

# Relevance, Efficiency, Romanticism and Confusion in Tanzanian Planning and Management

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That tree that grows  
There splendidly alone . . .  
Is Africa, your Africa. It puts forth new shoots.  
With patience and stubbornness puts forth new shoots  
Slowly its fruits grow to have  
The harsh, strong taste of liberty.

—David Diop

Do not cover up the scars  
. . . lest it prove a hollowed shell  
And lest the feet of new-torn lives  
Sink in voids of counterfeiting  
Do not swell earth's broken skin  
To glaze the fissures in the drum.

—Wole Soyinka

## I

The above quotations from two major African poets are neither whimsy nor window dressing for a paper on management development.

1. Management *in* Africa must also be *of* Africa if it is to be either validly African or productively optimal;
2. There is every reason to argue that (except for limited transitional periods and a handful of special cases) African management can normally be significantly more efficient than non-African;
3. To achieve either of the foregoing points, there must be frank, open and searching analysis of failures and mistakes and how their repetition can be avoided.

The third point is critical to discussing management development in Tanzania not because so little has been accomplished but, on the contrary, because a great deal has been achieved. To accept or excuse needless weakness, to fail to demand and secure high standards of performance, to avoid examining and moving to correct failures because the plans and managements are Tanzanian is to deny the basic ability of Tanzanians and to devalue what has already been achieved. Refusal to undertake and to consider criticism in the present planning and management context of Tanzania is dangerously close to slipping into the ultimate trap of intellectual neo-colonialism, self-depreciation.

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Tanzanian goals for government and productive sector units are not those of the colonial administration nor of multi-national corporations. This means that tests of planning and management achievement and efficiency will differ too. It does not mean that there are no standards by which to evaluate performance. Of course structural changes have costs and new men and institutions learn efficiency and expertise on the job. That is no justification for criticizing efforts to minimize the costs of structural change and speed and the learning period. Still less is it a reason to accept "transition", "learning period" and similar excuses for mistakes which could and should have been avoided, or to accept with a despairing fatalism that such mistakes will continue to be made.

This paper is constructed around eight basic propositions:

1. Tanzanian management is already better than the colonial management which preceded it, both in terms of being more relevant to Tanzanian goals and also in terms of those standards of performance which are relatively usable for evaluating management in more than one social and economic setting.<sup>1</sup>

2. The radical break Tanzania has been making with the colonial and post-colonial government and production management (as well as ownership) patterns since 1967 offers major opportunities for further improvements in planning and management but also a risk of greater errors than would a status quo oriented policy.<sup>2</sup>

3. An adequate historical and systematic socio-political perspective is essential for productive planning and management and especially for analysis designed to identify and correct their weaknesses.

4. Because these perspectives require time, identification with Tanzanian aims, and the ability to be seen as one of a group working toward common aims, the role of the expatriate (especially the "general purpose" expatriate) in planning and management should be a declining one if efficiency is to be improved.

5. There are two types of change: marginal—or consolidating within an institutional and strategic structure—and structural—involving a radical alteration of institutions, strategies or both. The two types are complementary; consolidation is normally needed to reap the full benefits from prior structural change and structural change is needed to shift to a new level of potential when marginal changes have achieved the major gains to be won in the existing institutional-strategic framework.

1 Colonial public administration was neither modern nor efficient by the standards of the metropolitan countries, nor was colonial business administration of high calibre. Because far less was attempted in both public service and public production management, fewer mistakes may have been made but very much less was accomplished.

2 Ghana, which attempted fairly radical institutional changes, had greater opportunities for achieving improved planning and public sector management than did the Ivory Coast, which—at a rather leisurely pace—citizenized the colonial governmental and (to a much less degree) productive enterprise structures. While Ghana captured some of these opportunities, however, on the whole its 1957-65 performance was notably less effective in using its resources to advance toward its stated ends than was that of the Ivory Coast.

6. Identifying and capturing opportunities for marginal and for structural change is not easy. Tanzanian public planning and management successes are quite numerous enough to show that sustained progress is possible. Tanzanian failures are both numerous enough and—at least in some cases—avoidable enough to give ground for seeking to identify their causes with a view to limiting their recurrence.

7. One failure is to accept the status quo in planning, in government organization, or in productive sector management as a fixed framework which cannot and should not be changed. In its extreme form this attitude puts even marginal improvements outside the planners' or managers' reference framework.

8. The opposite error is to grab at structural change without prior evaluation of the objective setting and the appropriate overall strategy. In its extreme form this weakness leads to complete absence of attention to consolidation and marginal change on the grounds that they are trivial. One cause of this error is the belief that a system or establishment cannot be committed to radical change and that such change necessarily comes through a breaking of the system. Given the degree, pace, and nature of change in Tanzania since 1961 and especially since 1967, the assumption is very dubiously valid. Certainly there are civil servants and parastatal managers who are not committed to or even sympathetic to any kind of radical change—let alone a transition to socialism—but they do not set national aims, lay down the ground rules within which the national institutions must operate, or have effective control over the direction and nature of institutional strategic, and policy changes. Doubtless they can and do slow down the pace at which the Arusha, Dar es Salaam, and Tabora Declarations can be achieved, but they are *not* in control of the Tanzanian establishment.

## II

One of the major weaknesses of analysis of planning and management in Tanzania is the failure to operate in an adequate historical perspective. The present tends to be treated as a static, polaroid-camera snapshot, not as part of Tanzanian continuum. Still less is the Tanzanian continuum compared and contrasted with or illumined by any serious attempt to analyse it in the context of parallel experiences and sequences in other countries.<sup>3</sup> The evident danger is the one cited by George Santayana—that he who will not bother to read and understand history is doomed to repeat it.<sup>4</sup>

The present prevailing connotation of "transition to socialism" is an unfortunately apt example. It appears to be a cross between short-term patriotic exhortation (*à la* Winston Churchill's "Blood, Sweat, Tears"), a *deus ex machina* (or perhaps "*diabolis ex machina*") to explain away all

3 Successful socialist transitions are not the only relevant cases. Unsuccessful attempts (e.g. Chile, Ghana), very uneven and partial successes (e.g. Cuba), and radical transitions significantly short in intent of what Tanzania seeks in socialism (e.g. Egypt) are at least as relevant.

4 For example, understanding the causes of failure in reversed or stagnated radical transitions (whether to socialism or otherwise) is logically critical to any Tanzanian seeking to avoid similar failure or stagnation.



errors, and a romantic vision of a land flowing with milk, sembe, participation and equality to be reached in a few years.

Any of these readings is about as far from the Maoian analysis of the concept as one can find and is equally far from standing any test of historical verification. Transition to socialism is a continuous process and one which cannot be put into neutral or frozen without into reverse or disintegration.<sup>5</sup> The concept of an ideal socialist policy is valid as a set of goals for guiding the transition, but it is a concept which in fact changes over time and with the progress (or otherwise) of the transition, not a Platonic ideal. Two relevant analytical sequences in this regard are experience, leading to analysis, leading to policy, leading to experience, and the resolution of one contradiction leading by its nature to the growth of a new contradiction. If the first resolution or synthesis was properly based on experience and goals, one has, however, arrived at a more advanced level. Both of these approaches appear to be integral to Chinese policy, practice, and analysis.

To say this is neither to imply that reversals of mistaken steps are never needed (quite to the contrary) nor that periods of high stress during contradiction synthesis may not need to be followed by a reduction of tension even if this necessitates a slowing down of the pace of change. "Two steps forward, one step back" is not irrelevant to either of these points—nor, more important, is the history of the People's Republic of China.

The (Tanzania) *Daily News*' leader of 9 July 1974 is relevant in this context in contrasting two ways of looking at the present stage of transition to socialism in Tanzania:

The first is easier but baseless, stupid and incorrect. It is easier to turn oneself into a professional critic and to dismiss TANU as having done nothing. This is generally the way adopted by some so-called young radicals, particularly when talking about TANU's socialist programme.

They see TANU as doing nothing to pave the way for socialist transformation simply because TANU is apparently not doing what has been ordained by the supernatural being from whom they draw their inspiration for socialism! To such professional critics, the whole history of our colonisation does not matter. To them the specific subjective and objective conditions obtaining in our country are immaterial. Indeed, to them, the whole set of concrete measures taken by TANU so far to democratize the State, labour and the economy are meaningless.

Experience has shown that this way of looking at TANU and Tanzania leads nowhere except to wrong conclusions, absurdity, frustrations, eccentricity and counter-revolutionary behaviour.

Much of the same can be said of criticism of the performance of Tanzanian management as it has evolved over the period since 1967, or in the case of the government proper, since 1961.

Equally, however, this approach to "transition to socialism" is not an

<sup>5</sup> This concept is of course not unique to Marxian analysis. Bourgeois democratic radicals—e.g. Jefferson—and bourgeois, elitist populists—e.g. Saint Juste—similarly viewed revolution as a permanent process, not an event. Indeed Jefferson—like Chairman Mao—once argued a major revolutionary confrontation was necessary about once a decade to preserve freedom and progress.

excuse for either mindless pragmatism or universal marginalism. It is important to compare the present with the immediate past to determine first if there have been significant changes and second whether they have been in the correct directions. But it is equally important to compare what has been achieved with medium-term targets of achievement to consider whether the rate of change is acceptable and whether it is tending to accelerate or slow down. Do successive steps zero in more precisely on targets or waver further off course? While it is quite romantic to assume that constant institutional change is either necessary or sufficient (or indeed appropriate or contributory) to progress, it is equally invalid to proceed on the basis that successive marginal changes within a given institutional, psychological, and socio-economic framework will ultimately and always add up to structural transformations. At some point the gains achieved within a context will be largely won and further advance will require changing the context, whether by mutation (e.g. deriving specialized development banks out of NBC), structural transformation (e.g. changing the mode of production of the financial sector in 1967), or more global structural construction and—by implication—destruction (e.g. the ujamaa village transition as it began in 1971).

These syntheses will *not* normally be identifiable by use of marginal analysis because very rarely will they offer faster progress in the very short run. Their dislocation and short-run inefficiency costs are justified by the fact that they either avert blockages which the marginal approach would soon reach (e.g. private bank control in 1967 would not have achieved what nationalization has by 1974 but might have achieved more in 1967) or open new possibilities which simply do not and cannot be attained in the existing frame. (For example, neither social and infrastructural services nor productive technique and input provision can be provided to the majority of the rural population unless a village structure becomes universal. Further, the effective provision of skills—e.g. first aid, improved construction techniques, nutritional services to villages—is hard to envisage except in the context of communal production and allocation).

The test of whether marginal or synthesis-creating change is appropriate is one which requires retrospective and prospective historical consideration in the context of Tanzanian experience, but with reference to other experiences for guidances as to sequences, problems, appropriate (and inappropriate) timings.<sup>6</sup>

<sup>6</sup> The failure of Ghana to create either a mass base or a really large and efficient public directly productive sector before seeking to squeeze out the Nkrumah Government's bourgeoisie support and the Allende Government's maximization of both opposition and shortages by making very early moves against the small-scale bourgeois sectors may be quite as illuminating as Cuban successes in rural education and mass involvement. This is *not* to imply that slower is always better. In the Ghanaian case the time was there but was wasted. In the Chilean, greater attention to keeping goods in shops, less pressure on the lower middle class, and more attention to political education of the armed forces (a strategy advocated by one coalition party) might have prevented the emergence of an adequate base for counter-revolution. The point is to take key actions in a context and a strategic package designed to maximize their chance of success.



In the case of structural changes it is fruitless to argue about precise timing, degree of change, refinement of planning techniques. These are much more appropriate in the consolidation and marginal advance phase which precedes or follows. For example the initial nationalization package's timing and scale can be analysed in terms of 1967 versus 1963 or 1971 and of the actual coverage versus (say) the industrial companies only or all private enterprises employing more than ten persons. On this test 1967 emerges as an appropriate time—after a definite political-administrative-technical capacity had been created in national hands but before a basically capitalist-oriented elite had consolidated itself politically. Equally the coverage—enough to give effective control over finance and manufacturing but not enough to swamp the planning and control machinery—stands up to scrutiny. It makes little sense to talk of February versus March or one more or one less factory—the nationalization aspects of the Arusha Declaration's first implementation round were structural, not marginal.

### III

The ahistorical and ataxonomic approach to analysing, reviewing, revising, and problem-solving appears to be fairly integral in respect of six more specific failures.

*Failure to ask the right questions* hinders arriving at the right answers. To invert Lenin's succinct comment—to ask the wrong questions is to be halfway to getting the wrong answers. In respect of a number (not all) of the shortages of widely consumed manufactured or processed agricultural goods a critical question is "Why has actual demand exceeded not only (in rising order) that typical for poor economies growing 5% a year, past Tanzanian demand growth, and planning projections?" In sugar and GCI sheet for example, the 1973 consumption (even with shortages) was of the order of 25% above rather optimistic 1969 projections for 1973. The answer appears to lie in the rapid switch in the balance of purchasing power away from the upper and upper-middle to the lower-middle and (upper) lower income groups. (Consumption of window glass has stagnated or fallen over the period.) That answer implies that definite and difficult consideration of income distribution and demand relationships (including income distribution changes) should be part of short-term production, distribution, foreign exchange, and credit (to allow larger stocks to be held) management planning. They are also central to medium term macro-, sectoral and production unit planning. Because the question is rarely asked, it is doubtful whether income distribution effects are being taken into account in any co-ordinated or coherent way. Some of the medium-term responses—e.g. cement, textiles—are clearly appropriate to and justified only in terms of the question posed, the answer given, and the assumption that the shift in the balance of purchasing power will continue but rest on intuition more than is necessary or desirable.

*A preference for pure analysis* (sometimes dressed up as a preference for radical institutional change) flows from a failure to proceed from

experience to analysis. A parallel tendency is to assume that a synthesis either yields full results at once or is a failure. In fact, a synthesis often yields major results only after marginal improvements in its performance over time have been achieved by studying experience and acting on an interactive, case-by-case basis to correct defects and take advantage of opportunities. This particular failing is particularly associated with university-origin personnel, short-term consultants, romantic revolutionaries, and (to be frank) with those bored (or worse) by hard, repetitive work.<sup>7</sup>

For example, it is an accepted fact that parastatal firm micro-analysis is weak and its aggregation into the overall Parastatal Sector Operating and Investment Plan weaker. The favourite "solution" has been restructuring of planning and control. Sometimes this has been done quite sensibly or even necessarily but usually without recognition that existing techniques, procedures, and controls could yield infinitely better results were the known and outlined process of aggregation, iteration, verification and cross-checking carried out.

A first approximation format for evaluating projects in terms of investible surplus at market prices, foreign exchange balance, tax revenue, national product at shadow (i.e. socially adjusted) prices and for including any particular constraint (e.g. location in terms of decentralization, technology in terms of employment creation) was prepared almost four years ago and has been used by a few parastatals in a modified form. It has never, however, been generally introduced and extended so that uniform data collection, goal-target and achievement evaluation, etc. would be possible. Certainly experience would have led to changes and ultimately to a mutation of the format, but the alternative of a host of unapplied theoretically superior formats on the one hand and, on the other, of no standard presentation (beyond a very crude bricks-and-mortar one in pure financial terms) is hardly satisfactory. For one thing, it rules out the possibility to cross-compare systematically, except on an intuitive basis. That is hardly more scientific management or planning than application and improvement of a uniform, approximately valid approach.

Iteration, aggregation and verification are rather tedious and boring processes, but without them management and planning remain Platonic ideals no matter how elaborately and with what intellectual sophistication they are formulated. The banking sector credit plan has rather clear methodological imperfections. It *does*, however allow micro cross-comparisons. It *is* based on verifiable data which can be cross-checked for consistency with other plans (except when these planning exercises have neglected to check the parallel data themselves). It *can* be made operational. It *does* work in controlling the level of demand on resources, in allocating to national priority activities, in ensuring that real decisions are thwarted neither by absence nor misallocation of financial resources. That surely is an

<sup>7</sup> Like failure to grasp the historic and socio-political contexts, this weakness is one to which expatriates are particularly prone. It is an argument for—not against—rapid Tanzanianization.



example of analysis flowing from experience in a scientific manner. Quite possibly, a firm basis for a mutational advance in analysis to a new credit planning/management model exists today, because of, not despite, the system introduced in 1970.<sup>8</sup>

From the preceding weakness flows the closely related *failure to unify experience and analysis*. Often this takes the extreme form of failing to discuss experience in terms of past analysis and implications for future analysis.

This failure can lead to repeating the same errors; for example, the present problems in grain purchase, ordering, importation, distribution, and financial control bear remarkable resemblances to similar 1970-71 problems in the State Trading Corporation.<sup>9</sup> One is forced to wonder whether the STC experience—which was extensively analysed and integrated into the revised general public sector commercial planning and management institutions and policies—has been adequately taken into account in the grain sector and more generally in institutional analysis for planning and management. The failure also can appear in terms of not working through the causes of experiences which it is desired not to repeat in order to ascertain what policy steps are needed. Two examples of delayed integration of experience and analysis relate to cotton and cottonseed pricing. To operate the textile sector on a stable, planned basis, cotton prices for the production year must be known in advance. The only evident way to achieve this is for the local mills and the Cotton Authority to enter into an annual sale contract at a fixed price. As the Authority does analyse probable market prices and does sell forward to other buyers, no real technical problem arises—a price which is the average the Authority expects to receive (net of export tax) on export sales can be computed and applied. Gains and losses to the Authority will depend on how correct its projections were, as they do on any other forward sale. (The issue of applying a different stable price in order to shield cloth buyers from too high or farmers from too low a world cotton price is a separate one from that of an annual price per se. For such a premium or subsidy to be of value it would need to be computed from the expected average future year's price in any event.) No real difficulties should arise for the Cotton Authority and clear gains to the cloth consumer, the Price Commission, the textile industry, and the overall planning exercise should be attained. Alternatively an annual price to domestic mills could be set on the basis of the average previous year's export price. This too would allow orderly domestic industry planning. In fact the second option has been adopted for 1974.

8 The danger is perhaps evident. If a planning exercise works reasonably well in a given format, it may well be continued largely unaltered well beyond the point at which radical change would be desirable. To date, however, that is a much less common weakness of Tanzanian planning and management than the reverse.

9 As detailed below, the food shortages and a part of the foreign purchase cost could have been averted by prudent planning. Drought alone neither explains nor excuses; the change in top management was not an irrational response to the crisis.

The cottonseed price was static for some years. It was once far above typical world oilseed prices but then fell very much below them. With a margin and cost based controlled price system, this resulted in a quite low and stable controlled retail price for cottonseed oil. Analytically this was quite satisfactory (at least given that the Cotton Authority's finances were not prejudiced by the cottonseed price), but in practice it led directly to acute shortages of cottonseed oil in the open market, to substitute oil's selling at very high prices, to illicit sales of cottonseed oil above the controlled price, and to massive smuggling to Kenya and significant open imports of high-priced oils. Why did experience invalidate the analysis? Quite simply it was because the retail price of cottonseed oil in our neighbouring country was at least 50% above Tanzania's. Trying to prevent illicit movements and shortages against that level of disparity is almost literally trying to hold a liquid in a sieve. Raising the legal retail price substantially reduced the incentive to smuggle or use illicit markets and has brought some oil back on the open market. This did *not* injure the poor consumer who previously ran short of cooking oil, spent an inordinate amount of time looking for it, or paid twice the controlled price for it; however, it could have created a legal windfall bonus for distributors parallel to (but probably less in amount than) the illicit gains of smugglers, "parallel" marketers, importers of alternative oils, and corrupt public sector officials, which they secured from exploiting the previous misanalysis. There was every reason to have the Cotton Authority capture this surplus for the public sector by its recent raising of the cottonseed price so that mill and legal distribution margins remain relatively constant.

The foregoing paragraphs should not be misread. What is being criticized is not particular people or institutions but analytical failures which are generic rather than specific to the cases cited. Indeed, the cases can be cited because the re-evaluation of analysis in the light of experience has taken place, suggesting that they illustrate above, not below, average performance cases.

*Excessive secrecy* is one of the causes of the failure to marry experience and analysis and to apply the experience of one part of the economy in another. In practice the non-disclosure of information on analysis, experience, problems, reviews has four harmful effects:

- (a) it very greatly limits meaningful participation because without information one can hardly participate usefully;
- (b) it ensures uninformed criticism and general feelings of unease which are often quite wide of the mark;
- (c) it inevitably leads to partial and self-serving leakages of data which worsen both of the preceding defects;
- (d) it prevents the application of experience gained (often at very considerable cost) in one operation to others to which it may be relevant.

To take an example and to be deliberately provocative, there is a perfectly respectable case for compulsory publication of all government and



other public sector contracts (including management sale, construction, technical services, and other agreements) with a potential total turnover of shillings one million or more. Parallel regulations specifying much lower sums would be appropriate for district development corporations, co-operatives, regional and district government. Evidently certain national security limitations (in the literal defence, security sense) would be needed; however, in the bulk of the cases, secrecy is in fact an illusion because the outside parties who really want to know the details can find them out whether by illicit means from us or by licit or illicit ones from our partners. In general we injure ourselves (in all four of the ways cited above) more than anyone else by withholding data. We at one and the same time do sweep some very unfortunate contrasts out of sight (doubtless to the relief of those who made them), when they should be criticized and used as examples of what to avoid, and also create a quite false impression that many contracts which would stand detailed scrutiny have something wrong about them.

The previous weakness greatly assists the *substitution of blame-passing for problem-solving*. It is far too common for the institutions challenged by a problem to throw the problem back and forth *at each other* like a Mills bomb rather than setting themselves together as a united front and throwing their joint efforts *at the problem*. Analysing what has gone wrong is one thing—and one which should be possible without casting aspersions, since everyone and every institution make mistakes. Indeed, those which seriously try to be creative, effective, and radical are likely to make rather more mistakes than those which avoid action—but analysing who has “done wrong” is quite another.<sup>10</sup> To confuse the two processes is very often to prevent any progress on either.

For example let us look at some of the elements in the early 1974 Dar es Salaam sembe crisis:

- (a) despite reasonably accurate estimates of import requirements six months in advance, ordering lagged;
- (b) the consequent lag in import deliveries was aggravated by the Kenyan decision to declare *force majeure* on export contracts because of its own grain shortage;
- (c) local supplies were constricted by lower (and slower) than anticipated purchases and then utterly disrupted by unco-ordinated regional-district attempts to ensure adequate local stocks by banning grain movements;
- (d) delays in carrying out shipment orders arose apparently at least in part because of inadequate numbers of rail cars (or locomotives) and lorries available (or allocated to grain);

<sup>10</sup> It is often necessary to pose *that* question too, whether in terms of corruption, mismanagement, indecision, or general lack of competence *but* as a part of an exercise of major institutional reform or personnel movement (whether by transfer, firing, prosecution or otherwise) *not* as a routine part of facing a joint problem. Identifying the areas in which marginal improvements in railroad-government-parastatal co-operation would lower the inordinate delays now encountered is one thing; and inquest into the present pathology of East African Railways quite another.

- (e) when these factors created a brief drying-up of Dar es Salaam stocks—and *a fortiori* when quite unconvincing explanations of the situation were offered—the effective demand leaped by perhaps a half in the short run. Consumers (and doubtless retailers as well) tried to stock up in fear there would be future sembeless days. This greatly increased the difficulty of returning the supply position to anything resembling normal even after internal movements had been begun and import orders placed and arrival dates confirmed with Malawi, Zambia, and the U.S.A.

The more rapidly all of this data (and more) had been made available to the public and to all concerned institutions and the sooner these bodies had met to see what could be done to avert the longer-term and alleviate the short-run problem, the better the outcome would have been. In the event, secrecy, partial approaches and finger-pointing prevailed until very late in the day indeed.

A closely related defect in management and planning is a tendency to *criticism*. The point is not that the handling of the crisis is necessarily badly done but that the cost of waiting until a crisis has arisen and then tackling it is often much higher than that of acting to avert it. Failure to keep in touch with the evolution of experience and failure to keep in perspective how parallel situations evolved seem to be major factors in this weakness, although another one is over-work (one hopes a minor problem will be solved by someone else and puts it off until it becomes all too evident action is imperative, critical, overdue.) The sembe crisis and the 1970-73 history of STC are examples. In both cases earlier action could have limited the resultant costs and dislocations and, in both cases, signs of serious trouble were evident (and were noted by at least some of those directly concerned) long before the crisis erupted.

#### IV

The following comments on some of the main subthemes recurring in discussions of public sector management in Africa are selective in three senses:

- (a) they are largely concentrated on management and planning for production (including financial management and planning *and* including the governmental and participational as well as the directly productive unit aspects);
- (b) they seek to bring out either particularly critical or particularly rarely raised issues rather than to cover all possible aspects and issues;
- (c) they are in several cases directed to questioning whether the way in which issues are often posed is not a part of the problem rather than of the solution.

The change in the *nature* of the public sector in Tanzania is as radical as the change in its size. At Independence it consisted of a limited number of services to individuals and to the private directly productive sector. Today the public sector is totally dominant in controlling and directing



production (and in large- and medium-scale production itself) as well as providing a much larger (absolutely and *per capita*) array of services to individuals. Its control over the private productive sector has increased. Provision of services to the private productive sector has become a very secondary aspect of public sector activity. (For example, less than one-tenth of NBC lending is to the private sector.)

These changes—and changes in *size*—are illustrated in Tables I and II in the Appendix. By 1972 the public sector proper accounted for over 30% of GDP and over 40% of monetary GDP. In finance it was virtually 100% and in both transport (all modes) and manufacturing over 75%. Over 40% of total GDP (only about 20% of monetary) came from the small scale rural sector's private portion. That sector, however, is in fact dominated by public sector financial, commercial, transport, and service units and is increasingly being transformed into ujamaa villages. The balance of other private contributions to GDP was about one-quarter of total and one-third of monetary with concentrations in construction, middle-sized commerce, road haulage, and small- to medium-sized services and landlords. With few exceptions these establishments are dependent on larger public sector enterprises (e.g. retailers on regional trading companies, Kioo glassworks on parastatal bottle purchasers) and have very limited ability to resist public sector initiatives actively. (The smaller ones can and do evade them extensively).

A less widely recognized role of the directly productive public sector lies in its contribution to financial planning effectuation. In 1972 the gross operating cash flow of the parastatal sector was shillings 590 million of pre-tax profit plus depreciation cash flow available for income tax, dividends, loan repayment, and new investment in fixed assets or working capital. That figure represents over a fifth of total investment and virtually a third of national savings. If the parastatal sector had failed to generate *any* operating surplus, then to maintain the same level of public services and public investment would have been possible only had income and personal tax and sales tax (all three) been levied at almost twice the rates actually applicable in 1972!

The year 1972 was not an aberration in this respect—the trend of parastatal operating cash flow has been upward (see Table I). In 1972 the NDC Group (excluding two projects not in normal operation because of completion late in the year and Williamson which was highly profitable but also highly atypical) had approximately shillings 112 million pre-tax profit (aggregate profits of profitable group companies less aggregate losses of others) and depreciation cash flow of shillings 60 million. Net assets were approximately shillings 730 million. The NBC, with net assets at the close of 1971-72 of just under shillings 100 million had pre-tax profit plus depreciation cash flow of shillings 50 million odd. Together the cash flow total of these two parastatal groups came to shillings 220 million, an amount equal to four-fifths of total income tax and personal tax from individuals,

to give some indication of the cost to the economy if it had not been generated by the two groups' activities.

The need for the public sector to generate large production-based surpluses is an integral part of the transition to socialism. Only when one really depends on a dominant private productive sector can one afford to ignore public directly productive sector surpluses.

In terms of aggregates and of many sectoral results as well, the Tanzanian public sector is much more similar to than different from that reached in the middle and late 1950's by the European socialist polities, at least so far as the transition to socialism is concerned. (Tanzania is still less structurally advanced economically than all but Albania and Bulgaria were before they began their transition, let alone than in 1960.) The major differences do *not* lie in degree of public sector ownership *nor* in the large small-scale private agricultural sector. They are concentrated in the great weakness of the public construction sector, the high proportion (though reduced from 90% at Independence to under 50% today) of foreign high-level manpower, and the significant foreign involvement in the large scale productive sector (by 1960 Russian ownership of joint companies in the rest of socialist Europe had largely been phased out and the initiatives in joint ventures had not begun).

## V

To pose the *management of public affairs and public enterprises* as if they were somehow different and contradictory is *not* part of the solution to "the" management problem; it is a large part of the problem.

Production management is an integral part (and a most important one) of public affairs management, unless one believes public affairs does not include a significant involvement in production. The distinction between the two is in large measure one stemming from the intellectual paradigm of *laissez faire* capitalism.

Certainly different types of management (and of persons successful in carrying them out) exist, but the differences do not arise from the government-parastatal distinction. Emergency repairs is a field with reasonably similar demands carried out by TANESCO, Dar water supply, and Comworks (on houses). It is a service to users, not a profit-making operation. Yet it is doubtful that very many people would challenge the view that TANESCO is the best and Comworks the weakest in managing this sector. Similarly, vehicle maintenance (including preventive maintenance) is a loss-avoiding or revenue-saving field carried on by ZTRS, Comworks, DMT. Here again the differences in quality of results (and certainly of management efficiency) relate to the institution, not to whether it is government or parastatal. ZTRS is best, DMT weakest; both are parastatal.

Similarly NDC group planning actually covers a wider spectrum than planning in some of the smaller and more specialized governmental units. It is true that some public affairs management posts require synthesizing more different goals over a broader array of institutions and policies than any



parastatal posts, but this is by no means typical. The nature and scope of management responsibilities vary much more *within* the government sector or the parastatal sector (and in the larger institutions within the institutions themselves) than between government per se and public directly productive units.

The classic concept (or caricature) of bureaucracy with a myriad of routine forms, minutes, crosschecks, referrals, and rulebooks is a horrible way to manage anything. It is, of course, not unknown in business—both STC and one of its private predecessors, Twentsche, seem to have suffered exceedingly from it. It is a quite impossible way to manage public affairs unless these are very strictly limited to a minimum of law, order, and a few services. Certainly its application to government development management in Tanzania would be a sure prescription for failure. Indeed the cases in which it has been (or is being) applied are normally quite apparent as cases of non-success.

The issue of *divergent goals* in public sector management is apparently based on a misunderstanding. No single governmental management body (unless one wishes to look at the Cabinet, the ECC, or the Prime Minister in that way) is concerned with the attainment of the full range of public affairs goals. It may take actions related to them and it may have its own actions constrained by them, but it is not directly or integrally responsible for nor involved in achieving them. This is less true for the Ministries of Planning and of Finance than for others (just as the NBC's concerns are wider than those of any other parastatal because of its duties in providing working capital finance for all directly productive enterprises and long-term capital for a significant proportion of the Development Budget). But even these two Ministries are by no means complete exceptions and could not become so without engaging in quite inefficient as well as undesirable institutional aggrandizement.

Any one institution is primarily responsible for a limited subset of national goals. Other goals impinge on its operations in terms of constraints, e.g. it must find non-Dar locations for 50% of its new investment, it must pay minimum wages, it must give priority to transactions with ujamaa villages... but it neither can nor should take primary responsibility for managing their implementation. (This is the error in regional and district attempts to manage national grain stocks.) Directly productive units have especially high responsibilities for implementing production and distribution goals and for achieving investible surpluses to further increase command over productive forces. So far as income distribution planning is concerned, however, they cannot possibly be expected to create wages-salaries-prices policies for the country (nor would it be at all desirable if they tried). They can be expected to understand and implement them once they have been formulated by the Party and embodied in government measures. They can also be expected to take a constructive interest in the formulation of management and institutional programmes for such goals and for maintaining progress toward them in the case of an emergency.

The last argument is illustrated, in a very positive way, by the National Milling Corporation's actions in the 1970-71 rice crisis. Price co-ordination broke down with the buyer price-cut, but subsequent steps were not worked through. The NAPB indicated that it was unable to absorb any of the narrowing of grower price to retail price margins. As a result every miller lost on each ton of rice milled. NMC actually raised its throughput of rice and switched two hired private mills from export-contract milling to local-market operations despite very large losses.

At the same time it called for urgent examination of the price structure to allow the milling sector to cover costs. The private sector closed down totally and the co-operative sector suffered breakdowns of most milling machinery which proved incapable of repair until after subsequent price changes. The NMC's response was exemplary. First, it recognized it had to meet the rice supply need (so far as it alone could) in the interim period. Second, it also recognized its duty to make clear that the situation was causing serious loss of the surpluses needed for investment by the public sector, not as a result of a conscious decision to subsidize rice eaters, but of price co-ordination confusion.

The example perhaps illustrates another faulty assumption—that the parastatals with good records on seeking to implement broader public goals have poor records on surplus generation. On balance the reverse is more commonly the case. Managements with an ability to perceive, accept and advance toward national political economic and social goals are those which carry out their narrower production, service, and surplus generation roles effectively.

NBC has rapidly expanded the geographic and the substantial range of its services. It has carried forward a massive citizen training programme to cope with the expansion of services as well as replacement of expatriates and unexpected demands from new financial institutions. It has launched a broad savings promotion campaign package (even if one may have doubts as to how optimal its makeup is) resulting in annual growth of its deposits equal to the total POSB deposits. It has provided the basic data and control framework for implementing the credit plan. It has repeatedly called attention to the need for restructuring certain parastatal programmes to avoid public sector losses (with mixed but not negligible results). It has taken a lead in decentralization. *But*, surely nobody could claim that it has a poor surplus generation record! Similarly Ubungo Farm Implements has been a pioneer in developing meaningful worker participation among single production unit companies (as has NBC among multi-unit operations). Ubungo has achieved physical output well above rated capacity. It has practised tight cost-control with resultant unit costs significantly below estimates (partly as a result of higher than planned worker productivity probably not unrelated to effective participation). As a result it has turned what initially appeared to be an inevitable annual loss of shillings one million or more (even given a favourable import Ubungo price-pooling scheme) into a break-even position with prospects for a break-through to genuinely positive investible surplus. That is far better



both on the investible surplus and on the broader service and national goal criterion tests than many less unfavourably placed concerns have done.

## VI

The problem of the *political context of public sector productive activity* tends to be paradoxical; on the one hand the relationship is too formal and too detailed, and on the other it is inadequately formulated and not close enough. These defects are compounded by secrecy (which exists between and among ministries and parastatals as well as between the public sector and the public) and by the tendency, already noted, to conduct adversary rather than problem-solving sessions.

It is precisely the absence of clearly formulated basic goals, criteria, and guidelines which forces detailed supervision and examination at micro-level. The lesson of the Regional Development Fund does not seem to be heeded. Given a framework of basic goals and means, very considerable decentralization of decision-making is possible with technical as well as social gains. The efficiency of resource allocation and utilization for many projects is higher the closer to users and producers decisions are taken.

Relationships are too formal. While growing, the number of cases in which parastatal managers (at various levels, not just in the most senior posts) have informal working relationships with their counterpart officers concerned with similar issues in the relevant ministries is low. The concept of seeing what decisions raise questions in terms of a general framework and of discussing these decisions in advance with ministerial personnel to reach a meeting of minds (*not* a directive and only perhaps formal advice) seems commonly put into practice only in the financial parastatals and—to a lesser extent—in the financial planning, treasury aspects of parastatal management. A relationship consisting only of board meetings, directives, and quasi-directives on particular issues cannot be a healthy or constructive one.

Certainly there is too little overall planning and plan reviewing between ministries and parastatals. The resultant overload thrown on the final national parastatal operating and investment budget planning sessions limits their effectiveness. Linked to lack of clear framework and guidelines, this short-coming allows parastatals both to embark and to continue on paths which (however sensible they may be considered in isolation) hardly fit national priorities and hide growing weaknesses from ministries until they have reached crisis proportions.

At the same time there is far too much detailed interference with and/or inordinate delay in clearing secondary management decisions, with serious implications for the efficiency of the parastatals and the ministries alike. A number of intra-ministerial price reviews (not all) have been of this character. One reason for setting up a Price Commission with a defined set of targets and guidelines was to avert expensive delays in making decisions and inordinate expenditure of parastatal and ministerial top management and planning personnel time in not very fruitful discussions. It should not take three hundred pages of data, a dozen intraministerial meetings, two ECC

meetings, and perhaps half a hundred senior official-senior manager meetings spread over nearly a year to decide whether input cost increases justify a price increase for a major commodity. Yet in one case it quite literally did. This was not because any significant number of the participants were obstructive, but because with no guiding principles for analysis or identifying acceptable results any discussion can continue interminably.

Three selective comments on *social, cultural, institutional environmental factors* effecting efficiency of the public sector may be of use.

The first is the basic historical contrast between Tanzania and China. At the time of the completion of the installation of the People's Republic's control over the whole of China, five factors were very different from those pertaining to Tanzania. Further, the origins of four of them date back 3,000 years.

1. A high degree of *internalized* discipline exists in China and has persisted despite periods of breakdown between strong governments. Traditional discipline systems in Tanzania probably were internalized, but this is not true of modern ones which have depended very much on external enforcement. The difficulty of achieving internalized discipline and participation at the same time is different from the challenge in China, which centred on achieving participation because discipline was already present and largely internalized.

2. Efficient, decentralized (within a framework of central direction), articulated government has (admittedly with breaks) existed for millenia in China. It is not something needing to be created. Tanzania as a single unit has never had any government (pre-colonial or colonial) meeting that description. Thus the contradictory challenge of building a strong government apparatus, decentralizing it, avoiding the anarchic dangers implicit in uncontrolled decentralization, and ensuring that bureaucratism does not take root faces Tanzania, whereas only the last challenge was equally critical in the new China.

3. In China there existed a tradition of hard work aggregating a very large number of hours over the course of the year combined (at least in large parts of China) with one of collective public works (especially in respect of irrigation and flood control). In Tanzania the difference is not an absence of a tradition of hard work. Rather traditional work patterns do not add up to really large numbers of hours in the course of a year and do not allot large amounts of "off-season" time to joint activity in the group interest.

4. A pattern of advancement and appointment on merit (even if often by somewhat irrelevant examinations) and promotion on achievement (with time served as a *quasi*-prerequisite but by no means an adequate condition) was accepted as a matter of course in periods of strong government in China. It has never had an equal chance to take root in Tanzania and in some respects contrasts with certain traditional systems of appointment and promotion in terms of family obligations.

5. Over thirty years of armed struggle and of extensive experimentation



with management systems under difficult conditions preceded the establishment of the People's Republic throughout China. Tanzania did not face the costs of a similar civil-external war but neither does it have the body of experience China gained during it.

Second, the lack of participation by many to whom participation is open and from whom it is sought needs careful and detailed examination. Even many relatively senior managers and officials fall into this group of non-participants. The number of individuals with detailed criticisms of price violations, corruption or mismanagement and of those with specific proposals for doing something better is out of all proportion to the very few who will put their criticisms or their proposals through the existing channels for acting on them. At times there appear to be more letters to the editor about price violations than complaints to the Price Commission!

The question that must be posed is why? Do the non-participating critics believe that nothing will be done and if so what can be done to demonstrate that this is not the case? Do they believe that too many lower-level Party-government posts are held by persons who would be the object of criticism and would block its further processing? Is this fear accurate—the pre-1971 makeup of lower-level Party and administrative posts in rural areas did appear to show a significant overlap with the most well-off of the farmers, a situation not likely to encourage critics to come forward. Are the means to communicate the criticisms unknown? This seems unlikely but possible. If so, it implies certain priorities for such bodies as the Price and Leadership Code Commissions and for the Information Services.

Third, a very high proportion of middle-level managers and officials (including verbally radical recent university graduates) are exceedingly conservative in the literal sense of the word. They believe—hopefully wrongly—that one cannot endanger his career by always passing a decision upwards or sideways and that no action taken guarantees not being held responsible for any untoward happening, whereas a positive decision results in responsibility for its consequences. This may be in part because of inadequate delegation of authority, but on the whole the reverse problem of refusal to exercise authority seems more common.

## VII

In respect of *management skills and techniques* and of *management theories* a few brief comments may be useful. First, if the best management techniques used in Tanzania were applied more generally, there would be a remarkable improvement in average levels of performance. To take an example, both BAT and the Sisal Corporation (bodies with very different production problems, marketing patterns, financial difficulties, and levels of skilled personnel in relation to needs) keep detailed annual physical and financial plans broken down into monthly real and financial targets, and both provide monthly results for internal use within 30 days of the close of the period covered. That type of target setting and reporting is critical to

effective management, but it is not typical of a majority of Tanzanian firms (public or private).

Second, there need to be closer links between training and work. The options open include part-time courses (evening or released time during the day), released year or short courses, combined in-service work-study programmes. One critical point in favour of this approach is that if it is not followed, present middle and senior management (usually unable to secure extended leave for educational institution courses on traditional lines) will be either pushed aside in favour of new "management training institution" graduates or "understudied" by such graduates. Very considerable—and justified—bitterness and very considerable—and necessary—loss of efficiency is almost certain if that is allowed to happen. It is a matter of some concern that the present Institute of Development Management programmes and programme development do not seem well designed to meet this challenge and grounds for praise that those of the Institute of Finance Management do face it squarely.

Management theory (which needs to be kept distinct from management theology) is a rather doubtful commodity to import. In the first place, it turns on national goals and attitudes in terms of interpersonal relationships and of participation. In the second, to the extent that it is separate from skills and techniques, it is not a very well developed field of intellectual endeavour. Certainly what exists should be studied, but not in the hope that large-scale importation and minor refurbishing will serve.

This caveat is particularly true of socialist European (with the partial exception of Yugoslav) management theory. At least as applied until the recent past, it was characterized by greater centralization, greater bureaucratization and no greater participation than typical capitalist management theory. While recent developments in the direction of decentralization and (less certainly since the prime mover in this field was the 1966-1968 Czechoslovak government) participation are of interest, they are even more experiments in participation than those in Tanzania.

Yugoslavia is interesting because its historical experience illustrates some of the problems which can arise from decentralization and participation. The study of these problems should not be to find arguments against decentralization and participation but to find ways to avoid decentralization's leading to non-co-ordination and interunit clashes to a near autarchic degree and to tendencies to veer off course in terms of national goals. Equally Yugoslav experience shows the danger that participation may result in manipulation by managers, with rather wasteful distribution of potential unit contributions to national surplus used to bribe workers into acquiescing.

Chinese experience is not widely available. One particularly interesting area would be the management and interaction of the smaller urban and rural productive units. Both small industries and communes seem on the one hand to fit their own planning into national goals rather more effectively and with rather less supervision than in Tanzania and, equally critical, to develop extensive links among themselves without recourse to central advice



or direction. This experience should be a valuable source of insights for Tanzania, where it is far too common for two parastatals with a perfectly normal business transaction to carry out to run to their parent ministries to solve it for them, rather than seriously seeking to work it out between themselves. Equally, there is a certain irony in seeing an intraministerial committee, a major ministry research unit, and a parastatal co-ordination body all involved in trying to work out how a single ujamaa village could market the output of a rather small workshop via a Regional Trading Corporation. Granted this has been seen as a test case, it is unfortunate that it had to come to the centre for the need for local-level parastatal co-operation to be identified. The immediate and local management of similar problems appears to be one of the strengths of the Chinese system.

### VIII

In respect of *incentives*, the discussion tends to be rather non-articulated, combining a somewhat generalized de-emphasis (in verbal terms bearing little relation to the attitudes of most of the persons affected and perhaps not even of many of the speakers) on material incentives and a very vague and unspelled out praise of non-material incentives.

On the first point it may be worth noting that "Man does not live by bread *alone*" is no more appropriately truncated by deleting the last word in the name of socialism than of religion. Equally it may be useful to remember that in the miracle of the feeding of the 5,000 the feeding comes before the preaching. The people followed first, were fed second, and listened to the theological (ideological) message third. Nor is it accident that China has consistently put a minimum adequate diet, clothing and (increasingly) other consumer goods for which there was mass demand (including beer and cigarettes) high on the production priority list. They come well before maximization either of total growth of GDP or of heavy industry in China's priorities.

Neither of the approaches is likely to succeed in a really poor country. Unless, taking one year with another, the 80% of the population who are very poor see that the personal and communal consumption open to them grows, they will not believe that non-material incentives are a genuine part of a package. Rather they will suspect that the incentives are fraudulent either because they (the 80%) believe that the leadership is itself amassing gains or because they believe that the system—however well intended—does not work. In this respect nothing is more corrosive of confidence than continued (as opposed to short and occasional) absence from shops of mass consumed goods.

Tanzania's present problem of severe discontent by a wide array of individuals in very different socio-economic positions with the evolution of their consumption power is not unique. The same phenomenon has been noted many times in socialist Europe (e.g. at the time of the realignment of the Polish government) and ultimately met in a majority of cases by increasing the priority given to mass-consumed goods. At least one similar

policy revision took place in China in the 1950's despite the fact that China has consistently given greater priority to mass necessity and simple amenity consumption goods than did socialist Europe (with the exception of Yugoslavia) at similar stages in its advance toward socialism and greater levels of productive forces.

Evidently the situation is exacerbated because the changes in world prices (helpful as they may be in terms of coffee, sisal, cotton) necessarily work their way through the economy. This is all the more so given the grain, sugar, and dairy products deficits. In this context it has proved no longer adequate to deal only with the minimum and near minimum wage implications of price increases. Until 1971 price increases were low enough, and promotion rapid enough, that the typical middle or upper (in Tanzanian terms) public servant (government or parastatal) did become marginally better off. Since 1971 price increases have shot up and promotion (with the increasing degree of achieved citizenization, has slowed. There were, before the May 1974 salary increases, a significant number of middle-and senior-level public servants whose real purchasing power was 25% or more down from January 1971. That was not "standing still", and it could not be continued year in and year out without disastrous effects on incentive effectiveness and morale.

Non-material incentives are very real. That realization is not unique to socialist systems. At least three general types of non-material incentives which have been historically effective under a wide array of circumstances are: satisfaction in work well done, nationalism, and contribution to a community relevant to the worker. It is hardly possible or appropriate to go into these in detail here. It may be worth pointing out, however, that all of them work better for most individuals when there is formal public recognition—whether by the government, the Party, or the employing institution—of the achievement, and all are more immediate and real to the worker in a participatory environment.

The difficulty in making an "honours" or awards system operational in Tanzania (legislative provision exists) is presumably in ensuring that it is not elitist. There is no reason it need be. A high honour is just as appropriate for a junior customs officer who intercepts Shs. 2 million in stolen currency (as has happened) as for a senior civil servant who makes a major contribution to planning over several years. The workers' council chairman and workers who have made particular contributions should receive medals as much as the plant manager if a plant exceeds its physical production target by a significant percentage. The fundi who devises a new repair technique which genuinely assists local rural machinery repair shops deserves, and will be encouraged to continue his efforts by, some form of award as much as the research worker at the University who wins an Honorary Degree for a major scientific breakthrough.

### IX

The *financial management process* is hardly usefully approached from



the starting point of its legal framework. A legal framework can create some sanctions against specified acts and require that some minimum acts be performed. Unless rather more internalized than is presently the case, however, it is not even particularly effective in these roles. Under no conceivable circumstances can it provide a basis of incentives or requirement for careful, competent, innovative efforts to achieve well above minimum results.

While the present collection of laws is of uneven quality (in general the older, the less relevant) it is not a very serious handicap. It might or might not be valuable to incorporate the financial planning process in law (it might not because that could result in slowing down marginal improvements or radical mutations) and to update the older Public Corporation Acts along the lines of the Cotton-Sisal-Cashew Nut Authority ones, but this is neither a necessary nor a sufficient condition for improved financial management and planning.<sup>11</sup>

The greatest weakness is at the micro- (or organizational level). The conversion of physical into financial quantities is distinctly weak and the projections often distinctly unreal or careless. The practice of the best departments and parastatals, if generalized, would lead to a major improvement. The problems of errors at this level are real and physical, not purely financial. A financial plan is a tool to ensure that possible physical targets (possible in terms of real resources available) are not blocked by financial inconsistencies. If the conversions from real to financial terms have been done wrong, then either inconsistencies at the financial level will arise or (more probably) it will turn out that the estimate of what was possible in real resource terms has been too high because of undercostings.

The need for (and the possibility of) effective annual physical and financial projections and monthly followup and control has already been cited. Equally critical is wider use of cost/benefit analysis *broadly defined*. This does not require a marketed output, let alone a profit, but simply some quantifiable goal (e.g. patients treated and discharged alive) or a surrogate for a goal (e.g. police patrols in theft-prone areas as a surrogate for robberies prevented). Once the output is quantified it is possible to see what varied combinations of inputs can produce it, which of these is the lowest cost per unit of goal, and whether the cost per unit of goal seems reasonable. For example, if one believes massive smuggling of cloth, cooking oil, grain, GCI sheet, and cattle to Kenya is a threat to the economy, then one can qualify the loss and work out approximate costs and possible gains in reduced smuggling as a means to evaluating alternative proposed control programmes.

Less critical—but still more critical than legal revision per se—is better operation and integration of the financial planning aspects of the (bank)

11 Recent legislation does require the Treasury Registrar to secure from each parastatal data amounting to an annual parastatal financial and physical plan. This plan must be evaluated jointly with the parastatal, Devplan, and the parent ministry and written comments prepared and circulated.

Credit Plan, Foreign Exchange Plan, Parastatal Annual Operating and Capital Budget Plan (which might usefully be published once completed), and Recurrent and Capital (somewhat erratically called Development) Budgets. Taken together these do in fact govern about 90% of investment and over half of all economic transactions. Thus together they can result in financial transactions and flows more closely related to desired physical results. More careful and more copious micro-level preparation and co-operation work are still needed if this target is to be more nearly approximated.

## X

Tanzanian corporate (or government) contractual *relationships with foreign productive units* (including foreign state corporations) can be a moderately useful tool of development or a dangerous source of loss of control over the pattern of change. Which is the case will depend on the total size of the foreign involvement (if it is omnipresent it is doubtful that it can be controlled), the importance of any individual involvement to a really large foreign unit (it is dangerous to have an involvement which is a matter of great concern to a large and powerful company even if a much smaller venture with them would be safe), and the alertness with which we identify what we want and how to buy it without losing control.<sup>12</sup>

Most of the pre-1968 contracts are bad contracts in terms of achieving our own specific goals. They do not (even taken together) give the other parties very much leverage over Tanzania's economy as a whole, but they do represent unnecessary expense and do fail to give much value in return. Several of the more recent ones are distinctly better.

The need is for a more orderly approach to identifying when a contract (other than a direct purchase of a single piece of technology or a direct or technical assistance hire of a particular high level manpower post candidate) is appropriate, for what, at what price, and subject to what control conditions.

*First*, one should analyse what non-Tanzanian inputs (other than finance which is rarely sensibly raised in this way) are needed, e.g. specified technical manpower and training programmes for citizens, specified present technical knowledge and/or consultancy and access to knowledge development, external market expertise for sales or purchases. (The last could be reduced if NBC or the Board of Internal Trade were able to set up a substantial confirming brokerage subsidiary with offices in key cities such as London, Nairobi, Copenhagen or Frankfurt or Amsterdam, New York, Lusaka or Lubumbashi, Tokyo, and Shanaghai.)

12 There is considerable evidence that the success importing industries, technology, personnel, and (sometimes) capital of late 19th century Japan and 1920s, USSR turned on gaining and keeping control over knowledge and management. This, not the initial price, was critical for their subsequent advances on their own.



*Second*, one should consider whether these inputs can be purchased singly (e.g. direct hire) from many sources, whether we are able to evaluate effectively offers to sell, and whether we can put the package together ourselves. If these questions can be answered yes, a general contract is an inappropriate means of proceeding.

*Third*, competent, experienced potential suppliers (plural—it is better to have at least preliminary discussions with two or more sources to increase room for bargaining) must be identified.

*Fourth*, a draft contract should be produced by us tailored to providing what we want (and not an expensive list of unnecessary additions), at a reasonable cost (in terms of what benefits we expect), for a certain period (either until the end of the contract or a review point) slightly *shorter* than we expect to need the services, and with payments so structured as to give the other party an incentive to produce the results we want. At the same time a list of *minimum* conditions should be prepared so that none is accidentally dropped by inadvertence during negotiation.

*Fifth*, the contract should be negotiated with serious attention to achieving results as near those initially sought as possible but with willingness to compromise on secondary matters so long as costs do not exceed benefits and *control* over reaching basic goals is maintained.

Central review mechanisms to ensure that one does not arrive at a problem simply by the aggregation of too many individually useful contracts into a too large total foreign position are also needed. The foregoing approach if used more systematically and carefully should protect the national interest and further development in evaluating potential contracts within that macro-framework.

This paper is in no way a complete guide to management improvement in Tanzania. In particular it stresses planning and analysis, not technique, because more mistakes and weaknesses appear to arise from failing to identify a problem correctly and rapidly than in being unable to bring adequate techniques to bear upon it once it is identified.

Neither has there been any attempt to catalogue either failures or success in any comprehensive way. Certainly the broad record is one of progress, but there are still notable weaknesses and—more critical—rather more weaknesses than necessary.

To say this is not to condemn, nor is it to oppose further progress. Management improvement is rather more likely in a dynamic than a static situation. Criticism is a tool to progress. To quote President Nyerere from *Tujisahihishe*:

Mistakes are mistakes. Exploitation is exploitation regardless of whether those indulging in it are big people or the majority. A Party that adheres to truth and justice must give its members freedom to correct mistakes and remove exploitation. Party members who do not use that freedom for fear of being hated, unpopular or losing their position are harbouring a great enemy of justice and truth.

## APPENDIX

Table 1. SUMMARY OF TANZANIAN PARASTATAL SECTOR DATA, 1966, 1970, 1971, 1972

	1966		1970		1971		1972 <sup>3</sup>	
	A <sup>1</sup>	B <sup>2</sup>	A	B	A	B	A	B
Contribution to GDP (Shs. 000,000)	238	490	676	1070	858	1350	950	1500
%Monetary GDP <sup>4</sup>	5.3	11.0	11.5	18.2	13.6	21.4	13.4	21.1
%Total GDP	3.6	7.5	8.2	13.0	9.7	15.2	9.5	15.0
Direct Fixed Investment (Shs. 000,000)	102	210	356	772	397	1260	510	1260
%Total Fixed Monetary Investment	12	25	22	47	18	57	22.5	62.8
Direct Plus Net Financial Investment (Shs. 000,000)	130	NA	625	NA	1105	NA	1030	NA
Employment (000) <sup>4</sup>	20	51	55	91	63	101	68	108
Operating Receipts (Shs. 000,000)	1323	NA	3041	NA	3653	NA	4000	NA
Investment Income (Shs. 000,000)	35	NA	167	NA	198	NA	222	NA
Wages (Shs. 000,000)	300	NA	340	NA	375	NA	445	NA
Depreciation (Shs. 000,000)	31	NA	111	NA	119	NA	132	NA
Gross Profit <sup>5</sup> (Shs. 000,000)	118	NA	265	NA	419	NA	455	NA
Corporation Tax (Shs. 000,000)	50	NA	137	NA	188	NA	258	NA
Dividends (Shs. 000,000)	22	NA	20	NA	30	NA	20	NA
Taxes Related to Parastatal Acts. <sup>6</sup> (Shs. 000,000)	150	NA	375	NA	475	NA	600	NA
Tax Total (Shs. 000,000)	200	NA	512	NA	663	NA	858	NA

1. The A column data are for national and Tanzania-Zambia parastatals as defined by the Central Bureau of Statistics.
2. The B column data also include rough estimates for East African corporations, co-operatives, a joint co-op/parastatal textile mill, TAZARA Railway (fixed investment only), and the Registrar of Buildings (a statutory property rental corporation).
3. 1972 data preliminary.
4. All GDP and Employment figures *exclude* those employed on, or the GDP arising from, construction *for* parastatals but by outside contractors. (The total employees involved exceed 70,000 on Kidatu Dam, TAZARA Railway and Dar-Zambia Highway.)
5. Gross Profit equals net operating profit plus investment incomes less government subsidies.
6. All tax figures except corporation tax are rough estimates.



Table 2. GDP MAKEUP 1972

	Total GDP	Monetary GDP
	%	%
I. <i>Public</i>		
Government Services	10	15
Parastatal Activities	16	21
Construction For Public Sector (Outside contractors)	4	7
Ujamaa Villages	2	1
Public Sector	32	44
II. <i>Small Rural Private</i>		
Producer Consumed (i.e. "Subsistence")	29	—
Small Cash Agriculture	14	20
Small Cash Handicraft	1	1
<i>Small Rural Private</i>	44	21
III. <i>Other Private</i>		
Private Medium/Large Agriculture	3	5
Private Commerce	10	14
Private Miscell. Services/Rents	6	9
Other Private	5	6
	24	34

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