Preface to the Tanzania Study

François Bourguignon and Samuel Mwita Wangwe

Why was Tanzania chosen as a case study of the relationship between the quality of institutions and development, and why is it a good candidate for diagnosing institutional obstacles to development? First, because it is a peaceful country with a stable political regime and very limited ethnic rivalry in a sub-Saharan African context. In that way, it was thought to be easier to relate development issues to the functioning of institutions without interference from latent conflicts of a purely political nature. Second, this is an economy that has gone through major institutional reforms. It attracted world interest in the late 1960s and was exemplified as an ambitious attempt at socialist development under the direction of the founder of the nation, Julius Nyerere. In the midst of the global crisis of the early 1980s, and possibly the relative failure of the previous model, it then went through a drastic transition to a full market economy under the firm guidance of international financial institutions. It is thus interesting to check whether there are still some remnants of that difficult transition in today's economic institutional framework and their implications. Third, it had been a fairly fast-growing economy between the early 2000s and the COVID crisis, and some observers feel growth could accelerate further in the future. On that ground, it is likely that institutions are stabilising themselves, making them easier to observe and analyse. Finally, Tanzania is a country that has been studied by various eminent scholars in economics and political science, so it is possible to rely on solid expertise in many areas.

Overall, there is a lack of clarity about what Tanzania's development path should be. GDP growth has been satisfactory at 3.4 per cent per capita since the turn of the millennium, in part because of high world prices of commodities until the mid-2010s. Yet growth is presently slowing down, whereas the sectoral structure of the economy is increasingly moving towards non-traded goods, generally not a powerful growth engine, rather than manufacturing or agro-industry.

https://doi.org/10.1017/9781009285803.001 Published online by Cambridge University Press

The uncertainty surrounding the choice of a development path and the reason Tanzania has not yet succeeded in truly 'taking off' may be related to several institutional challenges scrutinised in this volume. Among them, the complex and volatile relationship between the state and big business, including foreign companies, plays a dominant role. Big business enjoys considerable economic leverage with the government, directly through its weight in employment and major contribution to GDP growth, and indirectly through its influence on some members of the dominant political party. Its objectives are not necessarily aligned with those of the government and the community, though. Combined with the lack of regulatory power of the government, weak state capacity, and generalised corruption, such a situation considerably weakens the capacity of successive governments to impose and implement effective development strategies. Another major institutional constraint on development lies in the extraordinarily complex and rent-generating land management system that prevents the exploitation of particularly favourable agro-industrial opportunities.

Unlocking constraints for sustained faster economic development in Tanzania requires institutional reforms in several areas, the feasibility of which may depend on changes in the political and political economy contexts that are discussed at the end of the volume.

Before getting to the crux of the matter, however, an important warning is necessary about the period covered by this diagnostic.

The Tanzania case study was launched in the last quarter of 2016. Opinion and expert surveys were run in January and February 2017, and a workshop on the first draft of the whole case study took place in Arusha in January 2018. Finally, a complete first version of this volume was posted on the Economic Development and Institutions website in September 2019. At the time of publication, the three-year delay since raises a difficulty.

The problem is that most of the initial analysis was conducted at a time when the administration of John Pombe Magufuli, who came to power practically at the beginning of 2016, had less than two years of experience. The institutional and economic changes intended by the new president, and particularly their sustainability over time, were, in those days, far from clear in the opinion of the public, analysts, and key decision makers. Moreover, data that would have permitted evaluation of the first reforms and current policy making of the new administration were simply missing.

At the time of final publication, considerably more information is available about the first term of the Magufuli administration – the second term was aborted by the death of the president in March 2021. A choice thus emerged about whether some substantial rewriting should be undertaken to make sure that the diagnostic would incorporate the experience of Tanzania during the Magufuli years, or whether things should be left unchanged with possibly an afterword that would simply address those elements of the diagnostic that would need to be modified or nuanced in view of the information available since the end of the study.

As it would be extremely onerous to ask all the authors and discussants to revise their contributions, we opted for mostly the second solution, except for some updating that was felt to be necessary in some chapters authored by the two editors of this volume. Other chapters have been left virtually unchanged. This also holds for the final chapter on the institutional diagnostic. However, an afterword now explicitly deals with the lessons to be drawn from the Magufuli administration and, especially, whether they confirm the existing diagnostic or lead us to amend it in a few directions.

https://doi.org/10.1017/9781009285803.001 Published online by Cambridge University Press