

Paschal Mihyo

Non-Market Controls and the
Accountability of Public
Enterprises in Tanzania

Archival copy

IDRC 8
MacMillan 4K

**NON-MARKET CONTROLS AND THE
ACCOUNTABILITY OF PUBLIC ENTERPRISES IN
TANZANIA**

Non-Market Controls and the Accountability of Public Enterprises in Tanzania

Paschal Mihyo

*Senior Lecturer, Labour Management
Institute of Social Studies, The Hague*

INTERNATIONAL
DEVELOPMENT
RESEARCH CENTRE

© Institute of Social Studies 1994

Published in the United Kingdom in 1994 by
The Macmillan Press Ltd

Published in Canada in 1994 by the
International Development Research Centre
PO Box 8500
Ottawa
Canada K1G 3H9

ISBN 0-88936-701-9 hardcover

Canadian Cataloguing in Publication Data

Miyo, P.

Non-market controls and the accountability of public
enterprises in Tanzania. Ottawa, ON, IDRC, 1994. 192 p.

*/Public enterprises / , /public ownership / ,
/privatization / , /public accounting / , /state
intervention / , /legislative power / , /Tanzania / -
/auditing / , /bureaucracy / , /competition / , /market
economy / , /historical analysis / , /evaluation / , /political
aspects / , references.*

UDC: 334 . 723 : 657 . 63 (678) ISBN: 0-88936-701-9

A microfiche edition is available.

Printed in Great Britain

Contents

List of Tables	vii
Acknowledgements	ix
Abbreviations	x
1. The Search for a Rational System of Accountability	1
<i>The Concept of Accountability</i>	1
<i>Public Enterprise Studies in Tanzania</i>	3
2. Historical and Operational Barriers to Market Controls over the Conventional Public Enterprise Model	6
<i>Historical Barriers to Market Controls in the Morrisonian Model</i>	6
<i>The Erosion of Market Controls over Public Enterprises</i>	17
3. Non-Market Controls, Power and Accountability	23
<i>Non-Market Controls in the Morrisonian Model</i>	23
<i>The Legislative Institutionalization of Non-Market Controls over Public Enterprises</i>	29
<i>Factors in the Predominance of Non-Market Controls</i>	35
4. Parliament as an Alternative Control Mechanism	38
<i>The Significance of Parliament</i>	38
<i>Parliament in a One-Party System</i>	39
<i>Organic Factors Weakening Parliament</i>	43
<i>Organizational Weaknesses of Parliament</i>	49
5. Parliamentary Questions and Debates on Public Enterprises	57
<i>The Importance of Questions and Debates</i>	57
<i>Procedural Barriers to Effective Questioning</i>	58
<i>Parliamentary Privileges and Access to Government Documents</i>	60
<i>Administrative Short-Cuts and the Legislative Process</i>	62
<i>The Subjective Consciousness of MPs</i>	65
<i>Constituency Consciousness of National Goals</i>	68
<i>Private Member Motions and Parliamentary Influence</i>	71

6. Annual Reports and Financial Disclosure to Parliament	78
<i>Periodic Mechanisms of Accountability</i>	78
<i>The Law Governing Financial Disclosure</i>	79
<i>Disclosure to the Parastatal Organizations Committee (POC)</i>	85
7. Beyond the Balance Sheet	99
<i>Beyond Financial Statements</i>	99
<i>Organizational Structures</i>	99
<i>Sources of Finance</i>	102
<i>The Management of Production Funds</i>	105
<i>The Performance of Public Enterprises</i>	107
<i>General Causes of Poor Performance</i>	108
<i>Management Failures and Poor Performance</i>	109
Economic Factors	110
Performance-related Constraints	113
Political Factors	115
The Legal Culture	116
8. Privatization and Reorganization:	
Rationalizing Public Enterprise	118
<i>Introduction</i>	118
<i>What Privatization Seeks to Achieve</i>	120
<i>Privatization in Europe</i>	122
Ideology	123
Targeting Public Corporations for Sale	123
<i>Privatization and Economic Reforms</i>	126
The National Debt and Market Reforms	127
Privatization and the Bureaucratic Tradition	131
The Social Dimensions of Privatization and Reform	133
<i>Other Strategies for Rationalizing the Public Sector</i>	136
Redefining the Commanding Heights	138
Further Organizational Changes	140
Appendices	
1. <i>Sugar Production In Tanzania, 1975-86</i>	145
2. <i>Seed Products Purchased by the former General Agricultural Products Export Corporation, 1975-85 (metric tons)</i>	146

3. <i>Value of Agricultural Export Crops Purchased from Farmers by the General Agricultural Products Export Corporation at Producer Prices, 1975-83 (000 T Shs)</i>	147
4. <i>Volume of Cotton Handled by the Cotton Authority, 1975-85</i>	148
5. <i>Volume of Coffee, Sisal, Pyrethrum, Cashewnuts and Tobacco Handled by Public Corporations, 1975-85</i>	149
6. <i>Value of Food Crops Purchased by the National Milling Corporation, 1975-85</i>	150
7. <i>Volume of Minerals Handled by the Mining Corporation, 1975-85</i>	151
8. <i>Telephone and Telegraphic Services by the Tanzania Posts and Telecommunication Corporation, 1977-85</i>	152
9. <i>Tanzania Railway Corporation: Operating Statistics, 1977-83</i>	153
 Bibliography	154
 Court Cases Cited	169
 Index	171

List of Tables

5.1. Summary of questions asked and answers given on public enterprises, 1970-79	74
6.1. Non-appearance and non-presentation of accounts before the POC, 1979-82, excluding District Corporations	88
7.1. Sources of finance for public enterprises in Tanzania, 1972-82 (million T Shs)	104

Figure

The structure of decision making and policy formation in Tanzaniaxi
-----------------------------------------------------------------------------	-----

Acknowledgements

The successful completion of this work owes much to the financial, energy and time investments of many people and institutions. The International Development Research Centre [IDRC] of Canada generously sponsored this work at various stages while the University of Dar es Salaam gave back-up support with a long leave of absence during which the final draft was prepared. The Institute of Social Studies in The Hague [ISS], through its publications committee, made it possible for the manuscript to be evaluated and shaped along the lines on which it appears now. I am indebted to these three institutions for their support of my attempts to understand Tanzania's public enterprise system better.

A few people within and outside these institutions deserve special mention. First are Professors Yash Ghai and Balthazar Rwezaura of the Universities of Warwick and Dar es Salaam respectively, who read the initial drafts line by line and contributed substantially in shaping the final outcome. Second are Mr. Christopher Smart of the IDRC and Professor Henk Thomas of the ISS for their constant and consistent support in this and other academic endeavours. Third are Zuki Mihyo, my wife, Professor Patrick McAuslan of the University of London, Dr. Abdul Paliwalla and Ms Jill Cottrel of the University of Warwick, for their intellectual contribution to this work at its various stages.

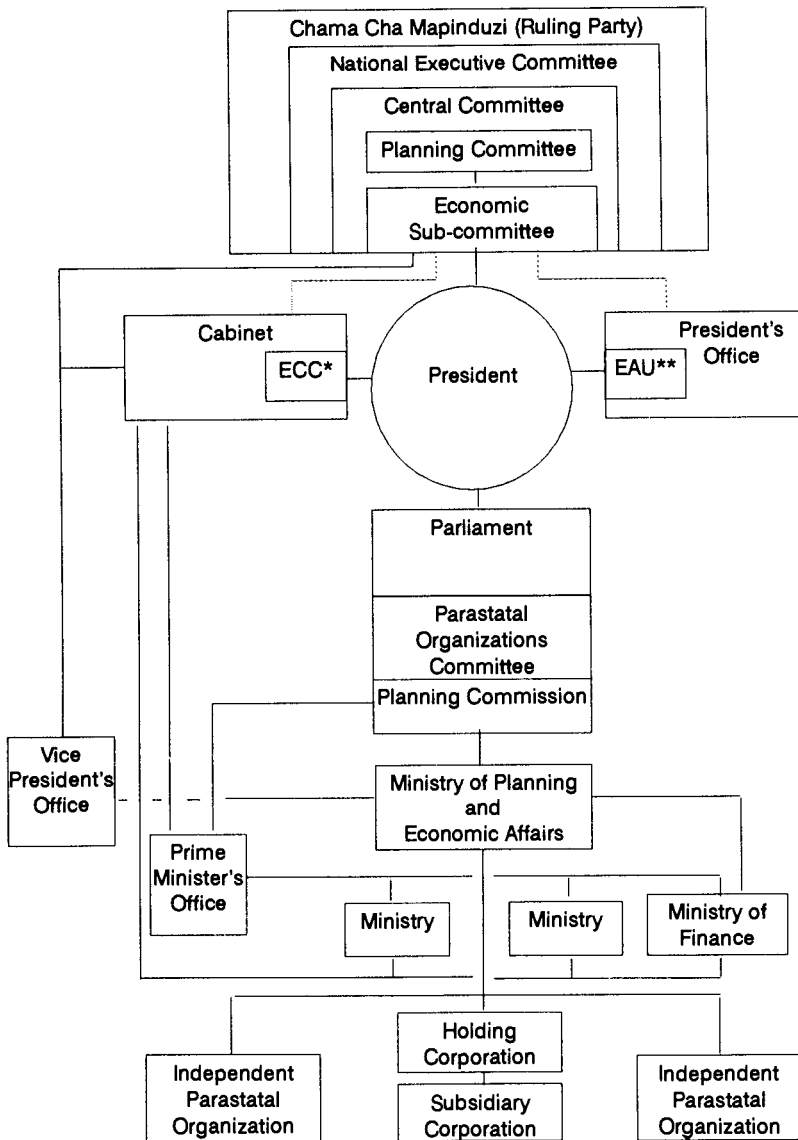
I would like to thank Aïda Jesurun and Joy Misa of the ISS publications office, who patiently and meticulously prepared the manuscript; the members of the publications committee at ISS, who took time and pains to evaluate the work; and especially my editor, Linda McPhee.

Last and by no means least I would like to thank the numerous people who responded to my questions and requests, and our children Siima, Eddie and Peter, from whom I got my first experiences of learning from those who appear less knowledgeable. With all these I would like to share the acclaim but with none the blame. I remain personally responsible for the errors and failures contained in this work.

Abbreviations

AG	Attorney General
BAT	British American Tobacco
BBC	British Broadcasting Corporation
CAP	Chapter (referring to laws of a country)
CATA	Cashewnut Authority of Tanzania
CCM	Chama Cha Mapinduzi
CDA	Capital Development Authority
EAA	East Africa Airways
GN	Government Notice
IBA	Independent Broadcasting Authority
MP	Member of Parliament
MWATEX	Mwanza Textile Corporation
NBC	National Bank of Commerce
NDC	National Development Corporation
NDCA	National Development Credit Agency
NTC	National Transport Corporation
POC	Parastatal Organizations Committee
R & D	Research and Development
SCOPO	Standing committee on Parastatal Organizations
SCNI	Select Committee on Nationalized Industries
SHIHATA	Shirika la Habari Tanzania
STAMICO	State Mining Corporation
STC	State Trading Corporation
TAC	Tanzania Audit Corporation
TANITA	A Cashewnut Processing Company
TRDB	Tanzania Rural Development Bank
UDA	Usafiri Dar es Salaam
UFI	Ubungo Farm Implements

Figure 1. The structure of decision making and policy formation in Tanzania



Note: * Economic Committee of the Cabinet; ** Economic Affairs Unit
Source: Based on UTAFITI (1982), p.130.

1. The Search for a Rational System of Accountability

The Concept of Accountability

Between 1972 and 1986 public enterprises in Tanzania represented 40 per cent of the country's GDP, and at the end of 1986 they employed about 32 per cent of the total labour force (Bureau of Statistics 1972-1986). During the same period they absorbed an annual average of 75 per cent of government funds (Senkoro 1988). It is not surprising therefore that in the last two decades, as these enterprises became a significant feature of the Tanzanian economy, the need to make them more efficient, beneficial and accountable gained urgency.

However, the complex nature of the concept of accountability and the diversity of opinions among policy makers, advisers and researchers on the causes of poor performance of public enterprises in Tanzania makes this change problematic. In operational terms, accountability is a performance concept implying delegation of power or authority and assignment of performance responsibility. It also, in this sense, implies that a subordinate body or officer accepts such responsibility as well as the duty to exercise it within the limits of its attendant authority. Answerability and liability for misfeasance or non-performance naturally follow from this (Allen 1958, Sisk 1977).

The second aspect of accountability, ultimate answerability, right of the person or body legally or conventionally entitled to confer such authority, to take to task the person or body on whom the function or power has been conferred for any breach of such power, duty or function by subordinates, whether or not they were lawfully exercising such power or authority. This imposes vicarious liability on superior officials for acts or omissions of their subordinates (Mwinyi 1987). Superior officials are also obliged to accept culpability and responsibility for authorized and unauthorized errors or failures (Mwinyi 1986, Mihyo 1988), indicating that delegating power does not necessarily relocate or mitigate accountability.

Both types of accountability operate best in bureaucratic organiza-

tions, their underlying presumption being that the ultimately responsible person or body has unfettered decision-making powers within the applicable rules and has absolute power to control the behaviour of his or her subordinates. Both ultimate and conferred accountability require a hierarchy of power and authority, which in turn implies a monocratic, bureaucratic organization. Within this model, absolute power can be delegated, but absolute responsibility cannot. Other requisite conditions include the remaining Weberian attributes of bureaucratic organization, such as rule specificity, officialdom and specialization.

As Sendaro (1986) points out, the two approaches have long existed in private enterprises where they have functioned as instruments for bureaucratic control. In Tanzania, the two concepts have gained favour from time to time (Mwinyi 1986, 1987, Hamad 1987). But there has also been a call for a third and broader view of accountability. Going beyond internal accountability and power, it calls for external and political accountability.

External and political accountability distinguishes itself from the other two models firstly because it acts as a market response mechanism. Where political legitimacy is an essential qualification for continuation in power, any abuse of power or act of misfeasance erodes legitimacy. Hence, public officials who commit or allow, negligently or otherwise, any breach of duty or abuse of power, have a duty to relinquish authority, irrespective of whether they had power to prevent the breach or abuse. Such a withdrawal restores the constituency's legitimacy to appoint another person or body to act in the same capacity.

The second point of difference is that it includes a political responsibility to answer to the empowering authority for the exercise of power. The main issue here is not delegation of authority or power but its effect on the clientele or the public. Hence the duty to answer or explain does not necessarily arise from direct delegation of power by the questioning authority but from the need for openness in the exercise of public authority or power. Such a concept goes far beyond the technical considerations of efficiency, to encompass the duty of accountability to civil society for acts and omissions of these bodies which constitute public administration.

Public enterprises, as part and parcel of the system of public power, cannot be confined to the first two concepts of accountability. They are accountable not only to those above, but to those below (Khera 1964). They are duty-bound to explain the intentions, problems, achievements and failures of these enterprises. Such information is deemed to be a public right, accompanied by a moral responsibility to explain to the appointing and electoral authority the way in which public responsibilities have

been discharged (Sokoine, 1983). Public enterprises in Tanzania are so much a part of the political structures of power and production that they must be accountable to the general public for their acts and omissions.

Public Enterprise Studies in Tanzania

Since their launch, public enterprises have been evaluated and debated. The main concern during the late 1960s and early 1970s was the extent to which their structures and operations could counter Tanzania's colonial heritage: its orientation toward primary commodity export, the lack of sectoral linkages, its distorted income distribution and the absence of a capital goods sector (Rweyemanu 1970, 1971). The expansion of the public sector took place in the climate of social and economic optimism created by the country's socialist policy. Evaluation sought to discover whether quantitative changes were taking place which justified the shift from private sector to public sector-biased policy (Binhamer 1968, 1969; Loxley 1969, 1972).

Initial evaluations, however, concentrated on the market behaviour of these enterprises. Output became the major focus for both the critics and defenders of public enterprise. Although no clear output indicators were singled out, services, goods and financial contribution to development resources featured prominently (Moshi 1979, 1984). Even those who saw positive change concentrated on financial and physical output gains (Mwansasu and Mramba 1972; Mwapachu 1983).

In the early 1970s researchers became preoccupied with physical or quantitative aspects of planning and decision-making. Studies produced in this period helped to isolate the various problems involved in the running of the enterprises, for example: poor communication, lack of political orientation, absence of long-term planning, vague decision-making channels, lack of implementation strategies, and so on (Svendsen 1967; Loxley 1969; Packard 1973). They suggested quantitative and physical solutions ranging from decentralization to increased internal control (Helleiner 1967; Romnicianu 1971; Penrose 1972; Temu 1972).

Researchers and policy makers during this period took for granted that the model of public enterprise applicable in Tanzania was the most appropriate and that the main problem was a general lack of experience. They also assumed that the poor performance of these enterprises arose from market factors, aggravated by organizational problems. They assumed that most problems were externally stimulated, either by multinationals or by fluctuations in prices on the international market, and that if prices and linkages stabilized, equilibrium would be restored. Finally,

they equated accountability with control. As a result, control agencies proliferated, making all sorts of decisions on investments, recruitment, marketing, distribution, etc. (Ghai 1977). The necessity of control was taken for granted (Msuya 1973, 1974), the assumption being that more controls meant greater accountability and greater likelihood of operational efficiency.

The studies of the 1980s did not make any significant departures. Most were process-oriented. Significant were the technology studies whose preoccupation was whether any transfer or acquisition of technology was taking place (Mlawa 1983; Komba 1984; Wangwe, et al., 1985). Most studies found that although policies for the build-up of local technological capacity in the public sector existed, implementation, evaluation and follow-up procedures were weak. Other process studies concentrated on participatory management as a strategy for development (Bavu, et al., 1980; Mapolu 1980; Mihyo 1980, 1982, 1983; Mihyo, et al., 1983, 1986; Beshu 1982, 1985). These were basically promotional studies aiming at popularizing participatory management. They advocated increased control of public enterprises through accountability to representative consultative bodies.

Performance evaluation studies have contributed not only by analysing and exposing performance trends, but also by shaping policy. Sectoral performance studies in finance (Hyuha 1984; Rutayisire 1986), transport (Kasungu 1986; Kasungu and Ndulu 1986), agriculture (Lipumba 1983, 1986), and industry (Ndulu 1983; Ndulu and Hyuha 1984; Wangwe 1982, 1983; Wangwe and Skarstein 1986) all discussed the market failures of public enterprises and the need to reintroduce market controls. It was on the basis of this last group of studies that radical decisions were made first to shrink the public sector considerably and then to introduce competition, sub-contracting, and if possible privatization as market control mechanisms for increasing the efficiency of the public sector.

Throughout the 1970s and 1980s each critic or defender of public enterprise performance selected a single (or relatively few) threads of Tanzania's socio-economic fabric, and with a towering indifference to other factors, issued a verdict on the whole public enterprise system or the national economy. Furthermore, apart from the decision-making studies (which had no impact at all on policy), the general notion was that the disequilibrium in the public enterprise system and the national economy resulted from market distortions exogenous to the system of public ownership. Hence market failures such as under-capacity utilization, low rates of return, distributional bottlenecks, over-employment, and high debt rates were examined in isolation from non-market causes of market

failures, such as political manipulation of markets, political-control cycles in decision-making, marketing and the acquisition of technology, political intermediation of distribution and investment decisions; the socio-economic importance of cycles of corruption and the resultant private accumulation by politicians and officials; and weak control and accountability structures, which as I will show later are inherent in the Morrisonian model of public enterprise. Finally, it was assumed, without much justification, that the prevailing model of public enterprise was the most appropriate and that with it, accountability was attainable.

This book will show that the public enterprise model, based on the Morrisonian concept of public enterprise accountability, favours non-market controls and is not conducive to adequate accountability to public bodies. The public enterprise model favours internal control and accountability over external control or accountability. In England, where it originated, the model has never allowed non-governmental institutions more control of public enterprises, and it is unlikely to produce better results in Tanzania, where market controls are weaker and government institutions fully control the political process.

The book's eight chapters examine: traditional or historical barriers to market controls over public enterprises and operational barriers to such controls in the developmental context of Tanzania; the Morrisonian model as introduced in Tanzania and the way in which legislation and the power structure elevate non-market controls over public enterprises and the impact of this on their accountability to the public; the influence of the Tanzanian Parliament over government policy generally and public enterprise policy in particular; the system of annual reports as a mechanism for external accountability; the role of the Parliamentary Committee on public enterprises and its contribution to the attainment of the accountability of these enterprises to the public; the impact of government controls on the performance of public enterprises; and the search for better and more appropriate mechanisms for the attainment of public enterprise accountability. The book focuses on short-term strategies which can improve the performance and accountability of these enterprises without waiting for major structural and organizational reforms. It also examines long-term structural and organizational changes that could lessen those burdens imposed on the public sector which perpetuate inefficiency and lack of accountability.

2. Historical and Operational Barriers to Market Controls over the Conventional Public Enterprise Model

Historical Barriers to Market Controls in the Morrisonian Model

Before the end of World War I, most public enterprises were government departments, operated and staffed by civil servants. Without independent financial resources, they depended, like other departments, on funds from government budgets and on supplementary allocations. They lacked any independent corporate personalities, and could not be sued without government permission. Their ability to enter into contracts was very restricted and exercisable only through their controlling ministry. Generally nation-wide, such organizations were responsible for public utilities such as water and gas supply, environmental control, public health, transport facilities and education.

In many countries the role of public enterprises changed after World War I. They became involved in the rehabilitation of the war-torn economies and were deployed to invest massively in productive and extractive activities. Their new roles and obligations required more independence and autonomy, both in activities and in the recruitment of skilled personnel. More autonomy implied less control from government and less scrutiny by parliaments and their organs. Herbert Morrison, Transport Minister in the UK from 1929 to 1932, suggested an autonomous, self-contained public corporation, operating with its own corporate personality, perpetual succession, the right to sue and be sued, full control over its movable and immovable assets and accountable to Parliament only through the minister in charge. Most of the public corporations in the world have been based on this model, which is now called the Morrisonian model.

Morrison sought to create a corporation that could attract senior and experienced experts who, assured of their autonomy and security of tenure, were expected to run the corporation efficiently. The model assumes that managerial autonomy to provide room for creativity and innovation. It was also assumed to introduce some unspecified quantity of market discipline into the running of public enterprises while retaining accountability to Parliament. As will be shown below, the model was overly optimistic. It retained a structure too close to the government to allow any market discipline. It removed direct control by Parliament without introducing an alternative channel for accountability. This chapter argues that the Morrisonian public corporation is accountable only to the minister in charge, and is effectively protected from both parliamentary and market controls.

The market usually imposes several controls on enterprises. Competition is usually the most effective because it compels enterprises of all kinds to struggle to capture a share of the market. Quality control, innovation, product differentiation, adequate and prompt service and other means to satisfy consumers always arise from the urge either to retain or to attain a fair share of the consumer market. Price mechanisms are also very important in shaping the producers' behaviour. Where an enterprise has a monopoly of the market, it is not forced by price fluctuations or price differentials to sell more or to produce more or better quality products. The assumption is that management tends to be risk-conscious with a regard to profits, the value of stocks and their market share (Pestieau 1989:297, Coté 1989:433). Financial markets also may impose controls, including credit conditions and credit controls. Where credit is easily obtainable and non-payment penalties shy away from the attachment of property or forced bankruptcy, performance in general and the use of credit in particular may not be determined by financial market pressures. For risk and liability-based controls to be effective, they should be uniformly applicable. Further, consumers must be aware of their rights and the socio-political system should be capable of protecting these rights. This chapter argues that barriers inherent in the legal environment of the Morrisonian model of public enterprises prevent market forces from properly controlling public enterprises.

The *first* and most fundamental barrier has made it difficult for the courts in many countries to exercise controls over conventional public enterprises, including the enforcement of public and consumer rights. Public enterprises in England, where the Morrisonian model originated, began emerging in the sixteenth century, either for the purpose of developing utilities or as city development corporations. In many cases they

were used to bring about structural transformation and to generate employment. As instruments of change they have not only transformed the landscape, as in the case of the railways or other utilities development corporations, but have also restructured social relations as they set up new projects or relocated utilities, families, communities or resources.

As developmentalist structures, they have been called upon to perform functions which otherwise would be performed by the government, which in turn has justified their claim of a share in the functions, immunities and privileges of the state. For example, city development corporations formed during and after the war have acted as local governments or rehabilitation commissions to resettle people displaced by war. More ambiguous cases include corporations formed to run enterprises vital to security or to distribute commodities in short supply during crises or to provide utilities to disadvantaged groups or areas to which private enterprises are least attracted. As government proxies, they have been given very wide powers to interfere with the existing rights of the public. In order to justify this, the concept of 'common good' has been invoked.

English law has used the concept of common or public good to justify the violation of individual or communal rights where such rights are deemed to be subordinate to the long-term benefits likely to flow to the broader community. The concept of public or general good has been used to protect public enterprises involved in the generation of electricity where their activities tended to inflict harm on the property of surrounding farmers (*Manchester Corporation v. Farnworth* (1930)) and in most cases what amounted to 'public good' was measured by the dictates of the dominant groups. For example, industrial group benefits weighed more heavily than the rights of agricultural groups. Public good ideology was used to legitimize the negation of public choice or individual rights.

Collateral concepts to supplement such concepts include, among others, the idea of 'inevitable nuisance'. In England, this concept was used to protect electricity generating boards and gas boards from liability for injuries caused by their operations. The rationale behind these concepts, as explained in *Dunne v. Northwestern Gas Board* (1964), was that the failure of the market to provide adequate utilities created a duty on the part of the public to undertake measures for the public good and to tolerate nuisance arising from such measures. By the same logic, wherever public enterprises were created to compensate for market failure, market mechanisms were being automatically excluded. This duty to tolerate nuisance existed irrespective of whether the rights infringed were individual or involved traditional community rights such as access to water sources (*Geddis v. Proprietors of Bann Reservoir* (1878); *Liverpool*

Corporation v. Chorley Waterworks (1852)) or whether the corporation performing the developmental function failed to provide alternatives or compensation (*Wynn v. Shropshire Union Railways and Canal Co.* (1850)) and even where public enterprises exposed the public to health hazards (*Southampton and Itchin Floating Bridge and Roads v. Southampton Local Board of Health* (1854)).

English law has made few departures from the common good concept since its development in the early eighteenth century. It was still accepted in Dunne's case (1964), and an exception was allowed in *British Railway Board v. Herrington* (1972) only on grounds specific to this case, in which liability for failure to fence a live railway line was accepted because injury was to a juvenile trespasser and also because demographic changes which had taken place in England called for consideration of the possible temptation of children to trespass in search of wider playing areas. But this did not nullify the basis of the common good concept, which was that where market mechanisms had failed to bring about change they should not be allowed to constrain it.

The second major obstacle to market controls over public enterprises in England is their statutory sources of power. The Morrisonian model of public enterprise, unlike common law, is based on statutory laws and not conventions, customs or case law. Courts are expected to interpret the powers, functions and liabilities of these enterprises from the statutes governing them. If a statute is silent about certain rights, the courts cannot provide for such rights without abrogating the principle of separation of powers. From the eighteenth century, courts have refused to provide remedy where the statutes are silent about it. In the cases of land alienation without adequate compensation (*R. v. Croke* (1774)) or in cases where utility corporations were empowered to interfere with private land without the need for compensation (*Leader v. Moxon* (1773)) courts could only note lack of protection but could not fill in the statutory gaps. The statutes remain protective of the developmental role of public enterprises, permitting them to commit wrongs without liability. This gives them an unfair advantage, because unlike private corporations they are not forced by market and public pressures to act diligently. Furthermore, the lack of liability represents a subsidy paid by the clientele victimized by their negligence.

The role of the courts in enforcing market discipline is limited to interpretation. In practice, courts can intervene only where a statute defines a certain procedure to be followed and this procedure has been violated. Hence, where a statute allowed a public corporation to divert water but was silent on the means to be used in doing so or on the extent

to which this could be done, and water was diverted in such a way that local people were left without water, the court could provide no recourse (*Liverpool Corporation v. Chorley Waterworks* (1852)). Even in a case where the statutory powers had been exceeded in the diversion of water, the court found itself powerless to do more than declare that the statutory powers had been exceeded (*Herron v. Rathmines, et al.* (1892)). The rationale for court hesitation is very clear. If courts arrogate the power to close gaps left in statutes, they would be performing a legislative function, thereby undermining both the concept of the separation of powers and that of the independence of the judiciary. But in Westminster tradition, laws governing public enterprises were drafted to give enterprises considerable discretionary power. More often than not, the statutes did not impose on these enterprises the duty to act diligently, carefully, or reasonably (*Eddington, et al. v. Swindon Corporation* (1938); *Wynn v. Shropshire Union Railways and Canal Co.* (1850); *Lee v. Milner* (1837)). Whatever the underlying objectives, such permissive statutes tended to undermine to a large extent the ability of the courts to enforce controls such as liability for negligence or the common law duties to act diligently and reasonably.

The third factor which tends to limit control over public corporations is the concept of corporate personality. In England, and in many other countries, public enterprises tend to be legally independent corporate bodies. Irrespective of the role played in their administration by government officials, their property, liabilities and rights are not attributable to government. The doctrine of corporate personality provides market advantages for both the corporations and the public. Because it helps distinguish commercial from governmental functions of the state it allows non-governmental state activity to be classified as commercial, which in turn supports the subjection of public enterprises to market control. This principle dates from as early as the fifteenth century *Anonymous Case IX* (1484). Secondly, as was stated in *Sutton's Hospital* (1612), a corporate identity in a public enterprise detaches it from the personality of its administrators and ensures continuity of its objectives irrespective of change of personalities or even governments. An independent personality protects a corporation from the social or political attributes of its leaders (see *Tipling v. Pexall*, 1614, one of the foundation cases on the doctrine of corporate personality). Several factors however, limit the dynamic role of corporate personality.

The first is that in England and in other common law systems most statutes have tended to clothe these enterprises with statutory immunities, some of which allow breach of contract without compensation

(*Harold Stephens & Co. v. Post Office* (1977)) as in the case of post offices. Some statutes limit the liability of public corporations by setting a ceiling on possible damages payable (*Treifus and Co. v. Post Office* (1957)). Others exempt public air transport from liability arising from negligent statements and careless handling of luggage (*Collins v. British Airways Board* (1982); *British Airways Board v. Taylor* (1976)). Exemption from liability has even been statutorily provided for where negligence has caused physical injury (*Kandalla v. British European Airways Corporation* (1980); *Setvanaryanga v. University of West Indies* (1983)).

These privileges may tend to encourage negligent behaviour and deprive the courts of the opportunity to regulate public and private enterprises on equal footing. Thus, the former both escape the ordinary legal controls on contracts and liability for negligence, and they gain financial advantage from diminished or exempted liability. Where they perform functions normally discharged by the state or in which the state has an interest, they also become entitled to claim state immunities. Such entitlements may range from exemption from taxes to the right to withhold documents required as evidence in litigation involving other people, as in *Burmah Oil Co. v. Bank of England* (1980) and *British Steel Corporation v. Granada Television Ltd* (1982). What these broad exemptions mean in practice is that while the doctrine of corporate personality gives a semblance of independence for administrative purposes, public corporations are insulated from judicial controls exercised on commercial and other private institutions.

The *fourth* factor contributing to the failure of ordinary controls over public enterprises is the ambiguous nature of their obligations. Few public enterprise statutes in the Westminster tradition define the obligations or duties to the customers or clients of these enterprises. Although the importance of the public in the financing of public enterprise had been recognized even in court judgments such as *Tamlin v. Hannaford* in 1950, public enterprises have a history of exception from public control. In private enterprises shareholders exercise their control through the general meeting, at least in theory, and clients use either consumer organizations or courts to influence corporate behaviour. The shareholders and the consumers therefore combine to exert pressure on private enterprises to perform their obligations well. Public enterprises lack the mechanisms through which such pressure can be exerted. This is more so in the case of services or utilities that charge no direct fee or price for their services. While most public enterprise laws recognize their duty to act, there are no provisions for direct remedy where they act negligently or unsatisfactorily.

Whether or not payment of consideration is involved, the institution of contract is a very useful mechanism for compelling performance. Most public service institutions perform their duties without contractual obligations. For some, their duty to act is tied not to an individual, but to the public at large. This removes the opportunity of using contract as a regulatory mechanism. If such bodies fail to act or act negligently, causing loss, the immediate defence available to them is that they had no specific obligation to anyone and cannot be held particularly liable to any individual. The rationale for this is found within the broader perspective of the law itself. To be liable to anyone there must be a contracting process. Secondly, an agreement must exist between the one performing and the one relying on the performance. Where duties are spelled out by statute, there is no direct contractual relationship. Hence, in *Atkinson v. New Castle and Gateshead Waterworks Co.* (1866-67) a water corporation had a duty to pump water to the highest buildings in a city but failed to do so, with the consequence that a group of residents suffered loss by fire. Because there was no water, the fire could not be extinguished. This breach of duty to provide water was found by the court not to be actionable.

The situation becomes more difficult when a public enterprise undertakes to perform a service in circumstances where it has power or a duty to do so, performs the service either recklessly or unsatisfactorily, and thereby inflicts loss on an individual or a group of individuals. The wronged individual will have limited recourse because, as was argued in *East Suffolk Rivers Catchment Board v. Kent* (1941), theoretically the service is gratuitous. Non-market controls tend to address issues other than consumer or public satisfaction. Only the press, consumer organizations, and non-governmental action groups, if they are strong enough, can influence public enterprise behaviour in such circumstances.

The *fifth* factor is that of excessive discretion in dealing with the public and/or performing public duties. Public enterprises derive discretionary power from both their proximity to the state and their assumed developmental role. The relationship between discretion and control is clear: in most cases the wider the discretion, the narrower the control. Statutes have bestowed upon public enterprises wide discretionary power through either subjective clauses such as 'if in the opinion of the board it is deemed necessary' or permissive clauses such as 'as the board at its own discretion deems fit or necessary'. Most of these permissive clauses exist in many public enterprise statutes. Hence they do not have to be cited specifically.

Capitalizing on such wide clauses, boards of public enterprises can alter investment patterns, switch priorities, change plans, schedules, rou-

tines, prices, fares, etc. Where they are empowered to perform a licensing function, such wide discretion may be used to escape barriers ordinarily imposed by common law on licensing authorities: for example, the duty to hear and determine applications or the duty to give notice of by-laws, rules, or cancellations. The danger of wide discretion was evident in the case of the National Enterprise Board, which used its discretionary powers to discriminate against some members of the public in allocating financial resources (*Booth et al. v. National Enterprise Board* (1978)). In another case, the Civil Aviation Authority was able to cancel aviation licences of a group of operators without notice and without assigning reasons for its action (*R. v. Civil Aviation Authority ex parte Northern Air Taxis* (1976)). In normal circumstances this kind of discrimination would have been held to be contrary to principles of natural justice. But in both cases courts could not intervene and the only remedy given was a court declaration pointing out the undesirability of the decisions and the hardships suffered.

All these fetters on traditional controls relate to performance. Enforcement processes are also very well shielded from the traditional controls. Since the duty to perform is a duty to no one individual, damage arising from this duty cannot be acted upon by an individual or group of individuals. As in the case of government, the common law tradition is that only the Attorney General can sue a public enterprise for a breach of public duty. The logic of this, explained in *Attorney General v. Independent Broadcasting Authority* (1973), is that the Attorney General is the custodian of public interest and because the statutes are passed by institutions of the State, their breach is also a wrong against the State (*AG v. Pontypridd Waterworks* (1908); *Thorne v. BBC* (1967)). However, the Attorney General is not legally bound to act when an individual or group seeks to enforce public rights against a public enterprise. The dilemma was explained by Lord Denning, M.R. in *AG v. IBA* (above) when he noted that Parliaments have clothed governments and their institutions with immense powers without providing for remedy in the case of breach of these powers. He expressed an opinion that the law ought to be changed to allow individuals to sue in their own name and right where their rights have been infringed upon, even in the absence of a direct contractual or fiduciary relationship. But English law remains unchanged in this respect. Although most public enterprise activities seem to be performed through individual contracts, public utilities, health and education are still based on no contractual obligations to individuals. New bodies charged with environmental protection, control of standards, or

performance of watchdog activities, also deal with the public in general and not with specific individuals.

The last aspect of the historical barriers to market controls is the relationship between public enterprises in England and their employees or the general public. From a random survey of decided cases, it seems that public enterprises have not only remained beyond the reach of the judicial controls, but have also failed to provide examples of good relations with the public or with their own employees.

The public relations record of public enterprises in England is poor. Electricity generating boards engaged in nuclear energy projects have clashed bitterly with opponents, relying on forcible means to implement their projects (*R. v. Chief Constable for Cornwall ex parte Central Electricity Generating board* (1981)). While it is difficult to foresee alternatives to negotiation, the public nature of these enterprises imposes upon them a moral obligation to consider public opinion. Similarly, in the handling of industrial disputes, some corporations have handled striking workers with excessive violence, for example, in the case of the coal miners or air traffic controllers (*British Airports Authority v. Ashton* (1983)). While one might assume that unfair labour practices, now disappearing in many developed countries, would be absent in public enterprise, public enterprises in England have been brought to court for attempts to divide unions (*Post Office v. Ravyts et al.* (1972); *Post Office v. Crouch* (1973)); discrimination against trade union leaders (*Carlson v. Post Office* (1981)); discrimination against women (*Garland v. British Rail Engineering Ltd* (1983) and racial discrimination (*Kingston v. British Railways Board* (1982)). This is not to ignore the fact that public enterprises generally have helped to improve the working conditions of the majority of workers in England.

The cases enumerated above may not be representative of public enterprises in Britain, but the mere fact that some have engaged in such behaviour clearly indicates that the current controls are inadequate. The English experience is important for Tanzania because Tanzania, like many other third world countries, has reproduced much of the Morrisonian model. The initial acts of Parliament establishing public enterprises were mainly copied from Britain. Most advisers were (and still are) either British or British-trained. The Morrisonian model of public enterprise has been widely accepted as the standard model. But it is inherently insulated against judicial and market controls, and as we shall see in the next chapters, against public accountability.

For the past decade, public enterprises have been severely attacked for poor performance. International donors have concluded that they are

no longer a dynamic option (World Bank 1989, 1990, 1991). Shielded as they were from the market forces and pressures that regulate other business organizations, one could well ask whether they ever were viable.

Public Enterprises in Tanzania

Tanzania copied the Morrisonian model of public enterprise not only because of its colonial history, but also because this model is almost universally accepted as the most rational model of public enterprise. Hence, most of the immunities and protective clauses found in British public enterprise legislation have been reproduced in Tanzania's legislation. The legal culture within which public enterprises operate has been copied together with most of the concepts. These concepts and norms have aided the further erosion of traditional controls on market relations.

In Tanzania, as in many other developing countries, the state is looked upon as an instrument of development. This, in turn, justifies wide and unfettered executive powers to intervene in the economy. In 1978, Pius Msuya, who was once Secretary-General of the ruling party, said that the nature of Tanzania's problems and the need for rapid development demanded that certain officials of the government or the party be entrusted with great authority (Msuya 1978:29). He called for the vesting of administrators with effective power which, he said, was essential to bring about desired transformation. An interventionist state in turn implies that potential intervening forces have to be weakened. The most effective institution of intervention was the judiciary, and from 1965 onwards the judiciary was confined to litigation which neither challenged the powers of the state nor sought to elevate market controls over non-market controls (Nyerere 1966:311-2).

The role of the state in public enterprises was made more obvious by the fact that the state relied upon these enterprises to operate where the market had failed. This also provided the ideological basis for the dismissal of market controls as factors in the management of public enterprises. Hence, right from the start, public enterprises as organs of policy were visible instruments of state power. In order to harness them to political needs and aspirations, they were given an ideological role, as harbingers of a new mode of production based on state intervention in the economy. In addition to being used to control information, broadcasting, education and culture, they became the primary testing grounds for new political and other programmes.

In 1970, the ruling party in Tanzania decided to introduce participatory management through the formation of workers' councils and enterprise management committees (Nyerere, 1970; Mapolu, 1976). Public en-

terprises were used to test the feasibility of this new management policy. Its limited success in the public sector stymied attempts to extend it to the private sector in 1984, which were not readily supported within party and government circles. Public enterprises have also been used as the testing ground of a programme to develop a militia, beginning in 1973. The public sector was chosen because providing military training to workers is expensive and enterprises were expected to bear both financial and labour costs. In 1979, when Tanzania went to war with Uganda, the people's militia comprised a whole battalion of the army. All had been drawn from the public sector and their wages were paid by their employers, not by the military authorities.

The people's militia has contributed to political stability in Tanzania by reducing the importance of the regular army, which to a large extent reduced the likelihood of a military coup. Hence the state has an interest in maintaining the militia and if public enterprises continue footing the cost of military training, these costs have to be accepted. Public enterprises also run the party branch offices, paying the wages of party officials and auxiliary servants, and providing free services such as accommodation, food and transport during national party congresses or annual festivals organized by the government. Such substantial costs tighten the bonds between government and the managers of these enterprises: the government seeks loyalty to its objective, while the enterprises use their contribution to justify deviating from normal commercial and economic practices.

The third characteristic of the Tanzanian system, which has nothing to do with the Morrisonian model but is system-specific, is government dependence on public enterprises for revenues, services and credit. Between 1969 and 1979 numerous public enterprises were formed in almost all sectors. They were given monopoly powers over distribution services; a trade confinement policy meant that most goods produced in the private sector had to be distributed by a specified public marketing enterprise. This created a special dependence between all consumers and the public sector. Government, as a consumer, awarded itself priority, using its position as the controller of public enterprises to get the best services and the right of first treatment in the allocation of scarce or inadequate resources. Government has also relied upon the public sector as a source of credit and as the only reliable source of tax revenues. As it is easier for government to collect sales and other taxes on goods from public enterprises than from private enterprises, goods produced in the public sector, for example clothes, building materials, cigarettes, beverages and station-

ery, have ironically been subjected to higher and more regular changes in tax rates.

The public sector has also played a major role in offering credit to government. Through local purchase orders, government secures credit facilities for services from public enterprises which have no option but to accept them. In turn, public enterprise managers encourage the government to be indebted to their enterprises, in order to increase their leverage when bargaining with the government or with parent ministries. In many cases, such debts remain outstanding for extensive periods.

The structure of dependencies which emerged from the over-reliance of government on these enterprises required that government keep a close watch on their management. This non-market control further weakened the reliance of public enterprise managers on commercial principles, which in turn encouraged the government to keep enterprise boards either very weak or resourced by government protegés. Furthermore, in order to keep market forces ineffective, political structures were given unusual pre-eminence at enterprise level, including the introduction in 1975 of political commissioners as party watchdogs; internal participatory organs were elevated above conventional and professional management institutions, although, in practice, these organs remained purely advisory; and a multiple power structure emerged at enterprise level under which it was not clear whether managers or politicians had the ultimate authority to manage. As Chapter Three shows, this further reduced the propensity of these enterprises to be accountable.

Politicians also became interested in the control of public enterprises. Most Members of Parliament suggested in their political campaigns that they were going to bring about economic change either by reducing shortages in their constituencies or by increasing the efficiency of crop marketing boards or by bringing new projects into their district. During their terms in Parliament, they were compelled to meet some of these expectations. It became imperative that MPs secure for themselves places on the boards of public enterprises, so as to influence the distribution system in their favour. Until this practice was stopped by President Mwinyi at the end of 1985, some MPs were involved in as many as seven Boards of Directors. Apart from supplementing their incomes through sitting allowances, and relying on their board membership to gain access to credit and imprests, most of them used these boards to channel scarce resources to their constituencies. This, in turn, made it seem as if the increased role of MPs on boards increased the role of Parliament in running these enterprises. The use of public enterprise boards as power bases for politicians further removed the possibility of enforcing market discipline. Hence, in

Tanzania an already overprotected model of public enterprises, developed without the traditional checks and balances.

The Erosion of Market Controls over Public Enterprises

The public enterprise establishment laws passed between 1962 and 1969 all contained clauses imposing a duty to operate on sound commercial principles, without discrimination and to operate at a profit comparing one year with another (Ghai 1977:227). Some of these principles, such as operational neutrality, were neither desirable nor practical, given the socio-political objectives of the enterprises and Tanzania's policy of socialism. At the same time, certain traditional market controls could have been very helpful to the enterprises even if, in the short-run, these would have undermined political and non-market controls.

For example, the use of mortgages, debentures, charges and securities in any credit system easily allows one party access to the financial resources of another. Should a debtor fail to repay, the creditor becomes entitled to intervene to secure repayment. Debtors are thus aware of the dangers of misuse of credit or failure to use credit. Public enterprises have relied from inception on government grants, credit and subsidies. They rarely borrowed from financial markets, but even where compelled to do so, they borrowed from state banks and were not subjected to the usual restraints, which were for quite some time despised as selfish, profit-motivated and anti-socialist (Loxley 1969). Even when they borrowed from international donors, this was done through bilateral arrangements and the government remained the main party to, and guarantor of, such loans. Over time, most public enterprises became lax, as the knowledge that they were not vulnerable to legal action by creditors relieved them of the pressure to operate on sound economic principles, to retain a profit, and to meet their financial liabilities.

Between 1969 and 1983, most legislation drafted to reorganize marketing boards or to amalgamate enterprises was silent on the duty to operate on sound commercial and economic principles. Provisions of this kind had come to be seen as irrelevant, because during the same period a number of laws requiring rigorous supervision of the public enterprises were set aside. Other laws, such as the Banking Ordinance, which requires all banking institutions to produce their operational accounts and display them to the public weekly, have never been implemented. The Companies Ordinance Cap 212 requires all registered companies to send the Registrar of Companies an account of their annual returns, profits, losses and capital structures. None of its provisions were implemented by

subsidiaries of public enterprises whether operating as joint ventures or as wholly-owned subsidiaries. The powers of the Registrar of Companies in this respect have been supplanted by non-legal parallel controls involving informal returns to the Registrar of Treasury, parent ministries and the President's Office. But the sanctions for failure to make these returns also have remained informal.

The second mechanism which could have helped to enforce market discipline in public enterprises is pricing. In Tanzania, neither producers nor consumers have had decisive influence on the pricing mechanisms. In 1973, the Price Commission was formed to regulate prices. However laudable its objective, the commission was formed during a period of economic crisis and at the time when industrial output in Tanzania was dwindling. It became an institution for increasing prices in order to increase the profit margins of the producers and thereby provide them with an incentive to remain in operation while at the same time increasing the state tax revenues. At the same time, the bureaucracy involved in price adjustment was sluggish and complex. Information on price rises would leak before these were officially announced. Private retailers would then hoard such commodities and frequently sold their hoards at even higher prices. This hoarding, and the resulting higher prices on the parallel markets, in turn set new price levels restarting the cycle. Because prices charged by public enterprises were set by the demands generated by both the government financial deficit (which created a malignant demand for new revenues), and the private sector (which after paying heavily in bribes for the scarce commodities could only break even by hiking up prices) they were always assured of comfortable returns. Hence it was not surprising that their revenues kept rising despite ever-decreasing levels of output. Earning more and producing less, they remained securely insulated from the pressures of the market. Hence, although the prices set were irrational and price controls inhibited innovation and encouraged the retention of bad managers and inefficient technologies, most enterprises seemed to be performing well.

The third mechanism was that of consumer protection. Consumers influence the behaviour of producers either by refusing to buy defective goods or by enforcing their collective rights. However, the exercise of choice presupposes availability of choice and the enforcement of consumer rights presupposes the legal recognition of those rights, institutional support for their enforcement and public awareness of their existence. Between 1970 and 1985, choice as a regulating factor was not generally available to consumers. However, consumer-oriented legislation existed. By the 1920 Application of Laws Ordinance, the common

law of England and the Indian Consumer Laws were extended to Tanganyika. The Judicature Act 1962, extended these laws to the present era. In addition, the Sale of Goods Ordinance, though very rarely invoked, has been in effect since 1930. A law against hoarding was passed in 1972 (Cap 116: S. 194A) making the hoarding of saleable goods an offence. The Regulation of Prices Act of 1973 (Act 19 of 1973) created a machinery for price regulation and has supplemented existing product-specific legislation such as the Textiles (Price Stability) Act of 1970 (Act 13 of 1970) and other general legislation such as the Duties and Taxes (Prevention of Price Increases) Act of 1970 (Act 14 of 1970 and the Manufactured Products (Price Stability) Act of 1972 (Act 24 of 1972) both of which seek to outlaw unlawful price hikes by distributors.

In addition to price protection laws, quality control legislation has also been passed. The Food Quality Act of 1978 (Act 10 of 1978) which created the National Food Control Commission is a good example, and several other drug and food brand-specific laws seek to control the quality of market commodities. The Weights and Measures Act of 1982 (Act 20 of 1982) seeks to outlaw cheating by sellers. The Tanzania Bureau of Standards, also formed in 1973, was aimed at regulating the standards for industrial goods in order to protect the health of consumers. However, between 1973 and 1985 the Price Commission was unable to protect either the stability of prices or the consumers. In actual fact from the operations of the commission it became clear that its mission was not to protect consumers but to adjust prices to ensure that production continued.

Other consumer mechanisms failed mainly as a result of the systematic violation of consumer protection laws by public enterprises. The Tanzania Breweries, for example, sold underfilled bottles of beer. A Member of Parliament had to carry an unopened half-empty bottle of beer to Parliament to demonstrate that the corporation was cheating. Between 1970 and 1975, the State Trading Corporation was using dead or slow-moving stock to sell quick-going commodities and in all cases the cost ended up being pushed on to the consumers. In 1982, the Wazo Hill Tanzania Cement company was accused of selling bags of cement weighing 40 kg at the 50 kg price. In 1976, the Minister of Health wrote that the drugs then sold by the National Pharmaceutical Company were 'noxious' (Sterling 1976). In 1983, cassava distributed by the National Milling Corporation was condemned as being unfit for human consumption (Nditi 1987:145). There are many other examples of this kind of breach of standards by the public enterprises (Nditi 1987) and also of their flagrant criminal violation of consumer rights.

But, having abandoned protection against price rises in favour of price setting for purposes of raising revenues, the state began turning a blind eye to consumer complaints. Most of the Members of Parliament who could have raised this issue in Parliament were also sitting on several public enterprise boards. Those who did raise consumer issues, did so mainly for purposes of publicity and never made a follow-up (Hansard 1975:222; June 1979:194; June 1980:250 and April 1981:36; Nditi 1987:193). The Price Commission promised from time to time to take public enterprises which were hiking prices to court but this was never done.

The courts, which could have played an important role, were also apathetic towards price hikes and other consumer problems. Perhaps justifiably, courts began relaxing their interpretation of laws and explaining hoarding and over-pricing as ills which could not be cured by court action. Hence, while in the lower courts harsh sentences were imposed for consumer law violations, the High Court adopted a liberal attitude and kept on reducing the sentences (*Juma George v. R.* (1970); *Ester Mwanjabala v. R.* (1978)). In a way, the courts were justified in their approach, because the main violators were never prosecuted; they wriggled through the system either because they could bribe or because they were part of the national power structure. In any case, public enterprises were never charged, and both the courts and the public knew that, as part of the state system, public enterprises enjoyed special protection.

The absence of effective pressure groups has also contributed to the ineffectiveness of consumer law. Public awareness of consumer rights exists only when private and public voluntary organizations popularize consumer law and remedies and provide support services for the enforcement of consumer rights and remedies. In 1965 Tanzania adopted a party-state corporatist power structure under which lawful political activity can only be organized through the ruling party and its government. All political and social movements with the potential for organizing and mobilizing the people were incorporated into the party structure as mass organizations — workers, youth, agricultural producers, women and parents. The state can also intervene in the various activities of religious bodies. This leaves no space for independent pressure groups to develop. Given the link between the political system and the economy, any group which seeks to regulate the quality of services or products from the public sector by legal or other non-governmental mechanisms can only be understood as attempting to embarrass the government or disgrace its policies.

These and other factors have combined to entrench the ideology of developmentalism, under which instruments of economic change have

been given wide powers to interfere with public rights without being subjected to non-governmental controls. These problems of public enterprise performance are not revealed in the usual statistics; some are inherent in the Morrisonian model; others are peculiar to Tanzania. Together, the power structure of the Morrisonian model and the needs of the Tanzanian state have undermined the function of market mechanisms in controlling public enterprises.

3. Non-Market Controls, Power and Accountability

Non-Market Controls in the Morrisonian Model

A Morrisonian public corporation possesses an independent corporate personality, operates at a distance from government with a semblance of autonomy, and is accountable only to Parliament. Accountability is limited to matters on which government exerts influence. Scholars have embraced the model with enthusiasm. Hanson (1955) praised it as the most systematic attempt to define the structure of public enterprise in contemporary society. Hanson identifies three advantages in the model: it recognizes the inevitability of state participation in economic enterprises; it addresses the limitations governments face in performing intricate, entrepreneurial functions; and it seeks to bring about a 'balance between the flexibility and autonomy enjoyed by private commercial enterprises and [. . .] responsibility to the public' (Hanson 1955: 20). Garner has referred to Morrisonian public corporation as a 'pathway towards a new form of government management' (Garner 1970: 3). These two professors have contributed much towards popularizing the Morrisonian model of public enterprise, as has Seidman, who referred to it as a catalytic agent for governmental budget, accounting and auditing reforms (Seidman 1955: 48).

Politicians also have expressed some satisfaction with this model. For example, in the US, President Franklin D. Roosevelt saw Morrisonian corporations as clothed with the power of government while possessing the flexibility and initiative of private enterprise (1955: 20).

Public corporations represent a positive departure from government-department type enterprises, which are organically integrated in governmental administrative and financial structures. One of the model's main attractions is its potential autonomy from the administrative activities of the government. Morrisonian public corporations became very popular during the period of strong demands for more decentralized government. Ironically, opponents of the current public enterprise system argue that

decentralization will increase efficiency, so that decentralization has become the rationale for both the rise and the demise of the public corporation.

After the First World War, decentralization was essential to the rehabilitation of war-torn economies. The activities of government extended far beyond traditional frontiers; reconstruction and the organization of colonial markets to propel the recovery of the metropolitan economies required human and financial resources which could not be found exclusively within the government itself. Governments had to borrow from private finance markets to fund some of their non-traditional undertakings, and to win the confidence of creditors they needed to move away from the governmental corporation and towards a more autonomous corporate form bearing some resemblance to that found in private enterprise.

The demands of post-war reconstruction thus supported the decentralization argument. Subsidiary corporations were seen as a way to ensure that colonial markets were effectively and economically exploited (Willoughby 1917: 501). But the use of the public corporation for colonizing purposes is not the crux of this discussion. Rather it is important to note that in the periods just preceding and following the war, public opinion opposed excessive government involvement in administrative and commercial activities. Note that Willoughby also advocated the use of such colonial subsidiaries as experimental agencies, foreshadowing the devolution of powers in metropolitan countries.

Politicians in the first decades of the twentieth century also favoured decentralization, for totally different reasons. After the First World War, many groups, for example women and minorities, were enfranchised. This added to the already complicated spectrum of what were considered to be pressure groups in many countries. Hence the decentralization of government generally and its various institutions in particular had the advantage of dispersing the focal points of pressure groups. As channels for public investment, public enterprises deflected and diffused the heat of pressure group politics away from Parliament. As Herbert Morrison said in 1933, in order to function without the fear of being watched, public enterprises needed to operate at a distance from government with what he referred to as 'a large degree of independence [. . .] on matters of current administration'. He argued that this would confine ministerial intervention to matters of policy and restrain government officials from attempting to get involved in day-to-day management. In the same vein, he argued that ministers then would be neither required nor expected to answer questions on non-policy issues in Parliament (Morrison 1933; Robson 1952: 25).

The fear of public scrutiny was not confined to politicians. In Britain at this time, public managers made substantial contributions to the model; they wanted autonomy, if not from government, at least from public institutions. Sir Geoffrey Heyworth, while chairing the British National Coal Board, expressed this desire clearly, remarking that too-close supervision lessened decisiveness and productivity (SCNI 1953: 689). The decentralization argument was thus much more motivated by the desire to limit the public and Parliamentary accountability of these enterprises than any wish to attain a functional distance from the government.

Most of the attributes of the Morrisonian model show evidence of this desire, for instance: public ownership without substantial private equity participation, the performance of commercial activities, the selection of management officials on the basis of skills, the treatment of their employees as private employees and not as part of the public service, operational autonomy for their boards of directors and, most importantly, their indirect accountability to Parliament (Arora 1969: 36). This pattern of accountability and the power and control structures it implies are distinctive features of the Morrison model. It is also responsible for the strength of government participation in public enterprise management and for the removal of judicial, market and public controls. So, while in theory these enterprises are removed from the ambit of government activity, in actual practice they have retained their proximity to government and have thereby been insulated from market forces and public scrutiny.

So far, public enterprise research and discussion has confined itself to trends in efficiency, institutional forms, financial structures and decision-making processes. The implications of the whole public enterprise model as part of the state power structure have remained unresearched. It has been assumed that these enterprises really are autonomous and that it is their autonomy which causes their problems (Moshi, 1982; Kaijage, 1986). Poor performance has been attributed to goal displacement and/or communication bottlenecks. Such explanations have been advanced even in developed countries, where technological advances defy such conclusions. The policy failures of public enterprises have, in some cases, been explained in terms of psychological problems such as suspicion and distrust between policy makers and enterprise functionaries, or ill-feelings between Members of Parliament as controllers and managers as experts (Levy 1969: 125). Other studies of the anxiety expressed by MPs about the operation of these enterprises or their attempts to raise public enterprise management issues in Parliament were understood in terms of political conspiracies to 'embarrass' or 'harass' ministers (Robson 1952: 314). While some of these ideas implicitly accept that public enterprises have

been and will continue to be an arena for power struggles between the executive and representative bodies, they do not explain why such struggles arise.

The accountability structure of the Morrisonian corporation creates the necessary conditions for such struggles. Firstly, the principle of operational autonomy, which in theory separates politics from commerce, is more often than not used to bar certain *kinds* of politics — namely, parliamentary politics. The enterprises cannot be questioned directly, only through the government. But because these enterprises perform commercial functions of a highly specialized nature, which government cannot undertake given the limitations of its human resources, the government is expected to leave them to operate without undue interference. Public enterprises claim the right to operational autonomy and a degree of freedom, boldness and enterprise that will allow them to do business, in the words of Robson, 'without [the] caution and circumspection which is considered typical of government departments' (Robson 1970: 16).

However, government continues to exercise various controls over the operational activities of public enterprises. The concept of operational autonomy has reduced the degree of parliamentary control over day-to-day activities. Public enterprise managers and civil servants also tend to support the related concept of managerial freedom, which argues against the need for parliamentary scrutiny of non-policy activities or issues, and widens the area of public finance within which they can operate unquestioned by representative bodies.

In 1929, the Postmaster General of England said that if Ministers were expected to answer all the minute questions elected officials might ask about the operations of public enterprises, they would find no time for other important activities (Robson 1970: 16). However, true operational autonomy does not exist. As Sloman has argued, politicians use the concept of managerial freedom only to attract dynamic managers and to limit the areas over which they can be questioned in Parliament (Sloman 1978: 6). In most cases these expert managers realize too late that the promised freedom was illusionary.

The Morrisonian model is operationally and philosophically opposed to the direct accountability of these enterprises to Parliament. But, while it argues that these enterprises must operate at arm's length from government, it still insists that they should be accountable through it — probably to control the influence of pressure groups. Pigou (1926) argued that elected organs such as municipal and national representative bodies should not control industry and commerce, which otherwise would be susceptible to what he called the 'narrow political interests of electionee-

ring'. The dangers of pressure group influence in the management of public enterprise were also discussed by Hanson, who dismissed the French tripartite management structure as 'a constant tug-of-war between different groups' (Hanson 1955: 21).

The advantages of indirect accountability for both public enterprise management and government are more financial than administrative. In 1962, van Dorn praised the Morrisonian model as the most viable form of organization because its financial procedures are removed from the possible delays of the normal parliamentary appropriation powers and procedures. He also noted that indirect accountability to Parliament facilitates short-term borrowing without the necessity to seek legislative sanction (see Arora 1969: 16). Dimock also praised this ability to make financial decisions without the constraints of parliamentary processes, seeing this freedom as conducive to managerial efficiency and initiative (see Arora 1969: 16). This perceived advantage was the basis of indirect accountability – through the executive – to Parliament.

Indirect accountability requires self-contained finances. This implies that once funds have been transferred from government to a public enterprise, they become divorced from the national budget, even if the government retains control over the financial operations of these enterprises. The public loses its right to demand an account of such funds in the context of *government* accounts. The concept of self-contained finances follows from the concept of the independent corporate personality and from the assumption that this personality can be used by these corporations for purposes of independent borrowing (Morrison 1933: 125). The independence of finances is meant to create confidence among lenders that their money is not destined for government coffers. The link between lenders' confidence and the need for independent corporate identities is clear from the experiences of the 1920s. The Tanzanian state could not adequately fund its public investment projects, and sought most of its funds from private financial markets. For a while, this succeeded, but the combination of non-market, bureaucratic controls, the abysmal performance of such enterprises, and constant political interference in their activities destroyed lenders' confidence.

The Morrisonian model in essence claims to emulate private sector enterprise. In order to attract both skilled human resources and creditors, public corporations are projected as private enterprises with public funding. The Morrisonian model was justified in terms of its contrast with the departmental-type corporation which preceded it, the argument being that reduced government control would increase efficiency (Robson 1952: 21). It was seen as a dynamic innovation which would show that

in democratic society, enterprise, even public enterprise, could best operate on the basis on non-governmental intervention (Hanson 1962: 50). But the public/private analogy was as mistaken as it was unfortunate. Firstly, the managerial autonomy of the Morrisonian corporation was more assumed than real; secondly, the objectives of the model were to increase control without accountability, not to diminish it. By 1949, some academics were already describing the model as an unsuccessful attempt to hide the hand of government (Friedman 1949: 233) and the doctrine of independent corporate personality as an operational shield allowing government to manage enterprises outside traditional controls (Friedman 1948-49: 7; 1950-51: 275). By 1969, even traditional defenders of the model, such as Robson, were admitting that it failed to reduce government involvement in the activities of public enterprises. Robson actually complained about what he categorized as excessive government intervention in the management of public enterprises irrespective of statutory provisions (Robson 1970: 79).

There are two ways in which this development can be explained. One might argue that the model can be seen as a calculated conspiracy to increase executive control and diminish public enterprise accountability to Parliament. Alternatively, the incidence of increased government control and diminished accountability can be seen as an unfortunate development in an otherwise well-intentioned model. Evidence for conspiracy would include the fact that the architects of the model, including Morrison, were highly-placed government or public enterprise officials. It would be unusual for such officials to recommend structures which would diminish their own influence. This is further compounded by the concept of informality in the management of these enterprises. Morrison wanted informal ministerial guidelines and experienced, committed managers whose professionalism would oblige them to consult their Ministers before making decisions on 'ticklish' issues (Morrison 1933: 141). According to Morrison, this informal consultation would be for purposes of soliciting ministerial views, not for seeking direction or instructions (Morrison 1933: 173). Other authors interpret it as a *carte blanche* for ministerial intervention without responsibility or the fear of pressure group politics (Kelf-Cohen 1969: 31).

But the model cannot be viewed simply as a conspiracy to provide power without responsibility. Ironically, while Morrison was equating these enterprises with their counterparts in the private sector he was still advocating that they operate on the same basis of informality as did government departments. The Westminster tradition of government relies very much on customs, convention and discretion, and Morrison did not

feel the need to alter this; the model created for public enterprise carried over this aspect of the model of government business essentially unaltered. Possibly, this reveals a certain over-optimism. Public enterprises, exempt from market controls, were susceptible only to non-market, bureaucratic controls, most of which are governmental. It may have been naive to expect government officials both to relinquish a sizeable proportion of public finances and to resist the temptation to exercise indirect power and influence. Legislative frameworks in the British tradition tend to elevate bureaucratic controls over those available to representative institutions. This tradition has been preserved in Tanzania.

The Legislative Institutionalization of Non-Market Controls over Public Enterprises

By non-market I mean political and administrative institutions and instruments relied upon to regulate the behaviour of public enterprises. Most of these have never been codified, although to be used consistently and effectively they have to find some degree of legal support, either by being directly sanctioned or by not being prohibited.

Particular characteristics of Tanzanian law tend to elevate administrative power and discretion over legislative and related power. These laws in turn sanction the predominance of political and administrative controls over alternative types of controls. This bias can be seen, first of all, in the ambiguity of the law governing public enterprises. For example, Tanzania Legal Corporation Establishment Order (GN 32 of 1971) defines a parastatal organization as a statutory corporation established by Parliament or the President, and/or as any corporate body in which either the central or any local government holds 50 per cent or more of the total equity and any/or other institution in which a subsidiary of any such enterprise holds 50 per cent or more of the total equity holding. This, in effect, creates multiple categories of public enterprises — mainly 100 per cent central or local government-owned corporations; subsidiary companies of such corporations which are 100 per cent owned by such corporations; joint-ventures in which wholly-owned corporations own 50 per cent or more of the share capital, and associated companies in which the subsidiaries of the central and local government corporations hold 50 per cent or more of the share capital. Such a definition would include associated companies involved in joint ventures with multinationals such as AGIP, Shell, BP and mining companies which have no direct links with wholly-owned government corporations but are jointly owned by partially-owned public enterprises. Although operationally the government is always

aware of its limitations in the latter category of corporations, their classification as parastatal organizations creates room for selective and unpredictable government intervention.

The legislated sources of power for the formation of public enterprises are also ambiguous. Traditionally, this power belonged to Parliament, and the earliest corporations (1962-68) were formed by statute. The Public Corporations Act (No. 17) passed in 1969 empowered the President to form corporations at his own discretion, and without consulting Parliament. Defenders of this Act argue that it suits the development needs of the country by allowing the government to act swiftly when needs arise, and not only when Parliament is in session (James and Liguña 1976: 39). Others have justified it as a cost-saver, because otherwise Parliament would need to convene to discuss single pieces (or small groups) of legislation, at considerable cost to the state (Mkizungu 1975; Hansard 1969: 331), although such an argument ignores the fact that the National Assembly has never been convened to discuss a single act.

The 1969 Act substantially alters the power structure of the state in relation to the formation, regulation, control and accountability of public enterprises. In practice, Parliament has abdicated the function of sanctioning new structures of the state and, by allowing the executive to determine its new structures, fettered its own power to question the executive expenditures and decisions. Once a corporation has been formed, Parliament faces a *fait accompli*, usually left no option but to bless expenditure through supplementary appropriations. Secondly, because the corporations formed under this Act require new financial and other resources, Parliament has indirectly and perhaps inadvertently surrendered some of its crucial budgetary powers. A ministry seeking such supplementary appropriations can wait until the formal budget session has passed, and then launch a new corporation. In fact, no such corporation has been launched during a regular budget session. This has created a parallel budgeting structure completely beyond Parliamentary reach. Parliament has also given *carte blanche* to government to establish enterprises with structures suitable for easy intervention and control. Parliament has not reserved for itself the power to scrutinize these structures; it has also allowed the President to sub-delegate the power of forming enterprises to the Ministers (section 11).

The Act provides no guidelines on stages to be followed, policy objectives to be borne in mind, vetting procedures, evaluation of performance or other matters vital to the exercise of this delegated (or sub-delegated) power. This clearly puts the fate of those corporations in the hands of the executive. Worse, in addition to surrendering Parliament's role in the for-

mation of public enterprises, the Act gives such enterprises a corporate personality, powers to contract independently and rights of perpetual succession. Some public enterprises were quick to exploit their position, engaging in illegal transactions, making non-existent purchases, paying non-existent persons, acquiring defective equipment, and so on (Mihyo 1989). Because their managers technically were not government employees, and because theoretically they were not government departments, the government (though in effective control over their activities) could not be made answerable for their behaviour. Although these problems may have no direct link with the mode of incorporation, the accountability structures established at the time of incorporation surely encourage such corporate behaviour.

The previously-described principle of informality found expression in the 1969 Act, which provided more powers than guidelines. The executive can form any corporation with any structure under the Act, and can also form as many corporations as it thinks necessary. If, in exercising its discretion, it makes an error, it can only be blamed for the quality of its judgement, not for any breach of law.

In exercising this discretion, the government formed many corporations, some of which were performing closely-related functions. For example, livestock corporations proliferated — one for marketing livestock, one for transporting them, another for developing them, a fourth to engage in livestock research, a fifth dealing with meat, and yet another to deal with their skins. Nearly all dealt with the same, limited number of cattle. A poultry feed company existed independently. Some of these corporations were formed to attract foreign aid or to use project-oriented aid that happened to be available. When such projects exhausted their project funds, they became dependent on a continuing, limited supply of government funds. Most were disbanded at the height of the economic crisis in the early 1980s, although a few, particularly in the area of scientific research, still exist, performing overlapping functions or sharing a limited market.

The lack of clear standards and guidelines not only justifies the use of discretion, but also makes control difficult. Where standards are not externally applied, an entity can be judged only by internally-provided — and highly relative — standards. The question becomes what a reasonable person would have done *under the circumstances* — not what an ordinary and reasonable person would have done. Where political structures can be manipulated easily for personal or group gain, such discretion undermines certain controls and elevates others.

This confusion has led to the formation of corporations, such as the

Tanzania Wood Industry Corporation, without clearly defined financial structures, an omission which allowed assets to be transferred from other enterprises without formal instruments. Similarly, corporations were formed without a Board of Directors or with very weak Boards. All banks, for example, (the Bank of Tanzania, the National Bank of Commerce, the Tanzania Investment Bank and the Cooperative and Rural Development Bank) were established by statutes which do not define the criteria for selecting their Board members. As a result, their Boards are chaired by their own top executives. In some cases, the managers of the enterprises are all *ex officio* Board members and thus are empowered to exercise control over themselves. Unlike private sector directors and managers, public enterprise managers are employees, not shareholders, and such circular lines of authority, ungrounded by market constraints, are potentially disastrous.

Some Boards of Directors include ministerial officials from parent ministries, who are expected to exercise control over the management but occupy low positions on the boards. For example, the principal secretary of the Treasury sits on the Board of the Bank of Tanzania, but the Board is chaired by the Governor of the bank. Similarly, before 1985, when most MPs were asked to relinquish their positions on public enterprise Boards, they sat as ordinary members, while managers were either secretaries or chairs of their own Boards.

In effect, the absence of guidelines in the 1969 Act and similar statutes is strengthening (and widening the scope for) administrative controls. Such discretion also gives the executive the option to select the structures or forms best suited to its interests. Most importantly, it allows ample room for multiple power structures to develop in the public enterprise system, and makes the evaluation of the performance of individual public enterprises more difficult.

Administrative controls are also strengthened by the bureaucratic manner in which powers have to be exercised. Some public enterprises are controlled by government Ministers, or by a Board of Directors, with absolute power and no requirement for consultation: the management is expected to respond without question. In the same vein, enterprises empowered to act 'in the public interest', for example by setting prices or standards, or by issuing licenses, have complete discretion; the public has no formal right to be consulted. Absolute discretion is by nature a barrier to more democratic or public forms of control, by indemnifying enterprises against the consequences of their actions. For example, an enterprise empowered to enter upon any land and alter the landscape, water, gas or electricity supply or other supplies (for example, the Tanzanian

Railways Corporation) has no duty imposed upon it to act reasonably (section 17 of Act 11 of 1979); corporations (such as all Tanzanian crop marketing boards) are empowered to set prices or licence fees without consulting farmers, producer cooperatives or purchasers. It would be very difficult to hold any of them liable or responsible for abuse of power.

Another vacuum in the law which can be readily filled by administrative discretion is the communication channel between various actors. The Public Corporation Act 1969, for example, empowers the President to form public corporations, but does not spell out the processes to be followed. The President decides which group to consult and whose advice to follow. When the government decided to build a new capital in 1973, it consulted the ruling party, TANU, possibly feeling the need for party backing of such a major policy decision. In 1975, when the cooperative movement was abolished and the National Milling Corporation (see Appendix 6) was reorganized to take over its activities, the government asked Parliament to sanction the reorganization. But in 1969, when the government decentralized the National Development Corporation to form several, smaller, holding corporations, the Party and Parliament were not consulted, despite the magnitude of the investment. Perhaps this was due to the fact that the demand for decentralization came more from joint venture interests involving multinationals than from government. Clearly, though, the law gives administrations broad leeway to decide which bodies to consult, when and for what purpose.

Communication channels related to appointments are also ambiguous, since a dual system exists. Usually the President is empowered to appoint the chairperson of the Board, while the relevant Minister appoints Board members. Generally, the Board has the power to appoint managers. However, the President is never required to consult the Minister on appointments, and vice versa. This anomaly has tended to obscure hierarchical relationships. Very powerful chairpersons or general managers may presume that they are on an equal footing with their Ministers (who may also be presidential appointees). In some cases, very powerful Board members have felt themselves closer to the Ministers than to their chairpersons. This has in some cases encouraged conflicting allegiances which, more often than not, lead to 'Boards within Boards', to Boards that refuse to be answerable to their parent Ministers, or to Boards that are used by the Ministers to block the decisions of powerful chairpersons. The power to make uncoordinated appointments thus interferes in the basic hierarchy of decision-making, and such divided loyalties prevent Boards from performing their roles properly (Mengi 1983; El Namaky 1985).

Wide ministerial powers also strengthen bureaucratic controls in

other ways. In addition to their powers to appoint Board members and (indirectly or directly) managers, Ministers can issue broad policy guidelines. In general, this is one of the most sparsely worded and most permissive provisions in public enterprise statutes, granting powers of a very general nature. While preserving the myth of government non-intervention which forms the basis of the Morrisonian model, it also limits parliamentary control over ministerial power, allows Ministers to intervene selectively through informal channels without leaving a trail of documentation that would allow the Minister's actions to be assessed, and creates legal uncertainty about ministerial powers which can permit erratic or inconsistent decision-making, especially in response to top-down pressures. Ministers thus can opt to be softly paternalistic during times of success and prosperity and harsh and ruthless during corporate crises. Uncertainty about possible ministerial behaviour becomes itself a regulating element, creating apprehension and fear among enterprise executives. Such discretion also allows Ministers to screen the behaviour of the corporations and to take responsibility only for those acts which suit them politically, disowning others on the basis of political expediency. Finally, wide discretionary powers allow Ministers to exercise wanton control over corporations. Empowered to make unreasonable requests, they can use any failure to perform as grounds to reorganize, to dismiss or appoint staff, or to obtain a better bargaining leverage over management.

Related to this is the lack of evaluation criteria and procedures. Although a number of administrative control organs, such as the National Productivity Council, the Tanzania Bureau of Standards, the Standing Committee on Parastatal Organizations and Tanzania Audit Corporation (which control productivity, standards, employment policies and accounts respectively) exist, most operate with difficulty. They lack the necessary skills and other resources to carry out their functions, but they also lack powers to summon, castigate, impose penalties or prosecute violations of their regulations. Most are purely advisors, either to Ministers or to the President, able neither to take action through ordinary administrative processes nor to determine the pace of such actions as the Ministers or the President may take.

Lacking enforcement mechanisms and evaluation criteria, most control agencies concentrate on being seen to be having an impact on the enterprises and rarely bother about the long-term effect of their controls. The Standing Committee, for example, derives satisfaction from issuing directives on wage structures and organizational hierarchies but rarely investigates the effects of these wage structures on productivity. As in India (see Nath 1986), in Tanzania most control organs are more concerned

with the quantity of their controls than with their quality. Again, the absence of evaluation criteria and of enforcement procedures or mechanisms is inherent in the Morrisonian model, which relies excessively on administrative discretion and informal channels of communication. The resultant lack of full accountability gives government an upper hand, because unless required by law, no government will voluntarily allow itself to be questioned on its use of its powers.

Factors in the Predominance of Non-Market Controls

The degree of mutual dependence in personal and institutional relations is determined more by forces within the actors than by their operational context. Contexts provide only the media for interdependence or dependence. Law, as part of such a context, thus facilitates, but cannot create relations. In any public enterprise system, forces within enterprises either encourage or suppress dependence relations between the enterprises and the government. By definition, any *significant* force limits the influence of its contravening forces. Thus, assuming that domination is normally unacceptable and that dominated parties have an inherent urge to resist domination, continued domination (namely, the fact that public enterprises have failed to resist bureaucratic, non-market controls) indicates either coercive or dependent intra-organizational relationships between the enterprises and government.

According to Max Weber, organizational change is usually motivated by efficiencies to be gained (Weber 1968: 45) and by the same argument, organizations will accept the status quo unless they can gain by shifting away from it. The task environment approach posits that the acceptance of domination is less a matter of choice than the effect of the environment on the organizational autonomy of an institution (Emery and Trist 1965: 31; Terrebery 1968: 590). The resistance approach holds that the dependence of one organization is influenced by the capability of the dominant organization to compel obedience without much resistance (Emmerson 1962: 21), although this approach has been nullified by studies which show that there could be domination in which the subordinate party accepts domination as legitimate and does not seek to resist (Jacobs 1974) or where the subordinate party is completely unconscious of the fact of domination or control and thus does not attempt to resist it (Bannester 1969: 374). The problem with such theories of intra-organizational dependence is that they tend to consider only relations between equal organizations or organizations capable of influencing each other.

For the study of government and its domination of subordinate organ-

izations, factors unique to this environment must be considered. The first is legitimacy. The legal framework described in this chapter has supported both *de jure* and *de facto* dependence of enterprises on government. Powers of appointment, securely cushioned by wide interventionist powers which can be invoked at any time, are sufficient to compel obedience even in the absence of a clear statutory mandate and to the exclusion of other notions such as 'common sense' or 'sense of justice'.

The second basis of intra-organizational dependency is the dominant organization's ability to control the ways in which the dependent organization can meet crucial and problematic needs (Thompson 1967). For public enterprises, one of the crucial needs or dependencies is finance. Public enterprises in Tanzania cannot borrow from outside the government without governmental intermediation and approval. Because finances are crucial, the organ which controls funding will be the dominant organ. If borrowing on the open financial markets was allowed, the pattern of control would be substantially different.

Other crucial needs include human resources or labour market information, technology market information, capital and productive forces acquisition channels, etc., and in so far as the government remains the dominant or monopolistic supplier of these needs, it does not require the use of force to impose its will. This is as true at the individual as at the organizational level. In all cases, the dependency is determined by the mechanisms of demand and supply and the level of control is directly proportional to the level of monopoly over needs crucial to the dominated party (Perrow 1961: 854; Landberger 1961: 299; Jacobs 1974: 53).

Thirdly, the lack of growth and innovation in an organization will also reinforce its dependence on traditional suppliers of crucial needs. In Tanzania's public enterprises, technological innovation has been both slow and very elementary. Although technological innovation is not exclusively a function of market forces, public enterprises have been slower than private enterprises in technological innovations. In private enterprises, such innovations have contributed substantially to reducing production costs (Kanyili 1983; Collande 1980; Komba 1984, 1988) and in developing the bargaining power of private enterprises — to such an extent that some governments have become dependent on them for export earnings. Most of the current policies of liberalization stem from the ability of the private sector to deliver goods and services where public enterprises have failed. Technological innovation and self-reliance have figured heavily in the success of the private sector.

Fourthly, needs can be over-specialized. Organizations with very diversified needs and the power to modify them, and with unlimited ac-

cess to other possible suppliers of these needs, tend to enjoy more autonomy than those with limited suppliers. The fewer the suppliers of their needs, the greater their dependence on those suppliers that are available. Most public enterprises in developing countries have specialized functions and socio-political objectives. They can only perform their prescribed functions, and their needs are correspondingly specialized. They cannot, for example, meet financial needs on the open market, even though borrowing from such sources might be cheaper. They must sell to or serve a specified clientele, and thus have specialized needs which are very sensitive to changes in the environment. When needs change, legislated restrictions on substituting or diversifying services or clients put the existence of an over-specialized enterprise in jeopardy. A call for government support is the next logical step. Hence, once cut off from the influence of market forces and pushed into activities which are not necessarily very lucrative, such public enterprises tend toward over-reliance on the government for subsidies, debt cancellations, subventions, grants, price setting mechanisms and other forms of protection.

Other factors that have encouraged enterprises to remain comfortable with domination by government, as discussed in the previous chapters, relate to the extent to which government and its officials meet certain of their social, political and economic needs from this sector. Ironically, the dependence relations in this context essentially obey the laws of demand and supply, but at the same time undermine the effect of market control mechanisms on the activities of public enterprises.

4. Parliament as an Alternative Control Mechanism

The Significance of Parliament

As a control mechanism, Parliament differs substantially from markets and bureaucracies. Parliament is a body of representatives assembled to perform legislative functions on behalf of the public. Market controls are direct interventions by parties actually involved in, among others, litigation, contract, credit control and price mechanisms; administrative controls affect management, supervision, evaluation, and planning. Both market and administrative controls either arise from or are deployed within the processes of production, commerce and trade, while parliamentary inputs are intermittent and cannot replace the dominant control mechanisms.

In most countries, Parliaments occupy the ground between the market and bureaucracy. Their position, and their presumed representative function, make them an important institution to which public enterprises can become accountable and through which accountability can be attained. Depending on the existing power and social relations structure, they have a high potential of defining the spheres of influence for both the market and the administration.

Several researchers have commended the role of Parliament in making public enterprises accountable. In the case of India, whose parliamentary system has a long and relatively stable history, government policies on public enterprises have been positively influenced and adequately controlled by Parliament (Rao 1982: 217). Even critics of the Indian Parliament's effectiveness in controlling public enterprise have accepted its potential, blaming related difficulties on a lack of time and resources (Mallya 1971) or on rigid parliamentary procedures which reduce the importance of questions and debates on public enterprise (Narain 1979: 9; Mallya 1971: 144-6). Other studies, for example by Somasundram in the case of Sri Lanka, have shown that once Parliament is part of the existing power structure or involved in the struggle for influence over policy, it is

likely to overstretch its control function and become in the words of Somasundram a 'watch-god' rather than a 'watch-dog' (Somasundram 1984: 49).

Very few Parliaments have reached a stage where they can be categorized as 'watch-gods'. Many in the Third World are weakened by the structural articulation in their national power structures, in which they feature as subordinate, advisory bodies. Some are prevented by statutory or constitutional restraints from playing a prominent role in policy formulation and evaluation. Others are dominated by government bureaucracies despite their constitutional powers and rights. Factors perpetuating intra-organizational dependence between government and Parliament tend to be similar from country to country. Apart from the fact that Third World governments tend to emphasize executive power, with the executive controlling the distribution processes over which many members of the National Assembly depend for legitimacy, governments also control several other needs crucial to individual members and to the National Assembly as a group. Such dependencies include transport, income, political influence, information and the administrative process.

The next few sections discuss the ways in which these dependencies interact with other factors to limit the Tanzanian National Assembly's ability to control or influence policy: its one party system. A number of organizational and procedural barriers to parliamentary effectiveness also exist; these will be covered in Chapter Five in the context of a discussion of the role of questions and debates in regulating the activities of public enterprises.

Parliament in a One-Party System

Over the last three decades the phenomenon of one-party political systems has become a dominant feature in most African countries. Irrespective of ideology, resource base or colonial history, most African countries are either *de jure* or *de facto* one-party states. Even in the outstanding exceptions, such as Botswana and The Gambia, where more than one political party exists, the dominant parties have virtually remained the same. The role of the new parties that have emerged in Zambia and Zimbabwe remains to be seen. I am not going to attempt to account for this situation here. What is important to understand is that in most cases the dominant parties manage to mobilize large numbers of supporters through religious, ethnic or ideological affiliations. The social structures of African countries are composed of a poor majority, whether urban or rural poor, the intelligentsia, a commercial class, and a few

wealthy industrialists. The intelligentsia and the commercial class are very diverse and non-cohesive, while the élite, in general, have been able to use populist and nationalist ideology to establish its legitimacy. Other factors in the distribution of power include the survival of the pre-colonial and colonial legacy of centralized leadership; the dominance at family and community levels of closed systems in which power is highly centralized; cultural constraints against opposing or challenging leadership in traditional political systems and the nationalist ideology inculcated by the ruling parties, which employs nationalism to oppose foreign models or ideologies that might threaten existing power relations.

Tanzania was among the first African countries to legislate, institutionalize and practice one-party politics. Under the Tanzanian system, between 1965 and 1992, the ruling party was constitutionally the only political institution which can lawfully mobilize the population for political purposes. The government operated under the direction of the party, and the National Assembly, apart from being a sub-unit of the Party Congress, obtained its membership from among adherents to the party ideology vetted by the party and approved to perform a legislative role. Such a political structure has a number of implications for the relationship between the party, government and Parliament. The most obvious is that no matter what claims may be made, a system based on one-party dominance departs from the traditional Western parliamentary model and is more geared towards the centralization of political power and functions. Secondly, because members of the National Assembly are selected from within and by the same party, parliamentary processes are more likely to be based on cooperation and complementarity than on friction and conflict. This is in contrast to multi-party Parliaments, where representatives are drawn from opposing groups with fewer common interests and fewer motives for cooperation (King 1976: 13).

Thirdly, in one-party systems, Parliaments presumably are not the focal centre of politics. In multi-party systems, the parties wage the best of their battles in Parliament and individual members show their party loyalty in Parliament during debates and confrontations. Constituency politics are used to gain popular support for both the programmes of the party and the popularity of the contestants. In a one-party system, the constituency is the most heated focal centre of political activity. At the constituency level, the party is portrayed as capable of having two people interpreting the same policy in two different directions. Hence it is at this level that most contestants seek to legitimize themselves as the most appropriate spokespersons of the ruling party. They seek to show that they understand party policy better and are the best positioned to implement

in Parliament. Therefore they struggle at this level to win support from both the party and the electorate. Once in the National Assembly, they can remain quiet implementers of party policy, and this is what most of them do.

Several constitutional and contextual factors seem to support these assumptions. Firstly, according to the very commonly used concept of party supremacy, all political activities and organs, constitutionally and in practice, were subordinated to the party (section 3, 1977 Constitution). To implement this concept, the party oversees all economic, social and political activities, strictly supervising political activities, although not engaging in their actual management (Kaduma 1977; Msuya 1977). Under this system, organized and tacit opposition was unlawful, and the party retained the right to remove any member of the National Assembly seen to be opposed to party policy at any time. Such removals from office are not unheard of (Smith 1978; Mwakyembe and Rusemwa 1983).

Further, the party expected the Tanzanian Parliament to help government to implement party policies but not to play a leading role in the formulation or evaluation of policy. As one former party executive secretary put it, Parliament was expected to supervise the government on behalf of the party and advise the former on how best to implement the policies of the latter (Mwakawago 1979: 199). To make this possible, Parliament was organically linked with the party by section 54 of the 1977 Constitution, which makes it a sub-committee of the Party Annual Congress. Under this provision, members of the National Assembly were both integrated into the party structure and collectively and individually bound to abide by party resolutions and policies.

This does not in any way mean that members of the National Assembly were all necessarily party cadres and went into the Assembly as a unified bloc. The party itself very much represented a spectrum of ideologies and class interests, and party policy at any given time may have depended greatly on the views of the three top party leaders, namely the party chairperson, the vice-chair, and the Secretary General. For this reason, policy could and did shift from one extreme to another within the same party, under the same leadership, and while implementing the same policies of socialism and self-reliance. For example, in 1967 leaders possessing private property such as houses or large farms were said to be a disgrace to the party, and between 1969 and 1975 some were purged for violating socialist ethics. Between 1982 and 1989, the policy changed and party leaders made it clear that leaders who did not engage in agricultural activities were a bad example to the people.

There also have been extreme shifts in agricultural landholding policy,

which has ranged from emphasis on villagization and small-holder agriculture to the redistribution of land to private farmers and invitations to big companies to undertake agricultural activities. Crop marketing policies have shifted from the 1975 dissolution of cooperatives as essentially capitalist, to their restoration in 1982. There are many other examples of policy shifts which show that party policies are difficult to predict. They all indicate that the predominant party was a coalition including many conflicting interest groups, and that the dominance of a particular brand of ideology or policy option depended on whether there were sufficient conditions to support it within and outside the party and on whether national and international economic conditions could sustain it.

This affected the composition of the National Assembly, because the committees of the party which vetted and selected parliamentary candidates were also composed of representatives of various group interests. Thus the representatives who reached the National Assembly were not necessarily motivated by similar goals or supported by similar interests. Similarly, if the party policy is difficult to ascertain, and its interpretation differs from group to group or even person to person, public perception of party policy is unlikely to be uniform. This in turn contributes to removing the possibility that those who come to the National Assembly share a common understanding of party policy or have common goals.

Thus, while in practice the party controlled the selection and electoral process, it was unlikely to exercise effective control over policy unless its policies were clear. But the lack of clarity allows some room for manoeuvre to both the government and to any other organized group motivated to exert its own influence. For example, a strong and well-organized executive arm of the state stood between the party and the National Assembly and was well represented and articulated in both institutions. The executive contributed substantially to the top leadership of the party and most ministers are members of both the National Assembly and the top organs of the party. Being in control of the party machinery, the government was well positioned to exercise control over the National Assembly. Hence, although in theory Parliament was expected to 'call government to book' (Mwakawago 1979: 200), it could not do so without risking bringing the party to book and thereby antagonizing the party. Such difficulties are inherent in one-party democracy but do not in and of themselves necessarily make Parliament a weak control mechanism. There are other factors arising from Tanzanian parliamentary structures, facilities and procedures which combine with the implications of one-party democracy to make Parliament a weak alternative to administrative controls.

Organic Factors Weakening Parliament

The dynamics of Tanzania's Parliament have been surveyed by several researchers who focused on Parliament and its role in the political process. Five significant impressions emerge from these studies. The first is that the people of Tanzania have had great faith in their parliamentary and electoral systems and view any attendant problems as unfortunate and temporary (Cliffe 1967; University of Dar es Salaam 1972). Secondly, election symbols, mainly 'the house and the hoe', are very significant; they tend to be seen as symbolic of economic classes, with the hoe seen as representing the poor and the house the rich (Kabudi and Mlimuka 1983). Thirdly, in most constituencies, ethnic origins and regional or tribal affiliation still influence the choice of representatives (Mwakyembe, et al. 1983). Fourthly, commercial groups contribute substantially to the mobilizing of financial resources for candidates, to enable them to influence the electorate. This in turn seems to encourage corruption during the campaigns and collusion between commercial groups and members of the National Assembly in the allocation of resources (Kabudi et al. 1982). Finally, most researchers agree that the majority of the population tends not to rely on parliamentary processes to solve problems, preferring the party and the government's faster and more powerful methods. Hence the crucial processes in which the people play a significant role are all pre-election activities. This may explain why most of the studies between 1965 and 1985 have been very much concerned with the electoral process. It seems that post-election parliamentary performance has been assumed to be unimportant.

If the post-election performance of Parliament is insignificant, this would contradict the enthusiasm that attends the electoral process. But if, as these studies claim, the people attach importance to the parliamentary system, then logically they would want to see Parliament perform better, and they would believe that it can. This is what makes performance evaluation very important. A few, limited studies have been carried out in this direction. For example, Tordoff has studied some of the weaknesses of Tanzania's National Assembly, first concerning himself with contextual variables that tend to impinge on the capability of the National Assembly to attain the necessary effectiveness in policy formulation. Starting from the general assumption that Parliament was weak, he blamed the low level of parliamentary influence over policy on time constraints. He worked out the statistical spread of the average mean time spent on sessions and debates and concluded that sessions took about an average of three days, with about four bills debated per session (Tordoff 1965). The

implication is that if the National Assembly spent more time in sessions, and more time on each bill, it would have more opportunity to influence policy and legislation.

Nine years later, Mwansasu again used the time frame approach to assess parliamentary effectiveness. He calculated that between 1960 and 1965 the average mean time spent on sessions was 4.8 days, with 2.3 bills considered per session. The period covered was the same as that examined by Tordoff, and the conclusions were similar. He then calculated the average mean time spent on sessions for the period 1965 to 1973, during which the average length of sessions had increased to five days and that the bills covered had fallen in average to 1.4 per session. He then happily asserted that Parliament had become more effective between 1965 and 1973 (Mwansasu 1974: 234).

While Mwansasu and Tordoff used the same data base to come to different statistical results, it is interesting that they reached similar conclusions. Tordoff's 1965 study argued for a link between quantity and quality. Mwansasu relied on statistical evidence of quantitative change to argue that qualitative changes had occurred. However, Tordoff later reported that, statistics notwithstanding, quality was still constrained, indicating the influence of other factors (Tordoff 1977). Tordoff's 1977 study, a comparison of the *Zambian and Tanzanian Parliaments*, caused him to conclude that, time constraints aside, the power structures in the two countries were deliberately biased against the National Assembly playing a dominant role in controlling the activities of government (Tordoff 1977: 235). But, if time does not determine the inability of the National Assembly to influence policy effectively, other factors must; for example, the articulation of Parliament in the power structure of Tanzania, the procedural and substantive insubordination of the National Assembly to the presidency, the policy affiliation to the party structure, the significant representation of government in the structure of Parliament, the operational dependence of members of the National Assembly on the regional administration at district level and on the central government at national level, and, finally, the fact that members of the National Assembly lack any specific leadership role in the grassroots levels of Tanzania's multi-layered power structure.

By articulation I mean the operational division of power between the executive and the National Assembly. Issa Shivji has argued that in Tanzania, the National Assembly is subordinate to government as long as government can dissolve it, the National Assembly does not participate in the selection of the cabinet and there are no constitutional provisions for a vote of no confidence for Parliament (Shivji 1984: 3). Constitutionally this

argument is correct, because while under the 1977 Constitution the President can dissolve the National Assembly, there is no provision empowering the National Assembly to bring down a government. The power to dissolve the National Assembly can be exercised where the President refuses to give assent to a bill of Parliament after a third reading and the Assembly refuses to change its position, or where the President differs with the National Assembly substantially on issues of policy.

On several occasions the Tanzanian President has either secured the removal of opponents of government policy from the National Assembly or threatened to dissolve the National Assembly if members of the Assembly did not change their positions. In 1969, members of the National Assembly who opposed trading relations with China were removed from the Assembly by recommendation of government to the party, which at that time was chaired by the President. The argument was that those opposing trade with China were using Parliament as a platform for a broader opposition (Mwakyembe and Rusemwa 1983). In 1973, a majority of members of the National Assembly rejected the Income Tax Bill after its second reading. Under this bill the government sought to introduce a graduated tax system, which would have greatly increased the taxes of higher civil servants. The President, addressing the Assembly before the third reading of the bill, delivered an ultimatum: either the bill was to be accepted, or the members would be returned to the electorate. The bill was passed unanimously (Mwakyembe and Rusemwa 1983: 75-80). Similarly on 9 May 1981 the Assembly rejected, on purely economic grounds, a bill seeking to establish the National Urban Water Authority. The Prime Minister, in his summary of the government position before the third reading of the bill, warned MPs against making sweeping statements or taking blind action. He allowed them two days to reconsider their position and in a similar fashion, the bill was passed unanimously after the third reading.

These two instances show how the threat to dissolve the National Assembly can effectively curb parliamentary opposition to government policy. It is clear that MPs did not assume that, should the National Assembly be dissolved, they would be assured of an opportunity to stand again nor to explain their opposition to the bill to the electorate. Otherwise, it would be reasonable for them to stand firm and allow the National Assembly be dissolved. Instead, knowing that the party Chairperson or Vice-Chairperson who dissolves the National Assembly in their capacity as President will later preside over the selection of candidates in the resulting elections, they could be almost certain that very few of them would be allowed to stand again. It is such circumstances, arising from the im-

balance of power between the executive and the legislature, which make Parliament a weak instrument of popular participation in policy formulation. One of the recommendations of the Constitutional Committee of 1984 was that in case the National Assembly would be dissolved, all incumbents should have an automatic right to stand. This was rejected and was omitted from the 1984 constitutional amendment, probably because it substantially offers an opportunity to the public to give a vote of no confidence in the government, should it feel the Assembly to be justified in its position.

The subordination of the Assembly to other policy-making bodies has already been discussed in the context of the party-Parliament relationship. In this section Parliament is examined in terms of its two components — the Assembly and the President. Under the constitution of Tanzania, the President is a constituent organ of the Parliament and the Assembly is the final legislative authority. In the legislative process, a bill does not become law unless it has obtained a presidential assent. By withholding assent, the President may block the passing of a bill into law; the Assembly may block a government bill by refusing to pass it. The President also is entitled to dissolve Parliament. Therefore while in theory the Assembly can block a government bill, and while in theory the President can refuse to give his assent to a bill, in practice there are usually no private member bills. Therefore the likelihood that the President will refuse to assent to a bill are minimal, while the likelihood that an Assembly that opposes the government on a bill will be dissolved is rather higher. Again this entails a situation of relative imbalance of power and reduces the ability of the Assembly to come out openly against government policies or bills.

When the position of the Assembly is viewed in terms of the relationship between the party and the government, the Assembly or Parliament as such becomes an insignificant policy body. Under the 1977 Constitution (section 54), Parliament was a subcommittee of the Annual Congress of the ruling party (CCM). In theory, this subordinated both wings of Parliament to party policy institutions. In practice, since the Chairperson and Vice-Chair of the party were also top officials in government and the Secretary-General and several members of the party central committee were also cabinet members, government was not only adequately represented in the top party hierarchy but in fact controlled the party. Hence the National Assembly was drawn into the party structure where, by participating in the formulation of party policy collectively with other members of the party congress, it becomes bound by it. Such affiliation makes the policy-making function of Parliament derivative and residual; as long as

party policies inevitably reflect government policy preferences, Parliament as such has no direct impact on party policies. As a party sub-committee, Parliament *per se* had no place in the party hierarchy: its leader was not a member of the party Central Committee, it had no representation on the party's National Executive Committee, it had no duty to report to the party, and at the Annual Congress it was not expected to present a performance report on its own activities or on the activities of government.

Thus, the Tanzanian government and the party dominated parliamentary politics, but parliamentary politics rarely affected party or government politics. Tanzania is not alone in this regard (for example, during the Allende regime Chile was in a very similar situation) and various scholars have analysed the dynamics of such relationships. Wilde and Venezuela (1976: 136) have argued that in order for Parliament to influence party and government politics, the bureaucracies of the latter should be neither integrated nor very strong; otherwise, they see Parliament becoming a political power broker between constituents and the government. According to Hopkins (1976: 133) if Parliament cannot assert itself over other state political organs, it can be easily relegated to the role of legitimizing party or government policies among the electorate. In Tanzania, the political affiliation reduced Parliament to this secondary (or tertiary) role: and party and government officials expected Parliament to help them to explain their policies to the masses, but not to have any significant influence over them (Mwakawago 1979: 199). The crucial question is whether or not the people, and their representative institutions, are expected to determine the parameters of primary and fundamental policy: democracy *for* the people versus democracy *by* the people (Pinkele 1976: 134; Morrel 1976: 135).

The Tanzanian Parliament was further weakened by the extent to which government is represented in the National Assembly. Neither the 1965 nor the 1977 Constitution recognize the need for a front bench or a party whip in Parliament. Theoretically, in a one-party Parliament, such institutions would be irrelevant; their existence would question the validity of the presumption of lack of opposition in a one-party democracy. In practice, however, there is recognition that Members of Parliament, however supportive they might be of the party manifesto, are not necessarily likely to agree with all party or government policies at all times. Given the multiple interests represented in the party, there is always the possibility of parliamentary freedoms being exercised in ways not necessarily conducive to the predominance of the policy interests of government and the party. To reduce the extent to which this may undermine party

and government hegemony, the Constitution has guaranteed government representation in Parliament.

So, in addition to the need for presidential assent and the presidential power to dissolve Parliament (Section 63 of the Constitution) the Constitution grants the President power to nominate fifteen members of the Assembly, of whom at least five must be from Zanzibar and at least five from the mainland. In addition, twenty-three regional administrators come to Parliament as *ex officio* members with the status of cabinet ministers. Their numbers are boosted by at least twenty-five cabinet members who are nominated from among members of Parliament who — unless they are presenting reports or estimates, in which case they are under scrutiny — enjoy the same anonymity as other Members of Parliament. Thus a minimum of 65 members of the Assembly directly represent government interests. Another thirty-five Members of Parliament who enter through indirect elections are drawn from the party's mass organizations: women's, parents' and youth groups, and the country's single trade union. They are nominated by the party and subjected to a parliamentary vote, so in essence they also represent party interests. These two groups account for one hundred of the Parliament's 181 representative, or 55 per cent. While no close study of group performance in Tanzania's Parliament exists, it would be reasonable to hypothesize that this group constitutes a *de facto* front bench of the party and the government and that to the extent that it is capable of acting in an organized way, it can ensure that government interests are not obstructed by Parliament.

The Prime Minister's role as leader of government business in the house also strengthens government against the Assembly. While the Prime Minister's role in itself is not a disadvantage to the elected members of the Assembly, there is no independent leadership in the Assembly to counterbalance it. In most systems, the legislature has a leader, and the Prime Minister leads government business. In Tanzania, the Prime Minister leads both, and thus is entitled to set limits on debates and to summarize the views of the Assembly at the ends of debates. The non-governmental members of the house have no opportunity to summarize their views when they disagree with the line of thinking pursued by government.

The last major weakness of the Parliament is its operational dependence — both Parliament and its individual members are very much dependent on government for services and legitimacy. At district or regional levels, Members of Parliament have no independent resources and are not officially represented in the regional administrative structure. This subjects Members of Parliament to administrative and financial control

by the regional administration. In the district and regional planning structures Members of Parliament feature as representatives of the people, but have no leadership roles to play. The regional and district planning committees are chaired by the regional and area commissioners respectively, and the regional and district development directors provide the secretariat for the two committees. Members of Parliament have very weak linkages at grassroots level. They are forced to attempt as much as possible to accommodate the wishes of their local administrators, without whom they will be denied necessary local services and a share of the development funds for their constituencies.

Meanwhile, the office of the Speaker of the National Assembly is also part of the central government. The Speaker is regarded as a senior civil servant. The auxiliaries of the Speaker of the Assembly are civil servants and operate under the control of the central establishment. They are therefore dependent on the government for promotion and can be vertically or horizontally transferred to other departments. They provide secretarial and informational services to Parliament. However, as part of the civil service, these officials can provide only the information or services allowed by the government; they therefore represent a significant resource for government control over data and resources available to Members of Parliament. As Tanzania tries to work out a new constitutional structure it has to ensure that redemocratization is based on a strong parliament and an executive which is accountable to it.

Organizational Weaknesses of Parliament

Most legislatures are treated as sub-units of the state machinery, although some are considered to be independent organizations. There are no hard and fast rules which can be used to judge their organizational attributes. In characterizing the United States Congress as an organization, for example, Cooper considers its capability to affect the power structure of both government and the dominant political parties from which it is drawn (Cooper 1974-75: 307). Size and evidence of growth or transformation, division of power and work and the nature of role specialization have also been used to test whether or not a legislative body is an independent and dynamic organization (Davidson and Olzek 1976: 37). In most cases, however, Parliaments which have shown evidence of independence from the government structure and the capacity to develop their legislative function through well-worked out strategies on how to influence law and policy have been categorized as organizations rather than as sub-units (Cooper 1974-75: 310).

Parliaments do not operate in a social or political vacuum. Born of political and social structures, they carry the genes and bear the marks of their social and political contexts. The extent of their influence is directly related to their socio-economic and political context, which either will or will not accord them recognition and acceptance as vital organs of policy. Where recognition is not immediately forthcoming, it can be gradually attained if Parliament is capable of asserting itself over rival policy-making institutions. However, for this to occur Members of Parliament must become aware of their legitimate role as the most proximate representatives of the majority of the population and therefore of their legitimate right to formulate the broad policies of the nation. The legitimation of their policy-making role also requires that Members of Parliament be aware of their need for operational channels through which positions to be taken can be discussed prior to parliamentary debate and information can be exchanged on matters of importance to MPs. Such linkages would very much help members to define and develop common national objectives, work out their common output goals and develop the operational cohesion which would be necessary for minority positions within Parliament to have an impact on government policy.

There are four main organizational constraints which hamper the Tanzanian Parliament's ability to develop the organizational base its members would need in order to develop such linkages and to achieve operational autonomy. The first is that their representational role is shared by several other demand-handling channels, some of which are better equipped and can out-perform the legislature. Secondly, Members of Parliament lack open and free access to information both from their constituencies and at the national levels. They also lack sufficient sources of independent information on government activities. Thirdly, they have no direct control over the system which disseminates information about their own activities, and finally, their lack of a formal role at the local level makes them very susceptible to pressure group demands at constituency level.

The demand handling structure in Tanzania consists of a three-tier system of demand handling channels without horizontal links. The party is well-organized from the ten-cell or ten household level, and controls most of the political activities of the district. The local representative to Parliament is nominated through a screening process organized under the auspices of the party, but the MP is not then incorporated in the party hierarchy. The party branches continue to handle most of the demands and complaints of the people and to play a significant organizational role among the population. The control vested in the party by the Constitution

over political processes in general and the electoral process in particular, limits the ability of individual members of Parliament to exercise discretion in handling the demands of his or her constituency.

Government is the second demand tier extending from constituency to national levels. Like the party, the government is organized from a ten-cell base to the ward level, with wards grouped to constitute a district. Its administrative system parallels that of the party, with which it is constitutionally and operationally very well interlinked.

Parliament does not constitute a separate demand tier, since it has no formal, visible, executive role reaching to the constituency level. Thus, Members of Parliament are in some respects sandwiched between two powerful organs of the state. Although, according to Mezey (1976: 125) such a structure may have the advantage of reducing the actual number of demands finally reaching the MP, it also makes it relatively easy to draw parliamentary representatives into a struggle to forge a representational role and may contribute to making MPs more concerned with district and regional issues, at the expense of broader issues of national development such as long-term planning, public investment or the control of government policy.

A third, informal demand-tier consisting of religious bodies, also plays an important role in handling and channelling constituency demands to policy-makers. On family matters, land issues, and employment policy, and on social issues such as training opportunities, schools and the distribution of health facilities, individual heads of religious bodies are relied upon in many constituencies to reach and influence the top policy-makers in government.

This third tier also draws a sizeable portion of constituency demands away from Members of Parliament. While MPs are allowed by the Constitution to be the main channel for constituency demands, local government officials still encourage constituents to bring demands to them directly. The party has not reached a stage where it can communicate clearly that the Member of Parliament who operates under its licence is the sole person entrusted with the duty of channelling demands to the government. It has not delegated these representative functions to Parliament and its members. Instead, it is the party and the government at local level which are endowed with the power to take immediate and effective action on constituency demands, whether or not their response is necessarily the most appropriate.

This serves to disempower Members of Parliament, who must rely on the much more lengthy parliamentary process. When either the government or the party (or both) decides to act on a local demand, this fore-

stalls the possibility of the MP raising the issue without risking possible antagonism; if the issue does reach parliamentary level, it comes in the form of an appeal or an accusation against local administrators, who are adequately represented in the Assembly. More often than not this leads to conflicts between members and regional administrators in Parliament.

The problem of pressure group influence arises because members of Parliament have a very weak representational role at grassroots level; their search for constituency to represent drives them into the hands of well-organized groups — for example, commercial or industrial groups — whose interests are not very well articulated at government or party level. MPs quickly discover that such groups are the least favoured by both the party and the government. Private entrepreneurs do not have priority in either the licensing or the commodity distribution system. To gain access they mobilize MPs, who, because they are sitting on various marketing boards, find that it is mainly the interests and demands of such groups that they can effectively handle. They therefore devote considerable energy to seeking to influence licencing, distribution and land allocation decisions, and so on, in favour of investors. This further alienates MPs from their constituencies and creates opportunities for corruption. When up for re-election, such MPs, unable to create sufficient opportunities to work with their constituency's issues, inevitably find it necessary to rely on commercial groups to mobilize the resources necessary for their re-election campaigns. As demonstrated by petitions in the 1975 and 1980 elections, the alliance between politicians and commercial interest groups has led to vicious circles of corruption and illegal election practices (Kabudi and Mlimuka 1983). Furthermore, these self-reinforcing relationships and their attendant cycles of corruption naturally tend to continue after the elections, as MPs — further diverted from national issues — resume their attention to what Mohaptra has called the 'expediting' demands of their sponsoring classes or groups.

Self-help developmentalist groups, which are also not well placed in government and party structures, seek similar forms of support from individual Members of Parliament. Such groups mainly organize within ethnic or tribal populations to mobilize resources for educational and other development projects. Between 1975 and 1989 their activity intensified in response to the government's failure to meet needs of planned or expected development projects. Voluntary public organizations mushroomed to fill the gap, and in the process have provided MPs a new base. Self-help groups have a number of advantages in terms of mobilizing people for collective self-reliance at district level. Their main disadvantage is that they rally people by accenting divisions based on localities, eth-

nicity, and in some cases divisions based on pre-colonial and colonial chiefdoms which were disbanded immediately after independence. A discussion of the relative importance of the long-term effects of reverting to such divisions and the consciousness this produces would be peripheral to my main point, which is that such groups are further diverting MPs from national goals. Because the government and the party are neither opposed to, nor actively involved in such groups, they provide MPs with one of the few fora within which they are seen to play a mobilizing, developmental role.

The problem of diversion from national to local politics is therefore primarily a product of the lack of a political base for MPs, however wide a social base they may enjoy among the people. Studies in other countries, both developed and developing nations, have shown that Members of Parliament can be easily diverted from national issues by local demand pulls. These may include sectoral demands where a member has certain sectoral preferences or biases, or demands derived from allegiances to informal organizations or organized pressure groups such as unions and commercial or producers' organizations (Driberg 1969: 87; Sutchcliff 1970: 87).

The third problem which prevents Parliament from operating as an organization rather than as a sub-group is the way in which knowledge or information available to its members is limited. As Kashyap has argued, the continued vitality and relevance of Parliament very much depends on the ability of its members to perform new roles and develop new expectations and this calls for adequate training and information about new roles and challenges (Kashyap 1976: 163). In Tanzania, as in many other developing countries, Members of Parliament may lack knowledge about government and parliamentary procedure. Irrespective of educational background, most MPs lack fundamental knowledge about rules of Parliament and the options available for them to increase their input and effectiveness (Kashyap 1970: 81; Campbell 1971: 108). To cure this deficiency some parliamentary systems have provisions for orientation seminars, which are supplemented by library services and regular information bulletins and newsletters. Papua New Guinea, which is smaller and more constrained in terms of resources than Tanzania, has attempted to provide such services and India has maintained such a system for decades (Shakder 1971: 105). Countries with more resources have attempted to create a link between individual Members of Parliament and researchers based in policy research institutions and to avail MPs of advanced methods of extracting their own information and reaching their own decisions (Lloyd 1971: 256).

While providing technical assistance or equipment does not in any way ensure that the quality of performance will improve, it must be recognised that training is a factor in the improvement of policy input and output. In the case of government, staff colleges exist to train government officials on matters of government and parliamentary procedures. An equal opportunity must be extended to Parliament, regardless of the role in which the legislature is cast. Ian Lloyd has argued that the dominance of the executive over the legislature can be reduced if the struggle for parliamentary autonomy includes as its objective independent control of information by Parliament. But such control can only arise if the MPs individually and collectively know where and how to obtain information, can decipher the technical jargon used in tax and budgetary data, can carry out independent data analysis and strengthen their capability to devise workable development strategies and models (Lloyd 1971: 258).

In order to operate effectively within the stringent rules of parliamentary procedure, MPs have to be equipped with accurate and coherent information, obtained preferably from non-governmental sources, and must know exactly when, where and how to deploy it. Since MPs are elected officials and are not necessarily specially trained in government, the organizational structures of Parliament must be geared more towards increasing the ability of MPs to scan, select, analyse, utilize and retrieve needed information without relying solely on what is provided by government machinery. Cross-country comparisons show that this ability to obtain and control information independently increases the capacity of Parliaments to affect or control government activities and to ensure compliance with agreed laws and policies (David 1969: 8). In some countries, such as Papua New Guinea, the legislative function has been strengthened by the provision to MPs of legal advisory services to aid the interpretation of government bills submitted to Parliament (Ley 1972: 303).

In Tanzania, MPs lack both the skills and the information necessary to enable them to analyse government bills and policy documents. The library of Parliament is poorly equipped, and even parliamentary reports are not well stocked. Government publications are not organized for ready availability or for systematic use during parliamentary sessions. MPs are very much dependent on newspaper reports and other collateral sources of information which are not based on sound data. It would, of course, be quite difficult for a country like Tanzania to provide its MPs with advanced technical *equipment* for information processing. Aside from the considerable expense, it is likely that not all MPs would be able to use such equipment. But a well-stocked and up-to-date library for its national legislature is something even a poor country must be able to af-

ford. Similarly, orientation seminars on government and parliamentary procedures would not be a particular drain on national resources. In any case, as was noted by the Inter-Parliamentary Union at its symposium in January 1973, if a country can afford a legislature, it ought to afford the necessary legislative reference services (Barker 1973: 100).

The last and perhaps related constraint on the legislature is their lack of control over the reporting on their activities. Very few researchers have understood this as a substantial problem, because they have considered it narrowly in terms of labour availability. Using the case of Malta, for example, Mifsud has shown how lack of control over reporting of parliamentary proceedings could easily be a problem if those relied upon to report go on strike (Mifsud 1970: 333). Because reporters of parliamentary activities are government employees in most countries, including Tanzania, they have a limited right to strike.

The real problem, however, is that in most countries the civil service directs and controls the reporting process, with insufficient control by the legislature. In Tanzania, the office of the Clerk of National Assembly (who is a civil servant) controls the information outflow from parliamentary proceedings. Parliament in Tanzania, as in many other systems, has no editorial committee to verify the accuracy of the reporting.

The disadvantages likely to arise from such a situation were discussed at the meeting of the clerks of the Commonwealth Caribbean Parliaments in 1968 in the broader framework of the links between Parliaments and civil service structures. At this conference, the clerks discussed the structural contradictions in their present role. Specifically, as long as the clerks of national assemblies are civil servants, they are legally servants of the executive and depend on the executive, rather than the legislature, for promotion or transfer to other government departments; this implies divided loyalties. For them, the structure implies that if the clerks of national assemblies are to act as servants of Parliament, the clerks need to be self-contained and independent of the civil service. Support for removing the clerks from government control was argued on the basis of three main points:

- The possibility of horizontal transfer within the civil service creates a situation which forces clerks to be subservient to the executive and allows the latter to determine the civil servants' behaviour towards Members of Parliament.
- Because the clerks are governed by civil service promotion procedures, promotions can be used to guarantee their loyalty to government, as opposed to Parliament.

- While the clerks are meant to support Parliament, they are not trained as career Parliamentary aides; they require specialized training, both for themselves and their auxiliaries, and would benefit from professional association with clerks in other countries (Stratchman 1969: 66-67).

The concerns expressed by the Caribbean clerks in 1968 are equally relevant in Tanzania today. In Tanzania, the Clerk of the Assembly is a presidential appointee and a senior member of the civil service. The terms and conditions of service for this position are governed by civil service regulations, which means the Clerk can be disciplined only through civil service procedures. Parliament has no power or say over the appointment, tenure, termination or transfer of the Clerk of the Assembly (Section 88 Act 15 of 1984). In an executive-oriented system like that of Tanzania, the executive's control of the personnel serving Parliament is conducive to situations where these personnel fail to recognize the importance of the MPs in their employment and work only to please those wielding powers over them. Although there are examples of strong Parliaments able to assert control over the Clerk – as has been claimed in the case of Jamaica (Hart 1969: 67), in a situation where parliamentary power *vis-à-vis* that of the executive is constrained, the latter may use its control over parliamentary services to increase its bargaining leverage with Parliament.

In summary, relying on Parliament as an alternative to non-market controls over public enterprises would require a number of fundamental changes aimed at freeing Parliament from the civil service and elevating it above the executive. Any genuine efforts towards restructuring Tanzania's political system will require that the government relinquish its power to supervise the economy to Parliament and to market forces. Such a devolution may require empowering Parliament to prevent the government from encroaching on the positive aspects of market controls. As long as the Parliament's role is to 'bless' rather than to *shape* policy, (see Barker 1973: 102), the requisite balance of power between market and non-market mechanisms will be impossible to achieve. As the next chapter will demonstrate, parliamentary procedures have reduced the impact of an already constrained Parliament. Parliamentary questions and debates will also be examined in terms of the extent to which MPs have attempted to influence public enterprise policy despite the existence of overwhelming constraints.

5. Parliamentary Questions and Debates on Public Enterprises: Their Contribution and Limitations

The Importance of Questions and Debates

Considerable optimism has been expressed about the usefulness of parliamentary questions and debates in the control of public enterprise. In assessing the effect of legislative questioning on public enterprises in the Indian Parliament, for example, Ramanadhan has asserted that they have helped members to raise grievances concerning public enterprise management and that, when properly used, such questions tend to have a significant moral influence on public enterprise managers (Ramanadhan 1984: 14). Narain used the number of parliamentary questions asked on a single enterprise as one simple, quantitative measure of public enterprise performance (Narain 1980: 23). Stretched too far, such a measurement could yield misleading results because some corporations may perform well economically and still be targets of rigorous parliamentary questions and debates. For example, their economic success may derive from some breach of their social obligations or abuse of their monopoly position or even from failing to meet their obligations to the public. Other researchers view 'too much' questioning as a violation of the main attributes of the Morrisonian corporation and as a way of reducing them to the level of public departments (Robson 1952: 314-6).

While parliamentary questions are an established mechanism for extracting implicit and explicit government policy statements, some authors have expressed doubts as regards their viability as a mechanism for making public enterprises accountable. Even in Britain, where the Morrisonian corporation originated, most such questions are usually dodged by ministers (for a detailed study, see Drake 1970: 41). Daintith (1970: 68) blames the failure of the question mechanism on the traditionally blurred nature of ministerial powers as regards their role in public enterprise management. In the case of the Indian Parliament, which has been put

forward by Ramanadhan (1984) and Narain (1980) as a success story, Mallya (a long-time official of the Lower House in India) has categorized parliamentary questions as merely 'spot checks on performance' which neither increase parliamentary control of public enterprise nor make them more accountable to the public (Mallya 1971: 131-2).

The utility of parliamentary questions is limited by the general factors discussed in Chapter Four, which affect parliamentary input in all areas. In addition, specific factors tend to constrain parliamentary questions and debates. These are mainly rules about the admissibility of questions, the psychological outlook of the Members of Parliament and their ability to use the debates and questions to assert their influence on policy.

Procedural Barriers to Effective Questioning

Most parliamentary rules of procedure have been inherited from the colonial Legislative Council; some have been copied from the British and Indian Parliaments. Those rules based on a multi-party system may not reflect the spirit of a one-party system, with its inherent presumptions of unity and uniformity of approach. Admissible questions must be brief, genuine, and within the respondent's area of responsibility; they may not be made a pretext for debate, refer to persons or officials not present, nor relate to official secrets.

The first rule that affects the utility of questions is thus Rule 35, which governs admissibility. For a question put to a minister to be admissible, it must be related to public affairs with which such a minister is officially connected and which are directly relevant to the proceedings in the house or to some matter of administration for which the minister is responsible. Secondly, the question should be genuinely interrogative, seeking information or pressing for action. Thirdly, questions should not be made a pretext for debate.

Rule 37(1) of the standing orders bars leading questions. It requires that for a question to be admissible it should not be framed in such a manner as to suggest its own answer or convey a particular point of view. Subsections (2) and (3) of the same rule further require that questions should not contain arguments, inferences, opinions, implications or controversial, ironical or offensive expressions or epithets. Breach of these regulations exonerates Parliament from liability for misrepresentations and places the liability on the maker of the statement. This in actual fact creates a technical limit on the maker of the statement because despite parliamentary privileges an MP can be charged with libel if a question is so

phrased. Parliamentary privileges indemnify members against the public, but the rule does not apply to the members among themselves.

A third set of rules excludes questions which refer directly or by necessary inference to other persons or officials related to the minister officially or personally, who at the time of the question are not officially present in Parliament (Rule 37(10)). The same rule requires that no question asked should relate to any matters which are by their nature officially secret. In order for a minister to be asked a question about a person not officially present in the house, the minister has to be notified in advance and the speaker has to give prior notice of the intention to ask such a question. If the procedure is violated the minister has a right not to answer and the question cannot be recorded (Rule 39(11)).

The fourth set of rules relevant to the admissibility of questions seeks to limit the length of questions. Rule 37(1) requires that a question should not be framed in such a way that it amounts to a speech. The Speaker of the House determines what amounts to a speech. In order to comply with this rule, questions must be very brief.

All these rules contribute substantially in reducing the importance of the question mechanism in influencing policy. Similar rules apply in all former British colonies; studies exist of Kenya (*Parliamentarian* 1969: 243-8), Uganda (Ochuro 1970: 149) and Sierra Leone (Davies 1976: 67-8) to mention a few. In effect, the former colonies have transplanted rules governing the admission of evidence in criminal and civil procedure to the parliamentary process, and although findings in East Africa tend to show that ministers are usually ready to answer questions which do not comply with the rules, they free ministers from answering certain questions if they think it is politically expedient not to do so. Within the Morrisonian model of public enterprise they also help to strengthen the myth that ministers are not involved in the day-to-day operations of enterprises. In systems like that of Tanzania, where administrative discretion is relied upon more than rules, they provide the government additional leeway in responding to Parliament and in disclosing information.

In the Westminster tradition, parliamentary processes are calculated to prevent members of the opposition from taking undue advantage over the party in power by imputing the weaknesses of autonomous government agencies to government itself (Jennings 1961: 103; Michaelides 1979: 69; Newman 1978: 64), the general sense being that where the scope of questions is unlimited, they can be used as indicators of statutory and extra-statutory relationships between ministers and government agencies (Giddings 1975: 391). In one-party and non-party systems, the argument of undue advantage has no legal or logical basis. Furthermore, where le-

vels of literacy are limited and there is a general lack of administrative skills and supportive advisory services, adherence to such rules can only be understood in terms of general disregard for Parliament's potential contributions to policy or in terms of the government's administrative unpreparedness for influence from Parliament. Supplementing this shortcoming is the lack of legal protection for parliamentary privileges. This is discussed in the next section.

Parliamentary Privileges and Access to Government Documents

As noted in the rules of procedure, Rule 37 makes inadmissible any question requiring disclosure of information which is by its nature officially secret. The National Security Act of 1970 makes it an offence for any public servant to disclose any information which may be prejudicial to national security interests. In this Act there is no distinction between public information and official secrets. The determination of what is likely to endanger national security interests depends on the subjective opinion of the official being required to disclose the information. Parliament is not exempted from this statutory limitation on the disclosure of information to the public.

Tanzania is not the only country in which laws preventing disclosure of information to the public define 'public' to include national legislatures. In the United States, for example, Congressional Committees fail from time to time to gain access to information held by federal agencies. In some cases, federal (and even non-federal) agencies have successfully used court injunctions to bar Congress from obtaining information on their activities, on the grounds of protecting national security interests (Rosenthal and Grossman 1977-78: 75-118). Courts have expressed their dissatisfaction with such rules but have failed to intervene because Congress, which is the law-maker, has itself failed to change the rules. In the US, laws exist to define the limits to which government or its agencies can block access to information. In Tanzania, the National Security Act is the only relevant piece of legislation, and as long as this Act leaves so much room for administrative subjectivity, government will choose the information it finds suitable for disclosure to the public through Parliament.

Another area deserving attention is the personal security of MPs, who are inadequately protected from legal action for statements they make in the legislature concerning government officials or fellow MPs. Section 100(1) of the present Constitution contains a clause which states that the freedom of speech for the Members of Parliament shall not be ques-

tioned by any institution. Section 100(2) states that MPs shall not be liable for civil action arising from what they say in the National Assembly. These are the main provisions which govern parliamentary privileges. Section 101 empowers Parliament to pass any other law defining its privileges, but such a law is yet to be passed. In the meantime, MPs are not indemnified against arrest or prosecution for speech or activities outside the Assembly, and there are no rules governing the rights of MPs or parliamentary committees in the performance of their legislative function. Such rights would include, for example, the right of access to public documents without undue delay, and the right of the Speaker to summon any public officer to appear and make presentations or give testimony before Parliament itself or its committees.

There are currently no provisions in any law that protect the proceedings of any committee of Parliament from government or private interference. Even the right of an MP not to be arrested within the Assembly or its precincts is assumed from common law tradition rather than protected under the Constitution. History reminds us that sovereigns such as Charles I, Napoleon I and Idi Amin managed, in the absence of legal constraints, to arrest legislators within the confines of the Assembly (Thorne 1974: 163-5). Of course, laws cannot prevent a dictator from assaulting Parliament, but they *can* prevent a government from exercising what in the absence of a state of emergency would amount to an abuse of its power over MPs.

One cause of the failure of the parliamentary committee on public enterprise, to be examined in Chapter Six, is that enterprise officials refused to appear before the committee. Such committees, and Parliament generally, are powerless to compel governmental and enterprise officials to appear before them, a pattern very much of a piece with the general constraints on the ability of Parliament to summon public officials and compel their testimony.

The Tanzanian Parliament lacks the power to impose penalties on those who exhibit contempt of its proceedings. Although in some countries only courts possess such power, the idea being that Parliament should not perform judicial functions (Pettifer 1969: 288-97), in other countries it has been deemed proper that Parliament adjudicates, through its own bar, disputes arising between its members and those involving breach of privilege by outsiders (Pelletier 1973: 143-52; *Parliamentarian* 1973: 132-4). The Tanzanian Parliament can summon public officials to appear before its committees, but cannot impose penalties for non-cooperation or contempt or breach of parliamentary privileges.

Finally, if Members of Parliament are to feel secure in their perfor-

mance of parliamentary duties, they must be legally protected from the fear of removal from Parliament during their term. The practice of removing members before Parliament is dissolved if they appear to oppose government policy puts them in an untenable position: they must be very careful about what they say and how they say it. It would be in the general interest of democracy and national development to pass and enact a law assuring MPs that while they continue to perform their representative role, they can be disqualified only by the electorate.

Administrative Short-Cuts and the Legislative Process

The government uses several effective administrative short-cuts to avoid Parliament's lengthy procedures and the attendant uncertainties. Such short-cuts are normally invoked on potentially controversial issues or when neglect or failure to act in time has eroded the time available for action and consultation. The main short-cut for potentially controversial issues is the use of the party forum. In 1971 the government decided to build a new capital city in Dodoma and to move from Dar es Salaam. Given Dodoma's climate and the resources that might be required by the project, it was clear that Parliament would oppose the move. In order to forestall controversy, the government presented the proposal to the party. The party, eager to operate in a new city based in one of the most disadvantaged regions, blessed the proposal and gave the government the go-ahead. In the implementation of the party decision the government passed a presidential decree forming the Capital Development Authority. Parliament never had the opportunity to discuss the decision to move. Similar short-cuts have been taken on issues which were considered to be highly political, such as the 1969 villagization programme, which was blessed by the party and implemented by presidential directive (No. 1 of 1969); the introduction of participatory management in all public enterprises in 1970, also blessed by the party was introduced by presidential directive (No. 1 of 1970); and the abolition of agricultural producer cooperatives in 1975, which not only destabilized the marketing system but also overburdened the existing marketing boards by giving them extra responsibility without extra resources. These directives all created new enterprises or new production relations or involved the deployment of immense financial resources, and Parliament, which is supposed to hold the national purse, was not consulted.

The second administrative short-cut is the use of presidential power under the Public Corporation Act 1969 (Act 17 of 1969) to form new corporations without consulting Parliament. This generally occurs *after* Par-

liament's budget sessions. As noted in Chapter Three, the right to decide whether a corporation will be defined and formed by Acts of Parliament or by presidential decree rests with the President. Between 1970 and 1979, 60 per cent of the corporations formed were created by presidential orders. Most of these were to engage in agriculture and research and development activities. Several seem to have been initiated by their parent ministries in order to utilize international aid available for agriculture and research. Some, especially in the area of research, while formed to utilize project funds, became dependent on (virtually unavailable) government funding when the international projects ended. Of the few public enterprises formed by presidential decree in this period that catered for marketing demands, most were based on temporary trends. Most of the latter marketed agricultural products. A temporary boom in the prices of hides and skins, for example, led to the formation of the Skin and Hide Marketing Corporation in 1969. Similarly a party decision in 1970 that government should encourage the destocking of cattle-grazing areas to reduce soil erosion and improve the incomes of the livestock farmers led to the formation of the Tanzania Livestock Marketing Corporation, alongside an already existing Livestock Development Corporation. When the price of hides fell on the world market and the cattle population stabilized in cattle-grazing areas, these enterprises became liabilities.

Some corporations formed by presidential decree were motivated by political control objectives. Ministries have at times apparently established enterprises in order to generate jobs — as safety valves, for the recruitment of faithful auxiliaries in management or as a dumping ground for uncooperative associates. Another motive may have been to expand financial powers and, given the financial autonomy of public enterprises, to increase discretionary powers in financial decision-making. Most of the enterprises that could be viewed in this way have been formed in the areas of training, where institutes enjoy some contractual and other powers.

The third administrative short-cut is the use of certificates of urgency in Parliament to take parliamentary bills through the legislative process quickly. In 1969 the Election Bill, the African Chiefs Bill, the Education Bill and the Metric System Bill were passed through Parliament very quickly because of this mechanism. The Election Bill carried with it many changes. It altered the national and local electoral constituencies and repealed other Acts, such as the Presidential Election Act of 1962 and the Local Government Election Act of 1962. It also altered the system for supervising elections by reducing the role of the speaker of Parliament and increasing that of the Clerk of the National Assembly. The bill passed

barely six months prior to the 1970 elections. The African Chiefs Bill abolished the traditional structure of leadership and made illegal any claims to traditional authority. A sizeable group of MPs were tribal chiefs and a debate would have given them opportunity to air their views. The Education Bill established the concept of national education and put several limitations on the rights of private groups to run educational institutions. All these changes affected the development processes in the whole country and altered the power structure of most communities. To avoid the controversies which open debate would have revealed, the bills were pushed through the Assembly using certificates of urgency.

A certificate of urgency was used for the first time in relation to public enterprises in 1971, when the Pyrethrum Board Bill was passed. The bill repealed the Pyrethrum Ordinance of 1932 and took back the right to market pyrethrum from the existing Pyrethrum Board, which was seen as dominated by private capitalist farmers, and vested it in the cooperative movement. The Board was reorganized and nationalized. Parliament was not given the opportunity to discuss the bill, perhaps because government felt that private large-scale farmers had too much parliamentary support. The government ignored the fact that pyrethrum farming was the exclusive domain of wealthy farmers, who controlled the knowledge about farming techniques and marketing channels. The markets were very well protected and organized on kinship and other lines. The new board formed after 1971 lacked the necessary links with the producers or their markets. pyrethrum production sharply declined and at the end of 1979, after only eight years, the new board had an overdraft of 1.3 billion shillings.

Certificates of urgency also were used to pass the Tanganyika Coffee Curing Company Acquisition Act 1971, in the *ex post* reorganization of the National Milling Corporation in 1975, and in 1977, when regional transport companies were being formed (see Appendix 5). In the case of the coffee curing company shares, the aim was to acquire control over the marketing of processed coffee abroad. In the case of the national milling corporation, a certificate of urgency was used to forestall parliamentary opposition, because most MPs were opposed to the abolition of the cooperative movement which preceded the reorganization of the corporation, and because the unstated fear behind the reorganization was that the old cooperative movement was being used as a parallel base for politicians apart from the ruling party. The transport corporations were formed without debate because similar corporations formed in 1969 as regional transport cooperatives had failed and while this was still too fresh in the minds of MPs for them to accept such a venture, government-

based politicians wanted regional transport companies for administrative and political ends such as the transfer of crops on credit, access to inaccessible areas, and the offering of services on commercially unviable routes.

Certificates of urgency and other administrative short-cuts or detours have been used effectively by government-based politicians to short-circuit parliamentary processes without violating constitutional principles. Together with procedural barriers and the lack of parliamentary privileges, such strategies have contributed to the organizational and organic weaknesses of Parliament, reducing its strength as an alternative mechanism for counter-balancing non-market controls backed and dominated by government and its agencies.

These organic, organizational and procedural barriers to parliamentary efficacy are all system-specific and little affected by the personal or collective capabilities of Members of Parliament. Instead, they contribute to shaping the behaviour of the individual members, limiting their capacity to develop and articulate a conscious position that would enable them to use their power to revise the country's democratic structures.

The Subjective Consciousness of MPs

In this section, the 'subjective consciousness' of MPs exclusively refers to their individual and collective perception of their role in policy formulation. The previous chapter mapped out the factors at constituency, regional and national levels which combine to destroy the individual and collective self-confidence of MPs: both the factors that create their powerlessness and those that tend to reinforce it. For the last quarter-century, political opposition in Tanzania has both been unlawful and, when organized, punished. The majority of Tanzania's leaders were trained either within the colonial system, which was authoritarian and oppressive, or during the post-independence period, when opposition was also actively discouraged. Most political leaders have learned to respect hierarchy and authority, and Members of Parliament are no exception. In the performance of their representative function, they have been and remain aware of their limitations. They have developed an approach which leaves no doubt that they accept the authority of the government over them, and in dealing with it they have tried as much as possible to avoid confrontation.

Attempts to avoid confrontation have led Parliament into a facilitating role in discussing government policy or bills. This has been demonstrated on several occasions. In 1970, the University of Dar es Salaam Bill was

tabled in Parliament. It sought to establish the first university in Tanzania. Its very strongly-worded preamble stated the need to establish a university that would serve the people of Tanzania and accelerate socialist development. Its provisions, however, reproduced the structures of universities in capitalist countries, with faculties and faculty boards which would absolutely and exclusively determine curricula, with a senate and a university council dominated by academics and bureaucrats as the top policy-making organs. How these institutions would receive the necessary input to enable them to serve the masses was unclear. The debate simply took for granted that socialist objectives and the proposed structures were compatible. MPs called for the immediate formation of faculties of engineering and agriculture to accelerate socialism and socialist education, which the majority seem to have assumed would flow naturally from the passing of the bill. There are numerous similar examples.

On 25 January 1971, the Minister for Industries announced in Parliament that the government had decided to nationalize 100 per cent of the Bata Shoes Company. He said this would enhance socialism in Tanzania. Members applauded him and no questions were asked. However, at that time shoemaking technical skills were unavailable domestically; shoemaking technology was the domain of foreigners. Nationalizing the industry necessitated research into the mechanisms that would be used to acquire those skills. But no MP wanted to be seen to be attempting to stand in the way of government. Bora Shoe Company, which was formed from this nationalization, never acquired the necessary technology. Its serious operational problems became apparent in 1975, and by the end of 1985 it was virtually bankrupt.

Similarly, on 25 October 1977, the government tabled the Tanzania Post and Telecommunications Bill, which responded to the collapse of the East African (Economic) Community in 1975 by converting the then Tanzanian branch of the East African Posts and Telecommunications into a fully-fledged corporation. This measure came at a time when Tanzania was beginning to feel the impact of the oil crisis and the global economic depression. However, the administrative structures which were recommended for the corporation did not reflect the prevailing economic situation. Similarly the job and salary structure of the East African corporation was difficult for the new corporation to sustain, given the resource constraints facing Tanzania at that time. While introducing the bill, the Minister for Transport and Communications called upon MPs to advise the government on how to run this and other corporations about to be formed, such as Air Tanzania, Tanzanian Railways Corporation and Tanzania Harbours Authority. The members endorsed the bill without raising

any substantial issues. The transport bills mentioned earlier were handled in the same manner.

When government comes to the Assembly for advice, the contours of uncritical acceptance of policy recommendations can be drawn very sharply. For example, on 18 July 1975 the President of Tanzania addressed the Assembly on self-reliance, explaining poor economic performance as primarily caused by bad weather, inflation, a fall in the prices of agricultural produce on the international market and the rise in prices of imports. He also explained how these difficulties were reducing the capability of the nation to become self-reliant. After his speech, he invited MPs to contribute ideas on how to organize the economy and enhance self-reliance (*The Parliamentarian* 1975: 262). During the same year, the government by unilateral decision had abolished the old marketing structure based on traditional cooperatives. This had caused obvious hardships to the population and there was an obvious threat that the reorganization would cause a food crisis. Members neither raised questions nor tried to offer advice on policy. Instead, one after another, they arose to congratulate the President on his speech and the government on its policies. They knew that Parliament was going to be dissolved and fresh elections held in that year, and it is more than likely that no one wished to antagonize the President by questioning or contradicting his analysis or policies, since this could carry with it some probability of jeopardizing re-nomination.

Failure to debate policy has not been confined to sessions including presidential speeches and directives. Even ministers do not receive many contributions on their policies from members. In 1974 for example, the Minister of Finance stated in Parliament that the government was going to set up eleven development funds, totalling 210 million Tanzanian shillings, to help public enterprises engaged in production and training. Members asked nothing about the source of these funds, nor the manner in which they would be transferred, for example as loans subventions or subsidies (*The Parliamentarian* 1974: 287). In fact, as I will document later in this book, these funds have constituted the main escape route from parliamentary budget procedures. On some occasions, parliamentary failure to comment was due to lack of information. On others, information was available, but the contribution of the members was calculated to ingratiate them to the ministers or to enhance a minister's popularity. On 18 January 1977 for example, a member asked the Minister of Transport and Works whether the government had a plan to build a drydock on Lake Victoria. The member knew such a dock had been acquired by the government from Belgium, as had been promised in the budget speech

the previous year, but asked the question in order to give an opportunity to the Minister to show that his ministry was successfully implementing its projects and also that he was caring for regions outside his constituency. Similar examples abound in Tanzania's past parliamentary debates, which tend to show that more often than not members conceive their role as supplementary to that of government in the formulation of policy on key issues.

What the general trends show is that the consciousness of most of MPs remains at a very elementary and fragmented level; most of the questions raised in Parliament between 1970 and 1980, for example, reflect individual rather than group goals. The central cause for this apparently relates to the lack of an organizational framework within which members can act as a group without fear of reprisals against them as individuals. The lack of a group consciousness is also reflected in the way in which most have tended to concentrate on constituency issues, attaching less importance to national affairs.

Constituency Consciousness of National Goals

When faced with constituency demands and given the competition created by other constituency demand channels discussed earlier, Members of Parliament have shown an inability to make effective demands on government or to suggest concrete ways to solve constituency problems. In some cases, parliamentary questions have aimed only at exposing the plight of the masses, without any demand for a governmental commitment to provide solutions. Given the evidence, it would be plausible to suggest that MPs raised such issues in order to let their constituents know that they were aware of their problems. It also appears that many MPs assumed that once concerns were raised, government would inevitably find ways to solve them. For example, on 25 January 1972 an MP asked whether the Minister of Communications was aware that the post office in Shinyanga town was congested. The minister answered in the affirmative and used the opportunity to tell the member that it was not only the post office in Shinyanga which was congested. The member did not suggest what should be done or demand to know what the minister's plans were for alleviating the problems in Shinyanga or elsewhere.

A similar question was asked on 17 June 1974 by an MP who wanted to know when a factory was going to be built in his constituency. The question did not specify what type of factory was suitable for the constituency, nor why his constituency deserved priority. The minister answered merely that there were no such plans (*The Parliamentarian*

1974: 186). Such a question reflected only the MP's anxiety to show his constituents that he was trying to obtain a factory for them. It could not have led to any positive action because it never amounted to a proposal. At most it showed some element of individualism or geographical parochialism. Similarly, in 1974 the Minister of Agriculture suggested that a pyrethrum extracting factory would be built at John's Corner in Iringa region. Another MP from the same region demanded that it be built in his own constituency at Makambaku and alleged John's Corner was being chosen because it was located in the Minister's constituency (*Hansard* 1974: 344). While this was true, the MP offered no evidence that Makambaku would have been a more feasible location than John's Corner.

In concentrating on their constituencies, most members make no attempt to develop logical, economic arguments for their claims or demands. Generally, they simply concentrate on the bargaining process, attempting to direct a trickle of benefits towards their constituencies irrespective of the economic considerations involved. Generally, as said earlier, members know the answers to the questions they raise in the Assembly, and raise concerns primarily for purposes of publicity in their constituencies. For example, on 17 June 1974 a member asked if textiles were being equally distributed to all regions. Everyone in the country knew the answer, but the Minister, in the absence of any evidence to the contrary, answered in the affirmative (*The Parliamentarian* 1974: 286-7). Earlier in 1972 another member, who had promised his constituency a market for its millet, asked the Minister of Agriculture if the milling corporation was going to construct a factory to process millet meal. Everyone knew the market for such a staple was severely limited. The Minister answered in the affirmative because, not having been required to be specific about the time, he could not rule out the possibility (*The Parliamentarian* 1972: 242).

Table 5.1, at the end of this chapter, lists thirty-eight questions MPs raised in the Assembly on public enterprises. This represents the sum of all parliamentary questions on public enterprises. They have been numbered and the concerns raised in each are summarized, as are the answers given, and comments on their potential to influence policy. As a group, they reflect a set of problems characterizing the major handicaps of the MPs:

- (a) Most questions lack a sense of direction and clarity of objective. While most sought to provoke the government to comment on certain policy issues, they do not seem to have aimed at eliciting policy commitments. Questions 4, 5, 9, 10, 11, 12, 17, 22, 26, 28, 29 and 32

(31.57 per cent of the questions asked) have no clear objective and a very low potential for influencing policy.

- (b) Few questions were preceded by inquiry or research; they lacked background information. They were raised on important public enterprise policy issues such as pricing policy, interest rates, project implementation, production capacity utilization, etc., but were unsubstantiated by background data. Hence they were inherently incapable of influencing changes in public enterprise policy. Such questions (numbers 1, 13, 15, 23 and 36) together amount to 15.78 per cent of the total questions on public enterprises.
- (c) Some of these questions reflect a degree of ignorance of the law and of government policy and activities. Questions 3 and 20, for example, were meant to extract information on the possible commencement of operation of certain public bus routes, although it was common knowledge that these routes were already in operation. In a way, this question betrays both the lack of contact between some members and their constituencies and a lack of basic knowledge about the service structures in their districts. Another question in this category is question 7, which sought information on whether a commission established to study the National Development Corporation and the State Trading Corporation had submitted its report. This report had not only been submitted, but was available in all major libraries and each MP had received a copy. Similarly, question 33, which asks why multiple directorships are allowed in public enterprises, reflected ignorance of the fact that the Prime Minister had issued a directive outlawing the practice, and that the government had issued a notice to this effect.
- (d) Some Members of Parliament are unaware of existing rules, contained in either government orders or Acts of Parliament, which apply to public enterprises. Question 21, on why the British-American Tobacco Company or BAT (which was not a public enterprise) was not under the Tobacco Authority 'as required by law' was not only erroneous in fact because BAT was not public, but also misrepresented the law governing the Tobacco Authority, which did not require BAT's adherence to it. Similarly, question 34 about why the Usafiri Dar es Salaam was not serving other regions outside Dar es Salaam, reflected unawareness that the articles of this company con-

fine its services to the city. (For a summary of the value of goods that was handled by the Tobacco Authority, see Appendix 5.)

- (e) Few MPs know the procedure governing questions; they therefore expect ministers to answer any question asked, with all the hoped-for details. Question 8, for example, asked which 'equipment' locally available in the country was being imported by MWATEX. The member wanted to use the question to criticize the import of 'inputs' other than equipment. The minister answered that none of the equipment being imported was domestically available, which was true. A similar problem arises in the question meant to criticize the requirement of security for loans and the resultant discrimination in loan allocation (Question 31). The member simply asked when and if the rules were going to be changed, without showing why they should be changed. He was told they were not going to be changed.
- (f) Finally, most questions were framed too indirectly, possibly reflecting a lack of confidence. Because they sought to communicate by implication, it was possible for ministers to frame answers in such a way that little was revealed. Directness and sharpness are lacking because MPs lack background information and hard evidence, because they have no secure way to oppose government policy openly, and because these two factors give credence to the idea that ultimate power and the legitimate right to make or change policy lay with the government.

At times, however, Parliament *has* succeeded in giving government some food for thought; in limited ways, individual parliamentarians have managed to influence policy.

Private Member Motions and Parliamentary Influence

The most effective mechanism which has so far been used in Tanzania's Parliament is that of private member motions. On several occasions these have been deployed with unexpected efficacy. In July 1968, for example, the government announced a plan to pay a gratuity to ministers and administrative civil servants. One Member of Parliament tabled a private motion opposing this, and was immediately seconded by sixty-seven other members. The plan was immediately withdrawn, and five years later the same Parliament passed an Act providing for pension to senior civil servants and political leaders.

The government withdrew its proposal in 1968 at least in part because Parliament had more bargaining strength. In 1967 the party, through the government, had nationalized houses belonging to many local leaders, thereby depriving them of their traditional source of long-term security. It would have been by any standard dishonest for the same party and government to provide for their *own* social security at taxpayer expense. Secondly, the same government had passed the famous leadership code, prohibiting all public employees earning TShs. 1060 and above from engaging in any activities aimed at generating supplementary income. The effect of the code was to destroy the basis of social security for most public employees. Government officials were therefore in no position to put forward a policy which provided them exceptional protection after retirement.

The third factor apart from the timing of the motion was that the member who tabled it used the official ideology to oppose the government plan. The official ideology was based on populist appeals to the cause of the masses. The member argued that it would defeat the goal of socialism and frustrate the masses if top leaders reward themselves with substantial amounts of money, scooped from public coffers as compensation for a leadership role which they had always claimed was based on commitment and sacrifice. Logically, the success of this motion showed that while most members were eager not to challenge the government, they were ready to assert the supremacy of Parliament and wished to elicit government recognition. It also showed that for Parliament to act as a united body, there has to be leadership within it. Hence, once one of the members risks playing a leading role, members will use the opportunity to express their views more freely.

Between 1970 and 1985, only two private member motions were related to public enterprises. The first, tabled on 31 July 1972, proposed the formation of a select committee to inquire into the cause of food shortages. The member tabling the motion argued that most foodstuffs were neither being marketed by producers nor purchased by public enterprises, but were being smuggled out of the country. He argued that those involved in the smuggling were outright saboteurs of government policy. The motion was carried and a select committee formed, but since no one expected the committee to end the shortages, it foundered without recommending any new policies. The motion was carried without government opposition because the member tabling it clearly was not questioning the food marketing policy and employed the official explanation for the shortages, namely that they were being perpetuated by enemies of government policy.

The second motion of relevance to public enterprise policy, tabled in July 1981, was provoked by revelations in the press that several tons of sugar had been destroyed through negligence and poor storage and that several more tons had disappeared on their way from Dar es Salaam to a certain distribution centre. While these reports were still fresh in the minds of the people, the government raised the price of sugar by almost 25 per cent. The government argued that this rise was necessary because of increases in the overhead costs of the Sugar Development Corporation. Members of Parliament took advantage of the press reports to question the government on its pricing policy. The motion proposed forming a select committee to investigate the government's claim that the rise was prompted by increased overhead costs.

When the motion was tabled in Parliament it was unanimously seconded by all sections of the house. Two national (indirectly elected) members condemned the Ministry of Agriculture for making consumers subsidize the inefficiency of its corporations. Another member went on to testify that during the shortage, the Sugar Development Corporation had been surcharged US\$ 100,000 for delay in collecting imported sugar from the port facilities. The same member stated that about 252 tons of sugar had disappeared while in the hands of the corporation's officials and that the ministry had taken no action. The minister in charge of the corporation, confronted with this information, offered an arrogantly-worded explanation which isolated him from his fellow front-benchers, one of whom had strongly supported the motion during the discussion. A select committee was formed and the minister was fired within a few months, but the price of sugar was reduced by only a few cents. Government opposition to a price roll-back — which would have affected government revenue and its capacity to meet some of its goals — was the prime cause of the committee's difficulties.

One of the many reasons why the motion had some impact on policy was the fact that the issue united government officials, national members and constituency members. Secondly, government could not protect itself easily against overwhelming evidence of negligence, corruption and incompetence in the handling of sugar (see Appendix 1). Thirdly, the members who contributed to the debate possessed irrefutable evidence based on researched information. But, most importantly, there was leadership. Although they can be no more than an occasional feature of parliamentary activity, private members' motions seem potentially the most effective parliamentary mechanism for policy control. They break the barriers of procedure and provide members with an opportunity to develop common goals.

In short, parliamentary questions and debates have not been very effective mechanisms for controlling policy. They are too susceptible to the Parliament's legalistic procedures, and tend to serve narrowly-conceived constituency issues rather than the development of parliamentary consciousness. If the Morrisonian model, which advocates accountability through such mechanisms is to succeed, parliamentary procedures must be adjusted to promote such consciousness.

Table 5.1: Summary of Questions Asked and Answers Given on Public Enterprises Between 1970-79

No.	Session and Year	Q. No. & Hansard Page	Summary Of Question	Summary Of Answer	Comments
1.	March 1970	Q. 121 at page 690	Was it true TANITA was run by Italian managers with business in Mozambique and South Africa?	Management is Italian, but unconnected with South Africa.	Member had no data to back his allegation.
2.	June 1970	Q. 164 at page 724	What benefits do peasants get from STC-reduced prices on hoes, matches and kerosene?	Benefits do not only arise from price reduction; surpluses contribute to general development.	The issue of price rises could not be properly tackled by such a question.
3.	April 1971	Q. 59 at page 235	When will NTC commence operations?	1 April 1970, one year ago.	MP was unaware.
4.	April 1971	Q. 279 at page 235	How much has NDCA given in loans?	TShs. 119,905,514.	The question could have been to whom, not only how much.
5.	April 1971	Q. 311 at page 256	What has been the cost of running the Coffee Board?	TShs. 34,866,880 between 1968 and 1970.	Without a breakdown of costs, this provides little data for analysis.
6.	January 1972	Q. 29 at page 12	Which NDC subsidiaries have local managers?	Answered in previous session.	The question had not been answered in previous session.
7.	January 1972	Q. 41 at page 88	Were NDC and STC being decentralized?	Yes. Process continuing.	This was common knowledge.
8.	January 1972	Q. 42 at page 88	Was MWATEX importing equipment that could be locally obtained?	No, it was not.	Member had 'inputs' rather than equipment in mind.

No.	Session and Year	Q. No. & Hansard Page	Summary Of Question	Summary Of Answer	Comments
9.	April 1972	Q. 4 at page 5	Were public textile firms producing more 'vitenge' than 'khanga' fabrics?	No; it is the other way around (figures given).	Immediate importance of question doubtful.
10.	April 1972	Q. 12 at page 3	How many villages received TRDB loans?	32 villages, TShs. 7,163,516 (TShs. 22,864 in 1972)	No issue raised by the question.
11.	April 1972	Q. 383 at page 385	How was Tobacco Processing Co. operating?	Losses of TShs. 1,910,469 (1968-70).	No issue raised.
12.	April 1972	Q. 782 at page 682	When would NATEX open branches in the regions?	No plans.	No issues raised.
13.	June-July 1972	Q. 50 at page 867	How was government going to protect Development Corporations from being squeezed out of livestock business by private traders?	Still considering the issue.	No follow-up. Development Corporations finally squeezed out of the meat business.
14.	June-July 1972	Q. 332 at page 1217	What steps were being taken to train pilots and establish a local airline after Kenya had begun training their own pilots?	Not true that Kenya was preparing to break away from East African Airways.	In 1975 Kenya broke away from EAA. Government should not have ignored this question.
15.	June-July 1972	Q. 351 at page 1259	When would the Mbeya Cement factory be constructed?	When estimates were ready.	Implicit request that construction begin soon was not acknowledged.
16.	June-July 1972	Q. 415 at page 1362	Why was the construction of East African Community Headquarters delayed?	Lack of funds. Only 10 per cent of total cost raised so far.	No disclosure that Kenya was delaying her contribution.
17.	June-July 1972	Q. 340 at page 1375	How many state farms were self-sufficient?	Five.	Self-sufficient not defined.
18.	Feb. 1973	Q. 5 at page 15	Why should NBC accounts remain tied to branches?	Convenience of banker.	Changed in 1980 on initiative of the bank.
19.	Feb. 1973	Q. 6 at page 18	Can Post Office maximum withdrawal sum be raised from TShs. 200?	Plans underway.	Raised in 1978 to TShs. 400

No.	Session and Year	Q. No. & Hansard Page	Summary Of Question	Summary Of Answer	Comments
20.	Feb. 1973	Q. 32 at page 12	Can NTC buses help Teeteeco in the South Regions?	NTC has regular service in the South.	Member, not a regular bus rider, was unaware of the existing services.
21.	Feb. 1973	Q. 145 at page 143	Why is BAT, contrary to law, not under the Tobacco Authority?	It is not required by the law to be under it.	Member unaware of the law.
22.	June 1973	Q. 12 at page 10	How many heads of cattle are bought by Tanganyika Packers at what price annually?	Figures supplied.	Objective of question or its contribution unclear.
23.	June 1973	Q. 3 at page 13	What were causes of power cuts at MWA-TEX?	Faulty generators.	Member had no data with which to dispute answer.
24.	June 1973	Q. 31 at page 37	Why does UFI manufacture insufficient bolts for its ploughs?	No capacity to do so.	Question was why this problem continues. Not answered.
25.	June 1973	Q. 29 at page 34	Why are tobacco processing centres away from tobacco growers?	Not quite true.	No data to back up question. Evasive answer.
26.	June 1973	Q. 45 at page 56	What are the production levels of Tanzania Distilleries Ltd.?	4,017 cartons monthly.	Member wished to raise issue of corruption in distribution.
27.	Sept. 1973	Q. 180 at page 628	Why should interest rates of state banks differ?	They serve different objectives.	Issue was that they differ even when objective. does not.
28.	Sept. 1973	Q. 196 at page 722	How many workers in textile enterprises? What are the production figures?	Figures supplied.	Objective was to compare the two. Member did not bring this out clearly.
29.	Sept. 1973	Q. 200 at page 724	What is the production capacity of beer in the industry?	Figures given.	Member wished to address shortages, but this did not come out clearly.
30.	Nov. 1973	Q. 14 at page 28	When will STAMICO allow individuals to survey for minerals?	No plan.	Objective was privatization of the function.

No.	Session and Year	Q. No. & Hansard Page	Summary Of Question	Summary Of Answer	Comments
31.	March 1974	Q. 13 at page 10	THB loans, given on the basis of title, exclude small landholders in Musoma; loans go to 'big shots'; when will regulations change?	No plans to change regulations.	Member gave no evidence of his allegations, and lost the argument.
32.	June 1974	Q. 7 at page 3	Why was NDC suffering a lot of losses?	Shortages, rises in prices in inputs, bad machines.	Member did not have his own conception of the problem.
33.	June 1974	Q. 41 at page 47	Why are people allowed multiple directorships in public enterprise boards?	Government has already made this unlawful.	Member displayed gross ignorance of government directives.
34.	March 1975	Q. 21 at page 34	When would UDA begin serving in the regions?	It is meant to serve Dar es Salaam only.	Member ignorant of the articles of UDA.
35.	June 1976	Q. 431 at page 2005	When would the Housing Bank open branches in the districts?	Plans underway.	Problem was not branches, but loans going to villages at all.
36.	June 1978	Q. 142 at page 627	Why were public banks giving bigger loans to individuals than parastatals?	Not true. 89 per cent of state banks had gone to public enterprises.	Member had no supporting data.
37.	June 1978	Q. 297 at page 1073	How many shops had BORA opened in villages?	None. It would be difficult.	Member knew no such shops existed in villages.
38.	June 1979	Q. 1 at page 108	(a) Why does CDA employ foreign firms when local firms can do the work? (b) Houses built by CDA at a cost of TShs. 6 million leak. What measures had been taken to recover damages from builders?	Not true. The cost was not TShs. 6 million.	Not adequately answered, but because CDA was a sensitive issue, Member did not pursue issue further.

6. Annual Reports and Financial Disclosure to Parliament

Periodic Mechanisms of Accountability

Questions, debates and motions are the continuous mechanisms through which governments are to be made accountable for their conduct and that of their agencies during sessions of Parliament. Annual reports are periodic mechanisms. The Morrisonian model of public enterprises puts considerable faith in continuous and periodic mechanisms which can provide information to Parliament on the activities of enterprises. Corporations are expected to prepare annual reports describing their activities and showing the extent to which they have attained their statutory objectives, and to table these through the ministries. Private companies also produce annual reports, which they present to both the Registrar of Companies (Cap 212: 109-112) and to their annual meetings. Cooperatives do the same; their annual reports to the Registrar of Cooperatives provide detailed accounts of their activities and transactions (Cooperative Societies Act 1982: 67-71).

The weakest of the three types is the public enterprise annual report. However, the main differences among the types stem from variations in the legal provisions governing accountability for public, private and cooperative institutions. Companies and cooperatives are required by their by-laws to disclose information on most financial and many non-financial matters. They therefore tend to provide a great deal of detail on a wide range of issues. Public enterprises are usually required only to present statements of financial accounts. Cooperatives and companies submit their annual reports to institutions which are empowered to take direct action against them. Public enterprises, on the other hand, reach Parliament indirectly, through the government, and Parliament has only a limited ability to react to the contents of the reports.

This chapter will discuss other factors which diminish the effectiveness of the annual reports as a disclosure mechanism, such as the legal aspects of financial disclosure through periodic reports, the procedural

limitations of disclosures to the parliamentary committee on parastatal organizations, and factors which discourage public enterprises from providing a full accounting of their activities to Parliament.

The Law Governing Financial Disclosure

The disclosure of finances, operations and activities generally is one of the most important mechanisms for attaining accountability in a commercial or service organization. In private sector companies, disclosure goes beyond financial operations. The Companies Ordinance (Cap 212 sections 109-111) requires annual returns to be made to the Registrar of Companies, stating, among other things, changes in membership, subscription for capital, actual levels of investment, increase or reduction of capital, transfer and transmission of shares and information relating to credit and securities. The company's Board of Directors must report at the annual meeting on the activities of the company and, in addition to the information it supplies to the government through annual returns, the Board must report on capital investments, the rates of return on equity and other investments, the value-added on investments, the state of loans and liabilities, liquidity, and in general develop a true picture of the company's operations.

These statutory requirements play a central role in providing government and the shareholders with appropriate criteria for measuring performance. While every enterprise, whether private or public, is affected by the performance of other enterprises, other sectors, and the economy in general, once one allows for this, the indicators provided in response to statutory requirements are a reasonable basis to assess private enterprise performance.

Of course, the objective of disclosures by managers of enterprises generally is to meet legal requirements, so the more detailed the statutory requirements, the more detailed the reporting will be. Public enterprises are not subjected to the same strict procedures of financial accountability. In most countries, public enterprises do not have general meetings, and their boards are not compelled to compile reports which would only be presented internally. In addition, unlike companies, they do not send annual returns to any specialized, centralized agency charged with monitoring their performance and able to make cross-sectoral or cross-enterprise comparisons of financial or other performance criteria. General meetings and annual reporting are very important to shareholders and the public, because they open enterprises to scrutiny. Public enterprises in many countries only report to their ministries, which are not

necessarily involved in performance evaluation. This relaxes the demand for rigorous reports. While there generally are statutes requiring annual reports, the laws governing these for public enterprises are not as demanding as those applying to the private sector. Rather than demanding accountability through the disclosure of financial and non-financial activities, they concentrate solely on accounts.

In Tanzania there are two main sources of laws governing the public enterprise accounts on which financial disclosure is based. The primary source is the various statutes which define the duties and obligations of these enterprises and require them to prepare and submit annual financial statements to the government. The second is the section of the Tanzania Audit Corporation Act of 1968 which governs audits and accounts. As instruments of financial disclosure, neither the 1968 Act nor the enabling statutes focus on the internal managerial and growth processes of the enterprises. They focus on outputs, for example accounts as projected in the balance sheet, rather than inputs. Hence, reporting on the processes that shape these outputs, such as organizational aspects, growth factors and various social and economic objectives, does not feature in these laws. Apart from an accounting of profits and losses, the law requires no account of capital structure, liquidity, rate of return on investments, investment criteria, control structures, and so on – exactly that information which shareholders in private enterprises use to understand the overall behaviour of their enterprises.

These laws thus fail to provide the necessary framework within which the public can adequately pressure management to disclose its activities in a systematic and detailed manner. As there are no uniform rules about what should be explained beyond the balance sheet, most enterprises confine their explanations to an annotation of the balance sheet – mere descriptions of the sums and figures in the accounts that offer little insight into whether objectives have been attained. Similarly, the lack of any statutory penalty for failure to submit accounts for auditing within three months of the close of the financial year, (Act 2 of 1981), means that most public enterprises are slow to submit accounts for auditing; most of the accounts submitted for audit relate to operations four to five years in the past, and therefore do not reflect a current or accurate picture of the accounts (Senkoro 1988: 12).

The 1973 act establishing the National Board of Accountants and Auditors (NBAA) requires accounting personnel in all public and private corporations to be holders of qualifications approved by the NBAA. The NBAA has defined the qualifications for all accounting posts and stipulated the ethics of accounting and auditing, but no law imposes a penalty

on corporations or corporation executives who employ unqualified accountants. Fifteen years after NBAA's formation, and despite its training of many accountants and auditors, numerous corporations continue to employ unqualified personnel; some have failed to abide by NBAA's code of professional ethics, for example by making internal auditing processes subject to the control of the accounting departments, and some have excessive turnover of personnel in their accounting departments. These factors have kept the quality of accounts and the level of accountability very low (Senkoro 1988: 13-15).

Accounting methods have also been affected by the law's emphasis on financial statements. Most enterprises prefer to use cash accounting methods, which concentrate on revenues and expenditure and rarely bother to focus on appropriation details. This is the usual governmental method of accounting and is well-suited to non-commercial enterprises. On the other hand, the accounting method best suited to commercial organizations, accrual accounting, goes beyond revenue and expenditure and is well-suited to financial disclosure about patterns of investments, rates of return on investments and equity, profitability, liquidity, solvency, value added on capital and numerous other indicators of economic performance. The accrual accounting method is unpopular because it tends to demand reporting on details of the inner aspects of operations which are not required of public enterprises under existing laws.

Another important factor arising from the laws governing accounts is that, unlike private sector enterprises, where accounts of subsidiaries must appear separately from those of holding corporations, public enterprises are subject to no such requirement. This has not only encouraged the partial reporting of the accounts of subsidiaries, but has promoted the decentralization of public enterprises, since less accountability is required of subsidiary corporations or decentralized operational units. These are now a very common feature of the organizational structure of many enterprises. Small workshops, maintenance units, dispensaries, training wings, and similar operational units are technically referred to as independent accounting units, and therefore can be used to generate revenues or to receive substantial sums from the parent enterprise which then need not appear in the main accounts. In Dar es Salaam, a random survey of a dozen or so corporations showed that each had at least three such units. Most were used to transfer resources to provide free services or perquisites to individual employees and some, especially those involved in catering and medical services, tend to exaggerate costs, since the items purchased are not price controlled.

The Tanzania Audit Corporation Act of 1968 established the Tanzania

Audit Corporation (TAC), empowering it to audit the accounts of public and other enterprises. TAC is required by law, in the case of public enterprises, to produce annually two types of reports to enterprises on their accounts: a short form audit report in which the TAC gives its opinion on the financial statements submitted to it by the corporations, including the extent to which they have complied with statutory requirements; and a management audit report, which deals with deficiencies in internal accounting and financial management and control. Copies of these reports are sent to the parent ministry and the treasury. In addition, the TAC reports semi-annually to its own board, outlining its planned activities and listing clients whose accounts are in arrears, clients who have received clean or qualified or adverse opinion audit reports, client losses and profits, and listing any causes for concern that have been uncovered by its auditing function. At the end of the year, the two semi-annual reports are combined to create an annual report which the TAC submits to Parliament through the Minister of Finance.

Although the 1968 Act calls upon the TAC to be very efficient in compiling reports to the corporations, its own board and Parliament, it does not empower the TAC to compel corporations to act with the same efficiency. This weakens the effectiveness of the TAC as a regulatory body. The law also fails to provide penalties for failing to register with the TAC, and while no corporation has challenged the TAC's legitimacy as sole auditor of its accounts, some have behaved as though registering with the TAC is optional. The number of public enterprises registered with the TAC as clients has fluctuated from year to year; prior to the 1980s it served fewer than 70 per cent of the country's public enterprises (Senkoro 1988: 20). Corporations which failed to present their accounts for audit over a long period of time ultimately found it safer to avoid auditing altogether. Between 1968 and 1988 a hard core of about 20 per cent of public enterprises (mainly small agricultural enterprises, district development corporations and joint venture companies with foreign equity holding) simply did not submit their accounts to the TAC. Realizing that a significant number of enterprises were not being audited and ultimately were failing to submit annual reports, on 13 April 1978 Parliament decided to form the Parastatal Organizations Committee to examine the accounts of parastatals on its behalf (see below).

The TAC has no statutory link with the boards of directors of their client enterprises. In the private sector, auditors are appointed by the general meeting and sit in board meetings to offer guidance on investment and other decisions. This gives them an opportunity to understand the basis of management decisions without being incorporated in the ma-

chinery of administration. The management seeks clarification on technical matters from auditors present at board meetings. When auditing accounts, the auditors perform a review function rather than a control function. The TAC, on the other hand, learns about the activities of enterprises from the financial statements and from separate meetings with corporate officials. Having had no contact with the enterprise prior to the audit, the auditor generally plays the role of a controller rather than a reviewer, and some of the faults the auditor uncovers turn out to be of a type that could have been minimized through continuous interaction between enterprises and auditors.

The laws governing the TAC also fail to spell out the privileges of the auditors during the auditing processes, although the Companies Ordinance (Section 134A) does this for private enterprises. In order for the TAC to perform its external auditing function adequately, it must be able to compel public enterprises to allow auditors access to all bookkeeping and other relevant documents and the right to examine and inspect buildings and projects. It is ironic that these privileges are very well protected in the case of private sector enterprise auditors, where defaults are heavily penalized. In practice, the TAC gives negative or qualified opinions when it has not had access to all relevant materials or documents. In the whole period between 1968 and 1988, clean accounts certificates have been given only to an average of 35 per cent of all public enterprises per year (*TAC Annual Reports 1969 – 1988*). It is always assumed that those receiving qualified or adverse opinions will be disciplined by their boards or ministers. But because both the boards and the ministries tend to figure in the enterprise's management problem, such reactions have not been forthcoming.

The line between the duties of the TAC as auditors and as agents of the public which funds the enterprises is also unclear. If parallels from the private sector can be drawn, a private sector auditor owes the company a duty to act carefully and diligently. As has been observed elsewhere, the auditor is not a detective or spy, and has no right or duty to approach the enterprise with caution or suspicion. The auditor is entitled to assume, even in openly corrupt society, that the persons managing the affairs of the enterprise are honest and committed to its goals and objectives and that they have tried to act in the best interest of the enterprise. Only when locating something which raises grounds for caution or suspicion does the auditor become bound by a duty to make every inquiry necessary to overcome anxiety or suspicion. If an auditor refuses to make inquiries in such circumstances and as a result causes the company to suffer loss, the auditor becomes liable to compensate the company for such loss. The judge-

ments handed down in *Kingston Mill Co. (1896)*, London and *General Bank (1895)*, and *In Re Allen Craig and Co. (1937)*, all old, English, authorities, provide sound guidance on the role of auditors in the private sector. Although principles of private law governing the performance of professional contracts can be enforced in cases involving public enterprises, they need statutory backing to be made more effective. However, the relationship between the TAC and its clientele resembles both that of a controlling agency of government *vis-à-vis* enterprises and that of two contracting parties. Notwithstanding the auditing fees paid, if the auditors are not involved on the board as technical advisers, anything contained in the auditors' reports will be geared towards strengthening the controlling function of the state and thus cannot be made a basis for legal action if it leads to financial or other loss. The 1968 TAC Act imposes no duty of care or liability on auditors.

Finally, while the laws governing accounts give the TAC the power to examine and report on the accounts of the enterprises, they are characterized by the informality inherent in the Morrisonian model. Assuming the best of intentions, the law provides no sanctions in the case of breach. The TAC has no judicial recourse when clients fail to submit accounts to it, nor when managements refuse to take action on their short form audit reports or management audit reports, nor when cited mistakes are repeated in subsequent accounts. The TAC is not even empowered to declare default or impose fines for delay. In short, there are no sanctions and no enforcement mechanisms. Systems which depend more on administrative than on legal sanctions usually assume that ministers, eager to see their enterprises run well, will remove inefficient elements. But, ministries may have no clear commitment to audits and the existence of clean accounts, in which case there is no guarantee that they will act in this manner, nor that they will impose sanctions for defaults or omissions.

Between 1969 and 1976, annual reports, as a mechanism for financial disclosure, were not producing the desired results. In 1976, the TAC pointed out most of the problems enumerated here, emphasizing the lack of a statutory limit on the period within which accounts can be laid before the National Assembly, the lack of a systematic way in which such reports could be handled by the National Assembly, and the fact that the status of companies in which government held over fifty per cent of the shares but which were registered under the Companies Ordinance, was not clear (TAC Annual Report 1976).

Disclosure to the Parastatal Organizations Committee (POC)

The National Assembly resolved to create the Parastatals Organizations Committee under Section 47(2) of the 1977 Constitution. POC was formed as a special committee to make detailed examinations of the accounts of parastatal organizations. Its formation reflected Parliament's eagerness to have a better understanding of the financial operations of these enterprises and the failure of the existing system, in which annual reports were expected to be tabled before the Assembly. The mere act of forming a special committee promised enhanced accountability, since the committee, if properly chosen, would be composed of experts experienced in public enterprise management, evaluation or research. Such a committee could use its experience and expertise to guide public enterprise policy development in Parliament. Secondly, properly equipped with information, technology and the necessary powers, such a committee could become the nucleus of public enterprise performance assessment, cooperating easily with specialized regulatory agencies and obtaining the background information Parliament would need to make sound and appropriate decisions on public investments.

Such a committee could also use audits and other, related reports to assess the liquidity, solvency and viability of public enterprises and to investigate potential improvements outside the politically charged questions and answers of Parliament. This would enable enterprises in general, and ailing ones in particular, to have an input into policies meant to rectify the situation.

These and other possible advantages, however, would be attainable only if the government and its agencies support the committee's right to obtain the necessary information and its ability to make a positive contribution. As David Stoddart has noted, such committees tend to be effective where they have easy access to information without government obstruction or intermediation and where they are able to use this information to deliver their message to government without any explicit or implicit limitations (*The Parliamentarian* 1981: 87). Similarly, for any such committee to remain dynamic and influential, it should be constituted in such a manner as to be answerable to and controlled by the Assembly without being institutionalized, bureaucratized or routinized. More often than not such committees quickly develop formalized, specialized bureaucratic hierarchies; members attach excessive importance to their role as a special committee, and the committee can become ritualistic and inaccessible. The general tendency to develop norms and

conventions then makes committee members more like civil servants than members of Parliament or the public. They become what Arthur Constant has referred to as 'oral civil servants' (*The Parliamentarian* 1981: 86).

Another possible threat to the efficacy of such a committee arises from the possible danger of incorporation. In most bureaucratic systems, democratic organs risk being lulled into alliances in which they end up as junior partners. In most multi-party and one-party systems, parliamentary committees are selected to represent party or factional interests. They therefore generally are coalition bodies, a factor crucial to their functioning. The struggle to operate as non-partisan coalitions may require the pretence of neutrality, which in turn dulls the perceptual and analytical capacity of the committee as a whole. As a result, they become less sharp, less effective, and less influential on policy (King 1976: 20). The unwillingness or inability to recognize explicitly factional interests within can make a committee inadvertent supporters of the dominant party or faction, and thus easy targets for government incorporation. Governments try to use committees as 'shock absorbers', testing parliamentary responses to policy, screening policy options and testing policy choices which are later presented to Parliament. Other forms of incorporation include using parliamentary committees as recruiting grounds for government frontbenchers. In non-opposition party systems this is relatively easy, because committee leaders whose committees help government resolve issues in the Assembly are later incorporated into the central or regional administration and this creates an incentive for cooperation between committee members and leaders. Unless the Assembly retains control over its committees, the committees as units of power and influence quickly gravitate to government, which not only controls the necessary resources but, in the case of Tanzania, also controls the parliamentary processes. However, whatever forces control such committees, it must be acknowledged that they have great potential for influencing policy.

The Tanzanian Parliament cannot help but bestow upon its committees its general weaknesses within the national power structure and as a sub-unit of the state. While the legal framework has determined the content of financial disclosures, the POC has failed to improve the quality of this content. First of all, it lacks executive powers to force corporations to submit accounts for audit. The POC was formed partly to resolve this problem, which was also central to the difficulties of the Tanzania Audit Corporation. But the parliamentary resolution that created the POC failed to fill the legal vacuum surrounding the duty to submit to inde-

pendent audit and failed to impose sanctions for default. What Parliament is entitled to do if its summons is refused is unclear.

The POC's inability to compel enterprise managers to appear or to present accounts for audit has since the committee's inception in 1979 allowed contempt of the committee — non-appearance and non-presentation of accounts — to continue as a serious problem. In 1980, for example, the POC notified the Cashewnut Authority (CATA) that it should appear and present accounts (7 July 1980) but neither CATA officials nor those of the parent ministry appeared. The POC was of course aware of its powerlessness; CATA was repeating the behaviour of the Kibaha Education Centre (23 and 28 January 1980), The Tanzania Coffee Authority (18 March 1980), Tanzania Tobacco Authority (8 March 1980) and the National Milling Corporation (20 and 24 April 1980). In its 1979-80 report (POC 1979-80: 3) it complained that:

Such a situation deprives the committee of the necessary help it requires from those ministries. We directed that notice be served on principal secretaries in those ministries that repetition of the same would not be tolerated in future.

As can be seen from Table 6.1, the failure or refusal of parastatal and ministerial officials to appear before the POC and to present accounts was to be tolerated for quite some time, with the same ministries and public enterprise officials refusing to cooperate.

In 1980, the POC asserted its power to punish culprits, but in the year that followed the number of defaulters increased; some defaults bordered on open defiance. The POC then softened its tone, its castigation of the defaulters becoming more plaintive than assertive:

Apart from the fact that such problems may breed misunderstandings in the performance of our tasks, they may aggravate the problems of the involved enterprises for lack of the necessary help from the ministries. (POC 1980-81: 19)

Thus, while in 1980 the POC was demanding that ministries should cooperate to avoid sanctions, by 1981 it was appealing to ministry officials to feel a moral obligation to cooperate in the interest of the enterprises involved. In fact, ministry officials failed to appear in order to cushion the enterprises themselves, which were refusing to cooperate. Between 1982 and 1987, the POC was unable, for internal reasons, to publish its reports, and it is possible that the situation later improved. As Senkoro (1988: 22)

**Table 6.1: Non-Appearance and Non-Presentation of Accounts
Before the POC, 1979–82, Excluding District Corporations**

	1979–80		1980–81		1981–82	
	No.	%	No.	%	No.	%
Total Enterprises Covered by POC	81		38		89	
Non-Presentation	25	30.86	10	26.32	29	32.60
Non-Appearance of Officials						
Government	9	11.11	6	15.79	0	0
Enterprise	16	19.75	3	7.89	0	0
Other Escape Mechanisms	41	38.29	19	50.0	60	67.4

Source: POC Reports 1979-82.

noted, more enterprises have submitted accounts, but the quality of the data provided remains very low.

The Morrisonian model of public enterprises disclaims the link between government and the day-to-day operation of public enterprises. However, ministries do help enterprises to evade accountability rather than joining forces with the POC to uncover and improve poor performance. This suggests that the parent ministries *are* involved in the management of these enterprises and that ministry officials therefore feel morally compelled to assist the managers at the screening stage. The POC is the focal point of the accountability processes, and the only point at which control is completely external to the government bureaucracy. The temptation that arises where control shifts from one structure to another is to struggle for power and principles, and in this case, the struggle is mainly between the executive and the legislature. Hence, unless some constitutional structure subordinates the executive to the legislature, such evasions of accountability will occur, reflecting inter-institutional struggles for power and control. This is not to suggest collusion to hide misdeeds – the individual faults of parastatal bodies have not been a motive for ministry-supported evasion – but in political systems dominated by the executive, some government officials will refuse to bow to institutions which are outside the normal hierarchy of government.

Covert resistance by corporations tends to be less offensive and less contemptuous. For example, the POC requires that accounts be audited

and that queries raised by the auditors have been acted upon by the boards of the relevant enterprises. Enterprises which fail to comply with this procedure are normally not screened by the POC, so managers may appear without properly audited accounts or with audited accounts which have not been discussed or acted upon. Such corporations are using the POC's procedures to defeat its objectives. Most seem to enjoy the tacit support of their ministries, because the latter do not take action against them even when the same mistake is repeated several times. Between 1979 and 1982, the period for which reports are available, the major defaulters using the tactics of non-appearance, appearance without audited accounts and failure to take action on audit reports, were the district development corporations, which were under the Prime Minister's office. Fifty-two per cent of the district development corporations gave no account of their operations during this period (POC Reports 1979-82). Since the Prime Minister's office is in charge of all ministries, and given the fact that the Prime Minister was the leader of government business in the Assembly, it would have been reasonable to expect a better record of compliance.

Furthermore, some of the corporations breaching procedures were professional bodies entrusted with the control and guidance of other enterprises. Accounts brought to the POC by the Tanzania Legal Corporation, which offers legal advice on internal and external accountability procedures, had not been seen by its own board in 1980. The National Board for Accountants and Auditors, which trains accountants and has passed several codes of professional ethics, also evaded review in 1980. The POC commented (POC 1980: 26):

The main duty of this board in the country is to ensure and enhance efficiency in accounting and auditing standards. We are disappointed by the performance of the . . . board in keeping its accounts.

The list of poor performers included the state banks, the University of Dar es Salaam and the Institute of Development Management (the latter two provide the best training facilities in the country for accountants and auditors).

Between 1980 and 1982, the number of those refusing to appear decreased, and the proportion of those violating procedures increased. Ministries indicated no awareness of the problem, and actually contributed to Parliament's failure to make enterprises accountable. In 1981, the POC wrote protests to individual ministries in an attempt to solicit the

help of individual ministries. The ministries did not respond (POC 1980-81: 26).

Aside from failing to appear, or appearing with audits which have not been sufficiently processed, many corporations which did come forward with audited accounts and which had acted on their auditors' reports, gave very superficial and/or incoherent answers during their sessions with the POC. On average, about 43 per cent of those who appeared followed correct procedures but failed to give adequate explanations (POC Reports, 1980-82). Others committed perjury before the committee by making false entries and giving false financial statements. The POC noted for example that:

On 25 April [1981] for reasons we did not comprehend, SHIHATA presented a very unsatisfactory and false report and it was clear most of the responses to the auditors' report were based on mere conjecture.

The committee increasingly realized its powerlessness in such cases. It instituted through its internal procedure, a system of penalty based on the actual costs the POC incurred when dealing with cases of contempt or other fruitless attempts to meet officials. The fines were limited to a maximum of one month's salary of the top executive of the defaulting corporation, and were to be paid by the corporations and not the ministries. However, the amounts were so negligible that even if the fine were to be paid by the individual executive, it was no deterrent.

The main explanation for corporate and ministerial resistance to the POC can be found in theories of power relations. Accountability is a process through which one group or individual submits to the authority of another. It is a process in which one person or group seeks to subordinate the other, and the latter seeks to reduce as much as possible the influence and power of the former. Where accountability is legitimized by legislation or any set of customary rules or conventions, the struggle is not to resist but to influence the level of subordination. Where practices, conventions, customs or laws favour undefined relations of subordination and accountability, the struggle is first over the definition of relations and their boundaries and then over bargaining processes for mitigation of pressures and influence within the defined relations. The Tanzanian political structure elevates the executive and the party above the legislature while retaining all the theoretical reverence for democratic and majority influence. The latter has led the Assembly to believe it has the right to control the activities of government. In trying to strike a healthy balance

between democratic processes (through which the government itself comes to power) and the dictates of bureaucratic dominance (by which it maintains itself in power), the party and government bureaucracies are compelled to subscribe to the idea that the Assembly has a legitimate control function, but use their power to block any disclosure that may be prejudicial to their political credibility.

The government's use of bureaucratic power to block accountability arises from its failure as an entrepreneur and manager. Its supervising function and its dependence on the activities and resources of public enterprise compels government to protect public enterprises. The enterprises are politically important within the constituencies of government officials and in the country as a whole. Ministers are thus very sensitive and partisan when the enterprises are scrutinized outside government circles, tending to view negative assessments of performance as attacks on ministerial policies and indeed on the whole political system. Thus any system of evaluation is seen as geared towards disgracing rather than rewarding what they consider to be sacrifices for the public good in the effort to bring about development. Even the Presidential Standing Committee on Parastatal Organizations (SCOPO) is viewed as an agency planted by the President in their midst to curtail ministerial powers and put a brake on their developmental efforts.

Therefore, however well-intentioned the POC and its members may be, the ministers tend to view them as an ambitious group of ill-informed politicians out to win cheap popularity for themselves by using the failures of public enterprises — the causes of which they do not understand and would not explain even if they did. As for the enterprises, their fear and resistance to financial disclosure is deeply rooted in their poor financial performance, mismanagement of public assets or, in some cases, the use of public institutions as mechanisms for personal or private accumulation. A survey of auditors' reports for the period 1979-82 shows that the level of performance in these areas was so poor that most enterprises would have found it difficult to present their accounts before the committee without disgracing themselves and embarrassing their parent ministries.

As regards the management of assets, the TAC audit reports examined by the POC show that between 1979 and 1982 an average of 30 per cent of the audited corporations had problems with their records on assets. Most of these problems reflected a failure to apply proper accounting and materials management techniques.

Firstly, some corporations failed to keep books and registers of assets as required by their statutes. Without such registers, auditors found it dif-

difficult to ascertain the existence of assets. In some cases the auditors were not convinced that lack of registers was genuine. Examples include the records of the Dar es Salaam Transport Company (Usafiri Dar es Salaam). The company had taken over the assets of a well-established, privately-owned company in 1973, but had no register of its buses or spares when the auditors came in 1981 (POC 1981-82: 4). The Tanganyika Packers, taken over in 1969 from private owners, had no register of assets (POC 1981-82: 8). The Tanzania Coastal Shipping Lines apparently did not know how many ships, boats or engines it owned (POC 1981-82: 10). The Tanzania Coastal Hotels Ltd., run by professional managers and accountants, could not show inventory records for its movable and immovable assets (POC 1981-82: 29). The highly-advanced Tanzania Posts and Telecommunications Corporation (see Appendix 8), perhaps the largest consumer of foreign loans, could not show registers for its vehicles; and the Tanzania Library Services, which had received a donation of buildings for its library in Tanga, failed to provide a record of these.

Secondly, some of the corporations which did provide data presented incomplete inventory records; generally this was accompanied by evidence of mismanagement or the careless handling of assets. In one shipping enterprise, some assets had been cancelled out of the register said to be incomplete (POC 1981-82: 10-11); in another, the unregistered assets of a public enterprise were found in the private residence of one of its officials (POC 1981-82: 24); and in one of the largest real property enterprises, the register which was provided and declared incomplete omitted a number of houses, and about twenty-one bicycles belonging to the enterprise had been deleted from the list without explanation (POC 1980-81: 4).

Thirdly, public corporations have failed to develop proper materials management systems. In some corporations this seems to have been permitted for extended periods, allowing overpricing, easy transfer of assets to individuals while making auditing and accountability difficult. Some corporations were buying and distributing materials without proper records (POC 1979-80: 7). Some had no inventory system or stock verification system (POC 1979-80: 8), sometimes for occasional purchases, such as stationery, spare parts and hardware equipment, and sometimes for regular inputs such as food, fuel and so on (POC 1979-80: 15-16). A building and construction company which issued building materials on a daily basis but could not show the auditors any inventory system at all was an extreme example (POC 1979-80: 66).

Fourthly, some enterprises failed to produce title deeds for their real property, and auditors were unable to ascertain the existence or actual

state of buildings recorded on registers of assets. While some corporations simply did not appear to understand the importance of such deeds, the auditors were of the opinion, especially in the case of district development corporations, that the breach of ethics was at times deliberate. The title deeds for the farms of a large agricultural corporation were all missing and there was no proof of the actual number of hectares owned (POC 1980-81: 8). The National Development Corporation, which is a large enterprise, failed to show title deeds for some of its residential houses; another corporation could not even provide records indicating the geographical location of its properties (POC 1979-80: 53, 68). More serious informational lapses included houses listed in early records but excluded from later records without the authority of boards of directors, which presumably indicate illegal transactions involving such properties (POC 1979-80: 4, 28; 1980-81: 5, 14, 25; 1981-82: 2, 64).

Poor financial performance on the part of management is shown in the way most corporations handled external debts and payments. Corporations experiencing what amounted to chronic financial problems were inexplicably lax in enforcing the collection of debts. The unclaimed sums ranged from Shs. 20,436 (POC 1979-80: 14) to Shs. 20,461,000 (POC 1979-80: 53). The *nature* of these debts is even more interesting. Most had been unpaid for considerable periods of time, during which the enterprises continued to extend credit facilities to the debtors concerned. Some debts represented rent arrears, even though the shortage of housing in most towns would imply that very few tenants could risk default on their rent. Some corporations possessing no operational capital indicated that they were failing to recover debts from clients (POC 1979-80: 41, 56; 1981-82: 60). Such failures to recover debts even when corporations had power to withdraw services and when in fact their accounts were in the red, raises doubts about the veracity of the records. Possibly, internal debts were being recorded as being external, but it is also possible the debts had never existed, or had been recovered but unrecorded in order to externalize the causes of poor performance.

The fact that such external debts were also, if infrequently, being cancelled at the discretion of the management further undermines their apparent probity. In some cases the amounts involved were substantial, and in many cases no explanation was given. The POC noted in 1982 in connection with one engineering enterprise which had cancelled Shs. 5,264,035 as bad debts (POC 1981-82: 66):

What was presented to us in these accounts was mere fabrication and we warn very strongly against any future repetition of such a thing.

The POC believed that such cancellations were artificial and that the addition or subtraction of unverifiable external debts may have been used to balance the books.

In other cases, there were indications that cancelled debts were in actual fact paid even though the accounts showed they had been cancelled as uncollectible. A corporation entitled to collect revenues from private spare part dealers indicated it had collected only ten per cent of the revenues due, but a survey of all dealers indicated that they were obtaining their goods only on proof of prior payment of these dues (POC 1980-81: 31). Other cases, in which debts were cancelled on the grounds that the debtors had disappeared, and that efforts to recover debts had failed, were not backed by documentary evidence of letters of claim or legal action (POC 1981-82: 9, 41, 51-52).

In some cases, debts were cancelled *ultra vires* of the management, that is, without the approval of the boards of directors. The amounts ranged into the hundreds of thousands and even millions of shillings, and in most cases there were reasons to presume that the debts were artificial and used to balance the books, or that they related to loans owed by enterprise officials, or had been paid and, either deliberately or inadvertently, not recorded (POC 1979-80: 27; 1981-82: 30, 47, 59). External debts also may have been used in practice to transfer funds from corporations to individuals; and it was common practice in the 1980s for officials to negotiate the elimination of a debt in return for a lower, unrecorded payment made directly to the officials. The corporations bear the expense of such corruption, which is naturally not set down in its accounts. Overall, managers' claims that cancelled debts were bona fide unpaid and uncollectible debts are not particularly credible.

Funds could also be transferred to individuals through irregularities in the payment systems of public enterprises. Irregular payments were frequent, and some corporations used shortages of staff and other resources to excuse the absence of organized systems of payment vouchers. This problem was common in the large corporations with subsidiaries, and in some cases in enterprises that fund development projects (POC 1980-81: 4, 36). Some corporations were accused by the TAC of deliberately destroying payment vouchers before auditors arrived (POC 1981-82: 19). Where vouchers were used, auditors at times discovered evidence of

forgeries and/or that genuine documents had been destroyed, and that officials of the corporations had been involved (POC 1981-82: 21-23).

They also discovered evidence of the use of fictitious payments to transfer funds. Some agricultural corporations made fictitious payments to purchase imaginary crops. One crop authority recorded crop purchases in a district where the particular crop 'purchased' was not grown (POC 1979-80: 82). Similar payments were for purchases of non-existent buildings; for example, one agricultural corporation bought four houses on plots which did not exist (POC 1980-81: 9), and in 1979 another crop authority recorded an expenditure of Shs. 92,104.50 for 8250 bottles of beer supposedly consumed by ten board members at a one-day meeting. (POC 1979-80: 83). Clearly such cases represent false accounting to allow the transfer of funds. More serious cases of fictitious payments involved the export of public funds. One such case involved an agricultural corporation, which in 1978 paid family allowance, passage and gratuity to an expatriate worker who was no longer an employee of the corporation and so was not entitled to such financial support (POC 1979-80: 6); another involved a petroleum corporation which transferred a total of Shs. 61,157,169 to two fictitious companies, one called 'ADNOC' alleged to be in Abu Dhabi and another called 'NIOC' alleged to be in Iran. (POC 1979-80: 32-33).

Corporation management staff has also in some instances overpaid on genuine transactions in order to free funds for personal accumulation, for example, contracts involving double payments (POC 1979-80: 82), excessive payments for simple services outside the enterprises (1979-80: 33), or purchases of over-priced, obsolete equipment, in some cases from unlicensed dealers (POC 1981-82: 37).

Poor financial management has also been demonstrated in the case of recovery of internal debts and staff travel imprests. To some extent the accumulation needs of enterprises and those of workers have come into conflict because Tanzanian salaries and wages are quite low in relation to living costs. Workers of all grades tend to use the various opportunities that may be available to them to maximize their income, lawfully or otherwise. While for ordinary workers such opportunities are rare, managers have various ways to tap the funds of their enterprises. Illegal siphoning off of funds represents one field of activity in this conflict; the lack of proper controls, staff debts and imprests represent a second field: managers use these as lawful ways to borrow, after which they use their powers to postpone repayment. The records on internal debts were in general very poorly kept. Staff imprests, though appearing as unrecovered in the accounts, had no back-up records to indicate which individuals were fail-

ing to retire or account for such imprests (POC 1979-80: 5, 9-10) and in some accounts staff imprest records mingled with records on external debts (POC 1981-82: 80).

The problem of lack of records or inappropriately kept records on internal debts was common in key industrial corporations, in large enterprises with strong boards of directors (including those with boards on which cabinet members served), in export companies where imprests were paid out in foreign currency and in specialized training bodies offering financial management courses (POC 1979-80: 79; 1980-81: 47; 1981-82: 51, 68, 80). In several instances, unpaid internal debts also included imprests to officials in the parent ministries, which may in part explain why some ministries failed to pressure corporate officials to recover debts (POC 1979-80: 54, 68; 1980-81: 11, 60; 1981-82: 13, 70). Unrecovered imprests in the period studied grew at an alarming 53 per cent annually (POC 1979-80: 14, 16; 1981-82: 15).

It is possible that debts of this nature persisted and grew because top enterprise officials could, at their own discretion, cancel at least a percentage of the debts after the lapse of reasonable period, either claiming that such debts were irrecoverable (POC 1979-80: 16) or converting them into external debts which could subsequently be cancelled on the grounds that they had been taken by former employees who could not be traced (POC 1979-80: 17; 1980-81: 22, 35; 1981-82: 41). Finally, contrary to general rules and regulations, which restrict employee loans to hardships (mainly death in the family and similar causes) or to essentials (such as eyeglasses and bicycles), many corporations extended their internal lending powers to include loans for housing and for transport support such as automotive fuel or repairs (POC 1979-80: 30; 1980-81: 35; 1981-82: 41); some offered free rent and other types of services for which payment should have been required (POC 1979-80: 60; 1980-81: 24; 1981-82: 22, 40). These were before the 1988 reforms under which such loans were allowed.

With accounts such as these it is only logical that corporations and ministries should seek ways to avoid accountability to Parliament. Accountability in this situation is complicated by the struggle for power and influence: the institution (in this case the government) which has the duty to assess the behaviour of enterprises, can cooperate only if this will enhance its image. Where performance has been unsatisfactory, and the reporting institution is implicated, accounting will occur only where there is no other alternative or the responsible body is in a subordinate position.

But the Tanzanian government is nowhere near such a position in relation to the National Assembly. While audits are very revealing, corpor-

ations and ministries do not come forward and explain the problems identified in audit reports. The POC is left with the record of many such problems, but little explanation. This in turn frustrates initiatives to attain accountability.

Other factors which have diminished the possibility of mechanisms to help Parliament increase its influence on policy, include the limited coverage of public enterprise accounts, the period of time covered by various accounts presented to the committee, lack of adequate time for debate on POC reports in the Assembly and the profit and loss orientation of the reports. As was noted earlier, the annual reports of the POC usually cover less than 30 per cent of all enterprises. This is partly because the POC spends much of its time on uncooperative corporations and partly because its members prefer to meet the relevant officials of each enterprise and the appropriate desk officers in the ministries. With about four hundred corporations, even if committee members allocated a day to each corporation and did nothing else, a year would be insufficient. The committee may be required to decentralize some of its functions to its secretariat, such as the initial screening of accounts, interviews, and the compilation of reports, which might then (preferably on a sectoral basis) be submitted to the POC.

The period covered by the accounts seen by the committee is usually not current. Stale accounts which do not relate to ongoing projects or activities usually serve as the basis of committee work. More often than not, the officials who were involved in the transactions covered have since left the enterprises, ministers have shifted and the actual situation in the corporations may have changed substantially. This may contribute to the lacklustre nature of Assembly debates on POC reports. The likelihood of a stimulating discussion on matters relevant to the period dating as far back as five years is slight, and in any case the relevance of any individual point is easily shunted aside by government, which can simply state that things have changed substantially in the meantime.

Finally, financial disclosure is aimed at informing Parliament as to whether public corporations are operating at a reasonable profit. Most laws relating to public enterprises have focused on profits and losses. Because the majority of the enterprises have negative performance profiles, with more losses than profits, the answers to the anticipated questions tend to be obvious.

The multiple causes of poor performance are both exogenous and endogenous. Official explanations focus on exogenous factors, and no objective evaluation can ignore them, but this means that the parameters of any debate on profits and losses are inherently limited, and this, com-

bined with delays and existing power relations has preempted any meaningful debate. The next chapter, which extends performance indicators beyond the balance sheet, is an attempt to surmount these limitations.

7. Beyond the Balance Sheet

Beyond Financial Statements

Because public enterprises have very broad social and economic objectives, their success or failure cannot be measured by a simple profit and loss account. If good performance is equated with minimal costs and maximal savings, some corporations would be compelled to avoid certain costly but obligatory investments. Even within the framework of financial indicators, certain important aspects of costs and savings are not reflected in a traditional financial statement. To fully understand expenditure patterns, Parliament would need to know the extent to which the authorized funds have been spent, how the activities of the enterprise have affected its organizational structure and how it has performed its statutory obligations. But a focus on these factors implies that the evaluation process will consider the whole public enterprise system rather than particular enterprises. Examining the enterprise system would entail evaluating enterprises, their regulatory structures, and their relationships with government ministries. However, annual reports present the financial picture of each enterprise in isolation. This chapter focuses on the relevance of organizational structures, the management of development funds and economic performance generally to performance evaluation and accountability.

Organizational Structures

The organizational structures of public enterprises are normally defined by statutes or subsidiary legislation. Structural changes thus require amendments to existing laws. The theory behind this method of creating and preserving organizational structures is that the legislative organ involved in forming an enterprise is best suited to prescribe structures that will accommodate the intended objectives, operations and resources, and that structural changes imply altered objectives, operations or resources.

In Tanzania's public enterprise system, neither government nor enter-

prise boards seem to appreciate the relationship between organizational structures and these three factors, nor do they appear to acknowledge the legislature's right to change enterprise structures. Instead, executive and administrative acts within enterprises have altered their structures without consulting Parliament and, in some cases, without reporting back to it. The clearest example is the decentralization of the National Development Corporation (NDC), which was divided by Presidential Directive No. 1 of 1969 into four holding corporations. Initially the NDC had been established by statute, and Parliament had not delegated its power to determine the corporation's structure. But while the reorganization was made in good faith in what was referred to as a rationalization exercise, the four new holding corporations, in the area of textiles, tourism, agriculture and transport were each as large as the NDC. Established without a parliamentary review of their viability, they became dependent on Parliament for funding.

Similar changes were made in the state trading system in 1973, when the State Trading Corporation (STC) was dissolved at the initiative of government. Parliament was called upon to bless the move, although it had not been involved in debating the viability of the old structure. The STC had been formed from private sector, commercial enterprises which had been nationalized in 1967. It had inherited significant debts and retained some organizational and marketing structures which were suited to the former companies but not necessarily appropriate for new objectives. It immediately acquired a heavy bureaucracy at the top whose function was only administration and whose leaders had no prior experience of large-scale state trading operations. After only four years of operation, the STC had developed operational problems. The government quickly commissioned an American consultancy firm to study its problems and, acting on the consultancy report, dissolved the STC without consulting Parliament. However, local consultations would have produced a completely different situation: improving the performance of the STC required relatively few changes. Its successor – the Board of Internal Trade – was a larger holding corporation, also with a top-heavy bureaucracy, and with five new central companies and twenty-two regional companies. The new structure was approved by Parliament in 1973, after several of the new elements had already been put into operation. The point is not the successes and failures of the new system (although in fact the Board of Internal Trade did not solve the state's internal trade problems), but the way in which the new structure was created.

The government introduced similar changes in 1975 when it abolished the cooperative system and crop authorities were suddenly shouldered

with the purchase of agricultural produce from the farmers. The hardships that followed have been covered elsewhere (Ellis 1982, 1983; Coulson 1979, 1982; Ndulu 1983; Stewart 1986), but clearly the whole change was economically and politically unsuitable. After considerable damage, the cooperatives were restored in 1982. While it cannot be argued that consulting Parliament would have guaranteed a better result, government shortcuts and its disregard for popular or parliamentary views did not produce appropriate solutions, either.

Unilateral structural change is not confined to major changes. At enterprise level, there have been cycles of growth and expansion which were unforeseen by statutes. Enterprises form subsidiaries, training wings, and independent accounting units, all of which increase the demand for development funds. Cycles of growth and expansion seem to have been generated by status inflation in the internal labour markets and by the desire for political and/or economic control. Status inflation has resulted from the growth of the managerial pool and the desire of ministries and boards to control enterprise managers. This desire to control meant that many intermediate cadre employees were promoted, either as a reward for loyalty or as a strategy for enhancing influence, and in order to accommodate the number of staff then located higher up in the enterprises, departments have had to be formed. Status inflation also has arisen from bureaucratic rules linking training and promotion, because as more people train, more become qualified to climb. Some corporations modify their organizational structure as often as biennially in order to form new departments to accommodate status changes. Financial institutions such as the state banks and professional institutions such as the universities and institutes are good examples of such expansion.

Political control cycles in enterprise growth are normally generated by internal factors. In an attempt to control information flow and the public relations function of the enterprise, executives frequently are tempted to form specialized departments for these functions, directly under their control. Public relations departments mushroomed in the 1980s, and in some enterprises have become significant departments, organizing football teams, peoples' militia training, cultural troupes and journalistic functions, most of which are neither related nor ancillary to the enterprise objectives. Some of these have actually created new avenues of expenditure, which in ordinary business organizations would easily be regarded as *ultra vires*. Similarly, workers' education departments have emerged, oriented more towards ideological control than actual skills, and these are large departments with sizeable budgets (Makusi 1982; Mihyo 1986).

The economic control motives which dominate many expansion pro-

grammes have been attained through the formation of extra-statutory subsidiary enterprises, independent production units, workshops, training institutions, transport units, cartographic and photographic services, canteens, social clubs, data processing centres, and so on, all of which in essence generate income and perform functions which exceed that regular purpose of the enterprises. Furthermore, the proliferation of such satellite structures has set into motion other cycles which affect management patterns, the investment profile and complicate the meeting of enterprise goals.

Bureaucratic expansion has created a multiplicity of decision-making and decision-implementing units. Exchanging information among managers has become a complicated process. The profile of investment decisions has tended to become longer, with many internal bodies involved in processing a project or plan. The gestation of an investment plan averages three to twelve months (which is a long period in a country with a high inflation rate) and by the time it matures the initial conditions have often changed substantially. The involvement of holding corporations, parent ministries and the treasury in the scrutiny and approval of plans has further aggravated the process. Conflict has been common, as each blames another for delays.

Because only the government has the power to review the organizational structures of private enterprises, this has become a predominant feature of the public enterprise system in Tanzania. While the total number of jobs in Tanzania increased from 367,926 to 621,825 between 1969 and 1982, an increase of over 100 per cent, in the public enterprise sector it increased from 64,429 to 164,758, or about 150 per cent, during the same period (*Statistical Abstract* 1984: 51; *Analysis of Accounts of Parastatal Enterprises* 1973-1982: 6). During the same period, total labour costs rose by 700 per cent, although the real wages declined by over 20 per cent (ICFTU 1988; Maganga 1988), and the predominance of non-market mechanisms of regulating the sector may have substantially contributed to this.

Sources of Finance

Whatever their social and economic objectives, public enterprises have a duty to generate wealth if they are involved in the provision of goods and services or to use public finances diligently and efficiently if they are involved in the provision of non-commercial services and utilities. Because they draw much of their funding from public coffers or, if from external lenders, with a public guarantee, they are obliged to use

these funds strictly for the purposes intended. Finally, enterprises engaged in the generation of profits are expected to become internally self-reliant over time, and for third world countries, national self-reliance can only be attained and sustained through the increased self-reliance of private and public enterprises, local authorities, cooperatives and similar social and production institutions.

One indicator of national-level self-reliance is the extent to which public enterprises, among others, can become increasingly less dependent on government funding for their day-to-day investment and other activities. The attainment of independence is determined by such factors as initial capital resources, the efficient use of resources, relative autonomy and the ability to make the right decisions at the right time, the capacity to operate efficiently and competitively on several markets, and the ability to strike a favourable balance between production costs and the levels of accumulation needed for reinvestment.

In many countries, public enterprises — in some countries, most public enterprises — fail to attain self-reliance. They may operate in highly protected and regulated output markets, with monopoly rights and in some cases weak consumer protection encouraging cost inefficiencies and stifling innovation. Or, because they have an assured source of capital, they are able to borrow below the opportunity cost of capital from government or government banks or get grants or government-guaranteed loans. They are generally protected by legislation from the rigorous controls of financial market funding. They may enjoy excessive levels of government subsidy and cross-subsidy, through which they transfer some of their inefficiencies to other sectors.

Such factors shape the behaviour of public enterprises, and in Tanzania, the system of public enterprise accountability has not developed mechanisms to regulate their sources of finances, nor has it rationalized the patterns of accountability.

Financial data indicates that in the years prior to 1982, public enterprises in Tanzania had failed to achieve internal financial self-reliance (see Table 7.1), and the relationship between external and internal sources of funding remains unbalanced, with enterprises relying heavily on external loans and grants. Between 1971 and 1982, records show heavy losses and large-scale borrowing from local and foreign sources. During this period, they also received large subsidies from the government. The most appropriate strategy would have been for the government to compel such enterprises to obtain their funds from the regular financial market at conditions equivalent to those available to the private sector. This option was considered, but rejected several times by the government, which in-

Table 7.1. Sources of Finance for Public Enterprises 1972-82 in Tanzania (million T Shs)

Item	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Sales Income	451.2	5515.5	6700.5	6935.6	7608.4	10201.9	12927.9	14666.2	17556.4	26643.4	31150.6
Subsidies from Government	10.3	14.1	90.9	309.7	61.5	52.7	97.0	54.8	86.1	252.0	466.4
Retained Profits	235.5	350.0	241.1	636.0	811.1	955.8	1455.3	803.6	1676.8	1260.6	1570.0
Loans from Government	97.0	64.1	159.3	275.1	431.6	131.7	47.4	200.2	235.3	76.8	404.0
Grants from Government	157.7	221.6	232.4	509.6	332.5	651.4	532.1	411.6	663.2	512.2	582.9
Loans from Abroad	236.5	117.4	123.4	169.3	189.6	163.3	631.1	526.9	266.2	714.7	1258.2
Grants from Abroad	1.4	3.5	19.5	50.6	164.8	166.9	291.1	99.8	116.3	133.4	259.8
Local Borrowing	481.8	782.0	1629.3	1751.9	2823.4	2897.1	2778.8	1618.6	5333.2	195.0	1949.7
Cash Balance	202.0	121.2	-569.4	-209.6	-446.5	-1548.3	-2844.6	-1042.5	-3403.5	8777.2	4674.7

Source: Bureau of Statistics (1985) *Analysis of Accounts of Parastatal Enterprises*. Dar es Salaam, pp. 18-19 (January).

stead increased loans, grants and subsidies, further undermining the use of market mechanisms by public enterprises. Between 1971 and 1982 public enterprises were subsidized to an annual total of 40 million shillings in loans and 83 million shillings in grants. The disproportion between grants and loans is uneconomic, because while grants were to be repaid, they were interest free and exceeded the amount provided through loans. Despite these sums, Tanzanian enterprises borrowed an average of 125 million shillings annually from abroad; and because all foreign loans were disbursed through the government, the enterprises were insulated from the conditions and pressures of foreign financial markets.

The lack of control over funding sources was compounded by increasing government subsidies, which in 1966 stood at Shs 3.5 million and at the end of 1986 amounted to Shs 62.4 million (*Economic Surveys 1966 – 1986*). The official claim is that most subsidies went to food and agriculture, but between 1975 and 1985 about 30 per cent of subsidies went into services, 10 per cent into commerce and only 5 per cent into agricultural operations. Whether or not these figures are precise, it is important to note that the 'services' which enjoyed the heaviest support were hotels and air transport and, even more important, that most of the food sold by the food corporations (and especially rice) was obtained through food aid, could have been sold at a very reasonable price, and did not need a subsidy.

Annual reports do not disaggregate income sources in such a way as to differentiate between locally-obtained funds and loans from abroad. Subsidies are rarely accounted for separately, if indeed they are mentioned at all. Few corporations use their accounting system to disclose the extent of their indebtedness, and in particular it is unlikely that a corporation is likely to chronicle its contribution to the national debt. The source of funds for public enterprises is not subjected to parliamentary control. In theory, the fact that enterprises secure their funds through government should mean that the public, through Parliament, has more control. But because Parliament is weak as a control mechanism, in the absence of market controls the corporations operate without control.

The Management of Production Funds

In 1974, Parliament passed the Production Development Fund Act, creating the Production Development Fund. The Fund was created in order to enable government to set aside money for investment in public enterprise activities that would enhance production and productivity. Under the Act, the treasury was empowered to set aside a certain per-

centage of national development funds, which it could distribute to various enterprises without seeking parliamentary approval. Essentially, the Act sought to create a mechanism for quick decision-making by exempting the Treasury from the constraints of parliamentary funding procedures. Technically, however, the Act excluded Parliament as a contributor to public enterprise funding policy. Handing funding procedures over exclusively to bureaucratic mechanisms widened government's discretion in the distribution of development funds to public enterprises. It has also undermined the accountability for such funds.

During the period for which reports are available (1975–82) problems surfaced which reflected the weaknesses of the funding system. Firstly, the records of the way in which the funds have been utilized were not properly kept. For example, government accounts fail to indicate how the Shs 75 million set aside during the period for the development of tourism was spent (*Controller and Auditor Generals' Report* 1982: 40). Similarly the Shs 49.3 million set aside for the development of the cashewnut industry was not shown in government accounts (*Controller and Auditor Generals' Report* 1982: 40). Of the Shs 132 million allocated to industry, only one million was recorded in Treasury accounts, and of the Shs 196 million allocated to beverages only Shs 23 million was recorded (*Controller and Auditor Generals' Report* 1982: 41).

Secondly, where disbursed funds *are* recorded, they are not disaggregated as loans, grants and subsidies. Records and accounts of recipient enterprises also fail to indicate the terms under which the funds were received. Apparently, government was transferring funds to these enterprises for recurrent expenditures rather than for commercial investments. Thirdly, the procedures spelt out by the 1974 Act have not been strictly followed. In his 1982 report the Controller and Auditor General observed that he doubted whether the Treasury was monitoring whether recipient organizations used funds for the intended purposes or with the intended results (*Controller and Auditor Generals' Report* 1982: 41). His report suggests that funds were not necessarily being disbursed for the intended purposes. Some amounts were indicated as having been paid to private individuals as loans, and in some instances sums had been transferred to untargeted corporations without the necessary approval of the Minister for Finance. Repayment records did not separate interest from principle, and repayments were being recycled back to public enterprises without regard to the procedures laid down in the Act (*Controller and Auditor Generals' Report* 1982: 41).

Such discrepancies in the management of development funds are predictable in systems that lack built-in checks and balances on administra-

tive discretion. If public bodies can obtain credit and financial support outside normal credit markets, they can only use such support efficiently if the administrative system has built-in mechanisms for ensuring efficiency. Where the legal framework excludes parliamentary control of such processes, the administrative system will tend either to check itself, or to perform poorly as a control mechanism. The inefficiencies arising from this laxity spill over naturally into the general performance of the enterprise system.

The Performance of Public Enterprises

For the purpose of this chapter, performance is confined to the volume of goods and services delivered by public enterprises between 1975 and 1985. The period is selected because between 1970 and 1975 most such enterprises were still preparing themselves for operation, making any assessment based solely on output during this period potentially unrealistic; and because between 1975 and 1985 economic problems intensified.

As the appendices indicate, between 1975 and 1985 the performance levels of most public enterprises either stagnated or declined. For example, the net increase in sugar production between 1975 and 1983 was only 0.6 per cent and between 1983 and 1985 the levels fell 17.8 per cent (Appendix 1). The *per capita* consumption of sugar decreased by 2.8 per cent between 1975 and 1985, a drop that would have been much more significant except for the increasing dependence on imported sugar. Key corporations engaged in the purchase of agricultural crops for export experienced a 70 per cent decline in performance measured in terms of actual local purchases and a 62 per cent drop in export earnings (Appendix 2). Local purchases of key agricultural export crops such as cotton declined 7.3 per cent annually, and the processing of cotton dropped 7.25 per cent annually (Appendix 4); tea purchases declined by 0.45 per cent annually and coffee purchased from producers fell by 0.6 per cent annually. On state sisal farms, the amount of land in production dropped 9.8 per cent; the average drop for tobacco, pyrethrum and cashewnut export was 15.5 per cent (Appendix 5).

Food production and marketing, a major domain of the public sector, suffered more than agricultural export production. Rice, beans, millet and cassava output all declined by an average of 45 per cent (Appendix 6). The direct impact of this on producer prices can be seen from Appendix 6. Performance in the non-agricultural sectors was no better. Mineral production fell by 45 per cent (Appendix 7), hotel services experienced a

decline of 20 per cent in customers, mileage covered by state bus services fell by 20 per cent, the number of unprocessed telephone applications increased by 1860 per cent for manual telephones and 451 per cent for automatic telephones while the number of internal telephone calls declined by 400 per cent and telegrams by 443 per cent (Appendix 8). The number of passengers transported by rail fell by over 30 per cent and transport by railway bus decreased by 45 per cent. The number of cattle transported by rail fell by 20 per cent (Appendix 9). These are just a few examples. Nearly every major public enterprise and almost all corporations experienced dramatic declines in performance, as well as hardships such as the inability to meet debt obligations, the failure to pay wages and high rates of under-used capacity (Wangwe 1983).

General Causes of Poor Performance

The broader economic and political causes of performance decline in Tanzania between 1967 and 1985 have been discussed by several authors. Wangwe, Skarstein and Havenik (1986) have contributed substantially by locating the causes of low industrial output, such as the lack of industrial and sectoral linkages, under-used capacity, low labour-capital output ratios, and so on. Studies of transport infrastructure have shown that the country's industrialization policy ignored the need for a cost-saving and efficient transport network (Kasungu 1983; Mwase 1980; Mihyo 1989).

Regarding national agricultural policy, marketing margins narrowed and the net gains of producers and local buyers of agricultural export crops were pushed sharply downwards by the nominal rate of exchange, which remained fixed for a long time but appreciated sharply in the late 1970s and 1980s (Stewart (1986). Stewart also points out (1986: Chapter 6) that the export taxes leapt from three per cent in the late 1960s to about 136 per cent for some export crops, and that this lowered the incomes of exporting corporations and producers. Stewart explains in more detail the problem of producer disincentives in the agricultural marketing system which has been touched upon by many researchers (Ellis 1982, 1983; Hyden 1980, Mbilinyi 1982).

The neglect of agriculture in the general industrialization strategy was ironic, because the whole policy of Ujamaa socialism was based on transforming small peasant producers into a dynamic economic and political force, and because Tanzania's stated political philosophy was that while others were trying to reach the moon, the Tanzanian government was trying to reach the peasants. Yet, no significant investments in infrastructure or other necessary factors were made. This was destructive, because

Tanzania's Ujamaa socialism emphasized industry without considering agricultural production. As a result, as agriculture declined, people either moved to the cities or gave up farming in favour of rural semi-employment. The income generated by ailing factories in the urban centres could not sustain the population. Furthermore, industry began facing problems of production and inputs because agriculture which was declining could not support the necessary import of inputs such as fuel, foreign skills, spare parts and new technology or even repayment of loans which urban-based enterprises were incurring at an increased rate. Hence the neglect of agriculture and over-emphasis on industry set into motion vicious circles of dependency, stagnation, inflation and decline in growth in all sectors (Schneider-Barthold 1986; Stewart 1986).

Political factors also contributed to the decline. The deliberate neglect of and the attempt to suppress the private sector caused much uncertainty in investment policy and put the sector on the defensive. As a result, the private sector withdrew from major investment areas, depriving the public sector of the demand and supply linkages with private producers which would have expanded its productive and service potential. The long-term effects of this policy are beyond the purview of this book, but they include the government's failure to diversify sources of tax revenue and its subsequent over-reliance on the taxation of the public sector which in effect led to the crippling of that sector. Another long-term effect of this policy is that the Tanzanian government, while refusing to promote a buoyant private sector in its own boundaries, became dependent on the private sectors of other countries, mainly those of Kenya and its other traditional trading partners. Tanzania became very dependent on the private sectors of other countries, which were naturally strengthened by this trade, but which failed to bail out Tanzania when it encountered serious financial and credit problems.

Other political factors include the war with Uganda, which was made unavoidable by Uganda's invasion of Tanzania, and Tanzania's contribution to the liberation wars in Southern Africa. When one looks at the immense costs of these wars, one necessarily wonders what uninterrupted peace would have produced, although any answer is bound to be speculative.

Management Failures and Poor Performance

Studies of the management of Tanzania's public enterprises have concentrated on decision-making structures (El-Namaki 1985; Bavu 1985; Sendaro 1986), workers' involvement in decision-making processes (Ma-

polu 1975; Miho, Mapolu and Makusi 1982, 1986), financial controls and patterns of expenditure (Moshi 1984; Rwegasira 1988, 1989) and the operational problems of boards of directors (El Namaki 1985; Kalembo 1982; Mengi 1983). The majority of these studies discuss their respective topics in isolation from broader economic, organizational and political factors. Yet, to understand the history and plan the future of these enterprises, it is imperative to link all the factors that have had a bearing on the context within which their management operates. Most of the problems and factors that have shaped the pattern of public enterprise management in Tanzania have been discussed in the previous chapters. In what follows, these factors will be clustered into four interlinked and interdependent categories: (a) economic and social factors, (b) performance-related factors, (c) political factors and (d) legal culture.

Economic Factors

Public enterprise performance problems are nothing new, nor are they exclusive to Tanzania. Nationalizations and public enterprise reorganizations have been characteristic of many economies in this century. Many well-intentioned programmes for establishing the public sector, with the noble aim of controlling the 'commanding heights' of the economy or the 'major means of production', have damaged national economies, including some of the world's strongest, or become major causes of government budget deficits. As Backhaus has pointed out, such programmes have in some cases turned commanding heights into sinking ships (Backhaus 1989: 308).

The causes of past and present shocks seem to be similar. In Tanzania, for example, overburdening seems to be one cause of public enterprise fatigue. Those public enterprises which quickly become clear examples of inefficiency are frequently overburdened. Victims of such fatigue include the crop marketing boards, transport and cargo handling firms, financial institutions, and state industries. Of the 364 public enterprises covered by the Tanzania Audit Corporation Report of 1989, 189 ran at a loss. Of these, 126 were in industry, agriculture and marketing.

The marketing, agricultural and transport firms have, statutorily and administratively, been saddled with a multiplicity of objectives. They are required by law and politically expected to pursue socio-economic goals. The combination of economic and social objectives means that they are supposed to operate with some degree of profit motive while contributing to the 'public interest', especially in their allocative and distributive function. Issues of income distribution, employment generation, social and political stability, regional balance and equity compel them to address al-

locative issues, but in doing so they are not expected to sacrifice technical or productive efficiency.

If the measure of the efficiency of such enterprises is its rates of return on capital or its economic profit *per se*, such enterprises can be judged to have been inefficient (Zafiridis 1986: 347). But if the social basis of this inefficiency is taken into consideration and social policy objectives are accepted as part of the measurement criteria, then they become relatively more efficient (Vavouras 1988: 332). It is also possible, as has been argued by Pestieau, that public enterprise performance can only be fairly evaluated on the basis of the objectives assigned to the enterprise, and that where these objectives are socio-economic, it is arbitrary to single out only economic performance (Pestieau 1989: 297).

As noted earlier, the administration has had an upper hand in forming public enterprises, although such powers have been delegated and in some instances sub-delegated. More often than not, the day-to-day activities of public enterprises have been over-determined by development needs as defined by ministries, holding corporations or other control agencies, with the diversity and multiplicity of objectives in Tanzania's public enterprise systems resulting from the lack of uniform policy on how to establish and shape public enterprises.

At the same time, accountability and management problems are quite real. Corporations have spread themselves too thinly in responding to the demands and dictates of the development administrators. Creditors, most of whom entered into their dealings with public enterprises through the state as a credit guarantor, have little influence, or opportunity to restrain the activities of enterprises. Overprotection and monopoly have combined to reduce management efficiency, and because the enterprises have been assigned social policy objectives or tasks, the tendency has been to give monopoly rights to these enterprises in order to reduce competition. While the creation of official monopolies at times represents a hope that lack of competition will allow the successful combination of economic and social objectives, such monopoly powers can be abused, or in some cases used to control production or to politicize distribution, as has been shown in the previous chapters. For example, in Tanzania, private accumulation is regarded as wrong or as likely to lead to a class society. In such a situation, the objective of state enterprise monopoly is not necessarily to enable the enterprise to perform well on the economic and social fronts, but to protect the power structure desired by the group(s) presently in power. This may be done by keeping production out of the hands of politically unacceptable groups such as the élite, the middle class, private entrepreneurs and so on.

Monopoly may also be used to control distribution throughout a country's production structure. Through confinement policies in the 1980s, the Tanzanian government allowed public enterprises a monopoly over all imported goods and all locally-produced consumer commodities such as cooking oil, building materials, agricultural implements, fertilizers, petro-chemical products and educational materials. Even materials produced by the private sector, such as wires and nails, glass products, tubes and tyres, piping and plastic materials, and so on, could be distributed only through state and regional trading companies. Only in 1989 were measures taken to reduce the number of items confined by law to state marketing channels.

Confinement policies did not necessarily increase allocative efficiency; they were mainly employed to concentrate the powers of distribution within the hands of state agents. Such policies affected management by reducing the challenge of competition from the private sector and also by making the the private sector dependent upon the public sector for the marketing of confined products and procurement of confined inputs.

Overprotection, through immunities against legal actions, diminished liability for negligence or breach of contract, has also affected the behaviour of management towards customers and the public. The right to withhold information on grounds of national security also must have some impact on the way public enterprises have conducted their businesses. Statutory limitations on the compensation that can be paid for breach of contract or negligent acts or omissions may also encourage careless and negligent behaviour by management. A management team aware that its enterprise is unlikely to bear any substantial costs resulting from breach of contract or the negligent performance of its obligations is likely to operate without fear of loss of employment as a consequence of its acts or omissions.

Management performance may also have been affected by the size of the corporations. As was noted in Chapter Three, most public enterprises were formed under the Public Corporations Act of 1969. The Act did not spell out clear procedures to be followed or the criteria to be used. This omission encouraged unplanned growth in the number of public corporations. Agricultural and livestock boards and agencies were formed which specialized only in the development, marketing, export of single products, such as cotton, coffee, cashewnuts, meat or hides and skins. Each enterprise was independent, but most had functions that overlapped, at least partly, with other enterprises.

Related to this was the lack of guidelines on the extent to which corporations could change their organizational structures. As noted in

Chapter Three, many corporations expanded by forming subsidiaries or specialized units, although their capital structures remained unaltered. This increased not only the demand for finances, but also employment rosters and the bureaucracy. Even in 1989, when the government required some of the largest holding corporations to allow subsidiaries to operate as autonomous companies, the spin-off of subsidiaries did not reduce the size of the bureaucracies within the parent corporations. For example, at the end of July 1991 the National Development Corporation released five major subsidiaries to operate as independent companies. This devolution was not followed by any reduction in the number of workers at the National Development Corporation.

Efficiency and accountability are adversely affected by loose and permissive legislation that allows the uncoordinated expansion of large enterprises without restrictions on structural change. They have been further undermined by the multiple roles imposed on some corporations. Some functions performed by the so-called independent units, such as accounting, cleaning, maintenance, cartography, photography, repairing, cargo handling, and so forth, can be better performed at a lower cost and with less delay by sub-contractors.

The lack of consumer organizations able to act as watchdogs and prevent enterprises from violating quality standards, weight requirements and prices, has also provided leeway to corporations to produce and serve as they found convenient in their circumstances; and although the 1989 reintroduction of competition and liberalization of trade have increased consumer choice, consumer consciousness is still low and measures to promote it, such as publication of information on standards and safety regulations and the formation of consumer protection organizations, have not yet occurred.

Performance-related Constraints

Performance-related factors fall into two categories, one within the relationship between management and public enterprise control agencies, and the other relating to mechanisms for ensuring optimum performance of obligations and duties by public enterprises. It is now commonly accepted that the relationship between management and enterprise is that of agent and principal. It includes the duty to make decisions which are in the interests of the owners of enterprises (Armstrong 1989: 311). In order to do this, there must be a high level of commitment on the part of the management to make decisions which maximize benefits for the enterprise. Private sector enterprises rely on the share markets to attain such commitment. Managerial efficiency is normally gauged by the extent

to which the managers maintain the value of enterprise stock and the amount of capital they raise for the company on the share market. Prospects for insolvency, a fall in value of shares or threats of take-overs by other companies are taken as signs of bad performance and jeopardize managers' jobs. This provides little guidance in the public sector, where capital structures are seldom if ever open for subscription by the public. But even if they were, public corporations are not exclusively profit motivated.

Managerial commitment, therefore, has to be based on loyalty and trust, which can be attained only if managers are given adequate incentives. As Wright (1985: 94) has observed, enterprises must be prepared to pay a high dividend for loyalty from their managers. But, where organizations find that adequate incentives to management are too expensive, they avoid such costs (Armstrong 1989: 316). They rely instead on mechanisms such as patronage, protection or ideology, or they make management insecure by removing tenure, or by encouraging competition within groups eligible for appointment.

Until 1988, Tanzanian public policy was directed away from paying high dividends for loyalty and trust to public enterprise managers and employees. Tying economic privileges and social status to high trust and loyalty positions was taboo. The taboo was based on the ideology of a classless society, which wished to raise sacrifice, recognition, heroism and political acceptability above salaries, allowances, tax exemptions and bonuses. Consequently, the public sector attracted managers who were ready to pay lip service to organizational goals while at the same time engaging in corruption, social parasitism (using enterprise facilities and time for their own activities) and management by neglect. Management by neglect was manifested by the way in which most managers avoided tackling difficult issues such as low labour productivity, absenteeism, waste of materials, pilferage and low morale generally. Most managers sought refuge in collective mechanisms of decision making either through joint committees or management committees. This encouraged inefficiency, low managerial performance and low productivity. The ideological and social basis of this problem in Tanzania have been examined in detail by Hedlund and Lundahl (1989); but it is clear that in avoiding higher agency and trust costs, the whole economy paid a high premium through poor financial, material and human resources management. Some of the side effects of this phenomenon, such as the free-ride mentality of workers and managers, social parasitism or the willingness to exploit public resources for private gain, the culture of accepting the looting or theft of the assets of public bodies and problems of dependence on gifts or tips

for performance of contractual obligations, will be carried well into the next century.

The performance of corporations could have been better if they were less protected (see Chapters Two and Three) from the consequences of their activities. More fundamentally, the activities performed by public enterprises need to be contractually guaranteed. As noted earlier, if the duties performed are of a general nature and are performed for the general public, the absence of a customer relationship has the potential for undermining efficiency. Such corporations can quickly become paternalistic and bureaucratic and can easily treat their services as a privilege. One approach to countering this tendency would be the institution of nominal charges (either cash or coupons) to nullify the notion of free services which some service corporations interpret as a licence for negligent and substandard or reckless service. Once people know that their salaries and job security depend on their services, they tend to respect both their jobs and their customers. But where they are made to believe that their customers should be thankful that they are giving services at all, they become complacent and less cautious about the quality of their work.

Political Factors

In many countries, public enterprises play a politically sensitive role, within which their dependence on public funds makes them quite vulnerable. In the Third World generally, and in Africa in particular, the low level of development and the potential role these enterprises can play in change give them political importance. But, they are politicized by their large share of limited public resources.

Other factors which make them prone to political control or controversy include the national debt, since public enterprises are major consumers of foreign loans and the targets of debt servicing strategies. Furthermore, as was pointed out in Chapters Three and Four, public enterprises also share to a large extent in the administrative functions of the state, such as licensing, administering development projects, resettling population, administering towns, providing public utilities, and in some cases, collecting taxes and fixing prices. All of these tasks put public enterprises in a position where they participate in the political process.

In Tanzania, this political role is strengthened by the use of public enterprises as instruments of ideological reproduction. As shown in Chapter Two, they have been burdened with political tasks such as providing financial support for the peoples' militia, political education, housing, the local costs of the state political party, trade unions and other branches of mass organizations, as well as the duty to provide services to top govern-

ment and party officials at low rates or on credit or in some cases gratuitously. In addition, public corporations are expected to provide preferential treatment to government departments and officials in the allocation of resources they produce, distribute or control.

These factors have combined to make public enterprises more political than commercial or economic. Government hires and evaluates managers more on the basis of political considerations than on managerial competence. They have, in short, created what Stefani (1986: 235) calls a 'political market'. Within such a market, it may be difficult to approach funding, management, performance evaluation or problem solving with any degree of objectivity.

The Legal Culture

Legal mechanisms can strengthen managerial performance if an enterprise system permits this. Mortgages, debentures, charges, securities and other legal instruments can inject discipline into the borrowing and spending patterns of enterprises. For example, in Tanzania most public enterprise loans have been obtained from or through government as a guarantor. Government funding or intermediation in funding activities is likely to act as a disincentive for the efficient use of such loans. Public enterprises stand to benefit from participation in finance markets, where credit is tied to clear and specified repayment and security conditions. Even government funds can be put to better use if they are subject to such conditions, for example by being provided indirectly, through commercial banks.

Another legal issue which seems to have been dropped from Tanzania's public enterprise system is the duty to operate on sound economic principles which, as we saw earlier, was included in pre-1984 public enterprise legislation but later was allowed to fade away. The duty of enterprises to operate on sound economic principles, together with the duty of financial bodies to display information on trends in their operations and the duty of state companies to submit annual returns to the Registrar of Companies has disappeared. Instead, permissive and ambiguous provisions in enterprise laws leave so much room for discretion that they remove all pretense of objectivity in enterprise or management performance assessment (see Chapters Two and Three). It may help in the long run not only to limit such discretion but also to provide clear statutory guidelines for performance assessment.

Finally, There are inconsistencies in the system of appointing enterprise officials. Lines of accountability and authority, if coherently linked, are mutually reinforcing. Ministers can be held responsible for the acti-

vities of their subordinates, if they are entitled to appoint and to remove them. Similarly, the President may have more influence over ministers and enterprises if the power to appoint top executives is exercised only by ministers, because this would help to clarify the chain of authority linking President, ministers and enterprises. Presidential involvement in the running of enterprises — as chancellor or chairperson or through the appointment of ministers and principal secretaries to enterprise boards — thus undermines the ability of the government to control these enterprises objectively.

8. Privatization and Reorganization: Rationalizing Public Enterprise

Introduction

The danger of over-hasty decision-making is inherent to economic and political reorganization. For example, the nationalization measures of the late 1960s were carried out under the Arusha Declaration, which had been prepared by a small circle within the ruling party and announced without debate at the party's Annual Conference. The Arusha Declaration surprised both the enthusiasts and victims of nationalization. The arguments about market failure, the concentration of wealth within a few hands and the threats of a class-based economy, which were used to justify both the ends and means of nationalization, were raised *ex post facto*, and while the claims were accepted, they were never substantiated. Tanzania is hardly alone in this. In many developing countries, nationalizations constituted part of a revolution, especially in those countries professing radical ideology. Such actions were justified after the fact, once they had been accepted as inevitable or irreversible.

In the current reorganization, similar mistakes may be or are being repeated. Certain studies on public enterprises are being used to justify negative decisions. Sweeping statements are being made on the inherent weaknesses of the public enterprise system. A culture of inefficiency — attributed to government businesses and supported by theories of public administration or bureaucratic organization — has been assumed to be at work in public enterprises. As was pointed out by Lindsay (1976: 1061), such attitudes create expectations of inefficiency, inconvenience and delay. According to Lindsay, a customer of a government bureau is not surprised when a 'service is unavailable when demanded or defective when delivered or when it is administered by personnel who are rude and indifferent'. Such bias, when applied to public enterprises in general, blocks the emergence of alternative problem statements, theories, analyses or proposals.

Another presumption commonly held without being established is

that public enterprises enjoy a monopoly position. Rees (1984: 23), for example, argues from this unestablished base that public enterprises can be viewed 'broadly as a system of political control of industrial activity'. But the primary facts need to be established before the argument can be presented. Chapters Two and Three of this book have attempted to judge the validity of this assumption in the case of Tanzania; without such an assessment the statement would be merely a biased generalization.

In the same manner, the view that public enterprises play a welfare role which can be equated to that of the Good Samaritan is not particularly useful. Samaritans have no duty to their beneficiaries; all are travelers and any Samaritan may have provided help in return for previous help from an unknown third party. The welfare function of the state arises from the social *contract* which imposes on the state the duty to protect the human right to move, live, work, earn and enjoy life with access to health, education, shelter and information. Hence it may be unfair to assume that all public enterprises perform a welfare function and second that where they perform it, it is a gratuity or a privilege.

Furthermore, the focus of many research studies, including this one, has been on the weaknesses and not the strengths of the public enterprise system. Although a few positive enterprise studies have emerged, most public enterprises have 'lived up to the worst hopes of critics' (Sikorsky 1986: 480).

Political bias against both the public and private sectors also exists. Sikorsky is right to argue that there are extremists on both sides, as the left 'keeps on pressing for more public ownership' and the right 'sees nothing good except private and market forces, ignoring the failures of the first and the gaps of the second' (Sikorsky 1986: 478). The fear of privatization on the left has its counterpart fear on the right that society is at the crossroads of a fatal choice between free enterprise (and the freedom and efficiency it advocates) or a public enterprise system (and the inefficiencies and bureaucracy associated with it). Attempting to work wholly within such biases creates the danger that public enterprise reforms will take the form of what Pestieau has likened to the Stalinist purges or the Inquisition in which by way of analogy 'the prosecutor does not care to make his charges specific, or at least to give them foundations, because in his mind the defendants are guilty for all instances and purposes' (Pestieau 1989: 294). Most of Tanzania's nationalization measures were based on this approach. The subsequent need for public enterprise reforms argues against its suitability. The next sections examine other possible strategies for reorganizing Tanzania's public sector, such as privatization, rationali-

zation and deregulation, their potential limitations and chances of success.

What Privatization Seeks to Achieve

Many researchers have chosen to confine their understanding of 'privatization' to the transfer of ownership and control from the public to the private sector. In most cases they have limited this to the transfer of legal and equitable rights in the assets of public enterprises (Hemming and Mansoor, 1988: 31; van de Walle, 1989: 601). Bienen and Waterbury (1989: 617) have categorically stated that the mere liquidation of public assets, sale of minority shares in existing private enterprises, deregulation of private economic activity or the attempt to make the public sector behave like the private sector do not amount to instances of privatization. Their interpretation is narrower than that provided by Kay and Thompson, for whom privatization covers several mechanisms or what they call 'means of changing the relationship between government and the private sector' (Kay and Thompson, 1986: 18).

Although ongoing political processes have considered most proposals for reorganizing public enterprises as forms of privatization, this is not necessarily the case. Privatization, strictly speaking, is the juridical transfer of ownership of assets and liabilities from the public to the private sector. Other means of changing the relationship between the government and the private sector may include increases in subsidies for export promotion, research and development or the marketing of new products in the private sector. They may even include joint participation in strategic research, education and training, or the state may underwrite the liabilities incurred by private firms when performing state-related contracts in the development of strategic products. Such measures do alter the relationship between government and the private sector, but do not amount to privatization.

The philosophical assumptions of privatization policies are that the public sector is inferior to the private one, that competition is the key to efficiency, that efficiency cannot be achieved by relying on public enterprises, and that reducing public ownership and increasing private ownership inevitably entails increases in personal freedom, personal choice and democracy (Abromeit, 1986: 155). Viewed from such a perspective, privatization becomes a strategy, not for improving the relationship between the state and the private sector, but for changing it. On 1 November 1983, the British Financial Secretary to the Treasurer listed the creation of a new generation of stockholders who are owners and workers as one of the

goals of privatization, saying this would reduce the division between owners and earners (Abromeit, 1986: 156). If this is the case, then privatization seeks also to change the power structure within production processes, by linking ownership, management and work and by removing the basis for confrontation and worker organization which traditionally have centred on modalities of distribution and conflict resolution in both the public and private sectors. From this perspective, a new, union-free enterprise system based on multiple identities on the part of workers — playing the role of workers, supervisors, directors and shareholders — is seen as a sustainable way of reducing conflict. That is why Kay and Thompson (1986: 19) and Heald (1984: 2) have argued that privatization has as one of its objectives the taming of unions and the creation of an atmosphere for new non-conflictual industrial relations.

Privatization can also be categorized according to its fiscal objectives. It seeks to provide avenues for relieving the economy of the fiscal burdens imposed by excessive public sector borrowing. For example, in Britain, which has taken the lead on privatization as an instrument for fiscal reform, it is clear from policy trends in the past decade that the Conservative government has had to rely on two instruments of reform — reduced public spending or reduced tax. Commenting on the feasibility of this, Brittan has asserted that as attempts to reduce the proportion of GDP absorbed by public spending and taxation become more difficult, denationalization becomes technically easier and politically more acceptable. In Britain, therefore, denationalization became an indirect way of reducing public spending, which 'has been promoted as a success story in the crude sense of lists of industries sold off — when there has been a scarcity of success in other fields of policy' (Brittan, 1986: 35).

Given the way privatization featured in the political agenda of the Conservatives in Britain, one may agree with Abromeit that before 1979 the Conservative Party focused only on reducing public spending and tax, while privatization hardly featured 'in practical politics' (Abromeit, 1986: 154). The sale of public assets did not feature in the election manifestos of the Conservative Party in either 1979 or 1983. It became crucial as a last resort strategy for reducing public spending when other strategies failed. Brittan may be right when he argues that the impetus for privatization came from the government's difficulty in devising criteria for regulating the borrowing of nationalized industries. He further argues that the government realized that if government was to retain ownership and the enterprises were to retain all of their social obligations, the government could not refuse them credit. Once they realized that an 'arms length relationship with nationalized industries was impracticable, and that if they

really wanted to escape treasury control, the private sector was best for them' (Brittan, 1986: 35), then privatization became the only rational way of reducing public spending.

But the inefficiency argument ignores the history of public enterprises. Constituted as statutory and in some cases as natural monopolies, it is clear they had great potential for inefficiency, which was unlikely to be mitigated by the excessive protection afforded. In general, the incentives provided to public sector managers have not been conducive to increased commitment, loyalty or trust; the factors shaping private sector management responses to organizational goals, for example competitive demand, innovation by rival organizations, fluctuations in the value of stocks, and so on, were unavailable to public sector managers (Kay and Thompson, 1986: 18). Compounding this, public sector ownership has always been used as a way to produce some level of activity in the least favoured sectors, in which, according to Richard Pryke (1981: 265) losses were already being recorded.

Despite these disadvantages, studies comparing the private and public sectors have shown that inefficiency is not a public sector monopoly. There are good examples of poor performance in similar conditions on both sides (Fare, Grosskopf and Logan, 1985). Millward (1982) has shown that in many countries the performance of private and public enterprise utilities does not differ significantly. Most of the inefficiencies which have characterized the public sector are not inherent, but have been carried over from the nature of their activities, their organizational structures, their proximity to government agencies or their excessive protection from the pressures of competition. Thus their ills may be cured without changing their ownership structures.

But, in many developed countries public sector problems have been reduced through privatization. Before discussing the feasibility of this strategy in Africa generally or in Tanzania in particular, it is necessary to discuss briefly why privatization has met with some success in developed countries.

Privatization in Europe

Three factors may have been responsible for successful privatization programmes in developed countries, and especially in Britain: ideology, the abundance of finance markets and careful targeting of enterprises to be sold.

Ideology

In Britain and the United States there have been radical shifts in popular thinking about development and the role of the state. Concepts of social engineering and state welfarism are increasingly being replaced by theories of commercialism which put a great deal of faith in market forces and little in state intervention. This was pointed out by the British Financial Secretary to the Treasurer in 1985 (as quoted by Abromeit 1986: 159-60). Values are also changing and gravitating towards individuality and personal choice and freedom or, as Sikorsky has put it, there has been a systematic shift away from paternalism and state welfarism (Sikorsky, 1986: 479).

This shift in ideology and value systems has provided fertile ground for the claim that privatization will lead to popular capitalism. In order to facilitate popular participation in stock ownership, during privatization the British government set ceilings on the number of shares for which individuals or companies could subscribe. Although a few companies managed to over-subscribe, for a few months there were many small shareholders. However, according to Abromeit, the number of smallholders fell from 150,000 to fewer than 26,000 in the first few months of the privatization of Cable and Wireless. In British Aerospace, the numbers fell 83 per cent within a short period. Abromeit estimates that in British Aerospace the number of small shareholders stood at between 0.1 per cent and 4.3 per cent in 1986 (Abromeit, 1986: 161). But while the official figures published about popular ownership always concentrate on the state of affairs at the time of sale and rarely indicate changes in the relative positions of smallholders and large-scale holders over time, belief in popular capitalism is very strong in Britain.

Targeting Public Corporations for Sale

Identifying enterprises suitable for sale has been crucial to the strategies of developed country governments in the implementation of privatization programmes. This has been made more complicated by public fears, party politics and, at least in Britain, a distinct lack of governmental and ministerial enthusiasm (Abromeit, 1986: 157). Furthermore, heavy loss-makers earmarked for privatization have not easily found buyers — for example, British Airways. Ironically, the British government began its privatization programme by earmarking profitable and dynamic enterprises for sale, namely British Telecom, Associated Ports, Amersham International and Cable and Wireless. Furthermore, (see the May 1984 comments by the Public Accounts Committee reported in the *Economist* on 30 June 1984: 19, and quoted by Abromeit 1986: 159)

shares in these enterprises were sold at very low prices, leading to what was regarded as a privatization policy based on cheap sales. Immediately after they were sold, the value of their shares rose. As Frank has noted (1991: 4)

Privatizing public enterprises now at bargain basement share prices that double next week on the national stock exchange is just as fraudulent a practice as nationalizing loss-making enterprises and paying for them above market value or nationalizing profitable enterprises with little or no indemnification.

It can be argued that, although accounts of privatization in Britain show that the Treasury gained from the sales (Fraser and Wilson, 1988: Ch. 4), the gain resulted more from reduced public sector demand for Treasury funding after the sales than on any net gain. Because the aim of the British government was to reduce public sector funding, it was prepared to offer public assets at low or give-away prices and, through temporary losses, to prevent future losses.

However, the enterprises which made this programme economically and politically supportable in Britain were not the ailing or inefficient ones. The government sold off profitable enterprises, which in several cases it made even more attractive by writing off fixed interest capital debts (Fraser and Wilson, 1988: Ch. 3; Abromeit, 1986: 160) and also by renouncing payments due to it from public dividend capital. These were all direct subsidies to the privatized industries and as the *Economist* (3 March 1984) noted, government continued to fund the privatized enterprises even after their sale. British Aerospace received £250 million from the Treasury to build the Airbus A320, after its shares had been sold (Abromeit, 1986: 160).

Similar support for the private sector exists in the United States, where at the height of the campaign against the funding of public investments, the government invested substantial amounts of money in Chrysler Corporation of Detroit, the Continental Bank and Trust Company of Chicago and the Savings and Loans Banks in Ohio, Maryland, Texas and New York City. The interventions were justified as being in the 'public interest', an argument that was rejected in the case of public enterprises (Frank, 1991: 3). This also gives insights into the real objective of privatization. The issue is whether governments in developed countries really want to roll back the frontiers of the state by withdrawing from the public sector or whether they aim only to reduce the government deficit.

Methods other than direct sale, such as contracting out or transferring

public functions to private firms, have been employed in many European countries. In France, denationalization has been confined only to profitable organizations and some nationalizations have been undertaken at the time when other public enterprises are being privatized (Backhaus, 1989: 309). A survey of Berlin in the 1980s, for example, shows that privatization has concentrated on deregulating and contracting out services such as blood donor agencies, school meal providers, office cleaners, the building of waste disposals, public building programmes and the design of public works schemes (Brede and Hoppe, 1986: 210-14). In Schleswig-Holstein, similar measures have extended to the construction and planning of public works, road maintenance, survey and estate registration, state forest and coastal management and environmental protection (Brede and Hoppe, 1986: 219). In Hamburg, services again feature heavily in the functions transferred to the private sector: the cleaning of public buildings, sewage disposal, university and hospital laundries and work programmes and assistance for the unemployed (Brede and Hoppe, 1986: 220).

Some regional governments in Germany, for example in Lower Saxony, have accepted privatization but restricted its pace by adopting a policy that prior to privatization, it must be clear that the undertakings of the privatized enterprises will be self-supporting, that privatization will not jeopardize the interests of public service employees, that access to services will remain open, that the scale and quality of privatized services will be permanently assured, and that charges will remain low (Brede and Hoppe, 1986: 221). The transfer of assets has been confined to transport, housing, energy and selected credit institutions. Similar policies and reservations have been adopted by the Rhineland government in Germany.

Italy is a clear European example of a state too involved in public investments to get out without disruption. Although public debate has been intense and the will for reforms is unmistakable, practical problems have limited the pace of privatization. Political dependence on the public enterprise system by politicians, government bureaucrats, workers and the population as a whole is one of the main obstacles. Personnel and employment problems, third party liabilities and management resistance are other crucial obstacles (Stefani, 1986: 241-7). Most of the practical problems of privatization in Italy resemble those likely to limit the pace of privatization in Africa.

As has been noted, most politicians use privatization as a programme to mobilize political support, but are also afraid of the consequences of losing total control over the sector. Hybridization, or what some refer to

as 'cold privatization' (Reddy, 1990: 105) seems to be providing compensation for this fear. Under hybridization, some sections of an enterprise may be separated off into independent companies which are then run as joint ventures, with state ownership normally between 40 and 49 per cent. Hybrids are not very popular, especially in England where they are still considered by the private sector as 'cold nationalizations' rather than 'cold privatizations' (Abromeit, 1986: 165). But hybridization somehow brings to the fore the fiscal objectives of privatization policies, especially in Britain. According to the *Economist* of 24 November 1984 (p. 16) hybrids show that the major concern of the British government is to control the Public Sector Borrowing Requirement (PSBR) and that as long as the PSBR is right or manageable, the government does not worry about the public sector at all.

This has led Abromeit to conclude that in Britain 'the government with all its passion for the private economy, is less bent on creating a new (private) economic order, than on taking the pressure off its PSBR' (Abromeit, 1986: 165). Although the 1991 reorganization of the British health service indicates a government as committed to building a private economy as to controlling expenditure on public investments, its true position will be seen when or if privatized enterprises begin to suffer losses. The state will probably come to their rescue, because leaving them to perish will nullify the economic and political grounds on which they were privatized. In any case, this wave of privatizations in Europe is not the first and will most likely not be the last.

Neither past nor present privatizations have reduced the role of government as an actor in any economy. As Backhaus has pointed out, it is not unusual for newly privatized industries to be subjected to new regulatory agencies (Backhaus, 1989: 309). The 1991 Citizens Charter in Britain and the rise of new consumer and price watch organizations, the new trusts and quasi-governmental regulatory agencies for standards and the environment, new taxes and their enforcement agencies are a few of the many regulatory structures that will increase government control over economic life and activities in Britain.

Privatization and Economic Reforms

A booming private sector would have numerous advantages for Tanzania's population. With sufficient government support, it could reintroduce competition in the economy, widen public choice and make products and services cheaper and more accessible. A private sector operating at arm's length from the government would be free from politi-

cal interference and thereby reduce the numerous political costs that have hitherto overburdened taxpayers. However, the creation or expansion of Tanzania's private sector through the dismantling of the public sector has to be assessed in the context of existing conditions and limitations. The problem of international debt and its impact on reform processes, the issue of privatization as a strategy for modernization, the legacy of dependence, the lack of entrepreneurial culture and its impact on market reforms, the tradition of state intervention or development from above and the possibility of resistance to reforms from political, social and managerial groups with vested interests in the *status quo*, all could affect the viability or the speed of privatization in Tanzania.

The National Debt and Market Reforms

Tanzania has embarked on a serious programme of economic reform under the structural adjustment programmes initiated and supervised by the World Bank and the IMF. As the World Bank report on *Sub-Saharan Africa: From Crisis to Sustainable Growth* (1989) has pointed out, the current crisis in Africa is a crisis of governance, arising from an excessively large, static, inefficient and centralized state which absorbs a significant portion of public expenditure but is incapable of mobilizing and freeing the productive forces necessary to enable the economies of Africa to meet either their basic and development needs or their national and international obligations. The World Bank correctly states that economic reforms must be accompanied by political reforms that can restore legitimacy, democracy, the rule of law, grassroots participation and popular empowerment (World Bank, 1989).

Current problems must also be tackled in terms of their historical origins. The centralized and bureaucratic states of many African countries, especially in eastern Africa, emerged from a colonial history which encouraged weak infrastructure, a lack of skills, regional imbalances and poor social service systems. In the 1960s, these structural deficiencies were glaringly obvious and available to justify demands for strong, executive states able to intervene domestically and to engage in what was then called 'social engineering' to bring about social change. International donor agencies and governments encouraged the trend, which supported their interventionist approaches to development (Harrod, 1986: 212).

Institution building-oriented donor policies, state formation, national building and administrative reforms led the development agendas of the 1960s and early 1970s (Harrod, 1986: 210). For local bureaucracies, state formation and nation building implied a strong state capable of bringing about rapid change though executive presidentialism, one-party rule, a

weak judiciary, firm control over local authorities, producer cooperatives, chambers of commerce and trade unions. Once these were attained, the state began operating as the centre of all activities, further centralizing other units of organization — families, communities, schools, factories, the military and other important units of governance. (On the development of bureaucratic systems in eastern and southern Africa a more detailed account has been given by Asmerom, 1989: 47-73, and Mutahaba 1989: Ch. 5).

International politics shaped this period of state formation and nation building in Africa. First and foremost, modernization dominated the agenda of every agency of international development, including the United Nations agencies. Modernization was equated with westernization (or for those countries aligned to the East, easternization). African countries created huge corporations and large factories with sophisticated technologies equivalent to those of the West or East. Donors and lenders sent technical experts, who immediately introduced modern models of management and growth. Management by objectives, organization development, and strategic management models were introduced even in the civil service, where the objective was neither marketing nor profit, but service. Organizational models for rural development, such as the Programme Implementation Model (PIM), based on rural development in industrialized economies, were attempted, for example in Kenya (Oyugi, 1989: 110-14).

In Tanzania, models of rural transformation started with an attempt to set up rural growth centres based on the Israeli kibbutz model in the early 1960s. When that model failed, Soviet and Chinese-type collectives were created under the villagization programme (from 1969–75). In each initiative, international donors encouraged the growth of authoritarian and bureaucratic states, dealing with and extending aid or credit to or through only these states. Independent agencies, non-governmental organizations, and grassroots organizations could not, even where they were unrestricted by government, deal directly or successfully with international agencies and governments.

Most public corporations and public bureaucracies were established during this era of institution building and modernization. As mentioned earlier, some corporations, such as those developing hybrid agricultural crops, were formed in response to the availability of aid funds specifically tied to the development of such crops. In some cases, corporations were formed on the basis of technical advice available as aid.

The bureaucratic infrastructure established through state formation, nation building and modernization thus created a market for interna-

tional finance and technology. As shown in Chapter Three, public enterprises became net consumers of foreign exchange and foreign technology. Some of the technology was obsolete, some was static (Coulson, 1978; Shivji, 1975; Mihyo, 1989), and it was possible to dump such technology on Tanzania only because the public sector was huge and because the private sector was not permitted to deal directly with international donors, finance agencies or technology suppliers.

However, the current structural adjustment programmes are not necessarily aimed at restoring democracy and good governance. Their purpose is to enable third world (and primarily African) governments to reduce public spending so as to meet their international loan liabilities. Issues of governance, empowerment, democracy and free market enterprise are seen as longer-term measures to increase capacity to repay loans these government had been encouraged to borrow in the 1960s in the interests of modernization, institution building, national stability and development. When the initially low interest rates climbed, and African and other third world governments began to fall behind in their payments, mechanisms through which credit had once been promoted (such as the expansion of the state and the creation of huge bureaucratic structures) and the huge public sector (which absorbed old and obsolete technologies through project aid and technical assistance) began to be seen as problems. State banks, which had channelled credit to corporations and acted as agents for the supply of raw materials and inputs to rural and urban producers as part of project aid, are now perceived as a problem, because through such schemes, peasants have become heavily indebted for fertilizers, insecticides and gunny sacks, most of which came through project aid and input support. The same banks had absorbed international loans for crop development projects and supervised such projects on behalf of the multilateral agencies and bilateral donors who sponsored them. Because they were based on loans, these crop development programmes increased the cost of producing primary commodities, making any positive change in international primary commodity prices meaningless. In fact, increases in these prices were made even less likely, because crop development funding did substantially increase primary commodity production, but this in turn pushed down or stagnated the prices of these commodities in real terms.

Thus the current debt crisis grew partly from the modernization processes of the 1960s and the waves of bureaucratization and the expansion of the public sector that accompanied these developments, and partly from the use of the public sector and the huge state machinery by international finance, international donors and multinational corporations to

channel finance, aid and technology imports and inputs into developing countries. The principal beneficiaries of these interactions were the public enterprises and their bureaucracies, the state bureaucracies and the international suppliers of finance, aid and technology. The obvious victims were the target populations, who have paid high political premiums to sustain undemocratic institutions and activities. The less obvious victim has been the private sector, which suffocated under the weight of these bureaucracies and was kept on the defensive through discrimination and, on occasion, through unfair competition from state corporations. It is both unfair and dishonest to pass the burdens created by the public sector in alliance with international agencies — debt, static technologies, oversized corporations, poor management systems, monopoly-oriented marketing, unproductive systems for organizing work, and objectives with little productive content — to the private sector.

Privatization will be very difficult in the period of structural adjustment because most public corporations were formed during periods of economic prosperity, at a time when currencies were stable. Some entered areas in which the private sector was less active, and if such areas were unattractive to the private sector during better financial times, it is very unlikely they will attract it in times of crisis. Specialization may turn out to be another logistical problem in Tanzania. Public enterprises were encouraged to establish themselves in more difficult and less lucrative specializations, such as simple fabrics for school, office, hospital and military uniforms, farm implements, wire products, building materials, and so on. These are not the products currently regarded as dynamic by the private sector. Confectionaries, beverages, perfumes, wood products, restaurants, and so forth are less capital intensive, less import dependent, cheaper and therefore easier to market and attract less state interference and regulation. In the present restructuring, with its stringent conditions under import support programmes and credit conditions based on the requirements for collateral security, the private sector will be operating under very difficult conditions which will limit the sizes of firms and operations. Most of the mammoth structures of the 1970s — jokingly referred to as 'white elephants' — will not attract many private investors, local or foreign.

The cost of privatizing existing public enterprises is going to be higher in Tanzania and in Africa generally than it has been in developed countries. In Britain, the public subsidizes the new owners through windfall sales and the waiver of rights to fixed interest on capital debts, or the waiver of rights of entitlement to dividends. In some cases, the government has carried out rescue operations by funding privatized enterprises.

This has been possible and politically acceptable because the British government has clearly indicated that it is ready to suffer losses at the time of privatization as a way of reducing longer term losses through continued public spending. Secondly, the British government has made 'competition' a factor in its privatization programme. It wants the public to measure its success on privatization by the extent to which it has managed to introduce competition. Thirdly, and most importantly, the British government has managed to sell some of its corporations cheaply because it was the primary creditor and has had some leeway regarding the disposition of these debts and the setting of an appropriate purchase price.

None of these advantages are available to the Tanzanian government or to any other African government. They have no leeway in deciding even the appropriateness of the restructuring measures, including privatization. Windfall sales, if and when allowed, will not help them raise the necessary revenues to reduce the government deficit, nor to increase debt-servicing capability, which is the primary objective. Most African governments will find it difficult to write off public sector debts or dividends, because the objective of privatization will not be to score points by freeing the market but to raise money with which to pay debts. The private sector is unlikely to be attracted to take over a sector haunted by debt and experiencing a crisis of confidence from all sides — the masses for whom it means debt, shortages and inflation, the state that used it to raise loans and attract donor support during the era of modernization and is now ready to use it for the same reason with different results, and the international development and trade agencies that encouraged the sector to expand as a secure market for credit and technology and are now worried that it has grown out of proportion and is becoming an obstacle to the repayment of loans and interests it was used to push.

Privatization and the Bureaucratic Tradition

Modernization, bolstered in Tanzania by *ujamaa* socialism, was introduced from above. Neither the workers and peasants (the proclaimed beneficiaries) nor the private entrepreneurs (the professed adversaries) were given a chance to debate, enrich or augment its policies. In their implementation, policies were dictated even to those involved in the running of existing and prosperous structures of power, production and distribution. Modernization policy was introduced and implemented in a very technical and bureaucratic way which undermined most of its social components (Luttrel, 1971; McHenry, 1979).

This top-down style was a continuation of the colonial tradition. The colonial government in Tanzania had also engineered economic reorgan-

ization. To create markets it moved the population, reorganized village settlements and introduced labour regulations which required people to leave their traditional habitat. It introduced trade and commerce by burning fishing villages, boats and fishing equipment on Lake Tanganyika. It converted certain farming communities into communities of migrant labourers by cutting them out of agricultural production, and in some instances distributing boiled seeds in order to engineer crop failures and famines and to compel people to migrate in search of work. It used famine and hardship relief management to control the distribution process in favour of migration, regional imbalance and perverse economic development (Kjekshus, 1977; Koponen, 1988, 1989).

Ujamaa socialism did not depart from the bureaucratic tradition. Peasants were moved into collectives with a minimum of consultation. Mobilization and politicization were used instead of conviction and consultation (Cliffe and Saul, 1972; Awiti, 1975). Cooperatives were created, reorganized and further reorganized without the members being consulted on the forms of cooperation they wanted (Collinson, 1970; Migot-Adhola, 1969; Saul, 1970a, 1970b). Public corporations were established without parliamentary debate, and some of these (for example, the district development corporations) sought to increase opportunities available to people at district level to manage economic activities. During the period in which these district development corporations were being launched, the district development associations which had been initiated and autonomously run by the people were outlawed and disbanded. The most prominent of these were the Ruvuma Development Association in Ruvuma and the Balimi Development Association in Kagera region.

The myth of mass mobilization which surrounded *ujamaa* policies rested on the belief that Tanzania's traditional systems were based on collectivism and were naturally inclined towards socialism. This myth obscured the levels of stratification and social differentiation which existed in Tanzania prior to its incorporation into the world capitalist system through colonization. The myth of mobilization is now being replaced by the myth of the market as a strategy for modernization. The new myth is based on the assumption that Tanzania's society is ready and eager to copy models of growth that have led to sustained growth in the advanced countries of the world. Both the myth of mobilization and the myth of growth through the market generalize about the eagerness and readiness of Tanzania's society for change. Secondly, neither strategy seeks to understand and use Tanzania's culture and traditions as a starting point. Thirdly, both have taken their own models — whether cooperatives in so-

cialism or the creation of modern companies — as unquestionable corporate forms for organizing production and distribution.

Large public corporations have ignored the importance of small-scale economic and productive units. The large, public enterprises may control the economy, but most economic life is organized around informal organizations, small-scale firms, family partnerships and small-scale, kin-based cooperatives. Current strategies, snugly within the bureaucratic approach, seem poised to duplicate and transfer economic and social organizations from the public to the private sector without considering whether their size and the corporate forms defined by company and cooperative law are appropriate.

And while the current restructuring strategies are one product of a long policy dialogue between international donors and the Tanzanian government, no dialogue has taken place among the producer bodies — the chambers of commerce, the cooperative movements, the regional development associations and the so-called informal organizations (the informal organizations are normally assumed to be unorganized although within their own setting they are organized and reachable). If privatization policies are handed down from above, they will eliminate the opportunity to contribute to increased participation, grassroots empowerment or democracy. Before policies are launched, the government must be certain that the proposed structures are appropriate — that they are conducive to cost-efficient systems of production, service and distribution. It is essential that policy-making should not be based on the pathological view of development which in the past reduced the impact of modernization and mass mobilization as strategies for change.

The Social Dimensions of Privatization and Reform

In their comparison of privatization in developed and developing countries, Henry Bienen and John Waterbury (1989: 617-32) discuss differences in the social implications of such reforms in the two settings, starting from the general premise that the impact of privatization in public sector dominated economies will inevitably be deeper than in private sector dominated economies. In countries where the state is the single largest employer, the state uses the public sector as a mechanism for social stability. For example, in Tanzania, graduates from institutions of higher learning have traditionally all found employment in the public sector immediately after graduation. The state has also been the dominant supplier of health and education services, and the public sector has had exclusive control of the banking, insurance and social security systems. (Tanzania is a good example, although they cite others. See Bienen and

Waterbury 1989: 618). They argue that this degree of dependence on the public sector is rare in developed countries.

Their second argument is that this dependence has created ideological and programmatic constraints on any future attempts to reorganize the public sector. These are clearly visible in the functional orientation of public corporations in Tanzania. Tanzania has public enterprises formed to carry out special ideological or political programmes: employment, education, regional equity, access to credit for the poor, rural transformation, the low-cost provision of basic needs, and so on. Few corporations with such political orientations operate in Europe or North America. The fact that the function of enterprises is directed towards such political or social agendas is what makes nationalization more popular in developed countries than in developed countries. The nationalization of banks, insurance companies, large import and export companies attracted mass demonstrations for support in Tanzania partly because it was geared towards public ownership but primarily because it was calculated to reduce foreign ownership. In Europe, nationalizations were perceived more as acts of economic reorganization, and in general in developing countries they are seen as acts of further emancipation. Both nationalization and privatization will be more acceptable if they play an emancipatory role.

If privatization undermines national sovereignty or weakens local control, it will provide fertile ground for nationalist agitation and become a rallying point for future nationalizations. One of the reasons why very few political groups openly support divestiture in key enterprises, even in the strongest economies of the third world such as India, Malaysia or Nigeria, is that the presiding politicians would lose legitimacy if such enterprises were to slip back into foreign hands (Reddy, 1990: 104; Puthuchery, 1990: 120-21). In countries which have easily privatized large portions of the public sector, such as Chile and Argentina, most of the commanding heights of the economy were in private hands, and privatization began long before the current wave of economic restructuring (Boneo and Waterhouse, 1990: 104; Glade, 1990: 163-5). In others, such as Turkey, where the policy was initially aimed at attracting foreign investments and substantial progress was made in that direction, political opposition groups have used the courts to reduce the pace of privatization, alleging unconstitutionality. Turkish courts have accepted such claims (Kjellstrom, 1990: 30-2).

Where economic reforms are not accompanied by political reforms, the political and social dimensions of such programmes become more complicated. In many countries, nationalizations were carried out as part of new political programmes. They were introduced by new governments

professing new ideologies: governments promised to use the public sector to extend services, control prices, increase employment and eradicate poverty, ignorance and disease. The current reforms are in the majority of cases being carried out by the same governments that implemented the policies now being challenged, which implies that they cannot approach these reforms with the same enthusiasm they brought to their initial programme. Even where, as in the case of Tanzania, the regime has declared itself to have changed, or to have abandoned old political philosophies, it remains trapped between new and old ideologies. It has its protégés in the management of the public sector and cannot totally abandon the past without undermining their own legitimacy. It is difficult for them to play roles that vary with each historical phase, without losing face. They were midwives to the birth of the public sector; when the sector was ailing they nursed it and attempted to keep it alive. Naturally they may find it difficult to lead the requiem for what they themselves have fostered.

If they do lose ground, other social factors are likely to come to the fore. Capital markets are thinner in Tanzania than in other African countries such as Nigeria, Côte d'Ivoire, Egypt, Botswana and Kenya. This is further complicated by the fact that the little capital available is concentrated in the hands of a few ethnic groups, which historical circumstances have favoured to be well placed in the private sector. People of Asian origin and a few business groups from northern and northwestern Tanzania stand a better chance of benefiting from privatization and similar reforms, because they are well organized at family, regional and ethnic level. State monopoly is likely to be converted into ethnic and regional monopoly of a private nature.

This is apart from the problem of nepotism, which has been common in many public corporations as some managers preferred to employ workers from their own ethnic groups, both as a form of group benefit and as a way to make labour control easier. New owners will find it very difficult to retain internal labour markets organized on the lines of patronage, clientelism and blood or ethnic ties.

Another factor which is not currently a serious problem but may become one in the course of reorganization is religion. Public enterprises have mitigated feelings of ethnic and religious inequity. If privatization allows political processes to allocate enterprises or shares or to control bidding, sensitive groups will watch carefully to ensure that they are not being marginalized. If they feel that they have been denied opportunities through religious bias, the process will provide a new front for mobilization and opposition.

Students may also oppose privatization. Current reforms of govern-

ment spending have hit students harder than anyone. Beginning in 1991, students have had to find private sponsors to cover one third of their costs for education. They must buy their own books and bedding; they must pay their own fares to and from universities and after graduation they have to find jobs on their own. These measures have nothing to do with privatization, but are directly linked with structural adjustment. Between May 1989 and October 1991 the students at the University of Dar es Salaam, the Institute of Development Management in Morogoro and the Technical College in Dar es Salaam were locked in a struggle against declining social services in their institutions (Omari and Mihyo, 1991). As the structural adjustment programmes continue, they will continue to be the largest organized group able and willing to resist reforms that undermine social and other advantages provided by existing policies.

Such social, political and economic factors call for a cautious approach to the reorganization of the public sector. While some corporations will have to be dissolved, this cannot be proposed without consideration for its logical repercussions. For example, the dissolution of the National Bus Company in August 1991 has raised problems of how to handle the former employees of the company. Retrenchment is one of the easiest solutions but requires that the government, which is heavily constrained financially, pay severance allowance, repatriation costs, social security benefits, and so on. Yet the private sector will not be attracted to purchases where a precondition that the workers have to be retained is made. Few buyers will be prepared to inherit a work force accustomed to years of mismanagement, trained to be inefficient or recruited more for the fulfilment of recruitment policies than for their skills. Again, the government will be obliged to locate ways to meet the cost of unemployment, as workers are laid off, increasing the costs of privatization. If schemes can be worked out through which donors who benefited from the public sector economy in its days of prosperity finance the social costs of reorganization, this would enable the process to proceed more smoothly. Indeed, policy dialogue with donors must continue to address this issue and ensure that reforms do not aggravate the debt problem. In the meantime, the Tanzanian government is under real pressures to act, and may wish to begin experimenting with other strategies for reorganizing the public sector.

Other Strategies for Rationalizing the Public Sector

In its report to the President of the Republic of Tanzania (*Problems of Parastatals and Proposals for Structural Reforms*) in December 1989, the

Tanzania Association of Parastatal Organizations (TAPO) strongly expressed its belief that the public sector could be made to perform well. In its main recommendations, TAPO called for a change in the cultural framework of Tanzania's society and called upon the government to take the lead by adopting a culture of productivity in place of the culture of administration (TAPO, 1989: 44). Their second major recommendation was that Tanzania's society should begin to rely more on material than on moral incentives (TAPO, 1989: 45). Their third important recommendation was that the government provide more room for market forces to operate, in both the public and the private sectors, and that 'profitability should become the fundamental goal of the commerce and industry sector':

This applies to parastatals and private business enterprises alike. Such profitability is rooted in the twin concepts of efficiency and effectiveness. (p. 47)

Their recommendation implies that any sector, whether public or private, that is controlled and kept under surveillance by government is unlikely to be effective or efficient.

TAPO called for the formation of a Parastatal Reforms Commission (TAPO, 1989: 47) to review the public sector. They recommended that the commission should start by redefining the 'commanding heights' of the economy, that natural monopolies should be given new structures which would enable them to operate without accumulating losses or causing hardships; commercially viable parastatals should be subjected to 'competition on similar premises with the private sector' (TAPO, 1989: 48) and non-viable parastatals should be allowed to 'go into partnership with viable parastatals, cooperative organizations, domestic private investors or foreign investors' (TAPO, 1989: 48).

They suggested that the government had too many regulatory bodies and could replace these with a Public Enterprise Board staffed with highly experienced and qualified professional enterprise managers and able to appoint boards and management executives, review performance, re-define performance objectives, evaluate management systems, capital structures and performance and audit reports (TAPO, 1989: 49-50). They called for the withdrawal of government from the running of the activities of parastatals and proposed that the government should restrict its powers to licensing, taxing, and providing incentives and support for the stability of both the private and public sectors (TAPO, 1989: 50-51).

These recommendations and indeed the whole report, provided a

sound basis on which Tanzania's economy can be rationalized. The formation of a Public Enterprise Review Commission is overdue, and if the sector continues to be examined from assumptions that are not based on enquiry, the measures taken to restructure the sector will be based on conjecture, rumours and the experiences and speculations of political and economic fortune-tellers and healers. While an overall identification of major problem areas will require a study devoted exclusively to the exercise of reform, a modest contribution can be made here regarding the criteria to be considered. In addition to the organizational reforms suggested in Chapter Seven, it may be necessary to newly demarcate the frontiers of 'the commanding heights', to reduce the influence of government, to change the legal structure governing the powers of control agencies and to strengthen enterprise boards. These reforms may be more effective if the political structures of the state also change, increasing the accountability of the government to the people through Parliament and other representative organs.

Redefining the Commanding Heights

The Tanzanian government launched a number of public corporations in key strategic areas in the 1960s and early 1970s in order to enable the government to control what were then 'the commanding heights' of the economy. Most of these initial corporations were in the areas of trade, tourism, banking, insurance, industry, housing, education and health. Some of these areas were unattractive to the then small and undercapitalized local private sector, and the government stepped in to prevent their being dominated by foreign companies. These public enterprises can be clustered into seven basic categories.

The first includes corporations that were established to provide necessary infrastructure. For example, tourist corporations constructed hotels, while regional trading and transport companies developed regional trade and transport infrastructure. These corporations were pioneers in their areas of responsibility, but they have been working in their respective areas for more than twenty years, and need to be supplemented by private initiatives. Their goal was to establish basic infrastructure. This having been accomplished, opportunities exist for both private and public initiatives. These corporations could be relieved of the burden of carrying out their functions on their own, and allowed to operate in conjunction with private corporations in ways that will enhance their efficiency.

The second category is that of organizations directed towards achieving regional equity, such as trading and transport companies, and crop

marketing boards. At the time they were formed, private initiatives were limited and cooperative unions were weak. It may be appropriate now to decide whether regional equity and balance in growth is best encouraged through centralized bodies or whether the new development associations, the regional chambers of commerce and the new district-based producer unions, all of which were ineffective earlier but are mushrooming now, provide a more sound basis for sustainable regional development. If this is the case, regional equity-oriented boards could, by way of devolution, surrender their functions to these regional bodies.

The third category includes corporations created to promote import substitution. A variety of these produce textiles, leather, machine tools, beverages and paper products. Most operated with difficulty; their costs were very high and their products were in some cases more expensive than imports. Some could easily be redirected towards import and export activities. Because trade liberalization threatens their very existence, there may be no justification in tying them to import substitution-oriented production. Where they retain the ability to produce competitive products, they could be strengthened. But where they operate unfavourably, they could be allowed to act as the main importers of their specialized commodities.

Human resource development organizations were formed for the specific purpose of developing high-level skills. They include universities, specialized institutes and management development boards. They were formed independently, and in some instances perform overlapping functions. Engineering, water resources and land development institutes carry out functions that could easily be incorporated into the activities of the University of Dar es Salaam. Management and human resources institutes also carry out functions which could be transferred to the University of Dar es Salaam. Although institutes are likely to resist incorporation into university structures, their independent existence requires duplicate training facilities and costs. The independent bodies for management development in accountancy, auditing, materials management, and quantity surveying could also be grouped, since most of their training facilities could be provided through a single organization.

An additional group of training institutions aims at rural skill formation. Most are known as 'folk development colleges'. At the time they were formed, non-governmental groups, development association, regional cooperatives and mass organizations (for example, the parents' union and the workers' union) were not allowed to establish training facilities, but beginning in 1988 many privately-oriented training institutions were formed by non-governmental bodies. Folk development colleges,

which are more oriented towards political training than skill formation, are becoming less and less relevant in rural development, and could easily be phased out.

Political projects and enterprises also exist within Tanzania's public enterprise system. One outstanding political project is the Capital Development Authority, which has as its main objective the establishment of a new capital. The Capital Development Authority has managed to establish substantial infrastructure for government offices in the intended new capital, Dodoma. However, at the end of July 1991 it was estimated that if all the government ministries were to move to the new capital, the government would have to spend four billion shillings to move its workers, excluding any costs for temporary housing, new equipment, or even the cost of building enough houses to cater for staff. The move, in short, would require massive amounts of money. The government is trying to recover from financial crisis, and such a programme would leave the treasury without resources for other development programmes. It would be more realistic to suspend the project indefinitely.

Public bodies such as ideological institutes, wings for training the peoples' militia, and party and worker union branches whose main function is to promote the vested interests of groups in power, and whose costs are met by public corporations and special marketing bodies operating within political organs (for example, the Elders' Trade Organizations and consumer groups) could also be abandoned. Similarly, state organizations such as those formed to control wages, prices, labour markets, exports, imports, foreign contracts, construction contracts, tenders for government or other corporations, management contracts and censorship do not have a role in the current era of deregulated markets, trade liberalization and increased autonomy of production and distribution activities.

Finally, some enterprises could be disbanded because they have completely failed to meet their objectives. The best example would be the Bicycle Company; another is the glass factory, which established all the necessary infrastructure but failed to operate. A few brick factories in Arusha and Dar es Salaam fall in this category. The majority of district development corporations have also failed to live up to their expectations, and now specialize in running bars and social halls. An objective survey will reveal a number of corporations whose fundamental objectives have completely disappeared and which therefore could be disbanded.

Further Organizational Changes

In addition to the changes suggested in Chapter Seven, legal changes

would be required to allow some autonomy to the corporations which would remain in operation. Primarily, this would entail the government's withdrawal from direct control of both the public and private sectors. For public corporations, a single parent ministry to coordinate the needs and activities of public enterprises may play a more useful and supportive role than is possible in the present system, under which each corporation has one or more parent ministry. Concentrating the activities of all enterprises in one ministry may reduce multiple lines of communication, multiple command posts and the delays in decision-making which are caused by multiple and overlapping channels.

Holding corporations seem to have negatively affected the operations of corporations. Apart from the fact that they are non-productive and depend on the resources generated by subsidiaries, holding corporations tend to be top-heavy and bureaucratic. They have a role in slowing decision making, information exchange, evaluation, feedback and the distribution of products and services. If autonomy is accepted as necessary for increasing efficiency, holding corporations may have to be dissolved or, where retained, made very small.

Boards of directors have been weakened by appointments from multiple authorities. Boards that include Ministers and Principal Secretaries have tended to act as mini-cabinets. Boards operating under the control of corporation executives have been reduced to the level of management committees. The absence of material incentives for board members may also have contributed to making boards ineffective, in that absenteeism, lateness and lack of commitment seem to characterize many boards (as noted by Kalembo 1982, and Mengi 1983). The predominance of politicians, soldiers and people without managerial expertise has tended to reduce the ability of boards to guide the management of parastatals. If professional experience was made a prerequisite for membership, perhaps boards would be stronger. Members' commitment might be improved if they were appointed on the basis of contracts spelling out their duties and providing adequate compensation.

Furthermore, corporations would benefit from the challenge of operating within the same general financial and market constraints as the private sector. As mentioned in Chapter Seven, mortgages, charges, bonds, debentures and other instruments could help to reshape the investments and operations of public enterprises. Additional steps may be needed to rationalize the capital structures of public enterprises, to adjust them to their assets, liabilities and stocks in trade. Capitalization through grants could be restricted and more reliance put on subscription and shares. Provisions for the conditions under which capital can be increased, re-

duced, consolidated, subdivided and converted into stocks for use as security within the public lending system or for loans from other public enterprises of a financial nature, could help corporations manage their capital on sound economic bases. As the principal shareholder of such corporations, the Registrar of the Treasury must play a more active role in monitoring the relationship between their liquid and illiquid assets, their capital and its rates of return, their securities, charges and debentures and their general performance. The Registrar of the Treasury has not done so to date because the Registrar is part of the Treasury and the corporations are under the control of various ministries. It may be more strategic to collect the corporations under one ministry and to transfer the powers of the Registrar of the Treasury to that ministry.

All of these measures could help to strengthen the public sector providing two broad measures are taken first. *The corporations must be allowed to decide how to perform their functions without fear.* They could be allowed unrestricted contractual powers, including the power to contract and subcontract other corporations and private sector companies to carry out some of their functions. Such contracting could be carried out more easily by corporations than by the government, because the government's tendering procedures are highly centralized and payment procedures are lengthy, bureaucratic and channelled through the central bank rather than commercial banks. Contracting through the government also has all the limitations of dealing with sovereign states, and in Tanzania it is still very difficult to bring the legal action against the government for breach of contract. Private companies would find it simpler and more secure to deal with corporations. If all parastatals are operating from one ministry or enterprise board, that ministry might coordinate major contracting arrangements by its corporations and rationalize its policies for such functions. However, autonomy would be essential.

Economic or organizational reforms are insufficient without political reforms. A new structure of governance at national level is a necessary condition for successful economic reforms. As the recent histories of the Soviet Union and of South Africa indicate, political reforms without economic reforms cannot bring about a new national order. Similarly, changes in the structure of production and distribution require changes in the power structures in order to work. Power and production attract each other and together they tend to shape distribution. If economic reforms aim at decentralization and deregulation, politics and power must also decentralize and devolve. Power must be transferred from the centre to the Parliament, to local authorities and to producer organizations (such as cooperative unions, chambers of commerce, development asso-

ciations and non-governmental voluntary organizations). These need to be empowered to act independently and to promote production, trade and distribution channels of their own (subject, of course, to the usual duties and taxes).

Governmental and quasi-governmental agencies established to regulate the policies, accounts, human resource development and planning activities of local authorities, cooperatives, development associations and commercial organizations have to be stripped of their roles and powers. This is necessary to allow these bodies to operate without undue interference and to rely on experts and agents whom they can seek out on technical rather than on paternalistic and political lines and independently contract to advise them. Government bodies specializing in the control of peoples' freedom of speech, movement, association and choice, should, in the interest of human rights, be disbanded. These include bodies for censorship and the several squads whose purpose is the surveillance of peoples' movements and economic activities. Such bodies represent a colonial legacy which was unjustified during colonial times and cannot be justified now. These sorts of political reform need not wait for political pluralism. They are essential to any sustainable move away from monocratic political structures and towards accountability and pluralistic political and power structures. The quality of reform is dependent on the quality of the changes in power relations between basic producer bodies and the state.

Year	Sugar Cane			Sugar			
	Public Enterprise (000 tons)	Private Farmers (000 tons)	Total (000 tons)	Price per Ton (T Shs)	Total Produced (000 tons)	Total Consumed (000 tons)	Per Capita Consumption (kilos)
1974/5	986	180	1,166	52.50	102,011	106,011	6.98
1975/6	1,066	200	1,266	72.50	96,000	102,478	6.54
1976/7	1,180	109	1,289	93.70	112,000	114,444	7.08
1977/8	1,008	116	1,124	96.20	105,000	111,546	6.69
1978/9	1,169	197	1,366	96.20	123,000	127,712	7.42
1979/80	1,180	210	1,390	101.20	119,000	112,282	6.32
1980/81	854	193	1,047	106.20	14,067	115,961	6.22
1981/2	1,135	203	1,338	137.30	124,326	120,629	6.26
1982/3	1,090	113	1,203	170.00	101,996	93,179	4.69
1983/4	1,372	160	1,532	238.00	131,525	108,369	5.28
1984/5	1,148	105	1,253	323.70	108,102	111,433	5.27
1985/6	1,003	104	1,107	352.30	100,287	95,379	4.36

Source: Tanzania Government (1985) *Economic Survey*. Dar es Salaam, p. 81.

Appendix 2: Seed Products Purchased by the former General Agricultural Products Export Corporation, 1975-85
(metric tons)

Product	1975/6	1976/7	1977/8	1978/9	1979/80	1980/81	1981/2	1982/3	1983/4	1984/5	% Change 1983/4- 1984/5
	Groundnuts	511	412	1,450	2,619	5,862	1,728	294	238	845	
Sesame	581	7,538	6,609	6,574	4,318	7,528	4,186	4,226	6,221	3,156	-49.3
Sunflower	6,894	5,987	7,168	12,080	19,326	10,798	9,423	9,494	4,449	7,728	+73.7
Castor Oil	2,195	2,297	2,227	1,659	1,262	627	659	639	239	572	+39.3
Soyabeans	311	863	599	1,057	839	1,080	198	438	300	563	+87.7
Copra	456	2,142	3,163	2,217	1,038	2,832	182	77	129	29	-77.5
Cadamon	433	403	382	451	639	463	329	475	424	127	-70.1

Source: Tanzania Government (1985) *Economic Survey*. Dar es Salaam, p. 78.

Appendix 3: *Value of Agricultural Export Crops Purchased From Farmers by the General Agricultural Products Export Corporation at Producer Prices, 1975-83 (000 T Shs)*

Product	1975/6	1976/7	1977/8	1978/9	1979/80	1980/81	1981/2	1982/3	1983/4	1984/5	1984/85
Groundnuts	1,022	1,030	5,800	10,476	23,448	7,258	1,411	1,380	6,760	7,360	+ 8.9
Sesame	11,782	18,845	19,827	21,694	15,113	30,112	18,837	24,088	43,547	33,138	- 23.9
Sunflower	6,342	5,987	10,179	18,120	29,569	17,601	17,244	25,349	15,883	41,345	+ 160.3
Castor Oil	1,646	1,723	2,227	1,659	1,262	752	1,120	1,086	478	2,002	+ 318.9
Soyabeans	622	1,942	1,348	2,378	1,888	2,430	446	1,314	2,025	3,800	+ 8.7
Copra	1,003	4,927	7,275	5,099	2,387	7,080	546	323	774	261	- 66.3
Cardamon	8,660	8,866	14,134	22,550	31,950	24,076	19,082	27,550	34,768	13,208	- 62.0

Source: Tanzania Government (1985) *Economic Survey*. Dar es Salaam, p. 79.

Appendix 4: *Volume of Cotton Handled by the Cotton Authority, 1975-85*

Year	Unprocessed Cotton (tons)	Processed Cotton (tons)
1974/5	221,000	14,684
1975/6	126,045	11,508
1976/7	194,694	8,146
1977/8	168,082	14,422
1978/9	166,515	14,253
1979/80	180,454	17,284
1980/81	174,577	15,634
1981/2	132,926	14,070
1982/3	127,910	12,660
1983/4	140,798	11,771
1984/5	154,865	16,236
1985/6	105,367	13,247

Source: Tanzania Government (1986) *Economic Survey*. p. 82

Appendix 5: *Volume of Coffee, Sisal, Pyrethrum, Cashewnuts and Tobacco Handled by Public Corporations, 1975-85*

Year	Coffee (tons)	Sisal (tons)	Pyrethrum (tons)	Cashewnuts (tons)	Tobacco (tons)
1974/5	52,082	124,000	4,791	117,486	18,150
1975/6	55,359	113,698	3,946	82,370	14,193
1976/7	48,682	105,018	3,116	96,807	19,126
1977/8	53,096	91,873	2,552	68,483	18,273
1978/9	49,350	81,384	1,600	57,068	17,087
1979/80	48,034	85,978	1,624	41,416	17,334
1980/81	66,761	73,753	2,002	56,558	16,675
1981/2	50,790	60,635	1,887	44,331	16,234
1982/3	53,368	46,187	1,601	32,966	13,635
1983/4	49,608	38,255	1,438	48,306	11,012
1984/5	49,080	32,247	1,533	32,532	13,315
1 85/6	55,147	30,151	1,352	18,901	12,552

Source: Tanzania Government (1975-85) *Economic Survey(s)*.

Appendix 6: Value of Food Crops Purchased by the National Milling Corporation, 1975-85 (millions of T Shs)

Food Crop	1975/6	1976/7	1977/8	1978/9	1979/80	1980/81	1981/2	1982/3	1983/4	1984/5
Maize	72.9	104.0	183.7	186.1	161.5	105.1	134.2	150.4	156.1	360.0
Paddy	18.3	26.3	64.7	62.6	69.8	35.6	52.9	96.4	135.6	112.3
Wheat	25.8	32.7	43.8	35.9	35.8	46.1	50.8	77.9	84.8	149.3
Millet	2.2	10.2	33.6	57.6	20.7	19.4	10.5	7.3	11.0	7.1
Serena Millet	0.8	5.8	14.5	16.8	1.3	0.3	0.1	0.1	0.1	0.1
Finger Millet	0.9	4.0	24.8	22.5	15.5	1.2	0.2	0.4	0.0	0.3
Beans	10.5	19.2	99.1	87.5	107.4	51.1	44.0	35.3	32.1	20.6
Cassava	6.9	8.9	20.3	37.0	25.6	4.4	5.5	15.0	32.2	28.8

Source: Tanzania Government, (1975-85) Economic Survey(s).

Appendix 7: Volume of Minerals Handled by the Mining Corporation, 1975-85

Mineral	Unit	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Diamonds	000 gms	89.6	86.3	101.6	59.0	68.4	54.2	56.2	59.4	42.9	55.3	43.4
Gold	"	2.5	0.3	-	-	8.9	2.1	5.5	6.9	24.1	39.5	42.3
Precious Stones	"	13.9	280.0	95.2	31.3	1,011.4	1,042.6	1,202.9	5.6	10,121.1	388.8	218.3
Aluminium	tons	32.3	1.6	-	13.8	18.8	10.6	17.6	10.0	2.2	0.3	1.8
Anmethystone	"	70.1	2.5	3.2	3.0	53.0	-	-	-	-	-	-
Artistone	"	31.9	1.2	9.5	84.9	148.0	-	-	-	-	-	-
Tungsten	"	0.1	-	-	-	10.4	17.6	-	-	-	-	-
Ulanga	"	6.2	9.9	5.4	14.7	8.6	2.7	6.5	1.2	1.3	0.1	0.3
Calcite	000 tons	5.4	6.8	13.0	1.1	1.2	2.7	2.5	2.2	2.3	2.2	3.5
Coal	"	0.9	0.8	2.0	6.6	5.6	2.4	6.1	10.8	10.0	8.2	6.6
Glass Sand	"	28.9	-	-	10.7	4.5	17.4	14.8	11.5	4.2	10.0	9.3
Gypsum	"	12.8	57.1	1.2	23.3	10.0	9.7	2.3	16.0	6.8	7.6	14.4
Kaoline	"	1.0	2.4	-	7.3	1.2	7.4	2.7	2.5	2.2	2.3	2.2
Magnesite	"	-	19.0	-	23.0	10.0	-	-	-	-	-	-
Limestone	"	0.5	5.9	5.5	5.8	22.0	6.8	5.2	449.3	260.1	138.8	247.0
Salt	"	44.3	46.4	39.1	34.0	34.4	37.0	42.2	32.1	29.7	29.9	31.6

Source: Tanzania Government (1975-85) Economic Survey(s).

Appendix 8: Telephone and Telegraphic Services, Tanzania Posts and Telecommunication Corp., 1977-85

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Pending Applications for Telephones									
Manual	622	797	1,431	1,338	3,407	5,079	6,497	8,933	11,575
Auto	10,520	13,791	16,844	21,175	25,438	30,739	40,537	39,239	47,489
Telex Traffic	138	240	350	448	523	600	613		717
Telephone Services Traffic (originating manually handled calls)									
Local (000s)	5,500	5,700	6,300	6,600	6,400	7,100	6,700	6,500	5,200
Trunk (000s)	2,700	3,000	3,000	2,900	3,000	3,100	3,100	3,100	2,900
International (000s)	101,100	123,400	167,300	239,400	297,500	410,400	496,100	538,100	561,000
Metred Units (000s)	188,400	230,800	251,000	275,900	230,500	278,100	259,900		416,800
Originating Telegraphic Traffic (telegrams)									
Inland (000s)	870	1,020	1,020	960	810	630	720	610	1,100
International (000s)	116,100	127,200	116,700	126,400	129,100	98,000	77,600	68,800	42,400
Originating Radio-Call Traffic									
Telephone Calls	12,600	10,700	8,400	7,200	6,300	4,700	4,700	3,200	3,100
Telegrams	13,300	12,900	14,300	7,300	4,600	3,700	4,000	2,800	3,000

Note: This corporation was formed in 1977 to replace East African Posts and Telecommunications.
Source: Tanzania Government (1985) *Economic Survey*. p.126.

Appendix 9: Tanzania Railway Corporation: Operating Statistics, 1977-83

Item	1977	1978	1979	1980	1981	1982	1983
Passengers (000)							
Total	3297	2794	2624	2609	2390	3284	3945
Railway	2626	2254	2178	1325	1685	2139	3105
Road	543	462	577	604	559	411	326
Lake	128	134	82	535	315	430	514
Goods (tons)							
Total	1199	1054	1091	1157	1152	1058	917
Railway	1012	919	934	922	1010	923	832
Road	32	33	28	20	20	18	18
Lake	155	102	129	215	122	44	66
Livestock (000)							
Total	162	130	-	158	137	164	143
Cattle	161	130	-	149	126	162	141
Other	2	-	3	9	11	2	2

Note: The Corporation was formed in 1977.
Source: *Statistical Abstract* 1984, p. 196.

Bibliography

- Abromeit, H., 1986, 'Privatization in Great Britain' *Annals of Public and Cooperative Economy* 57(2): 153-80 (April-June).
- Akeredolu-Ale, E.O., 1976, 'Private Foreign Investment and the Underdevelopment of Indigenous Entrepreneurship in Nigeria' in G. Williams (ed.) *Nigeria: Economy and Society*, Rex Collins, London.
- Allen, L.A., 1958, *Management and Organizations*, McGraw-Hill, New York.
- Armstrong, P., 1989, 'Management, Labour Process and Agency' *Work Employment and Society* 3: 307-22.
- Arora, R.C., 1969, *Administration of Government Industries*, IIPA, New Delhi.
- Asmeron, H.K., 1989, 'Ideology, Politics and the Emerging Shape of State Bureaucracy in Kenya, Tanzania and Zambia: A Comparative Assessment' in R.B. Jain (ed.) *Bureaucratic Politics in the Third World*, Gitanjali, New Delhi.
- Awiti, A., 1975, 'Ismani and the Rise of Capitalism' in *Rural Cooperation in Tanzania* Development Research Committee (ed.), University of Dar es Salaam, Tanzania Publishing House, Dar es Salaam.
- Ayub, M. and Hegstad, S., 1987, 'Management of Public Industrial Enterprises' *World Bank Research Observer*, 2(1): 20-49.
- Backhaus, J.G., 1989, 'Privatization and Nationalization: A Suggested Approach' *Annals of the Public and Cooperative Economy*, 60(3): 307-28.
- Bannester, M.E., 1969, 'Sociodynamics: An Integrative Theorem of Power, Authority, Influence and Love' *American Sociological Review*, 34: 374-93.
- Barker, A., 1973, 'Information for Parliamentarians: A Technical and Political Challenge', *The Parliamentarian*, 154: 130-2.
- Bauer, P.R., 1954, *West African Trade: A Study of Competition, Oligopoly and Monopoly in a Changing Economy*, Routledge and Kegan Paul, London.
- Bavu, I.K., Masanja, P. and Mihyo, P.B., 1980, 'Tanzanian National Report' in J. Avendamo (ed.), *Workers' Self-Management and Participation - National Reports*, Vol. II, ICPE, Ljubljana.
- Besha, M.P., 1982, 'Towards Self-Management in Tanzania: The Role of

- the Trade Union Movement' MA thesis, Institute of Social Studies, The Hague.
- Besha, M.P., 1985, 'Practical Problems in the Implementation of Self-Management: The Tanzanian Case' paper presented to conference on the Economics of Self-Management, CIRIEC, Liège (July).
- Bienen, H. and Waterbury, J., 1989, 'The Political Economy of Privatization in Developing Countries' *World Development*, 17(5): 617-32.
- Binhammer, H.H., 1968, 'Financial Infrastructure and the Availability of Credit and Finance to the Rural Sector of the Tanzanian Economy', in 'Economic Papers 1968-1968', Institute of Social Research, University of Makerere, Kampala (unpublished).
- Binhammer, H.H., 1969, 'Financing Industrial Development in Tanzania', *Economic Research Bureau Papers*, No. 69.4, University of Dar es Salaam.
- Boneo, H. and Waterhouse, E., 1990, 'Public Enterprise in Argentina: The Experience of the Radical Government 1983-9' in J. Heath (ed.) *Public Enterprise at the Crossroads*, Routledge, London.
- Brede, H. and Hoppe, U., 1986, 'Outline of the Present Status of the Privatization Debate in the Federal German Republic' *Annals of Public and Cooperative Economy*, 57(2): 205-30.
- Brett, E.A., 1973, *Colonialism and Underdevelopment in East Africa*, Heinemann, London.
- Brittan, S., 1986, 'Privatization: A Comment on Kay and Thompson' *The Economic Journal*, 96: 33-8 (March).
- Bureau of Statistics, 1972-1986, *Statistical Abstracts*, Government Printer, Dar es Salaam.
- Campbell, J., 1971, 'Training Seminars for New Members', *The Parliamentarian*, 52: 108-11.
- Cliffe, L., 1967, 'Challenge To Tanzanians: Arusha Declaration', *East African Journal*, 1967 (3): 22-35.
- Cliffe, L., 1968, 'Democracy in A One-Party State: The Tanzanian Experience', *The Parliamentarian*, 49: 206-9.
- Cliffe, J. and Saul, J., 1972, *Socialism in Tanzania*, East African Publishing House, Nairobi.
- Collande, P. von Mitschke, 1980, *Transfer and Development of Technology: Industrialization and Engineering Education in Tanzania*, Arbaiten aus dem Institut für Afrika-kunde, No. 26, Hamburg.
- Collinson, M., 1975, 'Tanzania's Cooperative Movement and Farmer Credit in the 1960s' in Rural Development Research Committee (University of Dar es Salaam) (ed.) *Rural Cooperation in Tanzania*, Tanzania Publishing House, Dar es Salaam.

- Cooper, J., 1974-75, 'Strengthening Congress: an Organizational Analysis, *Harvard Journal of Legislation*, 12: 307-29.
- Coté, D., 1989, 'Firm Efficiency and Ownership Structure: The Case of US Electric Utilities Using Panel Data' *Annals of Public and Cooperative Economics*, 60(4): 431-50.
- Coulson, A., 1978, 'Agricultural Policies in Mainland Tanzania, 1946-1976', *Review of African Political Economy*, 10: 74-100.
- Coulson, A., 1982, *Tanzania, A Political Economy*, Clarendon Press, Oxford.
- Curwen, P., 1986, *Public Enterprise: A Modern Approach*, Harvester Press, Brighton.
- Daintith, T.C., 1970, 'The Mixed Enterprise in The United Kingdom', in W. Friedman and J.F. Garner (eds) *Government Enterprise*, Columbia University Press, New York, pp. 53-78.
- David, L., 1969, 'The Changing Role of the Backbencher', *The Parliamentarian*, 50: 8-11.
- Davidson, R.H. and Olezek, W. 1976, 'Adaptation and Consolidation: Structural Innovation in the US House of Representatives', *Legislative Studies Quarterly*, 1(1): 37-49.
- Davies, J.W.W., 1970, 'Question Time in the Sierra Leone House of Representatives', *The Parliamentarian*, 51: 67-9.
- Drake, C.D., 1970, 'The Public Corporation as An Organ of Government Policy' in W. Friedman and J.F. Garner *Government Enterprise*, Columbia University Press, New York, pp. 26-52.
- Driberg, T., 1969, 'Pressure Groups in the UK', *The Parliamentarian*, 50: 267-73.
- El-Mir, A., 1982, 'Government Control over Public Enterprises: Current and Relevant Forms', *Public Enterprise*, 2(4): 45-52.
- El Namaki, M.S.S., 1984, 'A Strategic Planning Model For Public Enterprises in Developing Countries' *Public Enterprise*, 4(4): 15-35.
- El Namaki, M.S.S., 1985, 'Strategic Planning and the State Enterprises' *Public Enterprise*, 6(1): 72-4.
- Ellis, F., 1982, 'Agricultural Price Policy in Tanzania', *World Development*, 10: 263-83.
- Ellis, F., 1983, 'Agricultural Marketing and Peasant — State Transfers in Tanzania, *Journal of Peasant Studies*, Vol. 10(4): 214-42.
- Emery, F.E. and Trist, E.L., 1965, 'The Causal Texture of Organizational Environments', *Human Relations*, 18: 21-31.
- Emmerson, R., 1962, 'Power and Dependence Relations', *American Sociological Review*, 27: 31-4.
- Fare, R., Grosskopf, S. and Logan, J., 1985, 'The Relative Performance of

- Publicly-owned and Privately-owned Electric Utilities', *Journal of Public Economics*, 26(1): 89-106.
- Frank, A.G., 1991, 'Privatization of Wealth and Participation in Poverty: New Economic Ironies in Central and Eastern Europe and the Soviet Union', paper presented at a Workshop on Participation and Changes in Property Relations in East-Central Europe and the Soviet Union, Institute of Social Studies, The Hague, 22-25 May.
- Fraser, R. and Wilson, M., 1988, *Privatization: The UK Experience and International Trends*, Longman, London.
- Friedman, W., 1942-43, 'The Shield of the Crown', *Australian Law Journal*, 40(16): 275.
- Friedman, W., 1948-49, 'Legal Status of Incorporated Public Authorities', *Australian Law Journal*, 22: 7-29.
- Friedman, W., 1974, *Public Enterprise in Mixed Economies*, Stevens, London.
- Friedman, W. and J.F. Garner, 1970, *Government Enterprise*, Stevens, London.
- Garner, J.F., 1970, 'Public Corporations in the United Kingdom' in W. Friedman and J.F. Garner (eds) *Government Enterprise*, Columbia University Press, New York, pp. 3-23.
- Gertzel, C., 1962, 'Relations Between African and European Traders in the Niger Delta, 1880-1896', *Journal of African History*, 3(2): 361-6.
- Ghai, Y.P. (ed.) 1977, *Law in the Political Economy of Public Enterprise*, Scandinavian Institute of African Studies, Uppsala.
- Giddings, P., 1975, 'Parliament, Boards and Autonomy: The Case of Agricultural Marketing Boards', *Public Administration*, 53: 383-401.
- Glade, W., 1989, 'Privatization in Rent-seeking Societies', *World Development*, 17(5): 673-82.
- Glade, W., 1990, 'Privatization in Chile' in J. Heath (ed.) *Public Enterprise at Crossroads*, Routledge, London.
- Green, J.A., 1966, 'Policies and Factors Affecting the Development and Operation of Public Enterprises in the African Region' Paper for a UN Seminar on Organization and Administration of Public Enterprises, Geneva (July).
- Hamad, S.S., 1987, 'The Concept of Accountability', Paper presented a joint seminar of Tanzania Mainland and Zanzibar Ministers on Accountability.
- Hanak, E., 1985, 'The Politics of Agricultural Policy in Tanzania' World Bank, Washington, DC (mimeo).
- Hansard, 1969, *Tanganyika Parliamentary Debates* (June) pp. 331-3.
- Hansard, 1975, *Tanganyika Parliamentary Debates*.

- Hanson, A.H., 1955, *Public Enterprise and Economic Development*, 2nd Edition, Routledge and Keagan Paul, London.
- Hanson, A.H., 1962, *Managerial Problems of Public Enterprises*, Asia, Bombay.
- Harrod, J., 1986, 'Development Studies: From Change to Stabilization', in R. Apthorpe and A. Kráhl (eds) *Development Studies: Critique and Renewal*, E.J. Brill, Leiden.
- Hart, C., 1969, 'The Clerk in Jamaica', *The Parliamentarian*, 50: 67.
- Heald, D., 1984, 'Privatization: Analyzing Its Appeal and Limitations', *Fiscal Studies*, 5(1): 36-46 (February).
- Hedlund, S. and Lundahl, M., 1989, *Ideology as a Determinant of Economic Systems: Nyere and Ujamaa in Tanzania*, Scandinavian Institute of African Studies, Uppsala.
- Helleiner, G.K., 1967, 'New Forms of Private Investment in Africa', *Economic Research Bureau Papers*, No. 67.12, University of Dar es Salaam.
- Hemming, R. and Mansoor, A.M., 1988, *Privatization and Public Enterprises*, IMF Occasional Paper, No. 56, Washington, DC.
- Hickson, I., 1963, 'Control of Borrowings in Nationalised Industries of Great Britain', *Annals of Public and Collective Economy*, 34(4): 21-39.
- Hyden, G., 1980, *Beyond Ujamaa: Underdevelopment and Uncaptured Peasantry*, Heinemann, London.
- Hyden, G., 1986, 'The Anomaly of the African Peasantry', *Development and Change*, 17(4): 677-705.
- Hyuha, M., 1984, 'Saving and Investment Rates, Capital Flows, Financial Intermediation and Growth in Uganda: A Simultaneous Equation Model', University of Dar es Salaam (mimeo).
- ICFTU, 1988, *The Challenge of Change*, ICFTU, Brussels.
- Jacobs, D., 1974, 'Dependency and Vulnerability: An Exchange Approach to Control of Organizations', *Administrative Studies Quarterly*, 19(1): 45-59.
- James, J., 1983, 'Bureaucratic, Engineering and Economic Men: Decision-Making for Technology in Tanzania's State-Owned Enterprises', ILO, Geneva. Also in Bhalla, A.S. (ed.) and James, D. (ed.), 1988, *New Technologies and Development: Experiences in Technology Blending*, Lynne Reiner, Boulder, CO.
- James, R.W. and Ligunya, S., 1976, 'Organizational Relationship and the control of Parastatals in Tanzania', *Eastern Africa Law Review*, 5(1-2): 39-88.
- Jarvis, T.S., 1939, 'A History of Robusta Coffee in Bukoba', *Tanganyika Notes and Records*, No. 8: 1-20.
- Jennings, I., 1961, *Parliament*, Cambridge University Press, Cambridge.

- Kabudi, J., 1982, 'Election Petitions and the 1980 Elections in Tanzania, University of Dar es Salaam (unpublished).
- Kabudi, J. and Mlimuka, A.K., 1983, 'Parliamentary Election Process and Class Struggles in Tanzania: 1980 Election Petition Case Study', LLB Dissertation, University of Dar es Salaam.
- Kaduma, I.M., 1977, 'Party Supremacy and One-Party Democracy in Tanzania', *UTATASI Journal*, Vol. 1: 10, University of Dar es Salaam.
- Kaijage, E., 1986, 'Financial Control and Public Enterprise Accountability', University of Dar es Salaam (mimeo).
- Kalembo, W., 1982, 'Parastatal Boards of Directors in Tanzania's Public Enterprises' MA thesis, University of Dar es Salaam (unpublished).
- Kanyilili, A., 1983, 'Innovation and Cost Reduction Measures in Industries in Tanzania' Paper presented at the Economic Policy Workshop, Dar es Salaam, 19-22 April.
- Kashyap, S.C., 1970, 'Orientation Seminars for Legislators', *The Parliamentarian*, 51: 81-4.
- Kashyap, S.C., 1976, 'Parliamentary Orientation and Training Needs, *Government and Opposition*, 11(2): 163-79.
- Kasungu, R., 1986, 'Potential Solution to the Critical Problem in the Transport Sector in Tanzania', University of Dar es Salaam (mimeo).
- Kasungu, R. & Ndulu, B.J., 1986, 'Neglect of the Transport Sector', University of Dar es Salaam (mimeo).
- Kay, J.A. and Thompson, D.J., 1986, 'Privatization: A Policy in Search of a Rationale', *The Economic Journal*, 96: 18-32 (March).
- Kelf-Cohen, R., 1969, *Twenty Years of Nationalization (The British Experience)*, Macmillan, London.
- Kennedy, P., 1988, *African Capitalism The Struggle for Ascendancy*, Cambridge University Press, Cambridge.
- Khandwalla, P.N., 1989, 'Dynamics of Corporate Regeneration', *RVB Research Papers*, 9(1): 1-11, Netherlands International Institute for Management.
- Khera, S.S., 1964, *Management and Control in Public Enterprises*, Asia, Bombay.
- King, A., 1976, 'Modes of Executive-Legislative Relations: Great Britain, France and West Germany', *Legislative Studies Quarterly*, 1(1): 13-29.
- Kjekshus, H., 1977, *Ecology Control and Economic Development in East African History. The Case of Tanganyika 1859-1950*, Heinemann, London.
- Kjellstrom, S.B., 1990, 'Privatization in Turkey', *World Bank Working Paper* No. WPS 532, Washington, DC.

- Komba, A.A.Y., 1984, 'Industrial Innovation in Tanzania', MA thesis, University of Dar es Salaam.
- Koponen, J., 1988, *People and Production in Late Precolonial Tanzania*, Institute of African Studies, Uppsala.
- Koponen, J., 1989, *Famine, Flies, People and Capitalism in Tanzanian History: Some Critical Historiographical Comments on Works by John Iliffe and Helge Kjekshus*, Institute of Development Studies, University of Helsinki.
- Landsberger, H., 1961, 'Horizontal Dimension in Bureaucracy', *Administrative Studies Quarterly*, 6: 299-332.
- Ley, J., 1972, 'Strengthening the Position of Backbenchers in Papua New Guinea', *The Parliamentarian*, 53: 303.
- Levy, D.G.M., 1970, 'Control of Public Enterprises in France' in W. Friedman and J.F. Garner (eds), *Government Enterprise*, Columbia University Press, New York, pp. 123-32.
- Lindsay, C.M., 1976, 'A Theory of Government Enterprise', *Journal of Political Economy*, 84(5):1061-77.
- Lipumba, N.H.I., 1983, 'Basic Needs and Agricultural Development Policy: A Critical Review' in JASPA, *Basic Needs in Tanzania*, ILO, Addis Ababa.
- Lipumba, N.H.I. 1986, 'The Economic Crisis in Tanzania, what is to be done?' Paper presented at a seminar on Economic Stabilization in Tanzania, University of Dar es Salaam (July).
- Lloyd, I., 1971, 'Computers in the Legislature', *The Parliamentarian*, 52: 25-28.
- Loxley, J., 1969, 'Monetary Policies Towards Socialism: The Monetary System of Tanzania since 1967', *Economic Research Bureau Papers*, No. 69.6, University of Dar es Salaam.
- Loxley, J., 1972, 'The Political Economy of Parastatals', *Eastern Africa Law Review* 5(1-2): 9-39.
- Luttrel, W.L., 1971, 'Villagization, Cooperative Production and Rural Cadres: Strategies and Tactics in Tanzanian Socialist Rural Development', *Economic Research Bureau Papers*, No. 71.11, University of Dar es Salaam.
- McHenry, Jr., D.E., 1979, 'Tanzania's Ujamaa Villages: The Implementation of a Rural Development Strategy', Berkeley.
- Maganga, G.J., 1988, 'Trade Union Professionalism and Representation of Workers' Interests: A Case Study of Tanzania' MA thesis, Institute of Social Studies, The Hague.
- Makusi, G.J., 1982, 'Workers' Education in Tanzania: A Case of the Tanzania Tobacco Authority', University of Dar es Salaam (mimeo).

- Mallya, N.N. 1971, *Public Enterprises in India*, National, Delhi.
- Mamdani, M. 1976, *Politics and Class Formation in Uganda*, Heinemann, London.
- Mapolu, H., 1973, 'The Workers' Movement in Tanzania', *Maji Maji*, 12: 1-17.
- Mapolu, H., 1976, *Workers and Management*, Tanzania Publishing House, Dar es Salaam.
- Mapolu, H., 1980, *Workers' Participation in the Management of Public Enterprises*, CODESRIA, Dakar.
- Matheson, J.K., et al., 1950, *East African Agriculture*, Longman, London.
- Mbilinyi, S., 1982, 'The Tanzanian National Agricultural Policy', Government Task Force Report on Agricultural Policy, Dar es Salaam (unpublished).
- Mengi, M., 1983, 'Boards of Directors in Parastatal Organizations', A paper presented at a Conference of general managers of public enterprises, Dar es Salaam, (August).
- Mezey, 1976, 'Comparative Legislative Studies', *Legislative Studies Quarterly*, 1(1): 129-47.
- Mezey, 1976, 'Constituency Demands and Legislative Support: An Experiment', *Legislative Studies Quarterly*, 1(1): 101-28.
- Michaelides, A., 1979, 'The House of Representatives of the Republic of Cyprus', *The Parliamentarian*, 60: 67-8.
- Mifsud, A., 1970, 'Malta: Reporting of Parliamentary Proceedings — Threat of Industrial Action', *The Parliamentarian*, 51: 333-35.
- Migot-Adhola, S.E., 1975, 'The Politics of Growers' Cooperative Organization', in Rural Development Research Committee (University of Dar es Salaam) (ed.) *Rural Cooperation in Tanzania*, Tanzania Publishing House, Dar es Salaam.
- Mihyo, P.B., 1980, 'Self-Management in Tanzania's Industrial Relations Experience' paper presented at a conference on labour at the Centre for Developing Area Studies, McGill University.
- Mihyo, P.B., 1982, 'Experiences autogestionnaires dans l'industrie tanzanienne', *Politique Africaine*, 2(8): 44-60.
- Mihyo, P.B., 1983, *Industrial Conflict and Change in Tanzania*, Tanzania Publishing House, Dar es Salaam.
- Mihyo, P.B., 1986, 'Parliamentary Control and the Accountability of Public Enterprises in Tanzania' PhD dissertation, University of Dar es Salaam.
- Mihyo, P.B., 1988, 'The Liability and Culpability of Top Executives for Offences and Omissions of their Subordinates', *Tanzania Materials Management Journal*, 1: 28-35.

- Mihyo, P.B., 1989, *Bargaining for Technology Imports in Tanzania's Public Enterprises: Some Experiences*, International Development Research Centre, Ottawa, Unpublished Research Report.
- Mihyo, P.B., Makusi, G.J. and Mapolu, H., 1983, 'National Report on Workers' Participation in Decision-Making', Tanzania Government Report, Dar es Salaam.
- Mihyo, P.B., Makusi, G.J. and Mapolu, H., 1986, 'The National Bank of Commerce and Urafiki Textile Mill Ltd' in ICPE, *Workers' Self-Management and Participation in Practice: Case Studies*, Vol. 1, A. Vahcic and V. Smole-Grobovsek (eds), Ljubljana, pp. 293-362.
- Millward, R., 1982, 'The Comparative Performance of Public and Private Ownership' in Lord Roll (ed.) *The Mixed Economy*, Macmillan, London.
- Mkizungo, N., 1975, 'The Future of the Marketing Structure of the Domestic Appliances in Tanzania (The Case of DABCO)' MA thesis, University of Dar es Salaam.
- Mlawa, H.M., 1983, 'Technological Dependence in the Tanzania Cotton Textile Industries', University of Dar es Salaam (mimeo).
- Mohapatra, M.K., 1976, 'The Ombudsmanic Role of the Legislators in an Indian State', *Legislative Studies Quarterly*, 1(3): 295-315.
- Morrel, D., 1976, 'Thailand's Legislature and Economic Development Decisions', *Legislative Studies Quarterly*, 1(1): 134-45.
- Morrison, H., 1933, *Socialization of Transport*, Constable, London.
- Moshi, H.P.B., 1979, 'The Supervision and Control of Public Enterprises in Tanzania', Economic Research Bureau seminar paper, University of Dar es Salaam (unpublished).
- Moshi, H.P.B., 1982, 'Financial Control of Parastatal Organizations', mimeo, University of Dar es Salaam.
- Moshi, H.P.B., 1984, 'Adequacy of Control in Tanzania's Public Enterprises', *Public Enterprise*, 5(1): 29-37.
- Msuya, P., 1977, 'Party Supremacy: Meaning and Limitations', *UTATASI Journal*, 1: 22 (University of Dar es Salaam).
- Msuya, P., 1978, 'The Doctrine of One-Party State in Relation to Human Rights and the Rule of Law' in International Court of Justice, *Human Rights in A One-Party State*, Search Press, London.
- Msuya, C.D., 1973, 'Budget Speech', Government Printer, Dar es Salaam (June).
- Msuya, C.D., 1974, 'Budget Speech', Government Printer, Dar es Salaam (June).
- Msuya, C.D., 1984, 'Public Enterprise in Tanzania', (an address), *Public Enterprise*, 5(1): 100-2.

- Mushi, S., 1971, 'Modernization by Traditionalization: Ujamaa Principles Revisited', *Taamuli*, 1: 1-24.
- Mwakawago, D.N., 'Tanzania's One-Party Parliament', *The Parliamentarian*, 60: 198-201.
- Mwakyembe, H.G. and Rusemwa, T.K., 1983, 'One-Party Parliamentary Democracy: A Case Study of the Tanzanian Parliament 1961-1982', LLB Dissertation, University of Dar es Salaam.
- Mwansasu, B., 1974, 'The One-Party System in Tanzania', *The Parliamentarian*, 55: 234-38.
- Mwansasu, B. and Mramba, B. 1972, 'Management For Socialist Development in Tanzania: The Case of National Development Corporation', *The African Review*, 1(3): 29-47.
- Mwapachu, J.V., 1977, 'Public Sector Commercial Bank Lending and Investment Policy: Case of Tanzania' *Lok Udyog*: 11(4): 37-50.
- Mwapachu, J.V., 1983, *Management of Public Enterprises in Developing Countries (The Tanzanian Experience)*, Oxford University Press and IBH, New Delhi.
- Mwase, N. 1980, 'The Structure of the Road Haulage Industry in Tanzania', Economic Research Bureau Papers, No. 78.7, University of Dar es Salaam.
- Mwinyi, A.H. 1986, 'Presidential Directive on Accountability in Public Enterprises in Tanzania' Government Printer, Dar es Salaam.
- Mwinyi, A.H. 1987, 'Uwajibikaji', Presidential address to a joint seminar for Tanzania Mainland and Zanzibar government ministers on accountability.
- Narain, L., 1979, *Parliament and Practice of Public Enterprise in India*, S. Chand and Co., New Delhi.
- Narain, L., 1980, *Principles and Practice of Public Enterprise Management*, S. Chand and Co., New Delhi.
- Nath, N.C.B., 1986, 'Public Enterprise as an Intervention Mechanism', *Public Enterprises*, 6(2): 95-106.
- Nditi, N.N.N., 1987, 'Consumer Protection Law and Practice: Its Relevance and Reality in a Developing Economy With Special Reference to Tanzania', PhD dissertation, University of Dar es Salaam (unpublished).
- Ndulu, B.J., 1983, 'Investment Patterns and Impacts in Post-Arusha Tanzania', University of Dar es Salaam (mimeo).
- Ndulu, B.J. and Hyuha, M., 1984, 'Investment Patterns and Resource Gaps in the Tanzanian Economy 1970-1982', paper presented at a workshop on Economic Stabilization Policies in Tanzania, Dar es Salaam (20-23 February).

- Newman, A., 1978, 'Questions in the Legislative Council of Tasmania', *The Parliamentarian*, 59: 62-64.
- Nyerere, J.K., 1966, *Freedom and Unity*, Oxford University Press, Dar es Salaam.
- Nyerere, J.K., 1970, 'Presidential Circular No. 1 of 1970: The Establishment of Workers' Councils, Executive Boards and Boards of Directors', in H. Mapolu, *Workers' and Management*, Tanzania Publishing House, Dar es Salaam.
- Ochuro, E.T., 1970, 'Parliamentary Questions: Uganda', *The Parliamentarian*, 51: 147-8.
- Okpala, L.A.C., 1989, 'Privatization in Nigeria: Policies, Methods and Procedures' MBA thesis, Netherlands International Institute for Management, Delft.
- Olezek, W. et al., 1976, 'Adoptation and Consolidation: Innovation in the US House of Representatives', *Legislative Studies Quarterly*, 1(1): 37-65.
- Omari, I.M. and Mihyo, P.B., 1991, *The Politics of Student Unrest in Africa*, Oxford University Press, Nairobi.
- Onyemelukwe, C.C., 1973, *Men and Management in Contemporary Africa*, Longman, London.
- Packard, P.C., 1973, 'Management and control in Parastatal Organizations' in J.F. Rweyemamu, et al. (eds) *Towards Socialist Planning*, Tanzania Publishing House, Dar es Salaam.
- Penrose, E., 1972, 'Some Problems of Policy in the Management of the Parastatal Sector in Tanzania: A Comment', *The African Review*, 1(3): 48-53.
- Pelletier, M.C., 1973, 'Privilege in the Canadian Parliament', *The Parliamentarian*, 54: 143-52.
- Perrow, C., 1961, 'The Analysis of Goals in Complex Organizations', *American Sociological Review*, 26: 854-865.
- Pestieau, P., 1989, 'Measuring the Performance of Public Enterprises: A Must in the Times of Privatization', *Annals of Public and Cooperative Economy*, 60(3): 293-305.
- Pettifer, J.A., 1972, 'Privilege in the Parliament of the Commonwealth of Australia', *The Parliamentarian*, 53: 288-297.
- Pigou, A.C. 1926, *The Economics of Welfare*. Macmillan, London. (4th edn published 1952)
- Pinkele, C.F., 1976, 'The Role of Local Representative Assemblies in Orchestrating and Institutionalizing Revolutionary Change: The Case of the Peoples' Republic of China 1949-1952' *Legislative Studies Quarterly*, 1(1): 134-5.

- Pirie, M., 1988, *Privatization*, Wildwood House, London.
- Pryke, R., 1981, *The Nationalized Industries, Policies and Performance Since 1968*, Martin and Robertson, Oxford.
- Puthuchery, M., 1990, 'The Public Enterprise Sector in Malaysia', in J. Heath (ed.) *Public Enterprise at Crossroads*, Routledge, London, pp. 110-25.
- Ramandham, V.V., 1984, *Public Enterprise in Developing Countries*, OUP and IBH, New Delhi.
- Rao, C.R.A., 1982, *Public Enterprises and Parliamentary Committees in India*, Chugh Publications, New Delhi.
- Reddy, Y.V., 1990, 'Liberalization and Privatization of Public Enterprise in India', in *Public Enterprise at Crossroads*, Routledge, London.
- Rees, R., 1984, *Public Enterprise Economics* (Second Edition), Weidenfeld and Nicolson, .
- Robson, W.A., 1970, *Problems of Nationalized Industry*, Stevens, London.
- Robson, W.A., 1960, *Nationalized Industry and Public Ownership*, Stevens, London.
- Robson, W.A., 1952, *Problems of Nationalized Industry*, Stevens, London.
- Romnicianu, M., 1971, 'Management Agreements: Are They Really Necessary?' *Jenga*, 19: 28-31.
- Rosenthal, P. and Grossman, R.S., 1978, 'Congressional Access to Confidential Information Collected by Federal Agencies' *Harvard Journal of Legislation*, 15: 75-95.
- Rutayisire, L.W., 1986, 'Fiscal Imbalance in Tanzania: Its Underlying Factors and Suggestions for Economic Policy Making in the 1980s', University of Dar es Salaam (mimeo).
- Rweyemamu, J.F., 1970, 'Planning, Socialism and Industrialisation: The Economic Challenges', in *Towards Socialist Planning*, J.F. Rweyemamu et al. (eds), Tanzania Publishing House, Dar es Salaam.
- Rweyemamu, J.F., et al., 1971, 'The Structure of Tanzania's Industry' *Economic Research Bureau Papers*, No. 71.2, University of Dar es Salaam.
- Rweyemamu, J.F., 1971, 'The Structure of Tanzania's Industry', *Economic Research Bureau Papers*, No. 71-2, University of Dar es Salaam.
- Saul, J., 1975a, 'The Role of the Cooperative Movement', in Rural Development Research Committee (University of Dar es Salaam) (ed.) *Rural Cooperation in Tanzania*, Tanzania Publishing House, Dar es Salaam., pp. 206-53.
- Saul, J., 1975b, 'The Reorganization of the Victoria Federation of Cooperative Unions' in Rural Development Research Committee (University of Dar es Salaam) (ed.) *Rural Cooperation in Tanzania*, Tanzania Publishing House, Dar es Salaam.

- Schneider-Barthold, W. et al., 1984, 'Farmers' Reactions to the Present Situation in Tanzania with Respect to Production and Marketing. A Case study of Five Villages in the Kilimanjaro Region' German Development Institute, Berlin.
- SCNI 1953, Select Committee on Nationalized Industry *Report on Nationalized Industries* HMSO, London.
- Seidman, H., 1955, 'The Government Corporation: Its Place in the Federal Structure' in A.H. Hanson, *Public Enterprise*, International Institute of Administrative Sciences, Brussels.
- Sendaro, M.A., 1986, 'Socialist Management in Tanzania's Public Enterprises', PhD dissertation, University of Dar es Salaam (unpublished).
- Senkoro, H.K., 1988, 'Financial Accountability in Public Enterprises and TAC's Contribution to the Improvement Thereof', Tanzania Audit Corporation, Dar es Salaam (mimeo).
- Shakdher, S.L., 1971, 'Services Available to Members of Parliament: India', *The Parliamentarian*, 52: 104-6.
- Shakdher, S.L., 1971, 'India: The Procedure For Making Allegations Against Outsiders', *The parliamentarian*, 52: 240-42.
- Shivji, I.G., 1975, *Class Struggles in Tanzania*, Tanzania Publishing House, Dar es Salaam.
- Shivji, I.G., 1984, 'The Constitution of the State and the State of the Constitution', Paper presented in the Faculty of Law, University of Dar es Salaam (May).
- Shivji, I.G., 1986, *Law, State and the Working Class in Tanzania 1920-1964*, James Currey, London.
- Sikorsky, D., 1986, 'Public Enterprise in the International Economy', *Annals of Public and Cooperative Economy*, 57(4): 477-512.
- Sisk, H.L., 1969, *Principles of Management: A Systems Approach to Management Process*, Southwest Publishing Co., Cincinnati, OH.
- Sloman, M., 1978, *Socializing Public Ownership*, Macmillan, London.
- Smith, C., 1978, 'Opposition: The Tanzanian Experience 1961-1975', MSc. Thesis, University of Bristol.
- Sokoine, E.M., 1983, 'Accountability in Tanzania's Public Enterprises' Prime Minister's Directive. (Internal Government Memorandum).
- Somasundram, M., 1984, 'From "Watch-dog" to "Watch-God": The Transition of Relationships Between Democratically Elected Legislatures and Public Enterprises - The Sri Lanka Case', *Public Enterprise*, 4(3): 49-54.
- Southall, R.J., 1978, 'Farmers, Traders and Brokers in the Gold Coast Economy', *Canadian Journal of African Studies*, 12(2): 185-211.

- Stefani, G., 1986, 'Privatizing Public Enterprises in Italy', *Annals of Public and Collective Economy*, 57(2): 231-52.
- Sterling, L., 1976, Untitled policy comment reproduced in *Tanzania Food Laws Review*, 1(4): 4-6.
- Stewart, F., 1984, *Planning to Meet Basic Needs*, Macmillan, London.
- Stewart, F., 1986, *Economic Policies and Agricultural Performance. The Case of Tanzania*. OECD, Paris.
- Strachman, C.V., 1969, 'The Clerk of Parliament and the Civil Service', *The Parliamentarian*, 50: 66-69.
- Sutchcliff, A., 1970, 'The British Member of Parliament and Local Issues', *The Parliamentarian*, 51: 87-8.
- Svendsen, K.E., 1967, 'Problems of Decision-Making in the Financial Structure of Tanzania-The national Bank of Commerce as One Case', Economic Research Bureau Papers, No. 67.11, University of Dar es Salaam.
- Svendsen, K.E. 1968, 'Decision-Making in the National Development Corporation', Economic research Bureau Papers, No. 68.4, University of Dar es Salaam.
- Swainson, G., 1980, *The Development of Corporate Capitalism in Kenya 1918-1977*, Heinemann, London.
- Temu, P.E., 1972, 'The Economic Implications of Management Agreements in Tanzania's Parastatals', *Eastern Africa Law Review*, 5(1-2): 77-88.
- Terrenberry, S., 1968, 'The Evolution of Organizational Environments', *Administrative Studies Quarterly*, 16: 590-613.
- Thompson, J.D., 1967, *Organizations in Action: Social Science Basis of Administrative Theory*, New York.
- Thorne, P.T., 1974, 'Security in the Legislature', *The Parliamentarian*, 55: 163-4.
- Tordoff, W., 1965, 'Parliament in Tanzania', *Journal of Commonwealth Political Studies*, 3(2): 74.
- Tordoff, W., 1977, 'Residual Legislatures: the Case of Tanzania and Zambia', *Journal of Commonwealth and Comparative Politics*, 15(3): 235-49.
- University of Dar es Salaam, 1972, *The 1970 Elections in Tanzania*, Tanzania Publishing House, Dar es Salaam.
- Vavouras, I.S., 1988, 'The Theory of Public Enterprise Restated', *Annals of Public and Cooperative Economy*, 59(3): 331-40.
- Walle, N. van de, 1989, 'Privatization in Developing Countries: A Review of Issues', *World Development*, 17(5): 601-15.

- Wangwe, S.M., 1982, *The Capital Goods Sector and Technological Development in Tanzania*, monograph, UNCTAD, Geneva.
- Wangwe, S.M., 1983, 'Industrialisation and Resource Allocation in a Developing Country: The Case of Recent Experiences in Tanzania', *World Development*, 11(6): 483-92.
- Wangwe, S.M., Mihyo, P.B. and Mlawa, H.M., 1985, 'Management Contracts and the Transfer of Skills: A Study of 15 Public Enterprises', Consultancy Report for Tanzania Investment Bank, Dar es Salaam.
- Wangwe, S.M. and Skarstein, R., 1986, *Industrial Development in Tanzania: Some Critical Issues*, Scandinavian Institute of African Studies, Uppsala.
- Weber, M., 1968, *Economy and Society: An Outline of Interpretative Sociology*, Vol. 1, Guenther Roth and Claus Wittich (eds), Bedminster Press, New York.
- Wilde, A. and Venezuela, A., 1976, 'Comparative Legislative Studies', *Legislative Studies Quarterly*, 1(1): 136-50.
- Willoughby, W.F., 1917, 'The National Government as a Holding Corporation', *Political Science Quarterly*, 32(4): 501-20.
- World Bank, 1989, *Sub-Saharan Africa: From Crisis to Sustainable Growth, A Long-Term Perspective Study*, World Bank, Washington, DC (November).
- World Bank, 1991, *Tanzania Economic Report: Towards Sustainable Development in the 1990s*, Vol. 1, World Bank, Washington, DC.
- Zafiris, N., 1986, 'Profitability as a Criterion of Enterprise Efficiency', *Annals of Public and Cooperative Economy*, 57(3): 345-58.

Court Cases Cited

- Anonymous Case IX; (1484) 145 ER 105.
- Atkinson v. New Castle and Gateshead Waterworks Co., (1876-77) 2 Exch. 411.
- Attorney General v. Independent Broadcasting Authority, (1973) 2 WLR 325.
- Attorney General v. Pontypridd Waterworks Co., (1908) 1 Ch. 388.
- Booth and Co. (International) Ltd. v. National Enterprise Board, (1978) 3 All E.R. 624.
- British Airports Authority v. Ashton, (1983) 1 WLR 1079
- British Airways Board v. Taylor, (1976) 1 WLR 141.
- British Railway Board v. Herrington (1972).
- British Steel Corporation v. Grenada Televisions Ltd, (1982) AC 1096.
- Burmah Oil Co. v. Bank of England, (1980) AC 1090.
- Carlson v. Post Office, (1981) ICR 278.
- Collins v. British Airways Board, (1982) QB 734.
- Dunne and Another v. North West Gas Board, (1964) 2 QB 806.
- East Suffolk Rivers Catchment Board v. Kent, (1941) AC 74.
- Eddington, Bishop and Withy v. Swindon Corporation, (1938) 4 All ER 57.
- Ester Mwanjabala v. R., HC Criminal Appeal No. 32 of 1978, Mbeya High Court.
- Garland v. British Rail Engineering Ltd, (1983) 3 App. Cases 131.
- Geddis v. Prop. of Bann Reservoir (1878) 3 App. Cases 131.
- Harold Stephens and Co. Ltd v. Post Office, (1977) 1 WLR 1211.
- Herron v. Rathmines and Rathgar Improvement Commissioners, (1892) AC 498.
- Juma George v. R., HC Criminal Appeal No. 86 of 1978, Dar es Salaam High Court.
- In Re Allen Craig and Co. (London), (1934) Ch. 483.
- Kandalla v. British European Airways Corporation, (1980) 2 WLR 730.
- Kingston v. British Railways Board, (1982) ICR 392.
- Kingston Cotton Mill Co., (1896) 2 Ch. 279.
- Leader v. Moxon, (1773) 96 ER 546.
- Lee v. Milner, (1837) 160 ER 540.
- Liverpool Corporation v. Chorley Waterworks, (1852) 43 ER 1105.
- London and General Bank, (1895) 2 Ch. 673.

- Manchester Corporation v. Farnworth, (1930) AC 171.
Post Office v. Crouch, (1973) ICR 66.
Post Office v. Ravyts and Others, (1972) ICR 174.
R. v. Chief Constable for Cornwall, Ex parte Central Electricity Generating Board, (1981) 3 WLR 967.
R. v. Civil Aviation Authority, Ex parte Northern Air Taxis Ltd, (1976) 1 Lloyds Reports 344.
R. v. Croke, (1774) 98 ER 948.
Setvanaryanga v. University of West Indies, (1983) 1 WLR 585.
Southampton and Itchin Floating Bridge and Roads v. Southampton Local Board of Health, (1854) 52 ER 439.
Sutton's Hospital Case, (1612) 77 ER 637.
Tamlin v. Hannaford, (1950) 1 KB 18.
Tipling v. Pexall, (1614) 80 ER 1085.
Thorne v. BBC, (1967) 1 WLR 1104.
Treifus and Co. v. Post Office, (1957) QB 353.
Wynn v. Shropshire Union Railways and Canals Co., (1850) 5 Exch. 420.

Index

- Abromeit, H. 120, 121, 123, 124, 126
accountability 1–3, 28, 90–1, 97, 103,
111, 143
financial 79–80, 88–90, 103, 106
historical factors 3–5
periodic mechanisms 78–84, 85, 97,
99, 105, 116
political factors 2, 26–7
to parliament 6–7, 23, 25, 26–8,
38–9, 96, 138
types of 1–3, 14, 25, 27, 78, 89
administrative
decisions 25, 27, 38, 109–10, 122, 141
instructions 111
management 15–17, 130
practice 137
processes 32–5, 39, 59, 107
structures 15, 23, 29–30, 42, 66,
99–102, 106–7, 110, 112–13,
115, 122, 127–8
administrative independence 10, 11,
23–5, 28, 112, 126
agricultural export crops 107, 108, 147
Allen, L.A. 1
annual reports 5, 18–19, 78–84, 85,
97, 99, 105, 116
Armstrong, P. 113, 114
Arora, R.C. 25, 27
Asmerom, H.K. 128
Attorney General 13, 169
audits 23, 137
and district corporations 88–9, 93
failure to appear at 87–90
non-presentation of accounts 80–4,
87–90
POC 82, 85–98
autonomy
financial 24, 63
general 6–7, 23, 25–6, 28, 35, 103,
133, 132, 141–2
Awiti, A. 132
Backhaus, J.G. 110, 125, 126
Bannester, M.E. 35
Barker, A. 55, 56
Bavu, I.K. 4, 109
Besha, M.P. 4
Bienen, H. 120, 133–4
Binhamer, H.H. 3
Boards of Directors 12, 32–3, 82,
83–4, 96, 101, 137, 138
functioning of 79, 89, 94, 110, 141
politicians as members of 17–18,
21, 141
Boneo, H. 134
Brede, H. 125
Britain (UK) 5, 6, 7–15, 19–20, 23–6,
28–9, 57, 59
privatization in 120–4, 126, 130–1
Brittan, S. 121–2
bureaucracy 1–2, 19, 27, 29, 33–4,
38, 39, 91, 113, 115, 131, 141–2
and market forces 132–3
nature of 32, 100–2, 106, 118, 119,
128–30, 131–3
Campbell, J. 53
capital and finance 18, 36, 79, 80,
81, 103, 113, 114, 124, 130, 135,
137, 141–2
cashewnuts 87, 106, 107, 112, 149
centralization 40, 139

- civil servants 26, 45, 49, 55–6, 71, 86
- civil service 49, 55–6, 128
- Cliffe, L. 43
- coffee production 64, 74, 87, 107, 112, 149
- Collande, P. 36
- Collinson, M. 132
- communication
barriers to 3, 25
channels of 33, 35, 141
- Constain, Arthur 86
- control
financial 27, 101–2, 105, 110
market 4–22, 29, 39, 105
parliamentary 7, 17, 26, 28, 34, 38–9, 58, 105, 107
party 44–8, 50–1
political 29–35, 63, 101, 115, 119
- Cooper, J. 49
- corruption 5, 43, 52, 73, 76, 83, 94, 114
- Cote, D. 7
- cotton 107, 112, 148
- Coulson, A. 101, 129
- Daintith, T.C. 57
- David, L. 54
- Davidson, R.H. 49
- Davies, J.W.W. 59
- debt, national 105, 115, 127–31, 136
- decentralization 3, 23–5, 33, 74, 81, 97, 100, 142
- discretion, use of 12–13, 31, 32, 33, 106–7, 116
- Drake, C.D. 57
- Driberg, T. 53
- economic reform 126–38, 142–3
- efficiency 2, 89, 107, 119, 120
and market forces 4, 137
and the Morrisonian Model 27
in government 118
in public enterprises 24, 25, 103, 110–11, 113–15, 122, 124
- El-Namaki, M.S.S. 33, 109, 110
- Ellis, F. 101, 108
- Emery, F.E. 35
- Emmerson, R. 35
- Fare, R. 122
- finance
management of 95–6, 105–7
sources of 18, 27, 30–1, 36, 67, 102–5, 116, 130
- financial disclosure
laws governing 18–19, 79–84
to auditors 81–4
to parliament 78–9
to the POC 85–98
- food crops 105, 107, 150
- foreign exchange problems 129
- foreign investments 82, 92, 103–5, 115, 128–30, 134
- Frank, A.G. 124
- Fraser, R. 124
- Friedman, W. 28
- Garner, J.F. 23
- Ghai, Y.P. 18
- Giddings, P. 59
- Glade, W. 134
- government
departments 6, 23, 26, 28, 31
processes 23–4, 35–6, 51, 142–3
- Grosskopf, S. 122
- Grossman, R.S. 60
- Hamad, S.S. 2
- Hanson, A.H. 23, 27, 28
- Harrod, J. 127
- Hart, C. 56
- Heald, D. 121
- Hedlund, S. 114
- Helleiner, G.K. 3

- Hemming, R. 120
 Hoppe, U. 125
 Hyden, G. 108
 Hyuha, M. 4
- ICFTU 102
 ideology 15, 21-2, 39, 40, 41-2,
 72, 114, 115, 118, 122-3, 134-5
 Iliffe, J. 143
 import substitution 139
 Independent Broadcasting Authority
 13, 169
 industrial development 108-9, 128,
 129, 131-3
 international trade 131
 intervention in public enterprises
 15, 24, 27-8, 126-7
- Jacobs, D. 35, 36
 James, R.W. 30
 Jennings, I. 59
 judicial powers 61, 84, 100, 128, 140-2
 jurisdiction 7-14, 19-21, 25, 29-35
- Kabudi, J. 43, 52
 Kaduma, I.M. 41
 Kaijage, E. 25
 Kalembo, W. 110, 141
 Kanyilili, A. 36
 Kashyap, S.C. 53
 Kasungu, R. 4, 108
 Kay, J.A. 120, 121, 122
 Kelf-Cohen, R. 28
 Khera, S.S. 2
 King, A. 40, 86
 Kjekshus, H. 132
 Kjellstrom, S.B. 134
 Komba, A.A.Y. 4, 36
 Koponen, J. 132
- Landberger, H. 36
 Levy, D.G.M. 25
 Ley, J. 54
- Ligunya, S. 30
 Lindsay, C.M. 118
 Lipumba, N.H.I. 4
 Lloyd, Ian 53-4
 Logan, J. 122
 Loxley, J. 3, 18
 Lundahl, M. 114
 Luttrell, W.L. 131
- Maganga, G.J. 102
 Makusi, G.J. 101, 110
 Mallya, N.N. 38, 58
 Mansoor, A.M. 120
 Mapolu, H. 4, 15, 109-10
 market controls 29, 105
 erosion of 18-22
 historical barriers 5, 6-15
 operational barriers 5, 15-18
 privatization and 4-5
 market models 132-3
 Mbilinyi, S. 108
 McHenry, JR., D.E. 131
 Members of Parliament 20-1, 25, 47-9,
 54-6, 58-9, 60-2, 64-5, 74-7
 appointment to boards 17-18, 21
 constituent interests 49-53,
 68-71, 74
 private motions 71-3, 78
 relationship to local electorate 40-1
 self-interest 45-6, 65-8
see also parliament
 Mengi, M. 33, 110, 141
 Mezey 51
 Michaelides, A. 59
 Mifsud, A. 55
 Migot-Adhola, S.E. 132
 Mihyo, P.B. 4, 31, 101, 108, 110, 129,
 136
 Millward, R. 122
 minerals 76, 107, 151
 ministers 7, 42, 58-9, 67, 68-9, 71,
 73, 83, 84, 97
 political constraints 91, 116-17

Ministers, cont.

- powers of 32–4, 91
- ministries 17, 19, 30, 32, 63, 78,
 - 79–80, 82, 83, 84, 87–91, 96, 97,
 - 99, 101, 102, 111, 140–2
- Mkizungo, N. 30
- Mlawa, H.M. 4
- Mlimuka, A.K. 43, 52
- Mohaptra, M.K. 52
- monitoring 137–8, 142
- Morrel, D. 47
- Morrison, H. 24, 27, 28
- Moshi, H.P.B. 3, 25, 110
- Mramba, B. 3
- Msuya, P. 15, 41
- multinational companies 3, 29, 33,
 - 129–30
- Mwakawago, D.N. 41, 42, 47
- Mwakyembe, H.G. 41, 43, 45
- Mwansasu, B. 3, 44
- Mwapachu, J.V. 3
- Mwase, N. 108
- Mwinyi, A.H. 2

- Narain, L. 38, 57, 58
- Nath, N.C.B. 34
- nationalization and public ownership
 - 64, 66, 72, 100, 110, 118–22,
 - 124–5, 126, 134–5
- Nditi, N.N. 20, 21
- Ndulu, B.J. 4, 101
- Newman, A. 59
- non-market controls 12, 15, 17, 18,
 - 29–35, 102
 - and the Morrisonian Model 5, 23–9
 - factors in 35–7
 - Parliamentary 38–9, 56
 - political 29–35, 63, 101, 115, 119
- Nyerere, J.K. 15

- Ochuro, E.T. 59
- Olzek, W. 49

- Omari, I.M. 136
- origin
 - of organizational model 15–18,
 - 128, 132–3
 - of public enterprises in Tanzania
 - 6, 138–40

- Packard, P.C. 3
- Parastatal Organizations Committee
(POC) xi, 33, 82, 85–98
- Parliament
 - access to information 49, 60–2
 - and public ownership 120–2
 - committees 61, 72, 73, 79, 85–6
 - constraints 50–6
 - control 39–42, 86
 - debates in 38, 39, 40, 48, 57–68,
 - 74, 78, 97
 - lack of interest in supervising
 - public enterprises 66–8
 - organizational weaknesses of
 - 49–56, 62–5
 - powers of 43–9, 61, 143
 - questions 24, 26, 38, 39, 57–62,
 - 67–71, 74–7, 78
 - party controls 44–8, 50–1
 - one-party system 21, 39–42, 58,
 - 59, 86, 127
 - patronage 114, 135
- Pelletier, M.C. 61
- Penrose, E. 3
- performance 4, 7, 12, 13, 22, 32,
 - 54, 79–80, 85, 137, 142
 - criteria for 99, 107–8
 - governmental factors of 108–9
 - legal factors of 116–17
 - management and 93, 109–17
 - political factors and 109–10,
 - 115–16
- Perrow, C. 36
- Pestieau, P. 7, 111, 1119
- Pettifer, J.A. 61
- Pigou, A.C. 26–7

- Pinkele, C.F. 47
 planning xi, 3, 143
 policy 49, 54, 69–71, 131–3
 formation xi, 4, 43–7, 50, 56,
 65–8, 72–3, 85–6, 97
 political factors and 15–16, 40–2,
 136
 political intervention in public
 enterprises 27–8, 34, 126–7
 politic(s) 47, 142–3
 administrative dichotomy 134–5
 power 1–3, 15, 28, 29–30, 33, 38,
 88, 142–3
 President's Office xi, 19
 privatization 4, 76, 119–20, 126–33
 constraints on 134
 European 122–6
 and ideology 122–3, 134
 market factors and 122, 123–6,
 130–1, 136
 methodology of 120
 reasons for 120–2, 124, 125–6, 131
 social dimensions of 120–1, 125,
 133–6
 profitability 7, 18, 19, 97, 114, 137
 Pryke, Richard 122
 public accountability *see* account-
 ability
 public administration 2–3, 118–19
 public bodies 5, 25, 107, 140
 public policy 33
 Public Corporations Act (The NDC
 Act) 30–3, 62–3, 100, 112
 Puthuchery, M. 134
 pyrethrum production 64, 69, 107, 149

 railways 66, 108, 153
 Ramanadhan, V.V. 57, 58
 Rao, C.R.A. 38
 Reddy, Y.V. 126
 Rees, R. 119
 research and development 63, 120
 Robson, W.A. 24, 25, 26, 27, 28, 57

 Romnicianu, M. 3
 Rosenthal, P. 60
 Rusemwa, T.K. 41, 45
 Rutayisire, L.W. 4
 Rweyemanu, J.F. 3

 Saul, J. 132
 Schneider-Barthold, W. 109
 sectoral agencies 79, 128, 131, 143
 seed products 146
 Seidman, H. 23
 Sendaro, M.A. 2, 109
 Senkoro, H.K. 1, 80, 81, 82, 87–8
 Shakder, S.L. 53
 Shirika la Habari Tanzania
 (SHIHATA) 90
 Shivji, I.G. 44, 129
 Sikorsky, D. 119, 123
 sisal production 107, 149
 Sisk, H.L. 1
 Skarstein, R. 4, 108
 Sloman, M. 26
 Smith, C. 41
 socialism 3, 18, 41, 66, 72, 108–9,
 131–3
 Sokoine, E.M. 3
 Somasundram, M. 38–9
 Standing Committee on Parastatal
 Organizations 34–5, 91
 state corporations 20, 29–32, 62–4,
 70, 100–1, 130, 138–41
 Stefani, G. 116, 125
 Sterling, L. 20
 Stewart, F. 101, 108, 109
 Stoddart, David 85
 Stratchman, C.V. 56
 sugar 73, 107, 145
 Sutchcliff, A. 53
 Svendsen, K.E. 3

 Tanzania Audit Corporation 34, 80,
 81–4, 86, 91, 94
 telephones 108, 152

- Temu, P.E. 3
Terreberry, S. 35
Thompson, J.D. 36, 120, 121, 122
Thorne, P.T. 61
tobacco production 70-1, 75, 76,
87, 107, 149
Tordoff, W. 43-4
Trist, E.L. 35

Vouvouras, I.S. 111
Venezuela, A. 47

Walle, N. van de 120
Wangwe, S.M. 4, 108
Waterbury, J. 120, 133-4
Waterhouse, E. 134
Weber, Max 35
Wilde, A. 47
Willoughby, W.F. 24
Wilson, M. 124
World Bank (IBRD) 15, 127

Zafiris, N. 111

The book locates the inefficiencies of the traditional public enterprise model within its management and contextual factors. The former include overprotection from consumer liability, statutory power to commit wrongs with impunity, legal limitations on their liability for negligence, contractual limitations in the performance of public services, and protection from mortgages, debentures, and bankruptcy proceedings. Contextual factors include state use of public enterprises as instruments of intervention; state dependence on them for services, credit, and employment; their excessive protection from courts, parliament, and consumers; and their use as dumping grounds for static technology in some cases. It calls for a new model that moves away from political patronage and political barriers to economic efficiency.

Paschal Mihyo is a Senior Lecturer in Labour Management at the Institute of Social Studies in The Hague. His first book, *The Development of Legal Philosophy*, was published when he was an Assistant Lecturer at the University of Dar es Salaam. His second book, *Industrial Conflict and Change in Tanzania*, was written in the wake of nationalization and the setting up of a public sector economy in Tanzania. He became an Associate Professor at the University of Dar es Salaam in 1982. He has published many articles on the public sector, labour management, and technology and is currently working on higher education and the labour markets in Africa.

IDRC



CANADA

ISBN 0-88936-701-9
Printed in Great Britain