governance” (KAS 2008, p. 9).

According to Benecke, there are four **fundamental requirements** to succeed in ‘Social Market Economy’ (Benecke 2008, pp. 11-15). These are listed and briefly explained here under:

- a) Reliable framework conditions: There should be adequate and stable policies, laws and regulations, an independent judicial system, possibilities to participate in the political decision-making process, and respect for social and individual rights. Without clearly established and socially accepted rules – which should guide all decisions – investments in the country and responsible behaviour of citizens as well as their willingness to participate in the construction of society may

¹ Konrad Adenauer (1876-1967), the first German Federal Chancellor, and Ludwig Erhard, his Federal Economics Minister, introduced Social Market Economy to the post war society of Germany and did so under the intellectual influence of the Freiburg School (school of economic thought, which was founded at the University of Freiburg) (KAS 2008, p. 2).

hardly be expected. At the same time, options for flexibility, taking into account the needs of stakeholders and changes in conditions, shall be in-built features of such a framework.

- b) Supportive state behaviour: The state must noticeably espouse the model. The active economic role of the state itself should ensure that the production of public goods is in place for the model to function well (e. g. health services, education, infrastructure and public transport). At the same time, the government needs to recognise its own limits of intervention and shall delegate control and decision-making to organisations which are autonomous. This includes features like the independence of the central bank, for example.
- c) Independent and responsible media: In order to inform stakeholders of the country's economy, media needs to ensure effective communication, e. g. about the contents of products, regulations and procedures, benefits, opportunities and deficits in the system. Stakeholders could be producers, customers, regulators, tax collectors, suppliers, financiers, and the population at large.
- d) Independence and willingness of participants to work towards attaining the objectives of the model: In a Social Market Economy, the actors are basically independent concerning their decision-making. At the same time, they are mutually dependent since none of them can fully reach their goals without affecting the interests of the others. Thus, it is important that the actors recognise each other, not as enemies, but willing to compromise. Actors include the state, entrepreneurs, trade unions, autonomous public institutions, civil society groups, chambers of commerce and industry, environmental agencies, financial institutions, pension funds and higher learning institutions.

2.2.2 Social Market Economy – Actors and their Roles

For the Social Market Economy to be successful, its actors shall fulfill specific roles. The following is a description of the **actors** and their **generic roles**:

- a) **Central and local government authorities** (Diller 2008, p. 232): competencies for public tasks, for expenditures as well as for income need to be regulated among the different levels of a multilevel state. With regard to the distribution of tasks, there are two fundamental ways:
- a central solution where tasks are preferably ascribed to the super-ordinate level (state; e. g. tasks like national defence, welfare services) and
 - a decentralised solution where tasks tend to be entrusted to the subordinate level (e. g. municipalities with mandatory tasks such as water supply and voluntary tasks).

According to Diller, the distribution of tasks “goes together with expenditure distribution, which has to be ensured by an appropriate distribution of funds” (Diller 2008, pp. 232-233).

- b) **Parastatals** (Dickertmann/Piel 2008, pp. 329-331): Apart from “inherently public responsibilities, numerous tasks of public interest are permanently taken care of by independent institutions and budgets. They stand side by side with the budgets of the regional (local) government authorities (...) and are therefore called parastatals” (Dickertmann/Piel 2008, p. 329). Parastatals are quasi-governmental institutions that look after community-related tasks. Thus, they can be categorised as a third sector between 1) (central and local) governmental authorities dealing with territorial and social interests and 2) the market as coordinating mechanism for private economic interests. Parastatals have financial autonomy as well as their own organisational structures and administrations. The funding for the services they offer is grounded on state-guaranteed entitlements (compulsory membership or additional tax procedures for contribution collection). Typical parastatals are:
- (mandatory) unemployment, health, nursing, pension and accident insurance (social) schemes,
 - professional representatives for commerce, the trades, industry and agriculture (professional parastatals),

Additionally, there are further institutions that can be classified as parastatals:

- international institutions such as development (aid) banks,
 - faith-based organisations and other state-recognised religious communities,
 - subsidiary parastatals, e. g. government foundations (research and cultural foundations),
 - group parastatals: charity groups, non-profit organisations and federations partly offering marketable services (such as nursing and school education) and partly offering collective services (e. g. interest groups, political parties and lobbies, such as trade unions and employers' associations).
- c) The **market**: This is “the place where supply and demand meet” (Seitel 2008a, p. 312). Exchanges are agreed on between buyers and sellers; actors are (private and public) enterprises, including employees and managers, and society at large. According to Mayer (2013), the **private sector** (large, medium, small and micro businesses) has a crucial role to play in the country's economic development. This includes economic growth, poverty reduction and economic transformation.
- d) Typically, **supervisory bodies** also exist as economic policy actors: these are authorities with the task to control, correct and sanction certain areas.² Areas under such supervision are such as pharmacies, banks, the energy industry and aviation (Fritz-Aßmus 2008, p. 444). In a Social Market Economy, the specific role of the **central bank** consists of its top position in the hierarchy of the banking system and the fact that it is responsible for the regulation of the money supply of the national economy (König 2008, p. 172). Additionally, a **cartel office** acts as an independent competition authority dealing with decisions “regarding (amalgamations), monopolies and abuse of market power” (Stockmann 2008, p. 227) and an **employment agency** functions as “autonomous body with

² These differ from the state control over public (government-owned or administered) enterprises (Fritz-Aßmus 2008, p. 444).

legal capacity and directly answerable to the (...) government" (Kleinhenz 2008, p. 229) for the promotion of employment. Furthermore, there are additional bodies to support autonomy in the economic system. As part of a **chamber system**, chambers of commerce and industry are responsible for economic autonomy; bodies responsible for the autonomy of professions are such as the physicians' chambers and architects' associations; and social autonomy is supported by the social security system (Hinz 2008, p. 103). Additionally, there are **social partners** that can be structured according to different levels; these are work councils and management at the enterprise level, trade unions and employers' associations at the association level, an employment agency and jurisdiction for labour and social matters at the national level and the ILO, for example, at the international level (Rösner 2008, pp. 418-419). In order to facilitate the assessment of the economy, a **council of experts**, which shall be bound by a contractual appointment for a certain period and be independent of government directives, can be installed; e. g. in Germany, such council consists of five members, the so-called 'five wise men' (Wolburg 2008, pp. 128-129).

2.2.3 Principles, Pillars and Overall Objective of Social Market Economy

Social Market Economy is led by a number of **principles**. These include the guiding principles of subsidiarity and solidarity.

- **Subsidiarity** "describes a principle of competences and responsibilities in a society. It is assumed in a society that individuals and small groups (such as families) are generally able to take responsibility for their affairs (at the 'bottom' level). Decisions must be passed on to the next highest level (such as the village, ward, town council, municipality levels etc.) to be solved only when they go beyond the competences of understanding, decision or solution of the 'lower' level. A transfer is useful when the effects go far beyond one's own area of competence" (Haase/Schneider/Weigelt 2008, p. 492).

According to Dickertmann and Piel the “subsidiarity principle demands that the self-sufficiency of the individual be protected against state welfare” (Dickertmann/Piel 2008, p. 412).

- **Solidarity** implies a “sense of fellowship, standing in for one another, closely associated. It always presupposes at least two persons.” (Haase/Schneider/Weigelt 2008, p. 491). It centres on the human being and thus does not accept exclusivity with regard to class, gender, religion or other characteristics (Baumgartner 2012, p. 64). Solidary behaviour is rooted in an obligation to contribute responsibly to the common good (Baumgartner 2012, p. 60).³

Hence, the implementation of Social Market Economy needs a **spirit of achievement** (individually), solidarity within the society, and subsidiarity where state institutions assist to a limited degree only.

Additionally, the following principles constitute a Social Market Economy model (KAS 2009, pp. 1-8; EPP 2009, pp. 3-5):

- In a Social Market Economy, the allocation of resources – such as goods (products and services) or factors of production (labour, capital and land) – is basically coordinated through the market. Economic activities in the market are driven by **competition**. A competitive system, which is based on the **free determination of prices**, aims at optimising the allocation of scarce resources and fostering efficiency as well as progress.⁴ The competitive system in a Social Market Economy also strives to **prevent one sided market power**, e. g. by controlling monopolies and the abuse of power. Additionally, it requires **open markets**, enabling free international trade in a fair manner. Moreover, the “freedom of competition requires the application of the **principle of liability** by which competitive performance is tied to the responsible conduct of each participating player. The prospects for profits stimulate

³ The common good is the vision of a status in which all members of society experience favourable life conditions that enable them to pursue their goals (Weiler 1991, p. 34).

⁴ External effects need to be taken into account additionally though.

competition, while personal liability in the event of losses curbs irresponsible and excessively risky behavior” (KAS 2009, p. 4). Furthermore, the economic structures are based on a system of **private property ownership**, which puts the power of disposal with regard to goods and services towards private enterprises and households. This characteristic functions as “the critical incentive for generating income through work and is the basis of innovative entrepreneurship. Only an economic system that is based on private property can safeguard **employment** on a sustainable basis” (KAS 2009, p. 2).

- In order to allow economic activities to be efficient and sustainable, a respective **legal framework** is part of the Social Market Economy model. This framework “creates the preconditions for a strong economy, an efficient and citizen friendly state administration, and compliance with the principles of good governance” (KAS 2009, p. 1). It needs to aim at regulating and at supervising that rules are observed and infringements are prosecuted; and it shall also help shaping incentives towards benefits for the society from the decentralised competitive economic system. Furthermore, to achieve **stability of the economic system** and its environment, macroeconomic stability (e. g. price level stability) and a long-term economic policy are understood as a main prerequisite.
- At the same time, the state shall ensure to provide **public goods and services** that cannot or can only inadequately be provided by the market. These include, among others, fundamental educational opportunities, effective infrastructure and comprehensive healthcare (KAS 2009, p. 5). Additionally, although economic growth facilitates the reduction of poverty, a market economy cannot prevent income disparities and disadvantages arising among members of the society. Therefore, a Social Market Economy needs effective **social security** systems, mechanisms for redistribution and a performance oriented taxation system in order to secure social peace and to enable participation of a large part of citizens in the development of economy and society and to finance state

tasks. To finance such tasks, an **incentive-oriented** system of levies is needed (KAS 2009, p. 6). The decentralisation of the state and the transfer of power, responsibility and appropriate resources from central to local or regional institutions should be encouraged in order to empower people.

- Finally, in order to be successful and act responsibly on a long-term basis, the principle of **sustainability** is crucial for the economic system. Respect for the environment and human beings, including future generations, needs to be part of the decision-making processes within the economic model as a condition for long-term success and an expression of intergenerational justice.

Additionally, EPP (2009) sums up the **basic pillars** of Social Market Economy as follows:

- a) individual freedom, personal responsibility and private autonomy in relation to the state and powerful interest groups, embedded into a strong civil society;
- b) free markets, i.e. effective competition, private ownership of the means of production, free pricing, freedom of contract, private liability, controls against monopolies and abuses of power, free international trade and monetary stability;
- c) solidarity and subsidiarity respecting human dignity and safeguarding social peace through policies compatible with an effective market as well as with the elements of reciprocity and sustainability; and
- d) respect for the creation as held in trust for future generations and as a common heritage essential to the harmonious development of every future human being.

The **overall objective** of a Social Market Economy model is “to connect the principle of a free market with that of social balancing (...) in order to create and secure **prosperity for all** (Ludwig Erhard)” (Dickertmann/Piel 2008, p. 407).

2.3 Justifications of the Social Market Economy Model

The historical roots of Social Market Economy are located in **Europe**. The term originally refers to the economic concept that provided the basis for the economic policy of West **Germany** since 1948 (Quaas 2008, p. 393). According to Schlecht, the “monetary and economic reforms of 20th June 1948 mark the birth of the Social Market Economy in West Germany. It was the beginning of a social and economic institutional order, which, after a short time, was admired as the economic miracle everywhere in the world” (Schlecht 2008, p. 401). While Social Market Economy was first implemented in Germany, also other European scholars and politicians from France, Italy, Switzerland, the United Kingdom, Belgium, the Netherlands, Luxemburg, Austria and other countries were part of the network that started to develop and refine the concept since the first half of the twentieth century (EPP 2009, p. 2). As stated by the Social Market Economy’s founding fathers, “Europe’s crisis of the 1920s and 1930s, leading to the catastrophe of the Second World War, were caused mainly by the deterioration and eventual failure of a free and competitive market” (EPP 2009, p. 2). The concept of Social Market Economy, which was then developed as a liberal alternative to planned economy and a social alternative to mere market economy, contributed considerably to political stability and social harmony in Germany (Schlecht 2008, p. 406) as well as to “high levels of prosperity, growth and social cohesion for the past 60 years in Western Europe and in many other countries in the world” (EPP 2009, p. 6).

The Social Market Economy model proved that it can support development processes which many countries, including Tanzania, are struggling for. However, it has to be noted that there is heterogeneity of country conditions. Therefore, the model will have to be adopted according to the conditions and contexts of the respective country.

Tanzania could also learn from countries other than Germany which adopted models with aspects similar to the original Social Market Economy model.

For example, the **Nordic countries** (Denmark, Finland, Sweden, Norway and Iceland), which are, according to the Human Development Report 2016, all among the top 23 in the ranking pertaining to human development of countries worldwide (UNDP 2016a, pp. 22-25), developed socially and economically through the use of various reforms which reflect social market economy values. Nordic countries have established a so-called “Nordic Model” (Andersen et al. 2007; Pontusson 2011) closely related to Social Market Economy.⁵ The Nordic Model encourages high labour force participation, the provision of welfare services, human development (as a key factor with public spending in human capital including childcare, education, and research and development), collective risks sharing and strong labour market institutions, e. g. labour unions and employer associations (Andersen et al. 2007, pp. 11-14). Research findings show that Nordic countries succeed in “combining economic efficiency and growth with a peaceful labour market, a fair distribution of income and social cohesion” (Andersen et al. 2007, p. 11).

Pertaining to the principle of being market-oriented, Tanzania may also look at some **Asian countries**, such as Singapore. In 1960, Singapore faced high unemployment, a lack of sanitation, poor water and health facilities, poverty among citizens and issues of not abiding to laws. The government called an United Nations (UN) team to advise and established an institution to ease direct foreign investment on the island (Taymaz 2003). Generally, the country adopted a pro-business, pro-foreign investment and an export-oriented economic policy framework.

⁵ Here, the Nordic group is “limited to Finland, Denmark and Sweden, as Norway and Iceland would deserve special treatment due to their non-membership of the EU and their high reliance on oil and fishing respectively” (Andersen et al. 2007, p. 13).

3. Situational Analysis for Tanzania

To answer the question if and how a Social Market Economy Model can be successful in Tanzania and serve the needs of the Tanzanian population, the situation of the country and specific country conditions have to be analysed.

The following elements are considered important factors for a sustainable development of the country and implementation of the model and are thus guiding the situational analysis:

- a) macro- and microeconomic developments (section 3.2),
- b) social developments (section 3.3),
- c) political developments (section 3.4),
- d) technological developments (science, technology and innovation (STI)) (section 3.5), and
- e) environmental developments (section 3.6).

This classification is supported by findings of the United Nations Department of Economic and Social Affairs (UNDESA) and Dalal-Clayton/Bass who state that conceptually sustainable development can be broken down into an economic, socio-political and environmental dimension (UNDESA n. d., p. 32; UNDESA 2002, p. 7; Dalal-Clayton/Bass 2000, p. 9). Additionally, technological conditions determine the path of development (Sirimanne 2017).

Prior to the analysis, a brief explanation of the historical background of Tanzania's economic order (section 3.1) takes place and, eventually, the findings are summed up in a SWOT analysis (section 3.7).

3.1 Background of the Tanzanian Economic Order

After independence, Tanzania, in the years between 1961 and 1967, continued with a market-oriented (capitalistic) economic system influenced by the colonial era and dominated by monopoly and ownership of a few. The country's economy was under the control

of a few rich and influential individuals, mainly of European and Asian (especially Indian) origin. These controlled a major part of the economy and there was hardly any government interference.

In 1967, the Arusha Declaration came into force and marked the end of capitalism. This was partly due to Nyerere's convictions and commitment for a state-controlled economy, which manifested itself through nationalisation of private property. African Socialism, known as *Ujamaa*, became the new model of economic and social activities in Tanzania until the mid-1980s. During the period of implementation of the Arusha Declaration, major means of the economy were nationalised, and economic activities were centrally planned. State Owned Enterprises (SOEs) in forms of parastatals were established in virtually all sectors of the economy.

Following the major and far-reaching reforms in the management of the economy in the mid-1980s, Tanzania, under President Ali Hassan Mwinyi, made a U-turn to market economy. It embraced a private sector-led economy. It privatised the former SOEs and liberalised the economy. Both local and foreign investments were highly welcomed by the policy shift. The economy was dominated by the free interplay of market forces of demand and supply. At the same time, the indigenous private sector was not strategically empowered to partner with foreign investors who had capital and advanced technology for production. Cost sharing in social services such as education and health services were introduced as a result of Structural Adjustment Programmes (SAPs). Following the structural adjustments in 1986, the country made numerous efforts to raise its development level and to ensure citizens a better quality of life. For example, Tanzania implemented different approaches and initiatives, such as the National Strategy for Growth and Reduction of Poverty (MKUKUTA I, MKUKUTA II), the Property and Business Formalization Program (MKURABITA), KILIMO KWANZA and the Tanzania Vision 2025 which has been aiming at a significant development of the country. Nonetheless, the analysis of all efforts made to date and the results attained so far show that the approaches, initiatives and strategies have not reached the intended objectives, yet.

Comparing the different economic systems applied in Tanzania, statistics prove that, among the economic models used, market economy produced the best results. According to Potts (2008, pp. 19-21), between 1961 and 1967, the economy grew at 6.5%; when the country changed to African Socialism (*Ujamaa*), the annual growth declined to 4.4%; from 1980 to 1985, while practicing *Ujamaa* and suffering the effects of the Kagera War, the economy in terms of Gross Domestic Product (GDP) grew only at 1.1%; after structural adjustments in 1986 until 1995, the economic growth rose again, reaching 3.2%. Though the country had no clear model during this period, it is evident that there were some elements of the market economy as goods and services flowed freely into/within the country and prices were determined by the market forces of demand and supply.

3.2 Macro- and Microeconomic Developments

3.2.1 Macroeconomic Key Figures

It is “widely accepted that a stable macroeconomic framework is necessary though not sufficient for sustainable economic growth” (Fischer 1993, p. 3). “The macroeconomic framework can be described as stable when **inflation** is low and predictable, **real interest rates** are appropriate, **fiscal policy** is stable and sustainable, the **real exchange** is competitive and predictable, and the **balance of payment situation** is perceived as viable” (Fischer 1993, p. 4). As practicable indicators for measuring the stability of the macroeconomic framework, Fischer specified, among others, the inflation rate and the budget surplus/deficit (Fischer 1993, p. 5). Another common and fairly comprehensive measure is the **GDP** (Wolla 2013, p. 1).

The **GDP** is defined as the “total market value of all final goods and services produced in an economy in a given year” (Wolla 2013, p. 1) and characterised as the sum of personal consumption expenditures plus business investment and government purchases plus export minus import. In Tanzania, according to the National Bureau of Statistics, the economy in 2015 and in 2016

has grown each year by 7.0% in Tanzania Mainland and by 6.6% in 2015 and 6.8% in 2016 in Tanzania Zanzibar (NBS 2017, p. 54)⁶, which is among the highest rates in East Africa (World Bank Group 2018g). A growth rate of 7.0% in absolute numbers is equivalent to 3.3 billion USD based on a GDP of 47.4 billion USD (World Bank Group 2018c) in 2016.⁷ Over the past decade, Tanzania has maintained **relatively stable growth**, with a high **growth rate** at an average of about 6.5% annually (World Bank Group 2017a). As well as a high growth rate, Tanzania has experienced growth of GDP per capita from the 1990s onwards. From 155.59 USD in 1993, the GDP per capita increased to 950.81 USD in 2014, before slightly dropping to 872.20 USD in 2015 (World Bank Group 2018d). Compared to other member states of the East African Community in 2015, only Kenya had a higher GDP per capita (1,355.0 USD) whereas Uganda (675.1 USD), Rwanda (711.8 USD) and Burundi (300.7 USD) fell behind (World Bank Group 2018d).⁸

One of the main economic goals for Tanzania is attaining middle-income status by 2025 (Planning Commission 2000). The current threshold to receive middle-income status according to the definition of the World Bank refers to a GNI (Gross National Income) per capita of at least 996 USD (World Bank Group 2018e). The classification implies: “low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of \$995 or less in 2017; lower middle-income economies are those with a GNI per capita between \$996 and \$3,895; upper middle-income economies are those with a GNI per capita between \$3,896 and \$12,055; high-income economies are those with a GNI per capita of \$12,056 or more” (World Bank Group 2018e). Currently, Tanzania and 33 other countries such as Uganda, Rwanda, Burundi, South Sudan, Malawi and Mozambique, belong to the group of low-income economies (World Bank Group 2018e). In 2017, Tanzania reached a GNI per capita of 910 USD (World Bank Group 2018f).

6 GDP Growth Rate at 2007 Prices (Percent).

7 The growth rate in Germany was 1.9% (FT 2017) and the GDP was roughly 3.48 trillion USD (Worldbank 2018c) in 2016; the German growth rate of 1.9% in absolute numbers is equivalent to 66.1 billion USD.

8 The GDP per capita in 2015 in Germany was 41,323.9 USD (World Bank Group 2018d).

Looking at further indicators, the government has successfully maintained the **inflation rate** near the authorities' medium-term target of 5% (BoT 2017, p. vi) over the past few years. According to the East African Community (EAC), the "overall annual average inflation in 2015 slowed down to 5.6 percent from 5.8 percent registered in 2014" (EAC 2016a, p. 15) and the Tanzanian National Bureau of Statistics indicates an average inflation rate in 2016 (for Tanzania Mainland) of 5.175% (NBS 2017, p. 56). The country also retained relatively stable **interest rates** over recent years at 14 to 16 % since 2003 (Focus Economics 2017).

The **value of the Tanzanian Shilling (TZS)** remained stable in 2016, following considerable volatility in 2015 (World Bank Group 2017a). The EAC and the NBS state, that in 2015, the Shilling was traded at an exchange rate of TZS 1,985 per 1 USD (EAC 2016a, p. 15; NBS 2017, p. 57). In 2016, the mean exchange rate was TZS 2,120 per 1 USD (NBS 2017, p. 57). In August 2017, one USD was equivalent to about TZS 2,238 and at the end of June 2018 it was traded at TZS 2,278 per USD (BoT 2018).

Tanzania's export economy is highly dependent on **external commodity prices**. According to Fiseha Haile from the World Bank, prices declined heavily in recent years, due to a change of needs, that is decreasing demand and higher production capacity. "Oil prices witnessed a particularly large drop, reflecting resilient supply. Metal prices have also plummeted. Gold price, for instance, stood at 1,106 USD per ounce in March 2016, plunging nearly 75 percent from its peak in mid-2011. Tanzania's gold exports fell dramatically from their peak of 2.3 billion USD in 2011/12 to around 1.3 billion USD in 2014/15", Haile (2017) remarks. Thus, the prices of major Tanzanian export commodities have plummeted which also has repercussions on trade negotiations with external partners, in turn worsening the country's terms-of-trade (Haile 2017). Haile notes that "1 percent lower export commodity prices leads to a 0.65 percent decline in exports value, reflecting the fact that Tanzanian exports are predominated by less diversified and largely unprocessed primary commodities, and thus significantly prone to turbulences in commodity prices" (Haile 2017).

Tanzania recorded a **current account** deficit of 9.8% of the GDP in 2015 and it is projected to be a deficit of 7.5% in 2018 (AfDB/OECD/UNDP 2017, p. 3). The current account is “the sum of the balance of trade (exports minus imports of goods and services), net factor income (such as interest and dividends) and net transfer payments (such as foreign aid)” (Trading Economics 2018). According to the United Nations Economic Commission for Africa (UNECA), the “United Republic of Tanzania is one of the few countries in Eastern Africa consistently to record a trade surplus in services (... though) this has not been sufficient to offset the rising imports of goods” (UNECA 2016, p. vi).

According to Mgina (2014), the Tanzanian government has pursued a number of **key economic reforms** since independence, like the privatisation of state firms, the ongoing improvements to Tanzania’s weak infrastructure system, the creation of growing cell phone networks and increased internet access. For a long time, it has generally been regarded positively by bilateral and multilateral donors, which have provided substantial financial and technical support to Tanzania. According to AfDB/Organisation for Economic Co-operation and Development (OECD)/UNDP 2017 (p. 3), the major sources of the growth performance were and are projected to be “services, industry, construction, and information and communication sectors”. Additionally, the Ministry of Finance and Planning identified the fastest growing sectors between 2005 and 2015 (which are predominantly foreign-owned) to have been information and communication, finance and insurance, construction, wholesale and retail trade, and manufacturing (Ministry of Finance and Planning 2016, p. 5, 6).

While the **poverty rate** has recently declined, the absolute number of the poor has not changed given the fast pace of population growth (World Bank Group 2017a). As reported in 2011/2012, 28.2% of the population lived below the basic needs poverty line (UNECA 2016, p. vii; KPMG 2016; Ministry of Finance and Planning 2016, p. 2). It is believed that the economic growth in Tanzania results from the profits of a few people and multinational firms dominating the fastest growing sectors, while

the indigenous private sector seems often unable to compete nationally and internationally. The majority of the population is excluded of this success and cannot benefit from economic development, though making contributions through paying taxes. It appears that the country dramatically lacks investment in research and development (R&D) to enhance productivity. Moreover, the technology transfer from multinational companies to local enterprises seems to be very slow or almost inexistent in some sectors. Though some figures seem to be promising, there are still challenges in job creation, education and health services. Among others, this may be caused by a lack of economic ideology that is **inclusive** and by a majority of sectors contributing to the Tanzanian economic growth that are not directly linked to lives of indigenous people.

The Five Year National Development Plan 2016/2017-2020/2021 (FYDP II) shows that the promotion of **industrialisation** is the main focus of the development agenda in Tanzania,⁹ focusing on “sustainable growth in the industrial sector in order to create favourable levels of employment, economic transformation, equitable development, import substitution and export promotion” (Ministry of Finance and Planning 2016, p. 29). While the manufacturing sector, which includes “the production of textiles, steel products, food and beverages, cigarettes, agro-processing, cement and other construction materials” among others, is regarded as crucial for employment opportunities and export, its sector growth as well as its share in GDP declined, comparing data of the years 2005 and 2015 (Ministry of Finance and Planning 2016, p. 29). The following table gives an overview.

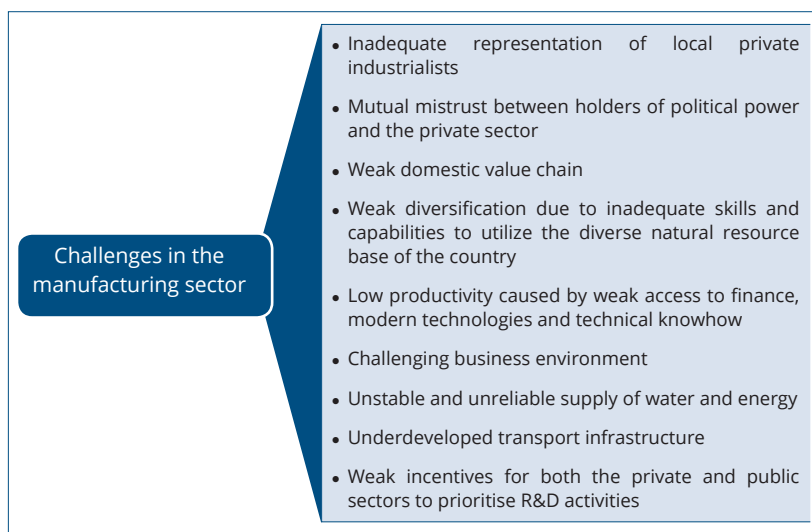
⁹ Wangwe et al. show that since independence Tanzania’s industrial sector has gone through various stages: “from nascent and undiversified to state-led import substitution industrialization, and subsequently to de-industrialization under the structural adjustment programmes and policy reforms. The current development agenda, however, has brought industrial development back” to policy priorities (Wangwe et al. 2014, Abstract).

Table 1: Selected Indicators of Manufacturing Sector Performance, 2005–2015

Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sector growth (%)	9.6	8.4	11.5	11.4	4.7	8.9	6.9	4.1	6.5	6.8	6.0
Share in GDP (%)	7.3	7.5	7	7	6.9	6.9	7.6	7.5	6.4	5.6	5.2

Source: NBS 2016 quoted in Ministry of Finance and Planning 2016, p. 29.

The manufacturing sector is facing diverse challenges, which are summed up in the following figure.

Figure 1: Challenges of the Manufacturing Sector in Tanzania

Source: Based on Ministry of Finance and Planning 2016, p. 30-31 (own layout).

As a result, these challenges foster low growth and an informal nature of small-scale manufacturing firms (Ministry of Finance and Planning 2016, p. 31) and hinder the development of a powerful and dynamic private sector. It should be noted that also service industries like tourism contribute significant revenue to the government and are vital for the economic development of the country; at the same time they are facing similar challenges

as the manufacturing firms. Additionally, Wangwe et al. state that manufacturing “remains largely undiversified, and vulnerable to variations in agricultural production and commodity prices. (...) The domestic value addition is limited by dependence on the imported intermediate goods, signifying limited inter-industry linkages that are important for promoting domestic manufacturing base and employment. Various technological, financial, policy, and administrative constraints remain unresolved and therefore, limiting faster industrial growth and transformation” (Wangwe et al. 2014, Abstract).

The findings support the statement that a new approach is needed to improve development. In the following subchapters, we are looking at the state of the art of the production factors and important sectors in more detail.

3.2.2 Production Factors

According to classical economic theory, there are “three different groups of factors of production: labour, land and capital” (Seitel 2008b, p. 349). Table 2 provides a respective overview.

Table 2: Factors of Production

Factors of Production	Characteristics
Labour (work)	<ul style="list-style-type: none"> every kind of human activity performed a) to satisfy the needs of others and at the same time b) serves the purpose of income acquisition
Land	<ul style="list-style-type: none"> generic term for all resources nature makes available (natural resources) includes land on which industrial plants are built and land used for agriculture and forestry, all mineral resources, stretches of water and vegetation
Capital	<ul style="list-style-type: none"> all goods produced in the past that have not been utilised and with which companies can manufacture future consumer goods includes e. g. factory buildings, machines, tools, existing stock of manufactured goods

Source: Seitel 2008b, p. 349.

Tanzania is facing different challenges related to production factors.

Looking at production factors, according to Nitisha (2013), **human capital (labour)** is “one of the most important determinants of economic growth of a country. The quality and quantity of available human resources can directly affect the growth of an economy. The quality of human resources is dependent on their skills, creative abilities, training and education (...). A shortage of skilled labour hampers the growth of an economy”. To achieve sustainable economic growth, a country needs adequate human resources with required skills and abilities.

According to the most recent census, Tanzania in 2012 had a total population of 44.9 million inhabitants (NBS 2017, p. 17).¹⁰ With 79% of the population under 35 years (NBS 2017, p. 22), the Tanzanian population has a large share of young¹¹ people, a so-called “youth bulge” (UNECA 2016, p. 12). The working age population comprises the proportion of the country’s total population aged 15-64 years, which was 52.2 % in Tanzania in the 2012 census (NBS 2017, p. 22). According to the FYDP II and the Integrated Labour Force Survey (ILFS) 2014, the working age population in absolute numbers is expanding; it grew from around 21.0 million people in 2006 to 25.8 million in 2014, and most of the working age population are rural residents (Ministry of Finance and Planning 2016, p. 18; NBS 2015, p. xvi). The documents also state that about 87% of the working age population is economically active (Ministry of Finance and Planning 2016, p. 18; NBS 2015, p. xvi).

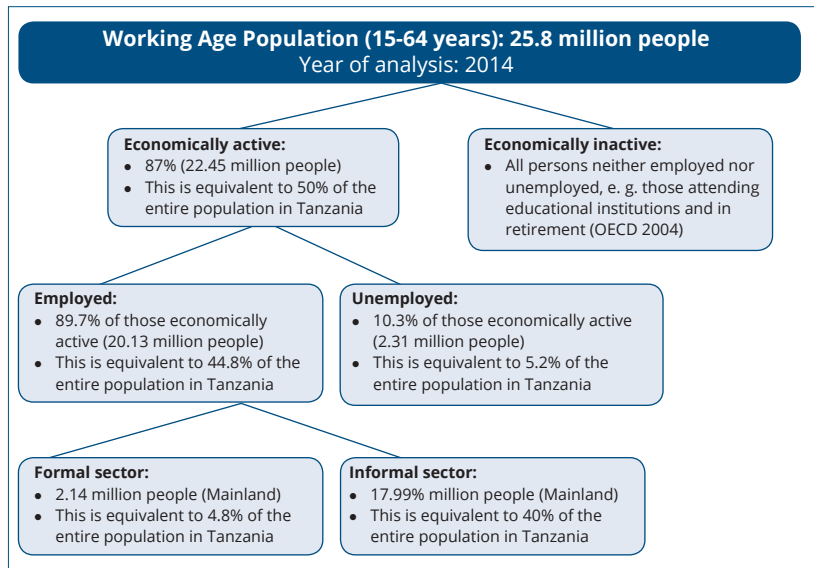
Though Tanzania has a substantial amount of human resources, “there is a relatively poor performance of the labour market” (UNECA 2016, p. 13) and unemployment remains a challenge. The overall unemployment levels in percent in the country have slightly decreased from 11.7% in 2006 to 10.3% in 2014 (Ministry of Finance and Planning 2016, p. 18; UNECA 2016, p. 14). However,

¹⁰ The population projection 2017 of the Tanzanian National Bureau of Statistics is 52,554,628 people in total, with 25,687,154 people being male and 26,867,474 female (NBS 2018). Recent statistics by the World Bank (2018, p. 123) estimate that the country’s overall population is about 55 million.

¹¹ The Tanzania National Youth Policy defines the youth as persons aged 15 to 35 years.

the absolute number of unemployed people has risen to 2.3 million in 2014¹² and the employment-to-population ratio¹³ has declined from 79.2% in 2006 to 77.8% in 2014 (NBS 2015, p. 37; NBS 2007, p. xvii). This implies that the ability of the Tanzanian economy to create employment has stagnated.

Figure 2: Employment in Tanzania – Structure and Figures



Source: Based on Ministry of Finance and Planning 2016, p. 18; NBS/OCGS 2012, p. iii; NBS/OCGS 2015d, p. xi; NBS 2015, pp. xvi, 37; NBS 2017, p. 22; UNECA 2016, p. 14 (own layout).

The problem of unemployment does not affect all Tanzanians equally. While the unemployment rate in Dar es Salaam fell by 10% between 2006 and 2014 from 31.5% to 21.5%, it increased from 7% to 8.4% over the same period in rural areas (NBS 2015, p. xix). This development is also particularly accurate amongst youth. Youth unemployment has been estimated at 11.7% in Tanzania and 28.8% in Dar es Salaam (NBS 2015, p. xx-xxii). According

¹² The absolute number of unemployed persons was 2.2 million in 2006; this includes persons aged ten years and above according to the ILFS (NBS 2007, p. xvii).

¹³ This ratio is the proportion of a country's working age population that is employed in the production of goods and services; it is used as an indicator of a country's ability to create employment (NBS 2015, p. 36).

to the World Bank, the labour force in Tanzania is expected to double by 2030 as nearly 1 million people enter the labour market annually (World Bank Group 2014, p. 5); the Ministry of Finance and Planning reports an “increase in the supply of labour force (estimated at around 800,000 new entrants per year)” (Ministry of Finance and Planning 2016, p. 35); and the Danish Trade Council for International Development and Cooperation states that “around 850,000 young people enter the country’s job market annually, but only 50,000 to 60,000 formal sector jobs are created each year. With more than 66 percent of the population under 25, this job shortage will keep rising” (Danish Trade Council for International Development and Cooperation 2016, p. 11). It seems that the accommodation of the number of labour market entrants represents a serious challenge for the country in future. Furthermore, a “mismatch between quality and qualifications of graduates and needs of the labour market” is reported in the FYDP II (Ministry of Finance and Planning 2016, p. 13).

There are also challenges pertaining to land as a factor of production. Tanzania is endowed with plenty of **natural resources**, ranging from arable land, to access to the sea and minerals. These resources can be significant economic factors¹⁴, however, are often badly utilized or underexploited. The lack of a land use plan, for example, causes poor land-use and encroachment of agricultural and reserved land (Ministry of Finance and Planning 2016). Tanzania, unlike most of its neighbouring countries, enjoys favourable strategic local conditions. Despite access to a vast amount of water bodies, including being located at the Indian Ocean and at Lake Victoria, which is Africa’s largest lake and the world’s second-largest freshwater lake, such opportunities do not seem to be fully embraced, yet. On the other side, impacts of climate change such as droughts, floods and sea-level rise pose diverse threats to natural resources and contribute to a significant loss of (arable) land in Tanzania, if necessary adaptation is not taking place (Watkiss et al. 2011, p. 3 and 7). At the same time, “Tanzania’s economy is very dependent on the climate, because a large proportion of GDP is

¹⁴ For example, the “country is ranked 4th among 140 countries with regard to endowment of tourism-related natural resources” (Ministry of Finance and Planning 2016, p. 8).

associated with climate sensitive activities, particularly agriculture” (Watkiss et al. 2011, p. 3).

3.2.3 Key Sectors

There are some sectors that are drivers of the economy in Tanzania. The agricultural sector has been widely understood as backbone of the country for years. Additionally, in order to promote industrialisation the energy sector is of key importance and, moreover, these sectors and the objective of industrialisation are believed to be only successful if appropriate infrastructure pertaining to transport and communication is available. Furthermore, channels for capital flow and marketplaces are seen as prerequisite for success.

- **The agricultural sector** employs the majority of the people (about two thirds, 66.9%)¹⁵ (Ministry of Finance and Planning 2016, p. 18) but represents less than one third (approximately 29%) of the GDP of the country (URT 2017, p. 1). It reveals a low yield in a sector which concerns a large part of the population. The agricultural sector consists of majorly subsistence agriculture and is dependent on rainfall (KPMG 2016, p. 2). The modernisation of the agricultural sector could boost the economic development of the country, allowing a broad participation of Tanzanian people in economic growth.
- **The energy sector:** The power production likewise plays an important role for the socioeconomic development of the country; at the same time, it faces a series of challenges. Tanzania still heavily relies on hydroelectric power as a major source of power which is adversely affected by changes in weather and climate. Following two severe droughts, occasioning frequent shortages and deficient distribution, the Tanzania Electric Supply Company Limited (TANESCO) developed costly emergency power production projects, raising the share of natural gas in electricity production to 34% (Ministry of Finance and Planning 2016, p. 12). The high costs of production deprive

¹⁵ Followed by elementary occupations (10.9%) as well as service and sales workers (9.8%) (Ministry of Finance and Planning 2016, p. 18).

the main (if not to say only) enterprise in the domain of any profit and threaten its future. Solar, wind and geothermal sources are utterly underexploited, even if numerous studies proved their enormous potential in Tanzania (AfDB 2015). The generation capacity has improved in recent years but remains limited and will need to be significantly raised to achieve the government's plan to be able to produce 10,000 MW in 2025; and also, the distribution capacity needs to be expanded as most Tanzanian households are not connected to the national grid (European Union Delegation to Tanzania and the EAC 2016, p. 3). Approximately 90% of Tanzania's energy is self-produced from biomass (European Union Delegation to Tanzania and the EAC 2016, p. 3), creating dependencies on natural resources such as charcoal, in turn leading to environmental degradation, above all deforestation.

- **The transportation and communication sectors** have been streamlined in the past few years. Significant investments have been made. For example, tarmac roads have been built to connect regional headquarters (Ministry of Finance and Planning 2016, pp. 11-12). The government is now struggling to ensure that the construction of the Standard Gauge Railway becomes a successful project. The first phase of the country's 2561km Standard Gauge railway project, which will eventually link the Indian Ocean port of Dar es Salaam with Mwanza on Lake Victoria and Kigoma on Lake Tanganyika as well as the neighbouring land locked countries Rwanda, Burundi, Uganda and the Democratic Republic of Congo (DRC), has been launched (Bringinshaw 2007; Ministry of Finance and Planning 2016, pp. 19-20). Although there is improvement in aviation and marine transport, they also face challenges of inadequate facilities and services (Ministry of Finance and Planning 2016). With regard to the communication sector, Tanzania is reported to have Africa's lowest mobile data cost in Africa (Lyimo 2016) and additionally, the National ICT Infrastructure Backbone Project has been completed by laying more than 25,000 km of optic fibre cable (OFC) covering 24 regions of Mainland Tanzania

in order to provide a solid base for scaling up the broadband access and connectivity in the country (Ministry of Finance and Planning 2016, pp. 17-18).

- **Capital and marketplaces:** Further, the possession of enough capital is necessary to any productive work and often considered a sign of economic development. However, on the one hand, apart from lacking sufficient access to capital, people also lack the knowledge and information on how and where to invest. On the other hand, the introduction of mobile money, for example M-PESA, has transformed access to financial services in Tanzania and many other sub-Saharan African countries and can help overcome gaps in financial inclusion (Abiona/Koppensteiner 2018).

Despite the presence of various banks and financial service providers – including women and religious banks as well as specific options for Small and Medium Enterprises (SME) – it remains very difficult for most of the population to obtain funding. Indeed, most people neither hold assets such as land or property nor do they have initial deposits, which are necessary conditions to take out a loan. The majority of those who seek funding from the Community Savings and Credit Cooperatives (SACCOS) and Village Community Banks (VICOBA) are termed as informal sector and not regarded a priority by the Government.

Additionally, access to a marketplace is vital for successfully doing business and for the economy at large. Before a firm produces anything, it has to consider whether there is a current or potential (national or international) market for its products or services. So, the market is a crucial first thing to consider for enterprises (Mufuruki et al. 2017).

Looking at the business environment in the country, according to the latest World Bank's Doing Business Reports, Tanzania is one of the less suitable places for doing business in the world. The country was ranked 137th out of 190 countries in 2017 (World Bank Group 2018a, p. 4), while it had already been ranked 132th in 2016 (World Bank Group 2017c, p. 7) but was

ranked 139th out of 189 countries in 2015 (World Bank Group 2016, p. 5). Table 3 provides an overview.

Table 3: Ease of doing business ranking and respective indicators (2015–2017) – Tanzania

TANZANIA	June 2014 to June 2015	June 2015 to June 2016	June 2016 to June 2017
Overall	139 (out of 189, benchmarked in June 2015)	132 (out of 190, benchmarked in June 2016)	137 (out of 190, benchmarked in June 2017)
Indicators			
Starting a business	129	135	162
Dealing with construction permits	126	136	156
Getting electricity	83	87	82
Registering property	133	132	142
Getting credit	152	44	55
Protecting minority investors	122	145	129
Paying taxes	150	154	154
Trading across borders	180	180	182
Enforcing contracts	64	59	58
Resolving insolvency	99	100	108

Source: World Bank Group 2016, pp. 5 and 239; World Bank Group 2017c, pp. 7 and 244; World Bank Group 2018a, pp. 4 and 198.

While reforms for doing business between June 2015 and June 2016 made it easier to get credit due to the fact that „the credit bureau in Tanzania expanded credit bureau borrower coverage and began to distribute credit data from retailers“ (World Bank Group 2017c), an increased land and property registration fee in the reporting year 2016/2017 made it more difficult to register property (World Bank Group 2018a, p. 139), recent Doing Business Reports state.

The FYDP II summarises: “Policy and institutional constraints, energy shortfalls, shortages of skills and problematic access to land for industrial purposes still impede growth of the private sector. In addition, in the absence of a one-stop window for most agencies (even at the TIC), the multiplicity of charges/fees

imposed by various control and regulatory agencies will continue to increase costs of doing business in terms of finances and time” (Ministry of Finance and Planning 2016, pp. 12-13).

3.3 Social Developments

According to the Household Budget Survey (HBS) 2011/2012 quoted in the FYDP II, “poverty is becoming more responsive to economic growth. The Basic Needs poverty declined substantially from 34.4 percent (2007) to 28.2 percent (2012) and food poverty from 11.7 percent to 9.7 percent respectively. It is the first major decline in poverty in twenty years” (Ministry of Finance and Planning 2016, p. 13). Human development indicators in education, health, water and nutrition improved. However, human development in Tanzania remains low and the country is experiencing “widening inequities between (the) regions in the services provided by LGAs” (Ministry of Finance and Planning 2016, p. 13). Though the overall poverty rate fell from 60% in 2007 to an estimated 43% in 2016, about 12 million Tanzanians still live in extreme poverty (World Bank Group 2017d, pp. 18-19). However, the decline of the poverty rate is not mirrored in the absolute number of the poor, which has, due to fast pace population growth, remained constant (World Bank Group 2017a). Hence, economic growth is not clearly reflected in the lives of the people. Inadequate financial allocations and insufficient training of human resources “remain the primary challenges hindering further achievements” pertaining to socioeconomic development (Ministry of Finance and Planning 2016, p. 13).

3.3.1 Social Security

According to the ILO, the “development and establishment of formal social security systems for the provision of income support and medical care constituted a major step in the development of human societies” (ILO 2011, p.7).¹⁶ Irrespective the concrete mechanism applied, principal objectives include to reduce “income

¹⁶ Meanwhile, the “right to social security is recognized as a human right in fundamental human rights instruments, namely the Universal Declaration of Human Rights, and the International Covenant on Economic, Social and Cultural Rights (ICESCR)” among others (ILO 2011, p.10).

insecurity, including the eradication of poverty, and improving access to health services for all people, so as to ensure decent working and living conditions“ (ILO 2011, p. 8).

Very few Tanzanians – only about 8.1% of the population – enjoy the service of the existing mandatory social security schemes (UN 2014, p. 2). The social insurance system in the country includes the following programmes: The National Social Security Fund (NSSF), the PPF Pensions Fund, the GEPF Retirement Benefits Fund, the LAPF Pensions Fund, and the Public Service Pensions Fund (PSPF); additionally, on the 1st July, 2016 the Workers Compensation Fund (WCF) began to collect and administer work injury benefits (ISSA 2017, pp. 224-228).¹⁷

These programmes are tremendously important to socioeconomic development as they provide social protection services such as temporary and permanent disability benefits, sickness and maternity benefits, old age benefits and survivor benefits (ISSA 2017, pp. 224-228). Employees are generally free to decide upon the social security fund of their choice. Due to inefficiency within the system however, some employers do not submit the employees' contributions on time, causing difficulties to the beneficiaries when trying to claim benefits.

According to a report from the UN in 2014, “overall, over 90% of the population, including almost all informal sector workers, the self-employed and the unemployed, do not have protection in case of vulnerability to life contingencies, livelihood shocks or severe deprivation” (UN 2014, p. 2). Hence, these people “tend to depend on the extended family and clan for support” (UN 2014, p. 3).

Meanwhile, the social security funds are advancing into serving not only employees in the formal sector but also those that are self-employed and willing to make monthly contributions (ISSA 2017, pp. 224-228). Efforts have been made to reduce inefficiencies in these social security funds and to increase the number of

¹⁷ It is the Prime Minister's Office, Labour, Youth, Employment and Persons with Disability that provides general supervision and the Social Security Regulatory Authority (SSRA) that shall regulate and supervise the performance of all social security programmes (ISSA 2017, pp. 226-228).

beneficiaries. Yet, more efforts are needed to educate citizens on the importance of social security as only a small proportion of the population is covered in comparison to most developing countries (UN 2014, p. 2).

In 2018, the Public Sector Social Security Fund Act 2018 has been enacted in order to “provide for establishment of the Public Service Social Security Scheme; to provide for contributions to and payments of social security benefits in respect of the service of employees in the public service; to repeal the Public Service Retirement Benefit Act, the LAPF Pensions Fund Act, the GEPF Retirement Benefits Fund Act and the PPF Pensions Fund Act and to provide for other related matters” and “shall apply in Mainland Tanzania in respect of all employers and employees in the Public Service” (URT 2018, p. 8). It is meant to harmonise existing schemes. It was reported that “the entire public workforce will now be served by the Public Service Social Security Fund (PSSSF) and the National Social Security Fund (NSSF), which will cater for the public and private sectors respectively” (The Citizen 2018).

Elders and disabled people are often left under the care of relatives without any state support. Indeed, the law requires the people not to claim their contributions until they reach the retirement age (Social Security Schemes (Pension Benefits Harmonization) Rules 2017, Art. 5(1)(b)). Zanzibar is already implementing social security for elderly in form of a universal pension scheme (ZUPS). Help Age International, among others, has played a key role and provided support in the long, challenging process of introducing the pension.

Finally, the social security funds have been given the mandate to invest the contributions of members in different activities. Most of them are investing in real estate business. However, some of the providers are suspected of investing in assets which may not provide the best yield and are consequently accused of mismanagement of funds (Semango 2015). This needs to be investigated so as to ensure that member contributions are safe and members can rely on the services when needed.

3.3.2 Health and Demography

Tanzania's population has been rapidly growing due to a consistently high fertility rate over the past decades, as well as significant progress in the health sector. According to the population census in 2012, the bulk of the Tanzanian population is in reproductive age and the total fertility rate (TFR) amounts to 5.5 children per woman, with some regional variations (NBS/OCGS 2015a, p. iv). Above all, urban-rural disparities are to be highlighted, as women in rural areas experience higher fertility rates (6.5 on average) than their urban counterparts (around 4.1) (NBS/OCGS 2015a, pp. 44-45).

Additionally, life expectancy rose from 51 years in 2002 to 61 years in 2012 and infant mortality declined from 95 deaths per 1000 live births in 2002 to 68 in 2005 and 46 in 2012 (NBS/OCGS 2012; NBS/OCGS 2015b, p. 57). Hence, the Millennium Development Goal (MDG) to reduce infant mortality to 38 deaths per 1000 live births by 2015 seems achievable (UNDP 2014, p. xii). However, undernutrition remains one of the largest threats to human development in the country, whereby, at the household level, caloric availability has hardly improved since 1997 and chronic malnutrition is assumed to be an underlying cause of over one third of under-five year old deaths (UNDP 2014, p. xii). While significant progress has been made to reduce child mortality (Ministry of Finance and Planning 2016, p. 70), the neonatal mortality rate remains high at 22 per 1,000 live births in 2016 (World Bank Group 2018b), and accounts for approximately 50% of the infant mortality rate.

In order to deliver primary healthcare services to its citizens, the Government has dedicated significant effort, through public and private providers. According to the Ministry of Health and Social Welfare (MOHSW), in 2013 there were approximately 4,679 dispensaries and 481 health centers throughout the country and about 90% of the population was living within five kilometers of a primary health facility which, however, does not take into account that the majority of the population lives in rural areas at a greater distance from hospitals and the care of specialists. Additionally,

the MOHSW reported in 2013, that Tanzania Mainland had approximately 237 public and private hospitals, of which 57 were district hospitals owned by the Government of Tanzania and 35 designated district hospitals owned by faith-based organisations. There were also 5 other government hospitals at the district level, 4 of them military. There were 27 government regional hospitals and 10 faith-based referral hospitals at the regional level functioning as referral hospitals for district hospitals and 9 national and “super-specialist” hospitals (MOHSW 2013, p. 1).

The Jakaya Kikwete Cardiac Institute (JKCI), which was established in October 2015, is an important step in improving the health provision and research. The JKCI deals with cardiovascular care, treatment, training and research services related to cardiovascular issues across all demographic groups. This enables many Tanzanians who had to travel to India and other countries for cardiovascular treatment to get the services at affordable costs in Tanzania. The amount of money that was being used by the Government to support the treatment of its citizens outside the country can now be used in expanding the provision of other important services.

The shortage of qualified professionals in healthcare at all levels of the health system, epidemics such as HIV/AIDS, tuberculosis (TB) and malaria, a limited access to health facilities and to health professionals because of poor infrastructure, inefficiency of the healthcare system as well as poverty and a lack of education and information with regard to health-related issues are difficulties the country must overcome (MOHSW 2013, p. 1-2). According to the Health Sector Strategic Plan III, only 35% of the positions in the health sector are occupied by qualified health workers, leaving Tanzania in a severe crisis in the health sector with regard to qualified personnel (MOHSW 2009, p. 5). Finally, the Tanzanian healthcare sector dramatically lacks information and communication technology (ICT) infrastructure, adequate coordination on ICT matters among ministries, department agencies (MDAs) as well as partners, and well-trained ICT workers (MOHSW 2013, p. 1-2). According to the MOHSW, “the Tanzanian

health sector is characterized by a fragmented landscape of ICT pilot projects and numerous data and health information system (HIS) silos with significant barriers to effective sharing of information between stakeholders. Although the government, partners, and private institutions are continuing to invest in various ICT initiatives, without some form of a national plan and coordination, there is a real risk of continued duplication, ineffective expenditure, and the creation of new solutions that cannot be integrated or scaled across the continuum of care” (MOHSW 2013, p. v). The Ministry of Health, Community Development, Gender, Elderly and Children (MOHCDEC) also “recognizes the potential for information and communication technology (ICT) in transforming healthcare delivery by enabling information access and supporting healthcare operations, management, and decision making” (MOHSW 2013, p. v).

Yet, Tanzania’s collaborative efforts have borne fruits on reducing HIV and Malaria prevalence. According to the Tanzania HIV/AIDS and Malaria Indicator Survey (THMIS) 2011-2012, a comparison with the THMIS 2007-2008 shows that HIV prevalence has slightly decreased from 6% to 5% among adults aged 15 to 49 years (TACAIDS/ZAC/NBS/OCGS/ICF International 2013, p. 112). Preliminary findings of the Tanzania HIV Impact Survey 2016-2017 additionally reveal a decline of HIV prevalence among 15 to 49 years to 4.7% (NBS/OCGS 2017, p. 1). The THMIS 2011-2012 measured a malaria prevalence¹⁸ among children from 6-59 months of 9.2% (TACAIDS/ZAC/NBS/OCGS/ICF International 2013, p. 156). In the 2007-2008 THMIS, malaria prevalence among children age 6-59 months was 18% (TACAIDS/ZAC/NBS/OCGS/ICF International 2013, pp. 156 and 160).¹⁹

With regard to social protection, the Ministry of Finance and Planning reports a low coverage of health insurance of the population as a challenge in Tanzania and points out that an expansion of coverage of health insurance of the population is

18 According to the rapid diagnostic test (RDT).

19 Due to differences in the methodology and implementation, caution should be used for comparing the malaria prevalence estimates from the 2007-08 THMIS and the 2011-12 THMIS (TACAIDS/ZAC/NBS/OCGS/ICF International 2013, p. 160).

required (Ministry of Finance and Planning 2016, p. 197). Mills et al. state that the health system in Tanzania is fragmented (Mills et al. 2012, p. 2). Access to health care is based on a “fee-for-service scheme”; to cover costs, there are basically two compulsory social insurance funds offering health and medical coverage (UN 2014, p. 3)²⁰: The National Health Insurance Fund (NHIF) provides health insurance mandatorily to formal sector employees and voluntarily to the informal sector workers. The Community Health Fund (CHF) was also introduced by the Government of Tanzania with the support of the World Bank under their health and nutritional activities to improve access to quality health care for rural communities and those in the informal economy at affordable costs. Coverage has increased by involving more hospitals and health centres. More effort is however needed to educate citizens on the importance of health insurance as these funds cover only 14% of the Tanzanian population (UN 2014, p. 3).

Tanzania can also take advantage of available health partners. Medical Missions, Engender Health as well as the Bill and Melinda Gates Foundation which all aim at supporting the health sector, by building health centres, providing health facilities, experts and trainings, including diplomas and degree courses. The grant provided to Tanzania by Bill and Melinda Gates, for example, is directed towards reducing infant mortality rate, fighting against malaria and controlling malnutrition; the Bill and Melinda Gates initiative strives to help transform healthcare settings by improving healthcare delivery and workforce, simplifying communications and managing medical products, vaccines and technologies (Peril of Africa 2017).

Drug trafficking and consumption is another serious issue faced by the country. A number of youths have been affected by drug use (cocaine, heroin, marijuana and khat leaves being the most common ones). According to the International Narcotics Control Strategy Report (INCSR) 2018 of the Bureau of International

²⁰ Additionally, the NSSF has introduced a Social Health Insurance Benefit (SHIB) for its members (Mills et al. 2012, p. 3) and different private insurance schemes (e.g. from AAR Insurance Tanzania Ltd.) are in place.

Narcotics and Law Enforcement Affairs, Tanzania produces cannabis both for domestic consumption as well as for international distribution and is a significant transit country for cocaine and heroin, with a growing domestic user population; Tanzanian drug trafficking organisations and courier networks operate globally with cells throughout the world and these organisations play a noticeable role in the Southwest Asian heroin trade, for example (Bureau of International Narcotics and Law Enforcement Affairs 2018, p. 268). A number of these drug dealers have been jailed in China and in other countries. Youths involved in drug use have failed to make economic progress as they spend their resources on drugs and finally withdraw themselves from economic activities due to the effect of drugs. The Tanzanian Government is fighting a fierce battle against drug dealers. Arrests of major dealers have been made and a series of campaigns is ongoing to abolish drug trafficking and consumption in Tanzania.

3.3.3 Vulnerable Groups

Vulnerable groups, e. g. women, girls, children, elderly and disabled persons, may be systematically left out from the development process if special care and interventions are not in place. Some examples are given hereunder. A Social Market Economy accounts for all its citizens and is aimed at inclusiveness, so that economic growth results in economic development and prosperity for all.

- **Women headed households:** According to the 2012 Population and Housing Census, approximately 42% of Tanzanian women aged 15 years or above are unmarried (33%), divorced (3.5%), separated (1.2%) or widowed (4.2%) (NBS/OCGS 2015c, p. 18). 33.4% of households were headed by females (NBS/OCGS 2012); that is 32.6% of households in rural and 34.9% in urban areas (NBS/OCGS 2015c, p. 13). Single-parent households are generally more vulnerable to poverty since only one person oversees all financial and decisional responsibilities. These women perform parenting and economic roles, which is why they should be enabled to receive the skills necessary to secure decent paying jobs and activities to be able to satisfy the needs

of their families (most especially education, shelter and health for their children).

- **Elderly** (60+ years): According to the 2012 Population and Housing Census, 5.7 % of the Tanzanian Population is aged 60 or older (NBS/OCGS 2015c, p. 8). Elders, who are primary caregivers for young children, are particularly vulnerable to poverty and a lack of food security; according to the “Vulnerable Groups Planning Framework” these are approximately 10% of the elderly in Tanzania and 14% of elderly women (URT 2016, p. 6). In some areas, like in the Lake Zone, elderly women are at times accused of witchcraft and several incidents of physical violence against them or murder have occurred (LHRC/ZLSC 2018, pp. 157-158; URT 2016, p. 6).
- **Children:** Children are generally very vulnerable to poverty and all sorts of violence (LHRC/ZLSC 2018, pp. 140-154), since they cannot support themselves and are dependent on adults, and conversely, large households with numerous children are more subjected to extreme poverty, because the parents’ income must fill the needs of the whole family. The authorities also planned a policy of free healthcare for children under the age of 5, but its implementation is stalled. To tackle economic deprivation, some households depend on child labour, above all in rural areas; amongst children aged 5 to 17 years, 36.1% of the boys and 28.2% of the girls are forced to work (URT 2016, p. 6). Child labour but also teen pregnancy tend to interfere with schooling. By withdrawing these children from school, those practices are not only disadvantageous to them but also a burden to society and the government at large. As a member of the United Nations Convention on the Rights of the Child, Tanzania has pledged to respect and effectuate children’s rights, such as the right to education and health care as well as the rights to be protected from child labour and sexual exploitation (UNCRC, art. 24, 28, 32, 34).²¹ The implementation of these rights enables children to become economically and

²¹ This also applies under the African Charter on the Rights and Welfare of the Child, which the United Republic of Tanzania ratified in 2003 (AU 2003).

socially independent and to support the development of the country as a whole.

- **Disadvantaged Communities** (URT 2016, p. 6): Various communities – hunters, gatherers, agro-pastoralist people, nomadic or sedentary groups – often cannot benefit from social services, mostly because of geographic and infrastructure-related constraints. The diversity of these groups has led to a lack of effective representation that makes it difficult for both, communities and the Government, to gather information pertaining to the challenges they are facing. Most of them are deprived from access to formal education, good water services and health care. Some of the groups have kept to their traditional ways and their community-based social structure, rarely engaging in intergroup marriage or seeking outside employment. Usually, the wealth of such groups is measured with regard to the number of livestock, such as cattle, goats, sheep and chicken. Currently, agro-pastoralists communities have been more successful at integrating into other communities where they settle, for example, by renting land and growing crops. Some even hold positions in Community-Based Organisations (CBOs) and community governance structures. On the other hand, the hunter-gatherers seem to be more isolated from communities and decision-making respectively, which originates from a less sedentary, more nomadic lifestyle.
- **People with Albinism:** In Tanzania today, Albinos often are victims of discrimination, violence and are sometimes killed, among others because some communities associate their body parts with good luck (Wesangula 2015). Despite actions of the Government, NGOs and civil society, Albinos still have difficulty in access to the healthcare and specific products they need (capes, oil, clothes, shoes etc.). Wesangula reports further that people with albinism have to face a lot of stereotypes, which disadvantages them in many social and economic activities, like on the labour market. This locks them in a vicious cycle of poverty and exclusion (Marcon/Vecchiato 2014). It also still seems challenging to ensure access to the rights for vulnerable

groups, since the Tanzanian society is deeply marked by beliefs, customs and traditions that tend to set the social order and to exclude them from the national economic and social progress.

3.4 Political Developments

Tanzania is basically a country whose people live in peace and harmony. Since independence, there have been a number of efforts to foster people to live in better conditions and participate in developing their country. Any change in the country cannot be separated from political policies and factors. Political factors, such as the participation of the Government in formulating and implementing various policies, have a major effect on economic growth (Ngowi 2009). The Government has to ensure policies are well set so as to ensure positive economic transformation, growth and development. The Government should make sure that the chosen development path takes into account the values of its citizens (participatory approach) and that the implemented development projects are sustainable. According to the UNDP, Tanzania needs a clear national development ideology and more decentralisation to develop a sustainable and efficient economic structure (UNDP 2014, p. xvii). Tanzania's first president Julius Nyerere led a one-party state that nationalised key industries and created *Ujamaa*, a rural, collective village-based movement of African socialism and self-reliance. *Ujamaa* faced increased popular dissatisfaction and was slowly abandoned in the 1970s and 1980s.

Nyerere retired as a president in 1985. He was succeeded by Honourable Ali Hassan Mwinyi, who oversaw political reforms and a gradual transition to a market economy, in part due to economic collapse brought on by poor implementation of *Ujamaa* and centralised economic management. Since *Ujamaa* was abandoned, Tanzania lost its economic vision of becoming a self-reliant nation with a strong economy dominated by industrial products, business and tourism. From 1985 to date, Tanzania engaged in development through foreign investments by multinational enterprises. Consequently, the successive

governments developed a tax collection economy, neglecting the indigenous private sector. Thus, the productivity of Tanzanian workers and firms remained low, depriving them of the access to international markets.

In 1992, the multi-party system was reintroduced in Tanzania. The Chama Cha Mapinduzi (CCM) still remains the ruling party, competing with Chama cha Demokrasia na Maendeleo (CHADEMA), Civic United Front (CUF), National Convention for Construction and Reform – Mageuzi (NCCR–MAGEUZI), Alliance for Change and Transparency (ACT–WAZALENDO), National League for Democracy (NLD) and 13 more other registered political parties (Office of Registrar of Political Parties 2017). The aim of a multi-party system is to widen democracy and strengthen good governance. The ruling party forms the Government while the opposition parties are expected to provide a system of checks and balances, so as to achieve a common goal of economic growth and development for the country.

The population in the EAC, the regional bloc which Tanzania is part of and that additionally includes the Republics of Burundi, Kenya, Rwanda, South Sudan and the Republic of Uganda, was estimated to grow by 2.9% between 2014 and 2015 from 145.4 million to 149.7 million people (EAC 2016b, p. 15)²². The region is an important market outlet for Tanzanian products, but a stagnant integration process of the zone does not allow the full exploitation of its potential.

There are a number of policies and policy statements that have been developed over time since independence; the following give special attention at this point to reflect current political developments.

3.4.1 Education Policy

Although Tanzania has achieved a lot in education accessibility and literacy so far, the education system is not directly linked with national economic productivity. Since January 2016, every child in Tanzania can access to **free fee basic education**. The

²² These figures include the United Republic of Tanzania and the Republics of Burundi, Kenya, Rwanda and Uganda. The EAC shall expand further with the integration of the Republic of South-Sudan into the bloc (EAC 2016a, p. 2).

Government had already abolished tuition fees in primary schools in 2011 through the Primary Education Development Plan (PEDP) and announced the implementation of the Secondary Education Development Plan (SEDP) in October 2015 (El-Noshokaty/ Gebert 2017, p. 1). The removal of the fees allowed hundreds of children to register for the first time (Africa Times 2016). Thus, the Tanzanian state took a big step towards the achievement of the 4th Sustainable Development Goal (SDG) – “ensure inclusive and quality education for all and promote lifelong learning” (UN 2015).

However, these reforms hold new challenges. There is an increasing need for resources in order to ensure the efficient implementation of free education. The increasing number of primary and secondary students must be accompanied by an increase in teaching staff as well as the provision of sufficient facilities, books and desks. Moreover, sufficient capitation grants must be provided to support students and these funds must also be sent to schools on time. Further, teachers must be given a clear, durable teaching syllabus: There have been frequent changes causing confusion and resulting in the publication of books containing errors which hampers quality teaching.

Kitima also points out that there have been several reforms for the expansion of education services; however, most of the reforms have been driven by political motives, and the only exception has been the reform for education for self-reliance during the time of Mwalimu Nyerere that put the national interest and inclusiveness at the centre stage while current reforms are not connected with economic, social and democratic aspirations of citizens (Kitima 2017, p. 3).

Sambaiga underlines that the country’s Development Vision 2025 stresses the necessity to produce “the quantity and quality of educated people sufficiently equipped with the requisite knowledge to solve the society’s problems, meet the challenges of development and attain competitiveness at regional and global level” (Tanzania Institute of Education 2013, p. 9) and that the number of universities has already reached about 77 as indicated

by the Tanzania Commission for Universities (Sambaiga 2017, p. 11; TCU 2015). At the same time, in Tanzania, education has not yet been linked with national economic transformation. The FYDP II reports a “mismatch between quality and qualifications of graduates and needs of the labour market” (Ministry of Finance and Planning 2016, p. 13). It is observed that many school leavers are not connected with any type of job, even that of going back to rural areas to be farmers like their parents. The school system does not provide them opportunities to acquire basic vocational skills for their livelihood; very few youths can join vocational, technical, and higher education institutions. This indicates that many youths have few opportunities to learn skills to help them start and sustain enterprises. In addition to that, Kitima also asserts that education in the country has “a limited capacity of job creation due to poor curricula, poor teaching and learning methods, and frequent changes in the education system designed by individuals without structured debates with stakeholders (...); a lack of clear education philosophy (...) and an expansion of primary and secondary education without long-term planning and without a link to national development plans” (Kitima 2017, pp. 6-7). Referring to scientific findings from Simon (2013) and Massawe (2014), Sambaiga emphasises the need for learning institutions to prepare students in a manner which allows them to fit in the labour market because currently the education offered to youth in Tanzania is not particularly relevant to the respective needs of the labour market (Sambaiga 2017, p. 11).

3.4.2 Labour Market and Employment Policy

In line with the National Development Vision 2025, the National Employment Policy of Tanzania aims at stimulating an adequate employment growth in the economy, in order to reduce unemployment and underemployment rates and attain full, productive, and decent employment for all Tanzanians (URT 2008 p. vii).

Currently, unemployment is still high in Tanzania, particularly in urban areas and amongst youths.²³ Young people in general

²³ For more details see section ‘3.2.2 Production Factors’ in this publication.

face a lot of challenges, as a lot of them are engaged in vendor trading to make a living. Thus, the country needs a new economic model that will promote job creation and (self-)employability of the youth, among others.

3.4.3 International Integration Policy

Like many other African countries, Tanzania is in pursuit to deepen economic integration to become competitive, attract indigenous and foreign investments and promote trade by eliminating barriers in order to reduce or eradicate poverty among citizens through better integration on international markets. Tanzania is a partner to several Regional Economic Communities (RECs) in Africa and other communities and agreements in the rest of the world, such as the EAC, the South African Development Cooperation (SADC), the Tripartite Free Trade Area (TFTA), the Continental Free Trade Area (CFTA) and the African Growth Opportunity Act (AGOA)²⁴ 2025 (CTI 2016a).

The EAC is an intergovernmental organisation composed of six member states. It was established for the second time in November 1999,²⁵ aims at creating a free trade zone (*customs union*) by abolishing internal barriers to exchange goods and services between member states and finding an agreement on a common external tariff²⁶ (EAC 2017a). Additionally, the *monetary union* is being planned to provide for the attainment of a single currency for daily transactions (EAC 2017b) within the *common market* that shall allow free movement of goods, people, labour, services and capital among the EAC member states (EAC 2017c).

24 The AGOA was "signed into law by President Clinton in May 2000 with the objective of expanding U.S. trade and investment with sub-Saharan Africa, to stimulate economic growth, to encourage economic integration, and to facilitate sub-Saharan Africa's integration into the global economy" (Office of the United States Trade Representative 2013). Although it represents another opportunity for Tanzania's economic development and international integration, the country has a relatively weak position on international markets and generally provides external markets with raw materials and labour.

25 It was first founded in 1967 and dissolved in 1977 (UNECA n. d.). The EAC was revived in 2000, after the entry into force of the new Treaty for Establishment of the EAC, which had been signed on 30th November 1999 by Kenya, Uganda and Tanzania. Rwanda and Burundi ratified the treaty in 2007 and South Sudan joined the Community in 2016 (EAC/KAS/Forum CC 2016, p. vii).

26 This implies that "imports from countries outside the EAC zone are subjected to the same tariff when sold to any EAC Partner State" (EAC 2017a).

The fourth and last milestone is attaining a *political federation* (EAC 2017d). Given that the zone represents about 150 million people and a GDP of 146 billion USD, according to the statistics in 2016, regional cooperation could offer Tanzania large market outlets and multiple economic opportunities but also more political influence in the continent and in the international community in general (EAC 2017e). However, due to internal challenges and the priority given to national interests, the EAC integration process progressed slowly, so far.

3.5 Technological Developments (Science, Technology and Innovation (STI))

For significant economic growth that is inclusive and sustainable, a country shall strive to attain technological independence. A Social Market Economy shall facilitate Tanzania to develop its technological niche.

Technology involves the application of scientific methods and techniques. Technological development can help to increase productivity with a limited amount of resources. Generally, countries that invest adequately in technological development tend to grow more rapidly compared to countries that focus less on technological development.

The selection and transfer of relevant technology also play an important role for the national productivity and growth of an economy. Hence, there is a need to invest in technology relevant to Tanzania's Industrialization Strategy and, in general, household economic activities. Increasing individuals' income through economic activities should be linked with the application of technology that meets market competitiveness.

So far, "Tanzania has resolved to set aside one percent of its GDP for STI-related activities annually, exclusive of private spending for the same. However, the implementation of this resolve has not been satisfactory as the Government expenditure on R&D (as a percentage of GDP) stood at only 0.4 percent (2014/15)" (Ministry

of Finance and Planning 2016, p. 17). With regard to emerging technologies and digital transformation, Tanzania ranked low – 126 out of 139 in 2016 – on the World Economic Forum’s (WEF) Networked Readiness Index (NRI) and continues to lag behind countries such as Uganda (121), Nigeria (119) and Kenya (86) (World Economic Forum 2016, p. 16). The use of ICT was found to be particularly poor amongst individuals and in the business sector (Esselaar/Adam 2013). According to the FYDP II, “Tanzania makes low usage of advanced and modern technologies, primarily due to high costs of sourcing and updating the modern technology; restrictive patent rights acquisition, and limited knowledge on new technologies. There is also limited contribution of the private sector to R&D, mainly due to weak incentives to invest in R&D, low understanding and appreciation of the financial and economic advantages of adopting new technologies, and weak multi-stakeholder platforms and partnerships” (Ministry of Finance and Planning 2016, p. 17). It is to be noted that there is an urgent need to disseminate respective research findings widely and link research to industry and policy makers.

3.6 Environmental Developments

Natural resources appear naturally either on or beneath the earth’s surface. They include e. g. plants, water resources and landscape as well as oil, natural gas, metals, and minerals. Natural resources of a country depend on the climatic and environmental conditions and the efficient utilisation of natural resources depends on the skills and abilities of the work force, technologies used, government controls, the availability of funds and the distribution of revenues. All natural resources should be used sustainably for current and future generations.

Tanzania is a country blessed with natural resources (Ministry of Finance and Planning 2016, p. 58) and their sustainable exploitation could be the key to economic transformation. For example, the country is “rich in resources, including its diverse wildlife, natural forests, pristine beaches, mountains, rivers, lakes,

minerals and gas and boasting tropical climate and cultural wealth that positions it as a popular tourist destination” (UNDP 2016b, p. 2). The UNDP emphasises that Tanzania’s economic growth depends heavily on its environmental and natural resources since more than 80% of the population remains dependent on them – especially in the rural areas (UNDP 2016b, p. 2).

Additionally, “Tanzania is blessed with abundant, high-quality renewable resources, which are largely untapped” (African Development Bank 2015, p. 32) but can also contribute significantly to the socioeconomic development of the country.²⁷ Available renewable energy sources in Tanzania include hydropower, geothermal energy, wind, solar and biomass; the only one of them that is exploited to a significant extent is large hydropower (African Development Bank 2015, pp. 32-35):

- Large hydropower has been the mainstay of Tanzania’s national electricity generation for decades, with an installed capacity of 562 Megawatt (MW) reported in 2015. Further projects including the construction of a new power station – the 2,100 MW Stiegler’s Gorge Hydroelectric Power Station in the Selous Game Reserve (Oirere 2017) – are planned. Despite the huge potential of hydropower, intermittent river flows resulting from droughts may diminish its reliability as power source; additionally, regional mismatches regarding the hydro sites and the main demand centres call for the strengthening of weak transmission systems and shall be taken into account.
- Small hydropower projects (up to 10 MW) are mostly owned by private entities and not connected to the national grid. Though in 2015 grid-connected small hydro projects contributed only about 15 MW, they may have a large potential (EAC/KAS/ ForumCC 2016, p. 29) for a decentralised energy supply.
- Geothermal energy is expected to have a significant potential for energy diversification which has not yet been fully quantified.

²⁷ Whereas Tanzania’s per capita electricity consumption is still quite low, a rapid increase is expected mainly due to accelerating productive investments and a growing population (African Development Bank 2015, p. 25).

Estimates indicate a potential of more than 650 MW and an assessment has identified more than 50 sites, as reported in 2015. Geothermal energy is regarded as a stable source which is not influenced by climate change and weather (EAC/KAS/ForumCC 2016, p. 29).

- Assessments of wind as a renewable energy resource revealed promising conditions in Kititimo (Singida) and Makambako (Iringa) which have been identified to have adequate wind speeds for grid-scale electricity generation. Further research on the opportunities and challenges of wind power in Tanzania is deemed necessary.
- According to the AfDB, “Tanzania has high levels of solar energy, ranging between 2,800-3,500 hours of sunshine per year, and a global horizontal radiation of 4–7 kWh per m² per day”. Three types of solar energy sources can be distinguished: (1) off-grid and (2) grid-connected solar photovoltaic (PV) as well as (3) solar thermal energy, which all could to a certain extent be used to diversify electricity supply in rural and/or urban areas.
- Biomass is, as reported by the AfDB in 2015, used for grid generation (around 18 MW) and by the agro-industry to generate its own electricity (about 58 MW estimated). Commercial applications are emerging and include, among others, electricity generation from sugar bagasse, wood waste and agricultural waste, such as sisal and rice husks (EAC/KAS/ForumCC 2016, p. 30-31).

Biomass is, moreover, used for cooking, heating and other activities in the domestic sector (African Development Bank 2015, p. 35; EAC/KAS/ForumCC 2016, p. 32) and Tanzania’s forestry sector has a considerable impact on the economy (UNDP 2016b, p. 4): for example, more than 90% of the country’s energy resources are extracted from the forestry sector in form of charcoal and firewood and the sector supplies nearly 50 % of the country’s construction materials; additionally the forestry sector contributes a share of approximately 10-15% of exports and 10%

of foreign exchange earnings stem from this sector. Furthermore, the “sector is a major employer: an estimated 1 million people in the informal sector are engaged in charcoal preparation and supply” (African Development Bank 2015, p. 35).

However, the UNDP emphasises: “Despite the positive contributions of the sector to socioeconomic development, high poverty levels and rapid population growth have exacerbated environmental problems. The overexploitation of woods²⁸ leads to deforestation, loss of biodiversity, and the deterioration of aquatic systems including water supplies and catchment areas (Tanzania State of the Environment Report, 2014). The unsustainable use of resources leads to reduced sources of livelihood and production in the long run, which in turn leads to food insecurity and increased poverty. The heavy dependency on agriculture and the rapid population growth increase pressure on the environment and natural resources” (UNDP 2016b, p. 4).

Notwithstanding the long-term significance of the environment and its resources for an inclusive development, the results show that natural resources are to some extent used unsustainably (overexploitation) and, at the same time, the potential of their sustainable contribution to development is not yet fully identified. Both may be due to weak enforcement and a lack of awareness pertaining to respective policies²⁹ and challenges/opportunities. The United Nations Educational, Scientific and

28 The World Bank reveals that some 100,000–125,000 hectares of annual forest loss is attributable to unsustainable charcoal production and the Government is losing about 100 million USD in annual revenue (World Bank Group 2010).

29 For example, the National Environmental Policy 1997 aims at ensuring sustainability, security and equitable use of resources for meeting the basic needs of the present and future generations without degrading the environment or risking health or safety, preventing and controlling degradation of land, water, vegetation, and air, which constitute our life support systems. The policy also covers issues of conservation and enhancement of natural and man-made heritage, including the biological diversity of the unique ecosystems of the country, to improve the condition and productivity of degraded areas including rural and urban settlements in order that all Tanzanians may live in safe, healthful, productive and aesthetically pleasing surroundings; to raise public awareness and understanding of the essential linkages between environment and development, and to promote individual and community participation in environmental action. The policy ensures promotion of international cooperation on the environment agenda, and expansion of our participation and contribution to relevant bilateral, sub-regional, regional, and global organisations and programmes, including implementation of treaties.

Cultural Organization (UNESCO) thus insists, for example, on the use of community radios to educate society on how to preserve environment and biodiversity (UNESCO 2016).

Additionally, the Tanzania Climate Change Strategy reports that also adverse effects of climate variability and climate change – such as increased temperature, decreasing rainfall amounts and seasonal shifts in rainfall patterns, extreme weather events like droughts and floods – affect sectors like agriculture, energy and business as well as the environment as such (URT 2012, pp. viii and 25-46) and thus, aggravate the situation. This calls for the implementation of sound climate adaptation and resilience measures.

3.7 SWOT-Analysis for Tanzania

The findings of the situation analysis are summarized in the following matrix and structured according to four categories, namely Strengths, Weaknesses, Opportunities and Threats (SWOT). This analysis is conducted with the aim of making the implementation of SMET successful.

“Strengths” are regarded as characteristics of the country that give it an advantage, whereas “Weaknesses” are understood as country characteristics that place Tanzania at a disadvantage relative to others. “Opportunities” are characteristics in the environment that the country could exploit to its advantage and “Threats” are characteristics in the environment that could cause trouble for the country.

If the strengths and opportunities are managed well, if weaknesses are transformed into strengths and if threats are minimised, Tanzania shall jump to the level of an inclusive sustainable market economy. The Social Market Economy model for Tanzania, that is developed and presented in this document, aims at functioning as a guideline for such development.

Table 4: SWOT-Analysis for Tanzania

Strengths	Weaknesses
<ul style="list-style-type: none"> • Stable economic growth • Large and young population (labour force, human resources) • Availability of arable land and numerous diverse natural resources • Strategic location (ports, sea, lakes etc.) • National unity: societal peace and harmony, common language and well-grounded principle of solidarity • Infrastructure: improved availability of nationwide ICT broadband infrastructure • Education: access to education for all and increasing number of universities • Health: (small but) increasing number of modern health facilities (e. g. presence of JKCI) 	<ul style="list-style-type: none"> • Poverty: high poverty rate and widening gap between rich and poor • Technology and industrialisation: limited knowledge on technology; low investment in technology adaptation and transfer for Small and Medium Enterprises; heavy dependence on traditional means of farming • Private sector and trade: weak indigenous private sector and few indigenous companies for international trade • Labour market: large number of unemployed or jobless graduates; inadequately skilled labour force • Education: low quality educational system (e. g. facilities, teaching) • Health: poor healthcare system (e. g. shortage of qualified professionals, low coverage of health insurance) • Energy and natural resources: unstable power supply; unsustainable and inefficient use of natural resources • Economic order: lack of economic development philosophy and vision; poor implementation of good practices from the past
Opportunities	Threats
<ul style="list-style-type: none"> • Open markets and trade: bilateral and multilateral relations/agreements (EAC, SADC, TFTA, CFTA, AGOA); international markets, e. g. for agricultural products and minerals • Technology transfer: flow of technology worldwide • Communication: low mobile data cost compared to other African countries • Health services: availability of health partners to improve current situation (e-health) • Capital: improved capital markets and access (e.g. M-PESA) in African countries • Conditions of competition: increased demand for Tanzanian products (especially agricultural products) due to regional population growth • Some neighbouring countries are landlocked • Role models: presence of role models for Social Market Economy (e. g. Germany, Nordic countries) for adaptation in Tanzania 	<ul style="list-style-type: none"> • Open markets and trade: multinational companies' dominance at the expense of indigenous businesses • Technology: competitive disadvantages due to worldwide fast technological changes • Environment: unfavourable weather conditions; environmental and climate change • Conditions of competition: favourable conditions of doing business in other countries • Political instability of neighbouring countries

Source: Own compilation based on the findings in this publication.

4. Social Market Economy Model for Tanzania

Having analysed the theory of Social Market Economy in general and after evaluating the socio-economic performance of Tanzania and its framework conditions, it is clear, that the country needs to define its new philosophy of economy. The Government of Tanzania has developed three important plans for sustainable economic development, namely, the Tanzania Development Vision 2025, the National Five Year Development Plans and the Integrated Industrial Development Strategy 2025. It is believed, that the successful implementation requires that every member of society participates in and benefits from national wealth creation. A Social Market Economy Model for Tanzania seems the right option for building a strong, inclusive and sustainable economy.

4.1 Vision and Mission

The Social Market Economy model for Tanzania (SMET) has the vision of a strong nation with a sustainable economy and institutions that focus on an inclusive economic development and economic growth for all. In the Tanzania Development Vision 2025, adopted in 2000, the Planning Commission was already seeking to formulate a new guideline in accordance with market economy after years of unsuccessful development policies. The Commission encouraged innovation, entrepreneurship and competitiveness, as well as significant investments in human development (Planning Commission 2000). In this sense, the SMET adds value to the country's development vision 2025.

Eighteen years after the publication of the Development Vision, one can easily understand that objectives like high quality livelihood, a well-educated society, good governance or competitive economy will probably not be achieved comprehensively until 2025. Thus, based on a good knowledge of the current situation in Tanzania,

the SMET provides strategies and values that could lead the country towards a better future. Today's public policies lack clear guidelines, overviews and ideology to be able to pave a coherent way to development. Furthermore, the SMET is the result of a collective reflection about concrete solutions, guided by the spirit of social partnership. The present model designs a policy plan by describing the role of numerous stakeholders in Tanzania's efforts for development. It draws up short- and long-term strategies by proposing reforms in different key sectors.

The mission of SMET therefore aims at urging all the country's development activities to focus on an inclusive economy, in which free trade and competition are balanced by the state as a *referee* on one side, and individuals and the environment are at the centre of Tanzanian actions and decisions on the other.

4.2 Guiding Values

The success of this model in Tanzania will depend on how implementers understand and link it with local, regional, national and international trade. The values lay the foundation for all participants in the economy and development to ensure that all their actions and decisions are guided. They are abbreviated as "**KWA NCHI YETU**" ("For Our Country").

K - Knowledge on relevant information about economic activities for the own market/consumption as well as for exports ensures efficiency and avoids unnecessary costs. On the one hand, professional knowledge is the basis of competent human resources. A well-educated workforce is generally more innovative and provides better services thanks to good understanding of the tasks and the domain as a whole. On the other hand, knowledge about the operation on markets and access to relevant information (prices, amount and type of demand, providers etc.) are key conditions of an effective market economy.



W – Wisdom is an essential political quality for good governance. The SMET is *social* insofar as human beings are at the centre. It seeks to establish an inclusive economy, in which all people are committed to economic activities and can benefit from the fruits of growth. Such a model requires, however, responsible politicians, who draw up short- and long-term strategies without giving in to neither the pressure of foreign governments nor to corruption. Thus, the country needs certain wisdom to be able to follow superior objectives and defend its values without being diverted.



A – Accountability ensures that stakeholders actually work towards equitable development. All actors should be responsible for their decisions that influence the lives of people and the future of the country. Someone who depends on the result of their actions will generally be more painstaking in their work. Thus, it is of great importance to guarantee the rule of law, private property and right of disposal, as well as a democratic order. A strong independent judiciary, the economic dependence on own profits and free and fair elections are ways to remove bad practices of various stakeholders.



N – Nation first: Patriotism is “the feeling of loving your country (...) and being proud of it” (Cambridge Dictionary 2018). Tanzanian people can be proud of their rich culture, their peaceful society, their natural resources and their great potential. The people are to be made aware of these trumps to be able to develop as a strong sovereign nation. However, patriotism does not mean withdrawal or intolerance. Inward-looking attitudes would bring Tanzania to a form of insularity which could paralyse its development in the long run. Therefore, Tanzania needs to find the balance between self-confident demeanor and openness to the outside world.



C - Community is a space for solidarity, branded by the spirit of working together or helping each other to succeed. It is also a space in which people can find a collective identity, based on their resemblances as well as their differences. Today, in growing diversity and anonymity of a world without frontiers, the community can be a reassuring anchor where people can build social links. As long as it does not lead to discrimination and injustice, the community is an important component of a welded and peaceful society.



H - Human dignity is an essential component of sustainable development. No country can claim to be developed if its people cannot access the resources and environment for a worthy life. Thus, SMET considers that development cannot only be measured by economic growth but should also allow people to improve their conditions of life. Political and economic players must ensure that their actions protect lives of people, the environment and institutions. Profits should not be achieved in defiance of human rights.



I - Integrity: Actors within this model should be guided by honesty. In order to guarantee this and to protect others against power abuses, independent institutions should be able to control financial transactions and other actions of politicians and economic actors.



Y - Youth: The young population and the abundance of labour force entering the market every year represent both, a great potential and a challenge for Tanzania. The model of Social Market Economy for Tanzania puts the youth at the centre, as the new generation and leaders of tomorrow. Thus, to ensure a bright future for the country, it is necessary to guarantee a wide access to quality education, fulfil basic needs to allow children to grow healthily and prepare an environment conducive to personal accomplishment.



E – Evaluation of development policies and all sorts of activities is a necessary step to be able to draw conclusions, learn from past mistakes and implement adapted reforms. The state as well as enterprises must scrutinise their own results to know their strengths and their weaknesses. In order to be effective, this evaluation must be followed by new decisions and actions.



T – Transparency in decision-making and implementation of reforms ensures that every stakeholder is aware of what is being done or what should be done. Transparency is a crucial component of democracy because the people are sovereign and must be informed about the decisions of its elected leaders in order to be able to react and to evaluate the public policies for the next election. In terms of economic and financial policies it reduces uncertainty. If stakeholders know the intentions of the government, they can make plans of what is more conducive pertaining to investments.



U – Unity: Tanzanians live in harmony and have formed a very peaceful and united population. This is an important asset for economic development as it makes Tanzania a stable and attractive country for foreign investments and business. It should be used to lay the foundation for the principle of solidarity and thus must be improved continuously.



4.3 Strategies

The SMET was inspired by the experience and lessons learned from countries which succeeded using Social Market Economy. The aim is to push economic development, reach a state of equitable development and, thus, to decrease the level of poverty drastically. Indeed, the last decades have shown that high economic growth alone is not sufficient to eliminate poverty in Tanzania. Despite an annual growth of around 7%, the current system proved incapable of providing wealth and welfare to the

whole society. The gap between poor and rich and the inequalities between regions has substantially expanded (Matotay 2014).

The Social Market Economy offers a model of free competition – which ensures efficiency – complemented by a safety net – which guarantees social security to the population – to counter the perverse effects of a completely free market economy. A flexible labour market, where the wage level is regulated according to the law of supply and demand, encourages job creation. However, in Tanzania, the sheer number of young people entering the job market every year leads to a high rate of job applications, that can cause low wages and high unemployment rates. Thus, in order to fight poverty efficiently, the market economy must be equipped to accommodate job seekers and also offer social policies. These can consist of regulations such as the adoption of a minimum wage, which guarantees decent income for every employee but stays limited in order to preserve flexibility. The social policies in favour of workers can also consist of direct financial help from the state to the people with insufficient income, and capacity building support.

Benecke (2008) and Kohler (2007) identify important policy fields that require a regulatory framework and corresponding organisations to define the structure and course of action in the economy and where the principles of Social Market Economy particularly influence decision-making. The strategies of the SMET will be structured following these policy fields, which are explained here under. If implemented following the general principles and pillars of a Social Market Economy and the guiding values (“KWA NCHI YETU”) of the SMET, these strategies are expected to move Tanzania to the next level.

4.3.1 Planning and Coordination

Planning and coordination in the SMET are about setting targets and ensuring that all units and key actors know their positions, roles and responsibilities. The implementation of SMET requires a team work spirit to achieve the set targets. Looking at the macroeconomic and macrosocial framework, a country needs to plan and coordinate public actions at local, regional and national

levels and define the legislative competence of the Government; additionally, the state has to define the composition of a public good and set respective priorities for action (Benecke 2008, p. 15). This includes:

- **Set a reliable legal framework**

Regulations should make clear which sovereign control functions of the State are delegated (e. g. to the central bank with regard to monetary policies)³⁰ and what belongs to the private sector (Benecke 2008, p. 15). Transparency and stability of regulating elements are essential components of an environment conducive to investments and business as well as for a stable social net. Additionally, the legal framework and its resulting (public) actions at local, regional and national levels need precise coordination from the State for the nation to benefit. Tanzania today is lacking clearly coordinated public actions which ensure that the activities by higher offices in the country are reflected and also linked to the regions, for example. However, this is important in order to create “the preconditions for a strong economy, an efficient and citizen friendly state administration, and compliance with the principles of good governance” (KAS 2009, p. 1). The State has to (legally) define and show clearly respective functions of Government authorities, parastatals and supervisory bodies, thoroughly coordinate them and distinguish them from the functions of the private sector. By delegating functions to independent institutions and guaranteeing the division of powers, the State can also strengthen the fight against corruption, which is an important step in the economic development of a country.

- **Conserve and extend regulations which protect the Tanzanian people and human dignity**

The State, its strategies and plans shall aim, above all, at protecting the people. For example, exploitation of workers

³⁰ In Tanzania, for example, Section 5 of the “Bank Of Tanzania Act, 2006” (BoTA 2006) provides for the principal functions of the Bank of Tanzania which, among others, “shall be to exercise the functions of a central bank and, without prejudice to the generality of the foregoing, to formulate, implement and be responsible for monetary policy, including exchange rate policy, to issue currency, to regulate and supervise banks and financial institutions” (Section 5.–(1)) and “shall be autonomous and accountable” (Section 5.–(3)).

or child labour cannot be tolerated in a liberal democratic country. Freedom of association is also a crucial characteristic of democratic societies as well as the foundation of individual initiatives, innovation and economic dynamism. Thus, there must be regulations which ensure the respect of human rights, but also an independent judiciary. The role of the State and of law makers is therefore not to control everything but to empower institutions which can ensure security and offer the best protection of the weakest against the strongest. In order to foster the protection of all people and the observance of human rights, such institutions need to be embedded in a vocal civil society. To achieve long-term results and sustainable success based on not only intra-, but also intergenerational justice, it is additionally important to ensure that the environment is protected and development activities avoid destruction of land, natural resources, biodiversity and green cover. Respective action needs to be planned and coordinated at local, regional and national levels.

- **Give orientations**

The role of the State in the SMET is understood in such a way that it offers incentives rather than interventions in all economic matters. In order to establish socially responsible enterprises, the State can use different tools – e. g. regulative measures and financial incentives – depending on the importance of the goal and on the impact of measures on the market. For example, employing children or modern slavery are inherently contrary to the respect of human dignity and cannot be tolerated in the SMET. These are domains in which the State is needed to protect its people by law and the judiciary must be empowered to be able to condemn law breakers. On the contrary, it would be impossible to produce without having any impact on the environment. Thus, a draconic regulation against pollution can be difficult, counterproductive and might have severe impact on the economy. To guarantee a sustainable development, the state could adopt incentive measures (taxations or subsidies) which give more flexibility to enterprises, depending on

their capabilities and their sector. In Tanzania, child labour is especially experienced in the mining and agriculture sectors without considering the children's future in terms of education. There are also little incentives to local business owners with regard to subsidies and taxation reliefs. Based on well-coordinated measures, the adoption of the SMET shall enhance the future of children and shall also motivate businesses to work and compete fairly towards a sustainable development in the country. Transparency functions as the necessary condition for a clear orientation of all actors (Benecke 2008, p. 15).

- **Focus on public goods and services**

Following the principle of subsidiarity, the State must provide for public goods³¹ and services "if the market is unable to provide these goods or can only do so inadequately"; this includes, for example, the provision of efficient infrastructure, such as roads and fundamental educational opportunities as well as access to comprehensive healthcare provision (KAS 2009, p. 5). However, state intervention shall take place only to a certain limit; its involvement is particularly necessary where social disadvantage occurs (KAS 2009, p. 5). In this sense, the State in Tanzania needs to be involved in shaping the country's infrastructure with a focus on rural infrastructure, for example.

Case Study for the Provision of Public Goods and Services: Infrastructure

It is proven that infrastructure positively contributes to economic growth. On the contrary, a lack of infrastructure handicaps enterprises on the Tanzanian territory. A study of the World Bank shows that poor infrastructure was responsible for 34% of the "productivity handicap" of Tanzanian firms; and according to the report, poor transportation facilities are among the biggest issue faced by firms, followed by water supply (Shkaratan 2012, p. 3).

³¹ "A public good has the following characteristics: it is non-rival and non-excludable and is valued by individuals. A good is non-rival when its consumption by one individual does not reduce the quantity available for consumption by other individuals. A good is non-excludable if, when it is produced, no one can be prevented from using it." (Burrell 2011, p. 2).

Transportation is crucial to make exchanges within Tanzania and with other countries possible. Concerning road infrastructures, the World Bank considered Tanzania as one of the best performers in Africa in 2012. Yet, many challenges remain and constitute significant obstacles to business and exchange. Although basic connections between the main regions and with neighbouring countries exist, Tanzania's road density is lower than that of most African countries. This implies a low accessibility of rural areas, where the large majority of the population is situated. Only 24% of the rural population can access an all-weather road in a perimeter of less than two kilometers. This rate is less than half of the average of middle-income countries. Developing the road network would be necessary to connect the people and ease exchanges, particularly access to bigger markets for agricultural producers (Shkaratan 2012, pp. 15-17).

Tanzania's domestic air transport market is one of the largest in Sub-Saharan Africa. However, many studies show that most Tanzanian airports need to be rehabilitated, secured and extended to face the flow of passenger, especially due to tourism. The Julius Nyerere International Airport of Dar es Salaam, despite its apparent superiority over other Tanzanian airports, needs investment and improvement. It has been overcrowded for years and needs to be extended to handle the number of passengers and provide quality services (Shkaratan 2012, pp. 15-19). Dar es Salaam's airport is ranked amongst the worst airports in the world, according to the survey on passengers' satisfaction '*Sleeping in Airports*', which surveys different aspects like cleanliness, security, comfort and ease of transit. This threatens the tourism sector and thus one of the main economic activities in Tanzania (Sleeping in Airports 2017). Moreover, the majority of airports in the country are not able to accommodate big planes: Their air strips are too short and their runways in poor condition. In order to develop its activities and enhance mobility with the rest of the world, Tanzania will need to drastically modernise and expand its air transport infrastructure (The Citizen 2016).

In terms of water supply, sanitation and hygiene, Tanzania is still faced with critical issues. According to Kessy and Mahali, in 2012, 57% of the rural and 77% of the urban population did not have

access to clean and safe water. Further, the country is struggling to provide adequate sanitation for its people, as 88% of the total population could not access appropriate facilities in 2011 (Kessy/Mahali 2017, p. x). Investment is needed to reach the Government's set objectives to grant the large majority of the population access to water supply and suitable sanitation facilities. The Government needs to gather accurate data on the current state of coverage in the sectors and to formulate and execute clear strategies on how to reach the set aims to provide 85% of the rural and 95% of the urban population with water supply by 2020 and 100% by 2025, respectively (Tanzania Invest 2016a). Tanzania has been able to secure funding to improve water and sanitation infrastructure from various sources. A loan was granted by the AfDB to improve the situation in Arusha (Tanzania Invest 2015); the country secured a loan from India to provide better services on Zanzibar (Tanzania Invest 2016b). While the services in Dar es Salaam are aimed at being improved with loans from South Korea (Tanzania Invest 2016c), Tanzania is collaborating with China to do the same in Mtwara (Tanzania Invest 2016d). Finally, the World Bank has agreed on a loan which will improve the situation for 1.9 million Tanzanians in Dar es Salaam (Tanzania Invest 2017). Thus, funding is available and with strategic implementation, water supply and adequate sanitation for a large part of the Tanzanian population should be provided by the State.

Power supply is another aspect for a country to attract industries and to enhance productivity. In this field, the state-owned enterprise TANESCO dominates the Tanzanian market. However, the company faced many challenges in the last decades, due to institutional and structural issues. Indeed, the firm made losses because of artificially maintained low prices and difficulties in revenue collection, causing an enormous debt and seriously threatening its ability to provide services (Ng'wanakilala 2017). However, poor power supply in Tanzania is also caused by a lack of infrastructure. In order to guarantee quality power supply infrastructure, the Tanzanian state needs to give special attention to following aspects. Many households and part of the territory are not or poorly connected to the power grid, especially in rural areas. About 70% of Tanzanians lived in rural areas in 2012 and the rural electrification rate was only 7%. The electrification of

these zones is already manifested in the Government's strategy, which plans to increase rural connection levels (Tanzania Invest 2018b). Nowadays, the average electricity consumption per capita in Tanzania – 108 kilowatt hours (kWh) per year – is one of the lowest in the world. In comparison, the average consumption is up to 550kWh per year in Sub-Saharan African countries and 2,500kWh per year in the world. Economic development should enhance the demand for electricity in Tanzania which is estimated to be growing at 10–15% per year. Thus, the state needs to raise its generation capacity. In 2015, the government planned to increase Tanzania's generation capacity by more than 500% until 2025 (Tanzania Invest 2018b). In order to ensure sustainable and quality services, this expansion should be carefully planned, follow a thoughtful strategy and be supported by sufficient and reliable infrastructure.

4.3.2 Private Property

In the SMET, the private sector is regarded to be the key actor in leading economic activities. Individuals and private companies must have constitutional protection of their private properties. Private property ownership remains an important element in determining the level of indigenous participation in the market, both locally and internationally. It “provides the critical incentive for generating income through work and is the basis of innovative entrepreneurship” and “is the basis upon which individual responsibility and initiative can develop” (KAS 2009, p. 2). According to the Global Property Guide, the private property right is “a significant factor affecting the desirability of a residential real estate investment” (Global Property Guide 2018). Private property must be created and protected by law to prevent conflicts and to guarantee buyers that their ownership will not be contested without explanation. Thus, Social Market Economy cannot work without intellectual and material property rights.

The Constitution of the United Republic of Tanzania of 1977 guarantees the “Right to own property” (Constitution of the URT, Art. 24). However, in the Property Rights Index – whereby 0 means the absence of protection and 100 is a perfect protection of

property rights – Tanzania scores 34. This indicator measures the degree of protection of property rights in a country by considering laws, cases of expropriation, power of individuals and businesses and the quality of the judiciary (independence from political power and degree of corruption) (Global Property Guide 2018).

In the World Bank's Doing Business Report 2018, Tanzania is ranked 142 out of 190 countries in the ease of registering property. Property registration takes 67 days in average and costs around 5.2% of the property value. According to this report, the situation has even worsened with recent reforms, resulting in Tanzania scoring only 50.13 of 100 points. Thus, Tanzania's score is lower than the average of 50.43 in Sub-Saharan Africa (which is the lowest across all regions) and lower than most of its neighbours' (Burundi, Kenya, Malawi, Mozambique, Rwanda and Uganda) (World Bank Group 2018a). Further report findings are that the digitalisation and storage of all documents giving information about the territory and encumbrances in a specific data base would contribute to easing property registration.

There is no real private rental market in Tanzania. According to the Land Act of 1999, all land is owned by the President. Tanzanian citizens can only lease a land for a period of 5 to 99 years. For foreign investors the right of land ownership is even more limited. Foreigners can only lease land for investment purposes which are granted by the Tanzanian government or in partnership with Tanzanian citizens (Export.gov 2016).

There should be clear agreements, rules and limitations for the assumption of private properties by the state. Nationalisation of means of production, goods and services can be justified if this is the only viable option to serve public interest and the owner must be duly compensated. Where private property laws are enforced, innovation and creativity can flourish and contribute to more self-employed, responsible and personally liable citizens, that in turn foster a competitive system as engine that drives sustained economic activities and increase the tax base boosting Government revenue.

4.3.3 Monetary Order

It is believed that a “market economy needs a long-term economic policy and the greatest possible macroeconomic stability” and that “confidence in a stable economic framework is a prerequisite for investments and long-term consumption decisions” (KAS 2009, pp. 4-5). This includes a well-planned monetary policy that rejects a focus only on short-term national economic targets. The following elements are deemed necessary for a sustainably successful monetary order:

- **Guarantee independent monetary policy**

Monetary decisions must be delegated to the central bank, whose independence must be guaranteed. The **Bank of Tanzania (BoT)** – central bank of the United Republic of Tanzania – was established in 1965 through the Bank of Tanzania Act (BoTA). The BoT aims at guaranteeing price stability in Tanzania (Nord et al. 2009, p. 42).

In the last decades, the BoT has become more independent, but it remains submitted to strong political influence. Indeed, the BoTA was amended in 1995 and 2006 towards more efficiency and more independence of the monetary policy from the political power. However, the Government appoints the personal of the BoT and can therefore control its orientation. The guidelines and decisive decisions of the central bank are made by the Board of Directors. (BoTA 2006, 9(1)) The composition of this board is determined by the Government of the United Republic. The Governor of the BoT, who heads the Board of Directors, is directly appointed by the President of the Union, alongside the three Deputy Governors. All of them can be re-appointed at the end of their mandate (BoTA 2006, 8(1)-(3)) and the President also determines their salaries and retirement allowances, what allows him or her a variety of instruments to exercise influence and pressure (BoTA 2006, 14(1)). Therefore, the President of the United Republic controls half of the official members of the Board of Directors of the BoT. Furthermore, the four other members, the non-executive Directors, are

appointed by the Minister, who is himself nominated by the President (BoTA 2006, 9(4)).

To increase efficiency of the BoT, however, it is commendable that the Government guarantees more independence of the central bank. To achieve this, the management of the central bank may come from experts whose jobs are advertised and competed for freely supported by vetting. It is suggested that the President appoints after vetting and a parliamentary review. Removal from the office may also take the same route.

- **Guarantee macroeconomic stability**

Tanzania joined the **International Monetary Fund (IMF)** in September 1962. Today, 189 countries are members of the IMF. Founded in 1944 at the Conference of Bretton Woods, the institution aims at furthering the international monetary cooperation and ensuring financial stability in order to enhance a sustainable global economic growth (IMF n. d.). Macroeconomic stability is emphasised both, by the IMF and the European Union. The Maastricht criteria identify five variables used to measure said stability: a) low inflation rates, b) low long-term interest rates, c) low national debt, d) low deficit and e) currency stability (Afxentiou 2000).

The Government needs to ensure low and stable inflation rates which represent a high demand in the marketplace, opposed to high and unstable inflation rates, which threaten growth. High inflation creates uncertainty and increases risk in the financial sector. It can also heavily influence government revenues as well as individual liabilities. According to the Maastricht criteria, the inflation rate is capped at 3% (The Reut Institute 2006). Low interest rates represent a stable economy and can forecast if this is to remain. A change in the long-term interest rates could imply changes in inflation. The Maastricht criteria restricted long-term rates to the range of 9%. Low national debt relative to GDP allows the government to use tax revenues to address domestic need, rather than paying back foreign loans. Further, a low national debt allows for leniency in fiscal matters

during crisis. The Maastricht criteria capped debt at 60% of GDP. In turn, low deficits prevent an increase in national debt. Therefore, the deficit of GDP is capped at 3% in the Maastricht criteria. Finally, currency stability enables the development of long-term strategies in imports and exports, ensuring growth. Further, it diminishes the exchange-rate risk. With regard to national accounting, currency stability also lowers the threat of debt issue in foreign coin. The Maastricht criteria permit a fluctuation of maximum 2.5% (The Reut Institute 2006).

In Tanzania, the BoT acts as the central bank institution and is thus responsible for ensuring adherence to the above-mentioned objectives. Its primary objective is to ensure price stability, which became central after it became clear the bank had failed to deliver on its multiple-policy objectives. The bank states: “experience suggests one important rule: a Central Bank with too many things to do is likely to find itself doing none of them well. This is exactly what happened with the Bank of Tanzania, which did not succeed in achieving its multiple-policy objectives.” (BoT n. d.). The shift away from multiple-policy objectives to a single-policy objective is seen in the Bank of Tanzania Act, 2006 and its predecessor Bank of Tanzania Act, 1995. According to the Act, “The primary objective of the Bank shall be to formulate, define and implement monetary policy, directed to the economic objective of maintaining domestic price stability, conducive to a balanced and sustainable growth of the national economy of Tanzania” (BoT n. d.). Thus, the BoT states that “the Bank is pooling all its efforts towards achieving price stability and has declared inflation its economic enemy number one” (BoT n. d.). According to the BoT, this implies that “the rate of inflation (...) has to be kept as low as possible, optimally within a longer-term average range of 0-5% (percentage change on the previous year)” (BoT n. d.).

As mentioned in section 3.2.1, Tanzania has experienced relatively stable inflation rates at around 5%, with equally stable interest rates of 14-16% over recent years (Focus Economics 2017). Thus, the bank has managed to achieve its main objective

so far, which marks an important step towards financial stability. Yet, more independency to ensure strong and effective management of the central bank is needed. The central bank must be relatively independent from governmental influence in order to insure its function with best interest at heart. Bank regulatory institutions must be put in place to mitigate (international) capital market crashes and their effects on the domestic financial sector. Further, capital markets, commercial banks and other financial institutions or cooperatives need to be enabled to fund those in need of establishing businesses and other economic activities which are necessary for economic growth.

4.3.4 Enterprise Order

In the market, actors meet to transact, in doing so they exchange goods and services for profit. The plurality of approaches is “expressed by the diversity of legal forms of enterprises, including shareholder companies, individually owned firms, state enterprises, and cooperatives” (Benecke 2008, p. 17). The state should create a conducive environment for competition and enterprises should compete fairly. Legal regulations, e. g. in terms of liability, workers committees, tax burden and publication duties need to be defined clearly (Benecke 2008, p. 17). It is assumed, that the presence of local enterprises in both national and international markets contributes significantly to successful sustainable growth of the country.

- **Strengthen the Tanzanian private sector**

The indigenous private sector is still weak and only few indigenous companies are able to play an important role in international trade. Tanzania should put significant efforts to ensure that the business environment encourages the private sector to grow; this involves especially actions pertaining to registration processes, licensing processes and the tax systems. However, many actors have already recognised the need to strengthen the private sector.

The **Tanzania Private Sector Foundation (TPSF)** and the **Confederation of Tanzania Industries (CTI)** are committed to the development of the private sector in Tanzania. These business associations believe in a “private sector-led social and economic development in Tanzania” (TPSF, n. d.), which can only be achieved if the country shapes a conducive environment for businesses. On the one hand, these organisations provide advocacy for the private sector and inform the State about the needs of private actors in Tanzania and the main issues they have to deal with. On the other hand, they provide information to private entrepreneurs and investors to allow them to find the best solutions in the current environment (CTI 2016b).

Additionally, there is the **Tanzanian Chamber of Commerce, Industry and Agriculture (TCCIA)** which was established in 1988 in the context of the liberalisation of Tanzania under Ali Hassan Mwinyi’s presidency to enhance the development of a strong private sector and promote the involvement of Tanzania in international trade. The TCCIA is represented all over the country through its regional offices and district centres and takes part in many international Trade Fairs and delegations. On the national, regional and local levels, the TCCIA provides representation and advocacy services to its members and informs entrepreneurs about their rights (TCCIA 2016a). The guidelines and main policies of the TCCIA are determined by around 150 representatives of different sectors and enterprises from diverse regions in Tanzania in the Annual General Meeting (AGM). These policy positions lead the actions of the National Executive Council (NEC) which puts the strategies proposed by the Directors into practice. The Board of Directors is in charge of the implementation and promotion of TCCIA’s objectives (TCCIA 2016b).

The Government of Tanzania also recognised the advantages of privatisation of enterprises for the economy. Thus, in 1992, the Government of Tanzania established the Parastatal Sector Reform Commission (PSRC) (TANESCO 2017). This organisation aims at encouraging the privatisation of public companies,

in order to foster their efficiency. Likewise, in 2001, the president of Tanzania at that time, Benjamin Mkapa, created the **Tanzania National Business Council (TNBC)** to promote dialogue between the private and public sector to develop a strong economy and strengthen the Tanzanian private sector. The council is composed of 40 members – 20 public (principally members of the Government of Tanzania) and 20 private members. The President of the United Republic Tanzania is the Chairman of TNBC (TNBC 2015).

Therefore, it can be noted that a variety of structures are in place in Tanzania which should allow for the development of a strong economy with an entrepreneurship-friendly environment. However, the results of forums and discussions on the needs of entrepreneurs are not yet visible. In the Doing Business Report 2018 of the World Bank, Tanzania is ranked 137th country out of 190 and dropped five ranks compared to 2017 (World Bank Group 2018a, p. 4). Despite the fact that multiple entrepreneur organisations are apparently following the same objectives, they lack coordination and thus have not managed to build a group which could have a strong united voice to influence the relevant decision-making processes to strengthen the private sector and a respective business environment.

Moreover, some key sectors may remain dominated by parastatal organisations, as following examples show:

- The **Tanzania Railways Limited (TRL)** is one of the two railway systems in Tanzania. Its predecessor, the Tanzanian Railways Corporation (TRC), was a state-owned company, which had been established in 1977. In 2007, the TRC was replaced by the TRL. The replacement was part of the economic policies, which tended towards a liberalisation of the Tanzanian economy and the privatisation of numerous enterprises. Thus, the TRL was a private company, possessed by two shareholders: the Indian firm RITES Ltd. (51%) and the United Republic of Tanzania (49%). However, in 2011, the Government of Tanzania acquired all shares, making TRL a

state-owned railway utility under the Ministry of Transport, like its predecessor (TRL 2015).

- The **Tanzania Telecommunications Company Limited (TTCL)** is one of the Tanzanian telecommunication firms. Since 2001, the TTCL was under a Share Subscription Agreement, which defined the terms of contract between the state (main shareholder) and the private investors engaged in the company. In 2001, the Government of Tanzania possessed 65% of TTCL while the rest was split between two other shareholders: a Consortium of DETECON from Germany and Mobile Systems International Cellular Investments Holdings BV (MSI) from the Netherlands. This agreement was not renewed in 2016 and the Government published the Share Transfer Agreement, which put an end to the partnership with private investors. Since then, TTCL is a fully state-owned company (TTCL 2017).

- **Support the creation of Small and Medium Enterprises (SMEs)**

In the World Bank's Doing Business Report 2018, Tanzania is considered as one of the worst countries globally – rank 162 of 190 – for starting a business (World Bank Group 2018a). However, in order to strengthen the private sector in the country, decision-makers should facilitate the creation of Small and Medium Enterprises (SMEs). SMEs, often family-owned, constitute a special case of the Social Market Economy model, and they play an important role pertaining to innovation and may take the role of pioneers in the production of new goods and services (Benecke 2008, p. 17). SMEs can be defined according to their staff headcount (e. g. enterprises with less than 250 staff as medium and with less than 50 staff as small-sized) and their turnover or balance sheet total (European Commission 2018).³² Due to their potential economic relevance

³² Additionally, the OECD states: "This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees. Small firms are generally those with fewer than 50 employees, while micro-enterprises have at most 10, or in some cases 5, workers." (OECD 2005, p. 17).

and societal advantage, State support of these enterprises is regarded as justified and could, for example, take place through tax reduction as well as legal, managerial and technological consulting and credit facilities (Benecke 2008, p. 17).

First of all, new entrepreneurs need to get an overview of the legal framework to be able to plan on a middle-term perspective. Currently in Tanzania, this simple condition can prove to be very complicated. Indeed, the investment and the taxation systems are complex and opaque. This can dissuade numerous investors or potential entrepreneurs to build a project in the country and slow down the economic development. It is therefore necessary to shape an understandable reliable framework by unifying the taxation and investment systems and providing sufficient information to the people. Transparency and stability are decisive conditions for the flourishing of a market. However, a transparent tax system alone is not comprehensively sufficient; it also needs to take into account diverse socioeconomic constraints. Individuals should not feel that they will be overloaded with taxes and multiple levies and that the high taxation level will seriously threaten their ability to develop a business.

In Tanzania, instead of being encouraged, entrepreneurs actually must pay a relatively huge amount of taxes and levies even before the creation of an enterprise. Thus, a new entrepreneur basically needs a significant amount of capital to begin any economic activity – which most Tanzanians do not have – and has to be sure to get sufficient profits very quickly. On the contrary, the philosophy of Social Market Economy specifically aims at supporting the private sector, including especially SMEs, above all in the establishment of new firms.

Thus, it is suggested, that different types of support mechanisms need to be designed and shall be offered to individuals to promote the creation of SMEs. Next to the collection of taxes only after generating income and not before, for example,

financial support from the State and access to specialised support programmes and institutions during the first phase of business development could allow qualified people to have sufficient funds to start their activities until they are competitive enough to stand on their own feet. In order to maximise chances of success, this financial help shall be accompanied by trainings for entrepreneurs, teaching them management, marketing and accounting skills. These measures induce costs, but they should be considered as long-term investments. After a relatively short period of business development, SMEs have a chance to become autonomous and, hence, vital taxpayers. Additionally, SMEs can enhance the economic dynamism of the country by contributing to production and job creation that benefits the State and the population at large. Thus, by supporting viable business solutions, the State could foster durable prosperity and low unemployment rates.

However, such incentives must be clearly framed and endowed with control mechanisms. Indeed, the state and public institutions cannot afford to support any project without analysing its risks and viability as this could lead to important losses for public institutions and opposes the principle of liability for individuals. Therefore, candidates of such subsidies need to fulfil well-defined criteria and build their business idea on a situation analysis and a sound budget plan. During the period of project support, the entrepreneur should frequently hand in monitoring, evaluation and/or progress reports to prove commitment for the success of their business.

- **Ensure dialogue between and participation of all stakeholders in the development of regulations for employment and business**

The **Association of Tanzania Employers (ATE)** is the main employers' organisation in Tanzania. It was established in 1960 to defend the interests of employers. Nowadays, the organisation counts around 1400 registered direct members and 6000 indirect members. All Tanzanian employers can

become members of ATE, but in fact, about 70% of them live and work in Dar es Salaam. The ATE provides information about their rights and the legal framework and advises its members on current issues through workshops and various meetings. The ATE also represents its members in discussions with the government and public institutions (ATE 2018).

The **Trade Union Congress of Tanzania (TUCTA)** is the umbrella organisation which brings the trade unions of the Mainland together. It was created in 2000 and counts 320,000 members (Revolv n. d. a). The trade union federation in Zanzibar is independent from TUCTA and was formed in 2002. It is called **Zanzibar Trade Union Congress (ZATUC)**. Both organisations are affiliated with the International Trade Union Confederation (Revolv n. d. b).

A strong and far-reaching cooperation between organisations from the private sectors, employers as well as employees, and the political institutions would allow the different actors to understand each other and to find and foster solutions which fulfil the needs of the Tanzanian economy. Many organisations already asked for change in the regulation and the reduction of obstacles to entrepreneurship. However, these associations did not manage to weigh in significantly on the political debates. An ambitious and continuous dialogue between investors, entrepreneurs and lawmakers is deemed necessary to shape an efficient system.

4.3.5 Competitive Order

Benecke emphasises: “The intensity of competition is the result of market processes, but the rules of the competitive system are established by government. State interventions can be used in special situations like concentration of market power, patent protection, or public interest. In general, however, competition should be as free as possible to strengthen the spirit of achievement and as regulated as necessary in order to avoid social and environmental problems” (Benecke 2008, p. 17).

Under Mwalimu Julius Nyerere, first President of the United Republic of Tanzania, the Tanzanian economy was centrally planned and heavily regulated. His well-known concept of *Ujamaa* was a form of socialism, which gave central values, peace and social cohesion to the Tanzanian people, but lacked competitiveness of individuals in the market since there were very limited efforts to promote the private sector. Thus, in the middle of the 1980s, the new government of Ali Hassan Mwinyi reoriented the economic policy towards trade liberalisation. Since the 1990s, efforts have been made to establish a viable framework to favour privatisation. This trend, however, neglected investments in the establishment of an indigenous private sector and technology transfer for economic competitiveness, which are regarded as foundation for inclusive economic development. The formal private sector that has been developed is not yet connected directly with national development plans. A new competitive order in Tanzania shall build on the following strategies:

- **Enhance competition and open markets**

The overview of parastatal companies³³ shows that Tanzania is far from being a free market economy, as the Government of the United Republic controls key sectors which the private sector could produce more efficiently. While this could be a way to guarantee the quality and accessibility of crucial services to the population, dubious management threatens the economic sustainability of some parastatal companies, like the Tanzania Electric Supply Company Limited (TANESCO), and therefore, questions the possibility to offer these services in the future. The absence of competition and the financial losses give neither incentives nor resources to invest in research or in new infrastructures, which would likely lead to better performances and services.

The **Tanzania Electric Supply Company Limited (TANESCO)** is a parastatal organisation for power supply. TANESCO was established in 1964 with shares from the government and

³³ See Appendix 1: Overview of Parastatals in Tanzania.

private investors (Tsakhara 2015, p. 3). In 1975, the Government of Tanzania decided to buy all shares and TANESCO became a fully state-owned company under Ministry of Energy and Minerals. Until 1992, TANESCO officially possessed the monopoly in power generation and distribution. With the creation of the PSRC and the reorientation of economic policies towards a stronger private sector in the 1990s, private firms can take part to the energy sector. However, TANESCO is still very dominant in Tanzania Mainland. It manages the whole process from power generation to distribution and it also furnishes bulk power to the Zanzibar Electricity Corporation (ZECO) (TANESCO 2017). Furthermore, the government still owns all shares of the company and can interfere in the decisions about price setting as well as strategic planning. At the end of December 2016, for example, the direction of TANESCO decided to raise the prices by 8.53% (Ng'wanakilala 2017). Two days later, the head of the company was removed, and the tariff hike was cancelled, because the Executive seems to have considered that this decision may disturb its development policy. Such political interventions may trigger losses and may paralyse the TANESCO's financial capacity. Despite official liberalisation and privatisation trends, the energy sector is widely state-run, which adversely affects the objective of efficiency of such a vital sector.

An open market policy, both nationally and internationally, and free determination of prices shall contribute to enhanced competition in order to optimise the allocation of scarce resources and to foster progress.

At the same time, subsidies for "certain products for a time and in exceptional cases" (Benecke 2008, p. 17) can be taken into account. In Tanzania there are so-called **Boards**. These organisations influence the industries, with the official aim of developing them by enhancing the competitiveness and guaranteeing quality production in certain sectors. Tanzanian Boards are generally statutory bodies, meaning organisations which are granted authority by the Parliament of the United

Republic. For example, the Tanzania Cotton Board was established by the Act of Parliament No.2 of 2001 (TCB 2016) and the Cashewnut Board of Tanzania (CBT) falls under Act No. 18 of 2009. The boards assume regulatory functions on behalf of the government within their respective sectors (CBT 2016). The Boards often set prices and the amount of production of goods. The implementation of Social Market Economy implies to remove price regulation – and therefore to remove or transform these boards – as often as possible and to let the principle of supply and demand regulate the market. Some exceptions can be admitted if price regulation is necessary to provide for decent wages of the producers or for the basic needs of consumers, but it should remain a temporary state. After a defined period, the industry in the sector should have developed productive and competitive structures allowing supply to concur with demand.

- **Monitor the markets to guarantee fair competition**

As fair competition is a pillar of Social Market Economy, the model also requires “control of market power as well as concentration by the state and the international community” (KAS 2009, p. 4) e. g. the deletion of monopolies and cartels. In 2003, the Fair Competition Act (FCA) was enacted with the aim to prevent dominant positions in the market (FCA 2003, Art. 5(6)) and the misuse of this advantage (FCA 2003, Art. 10). In order to achieve this goal, the **Fair Competition Commission** (FCC) was established (FCA 2003, Art. 62(1)). The Fair Competition Commission is a public institution, which aims at setting a stable framework for a free market by guaranteeing the respect of effective competition by all stakeholders in trade (FCC 2015a). The Commission is in charge of the fight against unfair and misleading market conduct. By reducing anti-competitive practices, the FCC shall contribute to the economic development of the country (FCC 2015a). Fair competition leads to increasing efficiency, production and investments, and therefore better supply of goods and services. According to the law, the FCC is able to prevent significant market dominance,

among others, by curtailing mergers and acquisitions (FCC 2015b). It can conduct investigations and take actions against abuses of this dominance or producer cartels. According to the FCA, “[t]he Commission shall be independent and shall perform its functions and exercise its powers independently and impartially without fear or favour” (FCA 2003, Art. 62(2)). However, all members are nominated by the Executive, and therefore dependent on political decision-makers. The Chairman of the FCC is appointed by the President of Tanzania for a term of four years (FCA 2003, Art. 63(3)) and the other members, including the Director General, are appointed by the Minister of Industry, Trade and Investment (FCA 2003, Art. 63(4)). All members of the Commission are eligible for a second tenure (FCA 2003, Art. 63(8)) and their allowances are determined by the President and the Minister (FCA 2003, Art. 63(9)). The FCC could be a very powerful instrument, however, in order to be able to exercise the potential, the Commission needs to be free from external pressure or political influences.

Whereas concentration of market power must be controlled, cooperation of enterprises at the lower level must be allowed, where applicable, in order to enable entities to compete on a higher level and thus foster indigenous socioeconomic development. This is typically the case for cooperatives (Benecke 2008, p. 18) and especially relevant for the agricultural sector in Tanzania. Such strategy allows, for example, that “smaller dairy farmers eliminate their competition by establishing a commonly owned dairy, which allows them to compete with bigger farmers” (Benecke 2008, p. 18).

- **Provide transparent information to all actors on markets**
Strong, free and independent media are necessary to be in accordance with the values and follow the guideline of the SMET. Freedom of speech and individual freedom are to be protected and preserved. A free media is a valuable asset on the way towards development. As a platform for free expression, spreading different ideas and points of view about

several domains, media can raise dynamism and awareness amongst people. The broadcast of debates or initiatives as well as the comments of journalists about current economic, social and environmental matters enable people to ask questions, take position and look for solutions. The mass media are also the main way to inform the population and achieve the goals of knowledge diffusion and transparency for all participants on the market. Information about news, research outputs, public policies, economic situations, individual successful initiatives and international actions should be communicated fairly to all stakeholders at an affordable price. Media, along with consumer and producer organisations, should design programmes to inform, teach or warn market actors. If people are well informed about products, services, processes, sources of funds and other opportunities, they can more easily participate in economic activities.

Although the relation might not always be obvious, freedom of media and the government's behaviour towards the press influence markets. Markets are based on and cannot work without confidence. Investors and firms may not invest in a country without trust in the government or the system. Investment needs to rely on a government's ability to inform about decisions and problems that could interfere in the economy and its ability to guarantee the freedom and security of individuals. The current media laws of Tanzania should be aligned to benefit the Social Market Economy in order to guarantee the freedom of expression as well protected by the Constitution of the United Republic of Tanzania article 18 (URT 1977).

4.3.6 International Order

To enhance its inclusive economic development, Tanzania should build its own capacity in using international multilateral and bilateral relations, like Germany did through the implementation of the US-American Marshall Plan after World War II (Haase/Schneider/Weigelt 2008, p. 395). Several partners of the country

are willing to provide financial and technical support. The **World Bank Group** has established a “Country Assistance Strategy (2012–15)” for Tanzania, which still goes on today. The institution has identified four main objectives for its action in the country: the strengthening of human resources and social security, a sustainable and inclusive growth based on a strong private sector, the promotion of good governance practices and the development of infrastructure and public services. The World Bank provides financial support, but also knowledge to Tanzanian institutions (World Bank Group 2017b). On its way towards private sector-led development with open markets, Tanzania is also supported by the **World Trade Organization (WTO)** (WTO 2018). Tanzania became a member of the General Agreement on Tariffs and Trade (GATT) in 1961 and is therefore member of the WTO since its creation in 1995. Likewise, many agencies of the **United Nations (UN)** are represented in Tanzania and assist the country in its efforts towards socio-economic development.³⁴ Finally, many **embassies** and national **aid organisations** are also involved in development policies and projects.

Furthermore, Tanzania’s commitment in international relations and trade is necessary to weigh in on decisions and become a strong independent nation. The **East African Community (EAC)**, amongst others, represents a significant opportunity for market extension and the defense of regional interests on the international stage. The EAC aims at strengthening the political, economic and environmental cooperation of the six partner states (EAC/KAS/Forum CC 2016, p. vii).

With a population of 168.5 million people the EAC is a significant outlet for Tanzanian markets and it also reflects a number of principles of Social Market Economy: it stands for a free and open market as well as for regional cooperation and sustainable development (UNECA n. d.). Since 2010, the EAC is officially a free trade union, meaning the abolition of all kinds of barriers to trade between the member states, the adoption of an integrated border management system and the free circulation of goods

³⁴ See Appendix 2: The United Nations Agencies and Organisations in Tanzania.

and persons within the zone. The member states have already announced their intent to create a monetary union (Le Monde 2013). However, internal tensions, financial issues and the lack of political commitment of the member states slow down the integration process (Diawara 2016).

Being involved in international relations and trade additionally supports the country to be able to compete and learn with international standards or benchmarks of services and products.

4.3.7 Fiscal Order

“Fiscal policy is important in procuring for the state the necessary financial means to produce public goods and pay for public administration” (Benecke 2008, p. 18) and, hence, to strengthen inclusive economic growth including social services. The State must be responsible for fixing the types and rates of taxes for enterprises and individuals (Benecke 2008, p. 18).

In Tanzania, taxes are collected at three different levels by three kinds of institutions. Local taxes are administered by the Local Authorities and domestic consumption taxes on Zanzibar by the Zanzibar Revenue Board. However, both administrations represent a small part of the Government’s domestic revenue, which mostly comes from central government taxes. All central government taxes are administered by the Tanzania Revenue Authority (TRA). The TRA is divided into three departments, namely Domestic Revenue, Customs and Excise and Large Taxpayers (TRA n. d., p. 1).

The fiscal environment should enable the government to collect the revenues to finance public goods and services. It should enable adequate domestic resource mobilisation. This is very important for the country to avoid being overly dependent on aid that comes with a number of inconveniences such as conditionalities, late disbursements and disbursements of less than the stipulated amounts. Adequate domestic resource mobilisation is also very important for the country to reduce borrowing that makes the national debt that swell and inconveniences associated with debt

servicing. The fiscal regime should be friendly and attractive. Among other things, it should be predictable with affordable numbers and rates of taxes, timely tax refunds, easiness of paying taxes, and a fair tax system including meaningful incentives.

The country needs reforms in the tax system in order to encourage smooth business growth and tax payments which are on time. The following strategies are deemed useful in these reforms:

- **Shape a tax system which supports an inclusive economic development**

An optimal tax level would be investment-friendly to attract capital and promote productive activity and allow the state to carry out its duties without curbing economic dynamism. On the one hand, taxes must be related to the economic performance in order to attract investors and thereby stimulate employment. Very high taxation or multiple levies might reduce the spirit of achievement and the commitment of economic agents in economic development. Recently, the level of taxation in Tanzania has been raised to the dislike of investors and entrepreneurs who complain about high rates and multiple levies which threaten their activities. For example, taxation in fields such as mobile money transfers, banking, tourism services and cargo transit services have increased over the last two years (Ng'wanakilala/Blair/King 2017). On the other hand, taxes should not be seen as a threat, as they finance social services. Indeed, tax revenues are the main source of financial means for the state and must be used to redistribute income towards the promotion of more social justice.

- **Reduce inequalities with progressive taxes**

This is recommended in order to build a tax system which, through its design, raises social justice. While a progressive tax would lead to a redistribution of revenues towards the poorest within the society, fixed rates or indirect taxes, like the Value Added Tax (VAT), tend to increase inequalities, as they principally affect low-income households. It is important

to ensure that each income earner pays tax at the rate that is proportional to the income earned. There should not be any categories of income earners who do not pay tax in the country.

- **Guide behaviors with incentive taxes**

This relates to firms that choose to invest in areas that are not attractive to many other investors or to promote investment in certain sectors crucial for inclusive development, such as tourism and agriculture, among others. In the SMET, it is also of significant value that environmentally and/or socially responsible companies are given incentives so that others are encouraged to show social behaviour and to support environmental protection.

- **Harmonise and ensure certain sustainability of the tax system**

This is necessary to get an overview of the variety of different taxes in place in Tanzania and to make long-lasting improvement possible. Furthermore, the taxation rates and types are frequently changing. Both issues have to be resolved in order to shape an investor friendly environment. Individuals need to be able to understand the system and to plan their investments, costs and benefits on a middle- and long-term perspective. A complex system can dissuade people to take part in economic activities or can cause their project to fail as a result of mislead planning. Additionally, a complex and indistinct system is prone to fiscal evasion, fraud and mistakes. Thus, it would be necessary to restructure and simplify the Tanzanian tax system.

- **Ensure effective tax collection**

The reduction of the State's income and denial of financial resources, which could be invested in infrastructure and other public goods and services, can be prevented by an effective tax collection system. According to TRA, the situation has improved since 2016 and the tax revenues in the first half of the fiscal year 2016/17 were 12.74% higher than the year before. Still, important progress is to be made due to several existing limitations. The complexity of the tax system nowadays

results in two main consequences. Firstly, it is hard to identify and follow scammers. Secondly, numerous honest Tanzanians are not aware of the taxes they have to pay and are not able to realise all administrative procedures by themselves. Thus, part of the solution would be to put more effort on informing and accompanying tax payers. Additionally, the large informal sector also continues to make tax collection difficult concerning small businesses and the income of self-employed people. Big companies remain the main source of tax revenue for the state (Ng'wanakilala/Blair/King 2017). To ensure effective tax collection, there should be strict measures imposed on those not using Electronic Fiscal Devices (EFDs) and TRA needs to ensure that every business owner has the opportunity to own the device. For example, upon business registration, these devices shall be given out and can be paid for in negotiable instalments so that the business does not have to carry this financial burden initially.

- **Distribute tax revenues between central and local authorities**

This is regarded vital to ensure decentralisation and enable local authorities to provide more services. As seen above, tax revenues in Tanzania are strongly concentrated at the union level. The TRA collects the largest share of taxes on behalf of the central government. On the contrary, the local authorities only collect a very small amount of money directly. Therefore, in order to fulfil their duties, local authorities are dependent on funding from the central government. This shapes a very hierarchised and centralised system. Since the principle of subsidiarity is one of the main pillars of the model of Social Market Economy, it is expected that more efficiency would be reached through decentralisation of state power. A decentralised tax system would provide local authorities with more capacity and capability to act and provide goods and services to the people. Taxes shall be collected by local as well as central government authorities, according to a joint pre-defined plan which considers the needs of the local communities. This can be done as follows:

- a) by collecting and allocating the sufficient amount to satisfy local needs through the local authorities themselves, or
- b) by collecting defined amounts at fixed rates through both, the local and the central authorities, and then by redistributing a certain share from the central to the local authorities to cover the needs at the local communities; the formula for redistribution shall be defined by elements, such as the level of economic development and geographical demography characteristics of the localities.

4.3.8 Social Order

The Social Market Economy model has several social protection mechanisms. When all actors play their part, ideally, no member of the society, regardless of their social status, will be excluded in enjoying the results of the national economic growth. The state therefore needs to do the following:

- **Offer effective social protection through a transparent and simplified social security system**

This is important to reduce the poverty rate and mitigate the growing gap between rich and poor. The poverty rate among the Tanzanian population is high and the gap between rich and poor is widening. Policy-makers should ensure that policies and guidelines cover the needs of all the stakeholders. (a) "It shall be the responsibility of each local government authority [...] to promote the social welfare and economic well-being of all persons within its area of jurisdiction" (b) and "further the social and economic development of its area of jurisdiction" (LGDA 1982, 111.(1)). The State should promote competition, responding to the public demand for economic dynamism and social inclusion and ensure inclusive participation in economic activities by empowering the people and thus making them a productive part of society. People or groups with limited capabilities should have access to transfers and safety nets.

The social security system in Tanzania is mainly based on the principle of social insurance. Therefore, the members of a

fund make financial contributions to be protected in case of the realisation of a social risk. There are several public pension funds in Tanzania as outlined in section 3.3 of this publication. Initially, the various funds covered different sectors or professions.

- The **Local Authorities Pension Fund (LAPF)** was created in 1944 to offer a social protection to the employees of the “Native Authorities”. The LAPF was first established under the Ministry responsible for Regional Administration and Local Government, but became an autonomous body in 2000 (LAPF 2018).
- The **Parastatal Pension Fund (PPF)** was established in July 1978 for employees of parastatal organisations and public institutions.
- The **Public Service Pension Fund (PSPF)**, created in 1999 (PSPF 2018), and the **Government Employees Pension Fund (GEPF)**, established in 2002, initially covered respectively the Public Services employees and the Government contractual employees as well as those who could not benefit from any other fund (GEPF 2017).
- The **National Social Security Fund (NSSF)** replaced the National Provident Fund (NPF) in 1997. It is a compulsory scheme financed through contributions of employees (deduction from gross salary) and employers (NSSF 2017). It is also the only pension fund which was created for all workers.
- In Zanzibar, an independent social protection scheme has been introduced: the **Zanzibar Social Security Fund (ZSSF)**. As it was founded in 1998, it was the first social security scheme in Zanzibar and ZSSF remains the only pension fund on the archipelago until today (ZSSF 2018).

However, following the reforms in social security system in the 2000s, every employee and even self-employed worker is now free to join any fund. It leads to a complicated and opaque system, in which citizens have different protection schemes

depending on a person's pension funds and status. Therefore, the Government of Tanzania supports the unification of the social security system and the merger of all funds in a unique public fund. However, it meets strong resistance of the Pension Funds – which do not want to disappear – and of many politicians and the civil society – who fear the concentration of power and manipulations of the fund by the Government of Tanzania. The **Social Security Regulatory Authority (SSRA)** was established in 2010 to regulate the social security system and homogenise the offers of the various funds. All funds in Tanzania have to offer similar standard benefits, which cover all basic social risks (SSRA 2017).

Currently, the pension funds can be combined with health insurance. In contrast, some social security schemes do not include healthcare. The **National Health Insurance Fund (NHIF)** is a health insurance fund. The members and their immediate families can access services in all accredited healthcare facilities (Mfuko wa Taifa wa Bima ya Afya 2018). In many countries, healthcare is part of social security. Sickness is one of the social risks that can prevent a citizen from continuing to work and thus can lead to poverty and misery. The NHIF follows the logic of insurance, in which healthy people contribute to the fund and any member is guaranteed protection through this contribution. Thus, the Tanzanian social security funds and health insurance system could be combined in one single mechanism. The merger of all different funds would shape a more transparent and easier understood system for Tanzanian people, potentially enhancing effectivity of social protection. Since social security is among the principles of SMET, it is assumed that, if the model is implemented, more Tanzanians will benefit from social security funds, pension funds or healthcare than today.

- **Ensure that no part of the population is left behind through compulsory schemes and social assistance**

The SSRA also seeks the extension of services for the whole Tanzanian population (SSRA 2017). The current social security

and health insurance funds are only compulsory for employees of the formal sector. In Tanzania, the informal sector, which consists majorily of agricultural workers, represents a large part of the population. Therefore, it would be more inclusive and effective in terms of social protection to **legally oblige every citizen to join the social security system**. This measure should go along with education of citizens on the importance of being insured, especially in terms of health, so that citizens contribute voluntarily. However, in the Tanzanian context, where numbers of households live in extreme poverty, it would be complicated, or even impossible and counterproductive to force every household to contribute financially to the fund. Such a policy would need public subsidiaries in order to give access to social security for the poorest households. An income criterion could be determined to identify the households which are not able to pay their social insurance and receive aid from the state. This kind of policy would strengthen the logic of social assistance in the Tanzanian social security scheme. To ensure that no citizen is left behind, there should also be trainings to encourage and enable every citizen to seek employment, earn income for a living and contribute to the social security system. When entrepreneurial skills and awareness of opportunities are mediated, more Tanzanians shall be empowered to sustain themselves. For those facing severe impediments, assistance will be available.

- **Guarantee access to quality basic education for all**

This shall raise talents and competitive human resources. A country can open up an untapped talent pool by investing in training and education. As mentioned above, theoretically, every child in Tanzania has access to **fee free basic education**. Thus, Tanzanian children can attend school for ten years without paying any fees (El-Noshokaty/Gebert 2017, p. 1). The reforms of 2011 and 2016 allowed hundreds of children to access public education and the population in some schools trebled (Africa Times 2016). However, these reforms brought many challenges. Nowadays, numerous secondary school

students are considered as “half-cooked”, meaning that they ended their studies without acquiring the anticipated skills and knowledge. Lacking elementary competences, these students struggle to continue their studies in higher learning institutions.

The following issues should be addressed in order to achieve the objective of quality inclusive education. Firstly, there is an urgent need of teaching facilities and materials. Overcrowded classes, a lack of suitable classrooms and error-ridden schoolbooks do not allow for quality education. Teachers are overwrought and cannot provide any individual support (El-Noshokaty/Gebert 2017, p. 1). Thus, massive recruitment of teachers and important investments are needed to adapt school capacities to the growing population. Construction of new classrooms and editing of schoolbooks are necessary, yet it is unlikely that the Tanzanian state will be able to raise enough money in the next years. Innovative ways of financing educational projects, like community-based cooperatives, could be found and supported. However, particular attention should be given to the protection of equal opportunities for all children.

Secondly, many teachers and educational staff are not or ill-informed about the latest reforms of the curriculum and therefore struggle to implement the new system. Every significant reform should be accompanied by information meetings and training programmes for teachers in order to guarantee a common understanding of the goals and methods of the Tanzanian education system. Thorough preparation of the staff is necessary to ensure coherence in their work and to offer students a stable learning environment. These trainings could be ensured by the state, but also by teachers' organisations such the Tanzania Teachers' Union (TTU) or Civic Education Teachers' Association (CETA), provided the actors involved agree on the meaning and objectives of the reform.

In the future, every reform in the education sector must be well prepared before implementation, because education for

all should not be achieved at the expense of quality. Further, the objective of basic education for all is not achieved, yet. Although the raised rate of school attendance is undeniable, Human Right Watch estimated in 2017 that 1.5 million young people were still not going to school, questioning the success of education policies (Human Rights Watch 2017). The causes for this are manifold. First, fee free education can still represent a financial burden for the child's family. Parents still have to pay for transport, school books and uniforms. For the poorest households, these costs already represent a heavy burden. Further efforts are needed to finance school transport and material, at least for students from poor households. Moreover, in many rural households, children used to help their parents, for example by fetching water as well as in farming and other economic activities. When children attend school, the family loses its potential labour force (El-Noshokaty/Gebert 2017, p. 3). This issue is difficult to address, but the loss could be compensated if attendance at school would be completely free and guarantee the coverage of certain needs of the children. For example, community based and foreign aid programmes consisting of offering a meal per day to every child at school have shown a positive impact on school attendance and on children's performances (Cattermole 2012).

Finally, it is necessary to improve the educational conditions and environment, especially to women and disabled members of society so that they, too, receive access to education, enabling them to be free economically and socially. On the one hand, Tanzanian schools are missing facilities for physically and mentally disabled children and teachers receive no special education. Thus, it is very complicated and sometimes impossible for these students to attend school (El-Noshokaty/Gebert 2017, p. 3). Adequate measures would be necessary for better inclusion of these students: special facilities at school and in terms of school transport, especially for physically disabled children, specialisation of teachers, especially to deal with mentally disabled children, as well as special materials,

exam forms or even particular curriculums, such as school books in Braille for blind children, for instance. These needs are investments that may not be realised immediately, yet should be on the agenda for a more inclusive school system. It is necessary to outline a long-term strategy in order to be able to improve the situation as soon as possible. Moreover, discrimination – another obstacle to school attendance for disabled children – could be reduced through education of fellow students and teachers in order to foster social integration. On the other hand, girls are also struggling to access education due to various obstacles and disadvantages. It is, for example, difficult for many of them to attend classes during their menstrual cycle due to lack of sanitary pads and low tolerance about absenteeism often results in the exclusion of girls from school. Additionally, guaranteeing sufficient quality of sanitary facilities would drastically improve school attendance and comfort for the students as a whole. Girls sometimes have to endure sexual abuse, assaults and rape on their way to or even at school. The offenders of these attacks often remain unpunished, while resulting pregnancies lead to the girls' exclusion from school on the Tanzanian mainland (El-Noshokaty/Gebert 2017, pp. 4-5). This double punishment drives many young women into poverty, exclusion and submission. On the contrary, it should be the role of the education system to help these girls return to society and to find a way to escape misery. Moreover, an efficient investigation and judiciary system should make sure that the perpetrators face severe consequences in order to prevent future aggressions and create a safe environment for all children. Finally, the girls' voices should be freed in order to break social taboos and to efficiently address some of previously mentioned issues.

- **Shape teaching in higher learning institutions according to labour market needs**

This is of key importance to ensure higher employability of graduates and the workforce as a whole. A main issue in Tanzania's labour market is inadequate skilled labour. To

achieve sustainable economic development, the country needs adequate human resources with the required skills and abilities. Therefore, the link between the education system and the private sector (and other respective stakeholders that employ graduates from higher learning institutions) needs to be strengthened.

Three types of high level education are distinguished, which involve different actors. **Universities** provide so-called academic education. Technical education concerns sciences and modern technologies and is taught by technical institutions under the **National Council for Technical Education (NACTE)**. Finally, vocational education, referring to the development of manual skills, is provided by **Folk Development Colleges (FDCs)** and **Vocational Education Centres (VECs)** (Sumra/Katabaro 2016; pp. 26-27).

The Universities Act of 2005 conferred power to the **Tanzania Commission for Universities** (TCU 2016a). Established in July 2005 and thus replacing the former Higher Education Accreditation Council (1995-2005), this independent institution recognises, approves, registers and accredits universities and university colleges operating in Tanzania. More generally, it seeks to harmonise high level education by coordinating policies and advising the different actors involved in this sector. The TCU recognises 33 **universities** in Tanzania, of which 12 are public; 16 university colleges, of which 2 are public; and 21 university campuses, centres and institutes, of which 5 are public (TCU 2016b). Although it remains lower than in many countries, the number of universities and colleges increased drastically since independence. This is important progress, as Tanzania is now able to educate its own experts, researchers and academics. However, many university graduates remain unemployed after graduation, due to a set of reasons. Firstly, many university students struggle to utilise complex mechanisms and methods which can only be mastered on the basis of elementary skills. Moreover, university students have to perform in English, while classes at primary and secondary school are conducted in

Swahili. These issues should be reduced through improvement of the quality of basic education, as already touched upon above. Another issue is the gap between their formation and the needed skills on the labour market. Indeed, university prepares students for intellectual profession, but hands students very few skills for practical activities. Therefore, specific attention should be paid to counsel people in the choice of their learning institutions depending on their future carrier plans. Priority should not necessarily be given to university, at the expense of technical and vocational training institutions. Furthermore, university curricula should be more oriented on professional skills. Amongst others, university curriculums could integrate internships, so as to give practical training and necessary skills in the intended professions.

In the context of governmental policies towards industrialisation of the country, Tanzania should focus more on technical and vocational education because a skilled labour force is needed to work in the industries. Technical education in Tanzania is provided by technical colleges, supervised by the **National Council for Technical Education (NACTE)**. NACTE is a statutory organisation with three core functions: establishing a regulatory framework for technical education, guaranteeing quality education by supporting technical institutions and advising political as well as educational actors to improve technical education and its connection with the labour market (NACTE 2015a). In sum, 581 technical institutions and universities departments are registered and accredited by NACTE (NACTE 2015b). Meanwhile, there are various kinds of institutions for vocational education. First, primary school leavers from rural areas can access trainings and basic skills in the **Post-Primary Technical Centres (PPTCs)** (Sumra/Katabaro 2016, p. 30). Secondly, the **Folk Development Colleges (FDCs)**, created in 1975, target adults from rural communities. The 55 FDCs in the country – around two in each region – provide skills in various sectors like agriculture, masonry or tailoring. The students in FDCs also learn to use technologies needed in their sector. They also receive education in more general

topics – leadership, good governance, gender issues – and language classes to guarantee good knowledge of Swahili and English (MCDGC 2017). However, according to the **Vocational Education and Training Authority (VETA)**, PPTCs as well as FDCs face important challenges. PPTCs suffer from a lack of credibility which could lead to serious capacity utilisation problem. Concerning FDCs, VETA considers the fact that it is centrally directed – placed under the authority of the Ministry of Community Development, Children and Gender – to not allow for any autonomy and adaptation to local needs, which reduces the benefits of these institutions (VETA 2018a). VETA is an autonomous government agency which was established in 1994. Similar to NACTE, VETA aims at creating a regulatory framework and enhancing learning institutions which guarantee quality and demand-oriented vocational education (VETA 2018b). The organisation also supervises the **Vocational Education Centres (VECs)**. Institutions like NACTE and VETA should be enhanced to ensure coordination of the different learning institutions. They are also important stakeholders to connect political decision-makers and educational actors in order to shape concerted policies which combine the needs and capacities of all actors. This means however that their autonomy from the Executive should be protected to be able to represent an external perspective.

- **Use the potential of human resources**

According to Nitisha (2013), human capital is one of the most important determinants of economic development of a country. The quality and quantity of available human resource will directly affect the growth of an economy. Whereas Tanzania has a large and young population as outlined in section 3, the abundant labour force is often unqualified. The qualification of human resources is dependent on the skills, creative abilities, training, and education of the people. A shortage of a skilled labour force hampers the growth of an economy. To bring forth a better qualified and equipped work force, the reforms presented in the previous part are needed.

Furthermore, unemployment among graduates is prevalent in Tanzania. To fight unemployment, it is first crucial to reduce structural and frictional costs, by easing the contact between demand and supply and adapting the profile of employees to the needs of employers. Placement services as well as trainings are provided to the population by the **Tanzania Employment Services Agency (TaESA)**, a government agency under the Prime Minister's Office Labour, Employment, Youth and People with Disability (TaESA 2012). This service should be developed and publicity campaigns could be organised to inform all Tanzanians about their opportunities and rights. Providing further education for adults broadens their knowledge and improves their chances and performance in the labour market. This allows them to progress in their career and also to adapt to developments, like the introduction of new technologies, in their domain. It also is a means to fight long-lasting unemployment, because trained individuals become more efficient or are able to move towards another profession if their initial sector is not demanded on markets anymore.

To sum up, Tanzanian human capital can only be efficiently deployed if there is concertation between economic, political and educational actors. This trilateral cooperation can lead to better economic performance as well as reduced unemployment and thus reduced poverty. All these efforts should increase international competitiveness, prosperity of Tanzania and social wealth of the people.

- **Sustainable development**

The sustainable use of natural resources is essential to be able to profit from such resources now and in future. Thus, Tanzania must integrate agreed environmental and sustainable development goals – such as the Sustainable Development Goals (SDGs) formulated by the UN – into its social and economic policies. The promotion of sustainable consumption and production, reducing environmental pollution and diminishing the dependency on fossil fuels while at the same time respecting the needs of the current economic structures

must be pursued and supported to ensure long-term inclusive growth in Tanzania.

4.3.9 Focus: Agricultural Sector

Agriculture is a major topic on the economic development agenda for Tanzania. In many parts of the country, agriculture remains at the core of rural livelihoods and has major influence on the life quality (Mufuruki et. al 2017). In Tanzania, this sector and its performance still has a significant impact on economic growth, corresponding incomes, and the poverty level. It provides employment to almost two thirds of the population and can contribute to exports and the GDP (Ministry of Finance and Planning 2016, p. 18). Crop yields are only 20-40% of their potential and input as well as output markets are not well integrated within the country. Since the rural areas are marked by poverty and more than 25% live below the poverty line, the performance of the sector has to be improved (World Bank Group 2017d, pp. 18-19). Moreover, agriculture produces raw materials for the agro-processing industries of the country. In addition to its contribution to the processing industries, agricultural products add value to them and increase the efficiency of the various products' value chain. Also the factories provide employment to a substantial number of people (URT 2017, p. 1).

At the same time, the effects of climate change are already noticeable in Tanzania and will likely worsen and thus become a significant threat for the region in the next years and decades. Lack of understanding, information and strategies to tackle climate change exacerbates the situation. For one, the people are not or poorly educated on climate change and its effects. Likewise, the authorities tasked to cope with these matters lack resources themselves. It is therefore necessary to educate the Tanzanian people on climate change, enhance knowledge among the authorities, increase the budget and elaborate coping strategies to tackle the issues at hand. Environmental issues should be taken seriously by policy-makers and regarded as central in the policy formulation with regard to economic, social and political development.

According to the Vice President's Office of the United Republic of Tanzania around 80% of the Tanzanian populace is highly dependent on agricultural revenues for their survival (Vice President's Office 2012). Thus, a large majority of the Tanzanian population is especially prone to the dangers of climate change. Agriculture is especially susceptible to global warming and extreme weather patterns, such as droughts and floods, and, coupled with poor distribution and infrastructure, leaves Tanzania extremely vulnerable to the negative effects of climate change. Land degradation and desertification – often manmade – exacerbates the problem. Negative environmental impacts are also reflected in economic terms, as illustrated when the forecasted economic growth of 6.9% in 2005 fell to 6.8% due to a drought in that year (Vice President's Office 2012). This underlines the importance of agriculture to Tanzania, its vulnerability to climate change as well as the need for sustainable development policies.

As mentioned above, around 66% of the Tanzanian people are employed in the agricultural sector. However, the very low productivity rates represent a serious challenge since the sector contributes only to 29% of the GDP (URT 2017, p. 1). The agriculture is a decisive sector and its evolution is a necessity for economic development in the country (Tanzania Invest 2018a). Thus, the following strategies are deemed necessary:

- **Reduce the reliance on rainfall**

As noted, climate change is already affecting Tanzania strongly. Thus, reliance on rainfall becomes more critical over time and has to be addressed. Tanzania is blessed with abundant water resources (numerous rivers and lakes) which could be utilised for irrigation. This implies the construction of new infrastructure. The initial costs might be high, but the investment could be amortized with positive impacts on the agricultural sector. These costs could be taken on by the private sector if the investors can generate profits in a middle- or long-term perspective. Secondly, the potential of rainfalls is not fully exploited. Collection and storage of rainwater is an easy and low-priced process, which

would significantly improve the situation of farmers in the dry season.

- **Support agricultural development**

Currently, the Tanzanian agricultural sector is very traditional and sparsely mechanised and consists above all of small-scale exploitations. Thus, it has a long way to go to become competitive on international markets. But it also offers the opportunity to choose which kind of development is envisioned for Tanzania and to formulate strategies accordingly. The coming decisions should be taken with a long-term perspective. Tanzania should develop the sector, respecting the environment and favouring sustainable solutions. For example, diversified crops delay ground degradation and reduce water use. Polluting practices will have to be reduced in the future. Thus, by developing ecological ways of production, Tanzania contributes to the reduction of environmental degradation, affecting the country itself. Further, it can be argued to be a rational choice from an economic point of view, since sustainability anticipates future necessities as well as international regulations.

There is growing demand for modernisation amongst Tanzanian farmers. Scientific research and technologies offer diverse solutions to boost efficiency in the agricultural sector. However, Tanzanian farmers often lack knowledge to implement these new methods. This challenge could be addressed by providing each village with an extension officer who is able to help the inhabitants to develop agricultural activities. Indeed, numerous villages and even some wards are not provided with these experts at all and many officers have got very little knowledge about new agricultural technologies and sustainable ways to face current issues. Thus, the number of extension officers has to be increased and the quality of their skill-set needs to be improved (The Citizen 2017).

Generally, the agricultural sector will need heavy investments to be able to reach its objectives. Like in other sectors, Social Market Economy promotes the involvement of private investors

in financing the modernisation of the agricultural sector. Since the Tanzanian State may not be able to devote sufficient funds to agricultural development, capital from other sources will be needed.

- **Ease labour mobility and provide education in rural areas**

Both measures should allow the Tanzanian agricultural sector to modernise and become more efficient. Following this, the productivity shall increase, meaning that less factors of production – above all less labour force – will be needed to produce the same amount or that the same labour force will be able to produce a higher amount. This can lead to reduction of costs and therefore also to reduction of prices. This way, Tanzanian agriculture could become more competitive on international markets and food products less expensive for consumers. However, because of the sheer number of workers engaged in the agricultural sector, in order to be beneficiary for the population, these measures should go along with strategies to ease professional retraining and enable labour mobility. Training for farmers on agricultural entrepreneurship can also provide them with marketing skills, which would allow them to be more self-confident on markets and to find solutions to their challenges while developing their business.

4.4 Implementation Process

The Tanzanian economic order could be transformed through the inclusion of available institutions into the process. The SMET can be implemented at different levels and through different communities or networks and from there awareness shall be spread to all levels of institutions and society so that it becomes the people's model of economy with their consent and inputs.

4.4.1 Implementation of the SMET through Religious Communities

A central role in raising awareness and implementing the SMET could fall to religious leaders in organisations such as the Tanzania

Episcopal Conference (TEC), the Christian Council of Tanzania (CCT), the National Muslim Council of Tanzania (BAKWATA) and other religious umbrella organisations. Indeed, given the importance of religion in the life of numerous Tanzanian people, the structure and principles within the religious community has an undeniable impact, which expands beyond the borders of the organisation. Presenting the model to national religious leaders and training them in the principles of SMET could lead to decisive transformations in the vision, the structure and the running of their institutions. This would produce effects on local areas and could reach individuals affiliated with such institutions.

4.4.2 Implementation of the SMET through Political Representatives

Governmental as well as parliamentary decisions could introduce new rules and laws which would foster the implementation of the SMET. This can succeed through the diffusion of this model to decision-makers at all levels. Thus, training must be organised for leaders at the national level (e.g. Ministers, MPs), in districts (e.g. Councilors, Commissioners) and in wards (e.g. villages and streets chairs). However, it is also important to introduce the SMET to individuals at the grassroots level, since an informed and aware electorate can make profound decisions on their representatives and evaluate public policies better.

4.4.3 Implementation of the SMET through the Private and Public Sector

The model should be introduced to actors of the private sector, both national and multinationals, as they are one of the principal actors of the model. The advantages of SMET must be stressed in order to convince private actors to take part in the introduction of the model. The private sector and the population at large are the main beneficiary of SMET since it allows freedom and fair competition, private property rights and self-responsibility. Entrepreneurs, small, medium and big business owners and business associations should be approached with the idea of SMET. Especially the advantages of qualified workers, content with

their work should be appealing to business owners. Additionally, institutions in the educational sector, including schools and higher learning institutions, as well as social partners, such as employer and employees associations and stake holders from the public sector shall be approached to introduce the model to them and to seek their commitment pertaining to the implementation of SMET.

4.4.4 Implementation of the SMET through the Civil Society

For a successful implementation, the SMET should also be presented to, as well as understood and supported by civil society. A top-down implementation without consideration of the population and local interests could cause confusion and thus would hurt the values of the model. For an inclusive and sustainable growth based on individual liberties, the SMET must be introduced to civil society and its respective organisations. Furthermore, the active participation of these organisations in the implementation of the model would contribute to foster its success, as the economic model that shall lead the country to inclusive and sustainable economic development for all.

5. Conclusion

The general trend in the global development shows that market economy results in economic success, innovation and quality of products and services. More importantly, weaknesses of the market economy are mitigated or solved by a social market economy model, as witnessed in Germany and other countries in Europe. The SMET offers the opportunity to transform Tanzania into a strong, stable and inclusive country, which is developed economically and socially. John Kufuor, former President of Ghana, took the view that Africa should adopt Social Market Economy; a view with which Mwalimu Julius K. Nyerere already sympathised since he suggested that true development is within the power of the people. This should encourage Tanzanians that it is now time for change.

The proposed model insists that knowledge obtained at higher levels flows to the lower levels so that all participate in socioeconomic activities. This model could also be applied countrywide if the Government finds it useful. The process could start from leaders to individuals in the rural and urban areas. There should be national, regional, district, ward and village presentations of the model to leaders, which, in turn, would finally flow into households and individual awareness.

Investments in education are vital social policies to enable more people to take care of themselves and their families, thus fully taking advantage of the opportunities offered to them by the Social Market Economy model for Tanzania. The poor and the weakest people should never be excluded by society or left behind, therefore more attention should be paid to improving their living conditions.

To achieve the best development level possible, it is suggested that the country adopts Social Market Economy as new economic order for Tanzania and, thus, promotes inclusive and sustainable economic growth for the nation and all of its people.

Appendices

Appendix 1: Overview of Parastatals in Tanzania

Name of the Parastatals in Tanzania Mainland
Agency for Development Education Management
Agriculture Seed Agency
Air Tanzania Company Ltd.
Arusha International Conference Centre (AICC)
Basuto Farm
Board of External Trade (BET)
Building and Hardware Supply Company Ltd (BHESCO)
Business Registrations and Licensing Agency (BRELA)
Chinese Tanzania Shipping Company Ltd.
Consolidated Holding Corporation
Cooper Motors Services Company (CMSC)
Copy Right Society of Tanzania
Dar es Salaam Rapid Transport Agency (DART)
Embassy Hotel
General Tyre East Africa Ltd.
Gidagamowd
Government Chemist Laboratory Agency
Government Procurement Services Agency (GPSA)
Highland Estate Company Ltd.
Imara Wood Products
Kalungwa Rubber Estates
Kariakoo Market
Kihuhwi Rubber Estates - Muheza
Kilimanjaro Airport Development Company Ltd.
Kilimanjaro Machine Tools
Kiltimbers Co Ltd.
Marine Service Co.
Mbozi Maize Farms

Mikumi Wildlife Lodges
Morogoro Leather Goods
Mulbadaw Farm
Murjanda Farm
Mzinga Corporation
National Agricultural Food Company (NAFCO)
National Development Corporation (NDC)
National Housing Building Research Agency
National Housing Corporation
National Insurance Corporation
National Milling Corporation
National Ranching Company (NARCO)
National Shipping Co. Ltd.
Plant and Equipment Hire Company Limited (PEHCOL)
PUMA Energy Tanzania Ltd.
Reli Asset Holding Company
Setchet Company
Songwe Water Company Ltd.
State Mining Corporation (STAMICO)
Tanganyika Packers Ltd.
Tanzania Automobile Technology Centre (NYUMBU)
Tanzania Broadcasting Company (TBC)
Tanzania Electric Supply Co. Ltd. (TANESCO)
Tanzania Electrical, Mechanical & Electronics Services Agency (TEMESA)
Tanzania Elimu Supplies
Tanzania Engineering & Manufacturing Design (TEMDO)
Tanzania Fertilizer Company
Tanzania Fishing Company (TAFICO)
Tanzania Food and Nutrition Centre (TFNC)
Tanzania Government Flights Agency
Tanzania Harbours Authority (Tanzania Ports Authority)
Tanzania Hotels Investment Co. Ltd. (TAHI)
Tanzania Mineral Audit Agency (TMAA)
Tanzania Official Seed Certification Agency

Tanzania Petroleum Development Corporation
Tanzania Posts Corporation
Tanzania Railways Ltd.
Tanzania Standard Newspapers (TSN)
Tanzania Telecommunication Company Ltd. (TTCL)
Tanzania Tree Seed Agency
Tanzania Zambia Railways Authority (TAZARA)
Tanzanian and Italian Petroleum Refining Co. Ltd. (TIPER)
Taasisi ya Sanaa na Utamaduni Bagamoyo (TASUBA)
Tembo Chipboards Ltd.

Name of the Parastatals in Zanzibar
Amani Hotel
Bwawani Hotel
Furaha ya Visiwani Zanzibar
Sauti ya Tanzania Zanzibar
Shirika la Bandari
Shirika la Biashara ya Magari
Shirika la Meli
Shirika la Utalii
Television Zanzibar (TVZ)
Zanzibar Electricity Company (ZECO)
Zanzibar State Trading Company (ZSTC)

Source: Bank of Tanzania (2014), "ANNEX 3: Public Non-Financial Corporations (Parastatals)", *List of Government Units, Parastatals, other Depository Corporations (Banks) and other Financial Corporations*, p. 6-7

Appendix 2: The United Nations Agencies and Organisations in Tanzania



Source: United Nations Tanzania (2015), "Resident Agencies", *UN Agencies in Tanzania*, available at: <http://tz.one.un.org/who-we-are/un-agencies-in-tanzania> [viewed on 23th February 2018]

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