Gathering Evidence on the Quality of Institutions
François Bourguignon, François Libois

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Chapter 3. Gathering evidence about the quality of Institutions

François Bourguignon and François Libois

The objective of this chapter is to collect insights from different sources and different people about institutional features that may slow down economic development in Tanzania or threaten its sustainability and inclusiveness.

It essentially follows three approaches presented in three separate sections. First, by exploiting the numerous institutional indicators available in international databases, insights are collected about the quality of Tanzanian institutions in comparison with a set of relevant countries. Insights aim to identify those institutional features that may possibly differentiate Tanzania. Second, an original questionnaire survey is undertaken among various types of decision-makers operating in Tanzania. The survey asks them about their own perception of how institutions work there and how they affect development. Finally, the analysis is enriched by the summary of the main points that arose in a large set of open-ended interviews with top policymakers of the country about the same questions. The final section concludes.

1 Institutional indicators: how ‘different’ is Tanzania among developing countries?

The development community has long known that institutions mattered for development, and several country-level indicators describing various aspects of institutions, especially those which have to do with governance, have developed over time. They are meant to facilitate cross-country comparisons and to correlate, in a rough way and most often on a cross-sectional basis, institutional or governance quality with growth or other development indicators. Many such international databases now exist. They either focus on a specific institutional area – democracy, corruption, ease of doing business – or cover a wide range of themes. The Word Governance Indicators provide synthetic indicators obtained from extracting from these datasets some common factors in pre-defined institutional areas.¹

Quantitative indicators reported in these cross-country datasets generally reflect expert opinion on some specific aspect of institutions in a country. They may not coincide with the way people within a country may perceive them. This is the reason why this analysis of the specificity of Tanzania in the space of cross-country institutional indicators is extended to more specialized and more pragmatically oriented databases which are not included in the WGI indicators. This is the case of the World Bank enterprise surveys that collect the opinion of firm managers or the African Barometer which surveys the public on some more focused institutional issues.

¹ The methodology used in the construction of these synthetic indicators may be found in Kaufmann and Kraay (2002), whereas the datasets of individual expert-based institutional indicators utilized are listed in http://info.worldbank.org/governance/wgi/Home/Documents
1.1 How different is Tanzania using the synthetic WGI indicators

Figure 1 compares Tanzania with two sets of comparator countries and according to the six synthetic indicators present in the WGI database for the year 2018. The six indicators refer to the following institution-related areas: ‘Control of corruption’, ‘Government effectiveness’, ‘Political stability and lack of violence’, ‘Regulatory quality’, ‘Rule of Law’, and ‘Voice and accountability’. Comparator countries are of two types:

- **Neighbour countries** may share a close history, similar environmental conditions, comparative advantages, or political and economic organisations. The issue is thus whether such a common background does exist and, most importantly, whether Tanzania departs in any way from it, or on the contrary conform with it. This group includes the East African community (Burundi, Kenya, Rwanda, Uganda), to which we add three countries on the southern border of Tanzania (Malawi, Mozambique, and Zambia).

- **Another natural set of comparators** are those countries that were at the same level of development, as measured by GDP per capita, as Tanzania 20 or 30 years ago and have done better since. Those outperforming peer countries are all in Asia: Bangladesh, Lao and Vietnam have gained between 60 and 150 per cent in GDP per capita over Tanzania since 1990, and Cambodia substantially less (30 per cent). The issue is whether these outperformers present institutional features significantly different from Tanzania, which might explain their better performance or be a consequence of faster growth.

Before discussing the charts shown in Figure 1, a word must be said on the WGI database and the way these indicators are measured. As mentioned, each synthetic indicator results from the combination of those individual indicators in the original datasets which belong to each institutional area being considered – e.g. corruption, regulation, rule of law, … Synthetic indicators thus capture the common information in the underlying set of individual indicators, that is the way they differ across countries. They are normalised with mean zero and unit standard deviation. As their distribution across countries is not far from being normal, their value, between -2 and +2, indicates where a country ranks in the global ordering according to a particular synthetic indicator. Roughly speaking, 0 would correspond to the median and -.5, around which most countries in Figure 1 tend to concentrate would roughly correspond to the 3rd decile from the bottom. Thus, most countries in the figure are in the middle part of the lower half of the global ranking – which comprises more than 200 countries.

A striking feature of Tanzania, taken in isolation, is the relative balance that is observed among the various indicators. If it were not for ‘government effectiveness’, its radar chart would be an almost perfect regular hexagon. An obvious conclusion is thus that most institutional areas described by the WGI indicators in Tanzania are weak by international standards – i.e. at the limit of the bottom third of the global ranking – but government effectiveness is a bit weaker than the others.

The comparison of Tanzania to neighbour countries shows both convergence and divergence. On the one hand, there clearly are two outliers in the region: Burundi with uniformly extremely weak WGI scores and, at the other extreme, Rwanda with scores high enough to reach the 60th global percentile in all institutional dimensions but ‘voice and accountability’, a clear reflection of its rather autocratic, but otherwise effective, leadership regime. On the other hand, Tanzania institutional profile turns out to be very similar to that of

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2 South Sudan and Democratic Republic of Congo were not included due to lack of data.
the other countries in the region. In Figure 1, Tanzania generally lies in the middle of the range defined by its neighbours – Uganda, Kenya, Mozambique, Malawi – in all areas but the control of corruption, where it apparently does less badly. Overall, if it were not for the very peculiar institutional quality profile of Burundi and Rwanda, two countries deeply marked, in opposite directions, by what has probably been the most tragic ethnic conflict in the history of the African continent, the left-hand chart of Figure 1 would suggest a rather homogeneous and moderately weak institutional quality profile of Tanzania and the Eastern Africa region.

When comparing Tanzania to outperforming peer countries on the right-hand panel of Figure 1, four features are noticeable: i) the superiority of Tanzania over all countries in ‘voice and accountability’ and, to a lesser degree, the ‘control of corruption’; ii) the neat dominance of Vietnam in all other dimensions; iii) the relative disadvantage of Tanzania in the area of political stability – which is a bit surprising given precisely the stability of its democracy up to quite recently – and iv) the similarity between Tanzania and other better performing countries in other areas. The main point, however, is that, despite those outperforming countries having grown considerably faster than Tanzania over the last three decades, no strong differences seem to be present in their institutional quality profile, except for the superiority of Tanzania on the democratic front and the outstanding performance of Vietnam. Therefore, with the exception of the latter, growth does not seem to have brought in a significant institutional advantage to the other outperformers. It is even striking that Tanzania strictly dominates Bangladesh in all areas.

One could object to the preceding comparison with the outperforming peers that it should be carried out not in the most recent period but in the past when income per capita in those countries was actually overtaking Tanzania’s. Figure 2 is the equivalent of Figure 1 for the year 2005. On the basis of the right-hand panel, it certainly cannot be said that outperformers were institutionally dominating Tanzania. It might even have been the contrary. However, what is striking is that, when comparing 2005 and 2018, all outperformers have substantially improved the quality of their institutions whereas little has changed in Tanzania, except for a slight improvement in the control of corruption, most likely the result of President Magufuli’s anti-corruption campaign, and a more sizable worsening of government effectiveness. Faster growth among outperformers is thus associated with institutional improvement over time rather than some initial institutional advantage, which is an interesting observation.
The same can be said of the comparison between the left-hand panel of Figures 1 and 2. It appears there that neighbour countries in general have witnessed some improvement in the quality of their institutions, whereas this is not the case of Tanzania. As a matter of fact, it is noticeable that Tanzania practically dominated Burundi, Kenya, Rwanda and Uganda in almost all areas in 2005, whereas it only strictly dominates Burundi in 2018. It can thus be said that, in relative terms with respect to its neighbours and outperforming peers, the quality of institutions in Tanzania has somewhat deteriorated – except in the control of corruption – even though its ranking in the international scale may not have significantly changed.

1.2 Exploring alternative synthetic indicators

The preceding conclusions from the comparison of WGI indicators between Tanzania and comparator countries are interesting and should somehow contribute to the institutional diagnostic of Tanzania: relative homogeneity of institutional quality at a low-middle international level across WGI areas, convergence with neighbour countries except Burundi and Rwanda, progress in the control of corruption, which may turn out to be less of a problem than in most comparator countries, less political stability but more democracy than outperforming peer countries, and limited improvement of institutional quality over time with respect to comparator countries. Yet, the issue arises of whether these conclusions may depend on the specificity of WGI synthetic indicators, in particular the way they are obtained from a variety of individual indicators and the fact that they are defined on the whole range of world nations.

Because of the growing interest for the relationship between development and institutions, many databases have been put together over the last few decades that rely on expert opinion to compare the quality of institutions across countries and in many different areas, be it the Polity IV database on the functioning of political institutions, Transparency International on corruption, Reporters without border on the freedom of speech, the World Economic Forum Competitiveness index, the Bertelsmann Foundation Transformation Index, or the Varieties of Democracy, to quote a few of them. As mentioned earlier, the WGI indicators are a statistical summary of those individual indicators found in a collection of these datasets, which presumably are related to each of the six areas that are considered in the WGI database. But even though they clearly make intuitive sense, do these areas provide the best
analytical structure to study the relationship between institutions and development? Why not other areas, maybe more political or sociological, or possibly sub-areas?

The other question is whether a statistical summary based on the full heterogeneity observed among all countries in the world, is the best instrument to study the way institutions may affect the development process among countries at an early stage of economic development. Differences in institutional quality between advanced countries and low-income countries may not be of much relevance when trying to understand how institutions may be an obstacle to reach lower-middle income status. Would the WGI synthetic indicators in the six institutional areas defined in that database be the same if they had been built on a sample of developing countries only?

To answer these questions, the Institutional Diagnostic Project has explored a set of alternative indicators based on developing countries and endogenously defined institutional areas. They are based on the Quality of Government (QoG) database managed at the University of Goteborg, which functions as a kind of repository of all databases gathering expert opinion in institutional areas (Teorell et al., 2022). They boast today more than 2,000 individual indicators covering more than 70 years and most countries of the world, even though, of course, not all indicators are available for every year and every country. Very far from it. Only a subset of developing countries and indicators were selected so as to avoid missing data and to strictly focus on institutional characteristics. As a result, the size of the country sample, as well as the set of individual indicators were severely reduced, even when working on a single year.3

Instead of predefining categories of individual indicators related to a single theme like the control of corruption or the rule of law in the WGI database, a statistical procedure was used to regroup individual indicators by their informational proximity, or, more precisely, by their capacity to rank countries in roughly comparable order, while maximizing the difference in rankings produced by distinct synthetic indicators. Each group, or category of individual indicators is then summarized by a single synthetic indicator, in the same way as the WGI synthetic indicators summarize all individual indicators behind ‘regulatory quality’ or ‘government effectiveness’. A statistical pseudo-cluster analysis4 permits to endogenously define an arbitrary number of such categories with a methodology that is somehow equivalent to minimizing the country-variability of individual indicators within categories and maximizing differences between them. To get a set of categories comparable to the WGI indicators, it was arbitrarily decided to define six categories.5

The novelty of this procedure lies in this statistical categorising of individual indicators based on how similar their variation across countries is while not paying attention to what they represent. With the procedure used to summarize the informational content of all individual indicators in a category, the method extracts the maximum information from the overall set of individual indicators in the database through a small arbitrary number of synthetic indicators.

The drawback of this methodology, compared to the WGI indicators, is to make the labelling of categories less intuitive. As variables are grouped in an agnostic way, as a function of their

3 Unfortunately, the collection of datasets in the QoG database changes over time, which makes comparability over time uneasy, or constraints to work on the limited number of datasets available over the time span being studied.

4 For a similar approach, See Chavent et al. (2012)

5 A statistical test permits to check how significant it would be to further disaggregate the set of individual indicators. It would have been possible to go beyond six categories, but with the risk of finding an increasing number of categories comprising a restricted number of individual indicators.
informational content but not of their labelling, it may not be obvious a priori to find a common label. The intuition, however, is that, if their informational content across countries is similar, they must be related to some common institutional area. Experience shows that commonalities among indicators belonging to the same group are sufficient to encapsulate them under a single theme.

In our comparison of Tanzania to other countries, 160 individual indicators were selected from the QoG covering 45 developing countries with no missing information. The preceding methodology was then applied to this subset of the QoG database, and resulted into six categories of individual indicators, each one being summarized by a synthetic indicator. Table 1 presents these six indicators and reports the number of variables falling in each category and the common approximate theme they seem to cover. When needed, and to differentiate these indicators from the WGI, they will be labelled 'QoG-DGC' synthetic indicators (DGC for developing countries) in what follows.6

Table 1: The six QoG-DGC synthetic indicators

<table>
<thead>
<tr>
<th>Group</th>
<th>Number of indicators in the QoG database</th>
<th>Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>15</td>
<td>Corruption</td>
</tr>
<tr>
<td>G2</td>
<td>20</td>
<td>Administrative and regulatory capacity</td>
</tr>
<tr>
<td>G3</td>
<td>29</td>
<td>Conflict and violence</td>
</tr>
<tr>
<td>G4</td>
<td>14</td>
<td>Competitiveness (WEF)</td>
</tr>
<tr>
<td>G5</td>
<td>24</td>
<td>Democracy and accountability</td>
</tr>
<tr>
<td>G6</td>
<td>56</td>
<td>Voice and civil society</td>
</tr>
</tbody>
</table>

It is interesting that this purely statistical categorisation of indicators led to a grouping that is not very different from the a priori grouping used by the WGI indicators mentioned above. Yet, there are noticeable and interesting differences. For instance, administrative capacity – or government effectiveness – and regulatory capacity are now a single indicator, suggesting that both are somewhat correlated across the developing countries in the database. This was not the case with the WGI indicators. The same is observed with the control of corruption and the rule of law, which is now amalgamated to the issue of corruption. On the opposite side, voice and accountability in WGI are now separated into ‘voice and civil society’ and ‘democracy and accountability’ ‘Voice and civil society’ groups variable with a societal content. ‘Democracy and accountability’ describes more specifically the way political institutions work.

Overall, it is rather satisfactory to see that the institutional areas thought to be important play an important role in differentiating developing countries, but also that nuances need to be introduced, which are not present in the a priori categorisation used in WGI. That it is difficult to distinguish corruption and the rule of law, or that it makes sense in developing countries to distinguish between the autonomy of civil society and individuals on the one hand, and indicators describing the functioning of the parliament or the relationship between the

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6 These synthetic indicators are also sometimes used in companion case studies within the Institutional Diagnostic Project.
executive and the judiciary are useful warnings when embarking in an institutional diagnostic of a country.

Figure 3 is the replica with QoG-DGC indicators of Figure 1 built around the WGI indicators. Both charts refer to 2018, and it can be seen they are convergent. The same regularity among the six axes is observed for Tanzanian with some more weakness in “administrative and regulatory capacity”. In the comparison with neighbour countries, Tanzania still dominates Burundi but is close to other countries, except Rwanda - excluding ‘civil society and voice’ – a feature that was already present in Figure 1. As before, Tanzania also does better than all countries but Rwanda in the control of corruption. When compared to outperforming peer countries in the right-hand chart, Tanzania appears a bit stronger than in Figure 1. It strictly dominates Bangladesh – as before – but still appears weaker than other countries with respect to administrative and regulatory capacity and conflict and violence. Thus, the conclusion obtained earlier that institutional quality in outperforming peer countries was not overwhelmingly above that of Tanzania, and that Tanzania clearly dominated in terms of political institutions – i.e. ‘voice and accountability’ in Figure 1, ‘civil society and voice’ in Figure 3 – is maintained. The main difference lies in the evaluation of Vietnam, which is relatively less favourable with the QoG-DGC synthetic indicators.

In sum, the alternative set of synthetic indicators derived in the present study from the QoG database and focused on developing countries does not lead to modify the conclusions obtained with the WGI indicators. This clearly is a test of their robustness. In particular, it is rather remarkable that ignoring the differences between advanced and developing countries, which are likely to strongly structure the WGI indicators does not really modify the relative institutional profile of Tanzania when set against that of the comparator countries considered in the present study. One could have thought that some institutions differed across countries mostly because of the gap between advanced and developing countries but would matter less among the latter. Corruption may be a case in point. It clearly matters a lot when examining differences among all countries, as it is much less acute among advanced countries. It was not necessarily expected to be a differentiating feature when restricting the comparison to developing countries. That it possibly reflects the importance that experts behind individual indicators put on that specific institutional feature.
1.3 Tanzanian institutions according to other indicators

Individual indicators in the data bases used to build synthetic institutional indicators often originate from experts who presumably have inside knowledge about the way institutions work in a country and are able to make cross-country comparisons. Views may be different among people who are more directly exposed to the functioning of a country’s institutions, as citizen or firm managers. As a complement to the preceding analysis of synthetic expert indicators, this section compares Tanzania with the same set of countries using two surveys that are representative of ‘users’ of institutions: the World Bank Enterprise Survey and the AfroBarometer (for the Sub-Saharan comparator countries).

- World Bank Enterprise Survey

The World Bank Enterprise Survey is a firm-level survey based on a representative sample of private firms, which collects the opinion of entrepreneurs on their working conditions and their daily experience with the institutional fabric of the country, including the government and public agencies. Their concerns thus are as much about the functioning of some particular institutions (law, regulation) as about the availability of key inputs or infrastructure. The survey asks, among other things, whether business owners and top managers identify a given topic as a major constraint.

Unlike what was the case with the synthetic indicators reviewed above, the Tanzanian institutional context of firms is felt as very constraining. Figure 4 shows how various areas are felt as more constraining by firms in the same set of countries as earlier. Firm managers in all neighbour countries but Burundi feel much less constrained than in Tanzania. Compared with outperforming peers, the difference is even more striking. Less than 15% of firms feel constrained in these countries, except in Bangladesh where, as in Tanzania, corruption and electricity shortages appear as a major constraint for more than half of the firms.

7 One may wonder why no direct use was made of the Country Policy and Institutions Assessments (CPIA) published annually by the World Bank for low – and lower-middle-income countries. The point is that this dataset, as well as its equivalent in other multilateral development banks, are already included in the datasets which the WGI are based upon.
The perception of Tanzanian entrepreneurs however appears more negative than their actual experience. If corruption is reported as a major constraint by almost half of firms in Tanzania, only a fifth effectively experience the payment of bribes, a value substantially lower than the sub-Saharan average (a quarter) and lower than Burundi (almost a third), or Kenya and Malawi (around a quarter). The dimension where Tanzania clearly underperforms is in the share of firms that expect to give gifts to secure contracts with the government. On this specific question, two thirds of Tanzanian firms answer positively, much more than in neighbour countries but at a level comparable to Cambodia, Laos, or Vietnam. It suggests that, in some contexts, corruption is institutionalised in such a way that firms fully internalise it and do not perceive it as a constraint, while they are more perceptive in other contexts where corruption looks more like rent extraction.

The relatively pessimistic perception of firms in Tanzania and the contrast with their practical experience appear again in the relationship of firms with the tax administration. Senior Tanzanian managers report that, on average, they spend 2% of their time dealing with the tax administration. This is below most of the comparator countries. Still, it translates into the worst perception of the tax administration compared with all other countries. The length of procedures may explain these differences. Interaction with public officials might not be that costly in monetary terms or in actual time spent, even if things do not move forward.

An interesting conclusion that comes from this brief review of the World Bank Enterprise Surveys in connection with the deeper analysis of synthetic institutional or governance indicators above is that the context in which people assess the quality of their institutional environment matters. Experts may be right that, practically, corruption and rent-seeking in Tanzania tend to be milder than in other developing countries since Tanzanian entrepreneurs altogether seem to pay less bribes. Yet, entrepreneurs may be more sensitive to the fact that some of them make such payments. Whether facts or perception matters more for development is an open question, but perception does drive actual behaviour, at least partially.

- **AfroBarometer**

The AfroBarometer is a representative sample survey aiming to collect attitudes of African citizens towards democracy, governance, living conditions, civil society, and related topics. It is managed by a network of think-tanks in Africa and presently covers 34 countries. When comparing Tanzania to neighbour countries, the striking institutional feature observed in the 2012 wave of the Barometer is doubtlessly the relative lack of trust of its citizens. Tanzanians do not trust their governments very much, but they are also reluctant to trust their friends and relatives. They also report being dissatisfied with the functioning of their democracy, despite their democracy being stronger than elsewhere – as expert-based synthetic indicators analysed above strongly suggest.

Their comparatively limited trust towards the state apparatus is surprisingly not related to major differences in how Tanzanians evaluate the performance of their government. If anything, Tanzanians are slightly more satisfied than their neighbours in terms of the delivery

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8 Rwanda is not among them because the government did not authorize the AfroBarometer surveying of the population.
of public goods – education, health, possibly water. One potential explanation of this apparent contradiction may be a higher level of expectations. Independently of other considerations, it seems only natural to them that their government delivers in terms of public services. This is surprisingly in stark contrast with neighbour countries.

Another factor correlated to the low level of trust in Tanzania is probably the perception of high-level corruption. A third of survey respondents think that most people in the office of the prime minister and the president are corrupt. This figure is two times lower in neighbouring countries, even accounting for the fact that Burundi pushes the average upwards. For members of parliament and government officials, Tanzania is ranked the highest in perception of corruption. Still, when people are asked about the actual corruption that they directly experience, the picture is more nuanced. Mozambique and Kenya show a lower frequency of bribes than Tanzania, whether it is to get documents, secure access to water, health, and education services, or avoid trouble with the police, whereas the opposite is true of Uganda, Malawi, and Burundi. However, one type of side payment is three times more frequent in Tanzania than in neighbouring countries: it consists of compensatory gifts, whether food and money, in return for votes (27% vs. 9%).

Tanzanians also express rather different views from their neighbours on democracy and the way it is supposed to work. Half of surveyed people think that their country is not a democracy, or that it is a democracy with major problems. Again, these figures reflect the perception of citizens about their institutions and not the hard facts about how institutions work. They substantially differ from the expert opinion reviewed earlier and depend a lot on respondents’ reference point or hopes for their country. Still, digging further, Tanzanians also complain about not being able to say what they want (55% in Tanzania vs. 14% in neighbouring countries) and not being free to join political organisations (69% vs. 10%). More than two third of Tanzanian citizens call for a more accountable government, even at the cost of slower political decisions.

As an intermediate conclusion, it is important to put these perceptions in perspective. Among the six neighbouring countries being compared, Tanzania ranks second in terms of GDP per capita (purchasing power parity corrected) and growth rate. If Kenya is slightly above Tanzania, the other four countries are way below. Despite this good relative performance, only one fifth of Tanzanians assess the economic performance of their country as fairly good or very good, while one third of the neighbouring populations do. Actually, Tanzanians may display a negative bias in making judgements about their country, an attitude that may reflect high expectations and not necessarily unsatisfactory achievements.

1.4 Insights gained by comparing Tanzania to other countries

The main conclusion from the comparison of Tanzania to other countries is that Tanzania does not show any clear specificity in terms of institutional quality among neighbouring countries when obvious outlier comparators – i.e. Burundi and Rwanda – are ignored. This conclusion has several possible explanations. One is that the indicators used in the comparison are too vague and too aggregate to show how specific the institutional landscape may be in a given country. More detailed indicators could show deeper differences, but, by construction, they would refer to one, possibly limited, side of the landscape. The comparison

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9 This is the interpretation given by a large majority of Tanzanians choosing statement b) from between the two following statements (question 21): a) The government is like a parent. It should decide what is good for us; b) The government is like our employee. We are the bosses and should tell government what to do.
with those countries that outperformed Tanzania’s growth does not show a clear institutional
disadvantage of the latter in recent years. However, it is clearly the case that outperformers
have been able to substantially improve their institutional quality in the last 15 years – i.e.
Between 2005 and 2018- whereas Tanzania did not in any significant way. Neighbour
countries also improved, albeit by less than outperformers – Rwanda being from that point of
view a clear outlier.

Representative surveys conducted among firm managers and citizens yield additional
insights. More than in the case of expert-based synthetic indicators, however, the problem of
the reference point emerges when comparing countries. It is not clear whether differences
between Tanzania and comparator countries are driven by intrinsic differences in institutional
quality or by distinct reference points among respondents living in different environments.
Both the World Bank Enterprise Survey and the AfroBarometer suggest that Tanzanians are
more demanding towards their formal institutions. This could ease up institutional reforms but
does not say much about how constraining the quality of institutions may be for development.

A last remark is in order about the comparison exercise conducted in this section, in the spirit
of so many studies of this kind. As already mentioned, the choice of comparator countries is
 crucial. Observed differences may possibly reveal a particular challenge in a country, which
then needs a deeper investigation. In the present case, however, care must be taken for the
fact that comparator countries as well as Tanzania have in common an institutional context of
relatively low quality. It is not because the control of corruptions is estimated to be slightly
better in Tanzania than in the comparator countries used in the present analysis that
corruption may not be detrimental to its development. In other words, the often-heard
argument that corruption or another symptom of institutional deficiency “is as bad here than
among neighbours or even outperformers” in no way reduces their deleterious potential
impact on development.

2 The Country Institutional Survey (CIS): Tanzanian
decision makers’ opinion on their institutions\textsuperscript{10}

The CIS is a sample survey tool developed as part of the Institutional Diagnostic Project. It
aims to identify institutional challenges as they are perceived by people most likely to
confront them on a regular basis. Given its broad sample of respondents, CIS intends to yield
more diverse views and deeper insights on the way institutions work than expert-based
institutional indicators in international databases.

The pilot CIS, carried out in Tanzania in early 2017, targeted individuals who are in, or have
been in, a top- or sub-top decision-making position in business, public administration,
academia, non-profit organisations, or local branches of development agencies. They daily
interact with Tanzanian institutions, and possibly also affect the way they function as part of

\textsuperscript{10} At this stage, the authors would like to acknowledge the role of the Policy Research for Development (REPOA)
in completing and analysing this survey. REPOA appointed and trained enumerators, contacted respondents, and
administered the survey. Abel Kinyondo provided detailed comments on the questionnaire and then on responses
that greatly improved the analysis of the results, although he may not agree with all of the conclusions stated
here. Last but not least, Katie McIntosh, then from OPM, dedicated very much of her time to the supervision of the
survey. Her role has been crucial for its satisfactory completion.
their activity. They are thus expected to have a better knowledge of the country’s institutions, their strengths, and weaknesses.

The remainder of this section is organised into six sub-sections. A first sub-section 2.1 describes the design of the questionnaire. The second sub-section explains how the survey was implemented. Results are then discussed with emphasis first on how development-constraining institutional areas as perceived by respondents in sub-section 2.3, and then on perceived specific institutional strengths and weaknesses in sub-section 2.4. A last sub-section is devoted to the way respondents see future institutional changes engineered by a disruptive president completing his first year in power. A final sub-section puts the survey in perspective and concludes.

2.1 The survey: design of the questionnaire

The questionnaire has four intertwined components: (i) the personal characteristics of the respondents, (ii) institutional areas perceived as the most constraining for the development of Tanzania, (iii) the perception of the functioning of institutions, and (iv) current (at the time of the survey) institutional developments in the country.

The questionnaire first collects information about personal characteristics of the respondents, i.e. nationality, gender, level of education, place of birth etc. In a final part, it also gathers more sensitive information on the past and present occupation of respondents as well as on their political affinity.

The second section of the questionnaire enumerates 10 broad institutional areas listed below in table 1 and asks respondents to select the three areas that, according to them, most constrain development in Tanzania. Respondents then had to allocate 20 points among these three areas – the higher the number of points, the more detrimental the area for development. The selected areas are important for the analysis but also for the subsequent part of the survey because they determine the set of questions presented to the respondent in the main part of the survey.

<table>
<thead>
<tr>
<th>CLUSTER CODE</th>
<th>INSTITUTIONAL AREA</th>
<th>SUB-AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Political institutions</td>
<td>Functioning of political institutions and political life; participation of the population; civil liberties; transparency and accountability; corruption; state capacity; interference of non-state organizations in policy making; recruitment of politicians</td>
</tr>
<tr>
<td>B</td>
<td>Law and order, justice, security</td>
<td>Rule of law; functioning of the judicial system; protection of civil liberties; control of violence; supervision of public companies; business law and its implementation</td>
</tr>
<tr>
<td>C</td>
<td>Functioning of public administrations</td>
<td>State capacity; transparency of economic policies and reporting; corruption; public procurement; supervision of public companies; geographical coverage of public services; relationship with business sector; regulation; de-centralization</td>
</tr>
<tr>
<td>D</td>
<td>Ease of doing business</td>
<td>Relationship with public administration; privatization; public procurement; price controls; competition regulation; foreign direct investments; functioning of the credit and capital markets; litigation procedures; labour market regulation; role of trade unions; recruitment of business leaders</td>
</tr>
<tr>
<td>E</td>
<td>Dealing with land rights</td>
<td>Access to land for business purposes (urban and rural); role of local communities; role of public administration; security of property rights; (equivalent view of the state property principle); conflict settlement and functioning of land courts</td>
</tr>
<tr>
<td>F</td>
<td>Long-term and strategic planning</td>
<td>Ex-ante and ex-post evaluation of policies; communication on economic policy; capacity to coordinate stakeholders; long-run and strategic vision of development; obstacles to public action; decentralization</td>
</tr>
<tr>
<td>G</td>
<td>Market regulation</td>
<td>Capacity to regulate market competition; regulation of utilities; regulation of foreign direct investments; regulation of the financial sector; regulation of the labor market; quality of the system of information or firms</td>
</tr>
<tr>
<td>H</td>
<td>Security of transactions and contracts</td>
<td>Security of contracts and property rights; insolvency law; litigation procedures; business law and business courts;</td>
</tr>
<tr>
<td>I</td>
<td>Relating with the rest of the world</td>
<td>Trade openness; financial openness; relationship with neighboring countries; attitude towards foreign direct investments; ease to start a business; land tenure security; relationship with donors;</td>
</tr>
<tr>
<td>J</td>
<td>Social cohesion, social protection and solidarity</td>
<td>Participation of population in policy debate; civil liberties; access to the justice system; sense of national identity; discrimination practices; geographical coverage of public services; instruments of social protection; traditional solidarity;</td>
</tr>
</tbody>
</table>

Report the three areas which, according to you, are the most constraining for the development of Tanzania (in the first row). Then, allocate 20 points between those areas (in the second row). More points to one area means that this area is more detrimental to development in Tanzania.
The core section of the CIS comprises 345 questions on the perception of institutions. All rely on a Likert scale, ranging from ‘Not at all’ and ‘little’ to ‘moderately so’, ‘much’, and ‘very much’. Responses are then converted into discrete numbers, ranging from one to five, for the analysis. The questionnaire gets inspiration from the Institutional Profile Database (IPD), an expert survey conducted jointly by the Economic Services of the French Embassies, the Centre for Prospective Studies and International Information (CEPII) in Paris, and the University of Maastricht (Bertho, 2013). The last wave of that survey taken in 2012 covered 143 countries in 2012. Respondents were staff members of the Economic Department of French Embassies or country offices of the French Agency for Development. The CIS questionnaire differs in several dimensions, mostly because many questions were adapted to the Tanzanian context. Yet, about 40% of the CIS questions remain similar to their IPD counterpart.

From a practical point of view, administering the whole questionnaire was not an option due to its length. To shorten the time needed to fill the questionnaire every question was associated with at least one of the 10 general institutional areas in table 1, and respondents were asked to answer only the questions related to the three institutional areas they selected in the previous step of the questionnaire, as well as questions related to a fourth area, randomly drawn among the remaining ones. This original feature of the questionnaire guaranteed that all institutional areas are, at least, partly covered at the end of the survey. In practice, respondents had to answer around half of all questions, as some questions appeared under several institutional areas.

Because the survey was taken only a year after the election of a new president whose mandate had been announced as rather disruptive, respondents were explicitly asked to answer the questionnaire as if no change had taken place yet in the institutional framework of the country. Enumerators were specifically trained to convey that message to the respondents. As institutions are persistent, there is little doubt that answers to the survey describe the way decision makers of various types in Tanzania perceived the institutional landscape that prevailed before the election of President Magufuli and the kind of influence it had exerted on the development path of the country.

Because of this potential disruption in some institutions or in their perception, a last section of the questionnaire was devoted to the most recent institutional changes. Respondents were asked to identify the questions to which they would have answered differently if they had been about the recent past or the near future of Tanzania. In this open-ended part of the questionnaire, respondents also had the possibility to mention institutional features which they thought to be important for development and were not covered in the survey.

2.2 Execution of the survey

The Tanzania CIS survey was conducted between the end of January and early February 2017 in a collaborative effort between IDP researchers, Oxford Policy Management (OPM), and REPOA, a Tanzanian think-tank. A total of 101 individuals were sampled in a purposively stratified sample aimed at collecting the views of people involved in, or in close contact with, institutions. Respondents typically hold or held first- or second-tier positions in
the decision-making structure of public, private or civil society organisations. Their selection followed two steps.

First, survey designers defined sample strata in terms of occupation, position level, geographical constraints, and, tentatively, gender balance. By design, half of the sample were surveyed in Dar-es-Salaam, with the remaining half divided into 5 big cities: Dodoma, Morogoro, Mwanza, Mbeya, and Arusha. Also, the sample had to include a quarter of respondents from economic spheres, another quarter from political sphere, a third quarter from the civil society in a broad sense and the remaining from various areas including the donor community, diplomats, the police and military forces, or the judiciary. Note, however, that many respondents occupied other positions in the past and thus had experience in more than one area.

It must be stressed that the CIS survey sample design had no intention to be representative of any particular population, a fortiori of the whole population. From that point of view, it is not an opinion survey, as for instance the AfroBarometer could be. People with direct experience of the way institutions work in Tanzania were targeted, and a stratification was built in within that population so that a diversity of viewpoints could be obtained. The reason for that choice is that the goal of the CIS survey was to learn from the experience of people with knowledge of the state of institutions in Tanzania rather than what a majority of these people would think about the functioning of the judiciary or the work of the Auditor General.

As we targeted top-tier decision makers, they turned out to be different from the standard profile in the whole population. They are older and more educated than the general population. A majority of respondents were in their forties, 80 of them had a university degree, while 29 reported to have studied abroad. Almost all of them lived in urban areas, but half were born in rural areas. Even though not in the sample stratification procedure, political diversity was achieved: 18 respondents declared a political affinity with the ruling party, 17 with the opposition, and 45 reported no political affinity. Such a diversity is reassuring as it avoids excessively laudatory or critical views in questions addressing the role of the government.

### 2.3 Critical institutions for the development of Tanzania

Figure 5 shows the institutional areas most frequently mentioned by respondents as constraining development. Institutions behind public administration comes first and political institutions, second. Business-related institutions come in third position. On the other side of the spectrum, only four respondents chose ‘security of transactions and contracts’, possibly because this area was considered to be more specific and technical than others. Similar conclusions are obtained when taking respondents’ weighting into account. Yet, political institutions then rank first.

A framing bias could partially drive the ranking of the areas, with the first areas in the list appearing more often among the choices of respondents. Still, the allocation of the 20 points by respondents over the three selected field is less sensitive to this sorting as respondents have to focus on three fields only when they allocate the points. It has remarkably little effect

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11 See details in table A2 in appendix
12 21 explicitly preferred not to answer the question.
on the ranking. Last but not least, qualitative insights collected in the preparation of the survey and described in the next section are very much in line with the current conclusions.
Critical area choices vary by the characteristics of respondents and yield contrasting stories. For instance, female respondents give very little weight to political institutions but they consider that social cohesion and protection, solidarity as well as relations with the rest of the world matter more for development than according to the male respondents. Political affinity also plays a role, with respondents closer to the ruling party, CCM, emphasizing the difficulties arising from land rights while the opposition stresses the constraints related to political institutions and to the public administration.

The choice of the top three constraints to development, according to respondents’ opinions, is a piece of information in itself, but it also determines most of the questions asked to each respondent. Areas that have not been chosen by many respondents may actually work well, or they may work imperfectly without constraining development. The fourth area, randomly selected among the remaining field and imposed upon the respondents, permits to examine that issue. Indeed, the less critical institutional field, namely ‘security of transaction and contracts’, ended up covered by a fifth of respondents. There thus is enough statistical power to understand why this area was considered as less critical by respondents.

### 2.4 The perceived functioning of institutions in Tanzania

Within and across areas, the CIS aims to identify, as precisely as possible, which specific institutions are perceived as constraining by respondents. The subsequent analysis first evaluates questions by their mean response on a scale ranging from 1, ‘most negative’, to 5, ‘most positive’. For questions asked in a negative way, the Likert scale is inverted to make sure that a higher value always means a better perception. Questions are then ranked according to the top weaknesses and strengths of Tanzanian institutions. The last part of the
analysis explores the heterogeneity of answers across sub-samples and tries to determine whether the perception of institutional weaknesses is correlated with some salient characteristics of respondents.

As in many opinion surveys, there is a mass of answers around the central position, which may reflect the default choice of respondents if they are unsure about their position. It is therefore more relevant to look at the tails of the distribution, namely questions with clearly positive or negative answers. 46 questions – or 13 per cent of all questions - have an average score below 2.5, while only 27 score above 3.5.

An alternative to asking respondents to the questionnaire which are the problematic institutional areas is to look at the proportion of low-score answers among all questions that fall under that area. This is equivalent to comparing the distribution of low-score answers by institutional area to the distribution of all questions as done in figure 6.

The first part of the graph shows the distribution of all questions across the 10 areas. For instance, the first bar in figure 6 shows that 15% of the 345 questions of the CIS fall under ‘political institutions’. The first bar in the second group reports that 13% of the 46 questions with a score below 2.5 are related to political institutions. In the third group, which plots the distribution of questions with an average response above 3.5, 14.8% of questions are part of the political institutions cluster. Not all areas exhibit such a balanced pattern, however. ‘Public administration’, ‘ease of doing business’, and ‘land rights’ are largely overrepresented among low scores, which suggests that they comprise relatively more obstacles to development than others. This conclusion agrees with the identification of critical areas in figure 5. This is not the case of land rights, of which treatment is almost unanimously perceived as unsatisfactory. On the other side of the spectrum, the ‘social cohesion, social protection, and solidarity’ area represent 20 per cent of all questions, but only 4% of low-scores and 48 over cent of high-scores.

17 It sums to more than 100% as some questions are, by design, relevant for several institutional areas.
Figure 6: Proportion of questions by institutional areas according to their average score

A closer look at the questions that collected the lowest average scores permits to bring more precision in the identification of institutional weaknesses by respondents. In this perspective, issues related to land come at the forefront. What comes out of detailed questions is that land laws do not seem well understood at the local level and, at this level, it is common to have operations outside of the legal framework, with limited transparency, and eventually involving corruption. Respondents qualify land tenure as insecure, leading to frequent land dispute eventually feeding open conflict. Overall, the unequal and fractionalized distribution of land is often found to be a constraint for development by respondents.

The second most cited negative item is corruption. It is thought to permeates many institutions of the country, whether at the political level or in the relations between the bureaucracy, the citizenry and business. The delegation of missions by the state to public monopolies such as electricity production and distribution (the Tanzania Electric Supply Company (TANESCO)) or natural resource extraction (gas) is found to be little transparent. Corruption in the privatization process of public companies that took place in a recent past is also denounced. Respondents estimate that transfer prices were too low and that promised gains in efficiency were not achieved. These points remain relevant in the current management of natural resources and respondents anticipate that they will be so in the future. At a smaller scale, the role of corruption in increasing the cost and the hardship of starting a business is also mentioned.

In the agricultural sector, respondents complain about low price levels and their volatility, which is imputed to the role of intermediaries. Access to physical and financial inputs is also felt as being restricted. Both are thought to constrain the development of the agricultural sector.
Other weak points reported are more scattered, including the absence of independent trade union, the non-indexation of wages on inflation, the low prospect of university graduates to get a position in line with their training, or the dependence of Tanzania on foreign stakeholders.

Strengths are also worth mentioning. Respondents praise the limited discrimination based on geographical origin, religion, and ethnicity for instance in the access to public services such as school and education. More generally, the sense of Tanzanian identity appears to be quite strong. These positive statements should, however, be put into perspective. First, given the peculiar format of the questionnaire, less than a third of respondents had to answer these questions. Second, the risk of internal conflict based on regional differences, religion, or ethnic lines is nevertheless seen by respondents as moderately high, which seems somewhat contradictory. In a different perspective, respondents consistently emphasize the feeling of security. Also, they are satisfied that people are free to form associations of a varying nature, violence against political organisations is limited, and the executive has a strong control over the police.

Although respondents complained about the role of foreign stakeholders, they underline the positive role of foreign aid. It is widely recognized as a source of funding for infrastructure and a driver of improvements in the health and education sector. However, its impact on corruption is also emphasised.

At the grassroots level, respondents underscore the traditional solidarity links (family, neighbours, associations, religious organisations etc.), which provide support to those in need, as well as the role of informal microfinance institutions like rotating saving and credit associations. On the other hand, respondents are confident that formal social protection mechanisms, such as the Tanzania Social Action Fund, will act as a complement rather than as a substitute to informal instruments.

Perceptions of institutions vary across groups of respondents, as evidenced by an analysis of the heterogeneity of answers. For instance, women, who, in our sample, disproportionally come from the civil society, criticise the Tanzanian state for discriminating along gender, religious, ethnic and regional lines in terms of access to the judicial system, health care and administrative services. They are also more concerned about the influence of interest groups in the design of policies.

The same disaggregation was implemented along many subgroups. It yielded results that fit expectations. Respondents who position themselves closer to the opposition party have rather negative perceptions about the independence of the judiciary, the army or the police. They also feel civil liberties are restricted. Unsurprisingly, being close to the ruling party yields opposite views. Respondents who studied abroad are more sensitive to matters related to trade and to the influence of foreign stakeholders in national policies. They perceive Tanzania as being very exposed to competition from foreign firms, whether from neighbouring countries, other developing countries, or advanced economies. They are also concerned by the fact that foreign firms, governments and multilateral organisations are an obstacle to the implementation of autonomous policies and reforms.

Being involved in business raises the awareness of respondents about foreign firms having an easier time establishing themselves in Tanzania and gaining access to funds from local banks. Despite being active in the private sector, these respondents find that access to information about the ownership structure of large firms is quite difficult. Overall, business
managers are rather pessimistic about the progress of the middle class and consider that networks are important for accessing top official positions, compared with merit-based promotion.

2.5 Prospective assessment of institutional changes

It should be kept in mind that the CIS survey intended to capture the perception of institutions as they operated during the five to ten years prior to the time the survey, which was about one year after President Magufuli was sworn in with an ambitious reform program, most importantly concerning corruption. The timing of the survey is therefore quite interesting for gaining some insights into the respondents’ anticipations from the new regime. At the end of the interview, respondents were thus asked how Tanzanian institutions had recently evolved and whether their answers to the questions on the core part of the questionnaire would have been different if reference had been made to the recent past or the near future of Tanzania. 90 per cent of the respondents have wished to express their opinion, even though in some cases very briefly.

As many as 28 respondents explicitly mentioned a fall in corruption and increased transparency and accountability as major recent changes in the Tanzanian institutional landscape. They explained that civil servants abide by the law more, and side payments and bribes have drastically been reduced. If questions had been about the recent past and not on a longer timeframe, most felt that corruption would probably be less frequently mentioned as a major institutional weakness.

A corollary of the reduction in corruption is the improvement of tax collection. Fifteen respondents said that the recent surge in tax collection efficiency would have changed the way they answered the core part of the survey. They felt that taxpayers had a harder time bypassing their tax duties. According to few respondents, changes in tax collection eventually pushed some businesses into financial trouble. They mentioned that some firms had to close operations, that many of them faced liquidity constraints and that it had become harder to make money. On the public spending side, more effective tax collection was viewed as raising the capacity of the state to accomplish its mission. It was expected that, combined with greater accountability, this would be a guarantee of better use of public resources. Eighteen respondents mentioned that public service provision was improving, especially in the dimensions related to education, health, and infrastructure. A few of them thought this was the result of a change in the work spirit of civil servants and could eventually lead to more equal coverage of public services, to less discrimination, and to less importance of social networks when applying for a position in the public service. Clearly, however, these perspectives of a more equal and meritocratic society are aspirations and hopes, rather than what respondents have already experienced. In effect, some respondents questioned the depth and sustainability of current changes, and whether they could alter the development path of the country.

These positive prospects are somewhat counterbalanced by concerns about the transparency and accountability of the new regime. More than 10 per cent of the sample explicitly pointed out that it had become hard to express views challenging the government, although free press, free media, and even free demonstrations were essential for the accountability and transparency of public affairs. The independence of the judiciary system was also mentioned as crucial for the credibility of the executive towards citizens and firms, a view that was not limited to respondents aligned with the opposition. Actually, several
respondents expressed some fear that the new administration could depart from these principles. The risk of an autocratic drift was even mentioned in a few cases.

2.6 Discussion and conclusions

From the CIS, a broad consensus emerges pointing to several institutional challenges. As far as general institutional areas are concerned, the major concern is about political institutions, public administration, and the ease of doing business. The judiciary system comes just afterward. Other areas are further down, but one may also consider that they are included in the areas at the top – e.g. land right management may be covered by public administration and security of contracts by the judiciary. The problem here is that it is difficult to define institutional areas that do not overlap with each other. To a large extent, this difficulty is also present in the definition of synthetic institutional indicators. It is unavoidable when institutional areas are defined in too broad a way but breaking them down too would lead to a large number of subareas among which it would be difficult to decide which is more constraining than the others for the development of the country.

As general as it is, the institutional decomposition used in the CIS survey and the ranking given by respondents is nevertheless instructive, even though it clearly requires further analysis to grasp its meaning and its implications. In a way, this will be done throughout the rest of this volume. At this stage, it is worth stressing the convergence of the CIS-survey and the analysis of synthetic indicators in pointing to administrative capacity as major obstacle to faster development in Tanzania, and to the lack of competitiveness of the production sector potentially due to a suboptimal business environment.

Individual questions in the core part of the questionnaire yield more precise insights about respondents’ perception. Summarizing them leads to the following list of consensual institutional challenges:

- The management of land rights and, more generally, the allocation of land
- Corruption at the level of both the political game and the public administration
- The regulation of the economy, in particular of infrastructure
- The lack of transparency and accountability of the state

Note that these challenges fit in their own way the ranking of broad institutional themes by respondents. Corruption, and the transparency and accountability of the state clearly affect how the functioning of both political institutions and the public administration are perceived. On their side, the management of land rights and the regulation of the economy also cut across broad themes like public administration and the ease of doing business.

On the strength side, the survey again shows some consensus around the sense of national identity and security, which implicitly seems to point to political stability.

The open-ended discussion with the respondents at the end of the interview permitted to check that the recommendation to complete the questionnaire bearing in mind the institutional Tanzanian context during the last five to 10 years had been well complied with. This did not prevent optimistic expectations and hopes about the way the new administration would address some of the preceding challenges.
Stepping back from the analysis of results, the question then arises of whether a survey which relies on the country’s political, economic and social decision-making population leads to a different evaluation of institutional quality than the expert-based institutional indicators found in international databases. As a way of test, use has been made of the fact that many questions in the CIS overlap with the IPD questionnaire submitted to some French diplomats posted in Tanzania. Based on common questions between the two questionnaires, it is possible to measure the degree of correlation between the opinion of a sample of 100 economic, administrative, or academic actors in Tanzania and that of a few close foreign observers. There is some convergence between the two surveys, but it is very partial.

If we select the 130 questions that are identical in the CIS and the IPD, the correlation of answers between the two surveys is only of 0.30. On the same set of questions but within the CIS, the correlation between Tanzanian respondents and foreigners is also limited, reaching 0.5. This rather low degree of correlation, combined with the heterogeneity analysis, shows the importance of the identity of respondents to this type of survey. Many studies rely on few respondents per country, who often share a similar position in the society. They have their own view of institutions, which may not be shared by Tanzanian or even other foreign diplomats active in Tanzania (the correlation between French diplomats and foreign respondents is only 0.22).

By enlarging the sample of respondents, the CIS survey is innovative and offers a more diverse view on institutions. Within broad areas, the CIS yields more precise answers on what is found to go wrong and for whom. Most importantly, it allows to analyse the diversity of perceptions across population groups in the society, which is essential in interpreting sample averages. From that point of view, the Tanzanian experience suggests that a substantially larger sample of respondents would have yielded more precise estimates of cross-averages.

3 Open-ended interviews with top decision makers and policymakers

In addition to formally surveying a large number of private and public decision makers and observers of the political, social, and economic life in Tanzania, several experts, some of whom are or had been at the highest level of responsibility in the country, were also interviewed on an open-ended basis. They were not asked to fill a questionnaire, but they were simply invited to share their thoughts about the binding institutional constraints in Tanzania. Then other issues came up in the general discussion. The main points drawn from these interviews from the perspective of an institutional diagnostic of Tanzania are summarised below after a short introduction of respondents.

The experts who were interviewed are not representative of any specific population subgroup. They are simply people who, because of the responsibility they have today, or had in the past, as political leaders, top civil servants, business executives, NGO directors, or researchers, have been led to deeply reflect on Tanzanian institutions, their potential role in slowing down economic development, and possible directions for reform. Yet, in approaching

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14 The IPD was conducted in 2012 and asked questions on the prevailing institutional conditions at that time. The CIS was carried out in 2017 but covered institutions in the previous five to 10 years, creating a large overlap between the two surveys.
them, care was taken to indeed have as much diversity of viewpoints as possible, either in terms of occupation – i.e. the various occupations listed above – or in terms of perspectives on the Tanzanian economy – e.g. ruling party vs. opposition. One may thus say that, taken together, the opinions of the personalities who were interviewed make up a sample of the way the various components of the elite think about the nature of Tanzanian institutions and their potential role in preventing faster development. It can be seen from the list of people who were interviewed – see appendix - that they are fairly diverse, from think-tank directors and academics, to leading business leaders, to personalities at the very top of the state hierarchy, including two past presidents, the present Chief Justice and the present Controller Auditor General at the time this study was completed.

The first question asked to all of them as an introduction to the discussion was: “In your opinion, which kind of institution, formal or informal, is preventing economic development in Tanzania from accelerating?”. Then an open, mostly informal and definitely ‘off the record’ discussion followed, very much led by the person being interviewed. The following paragraphs offer a synthesis of what could be drawn from these very rich interviews for the present study. They cannot do justice to the richness of about 50 fascinating hours of discussion and the deep insights they provided for the pursuit of this institutional diagnostic exercise.

The four areas most intensively discussed directly or indirectly have to do with the management of the state and civil service. More precisely they are: a) the issue of corruption; b) the functioning of civil service, including the issue of decentralisation; c) the regulation of public and private firms; and d) the land use rights. All these areas are closely related as it can be seen that corruption is the natural consequence, and at the same time the cause, of a dysfunctional bureaucracy and/or badly coordinated regulations. Likewise, it is the multiplicity of regulations and laws that makes civil service inefficient. Finally, the management of land use rights, which is almost systematically cited as a major obstacle to development – both in agriculture and in urban areas – may be taken as a good example of the effect of weak capacity and corruption in some parts of the bureaucracy and a partial understanding of a well-crafted but complex law.

Three other general institutional areas have been stressed, but with less frequency and less strength, by the personalities being interviewed. The first one is the issue of political checks and balances, or more generally the actual functioning of the political system; the second one is the mindset of the population, including that of the public bureaucracy; the final one is the capacity and functioning of the judiciary system.

Corruption is uniformly seen as both a widespread evil and a fundamentally deleterious factor for development in Tanzania, even though the point is sometimes made that Tanzania is not necessarily worse than its neighbours in East Africa or even than better performing countries in terms of economic growth. As a matter of fact, corruption undoubtedly plays an important role in the public opinion and is a central issue in election times. As was explained in Chapter 1, it arose around the end of the socialist era and grew more rapidly under President Mwinyi’s mandate at the time of the transition towards a market economy. President Mkapa was elected on the basis of an anti-corruption platform and commissioned Judge Warioba to produce a report on corruption, which revealed how widespread it was and proposed some corrective measures. Yet major corruption scandals have taken place during each presidential mandate ever since President Mwinyi. President Magufuli was elected in large part on his reputation of high integrity and his anti-corruption platform.
The causes of petty and grand corruption may be different, but they are seen as equally detrimental to development. Corruption is often attributed to the relatively low level of income of politicians and civil servants in comparison with the private sector and, for politicians, in view of the uncertainty of their position. Yet ‘needs’ is only one part of the story. Greed and a mindset that does not consider paying or accepting bribes as dishonest are the other part of the story. Also, the lack of coordination of regulations, administrative rules, and laws offers numerous rent-seeking opportunities in the various layers of the bureaucracy. Raising salaries – and, for high-level politicians, creating compensation that facilitates life after leaving office – may be part of the solution to reduce corruption to a tolerable level. Reforming the organisation of the state by coordinating laws and rules so as to eliminate rent-seeking opportunities is equally important. Yet publicly identifying and formally prosecuting those found guilty of corruption, whether as a corruptor or a person who is corrupted, is central to any anti-corruption strategy.

Even though some of the personalities interviewed tended to minimise the consequences of corruption, most stressed the development cost arising from the misallocation of resources involved in grand corruption, the undermining of the profitability of some investments through import smuggling (e.g. sugar, rice), bribes to acquire business licences, land use rights or trade permits, and, most importantly, the loss of tax revenues leading to inefficient, and ineffective, higher tax rates.

The inefficiency of the civil service, stressed by most interviewees, has very much to do with corruption, but, as suggested above, both find their root cause in the way the state bureaucracy functions. A weakness frequently pointed to is the multiplicity of regulatory bodies, ministerial bureaus or public agencies that have their say in specific areas. One expert mentioned that the production and commercialisation of a new food product would require 22 authorisations from different administrations. Another reported that, overall, the farming sector was administered through 15 different public entities. Others mentioned the frequent discrepancy between local government decisions and rules enacted by the central government. Of course, the problem may not be the number of public entities having a say on some aspect of the economy, but the lack of coordination among them, leading to ineffectiveness and rent-seeking opportunities for bureaucrats who have the power to shortcut the whole system. A good example of a reform aimed at simplifying things was the creation in 1995 of the Tax Revenue Authority, which centralised tax collection operations formerly under the responsibility of various decentralised administrative entities. Another more recent example of the need for coordination among public entities is the creation of the President’s Delivery Bureau, in charge of coordinating efforts to reach the National Key Result Areas through the monitoring and evaluation of various administrations.

Another weakness of the civil service stressed by a number of experts is the low capacity of the bureaucracy. This might be due as much to insufficient human capital at all levels as to excessive movements of bureaucrats caused by political cycles. There seemed to be a consensus that it was at the local level that the bureaucracy was the least effective. In particular, the point was made that the poor understanding of laws by the public gives undue power to local bureaucrats, which they use for inefficient decisions and, often, their own profit. More generally, the question was raised as to the efficiency of the way decentralisation is being implemented.

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These areas correspond to the implementation of the BRN (Big Results Now) initiative by President Kikwete to accelerate progress towards the 2025 Tanzanian Development Vision, including the status of a middle-income country.
The regulation of production activities is of utmost importance for economic growth as it affects the competitiveness of the production apparatus and the investment climate. It is judged to be deficient in Tanzania in several ways. First, companies that are still state-owned, after the wave of privatisation that took place throughout the 1990s and early 2000s, were reported by some experts as inefficiently managed or inefficiently regulated. The most obvious case seems to be that of TANESCO, the public company responsible for the distribution and most of the production of electrical power – an area where Tanzania appears to be lagging behind most African countries. It was reported that its regulatory agency, the Energy and Water Utilities Regulatory Authority (EWURA), maintains a cap on the price of electricity, which essentially makes TANESCO unprofitable, increases its debt burden, and prevents it from investing in a badly needed expansion of coverage. It was also reported that several public–private partnerships in power generation failed because of inadequate tariffs and uncertainty about potential nationalisation. A major reorganisation of TANESCO has recently been confirmed, which consists of breaking the company into various functional entities – i.e. “ unbundling” – and issuing shares to the public. How regulation will be modified is not yet clear. Other state-owned companies that were found to be underperforming include the telephone company Tanzania Telecommunications Company Ltd and the petroleum company Tanzania Petroleum Development Corporation.

It is worth stressing that interviewees with a deeper knowledge of the energy sector pointed to a rather different diagnostic about the difficulties of the power sector. It was pointed out that the agency, which had been operating for a relatively short period of time but enjoyed international recognition for its professionalism, was making rigorous recommendations and followed world best practice in this area. The interpretation was therefore that political pressure was often making their recommendations imperfectly and incompletely implemented.16

With regard to state-owned companies, it was also fairly surprising to learn in one of the interviews that many of the numerous privatised state-owned companies were no longer functional. This suggests that those parastatals were indeed extremely inefficient and were bought essentially for their equipment and buildings, rather than their activity. It is also possible that the private management of these companies did not benefit from the same competitive advantages as when they were state-owned.

Concerning the private sector, the complaint most often heard is that too many regulations are a strong disincentive for investment, whether domestic or foreign. In natural resources, the view is that capital, knowledge, and know-how are needed but that foreign investors still fear the risk of nationalisation – despite a foreign direct investment act explicit in dismissing that risk. In manufacturing, the opinion is that domestic firms prefer investing in trade than in production, subject to more and heavier regulation. Foreign direct investments are more oriented towards the exploration and extraction of natural resources, telecommunication services, and tourism, all sectors where regulation is apparently also heavy.

The excessive number and the complexity of regulations are also mentioned as the main reason small and medium enterprises (SMEs) do not formalise, although the actual gain, as in many other developing countries, is not well established.

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16 As a matter of fact, the head of EWURA was replaced by the president a little after having recommended a tariff increase that followed agreed pre-defined rules. The tariff increase was not implemented. This occurred a few weeks after he was interviewed with his management for the present study.
The management of land use rights is the best example of the consequences of an inefficient and sometimes corrupt bureaucracy and a legislation that is complex and thus not well known or understood by the public. The uncertainty on land rights is very often cited as a real handicap in developing the agricultural and agro-industrial sector, and in some cases even industrial projects in urban areas. As far as the latter are concerned, a frequently cited example is that of the two to three years it took to get the land use right needed to construct a liquefied gas terminal on Tanzania’s coast. In agriculture, everybody seems aware of the long delays investors face in acquiring land rights and the bribes they end up offering to shortcut cumbersome processes from the local to the national level. As far as the latter are concerned, a frequently cited example is that of the two to three years it took to get the land use right needed to construct a liquefied gas terminal on Tanzania’s coast. In agriculture, everybody seems aware of the long delays investors face in acquiring land rights and the bribes they end up offering to shortcut cumbersome processes from the local to the national level.

Land is the subject of the second largest number of judicial cases, often with individual investors confronting the local or regional authorities responsible for the allocation of land. Many disputes also arise from farmers squatting or claiming back land allocated to investors but not fully utilised. Land is property of the state in Tanzania and was actually collectivised during the socialist era. After a long maturation process, a Land Act was passed in 1999 that codified the operations on land use rights, in particular to facilitate investment. It is considered to be a good law, but its implementation at lower government levels is said to be problematic because of the lack of capacity of local bureaucracies and a poor understanding of the law by villagers. There also seems to be little accountability of the civil servants responsible for land operations with respect to both investors and the local population. Records of these operations are also said to be badly managed.

In a country where land is abundant, and agriculture has great potential, such ambiguity on land use rights is unfortunate. It also has negative consequences in urban areas.

The functioning of the political system naturally came up in the interviews. The main issue was the accountability of the government and the nature of checks and balances on the executive. Emphasis was put in particular on the key role of the Controller Auditor General and the need for the content of his annual report to be better publicised and publicly debated, and for the auditing of public entities to go beyond official accounts. The view was expressed that parliamentary debates should receive more space to review the government’s actions. This seemed to several experts all the more important in a country where the president enjoys considerable power, and until recently was able to control the entire bureaucracy, and to some extent the legislature. Things may be changing as the opposition and political competition are rising. The relationship between the two members of the Tanzanian Union – i.e. the mainland and Zanzibar – was also seen as a sensitive issue which has now been discussed for some time in relation with a reform of the constitution.

The judicial system would seem to be the main instrument to fight corruption. The interviews emphasised its lack of resources. At present 16% of the 180 districts do not have a court and a third of the regions have no high (i.e. appeal) court. The judicial system is thus in a constant state of congestion. Corruption is also present among the staff, due in no small part to outdated information technology that generates frequent involuntary (or voluntary?) losses of key pieces of evidence.

Although at the edge of institutional issues, the mindset of the population with respect to specific issues was frequently mentioned in the interviews as being responsible for slowing down economic development. Several experts indeed thought there was still a suspicion with respect to the private sector in the civil service and possibly in public opinion, which somehow acted as a brake on development. The lack of a true culture of business was also
emphasised, of which evidence may lie in the disproportionate number of non-indigenous among entrepreneurs, the opposite being true in the political sphere.

**Conclusion**

It is striking to see that, altogether, the three preceding approaches to the quality of institutions are convergent on the likely constraints that Tanzania’s institutions enact on economic development, independently of the capacity of the country to devote the resources necessary to key development functions. By the very nature of the analysis, conclusions are less clear in the case of the institutional indicators, in part because they combine many different dimensions of institutions and in part because they result from a comparative exercise that is somewhat arbitrary – i.e. weaknesses may be the same in Tanzania as in the comparator countries, including the highly performing ones. Even in that case, however, there clearly is some convergence among the various approaches in pointing damaging weaknesses in administrative and regulatory capacity, or ‘government effectiveness’.

What emerge more precisely from the three exercises, as well as from the institutional implications of the growth diagnostics briefly reviewed in the preceding chapter, are the following themes:

- Land issues featured very clearly in the CIS survey, and the limitation due to the uncertainty surrounding land use rights
- The regulation of firms, in particular the electricity company, TANESCO,

Corruption was mentioned in practically all approaches, but, as mentioned above, corruption is a symptom, the cause of which has to be found in the bad functioning of several institutions. From that point of view, the open-ended interviews with top decision makers, as well as the institutional indicators, unambiguously point to:

- the organisation of the civil service; and
- the coordination between state entities – in particular, the relationship between central and local governments.

These various themes will now be analysed in-depth in the second part of this volume.
References


Table A1: Stratification of the CIS sample

<table>
<thead>
<tr>
<th>Sphere of influence</th>
<th>Occupation type</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economics</strong></td>
<td>Foreign companies</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Trade unions</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Farming representatives</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Small entrepreneurs</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Business leaders</td>
<td>6</td>
</tr>
<tr>
<td><strong>Politics</strong></td>
<td>Government executives &amp; senior bureaucrats</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Politicians</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Retiree statesmen</td>
<td>5</td>
</tr>
<tr>
<td><strong>Law and order enforcement</strong></td>
<td>Police</td>
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</tr>
<tr>
<td></td>
<td>Military</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Justice</td>
<td>4</td>
</tr>
<tr>
<td><strong>Civil society</strong></td>
<td>Media, chief editors</td>
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</tr>
<tr>
<td></td>
<td>Religious</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Civil society organisations</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Top academics</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Development NGOs</td>
<td>5</td>
</tr>
<tr>
<td><strong>International stakeholder</strong></td>
<td>Donor community</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Diplomats</td>
<td>3</td>
</tr>
</tbody>
</table>
Appendix A2. List of key informant interviews

- Shabir Abji, Executive director, New Africa Hotel
- Bashiru Ally, Lecturer, University of Dar es Salaam, before being appointed Secretary General of the ruling party, CCM
- Mussa Juma Assad, Controller and Auditor General
- Mohammed Othman Chande, Chief Justice of Tanzania
- Brian Cooksey, Independent Research Professional
- Mohammed Dewji, Billionaire businessman and former politician
- Aidan Eyakuze, Twaweza
- Omar Issa, Chief Executive Officer of the President’s Delivery Bureau,
- Zitto Kabwe, Member of Parliament (Opposition)
- Maduka Kessy, Executive Secretary, Planning Commission
- Alphayo Kidata, Tanzania Revenue Authority (TRA) Commissioner
- Jakaya Kikwete, Former President of Tanzania
- Ibrahim Lipumba, Former Member of Parliament and National Chairman of the opposition Civic United Front (CUF)
- Matern Lumbanga, Chairman, Public Procurement Regulatory Authority
- Alex Makulillo, Professor, Faculty of Law, Open University of Tanzania
- Philip Mpango, Minister of Finance
- Valentino Longino Mbowola, Director General of the Prevention and Combating of Corruption Bureau
- Benjamin Mkapa, Former President of Tanzania
- Adolf Mkenda, Permanent Secretary Ministry of Industry, Trade and Investment
- Wilfred Mbowe, Manager, Central Bank
- Pius Msekwwa, Former vice-chairman of the ruling party Chama Cha Mapinduzi
- Ali Mufuruuki, Businessman, founding chairman of CEO Roundtable of Tanzania
- Msafiri Mtepa, Principal Economist at Energy and Water Utilities Regulatory Authority,
- Benno Ndulu, Governor, Central Bank
- Neema Nduguru, Independent consultant
- Felix Ngamlagosi, Director General, EWURA
- Patrick Rutabanzibwa, Country Chairman, PanAfrican Energy Tanzania
- Richard Sambaiga, Senior lecturer in sociology and anthropology, University of Dar es Salaam
- Joseph Semboja, Former CEO of UOGONZI
- Issa Shivji, Professor, University of Dar es Salaam
- Leodegar Chilla Tenga, Chairman of the National Sports Council (NSC)
- Ringo Willy Tenga, Law Associates Advocates
- Alphonce Tiba, Senior Environmental Management officer
- John Wanyancha, Director Of Corporate Relations at Serengeti Breweries Limited
- Stephen Wasira, Member of Parliament (CCM)
- Joseph Warioba, former Prime Minister and Vice President