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OCCASIONAL PAPERS

TANZANIA'S SECOND FIVE-YEAR PLAN

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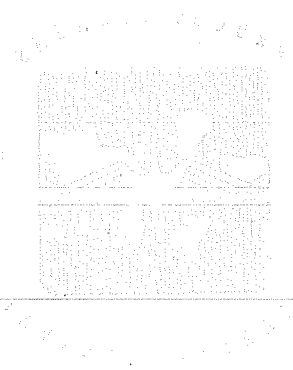
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I.

Among the African countries which presently enjoy increasing attention a place must be reserved for Tanzania, the only survivor of those which attempted to follow a more or less socialist political and economic approach on reaching independence some ten years ago. Among the left-oriented countries, military coups in Ghana and Mali have resulted in a change of the economic-political line of action. The radical course initially followed by Guinea and Algeria has undergone considerable change, while it is doubtful whether the socialist experiment in the U.A.R. will really bear fruit now that the sharpening of the Middle East conflict has placed more emphasis on the military aspect. However, to conclude from the failure of these socialist experiments that socialism is out of place in Africa, as Elliot Berg has done,² is premature to say the least. African countries which opted for a capitalist line have also not fared very well. The Ivory Coast is predominantly dependent upon the continued aid of French capital and technical assistance, thus increasing its dependency on France.³ In Nigeria, which for long was well-disposed to the West, increased income inequalities and sharpened ethnical conflicts have led to a situation of unrest, while in Kenya internal contradictions have rapidly increased.⁴ Tanzania, whose leaders originally appeared to be moderately pro-West, has emerged partly through elimination and partly through internal radicalisation as a country where fascinating experiments are being embarked upon. A relevant immediate reason for analysing Tanzanian developments is the publication of the Second Five-year Plan,⁵ which illustrates the political change of course towards socialism and self-reliance introduced with the acceptance of the Arusha Declaration in February 1967.⁶

Before examining the results of the First Five-year Plan,⁷ economic growth over a somewhat longer period, shown in Table I, should be considered. The period 1954-1968/69 is divided into two seven-year periods, before and after the attainment of independence in December 1961. All figures relate to the mainland only and exclude Zanzibar and Pemba. This is not merely a statistical technical problem. Despite the fact that Zanzibar has been part of the United Republic since April 1964, developments there are difficult to follow from the mainland and the Parliament of the United Republic learns little of what goes on there. Zanzibari representatives to the Union Parliament change frequently but there is no question of elections being held in the islands where all affairs seem to be run by the Revolutionary Council. Tanzania's first Plan was almost completed before the merger. The Zanzibar Plan which at President Nyerere's request was drawn up by an East German team in 1965-66, was not obtainable on the mainland. Tanzania's second Plan also makes little mention of Zanzibar.

Table I. Development of Gross Domestic Product at Current
Factor Cost
1954 to 1968/69

Sector	In million shillings			Average annual growth in percent	
	1954	1960-62 average	1968/69	1954-61	1961-68/69*
Agriculture	1754	2118	3110	2.7	5.2
Mining	60	104	125	8.2	2.5
Manufacturing	100	148	384	5.8	13.6
Construction	112	126	278	1.7	11.2
Public Utilities	8	26	62	18.3	12.4
Commerce	262	442	830	7.7	8.8
Transport and Communication	114	174	316	6.2	8.3
Rents	70	160	347	12.6	11.0
Other Services	228	390	718	8.0	8.5
	2708	3688	6710	4.5	7.1
Population (millions)	8.3	9.4	12.2	1.8	2.7
Product per capita (shillings)	326	392	506	2.7	4.4

* Estimate

Source: First Plan, Vol. I, Table I-II, pp.9-10, after adjustments.

Even allowing for price increases which were greater in the sixties than in the fifties, real income appears to have grown faster since independence. A cynic might conclude that the figures illustrate a retarding influence during British trusteeship. On the other hand, it can also be argued that British investment in infrastructure subsequently facilitated faster growth during the sixties. Whatever the case, British interest in the colony of Kenya was obviously greater than that in the Tanganyika trusteeship territory.⁹

The figures clearly show the country's typically underdeveloped economic structure. In 1960-62 the primary sector (agriculture and mining) contributed 60 percent to GDP, the secondary sector (industry, construction and public institutions) only 8 percent, while the tertiary sector contributed 32 percent.

II.

The first Plan (1964-65 to 1968-69) was drawn up against the background of selected long-term goals, i.e.:¹⁰

- i) increase of per capita income from Shs.386 to Shs.900
- ii) self-sufficiency of skilled manpower at all levels
- iii) increase of average life expectancy from 35 to 40 or 50 years.

These targets were to be reached by 1980. Targets (i) and (iii) clearly conflict with each other. A rapid increase of per capita income becomes more difficult to the extent that the third target is attained. This results essentially from a declining death rate without a simultaneous reduction of the birth rate, so that higher life expectancy goes hand-in-hand with rapid population growth. The second and third targets may therefore conceivably be reached, but not the first.

The non-achievement of plan targets does not signify that the plan is incorrect. Evaluation of the results of a plan depends largely on the functions ascribed to it. If targets are very ambitious, as in the case of Tanzania, even realisations which lag behind the targets may still mean considerable results. On the other hand, if targets are very low, it is not difficult to register 'plan over-fulfilment'. The necessity for a plan may be queried if its only meaning is that things should continue as they were. Finally, adherence to a plan if changes occur in the economico-political constellation during its execution or if it is proved to be based on incorrect premises, would indicate great rigidity.¹¹ In short, numerous factors influenced the outcome of Tanzania's first Plan.

This first Plan was essentially a macro-plan. An attempt was made at a reasonable forecast of economic possibilities within the limits of the available data, but much less attention was given to many projects in respect of which the economic possibilities were to be used.¹²

The statistical basis underlying the forecast was weak and population growth seriously underestimated. The first Plan was drawn up on the basis of a real income growth of 6.7 percent per annum; with an estimated population growth of 2.1 percent this implied an annual growth of real income per head of 4.6 percent.¹³

It now appears that real growth was about 5 percent.¹⁴ The population census of August 1967 showed that annual population growth amounted to 2.7 percent, yielding an increase in income per head of only 2.3 percent, or half the initial forecast.¹⁵

Strangely enough, the first Plan did not mention the improvement and expansion of the statistical apparatus, a necessary precondition to quantitative planning. The second Plan gave it much more attention.¹⁶

A second reason for the shortfall in plan realisation was that incorrect outside advice was followed in making the plan. FAO forecast that the price of sisal would remain more or less stable so that moderate growth could be projected. In fact, sisal prices declined steeply in 1965; this was apparently a structural price fall linked to the sharply increased competition of synthetic fibres. In 1964, 230,000 tons were produced at an average producer revenue price of Shs.1,700 per ton. The target for 1970 was 270,000 tons. Actual production in 1968 was 194,000 tons at an average producer revenue price of Shs.765 per ton.¹⁷

This had two consequences. Firstly, employment on sisal plantations decreased by 55,000 (a percentage decrease of 57); the increase in non-agricultural employment under the plan was thus almost completely nullified and total employment remained more or less stable between 1964 and 1968.¹⁸ Secondly, foreign exchange earnings from sisal exports declined from Shs.434 million in 1964 to Shs.187 million in 1968. The share of sisal in total exports fell from 30 to about 12 percent.

Moreover, in its Report for 1960, the World Bank advised that the agrarian problem be tackled by the transformation approach in contradistinction to the improvement approach. Tanzanian farmers are rather isolated from each other. The World Bank Mission proposed first bringing them together in villages so that easier focal points would be found for extension workers, public utilities, etc. The improvement approach consists of bringing about improvements and giving farmers advice on the spot. The transformation approach was a failure. Not only did the programme become far too expensive and capital-intensive as the farmers first had to be settled, but all kinds of social tensions also arose. After all, the farmers must have had their reasons for not wanting to live in villages in the past.

The government decision, taken early in 1966, to scrap the transformation approach was reluctantly approved by the 1966-67 World Bank Mission.¹⁹ All in all, this gives rise to some degree of scepticism regarding advice given by international organisations.

A third cause for the lag in plan realisation was that the difficulties of implementation were under-estimated, predominantly owing to lack of personnel. In 1964, Africans filled 33 percent of the higher civil service ranks, and it was estimated that this would rise to 50 percent in 1970.²⁰ These senior ranks comprise the professional and administrative cadres for whom a university education is prerequisite. The University College at Dar-es-Salaam only produced some output during the last two years of the plan, while there were few Tanzanian graduates from Makerere University College in Uganda; Tanzania therefore had to depend essentially on foreign recruitment which, during the first years of the plan in particular, lagged behind expectations. Recently the situation has improved considerably, partly because Tanzania is now an attraction for left-oriented intellectuals.

As a result of this manpower shortage, only 30 percent of the targets regarding government investment were realised.²¹ The estimated realisation of the whole plan is 82.6 percent,²² so that in the last few years the targets have been almost completely reached. This concerns nominal amounts. The volume of investment is smaller as a result of price increases.

Outside the civil service there have also been great personnel problems. A phenomenal growth has occurred in the cooperative movement, from 857 cooperatives in 1961 to 1,696 in September 1968. These cooperatives usually handle more than half a million tons of produce yearly, and pay the farmers more than Shs.500 million.²³ Staff and personnel were unable to develop sufficiently to keep up with this rapid growth rate, causing bad administration and financial shortages. The cooperative movement was investigated by a Presidential Committee of Enquiry in 1966 and thereafter was rather drastically reorganised.²⁴ The responsibility for cooperatives was transferred from the Ministry of Commerce to the Ministry of Agriculture, thus facilitating coordination within the agricultural sector. The cooperative consumer shops (Cosata) were first reorganised and later liquidated, and a Unified Cooperative Service was set up.

At the request of the Tanzanian Government, the British Government sent a mission to Tanzania in 1965 to study various problems relating to plan implementation. Although the Ross Report has not been officially published, it has led to a number of administrative improvements.

A further reason for changes in the plan lies in political developments. Rhodesia's unilateral declaration of independence (UDI) made it necessary to pay greater attention to the improvement of communications with Zambia. An oil pipeline was laid from Dar-es-Salaam to Zambia. Until this was completed in September 1968 oil inflow and copper outflow had to use a road which was not meant for such heavy transport. The problems in South Africa also provided an important impetus for embarking upon the controversial Tanzania railway project to be carried out by China.²⁵

Official foreign aid to Tanzania was drastically curtailed. A British loan of £7.5 million was frozen when diplomatic relations were broken off following UDI; application of the Hallstein doctrine regarding recognition of East Germany caused German assistance to taper off; the United States government became incensed at the expulsion of two diplomats who were alleged of subversive activities.²⁶

In July 1966, Nyerere surveyed the foreign "aid" which Tanzania had foregone because of the principled political stand it had felt entitled to take on reaching political independence.²⁷ The realities of the Third World are such that a high price must be paid for political independence. Tanzania has learned this lesson.

III.

On the basis of the foregoing, it might be concluded that Tanzanian policy during the first plan was characterised by a high degree of flexibility. There was a readiness to learn rapidly from mistakes made. "It is better to turn round halfway than to get totally lost." This recognition of mistakes must have increased the decision-making capacity of government officials and consequently their self-confidence.

By and large, the first plan was in many respects a traditional plan, particularly with regard to government's role. This was seen primarily as to attract private investment by creating suitable facilities. However, many developing countries including Tanzania suffer from lack of knowledge and of capital; such a policy of accommodation therefore means opening-up the country to foreign private investors. The first plan outlined the following measures for promotion of the private sector.²⁸

1. Provisions of judicial, technical and fiscal nature, consisting of
 - guarantees for private investment and the repatriation of capital
 - the provision of adequately equipped industrial sites; protection and assistance for infant industries through applicable external tariffs, rapid depreciation and investment subsidies
2. Provisions whereunder the government supplies economic and feasibility studies concerning the country's industrial potential to likely investors (setting up an Industrial Studies and Development Centre in collaboration with UNDP)
3. Provisions of a financial nature whereunder the government shall participate in the financing of certain enterprises through the intermediary of the Tanganyika Development Corporation.

Furthermore, the government undertook to pursue a sound monetary policy and to maintain social harmony.²⁹ In short, an open-door policy in optima forma: what more could a foreign investor want?

Three important aspects should be noted. Firstly, industrialisation is possible only if foreign investors are forthcoming, and the increased political instability in Africa in the sixties makes this more and more unlikely. Military coups, increasing social unrest and foreign military intervention are becoming common phenomena. In fact, it is doubtful whether sufficient foreign investments will be attracted to ensure take off.

Secondly, as foreign private investment increases, foreign political influence grows with it, so that the government has ever less scope for setting an independent course. Foreign economic power leads to the wellknown phenomenon of neo-colonialism. That sizable amounts can be tapped by foreign business even in a poor country such as Tanzania has recently been shown: 20 to 30 percent of gross national investment before Arusha.³⁰ A change of political direction might become imminent as a result of the too slow growth of the economy and growing social unrest due, inter alia, to increased unemployment, for instance; it would then be in the interests of

foreign business to safeguard its position and cover itself politically by absorbing politicians and high-ranking officials and, if necessary, by threatening to withdraw financial support, thereby facing the country with financial-economic and employment crises. The government then has almost no other choice than to maintain law and order with a heavy hand and to submit to blackmail, although in the long run this offers no solution whatever to social problems. In short, the Latin American pattern may also develop in Africa.

Thirdly, the trend of investments may in the long run become problematical. If a private investor is left free in his choice of investment project, he will obviously choose one that is remunerative. One of the safest investments is in houses and flats which offer a minimum yield of 15 percent excluding asset appreciation. This high yield is possible because embassy personnel, employees of foreign enterprises and experts from international and bilateral assistance agencies are usually appointed for short periods to developing countries and therefore have to depend on rented housing, partly with a view to winding up their affairs as rapidly as possible should the need arise. The equilibrium between prices and rents is thus destroyed, particularly in the capital cities.

As a rule, the private investor will turn to the high income sector of society and to the needs of high income earners. Companies which are attuned to such patterns of needs depend for their further expansion on the growth of high incomes. An industrial structure thus develops which is adjusted to conditions of very unequal income and wealth. It is doubtful whether a fruitful pattern of interaction between town and countryside can develop under such circumstances. The agricultural sector has food to offer but the urban consumer frequently switches to expensive imported foods. On the other hand, urban manufacturers have luxury goods to offer which are often too expensive for the low purchasing power of the peasant population. Two separate spheres of living thus develop which show little connection with each other.

This development is evident in many countries: a rapidly developing capital city which increasingly attracts complementary infrastructural investment, and a relatively neglected hinterland. An enclave economy without local roots. Now that the prospects of many traditional export products of developing countries are far from rosy, the stimulation of foreign tourism, a device often used to acquire foreign exchange, often reinforces social dichotomy.

The relationship between growth and income distribution in the period since independence has become a matter of increasing concern for the Tanzanian Government in view of the danger of increasing social polarisation.³¹ Against this background, the radical change of direction taken in 1967 can be explained. The nationalisation of financial institutions (banks and insurance companies) and the partial nationalisation of industry and commerce enabled the government to establish a firm grip on the economy. Semi-governmental institutions, cooperatives, government bodies and farmers are now jointly responsible for about three-quarters of the national monetary product.

Not only has considerable nationalisation taken place, but numerous fringe benefits in the civil service and in semi-governmental institutions have been drastically reduced after a cut in salaries. It would be nonsensical to assume that these drastic income reductions, ranging from 30 to 40 percent of after tax incomes of certain categories, were joyfully welcomed by the elite because from one day to the next they had suddenly turned socialist. Far from it! Enforcement of the stringent leadership code of the Arusha Declaration became possible through a lucky confluence of circumstances.

Firstly, the number of Africans connected with the reduction of fringe benefits was relatively small. Europeans were not concerned because they worked under special contracts; the Asians, as a minority group, were hardly in a position to cause political trouble. Secondly, even though salary scales were revised, it was possible to secure partial compensation through rapid promotion. The civil service still offered sufficient flexibility and mobility owing to the presence of foreigners who were to be replaced in the not too distant future; also, government activities were rapidly expanding. Thirdly, the leadership code was applied only to the government sector. People who could not reconcile themselves to reduced incomes could transfer to the private sector where there was still room for them since Africanisation had so far made little headway. As the government had almost completely used its fresh supply of qualified manpower, those who remained had increased chances of promotion. In fact, few Africans transferred to the private sector. Thus, no substantial resistance to the enforcement of income reduction was likely to develop among the Africans.

Lastly, by his example and persuasive methods, Nyerere succeeded in convincing most people of the correctness of the new course. The fact that there were no groups to whom the reductions did not apply or who could evade them, facilitated acceptance of the leadership code. In Dar-es-Salaam, that pre-eminent status symbol of Africa, the Mercedes Benz, is now rarely found outside the Corps Diplomatique.

Such a large-scale income reduction at the top is unlikely to have been equally successful and quiet at a later stage after further Africanisation of the higher ranks of the civil service. Nyerere's skill in seeing these possibilities and using them is evident: looking back, there could have been no better timing than 1967.

The presence of foreign personnel also contributed to nationalisation and subsequent consolidation being carried out in a fairly orderly fashion. After 1965, the basis of recruitment of foreign personnel was broadened so that they represented a greater variety of ideas and opinions; a group of officials was thus built up who were sympathetic to Nyerere's policy and were loyally prepared to implement political decisions.

Political pressure is being kept up in order to preserve and reinforce the integrity of leadership. Personnel changes and transfers do not receive the same publicity as did the dismissal of seven Members of Parliament in October 1968.³² Some people who were rapidly promoted in the early post-independence years have proved incapable of coping with heavy tasks and are being side-tracked. The transfer policy is also affected by Nyerere's wish to prevent politicians and/or civil servants thinking themselves indispensable in certain posts, or using their positions to appoint too many persons ethnically related to them, which in the long run might lead to difficulties. As a rule, spectacular dismissals are avoided in Tanzania as being likely to increase the danger of external opposition. The anti-government plot discovered in the summer of 1967 was led by a number of people who had recently lost their jobs.³³

This political turnabout was not foreseen in the plan. Nevertheless, the experiences with internal developments and with other countries played major roles in initiating the thinking process which led to the change of course in 1967.³⁴

IV.

Contrary to the first plan, the second is more of a project plan, an attempt to elaborate a strategy.³⁵ Much attention has been given to building up a stock of projects to be implemented in the early plan years.³⁶ Furthermore, a survey has been made in regard to the second half of the plan period to allow necessary adjustments to be made.

The annual growth rate of GDP is estimated at 6.5 percent in constant prices. Table II shows the estimated growth by sector. Comparison with Table I shows that the projected growth rates more or less coincide with those realised over the period 1961-1968/69. Important exceptions are mining, reduced diamond-winning being expected through the gradual exhaustion of the mine, and the rents sector; the change in the latter is connected to the conscious policy of stimulating cheap rather than luxury housing.

The internal mobilisation of financial resources under the first Plan proved a great success. It had been estimated that 78 percent of public sector investments would be foreign-financed; in fact, over the first four years 65.5 percent of the development budget was internally financed, partly due to the reductions made in foreign aid after the diplomatic difficulties mentioned previously. As a result, total investments lagged behind the estimates.

In 1963 and 1964, the investment quota in monetary GDP was very low, 14.5 and 15 percent respectively, rising to 22.9 percent in 1967. The target for the second Plan is to increase the investment quota further to about 25 percent of monetary GDP in 1973-74.³⁷

Government investments under the second Plan are to double: Shs.2,750 million as against Shs.1,322 million under the first Plan. The distribution among ministries is shown in Table III.

Table II. Targets for the Development of GDP

	Annual growth in percent	Percentage contri- bution of Sectors to Total Growth	Relative Weight 1973-74
Agriculture			
Monetary	7.2	27.0	24.8
Subsistence	3.0	11.4	22.8
Mining	- 2.5	- 0.7	1.3
Manufacturing	13.0	14.2	8.4
Construction	10.0	7.5	5.3
Public Utilities	12.0	2.1	1.3
Commerce	8.0	17.1	15.4
Rents	6.0	5.1	5.5
Transport	9.0	7.5	5.8
Services	5.0	8.7	10.8
	6.5	100.0	100.0

Source: Second Plan, Vol. I, pp.202-203.Table III. Estimated Investments of Central Government
(millions of shillings)

Agriculture, Food, Cooperatives	636
Lands, Housing and Urban Development	310
Regional Administration and Rural Development	180
Communications, Transport and Labour	922
Education	297
Health	99
Defence	105
Other	201
Total	<u>2,750</u>

Source: Ibid., p.211

The communications programme is overshadowed by the construction of the Tanzania-Zambia Highway (Shs.394 million) which is of strategic importance, and of the new Kilimanjaro International Airport situated between Arusha and Moshi (Shs.70 million).

A large part of government investment directly benefits the rural population: agriculture, regional administration, education and health.

It is estimated that investment expenditure of central government increases by 10 percent per annum, and that of semi-governmental institutions by 20 percent per annum; the growth of private investment is estimated at 7 percent per annum. As a result of this growth pattern, the share of the governmental and semi-governmental sectors will grow relatively. The phasing over time for total investment is shown in Table IV.

The most important semi-governmental investors are Tanesco (electricity) Shs.457 million; National Development Corporation (industry) Shs.781 million; Tanzania Tourist Corporation Shs.203 million; and National Housing Corporation Shs.278 million.

The investment total is practically double that under the first Plan. The average annual growth rate of investment decreases from 13 percent per annum to 10 percent per annum.

It is hoped to finance about 45 percent of the investment programme of central government externally. This is slightly more than was achieved under the first Plan in the unfavourable circumstances of uncertainty about the outcome of the Tanzanian experiments. It is substantially less than estimated external financing under the first Plan (78 percent).

Not only investment but also recurrent expenditure, even if not directly measurable, contributes to economic growth, particularly in the case of agricultural extension work, education and health. The rate of growth of recurrent expenditure is limited to $7\frac{1}{2}$ percent per annum. Thus, growth of the government recurrent budget remained in line with growth of the national monetary product after the annual growth rate reached 13 percent during the period 1964-68, as a result of which the share of government recurrent expenditure in national monetary product increased from 20 to 26 percent. Any additional current income will therefore go to the development budget.

Over and above the average growth rate, there is expenditure on regional administration and rural development (8 percent), agriculture (9 percent), education (9 percent) and communications, transport and labour (10 percent).

Table IV. Phasing of Investments in the Second Plan

Year	Central Government ¹	Semi-Governmental Institutions and Cooperatives ²	Private	East African Community ³	Total
1969-70	530	300	370	100	1300
1970-71	575	380	400	120	1475
1971-72	630	460	430	120	1640
1972-73	650	540	460	120	1770
1973-74	670	620	490	120	1900
Total	3055	2300	2150	580	8085
Annual growth:	10%	20%	7%		10%

Source: Second Plan, Vol. I, p.210

Notes:

1. Excluding contribution to semi-governmental institutions; including a Shs.305 million contribution to the local cost of the Tan-Zan Railway.
2. Including Central Government contribution of Shs.650 million.
3. Estimates. These investments are usually self-financing.

It seems appropriate here to refer to some points in the development plans relating to different sectors.

In accordance with the Arusha Declaration, more stress is now laid on the agricultural sector than was done under the first Plan. The formation of Ujamaa villages,³⁸ a communal and cooperative form of agricultural organisation, will be forcefully initiated. TANU, the political unity party, will be called upon to play an important part in leadership. Unlike many other independence movements, TANU has not only remained intact but has been able to reinforce its influence since the achievement of independence.³⁹

The critical problem is to establish equilibrium between voluntary cooperation and force from above. The Ministry of Agriculture will have to provide technical assistance, while educational programmes will need to give much more attention to integration with the rural environment.⁴⁰ In thinly populated areas, a number of large mechanised State farms are to be established, mainly for the production of wheat, rice and cattle.

The role of the cooperatives is to be extended, inter alia, in the direction of marketing of food crops, the production of which is given high priority.⁴¹

The District Training Centres of the Ministry of Regional Administration and Rural Development and the Farmer Training Centres of the Ministry of Agriculture, which formerly worked at cross-purposes, have now been amalgamated.⁴² In the long run, primary schools and the Rural Craft Centres of the Ministry of Commerce and Industry could perhaps be linked to them so that services may be pooled and the social isolation of primary schools broken.

After the failure of the capital-intensive approach to agriculture, the concept of intermediate technology is now being taken more seriously. Although many simple agricultural implements have been proposed and in fact manufactured in the past, plans have received little support because many started from the misplaced conception that the most modern techniques should obviously be applied.⁴³ René Dumont, the wellknown French agronomist and exponent of intermediate technology, visited Tanzania in the autumn of 1967, and his visit has borne much fruit.

Given Tanzania's very small industrial basis, industrial growth can proceed for the time being with simple import substitution. The question is what is to be done in the second half of the seventies? It will become increasingly necessary to develop a long-term industrial strategy, announced by the second Plan but not yet elaborated,⁴⁴ which can bring about fruitful interaction with rural areas.

An important problem is the future role of foreign enterprise. As Tanzania has few oil and mining interests, foreign interests will apply themselves mainly to industry.

Tanzania wants to prevent the conquest of the heights of the economy being undone through an open-door policy; it is therefore self-evident that the government, through the semi-government institutions, will acquire a majority interest in sectors important to the economy. This does not mean that nothing will be left to foreign enterprise. A distinction should be made between enterprises whose primary interest lies in the sale of machinery, which is often packed in a readymade plant, along with the management contract offer, and firms which want

to establish a bridgehead for long-term expansion. The latter category will find but limited access to Tanzania. On the other hand, the first group can enter into partnership with semi-government institutions such as the National Development Corporation on the basis of a minority interest.

It is always preferable to know what is at stake than to suddenly find that one's enterprise is about to be nationalised. Industrial policy will therefore have to be geared to buy technical knowhow and to hire managerial knowhow only for as long as it is necessary to train own managers, who can then legally and also commercially expand the business in a direction which corresponds with Tanzanian rather than foreign interests.⁴⁵

Progress in education has been very significant. As has been mentioned above, Tanzania set herself the target of becoming self-sufficient in the field of high-level manpower. Under the first Plan, secondary and university level education was built up to ensure sufficient numbers of students.⁴⁶ Students in arts faculties will increase from 300 to 400 first-year students; the output will then be sufficient for Tanzania to meet her own needs before 1980. Further expansion at university level is almost entirely confined to the science faculties. However, there is some risk in the attempt at self-sufficiency, not because of any lack of effort or willingness to take action but because the pass-ratio in the science upper secondary forms is only 50-55 percent. Tanzania thus has to carry twice the number of pupils in the science sector to ensure a sufficient output qualified for the university. This problem will receive a great deal of attention in the coming years. Foreign recruitment of good teachers would seem the obvious course.

As Tanzania does not train more expensive manpower than can be used and paid, resources can be released for the extension of primary education. Under the first Plan, the participation ratio of the corresponding age group in primary education remained virtually constant (about 50 percent). Under the second Plan, primary education is to be progressively extended. At the moment, there is a drop-out of about 50 percent after only four years of primary school, too short a period to ensure permanent literacy. In 1974 the Standard IV exam is to be dropped, so that by 1990 seven years' universal primary education can be given. The ECA/UNESCO Addis Ababa Plan (1961) adopted 1980 as the target year for universal primary education. At the Nairobi progress evaluation meeting in 1968 it was shown that the realised growth of primary education had been 35 percent as against a target growth of 45 percent.⁴⁷

The Central government is taking over a great deal of the burden of education finance (teachers' salaries) from local government authorities, so that more money is available to the latter to make life in the countryside more viable.

The irony of the Tanzanian educational experience is that it gives an example of a country consciously prepared to plan and therefore able to help itself in a relatively short time. Countries which do not have this willingness still have the wrong output, as a result of which they continue to need foreign technical assistance. Foreigners who want to apply some of their own idealism can thus often be placed only in countries where a stagnating policy is pursued which, by their presence, they help to continue. If technical assistance were to be based solely on the degree of self-help practised in the receiving country, the technical assistance programme would soon be redundant.

The balance of payment implications of the Plan are within reasonable bounds.⁴⁸ The required export growth is 6 percent per annum, with special stress on intra-East African trade which is expected to grow by 65 percent over four years. On the import side, it is considered possible to keep the import of consumption food constant. This will depend partly upon the success of import substitution industry and partly on the success of internal food supplies. On the other hand, luxury consumption goods are being taxed away, while as a result of the 1967 enforced income reductions at the top, the discretionary expenditure part of income has been curtailed. The fact must be borne in mind that the average rate of income tax on higher income is 20 percent, which is already high by African standards.

The income policy forms an essential part of the general policy to be pursued.⁴⁹ After a strong income denivellation in the years 1960-66,⁵⁰ as a result of which the increase in total wages was used to pay people more rather than to pay more people, wage increases are now limited to an annual maximum of 5 percent, coupled with increased productivity and related to the development of real agrarian income. Stress is laid on the creation of more employment. Politically, this remains a very difficult problem; even in socialist Tanzania the small group of wage-earners is politically very powerful.

In conclusion, the second Plan is much more realistic than the first. The reality of the economic situation in independent African countries has had a sobering influence. The initially cherished hope that Africa would prove to be an awakening giant is still illusory.

Disappointing experiences with foreign aid with its attached political strings have led to a more businesslike and sceptical position vis-à-vis other countries. However, mistakes made have been courageously acknowledged and drastic internal reforms have been carried out.

The Second Five-year Plan, although to some extent only sketchily outlined, attempts to give a logical pattern to economic-social development, the principles of which are laid down in the Arusha Declaration on Socialism and Self-reliance. Much more than under the first Plan, the government will set the pace for economic development both through its own budget and through the semi-governmental institutions; it takes charge of 74 percent of the total investments.

The coming years will show whether Tanzania can realise its plan, in particular whether it will succeed in achieving growth and in keeping the inevitable social contradictions within reasonable bounds, in order that the country may remain governable.

Addis Ababa
November 1969

Footnotes

- * A Dutch version of this article, "Tanzania's Tweede Vijfjarenplan", is to be published in Internationale Spectator, 8th March 1970.
1. See S. Amin, Trois expériences africaines de développement: le Mali, la Guinée et le Ghana (Paris, 1965). B. Fitch & M. Oppenheimer, Ghana: End of an Illusion (New York, 1966). R. Murray, "Second Thoughts on Ghana", New Left Review XLII, March-April 1967. B. Ameillon, La Guinée, bilan d'une indépendance (Paris, 1964). re Mali: "De zeventiende staatsgreep" (The 17th Coup), Kroniek van Afrika, 1969/1, pp.16-18.
 2. E. Berg, "Socialism and Economic Development in Tropical Africa", Quarterly Journal of Economics, November 1964.
 3. S. Amin, Le développement du capitalisme en Côte d'Ivoire (Paris, 1967). S. Amin, "Côte d'Ivoire: valeur et limites d'une expérience", Jeune Afrique, October 1967. S. Dobrska, "Economic Development of the Ivory Coast from the Winning of Independence", Africana Bulletin V, 1966.
 4. As a result of intimidation by the opposition party, the K.P.U., during the local elections Autumn 1968, followed by K.P.U. being banned in 1969; the conflict with the Asians which resulted in a great exodus early 1968; the political murder of Tom Mboya which sharpened the existing contradictions between Luo and Kikuyu. The background to the Nigerian conflict has gradually become known to all.
 5. Tanzania's Second Five-year Plan for Economic and Social Development, 1st July 1969 - 30th June 1974, Vol. I : General Analysis, Vol. II: The Programmes (Government Printers, Dar-es-Salaam, 1969).
 6. The Arusha Declaration and TANU's Policy of Socialism and Self-reliance (Dar-es-Salaam).
 7. Tanganyika's Five-year Plan for Economic and Social Development, 1st July 1964 - 30th June 1969, Two volumes (Government Printers, Dar-es-Salaam, 1965).
 8. The only copy that could be consulted was the personal copy of one of the planners in Berlin. 43 copies seem to have been produced, most of which were locked away.
 9. See, for instance, Judith Listwell, The Making of Tanganyika (London, 1968).
 10. First Plan, Vol. I, p.viii. Prior to this 5-year plan there was a 3-year plan, Development Planning for Tanganyika 1961/62 to 1963/64 (Government Printers, Dar-es-Salaam, 1961), which was essentially based on the 1960 Report of the World Bank Mission (Baltimore, 1961). This 3-year plan will not be considered here since it covered the period immediately following independence when uncertainty prevailed regarding such matters as the number of British civil servants who would remain while the new government had to come to grips with the bureaucratic machinery. Under the circumstances, one cannot speak of real planning.

11. All this sounds trivial. However, it is through his failure to define the goals of a plan that R.C. Pratt, a political scientist, arrives at very questionable conclusions in his evaluation of the planning process in Tanganyika, see Journal of Commonwealth Studies, 1966.
12. A list of projects was compiled and published at a later stage. Many projects were inadequately tested, if at all, with regard to their implementability.
13. Vol. I, p.10.
14. Second Plan, Vol. I, p.13.
15. Preliminary Results of the Population Census taken on the night of 26-27 August 1967 (Central Statistical Bureau, Dar-es-Salaam 1967).
16. Second Plan, Vol. II. The staff of the CSB has been increased in recent years and will expand further from 114 to 238.
17. Second Plan, Vol. I, p.xiv.
18. Background to the Budget 1968-69, p.29.
19. IBRD, Prospects for Economic Development in East Africa, Vol. III Tanzania (Washington, May 1967, mimeographed).
20. First Plan, Vol. I, p.79.
21. A Mid-term Appraisal of the Achievements under the Five-year Plan (Ministry of Economic Affairs & Development Planning, April 1967).
22. Second Plan, Vol. I, p.19 (Table 3).
23. Ibid., p.31.
24. Report of the Presidential Special Committee of Enquiry into Cooperative Movements and Marketing Boards (Dar-es-Salaam, 1966).
25. P.P.C. Bottelier, "China en het Zambia-Tanzania Railway Project" (China and the Zambia-Tanzania Railway Project), Internationale Spectator, 21, 8th December 1967, p.1764 et seq.
26. See C. Hoskyns, "Africa's Foreign Relations: the case of Tanzania", International Affairs, July 1968.
27. J.K. Nyerere, Principles and Development (TANU Publicity Section, Dar-es-Salaam, 1966).
28. First Plan, Vol. I, p.17.
29. Ibid., para. 39.
30. See A. van de Laar, "Foreign Business and Capital Export from Developing Countries: the Tanzanian experience", Economisch-Statistische Berichten, 2689, 2nd April 1969, pp.325-29.
31. See A. van de Laar, "Arusha, Before and After", East Africa Journal, November 1968, pp.13-28.
32. See H.U.E. Thoden van Velzen & J.J. Sterkenburg, "The Party Supreme", Kroniek van Afrika, 1969/1, pp.65-89.
33. Led by Anagisye, former TANU Youth League General-Secretary and MP for Rungwe North.
34. See also C. Hoskyns, art.cit.

35. Second Plan, Vol. I, p.ix.
36. Details of the plan are described in Vol. II, The Programmes.
37. Second Plan, Vol. I, p.208 et seq.
38. J.K. Nyerere, Socialism and Rural Development (Dar-es-Salaam, 1967).
39. See, inter alia, W. Tordoff, Government and Politics in Tanzania (Nairobi, 1967).
40. J.K. Nyerere, Education for Self-reliance (Dar-es-Salaam, 1967).
41. Second Plan, Vol. I, p.43 et seq.
42. Ibid., p.34.
43. A classic: the post-war groundnut scheme in which £30 million were lost. See, inter alia, J. Listwell, op.cit., Ch. 14.
44. Second Plan, Vol. I, p.65 et seq. For a first approach see also A. van de Laar, "Perspective on the Parastatals" (National Development Corporation, ERB, Paper 68.5, University College, Dar-es-Salaam, restricted).
45. Here too, an attempt is made to fight neo-colonial influences. In the West, theories regarding the meaning of (US) imperialism have received a new impulse in recent years. See Paul A. Baran & P.M. Sweezy, Monopoly Capitalism (New York, 1966); Servan-Schreiber, Le défi américain (1966); C. Julien, l'Empire américain (1968).
46. See A. van de Laar, "Towards a Manpower Development Strategy in Tanzania" (Institute of Social Studies, The Hague, 1969).
47. Regional Educational Targets and Achievements 1960-65, Nairobi Conference (UNESCO/OAU/CESTA/Ref. 2, Paris, 11th April 1968).
48. Second Plan, Vol. I, p.214 et seq.
49. Based on Government Paper No. 4, 1967.
50. See A. van de Laar, "Arusha, Before and After", art.cit.