



# Economic Order in Tanzania:

Principles, Opportunities and  
Challenges of Social Market  
Economy



# **CETA JOURNAL**

**VOLUME 17**

**CIVICS AND GENERAL STUDIES**

**ECONOMIC ORDER IN TANZANIA:  
PRINCIPLES, OPPORTUNITIES AND  
CHALLENGES OF SOCIAL MARKET ECONOMY**

**August, 2018**



**This journal is produced by:**

Civic Education Teachers' Association (CETA)  
Urafiki/Shekilango  
P.O. Box 54095  
Dar es Salaam

**ISSN: 1821 7338**

**August, 2018**

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## List of Abbreviations

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<b>BoT</b>	Bank of Tanzania
<b>CETA</b>	Civic Education Teachers' Association
<b>CSO</b>	Civil Society Organisation
<b>FYDP</b>	Five Year Development Plan
<b>GDP</b>	Gross Domestic Product
<b>KAS</b>	Konrad-Adenauer-Stiftung e.V.
<b>NBS</b>	National Bureau of Statistics
<b>NGO</b>	Non-Governmental Organisation
<b>NSGRP I</b>	National Strategy for Growth and Reduction of Poverty – Phase I
<b>PPP</b>	Public Private Partnership
<b>SME</b>	Social Market Economy
<b>SAUT</b>	St. Augustine University of Tanzania
<b>SOE</b>	State Owned Enterprise
<b>TASAF</b>	Tanzania Social Action Fund
<b>UDOM</b>	University of Dodoma

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## Preface

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**Civic Education Teachers' Association (CETA)** is a Tanzanian Non-Governmental Organization (NGO) founded in 2003 by civics teachers in response to the socioeconomic and political environment in Tanzania, following the abandonment of a centralised political economy that had dominated the country for nearly twenty years. CETA believes that there is need of a new focus on civic education, which is a vital tool in facilitating adult citizens to participate in social, economic and political decisions in their communities and the country at large from an informed point of view. It also highlights the roles and responsibilities of citizens, governments, political parties, the private sector, mass media, students and academics as well as Civil Society Organisations (CSOs). In order to improve teaching on this subject and general knowledge on good citizenship, CETA regularly publishes journals which influence political debates in Tanzania. CETA's intention is to bring together teachers and students and to establish a forum for exchange.

**Konrad-Adenauer-Stiftung (KAS)** is a German political foundation affiliated with the German political party Christian Democratic Union (CDU). It is named after Konrad Adenauer (1876-1967), first Chancellor of the Federal Republic of Germany after World War II. With nearly 80 foreign offices and 200 projects in more than 120 countries, KAS aims to contribute to the promotion of democracy, sustainable development, good governance, international relations, regional integration and social market economy. It strives to foster peace and freedom and to encourage continuous dialogue at the national and international level along with cultural and interreligious exchange. By bringing together people who embrace their social responsibilities, KAS works to develop active networks in the social, political and economic spheres. Invited by Mwalimu

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Julius Kambarage Nyerere to support leadership trainings at the Kivukoni College in Dar es Salaam, KAS has been operating in Tanzania since 1964. The main focus of **KAS Tanzania** lies on fostering democratic development and on furthering the establishment of an effective multi-party system. Moreover, KAS encourages decentralisation processes which further political as well as interreligious dialogue and increase transparency of decision-making processes. Herein, KAS Tanzania cooperates closely with a number of political and civil organisations and partners.

The cooperation between KAS and CETA focuses on the provision and improvement of civic background knowledge, enabling young Tanzanians to take part in the political process. The two organisations have been partners for the past 15 years. During that period, they have been involved in various programmes promoting civic education, democracy and good governance through workshops, symposia, and seminars across the country. Additionally, KAS facilitated publications of Civic Education Journals and books for General Studies as a subject for secondary schools as well as for the general public.

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## Acknowledgement

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**T**he Executive Committee of CETA would like to extend its appreciation to its partners for their moral and material support that led to the successful implementation of a series of two-day symposia on **“Economic Order in Tanzania: Principles, Opportunities and Challenges of Social Market Economy”** in Mwanza on the 26<sup>th</sup> and 27<sup>th</sup> January 2018, in Dar es Salaam on the 23<sup>rd</sup> and 24<sup>th</sup> March 2018 and in Dodoma on the 11<sup>th</sup> and 12<sup>th</sup> May 2018.

CETA is grateful to the KAS Tanzania Country Office for financing the symposia and for coordinating the proceedings. CETA is particularly thankful to KAS Resident Representative Daniel El-Noshokaty, Project Manager Dr. Stefanie Brinkel and their support team. CETA would like to thank the various universities, colleges and secondary schools for their attendance and moral support, specifically by enabling their students to take part in the symposium. The large number of attendees allowed for a lively exchange of views on Tanzania’s economy and for reflections on the way forward.

Likewise, CETA is grateful to all presenters in Mwanza, Dar es Salaam and Dodoma. We would like to express our gratitude for the presentations on the topic of “Economic Overview of Tanzania and Principles of Social Market Economy” by Mr. Ntui Ponsian Prot, Prof. Honest Prosper Ngowi and Dr. Stefanie Brinkel. CETA would also like to thank Ms. Chrispina Kiemi, Fr. Dr. Charles Kitima, and Dr. Lutengano Mwinuka for their presentations on the topic of “Opportunities and Challenges of Social Market Economy for Tanzania”.

Furthermore, CETA leadership is grateful to Mr. Jimmy Luhende from the organisation “Actions for Democracy and Governance” and to Mr. Augustino Mligo from the University of Dar es Salaam for moderating the symposia in the most professional manner.

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CETA would also like to extend its appreciations to the guests of honour. We would like to thank Hon. Josephat Sheja, Acting Regional Education Officer in Mwanza, for his encouraging opening speech. CETA would also like to express its gratitude to Dar es Salaam Lord Mayor Hon. Isaya Mwita, not only for gracing the symposium, but also for his readiness to respond to pertinent policy issues raised during the symposium proceedings. The organisers are thankful to Hon. Mwisungi Kigosi, the Regional Education Officer, for opening the symposium in Dodoma and taking the time to elaborate on some of the national strategies. Additionally, we would like to thank Mr. Benjamin Kawalala for his input on the Mwanza City Master Plan 2035.

Last but not least, CETA leadership extends its acknowledgement to Mr. Yasin Yusuph for editorial work, design of the cover, typesetting of the manuscript and for overseeing the publication.

**CETA Executive Committee**  
**August 2018**  
**Dar es Salaam**

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## Introduction

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**T**he Government of Tanzania is currently implementing its Development Vision 2025 which focuses on becoming a middle-income country and a semi-industrialised state (The Planning Commission 2000). The implementation of this vision is executed through consecutive Five Year Development Plans (FYDP). Following the completion of the FYDP I from 2011/12-2015/16, the Government is now implementing the FYDP II until 2020/21 (Ministry of Finance and Planning 2016, 1).

Theme of the FYDP II is “Nurturing Industrialisation for Economic Transformation and Human Development” (Ministry of Finance and Planning 2016, 1). It serves as a means of enhancing industrialisation to achieve the goals of attaining middle-income status and of furthering sustainable development. The Fifth-Phase Government is determined to mobilise various resources to facilitate the effective implementation of this agenda for industrialisation.

A major issue in the realisation of the envisaged goals is the prevalence of poverty, which has been a central issue for the Tanzanian state since gaining independence in 1961. Manoeuvring the country's economic system into *Ujamaa*-socialism in the late 1960s merely amplified existing struggles. Through the introduction of a state-controlled, socialist economic system, the Government monopolised key sectors like energy and railway transport. The sectors' transformative economic power in provision of employment opportunities and in reduction of poverty was narrowed.

Meanwhile, Tanzania's economic system has undergone further change and the economic **growth rate averages at 6.5% annually** so that the country has maintained a relatively stable economic upwards trend over the past decade (World Bank Group 2017). In spite of this development, **no substantial reduction of poverty** has been registered over the past fifteen years (Ministry of Finance and Planning 2016, v).

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Accordingly, the Tanzanian Government has undertaken measures and it launched its National Strategy for Growth and Reduction of Poverty (NSGRP I) in 2005. To intensify the efforts, the Government decided to introduce the third phase of the Tanzania Social Action Fund (TASAF III) in 2012, which involved cash transfers to poor and vulnerable households below the poverty line (URT-TASAF III 2013, 2). The aim was to create access to basic needs and empowerment to start small projects which generate income. The vision of the TASAF was not accomplished due to numerous reasons: Firstly, poor households did not possess basic financial management skills. As a result, misallocation of funds to alcohol, drugs or other vices occurred, which defeated the purpose of the initiative. Secondly, issues in the identification of eligible households surfaced, whereby households with no legal eligibility profited from the cash transfers. Additionally, the transfer system lacked transparency and accountability, resulting in corruption of funds on behalf of officials of the initiative.

So far, the efforts have failed to alleviate poverty so that, even in 2017, around twelve million Tanzanians survived on less than 0.60 USD per day (World Bank Group 2017). This situation is persistent because benefits gained on the macroeconomic level did not trickle down to the microeconomic level (Ministry of Finance and Planning 2016, 5). Especially with the Government cutting back allocations to the agricultural sector, Tanzania's main source of income and backbone of its society has been facing severe impediments (Ministry of Finance and Planning 2016, 5).

If Tanzania is to meet the envisioned goals of 10% GDP growth, semi-industrialisation, eradication of poverty and becoming a middle-income country by 2025, the Government must consider alternative and inclusive development models (Ministry of Finance and Planning 2016, 1-2). This might therefore be the right time to opt for a version of market economy, a decentralised economic system where the degree of scarcity of goods and services is mirrored in market prices (Leipold 2008, 144). Observing the international landscape of

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successful economies suggests taking into consideration a **model of Social Market Economy (SME)** which combines free market economy with limited state intervention in order to ensure fair competition and social welfare. It may offer a chance to phase out existing shortcomings in equity while at the same time advancing a development agenda.

Such major economic transformations must however be subject to public debates and allow for opportunities to discuss configurations of the model, modes of implementation as well as prospects and possible set-backs.

The necessity of organising symposia on “**Economic Order in Tanzania: Principles, Opportunities and Challenges of Social Market Economy**” lies in the elaborated circumstances. Henceforth, the organisers CETA and KAS aim at mobilising understanding and discussion of opportunities as well as challenges for Tanzania’s economy. For each of the symposia in this series, one day of presentations and discussions was allocated to each target group. The separation of the two target groups of university/college students and secondary school students was conducted so both groups would have an opportunity to address issues and questions with regard to their situation. In Dar es Salaam, 400 secondary and university/college students attended the event. In Mwanza, roughly 530 attendees were present and in Dodoma, around 600 secondary and university/college students participated in the symposium. The students were accompanied by their teachers.

This volume presents the symposium proceedings, highlighting main contributions and recommendations on behalf of the participants of the symposium.

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## Official Opening

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### Symposium in Mwanza on the 26<sup>th</sup> and 27<sup>th</sup> January 2018

**T**he symposium in Mwanza was graced by the guest of honour, Hon. Josephat Sheja, Acting Regional Education Officer in Mwanza. He acknowledged the involvement of the youth in the complex topic of Social Market Economy and encouraged students to act responsibly and independently by creating businesses to fight unemployment and to enhance innovation. Hon. Josephat Sheja emphasised the importance of education to develop the Tanzanian economy successfully.



*Hon. Josephat Sheja underlines the role of the youth in the economic development of Tanzania*

The symposium was opened with the participants jointly singing a patriotic song. This was followed by a welcome note on the behalf of a representative of teachers who thanked CETA and KAS for organising the event. Subsequently, Justine Goodluck, Project Manager of CETA, welcomed the participants, briefly presented the organisation CETA and thanked KAS for the long-lasting cooperation in strengthening civic education in Tanzania. He encouraged the students to take part in the discussions of the event and to contribute to the development of Tanzania as responsible citizens. In the following, student representatives thanked KAS and CETA for the organisation of the symposium. On Friday, two representatives of secondary school students asked their peers to cooperate to “make Tanzania shine”. On Saturday, the student chairman of universities of Mwanza Region encouraged the participants to actively and jointly contribute to the discussion of the topics.

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Richard Shaba, Programme Coordinator of KAS Tanzania, welcomed the students and pointed at the long history of KAS in Tanzania which dates back to 1964. The Resident Representative of KAS in Tanzania, Daniel El-Noshokaty, highlighted the societal importance of the youth and encouraged the participants to express their opinions freely and to ask all questions they have on the topic. He underlined the necessity of cooperation of actors from the economic, political and educational sectors for successful implementation of a specifically Tanzanian model of Social Market Economy.



*University students take notes during one of the symposia*

## Symposium in Dar es Salaam on the 23<sup>rd</sup> and 24<sup>th</sup> March 2018

**T**he symposium in Dar es Salaam

was graced by Dar es Salaam Lord Mayor Hon. Isaya Mwita. In his opening speech, Hon. Mwita referred back to the historical development of Tanzania's economy since 1961, when Tanzania attained juridical independence with a population of 9 million. At that time, political elites identified three key challenges, namely poverty, ignorance and disease. He went on to point at the development that took place under Mwalimu Nyerere, who focused on agriculture and linked it to the industry. Hon. Mwita conceded, however, that development had not been taking place speedily because of centralised economic planning and respective implementation strategies. He reported that Tanzania's economic development had been further disrupted by the effects of the Uganda-Tanzania war, by the country's commitment in supporting the struggle for liberation and by foreign engineered Structural Adjustment Programs. He urged the symposium participants to strive to **provide economic solutions**, underlining that Tanzania is populated by a young generation that faces the challenge of having to find answers to various socioeconomic problems. "It is your duty to provide solutions on what best suits Tanzania economically", he said, warning that Tanzania was in danger of experiencing developmental set-backs unless the youth were equipped with clear economic approaches. Hon. Mwita further called upon academicians to build confidence among the youth so they can use economic opportunities in the country as well as in the East African Community. The Lord Mayor reminded the students of the great



*Hon. Isaya Mwita officially opens the symposium*

hope that filled the country in 1961, arguing that this hope should not falter because of economic mismanagement.

Hon. Mwita then reminded the participants that it was their right to decide on the governance in the country, but also their duty to contribute towards its development. Furthermore, he lauded both KAS and CETA for compiling opportunities for students to discuss the direction of the country's economic system. The Lord Mayor ended his speech by advocating the values of the Tanzanian people, who should actively contribute to decision-making processes.

Daniel El-Noshokaty, KAS Tanzania Resident Representative, pointed at the aim of the symposium of discussing different economic systems, including Social Market Economy. He emphasised the relevance of the participants' contribution to the future of the country, which has yet to decide on its stance in the quest for equitable, inclusive, and sustainable development. Mr. El-Noshokaty also noted that while the German model of Social Market Economy has brought prosperity, this exact model need not necessarily be the applicable solution for Tanzania. He highlighted the demand for introducing a strategy to strengthen Tanzania's economy without losing sight of the people and their humanity. He further underscored that economic growth must benefit the people. "If you read that your country is growing very fast, but still, you do not have a job and prices of the daily life are getting more and more expensive, this economic growth is useless", he argued. Suggesting that the model of Social Market Economy could be adjusted, Mr. El-Noshokaty concluded by urging participants to contemplate on an economic system for Tanzania which can foster inclusive and sustainable economic development.

To conclude, Justine Goodluck, CETA Project Manager, gave a brief overview of CETA and its principles. He elaborated that CETA was registered as an NGO to form a response to the need of civic education in the country. CETA brings together students and civics teachers. Over the past fifteen years, CETA has supported civic education through symposia, workshops, and publications.

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## Symposium in Dodoma on the 11<sup>th</sup> and 12<sup>th</sup> May 2018

**T**he symposium in Dodoma was graced by Mr. Mwisungi Kigosi who represented the Regional Commissioner of Dodoma. Mr. Kigosi took the opportunity to thank all the organisers and KAS for the event. He then pointed at the important role of youths for the development of the country. “It is my belief that, through this symposium, the students will receive wide knowledge that will greatly contribute to the National Development Vision of 2025”, he emphasised. Furthermore, he explained that since the Government has decided to embark on the journey to becoming a middle-income country, employment opportunities for young workers must be created, also in the agricultural sector. He further expressed hope that the symposium would change the youth’s mind-set and awaken their interest by familiarising them with the topic of economics.

*Since the Government has decided to embark on the journey to becoming a middle-income country, employment opportunities for young workers must be created, also in the agricultural sector - Mwisungi Kigosi*

Subsequently, the moderator Mr. Augustino Mligo elaborated on the Swahili song “Tanzania Nakupenda Kwa Moyo Wote”. The lyrics date back to colonial times and express the students’ love of Tanzania. The moderator then involved the audience to revisit some of the relevant economic concepts to create a shared level of understanding. Mr. Mligo further advised the students to listen carefully, take notes, form questions and share comments.

Welcome remarks were additionally put forward by Ms. Agnes Lyimo and Mr. Leken Ollemoita. Ms. Agnes Lyimo, a civic education teacher from Lukundo Secondary School, urged the participants to be eager to learn in order to benefit from the discussions of the symposium. Mr. Leken Ollemoita thanked CETA and KAS for the

event and pointed out that the students are the future of Tanzania and accordingly must seek to contribute to their country.

Mr. Justine Goodluck shared insights on the objectives and goals of CETA. He concluded by stressing the relevance of civic education in order to create awareness about citizens' rights and responsibilities.

Dr. Stefanie Brinkel then welcomed the participants on behalf of KAS and elaborated on working areas of the foundation. She invited the students to make use of the symposium to widen their horizon and to gain practical knowledge.



*(from left) Dr. Stefanie Brinkel (KAS Project Manager), Mr. Mwisungi Kigosi (Regional Education Officer Dodoma) and Mr. Justine Goodluck (CETA Project Manager)*

## Economic Overview

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### 2.1 Economic Overview of Tanzania and Principles of Social Market Economy

#### 2.1.1 Economic Overview of Tanzania

An economic system is a “set of institutions for decision-making and for the implementation of decisions concerning production, income, and consumption within a given geographic area” and implies “organizational arrangements (...) and policies responsible for **resource allocation**” (Gregory/Stuart 2013, 645) within a society. It functions as an organised way in which a state or nation allocates its resources and apportions goods and services in the national community. Therefore, it is the **organisation of means** by which countries and governments distribute resources and trade goods and services.

The Tanzanian economy<sup>1</sup> has travelled a long and arguably turbulent journey since independence, which is similar to the journey of former socialist countries. In Tanzania, it can be divided into three major time periods. Each of these epochs has been defined, shaped and characterised by political and economic reflections of the time at the global, national and local level. Some of the key stages of this journey are outlined in the following.

#### **The 1961-1967 Epoch: From independence to *Ujamaa***

The period just after independence was mainly characterised by continuation of the colonial economic system. This was a system in which the economy aligned with the private sector and was market-oriented. Given the infancy level of development of the indigenous private sector as well as the colonial legacy, major means of production existed under European and Asian titans of the economy. The indigenous private sector was underdeveloped

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<sup>1</sup> See especially Ngowi 2009 and Appendix 3 of this publication.

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and unorganised compared to the other countries and to the status of Tanzania today. Nevertheless, the economy as a whole grew steadily at 4.8%, which was higher than the economic growth rate in the period of African Socialism which would follow briefly thereafter (Wenban-Smith 2015, 8).

### The 1967 U-turn: *Ujamaa*

In 1967, Tanzania witnessed the first major U-turn in its economic system. This was triggered by the Arusha Declaration which embraced the Marxist-Leninist stance on social, political and economic systems. In Tanzania, this newly introduced African **socialism** became known as *Ujamaa*. Inevitably, *Ujamaa* re-defined, re-shaped and transformed the economy. It initiated an epoch of state-owned and planned economy so that, following the 1967 nationalisation, the state controlled all the major means of the economy.



*A student expresses her opinion during the discussion*

Keynesian economics reigned and the Government intervened heavily in the economy. The visible hand of the Government in planning, ownership, production and distribution of goods and services lead the economy. During that time, the public - not the private sector - owned and managed over 400 State Owned Enterprises (SOEs).

The private sector had no place in Tanzania. It was seen as the enemy of the state and, accompanied by anti-private sector and anti-entrepreneurial sentiments, it was inappropriate to become

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rich through the private sector route. The private sector and those operating in it did not receive support or facilitation from the Government (Ngowi 2009, 263). Ultimately, there was no vibrant, dynamic and promising private sector like it exists nowadays.

Partly as a result of this, the period was punctuated with scarcity of goods and services. Rationing of essential consumer goods and of foreign currency was a norm rather than an exception. Free private sector competition was not allowed as free market determination of prices was unheard of. These circumstances made the 1967 to mid-1980s era a difficult period for the emergence, growth and development of the private sector in Tanzania. The economy grew, exacerbated by the effects of the Uganda-Tanzania war, at a very slow rate of merely 1.5% (Wenban-Smith 2015, 8).

### **The mid-1980s U-turn: Market Economy**

The second major U-turn in Tanzania's economic system occurred in the mid-1980s through President Ali Hassan Mwyini's re-introduction of market economy. Through the Zanzibar Declaration, the country turned away from the Marxist-Leninist oriented economic model and embraced free markets, capitalism, and a **private sector-led economic system** which continues to date.

The private sector has become an engine of growth and is permitted and encouraged to own, control, and manage major means of production. Indeed, the private sector has been lively and participated in delivering non-core public services. The task of the **public sector**, on the other hand, is to create, develop and facilitate a business environment for the private sector. This is achieved through the provision of legal, policy and regulatory frameworks that support a private sector-led economy. The private and public sectors are thus brought together and operate under a win-win situation. Additionally, the public and private sectors have been embracing each other through Public Private Partnerships (PPPs).

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The overview has shown that Tanzania's economic system has travelled a long way. The timeframe between 1967 and the mid-1980s was arguably the most difficult period in the development of the private sector. The branding of this period as the "infancy stage of the private sector" is thus not surprising.



*Secondary school students listen attentively during the presentations*

### **Current Economic Situation**

From the mid-1980s up to now, Tanzania has seen an era in which the legal, policy and regulatory frameworks have been more favourable for the private sector. After structural adjustments from 1986–1997, **economic growth** reached 3.53% (World Bank Group 2017). Over the last decade, the annual GDP growth rate has been averaging at 6-7% annually (World Bank Group 2017; NBS 2018). It is important to preserve and improve these achievements. Additionally, the inflation rate indicates a positive trend and has dropped to 5% in the past years (BoT 2017, vi). Nonetheless, reduction of **poverty** and **unemployment** remains a challenge and the envisioned average

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per capita income of 1,043 USD (Ministry of Finance and Planning 2016, 5) could not be reached, yet.

Strategic goals have been outlined in governmental documents, including the Development Vision 2025, the FYDPs, and sectoral policies. According to the Development Vision 2025, Tanzania should be a nation imbued with five main attributes (The Planning Commission 2000):

1. High quality livelihood (social equality, democracy, people-centeredness, eradication of poverty and of discrimination against race or gender)
2. Peace, stability, and unity (democratic environment as well as political and social tolerance)
3. Good governance (rule of law, culture of accountability, eradication of corruption, rewards for good performance)
4. A well-educated and learning society (developmental mind-set and competitive spirit to solve problems)
5. A strong and competitive economy (capability of producing sustainable growth and shared benefits)

The Development Vision 2025 deems the following points as key strategic components to foster a strong and competitive economy in Tanzania:

- Diversification and semi-industrialisation of the economy with a prominent industrial sector comparable to typical middle-income countries
  - Economic stability through low inflation and basic macroeconomic balances
  - Adequate levels of infrastructure to implement the vision in all sectors
  - Becoming an active and competitive player in regional and world markets with the capacity to articulate and promote national interests and to adjust quickly to regional and global market trends
-

Despite these envisioned goals, the outlined data shows that the socioeconomic situation complicates the implementation of Tanzania's Development Vision 2025. Several questions remain unanswered, for instance, which economic system would be most suitable to successfully pursue the outlined goals.



*A group of boys have their picture taken at the symposium in Dar es Salaam*



*A group of university students in Dodoma*

### 2.1.2 Overview of Economic Systems

Throughout history, various economic systems have been developed and implemented by different societies. However, especially in recent history, they are generally related to two main dominant economic models – Socialism (Planned Economy) and Capitalism (Free Market Economy). The following table elaborates on their basic principles.

	<b>Socialism (Planned Economy)</b>	<b>Capitalism (Free Market Economy)</b>
<b>Regulation of Economy</b>	regulation through <u>policies of the State</u>	regulation through the <u>market</u> (law of supply and demand)
<b>Production Factors</b>	owned by the <u>State</u>	owned by the <u>private agents</u> (protection of right of property)
<b>Vision of Social Justice</b>	<b>Equality</b> <u>high level of redistribution</u> in the population, which aims at reducing the gaps in economic and social conditions, but which can also reduce competitiveness	<b>Meritocracy</b> <u>low level of redistribution</u> in the population, because it would disturb the market, which is considered as the best means to reach optimised allocation of resources
<b>Decision-Making</b>	<b>Centrality of Public Power</b> the central authority of the <u>State has strong control</u> over economic processes. Individual initiatives as well as private sector are limited	<b>Decentralisation</b> priority is given to <u>individuals and the private sector</u>
<b>Role of the State</b>	<b>Direct Regulator</b> strong intervention in the economy by <u>determining the allocation of resources and the distribution of income</u> ; takes part in <u>productive activities</u> in key sectors (e.g. energy, communication)	<b>Indirect Regulator</b> supportive role that helps markets to run; establishment of a <u>reliable legal framework</u> to shape an environment conducive to investments and commerce

### 2.1.3 Characterisation and Principles of Social Market Economy

#### What is Social Market Economy?

Social Market Economy is an economic system based on the approach of free markets. However, it also accounts for social needs of citizens by the provision of basic goods and services for those in need, e.g. for the elderly, the sick or the unemployed.

Thus, Social Market Economy is an economic concept combining a free **market economic system with social policies**, which establishes both, fair competition within the market and a welfare component. As part of fair competition, there may be several regulatory authorities to ensure market players (producers as well as consumers) do not abuse their respective market powers. Regulatory authorities have the role of adjusting the market in case of market failures.

Social Market Economy has both, a material and **humane dimension**. In essence, it consists of two components: the central elements of a free market (e.g. private property, free foreign trade, exchange of goods and services and free determination of prices) and a welfare system including universal health care and old-age pension.

Social Market Economy is a specific form of market economy, including social protection mechanisms and a regulatory framework with independent and local authorities. It is based on a free market, where private actors can exchange goods and services. Prices are determined by the free interplay of supply and demand.

Factors of productions are owned by private agents and the right of property is guaranteed. The state intervenes as little as possible in order to enhance free competition and efficiency and to correct market failures. However, this model also takes into account that a free market can raise inequalities and it proposes respective solutions in order to foster equal opportunities for all individuals and a minimum wealth that respects human dignity.

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*Students sing a patriotic song before the official opening of the symposium*

## Principles of Social Market Economy

The Social Market Economic Model is built on the following principles:

- Solidarity and subsidiarity
- Free competition and open markets
- Liability and spirit of individual achievement
- Private property ownership
- Provision of public goods and services by the State (to a certain degree) and effective social security systems
- Reliable legal framework and stability of the economic system

Tanzania could benefit greatly from the implementation of Social Market Economy by doing the following:

- Strengthening the private sector and embedding stakeholders into a reliable legal framework to stimulate the economy and to enhance job creation as well as to increase efficiency;
  - Supporting free competition and individual initiatives to augment innovation and to allow Tanzania to become a dynamic leading economy; and
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- Fostering effective social security systems in the country, paired with the provision of public goods and services to additionally increase prosperity.

Such a proposed model must be adjusted to the needs and circumstances of the Tanzanian people, taking into account the country's culture, history and the specificities of its society. This can only be achieved through commitment of its citizens and a collective discussion on the objectives of a way forward. The opportunities and challenges that the introduction of such an economic model holds shall be weighed up in the following.

## 2.2 Opportunities and Challenges of Social Market Economy for Tanzania

### 2.2.1 Opportunities

Tanzania has experience in creating national unity through common characteristics as the example of the introduction of Kiswahili or of the ideology of *Ujamaa* has demonstrated in the past. Therefore, the introduction of a Social Market Economy as a new socioeconomic basis for development and as a new mode of unification is attainable.

The country's political set-up contains the necessary framework and stability for the introduction of Social Market Economy. Additionally, availability of **natural resources** and arable land can contribute positively to economic development. The value of these resources is high due to the geostrategic location of the country: Tanzania is bordered by eight countries and therefore has numerous opportunities to export. Additionally, the long coastline and several lake shores can serve as set-out points for sea freight. A large harbour already exists in Dar es Salaam.

In the social dimension, Social Market Economy can provide relief for the unemployed. Tanzania has a large and **young work force** that is eager to work and contribute to productivity. Their manpower is not to be underestimated and can, when directed adequately, help

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to build a flourishing economy. Since knowledge-driven economic undertakings are becoming increasingly relevant, the high number of unemployed university graduates, spread out all throughout the country, can be made use of.

Additionally, the majority of Tanzanians does not have access to **social protection**, let alone health insurance. The provision of these essential services as well as the improvement of education makes the concept of Social Market Economy attractive for the population.

Economically, improved **capital markets** in Africa will help Tanzania to develop further. Commodity costs are low, infrastructure is improving and readier access to information is observable, in particular through lower internet costs.

Since a Social Market Economy will help to transform the business landscape, this can also attract investors and business partners.



*Fr. Dr. Kitima presents opportunities and challenges of Social Market Economy for Tanzania*

### 2.2.2 Challenges

Tanzania is facing several challenges which increase the difficulty of introducing a Social Market Economy model and of developing economically.

Firstly, there is a large mismatch between required labour market skills and the actual availability of **skilled workers**. This applies especially to rural areas.

Secondly, the **education system** and its theory-oriented curriculum make it increasingly difficult to prepare youngsters for work life. Practical skill levels are low and paired with a lack of technological know-how across the country. Thus, changes in the school system would have to take place in order to augment the potential of the large and young population to contribute to the development of Tanzania.

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Also, those who own small-scale businesses and have acquired relevant working skills are not connected to the market. For these small-scale businesses, expansion of their production and **access to markets** is denied since they cannot access the credit-system. As this is mainly true for indigenous productions, Social Market Economy would have to find a solution to overcome these imbalances.

### **2.2.3 Way Forward**

Resulting from the findings above, a strategy for the forthcoming proceedings shall be suggested. In order to help Tanzania thrive economically, the private sector must be strengthened substantially. The Government can support economic growth by focusing on the creation of markets and on setting frameworks to support business incubation. However, such an approach should not lose track of a focus on the individual human being. Accordingly, national awareness of the underlying principles of the model of Social Market Economy must be raised, especially in rural areas. Dialogue and co-operation between the political, the economic, the private as well as the educational sector must take place. At the same time, the Social Market Economy model must be integrated in the educational curriculum to ensure its understanding from the grassroots level.

The youth must find special mentioning in this process. It is crucial for them to understand the model and to spread the idea nationwide, especially through contextualisation in their home-communities. Finally, the youth must focus on their own employability, which will help them and the nation at large to thrive economically.

With regard to the different ways in which an individual could engage in the economic development, three approaches are suggested:

- Use of (social) networks to discuss economic issues, to share experiences with others, and to seek advice;
  - Collection of information on business models; and
  - Establishing a way of thinking outside the box through creativity, adaptation and innovation.
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## Discussion and Major Issues Raised

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The presentations of all three symposia were followed by lively discussions with the students. This chapter displays major issues that were raised in the discussions of the Mwanza symposium (3.1), the Dar es Salaam symposium (3.2), and the Dodoma symposium (3.3). Finally, the presenters' reactions are summarised (3.4).

### 3.1 Contributions by Students in Mwanza

#### Comments

- The current educational curriculum in Tanzania does not adequately prepare students for employment. Additionally, parents discourage self-employment. Because of such circumstances, the youth hesitates to use their abilities and talents. Youths should tackle discouragement and tell their parents about the benefits of pursuing a business.
- Social Market Economy requires a person who is willing to contribute to positive change of the community.
- Tanzanian education should focus on teaching skills which increase employability as well as the ability to lead a business.
- Lack of education is a hindrance to the development of Social Market Economy.
- Free trade can be a source of importing forged products and bringing about environmental degradation.



*A secondary school student asks a question on the model of Social Market Economy*

## Questions

- What is the difference between Social Market Economy and other economic models?
- Is corruption a challenge in the development of Social Market Economy
- How does the country benefit from the profits gained by private businesses?
- Is Tanzania's legal framework capable of adapting to Social Market Economy?

## 3.2 Contributions by Students in Dar es Salaam

### Comments

- CETA spreads civic education effectively but it should include upcountry regions.
- Symposia should involve Government functionaries.
- Symposia should be continuous and help in starting small-scale ventures like producing soap or harvesting vegetables.
- The high degree of unemployment indicates that Tanzania's education system must be overhauled.
- Curriculum transformation is necessary to protect the economy, to export, and to cope with industrialised economic policies.
- Educated Tanzanians have to pave the way for economic development.
- Educated Tanzanians lack economic knowledge and capital. They need support in economic undertakings. Even in the farming



*A university student contributes to the discussion on Social Market Economy*

sector in rural Tanzania, workers are in need of knowledge on agribusiness and peasants use outdated farming equipment that demands replacement.

- African countries follow economic systems of former colonial powers, thus the economic conditions are unfavourable and exploitative. The youth would like to venture into economic undertakings, but access to capital, skills and governmental support is insufficient.
  - The Western economic system and colonialism contributed to the current situation. Now the youths have to stand up for themselves to walk a new path.
  - Tanzania subverted local industries by aiding the introduction of foreign-owned businesses. Products and the market must henceforth be protected.
  - Tanzania needs to go back to socialism because Africa is still a market for foreign products and advisors, similar to the colonial period.
  - Tanzanians believe foreign goods are better and do not buy local products.
  - Many Tanzanians are greedy at the expense of the majority so that the common man suffers.
  - The poor have almost no opportunities to leave their socioeconomic milieu.
  - In Tanzania, not all pillars of Social Market Economy need to be implemented.
  - The introduction of Social Market Economy, which holds opportunities for everyone, requires full governmental support. This support does not exist.
  - The Government should abandon policies of regulating prices.
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*Students read the handout (see Appendix 9) on Social Market Economy, socialism, and capitalism*

## Questions

- How many countries use a model of Social Market Economy? Which countries are prominent examples?
  - Why does the Government not want to support economic activities of the marginalised?
  - Which conditions are favourable to operationalise Social Market Economy in Tanzania?
  - Which adjustments are necessary in the legal framework when introducing Social Market Economy?
  - How can Social Market Economy be implemented in Tanzania while the provision of services is in private hands?
  - How can Social Market Economy address poverty, disease and ignorance?
  - How can Social Market Economy help to provide more social services when only 5 out of 50 million Tanzanians pay taxes?
  - How does Social Market Economy benefit the informal sector?
  - How can Social Market Economy further the patriotic spirit of the nation?
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- How is Social Market Economy going to change Tanzanians' mind-set?
- Can Social Market Economy overcome neo-colonialism in a developing country like Tanzania?
- How can the Social Market Economy model be adopted when everything is controlled by politicians?
- Social Market Economy is littered with state engineered impediments. Is there a way out of Government impediments?
- Which other economic model is operating in Germany apart from Social Market Economy?
- Is there room to expand the symposia to students in upcountry regions? Who can fund this?
- Is there a process in place to spread knowledge and operationalisation of Social Market Economy?
- Can this type of knowledge be included in the school curriculum?
- How is Tanzania is just seven years going to become a middle-income country through its project of industrialisation?
- How is technology going to advance in Tanzania?



*Students contribute to the discussions in Mwanza, Dar es Salaam and Dodoma*

### 3.3 Contributions by Students in Dodoma

#### Comments

- The Government of Tanzania should guide people to take advantage of available opportunities offered by our economy for personal and national development.
  - The nation must utilise national resources effectively to improve the current economy by 2025. There are many institutions which teach students how to spot mining locations or how to extract and treat natural resources. They also need to help students to understand the business of other natural resources, such as gold, oil, gas and gemstones. Effective utilisation will facilitate coordination and cooperation of economic sectors.
  - Tanzania gained independence before Kenya and is richer in natural resources, yet the Kenyan economy is more developed. Tanzania should thus copy Kenyan strategies and adjust them.
  - The country is too focused on politics rather than on nationwide progress. For example, despite the existence of the Vision 2025, the country still implements the strategies of the ruling party. It would help to establish long-term goals which the party leaders should work towards. This must be accompanied by education to raise awareness and to enable participation in national development.
  - Smaller problems, such as lack of self-confidence, must be solved before we can tend to larger problems. In the industrial sector, this refers to the support of locally produced goods and of small-scale industries. Large transformations can only occur through small steps that we, ourselves, must take.
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*A group of university students attending the symposium*

## Questions

- Are there any reasons for turning away from socialism and implementing capitalism?
  - What is the role of the Government in Social Market Economy? How does it interfere?
  - How can solidarity, one of the principles of Social Market Economy, be improved?
  - How does Social Market Economy help marginalised groups, such as elderly persons, to contribute to economic activities?
  - How can Social Market Economy be implemented in a poor country?
  - How can Social Market Economy improve free pricing in Tanzania?
  - How can we link Social Market Economy with the reality of Tanzania's economic development?
  - Which are the major challenges that limit development in Tanzania?
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- Why do Tanzania's vast natural resources not contribute to development?
- What are the effects of neo-colonialism on the Tanzanian economy today?
- How can the FYDP help Tanzania?
- How can businessmen be urged to stick to the principle of liability?
- If the state cannot ensure the provision of public goods, how can businessmen be able to provide these goods?
- How can the life-expectancy of purchased industrial machines be prolonged?
- How do KAS and CETA contribute to achieving middle-income status?
- How can we join the social security funds while we are students?

### **3.4 Summary of Responses to Questions and Comments**

The following section summarises the presenters' responses to the contributions by the attending secondary school and university/college students.

#### **Impact of the Symposium**

CETA's approach has been the organisation of workshops, seminars, and symposia to encourage education and social inclusion. However, this shall only serve as a starting point. In order to move forward, it is crucial for Tanzanians to open up their minds and to be innovative. With regard to Social Market Economy, this could include taking interest in theories and reading books or articles on economics and business to gain more insightful input.

#### **Theory of Economic Models**

Social Market Economy is an economic concept combining a market economic system alongside social protection mechanisms and a regulatory framework with independent and local authorities to establish both, fair competition within the market and a welfare component. Since Social Market Economy embraces a free market,

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the economy largely regulates itself. The characteristics of Social Market Economy include individual freedom, a focus on the human being, personal responsibility, private autonomy, performance, public welfare, subsidiarity, solidarity, justice, and sustainability. Social and economic prerequisites for a Social Market Economy are competitive order, free access to markets, private property, freedom of contract, rule of law, regulatory and steady economic policies, monetary stability, state intervention in case of market failure, and social balance.

A Social Market Economy is essentially a mixed economic model in which the state manages only small portions of the economy. In Tanzania, a major issue would, for example, be the cash crop business. Ideally, the State would only intervene and subsidise farmers when the crop prices drop significantly.

### **Economic Adjustments**

Tanzania's current economic model does not fulfil the demands of the market and therefore, the introduction of a Social Market Economy could facilitate the country's development substantially. Such an economic concept would have to be adjusted to the specific needs and requirements of the country. This would, for instance, include the incorporation of the sectors agriculture, water-management, and mining as well as rising the quality of locally produced goods. Additionally, this calls for creativity and innovation as of how such a model can be formulated.

Since only 5 out of 55 million Tanzanians pay taxes, the introduction of incentives to formalise and to contribute to the national development are of key relevance. In order to achieve this, an adequate mind-set must be established by involving people in decision-making processes through which they experience self-efficacy.

Moreover, Tanzania must adhere to the principles of rule of law, decentralised and accountable government, freedom of markets, and predictability of policies in order to strengthen the stability of the economy.

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### **Social Welfare and Inclusion**

Social Market Economy is an economic model geared to support economy and society. Through its societal component, it aims at providing an inclusive social welfare system. The Social Market Economy concept has a human face and one of its main benefits is that nobody should be left behind. In practise, this refers to an economic model which focuses on individuals and their needs in an inclusive society. Especially for the poor or disabled, this could bring about relief and opportunities to participate in society.

### **Governmental Intervention**

Social Market Economy supports free markets with little regulations on behalf of the state. Pricing of goods is determined by demand and supply. Such free and fair (international) trade can help to overcome economic impediments that Western market powers have imposed. At the local level, individual choices must be respected.

In Tanzania, the state practises a different approach that regulates the market, leaves citizens out of negotiations and thus does not grant subsidiarity, especially in major business agreements. Particularly the current project of industrialisation raises questions on issues of market dynamics, skills and technology.

Other countries had different visions for their development, such as Germany, which succeeded through the Marshall Plan. The plan enabled Germans to solve problems and challenges in a relatively short period of time. Tanzania, per contra, has been dependent on foreign aid for over 57 years. Meanwhile, this has led to concerning policies, like the prohibition of exporting food crops at producer-friendly prices, which resulted from fear of food shortage which was thought to force Tanzania to re-import.

It may be more helpful for the country's industrial development, if governmental efforts for carrying out the Development Vision 2025 were centring on establishing a comprehensive economic system (of a Tanzanian version of Social Market Economy), instead of regulating numerous small sections of the market.

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### **International Relations**

Tanzania struggles to mirror the economic upswing of countries such as Singapore or Kenya, which, in the middle of the last century, ranked on similar levels of economic development but have evolved since then. As Kenyan products frequent the Tanzanian market, many Kenyans have found jobs in Tanzania while, vice versa, the numbers are much smaller. Tanzania must thus install competitiveness of its products. This also applies to prices, as the example of sugar shows: In Arusha, it is cheaper to purchase imported sugar from Kenya than sugar manufactured locally in Morogoro. Such imbalances must be addressed.

A Social Market Economy enables the facilitation of international exchange and relations and hence aims at overcoming inequalities rooted in foreign policies. In this, a Social Market Economy strengthens society and economy to participate in the international community. The social component further emphasises the need to exchange goods by negotiations on fair pricing for developing countries. Hereby, Social Market Economy condemns any kind of exploitation, especially in a colonial or neo-colonial sense.

### **Sources of Economic Change**

As a main driver of the country's economy, Tanzania's youths must be empowered. However, many of them are held back from innovating and contributing to the economy because they lack courage and hereby limit themselves. Young people should therefore have a vision of what they want to attain in their lives.

Such visions can be brought about by education, which is a crucial factor to economic change. Generally, Tanzania's education system would need to be revised to accommodate for a model of Social Market Economy. This ensures that educated Tanzanians can contribute productively to the formation of national economic policies.

Additionally, the education system must prepare its students for meaningful participation in the economy. Economically successful

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countries have thus designed and aligned their education system with the demands of the labour market. Education must be practical and emphasise adaptive training. The example of Germany shows what such adaptations could imply. In Germany, general education and vocational education both exist. The latter helps to categorise learners into professional, technical, and manual labourers since the learners' abilities and talents are assessed and taken into account when looking for a suitable type of education. A lot of Germans opt for practical because the quality and relevance of these trainings is high and because the state funds young people to venture into private business.

As for Tanzania, the country has a huge force of idle, able-bodied workers who have already completed their education. There is need of a strategy for this labour force, otherwise rising numbers of unemployment will threaten the country's stability. Upon designing a strategy, the use of Tanzania's vast natural resources as opportunities to advance development and to maintain stability and peace must be taken into account.



*University students in Dar es Salaam*

## Recommendations

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As an independent state, Tanzania must organise its governmental and economic apparatus to advance and to push the socioeconomic and political progress of its country and people. Given its linkage to the international community, Tanzania must use this connection to further pursue goals of development and prosperity.

To achieve these objectives, an economic system that caters for all social groups of the population is of dire need. Therefore, a review of the country's economic system must be instated in order to ensure an inclusive and holistic development process.

Tanzania's current economic model, a hybrid of local and foreign systems, does not satisfy the needs of the country's developing economic sector. Thus, dialogue among key stakeholders is necessary to plan for an applicable and suitable economic model that takes into account the needs of Tanzania's economy and yet centres on the human being.

The proposed model to accommodate these needs is Social Market Economy. Given the success of Social Market Economy in various European countries, Tanzania, as well, could gain considerable benefits through its implementation. Hereby, the private sector could be strengthened and stakeholders could be embedded into a reliable legal framework. This could stimulate economic growth and lead to enhanced job creation as well as increased efficiency. Similarly, free competition and individual initiatives could augment innovation and allow Tanzania to become a dynamic leading economy in the region. Social Market Economy may further foster the introduction of far-reaching social security systems, paired with the provision of public goods and services.

To encourage agricultural production and incubation of businesses, governmental interferences in the market, especially with regard to the regulation of food crops, must be reduced to a minimum

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or terminated, where suitable. In order to increase employability and thus to reduce the number of the rapidly growing number of unemployed youths, the country must tailor education according to the needs of the labour market. Additionally, the secondary school completion rates and educational quality as well as the expansion of school infrastructure must be addressed.

The symposia indicated that Tanzania requires a new economic system to guide its development efforts. The presentations were deemed insightful and valuable contributions to the educational component of encouraging and reflecting the introduction of such a new economic system. To reach a larger number of students and to spread the message, further events must follow.



*Secondary school students take notes during the discussion*



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*Secondary school students spend the break together at one of the symposia*

## Appendices

### APPENDIX 1: List of Universities and Secondary Schools invited to the Symposia

❖ **Mwanza**, 26<sup>th</sup> and 27<sup>th</sup> January 2018

Secondary Schools	Colleges and Universities
<ul style="list-style-type: none"> <li>• Buswelu Secondary School</li> <li>• Butimba Secondary School</li> <li>• Bwiru Boys Secondary School</li> <li>• Bwiru Girls Secondary School</li> <li>• Kabuhiro Secondary School</li> <li>• Kiloleli Secondary School</li> <li>• Kitangiri Secondary School</li> <li>• Lumala Secondary School</li> <li>• Mkolani Secondary School</li> <li>• Mnarani Secondary School</li> <li>• Mwanza Secondary School</li> <li>• Nganza Secondary School</li> <li>• Nsumba Secondary School</li> <li>• Nyabulagoya Secondary School</li> <li>• Nyamagana Secondary School</li> <li>• Pamba Secondary School</li> <li>• Pasiansi Secondary School</li> </ul>	<ul style="list-style-type: none"> <li>• Butimba College</li> <li>• College of Business Education</li> <li>• Cooperative College Mwanza</li> <li>• Mweasi College</li> <li>• Saint Augustine University of Tanzania</li> <li>• Tanzania Institute of Accountancy</li> <li>• VETA-Mwanza</li> </ul>

The following resource persons and topics of presentations were arranged:

	Topic	Resource Persons
Presentation 1	Economic Order in Tanzania: Principles, Opportunities and Challenges of Social Market Economy	Mr. Ntui Pontian Prot, Assistant Lecturer, SAUT

Presentation 2	Opportunities and Challenges of Social Market Economy for Tanzania	Ms. Chrispina Kiemi, Assistant Lecturer, SAUT
Presentation 3	Mwanza City Master Plan by 2035	Mr. Benjamin Kaswalala, Mwanza Regional Commissioner's Office
Moderator	Moderating the Symposium	Mr. Jimmy Luhende
Guest of Honour	Official Opening	Hon. Josephat Sheja, Regional Education Officer in Mwanza

### ❖ Dar es Salaam, 23<sup>rd</sup> and 24<sup>th</sup> March 2018

Secondary Schools	Colleges and Universities
<ul style="list-style-type: none"> <li>• Al-Muntazir Islamic Seminary</li> <li>• Azania Secondary School</li> <li>• Benjamini Mkapa Secondary School</li> <li>• Chang'ombe Secondary School</li> <li>• Jangwani Secondary School</li> <li>• Jitegemee High School</li> <li>• Loyola High School</li> <li>• Mabibo Secondary School</li> <li>• Manzese Secondary School</li> <li>• Mizimbini Secondary School</li> <li>• Pugu Secondary School</li> <li>• Tambaza Secondary School</li> <li>• Temeke Secondary School</li> <li>• Tusiime High School</li> <li>• Zanaki Secondary School</li> <li>• Zawadi Secondary School</li> </ul>	<ul style="list-style-type: none"> <li>• Ardhi University</li> <li>• College of Business Education</li> <li>• Dar es Salaam Institute of Technology</li> <li>• Dar es Salaam Maritime Institute</li> <li>• Dar es Salaam University - College of Education</li> <li>• Herbert Kairuki Memorial University</li> <li>• Institute of Finance Management</li> <li>• Muhimbili University of Health and Allied Sciences</li> <li>• Mwalimu Nyerere Memorial Academy</li> <li>• National Institute of Transport</li> <li>• St. John's University</li> <li>• St. Joseph University</li> <li>• University of Dar es Salaam</li> </ul>

The following resource persons and topics of presentations were arranged:

	Topic	Resource Persons
Presentation 1	Economic Order in Tanzania: Principles, Opportunities and Challenges of Social Market Economy	Prof. Honest Prosper Ngowi
Presentation 2	Opportunities and Challenges of Social Market Economy for Tanzania	Fr. Dr. Charles Kitima, Lecturer, SAUT
Moderator	Moderating the Symposium	Mr. Augustino Mligo
Guest of Honour	Official Opening	Hon. Isaya Mwita, Dar es Salaam Lord Mayor

❖ **Dodoma, 11<sup>th</sup> and 12<sup>th</sup> May 2018**

Secondary Schools	Colleges and Universities
<ul style="list-style-type: none"> <li>• Dodoma Secondary School</li> <li>• Kisasa Secondary School</li> <li>• Kiwanja cha Ndege Secondary School</li> <li>• Luhundo Secondary School</li> <li>• Makole Secondary School</li> <li>• Miyuji Secondary School</li> <li>• Msalato Girls Secondary School</li> <li>• Nzuguni Secondary School</li> <li>• Umoja Secondary School</li> <li>• Viwandani Secondary School</li> </ul>	<ul style="list-style-type: none"> <li>• College of Business Education</li> <li>• Institute of Rural Development Planning</li> <li>• Makumira University</li> <li>• Mineral Resources Institute</li> <li>• St. John University</li> <li>• University of Dodoma</li> </ul>

The following resource persons and topics of presentations were arranged:

	<b>Topic</b>	<b>Resource Persons</b>
Presentation 1	Economic Overview of Tanzania and Principles of Social Market Economy	Dr. Stefanie Brinkel, Project Manager, KAS
Presentation 2	Opportunities and Challenges of Social Market Economy for Tanzania	Dr. Lutengano Mwinuka, UDOM
Moderator	Moderating the Symposium	Mr. Augustino Mligo
Guest of Honour	Official Opening	Hon. Mwisungi Kigosi, Regional Education Officer Dodoma



*Students evaluate the symposium with Dr. Stefanie Brinkel*

## APPENDIX 2: Presentation on Economic Order in Mwanza

### Economic Overview of Tanzania and Principles of Social Market Economy

by Mr. Ntui Ponsian Prot - St. Augustine University of Tanzania  
Mwanza, 26<sup>th</sup> and 27<sup>th</sup> January 2018

#### Part 1: Economic Overview of Tanzania

##### Introduction

- Acknowledgement of the economic efforts since independence
- For continuous improvement, new pathways have to be developed that must respond to the following questions:  
What can serve as a new economic strategy?  
How can such a strategy be justified?  
When will it be implemented?

##### Historical Economic Overview of Tanzania

- 1961-1967: Free market ideology resulted in economic growth rate of 4.84%
  - 1967-1979: Arusha declaration; end of capitalism; establishment of African socialism *Ujamaa*; growth declined to 3.73%  
→ Socialism: the means of the economy were nationalised, SOEs, centralised planning
  - 1980-1985: 1.45% economic growth rate during the time of *Ujamaa* socialism and the Kagera war
  - 1986-1997: Structural adjustments resulted in a growth rate of 3.63%  
→ the economy changed towards a market economy with a relatively free interplay of market forces and privatisation (Ngowi 2009)
-

### **Current Economic Situation in Tanzania**

- The current GDP growth rate averages at 6–7%; the inflation rate is 5%
- The poverty reduction rate is not significant – still, 33.3% of Tanzanians live below the poverty line; unemployment is at 10%
- The planned average per capita income of 1,043 USD by the year 2014 was not reached
- Urban migration, especially through an influx of youth from the rural areas
- Efforts to improve economic activities exist, some exemplary strategies shall be listed: Tanzania Development Vision 2025, MKUKUTA I, MKUKUTA II, MKURABITA, KILIMO KWANZA, FYNDP
- More than 70% of the population works in the agricultural sector

*Source: Ministry of Finance and Planning 2016.*

### **Tanzania's Strategic Economic Goals:**

The Development Vision 2025 put forward five main strategic goals for Tanzania:

1. High quality livelihood
2. Peace, stability and unity
3. Good governance
4. A well-educated and learning society
5. A competitive economy capable of producing sustainable growth and shared benefits

### **Vision for a Strong and Competitive Economy in Tanzania:**

- Diversification and semi-industrialisation of the economy with a prominent industrial sector
  - Economic stability through low inflation and basic macroeconomic balances
  - A minimum economic growth rate of 8% per annum
  - Adequate levels of physical infrastructure in all sectors
-



- Becoming an active and competitive player in regional and world markets

Source: *The Planning Commission 2000*.

## **Conclusions**

- Unanswered Questions remain:  
What is the most suitable economic model to ensure development?  
Can we learn from role model countries?

## **Part II: Principles of Social Market Economy (SME)**

### **The Theory of SME**

- SME as a model that centres on the human being (Kohler 2007)
- “The aim of the Social Market Economy is an appropriate synthesis between the liberty of the market and social balancing based on government interventions.” (Leipold 2008, 145)
- This is a clear distinction from socialist approaches which centre on the collectiveness and claim the right to direct and intervene rather than adhere to economic governance

### **Comparison of SME to Socialism and Centralisation**

- Centrally planned economy:
    - Economic processes are planned by one central government authority and coordinated through a national plan. In such state-planned economies, individual economic freedom is not an element of the system (Leipold 2008, 145)
    - Means of production are legally or factually owned by the collective or the nation (Schüller/Welsch 2008)
    - Weakening of private sector and innovation
  - Market economy
    - Economic processes are independently planned by individuals or economic units (decentralised planning) and coordinated via markets and prices (Leipold 2008)
-

- Social Market Economy is a specific form of the market economy

### **Principles of SME**

- Subsidiarity: this is a principle of competences and responsibilities in a society. It believes that individuals and small groups are generally able to take responsibility for their own affairs (Haase/Schneider/Weigelt 2008, 491)
- Solidarity: this implies a sense of fellowship, where individuals help out one another (Haase/Schneider/Weigelt 2008, 491)
- Further principles are: legal framework, stability of the economic environment, open markets, property ownership and employment, competition, liability, incentive compatibility, public good are provided by the state, social security, sustainability (KAS 2009)

### **Conclusions**

- Encouraging words from H.E. John Kufuor, former President of Ghana, urging "the African states to develop an African Model of the Social Market Economy" (KAS 2009)
- Appeal to adjust the economic approaches to fit the Tanzanian people as well its systems, institutions and environment
- Appeal to establish SME in Tanzania

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## APPENDIX 3: Presentation on Economic Order in Dar es Salaam

### Economic Overview of Tanzania and Principles of Social Market Economy

*by Prof. Honest Prosper Ngowi,  
Dar es Salaam, 23<sup>rd</sup> and 24<sup>th</sup> March 2018*

#### Part 1: Economic Overview of Tanzania

##### **Economic system**

An economic system is a system of production, resource allocation, and distribution of goods and services within a society or a given geographic area. It functions as an organised way in which a state or nation allocates its resources and apportions goods and services in the national community. Therefore, it is the means by which countries and Governments distribute resources and trade goods and services. They are used to control the three factors of production, including labour, capital, and land. It includes the combination of several institutions, entities, agencies, decision-making processes and patterns of consumption.

##### **Economic Systems in Tanzania**

Since independence, the Tanzanian economy has travelled a long and arguably turbulent journey similar to those of former socialist countries. In Tanzania, it can be divided into three major epochs/ time periods. Each of the epochs has been defined, shaped, and characterised by political and economic reflections of the time at the global and local levels. Some of the key issues on this journey are outlined in the following.

- **The 1961 to 1967 Epoch: From independence to *Ujamaa***

The period following independence was mainly characterised by continuation of the colonial economic system. This was a system in which the economy aligned with the private sector and was market-oriented. Given the infancy level of development of the indigenous private sector and the colonial legacy and

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heritage, major means of production existed under European and Asian titans of the economy. The indigenous private sector was underdeveloped and unorganised compared to the other countries and to the status of Tanzania today. Nevertheless, the economy as a whole grew steadily at 4.8%, which was higher than the economic growth in the period of African Socialism which would follow briefly thereafter (Wenban-Smith 2015, 8).

- **The 1967 U-turn: *Ujamaa***

In 1967, Tanzania witnessed the first major U-turn in its economic system. This was triggered by the Arusha Declaration which embraced the Marxist-Leninist stance on social, political and economic systems. In Tanzania, this newly introduced African socialism became known as *Ujamaa*. Inevitably, *Ujamaa* re-defined, re-shaped, and transformed the economy. It was an epoch of state-owned and planned economy. Following the 1967 nationalisation, the state controlled all the major means of the economy.

Keynesian economics reigned and the Government intervened heavily in the economy so that private sector-led economy was never thought of. The visible hand of the Government in planning, ownership, production and distribution of goods and services led the economy. During that time, the public - not the private sector - owned and managed over 400 State Owned Enterprises (SOEs).

The private sector had no place in Tanzania. It was seen as the enemy of the state and made it almost inappropriate to become rich through the private sector route. This was accompanied by anti-private sector and anti-entrepreneurial sentiments and attitudes. The private sector, and those operating in it, did not receive support or facilitation from the Government (Ngowi 2009, 263). Ultimately, there was no vibrant, dynamic and promising private sector as it exists nowadays.

Partly as a result of this, the period was punctuated with scarcity of goods and services. Rationing of essential consumer goods as

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well as foreign currency was a norm rather than an exception. Free private sector competition was not allowed while free market determination of prices was unheard of. These circumstances made the 1967 to mid-1980s era a difficult period for the emergence, growth and development of the private sector in Tanzania. The economy grew, exacerbated by the effects of the Uganda-Tanzania war, at a rate of merely 1.5% (Wenban-Smith 2015, 8).

- **The mid-1980s U-turn: Market Economy**

The second major U-turn in Tanzania's economic system was witnessed in the mid-1980s by President Mwyini's re-introduction of market economy which continues to date. Through the Zanzibar Declaration, the country turned away from the Marxist-Leninist oriented economic model and embraced free markets, capitalism, and a private sector-led economic system.

The private sector has thus become an engine of growth and is permitted and encouraged to own, control and manage major means of production. Indeed, the private sector has been dynamic as well as vibrant and participated in delivering non-core public services. The task of the public sector, on the other hand, is to create, develop and facilitate a business environment for the private sector. This is achieved through the provision of legal, policy and regulatory frameworks that support a private sector-led economy. The private and public sectors are thus brought together and operate under a win-win situation. Additionally, the public and private sectors have been embracing each other through Public Private Partnerships (PPPs).

From the mid-1980s up to now, Tanzania has seen an era in which the legal, policy and regulatory frameworks have been more favourable for the private sector. After structural adjustments from 1986–1997, economic growth reached 3.53% (World Bank Group 2017). Over the last decade, the country even registered a growth rate of around 6-7% (World Bank Group 2017). It is important to preserve and improve these achievements.

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## Current Economic Situation in Tanzania

- **Unpacking the Middle Income Economy Concept for Tanzania**

The talk of Tanzania attaining middle income status by the year 2025 is almost everyday language. To achieve this, Tanzania has chosen the route of industrialisation. It is important to first understand the concept of middle-income in order to be able to align industrialisation efforts.
  - **Incomes Groups**

The World Bank groups countries in various categories, such as income groups, for different purposes. One of the main economic goals for Tanzania is attaining middle-income status. This is documented in several strategic papers, likewise in the country's Development Vision 2025 under the goal of achieving a strong and competitive economy.
  - **Where is Tanzania now?**

According to a World Bank report in 2015, Tanzania fell under the group of low-income countries. This is a group of countries whose annual Gross National Income (GNI) per capita resided below 1,025 USD (equals about TSH 2,344,790; exchange rate as of August 2018). There are thirty other countries in this group. This includes Afghanistan, Burundi, Democratic Republic of Congo, Ethiopia, Liberia, Malawi, Mozambique, Nepal, Somalia, Uganda and Zimbabwe. Statistically, there are strong variations between the high and low end of the factual GNI per capita which contributes to the calculation of the average mean. This is the case in all low-income countries.
  - **Middle-income sub-groups**

The group of middle income countries, as is the case for all other incomes groups, is not a homogeneous, but a heterogeneous category. The countries that fall in this set are diverse in many aspects, including income. The two sub-groups are low-middle-income and high-middle-income.
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Low-middle-income status refers to countries whose annual GNI per capita lies between 1,026 USD and 4,035 USD (equals about TSH 2,346,256 and TSH 9,227,238; exchange rate as of August 2018). There are fifty-one countries in this income group.

The next group is high-middle-income status. This refers to annual GNI per capita of between 4,036 USD and 12,475 USD (equals about TSH 9,229,524 and TSH 28,535,315; exchange rate as of August 2018). There are fifty-five countries in this group, including some Sub-Saharan African nations such as Angola, Botswana, Namibia and South Africa.

- **High-income**

The next level after attaining high-middle income status is high-income status. The World Bank classifies this through a GNI per capita of 12,476 USD (equals about TSH 28,537,602; exchange rate as of August 2018) or more. There are about seventy-nine countries in this income group. These include the US, the UK, France, Germany, Norway, Saudi Arabia, Japan, Canada and Australia.

- **Attaining middle-income status**

Tanzania's bid to attain middle-income status implies raising the country's GNI growth rate higher than the growth rate of the population. This is because GNI per capita is the total GNI divided by the total population. For a country whose population is increasing like Tanzania, this is a major challenge. To increase the GNI, production of goods, services and associated incomes have to be increased. Increasing production on its part calls for increased investments. This calls for an improved investment climate inter alia. Attaining middle-income status goes hand in hand with the development of social, economic and technological variables. Thus, it is very important for Tanzanians to understand what it entails to attain middle-income status.

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## **Tanzania's Strategic Economic Goals**

Tanzania has several strategic economic goals. These are outlined in the Development Vision 2025, the FYDP and the ruling party (CCM) Manifesto 2015, amongst others. The key goals include industrialisation as a means of becoming a middle-income country by 2025.

## **Part 2: Principles of Social Market Economy**

### **Theory of SME**

SME is an economic system based on a free market operated in conjunction with state provision of basic goods and services for those unable to work, such as elderly, sick or unemployed people.

This socioeconomic model combines a free market capitalist economic system with social policies, which establish both fair competition within the market and a welfare state. As part of fair of competition, there may be several regulatory authorities to ensure that market players (producers and consumers alike) do not abuse their respective market powers. Regulatory authorities have the role of correcting the market in case of market failures.

SME has both, a material and a social dimension. This economic model, implemented by Germany in 1948, is the result of the synthesis of economic analysis conducted in the 1930s and the political will of the founding fathers of the nation.

SME is essentially the economic system that most liberals today aspire and it consists of social protection mechanisms and a regulatory framework with independent and local authorities. It is based on a free market, where private actors can exchange goods and services. Prices are determined by free interplay of market forces of supply and demand.

Factors of productions are owned by private agents and the right of property is guaranteed. The state intervenes as little as possible in the economy in order to enhance free competition and efficiency.

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However, this model also takes into account that a free market can raise inequalities and proposes respective solutions (for example minimum wage, unemployment benefit) in order to foster equal opportunities for all individuals as well as a minimum wealth in the respect of human dignity.

### **Pillars of SME**

1. Solidarity and subsidiarity
2. Free competition and open markets
3. Liability and spirit of individual achievement
4. Private property ownership
5. Provision of public goods and services by the state (to a certain degree) and effective social security systems
6. Reliable legal framework and stability of the economic system

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## APPENDIX 4: Presentation on Economic Order in Dodoma

### Economic Overview of Tanzania and Principles of Social Market Economy

by Dr. Stefanie Brinkel, Project Manager at KAS  
Dodoma, 11<sup>th</sup> and 12<sup>th</sup> May 2018

#### Part 1: Economic Overview of Tanzania

#### **Historical overview of economic systems in Tanzania** (Source: Ngowi 2009)

##### ***The 1961 to 1967 Epoch***

- After gaining independence from the British, the economy of Tanzania was still oriented towards the former colonial economic system
- Economy was market-oriented and dominated by the private sector
- But: low level of development of the indigenous private sector

##### ***The 1967 U-turn: Ujamaa***

- First major U-turn in the economic system
- Mwalimu Julius Nyerere: vision of African Socialism as new approach
- Implemented in the Arusha Declaration of 1967
- State controlled and centrally planned the economy
- Private sector was non-existent or fractional
- Difficult period for the emergence, growth and development of the private sector in Tanzania



Dr. Stefanie Brinkel in Dodoma

### ***The mid-1980s U-turn: Market Economy***

- Second major U-turn in Tanzania's economic system: Tanzania bid goodbye to the centrally planned economic system
- Tanzania developed a free market, capitalist, enterprise and private sector-led economic system
- Allocation of goods and services guided by the market (demand and supply)
- Represents the embrace of the private sector as an engine of economic growth

### **Current Economic Situation and Strategic (Economic) Goals in Tanzania**

- Development Vision 2025: Tanzania should be a nation with five main attributes:
  - High quality livelihood
  - Peace, stability and unity
  - Good governance
  - Well educated and learning society and
  - A strong and competitive economy
- Five Years Development Plan II (FYDP II): Industrialisation
- Aim: Middle-income economy by 2025

*Sources: Planning Commission 2000; Ministry of Finance and Planning 2016.*

### **Part II: Social Market Economy (SME)**

- Economic system based on a free market operated in conjunction with state provision of basic goods and services (for those who are unable to work, e. g. elderly and sick people)
- Has a material and a social (human) dimension
- Classification with regard to other economic concepts (see handout)<sup>2</sup>

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<sup>2</sup> See Appendix 9.

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## Principles of SME

Subsidiarity	Solidarity
Competition	Open markets
Principle of liability	Private property ownership
Stability of the economic system	Legal framework
Public goods and services	Social security

Source: KAS 2009.

## Basic Pillars of SME

- Individual freedom, personal responsibility and private autonomy, embedded into a strong civil society
- Free markets, i.e. effective competition, private ownership of the means of production, free pricing
- Solidarity and subsidiarity respecting human dignity and safeguarding social peace
- Respect for the creation as held in trust for future generations and as a common heritage (sustainability)

Source: EPP 2009.

## References:

**EPP (European People's Party) (2009).** *The Social Market Economy in a Globalised World – Congress Document adopted by the EPP Statutory Congress Bonn*, European Peoples Party, available at: [http://www.epp.eu/files/uploads/2015/11/The\\_Social\\_Market\\_Economy\\_in\\_a\\_Globalised\\_World.pdf](http://www.epp.eu/files/uploads/2015/11/The_Social_Market_Economy_in_a_Globalised_World.pdf) [viewed on 08 November 2017].

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*A girl asks a question at the symposium in Dodoma*

## APPENDIX 5: Presentation on Opportunities/Challenges in Mwanza

### Opportunities and Challenges of Social Market Economy for Tanzania

by *Chrispina Kiemi - St. Augustine University of Tanzania*  
Mwanza, 26th and 27th January 2018

#### Part 1: Strategic Goals in Tanzania

##### Strategic Goals

- Vision 2025
- National Five Year Development Plan (2017–2021): an approach to becoming a middle-income country by 2025
- Other initiatives: MKURABITA, MKUKUTA, KILIMO KWANZA

##### Current economic situation in Tanzania

- Poverty rate 33%
- Unemployment rate 10–13%
- GDP growth 6–7%
- Per capita income 867 USD
- Inflation rate 4–5%
- More than 70% of population are working in agricultural sector
- Influx of youth from rural to urban areas

Sources: *Planning Commission 2000; Ministry of Finance and Planning 2016.*

##### Pressing needs of the people

Food security	Infrastructure
Clean water	Guarantee of quality education
Health services	Defence and security

## **Benefits of SME for the Current Economic Situation and Needs of the People**

- Strengthening of the private sector and innovation because of increased economic freedom
- Decrease of inefficiencies as the state will concentrate on the provision of public goods and services that cannot or can only inadequately be provided by the private sector
- Increased individual responsibility and achievement as people will be rewarded based on their performance
- Higher inclusiveness so every Tanzanian can participate in the economic growth of the country; higher employment rate; reduced poverty rate
- Social protection and support for provision of equal opportunity to those not able to enter free markets, e.g. because of their gender, disability etc.
- Improved tax systems and well-functioning corporate systems
- Sector prioritisation ensures proper attention and support for the majority of the population

## **Part 2: Implementation**

### **Opportunities**

- Bilateral and multilateral relations, such as the African Growth and Opportunity Act
  - International markets on agricultural produce and minerals
  - Regional population growth
  - Role models like Germany, Scandinavian countries, Singapore, etc.
  - Improved capital markets in Africa
  - Availability of health partners
  - Decrease in cost of internet access; readier access to information
  - Increasing number of universities and colleges
  - Large and young population as benefits to manpower and labour force
-



- Willingness and commitment on behalf of the Government
- Availability of arable land
- Strategic locations (ports, ocean, lakes, etc.)

### **Challenges in the Implementation of SME in Tanzania**

- Mismatch of educational content and required skillset in the economy
- Bureaucratic procedures in business registration
- Unfriendly tax system
- Weak institutions, e.g. employment agency, trade unions
- Inaccessibility of information
- Land disputes in the region
- Dominance of multinational companies
- Poor infrastructure
- Low power supply
- High unemployment rate

### **Suggestions for the Improvement of the Economic Situation in Tanzania**

- Development of an overarching, comprehensive and holistic economic model
  - Adjustment of the education system to fit the economic needs through incorporation of skills training and practical knowledge
  - Decrease of Governmental restrictions for investors and entrepreneurs
  - Match-up of high ranking positions with spirit of innovation
  - Encouragement of the young labour force to actively contribute
  - Stronger involvement of the private sector
  - Investment in the agricultural sector as main source of livelihood
  - Investment in health sector
  - Protection of property rights
-

## **The Role of Youth in Economic Development**

- Necessity of willingness and commitment to participating in economic growth and development
- Appeal to innovate, renovate, use technological advances, engage in entrepreneurial thinking and activities and to show interest in politics
- Appeal to advocate for positive change and to become ambassadors of the proposed economic model

## **Conclusion**

- Encouragement of reflection on economic situation in families, communities and the country
- Quest of the youth to facilitate economic development

## **References:**

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## APPENDIX 6: Presentation on Opportunities/Challenges in Dar es Salaam

### Opportunities and Challenges of Social Market Economy for Tanzania

*by Father Dr. Charles Kitima - St. Augustine University of Tanzania  
Dar es Salaam, 23rd and 24th March 2018*

#### Part 1: Strategic Goals in Tanzania

##### **SME: Background of the Model**

- Foundations
- Pillars
- Tanzania has experience in creating national systems and unifying local systems into friendly national systems (e.g. formation of the national language Kiswahili, political ideology of *Ujamaa*, self-reliance system)

##### **Favourable Conditions for SME in Tanzania**

- Socio-political system of Tanzania is anthropocentric
- Existence of young workforce eager to learn for productivity
- Political stability
- Positive perception of development (Nyerere's point of departure for national development)
- Availability of land and natural resources as capital for any Tanzanian
- National Development Vision provides the Road Map
- National Development Plan 2016-2021 focuses on the productive sector



*Fr. Dr. Kitima in Dar es Salaam*

## **Part 2: Implementation**

### **Opportunities of SME**

- Interconnectedness of countries serves various purposes, such as
  - o Adaptation of best practices
  - o Technology adaptation/transfer
  - o Market expansion
  - o Flow of capital
  - o Knowledge-driven economy
- Embraces every member of the society
- Provision of a clear vision and direction of individual economic activities
- Common philosophy on economic growth and poverty reduction
- Transformation of agricultural activities into economic activities for wealth creation through a chain of value addition
- Creation of jobs for graduates and technicians
- Establishment of a stable employability environment in Tanzania
- Attracting investors and business partners
- Guarantee of the accessibility of education and health services for all
- Creation of a social protection system for all members of society

### **Challenges of SME**

- Request of a change of mind-set
  - Instability of connection between productive indigenous sector and market
  - Unskilled workforce
  - Irresponsiveness of the education system to the individual needs
  - Lack of a system of technology transfer and access of credit for rural communities
-

## Way Forward

- Individualistic-oriented approach: Awareness-raising on national level on the new model, particularly in rural areas; massive SME literacy education with clear popular curriculum (theory and practice)
- Focus on key economic activities
- Governmental focus on market creation and framework-setting to support individuals
- Strengthening the Tanzanian private sector

## Role of Youth

- Understanding the model of SME and spreading it in the country
- Contextualisation of the model in their respective areas
- Educating others on the future of the country with a form of SME
- Linking SME with employability and assuring social protection systems to emerge through SME



*A group of students at the symposium in Mwanza*

## APPENDIX 7: Presentation on Opportunities/Challenges in Dodoma

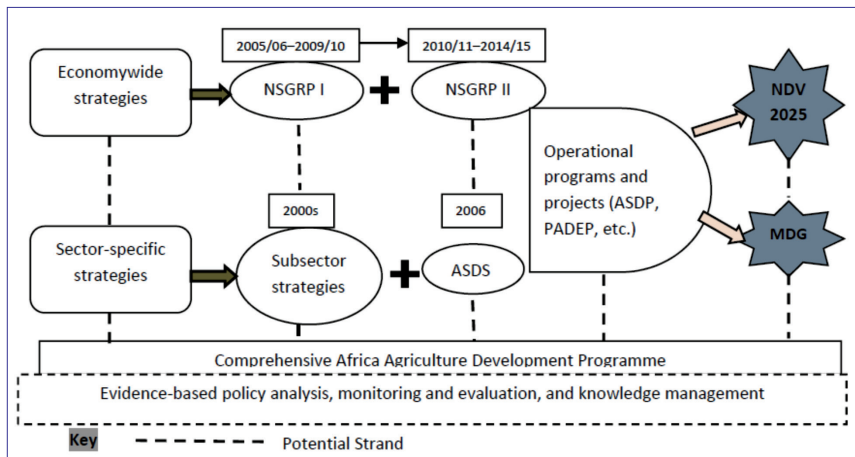
### Opportunities and Challenges of Social Market Economy for Tanzania

by Dr. Lutengano Mwinuka - University of Dodoma  
Dodoma, 11<sup>th</sup> and 12<sup>th</sup> May 2018

#### Part 1: Strategic Goals in Tanzania

##### Strategies and Vision

- Tanzania's economy is guided by the Development Vision 2025.
- National strategies and programmes: MKUKUTA, Kilimo Kwanza, BRN, ASDP, ASDP and TASAF.



Source: Mwinuka 2015, 10.

- Use of sources to strengthen the effectiveness of national plans and strategies

##### Overview: Political Context

- The country has been taking several efforts and different approaches:

- o 1<sup>st</sup> phase – socialism and the concept of self-reliance
- o 3<sup>rd</sup> phase – privatisation to address management and inefficiencies constraints
- o 5<sup>th</sup> phase – industrialisation, improve and manage public administration and resources for improved social outcomes
- Taping experiences from newly industrialised countries in Asia, e.g. Singapore, Malaysia

### The Model Focus: SME

- A socioeconomic model combining a free market economic system alongside social policies which establish both, fair competition within the market and a welfare state
- SME serves the welfare and needs of the entire population, including elderly and unemployed people



## Part 2: Implementation

### SME as an Opportunity for Reaching Economic Goals

- Strong influence of institutions on economic and social structures
- Basis for the well-informed economic planning
  - o Consultations with leading economic actors
  - o Economy-wide collective bargaining can improve macro-economic performance.
  - o Economic players' participation in decision-making
- Incentives to work hard, improve skills, and develop new products
- Balancing different developments, such as a high rate of economic growth, low inflation, low levels of unemployment, favourable working conditions, social welfare, and public services

### **SME as an Opportunity for Improving the Current Situation**

- Clear role of the Government in the economy
  - Spending for the people (welfare state programmes)
  - Allocate society's scarce resources
- Redistribution of income from the very rich to the very poor
- Active implementation of regulative measures including pension insurance, universal health care and unemployment insurance
- Reinforce employment, housing and education policies, and sociopolitically motivated society

### **Obstacles for the Implementation of the Model**

- Special interest groups with political positions
- Disorganisation of business communities
- Weakness of labour unions for collective bargaining
- Uncertainty of governmental adjustment to necessary changes:
  - Insufficiency of speed of governmental implementation
  - Changes in taxation
  - Political, rather than economic, reasoning of Government initiatives
  - Lack of provision of social welfare
  - Deficit of financial budget

### **The Way Forward**

- Adaption and use of coping strategies by following a respective economic order and by observing country specific needs:
    - Continuous implementation measures to ensure macroeconomic stability
    - Intensifying efforts to implement development-oriented budget
    - Implementation of measures to enable and encourage the private sector to play a more significant role in Tanzania's development
  - The quality and strength of Tanzania's human capital needs to go hand-in-hand with infrastructure investments
-



## The Role of Youth

- Responsiveness and creativity
  - o Socialise and cooperate
  - o Focus on innovation
- Networking and learning new things
  - o Use social networks in a more productive way
  - o Discuss business ideas, economic issues
  - o Be proactive
- Get prepared to be an agent of change
  - o Solve societal problems

## References:

**Mwinuka, L. (2014).** *Regional Strategic Analysis and Support System NCA Report 7: Capacity Strengthening Strategy through Capacity Needs Assessment for Country Level Strategic Analysis and Knowledge Support System (SAKSS)*, Dodoma.



*A student asks about the challenges of Social Market Economy in Tanzania*

## APPENDIX 8: Handout for Students and Teachers

### Economic Models

During history, various economic models have been developed and implemented. However, they are generally related to one of following, principally diverging types:

	<b>Socialism – Planned Economy</b>	<b>Capitalism – Free Market Economy</b>
<b>Regulation of economy</b>	regulation through <u>policies of the State</u>	regulation through the <u>market</u> (law of supply and demand)
<b>Production factors</b>	owned by the <u>State</u>	owned by the <u>private agents</u> (protection of right of property)
<b>Vision of social justice</b>	<b>Equality</b> <u>high level of redistribution</u> in the population, which aims at reducing the gaps in economic and social conditions, but can also reduce the competitiveness	<b>Meritocracy</b> <u>low level of redistribution</u> in the population, because it would disturb the market, which is considered as the best means to reach optimal allocation of resources
<b>Decision making</b>	<b>Centrality of public power</b> The central authority of the <u>State has a strong control</u> over economic processes. Individual initiatives as well as private sector are limited.	<b>Decentralization</b> Priority is given to <u>individuals and the private sector</u> .
<b>Role of the State</b>	<b>Direct Regulator</b> strong intervention in the economy by <u>determining the allocation of resources and the distribution of income</u> ; takes part in <u>productive activities</u> in key sectors (e.g. energy, communication)	<b>Indirect Regulator</b> supportive role that helps markets to run; establishment of a <u>reliable legal framework</u> to shape an environment conducive to investments and commerce

## Social Market Economy

### What is Social Market Economy?

**Social Market Economy** is a specific form of **Market Economy** including **social protection mechanisms** and a regulatory framework with independent and local authorities. It is based on a free market, where private actors can exchange goods and services. The prices are determined by supply and demand. The factors of productions are owned by private agents and the right of property is guaranteed. The state intervenes as less as possible in the economy in order to enhance fair competition and efficiency. However, this model also takes into account that a free market can raise inequalities and proposes respective solutions (e.g. minimum wage, unemployment benefit) in order to foster equal opportunities for all individuals as well as a minimum wealth in the respect of human dignity.

#### Pillars of Social Market Economy:

- solidarity and subsidiarity
- free competition and open markets
- principle of liability and spirit of individual achievement
- private property ownership
- provision of public goods and services by the State (to a certain degree) and effective social security systems
- reliable legal framework and stability of the economic system

### Which opportunities does the model of Social Market Economy represent for Tanzania?

The model of Social Market Economy has been introduced in Germany in

1948 and is considered as main reason of the so-called "economic miracle" in the country after the Second World War. Tanzania could also achieve great benefits from the implementation of Social Market Economy. Strengthening the private sector and embedding stakeholders into a reliable legal framework could stimulate the economy and lead to enhanced **job creation** as well as **increasing efficiency**. Supporting free competition and individual initiative could augment **innovation** and allow Tanzania to become a **dynamic leading economy**. Fostering effective social security systems in the country, paired with the provision of public goods and services, could additionally **increase prosperity**. However, it is crucial to **adapt this model to the country**, taking into account the Tanzanian culture, history and the specificities of its society. This can only be achieved **through a collective discussion** on the objectives of Tanzania and the commitment of its citizens.

### How can I individually engage in the economic development?

- **use (social) networks** to discuss economic issues, share experiences with others, get advice
- **inform oneself** about business models
- **think outside the box:** be innovative, creative and adaptive
- help to **strengthen the topic** on the **political agenda**

## Aina za Uchumi

Katika historia, kumekuwepo na mifumo mbalimbali ya kiuchumi iliyoanzishwa na kutumika. Hata hivyo, mifumo hiyo inahusiana kikanuni kwa namna moja au nyingine kadiri inavyobadilika kutoka aina moja kwenda nyingine:

	Ujamaa - Uchumi uliopangwa	Ubepari - Uchumi wa Soko Huria
<b>Udhibiti wa uchumi</b>	udhibiti kupitia sera za Serikali	udhibiti kupitia <u>soko</u> (Sheria ya ugavi na mahitaji)
<b>Nyenzo za uzalishaji</b>	umilikiwa na <u>Serikali</u>	umilikiwa na watu <u>binafsi</u> (haki miliki)
<b>Maono ya haki ya kijamii</b>	<b>Uwiano</b> kiwango cha juu cha ugawaji kwa idadi ya watu ambayo hulenga kupunguza mianya katika hali ya kiuchumi na kijamii, lakini pia huweza kupunguza ushindani	<b>Kuzingatia taaluma</b> kiwango cha chini cha ugawaji kwa idadi ya watu, kwa sababu inaweza kuvuruga soko, ambalo linachukuliwa kama njia nzuri ya kufikia ugawaji bora wa rasilimali
<b>Kufanya maamuzi</b>	<b>Uwezo wa nguvu za umma</b> Mamlaka ya juu ina udhibiti <u>mkubwa</u> juu ya michakato ya kiuchumi. Jitihada binafsi na sekta binafsi Udhibiti wake ni mdogo.	<b>Ugatuaji</b> Kipaumbele hutolewa kwa <u>watu binafsi na sekta binafsi</u> .
<b>Wajibu wa Serikali</b>	<b>Mdhibiti wa moja kwa moja</b> kusimamia uzalishaji, usambaji wa rasimali, kulingana na mahitaji.	<b>Mdhibiti asiye wa moja kwa moja</b> kuweka miongozo inayosaidia kuendesha soko, kutunga na kusimamia sheria na kanuni ili kuwa na hali bora ya uwekezaji na biashara.

## Uchumi Jamii

### Uchumi jamii ni nini?

**Uchumi jamii** ni uchumi maalum uliojengeka katika msingi unaozingatia ustawi wa jamii. Aina hii ya uchumi inahusiana zaidi na maendeleo ya kiuchumi yanayokwenda sambamba na ustawi wa jamii kwa kufuata sera zinazolenga kuleta ushindani uliotengamaa katika soko. Uchumi huu umejengeka katika utaratibu wa soko huria, ambapo washiriki huweza kubadilishana bidhaa na huduma na kuhakikisha kwamba kila mmoja anatumia ubunifu katika kutumia fursa zilizopo kwa lengo la kujiendeleza. Aidha mfumo huu wa Uchumi uingiliwa na Serikali kwa kiwango kidogo sana lengo likiwa kuwezesha uwepo wa ushindani ulio sawa na kuongeza ufanisi. Hata hivyo, mfumo huu unazingatia kuwa soko huru huweza kusababisha kukosekana kwa usawa hivyo kupendekeza hatua stahiki (mfano kima cha chini cha mshahara, fidia kwa wasio na ajira) ili kukuza fursa sawa kwa watu wote pamoja na umiliki wa mali kwa kiwango cha chini kwa kujali utu na heshima ya binadamu.

### Nguzo za Uchumi Jamii:

- mshikamano na ruzuku
- ushindani huru na masoko ya wazi
- kanuni ya dhima na nguvu ya mafanikio ya mtu binafsi
- umiliki wa mali binafsi
- utoaji wa huduma kwa umma kutoka Serikalini
- mfumo wa kisheria unaoaminika na mfumo imara wa uchumi

### Ni fursa zipi zinazoweza kupatikana kutokana na Mfumo wa Uchumi Jamii kwa Tanzania?

Mfumo wa Uchumi Jamii ulianzishwa nchini Ujerumani mwaka 1948 na inachukuliwa kama sababu kuu ya uchumi wa Ujerumani kuwa imara baada ya Vita Kuu ya Pili (Mfumo huu ulifanya maajabu kiuchumi). Tanzania inaweza kupata faida nzuri kwa kutekeleza mfumo wa Uchumi Jamii: (i) Kuimarisha sekta binafsi na kuingiza wadau katika mfumo wa kisheria wa kuaminika kunaweza kuchochea uchumi na kuleta ajira kubwa na kuongeza ufanisi. (ii) Kusaidia ushindani huru na mpango wa mtu binafsi inaweza kuongeza uvumbuzi na kuiwezesha Tanzania kuongoza kiuchumi. (iii) Kuimarisha mifumo ya uhifadhi wa jamii nchini, kuunganishwa na utoaji wa bidhaa na huduma za umma inaweza kuongeza ustawi wa jamii. Hata hivyo, kwa kuzingatia utamaduni wa Tanzania, historia na mahusiano maalum ya jamii ambavyo vinaendana na uchumi jamii ni muhimu kutumia mfumo huu nchini.

Mafanikio ya mfumo huu yanaweza kupatikana tu kwa majadiliano ya pamoja juu ya malengo ya Tanzania na uwajibikaji kwa wananchi.

### Ninawezaje kushiriki katika maendeleo ya kiuchumi? Kuna mbinu mbalimbali za kutumia kama vile:

- **mitandao ya (kijamii)** ili kujadili masuala ya kiuchumi, kubadilishana uzoefu na wengine, kupata ushauri
- kuwa na ufahamu binafsi kuhusu mifano ya biashara
- kufikiria zaidi ya mazingira yanayo-kuzunguka: uwe na ubunifu, uthubutu na kujituma katika kazi
- kusaidia katika **kuhimarisha mada ya agenda ya kisiasa**

## APPENDIX 9: Participants' Evaluation of the Symposia

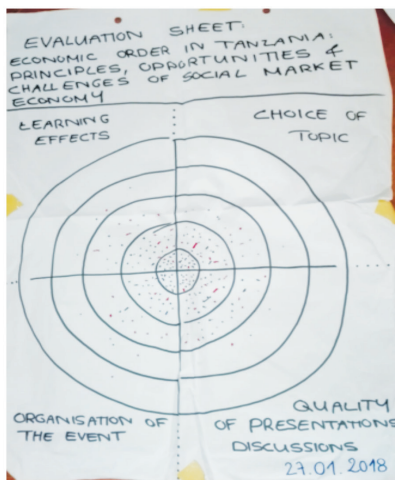
The evaluation sheets used in Mwanza signified a target. The closer the scoring was located towards the centre, the more satisfaction it expresses in each sector.

### ❖ Mwanza: Results

University students' evaluation results from 27<sup>th</sup> January 2018:



University students' evaluation results from 27<sup>th</sup> January 2018:



At the end of the Dar es Salaam and Dodoma symposia, participants were asked to fill out evaluation sheets. To ensure better understanding, the sheets were provided in Swahili.



## Evaluation sheet



Economic Order in Tanzania:  
Principles, Opportunities and Challenges of Social Market Economy

	Good	Average	Poor
Choice of topic			
Moderator			
Presenters			
Content			
Duration of presentations			
Duration of discussions			
Venue			
Food			



## Evaluation sheet

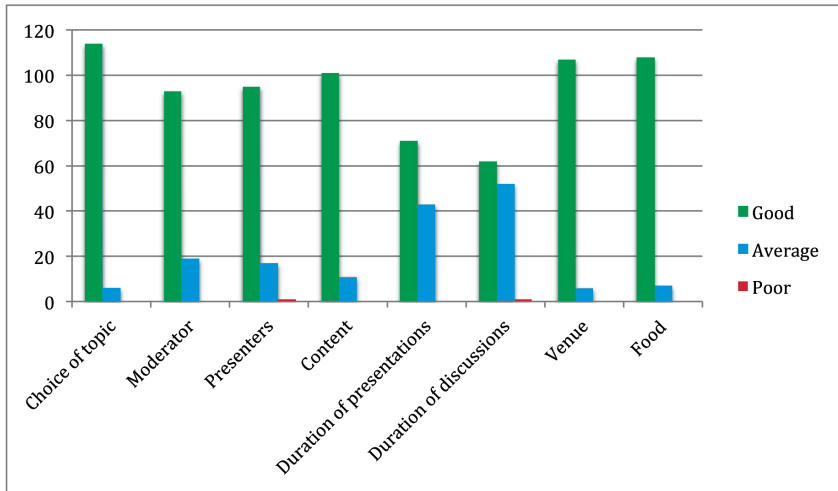


Economic Order in Tanzania:  
Principles, Opportunities and Challenges of Social Market Economy

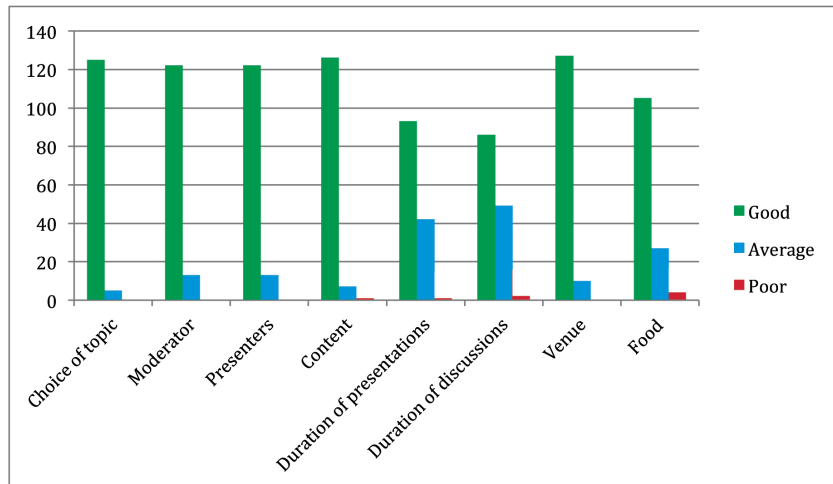
	Nzuri	Wastani	Mbaya
Maada zilizowasilishwa			
Mwezesaji			
Namna maada zilivyowasilishwa / Watoa mada			
Maudhui ya mada			
Muda uliotolewa wa kawasilisha maada			
Muda uliotolewa wa majadiliano			
Ukumbi na Maandalizi			
Chakula			

### ❖ Dar es Salaam: Results

University students' evaluation results from 23<sup>rd</sup> March 2018:



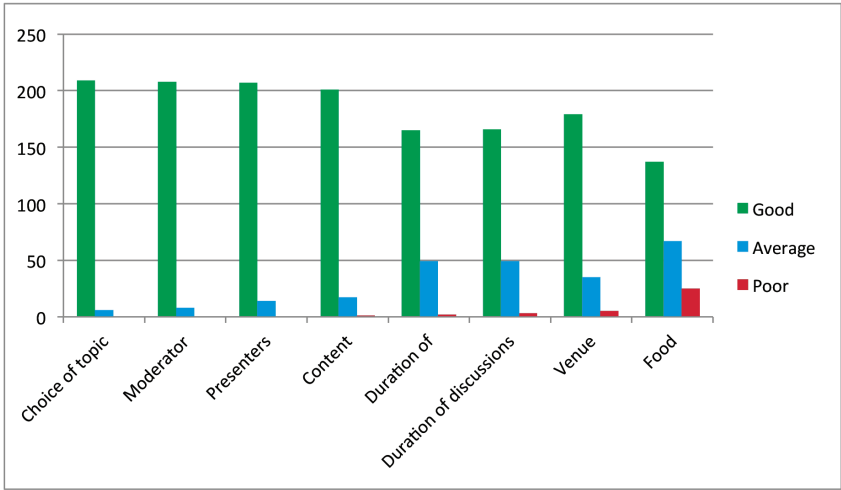
Secondary school students' evaluation results from 4<sup>th</sup> March 2018:



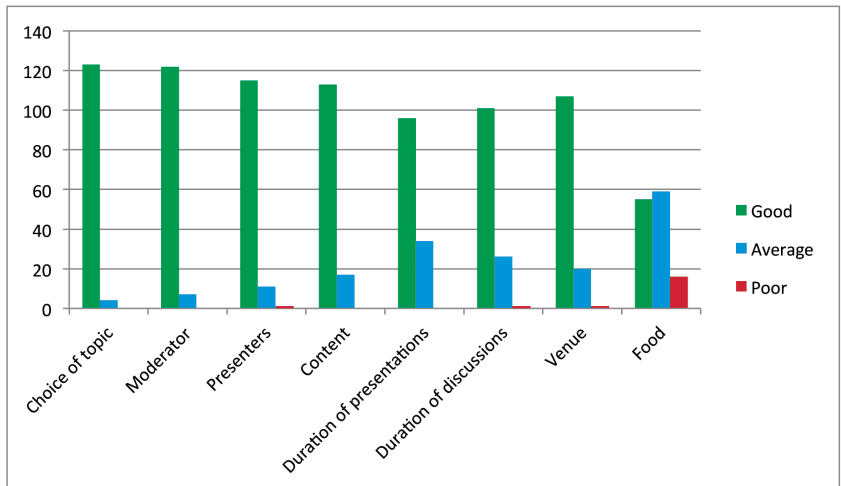


❖ **Dodoma: Results**

Secondary school students' evaluation results from 11<sup>th</sup> May 2018:



University students' evaluation results from 12<sup>th</sup> May 2018:



## APPENDIX 10: Media Coverage

Newspaper articles on the symposium in Dar es Salaam, published in The Citizen on 25<sup>th</sup> March 2018.

### Lack of economic model derails TZ growth: experts

By Ludger Kasumuni  
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**Dar es Salaam.** Tanzania's lack of economic model derails development path, participants at the workshop supported by a German NGO, Konrad Adenauer Stiftung (KAS) have resolved.

The participants of the workshop which was held on Friday in the city also said there was a great need for the government to support the process of instituting a clear economic order so that high pace of growth won't leave many people in poverty. They said such a gap had led non-correspondence between high level of economic growth at seven per cent and poverty incidences at 18 per cent of population.

The workshop under the theme: "Economic Order in Tanzania: Principles, Opportunities and Challenges of Social Market Economy" had brought together academicians and students from 12 higher learning institutions also reached a consensus that lack of clear economic system has been negatively affecting the leading role of the private sector in income generation and creation of more jobs. "The country poses a confused socio-economic model which weakened the private sector," said Dr Charles Kitima, a senior lecturer with St Augustine University.

**YouTube** coverage of the symposium on Tanzania's Economic Order in Dar es Salaam by Ngowi TV (Swahili):  
<https://www.youtube.com/watch?v=kP12BiHfeAU>

**Ngowi TV-Interview** of Father Dr. Kitima on the symposium in Dar es Salaam (Swahili):  
<https://www.youtube.com/watch?v=gFTEOGeVvWY>

### TZ needs new path for development

By Ludger Kasumuni  
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**Dar es Salaam.** Participants of a recent meeting organised by the German NGO, Konrad-Adenauer-Stiftung (KAS), have said it is important for any national dialogue on development to include the four Ws & H. These are questions that are important as they help offer clarity on the debate over which development path the country should take.

Four Ws: The questions include; Why the country needs new development model; What kind of model should be taken; Which path such agreed model should take and When such model should be practiced. Single H: The single H in this case focuses upon how the model should be designed and the ways of practising it for the benefit of majority of Tanzanians. The KAS meeting organised last month involved 12 university students. In the meeting there was a consensus that Tanzania needed the new development model that can create workable mindset among Tanzanians on how to contribute positively towards development.

Speaking on the sidelines of the meeting, a lecturer from St Augustine University, Dr Charles Kitima said Tanzania grapples with confusing development model for almost three decades. "The country possesses a confused socio-economic model which weakens the private sector," Dr Kitima says. Explaining on why Tanzania needs a new socio-economic model, the KAS resident director, Mr Daniel El-Noshokaty said there is a great need for Tanzania to create a powerful and nationally agreed development model like what they did in Germany after the demise of fascism under Adolf Hitler in 1940s.

Mr El-Noshokaty noted that the stance of such German NGO was not to attract Tanzanian interests to borrow the German social economic system that combines positive elements of socialism and the free market economy, but to mobilise young people for filing a vacuum of development model. "In 1939 in Germany, after the 12 years of dictatorship, we built a consensus of instituting a new economic order which is working very successfully," said the KAS

country representative.

The KAS projects manager in the country, Dr Stephanie Brinkel also told Political Platform that Tanzania needs to emulate the ways Germany and Nordic countries built national consensus through mixed socio-economic systems that incorporate positive elements of socialism and capitalism.

"We think that there is a development gap in terms of mindset which can be filled. You should design the development model which can fit the historical and cultural conditions of your country," said Dr Brinkel.

Economists who analyse the development paths of Germany and Nordic nations (Norway, Denmark, Finland and Sweden), agree that the secret behind the success of those countries was building social democratic model under the multilateral aid programme known as the Marshall Plan that took place during the period of post-World War II. Tanzania built underdeveloped free market economy and capitalist social values during colonialism, but at post-independence. In 1967 under Arusha Declaration Tanzania adopted a version of socialism which is Ujamaa Ujamaa which was implemented between 1967 and 1985 was neither scientific socialism nor capitalism, experts say.

Already all Tanzanian administrations have implemented the Five Year Development Plans, but the problem of poverty is still there. Even the current regime led by Dr John Magufuli is implementing the Five Year Plan that started in 2016/17, focusing upon industrialisation.

But experts say still 18 per cent of 54.2 million Tanzanians are wallowing in abject poverty. On why, what, when model and regime path to take for Tanzania to fill the development vacuum, it can be summed up as follows; the country has a vacuum which has existed since 1985.

Regarding to which path to take and when to build, it is now clear that national consensus should be built on designing a path. Germany took 12 years, but Tanzania can reach consensus after few years. On how to embark on such model it is also clear that a national dialogue is called for.

From the above analysis, it can be deduced that time is ripe for the country to begin walking to talks about what Tanzania needs now.



The Civic Education Teachers' Association (CETA) is the first NGO to be founded by Civic Education Teachers in Tanzania. It was formed on the 24<sup>th</sup> June, 2003.

## ORIGIN

The idea of forming CETA originated from Civic and General Studies Teachers. That was after realising the prevailing economic and political changes in our country and the desire for a new focus on Civic Education. Circumstances which contributed to development of the idea included:

- Lack of civic education knowledge: observations have indicated that many Tanzanians have never seen the National Constitution and Government Gazette;
- Shortage of Civic Education material: many teachers and students complain about this issue;
- Ideological vacuum: before liberalism, Tanzanians were guided by a clear ideology which guided the Tanzanian society;
- Lack of political self-confidence among the youth/students.



Tanzanians need a well interpreted Civic Education that will entice them to develop a spirit of love and patriotism towards their nation. This will enable Tanzanians to forget their political differences in matters of national interests. Some individuals tend to interpret Civic Education to suit their personal interests at the expense of national ones.

Therefore, CETA aims at bringing together civic education teachers and offers them a platform to demonstrate/develop their potential

- In issues of national development
- In improving their professional skills
- To write well researched books, journals and articles on civic education