

# SMET MODEL

TOWARDS INCLUSIVE AND SUSTAINABLE  
ECONOMIC DEVELOPMENT

## Popular Version

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# Table of Contents

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<b>1. Introduction .....</b>	<b>1</b>
<b>2. The Theory of Social Market Economy .....</b>	<b>2</b>
2.1. Economic Models .....	3
2.1.1 <i>Centrally Planned Economy</i> .....	3
2.1.2 <i>Market Economy</i> .....	3
2.1.3 <i>Social Market Economy</i> .....	4
2.2 A successful Social Market Economy .....	6
2.2.1 <i>Principles of a Social Market Economy</i> .....	6
2.2.2 <i>Actors</i> .....	8
<b>3. Situation Analysis .....</b>	<b>9</b>
3.1 Background of the Tanzanian Economic Order .....	9
3.2 Macro- and Microeconomic Developments .....	10
3.2.1 <i>Macroeconomic Key Figures</i> .....	10
3.2.2 <i>Production Factors</i> .....	13
3.2.3 <i>Key Sectors</i> .....	14
3.3 Social Developments .....	16
3.3.1 <i>Poverty</i> .....	16
3.3.2 <i>Social Security</i> .....	16
3.3.3 <i>Health and Demography</i> .....	17
3.3.4 <i>Vulnerable Groups</i> .....	18
3.4 Political Developments .....	19
3.5 Technological Developments .....	21
3.6 Environmental Developments .....	22
3.7 SWOT-Analysis for Tanzania .....	23
<b>4. The Social Market Economy Model for Tanzania .....</b>	<b>25</b>
4.1 Strategies .....	27
4.2 Implementation – The way forward .....	41
<b>5. Conclusion .....</b>	<b>44</b>

# **List of Figures and Tables**

---

## **List of Figures**

Figure 1: Social Market Economy .....	5
Figure 2: Historical Development of Economic Models in Tanzania ...	10
Figure 3: GDP and GDP growth of selected countries .....	11
Figure 4: Employment in Tanzania .....	14
Figure 5: Pillars of the EAC .....	21
Figure 6: Components of the Economic Framework .....	27
Figure 7: The market in SMET .....	30
Figure 8: Proportional Taxation .....	35
Figure 9: Implementation Process .....	43

## **List of Tables**

Table 1: Comparison of Economic Models .....	4
Table 2: Macroeconomic Indicators .....	10
Table 3: Factors of Production .....	13
Table 4: SWOT Analysis .....	24

## 1. Introduction

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Developed and developing countries have taken different paths to improve the lives of their citizens. Some countries have already reached their goals; other countries need more time. While some have a clear strategy; others have changed their policies and created new plans. Still, not all outcomes were successful. This is also a problem in Tanzania, where strategies and newly created policies strengthened economic growth but did not succeed to lift the people out of poverty. True economic development has not yet been achieved.

A reason for success or failure can be the economic model that a country uses. Because of this, it can be helpful to take a look at countries that are doing well economically and to learn from their systems. An economic model that has brought strong development in many countries, for example in Germany and Sweden, is called Social Market Economy.

This book will explain the Social Market Economy model and match it with the current situation in Tanzania. In this, it will also consider the history and culture of the country. The goal is then to show a path for inclusive and sustainable economic development for Tanzania.

The book first revises economic models and introduces the concept of a Social Market Economy. Section 3 then looks at Tanzania's current economic situation and analyses different developments that the country has undergone. Drawing from the analysis, Section 4 suggests a Social Market Economy model which can fit the Tanzanian state. Section 5 sums up how this model can be introduced.

## 2. The Theory of Social Market Economy

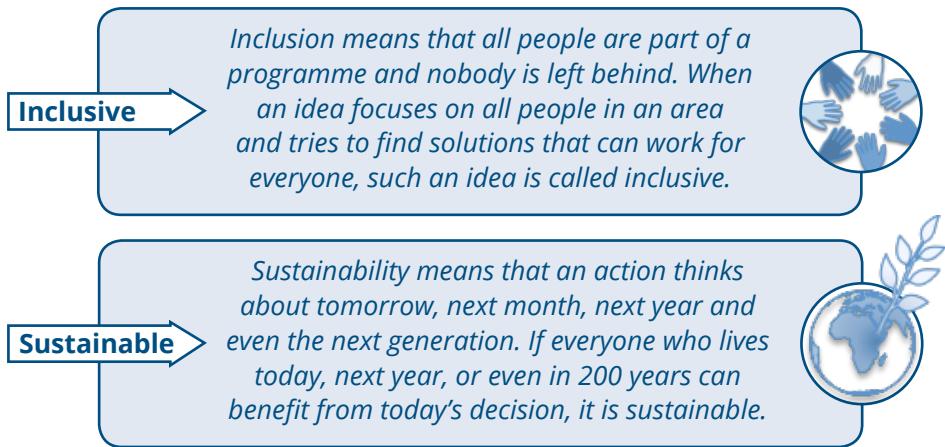
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In 2017, Tanzania counted a population of around 55 million people. For all of them, it is necessary to earn enough to feed their families, to pay for daily expenses and to live a worthy life. Taking care of these basic needs becomes easier when a country improves its living conditions, for example through higher salaries, access to health care, or good education. Better living conditions are a result of **development**. To make sure that all work efforts of Tanzanians contribute to the goal of development, economic management is necessary. This means that there should be an order for the economy which will bring economic growth.

Open markets can help to strengthen economic growth because they allow people to work competitively, to be innovative, and to start a business. Hereby, open markets develop the economy. However, they can also be dangerous because they leave the poor behind and do not give assistance to disadvantaged groups of society. It is necessary that the state prevents this from happening by putting regulations on the economy. This is a difficult task: When the state controls the economy too much, this will help struggling people, but it will also have a negative effect on general economic growth and development. The task of an economic model is thus to find a balance between these two sides of state control and open markets. This can be achieved by a Social Market Economy model.

### 2.1. Economic Models

Recently, many countries have adjusted their economic models because only a few individuals have been benefitting from economic growth. Therefore, the goal is now to achieve **inclusive and sustainable development** to make sure that **every individual** can benefit from economic growth.



Countries have tried different economic models with different ideas of how to create development. The two most common economic models are the *market economy* and the *centrally planned economy*. Between the two, another model of mixed economy has developed. The models are explained hereafter.

### **2.1.1 Centrally Planned Economy**

In this system, the economy is planned by one central government authority. A national plan is used to organise economic activities and to divide resources. Individuals can hardly make economic choices because the biggest part of the economy is led by the State. As a result, the private sector can become weak and inefficient.

### **2.1.2 Market Economy**

In this model, the economic processes are planned by individuals or groups. Market players compete freely and individuals can make their own choices in the economy. Their demands and the amount of available goods and services control the prices in the market. Because of strong competition, some groups of society may be left behind.

The basic features of the two models are summed up in the following table.

**Table 1: Comparison of Economic Models**

	<b>Socialism (Planned Economy)</b>	<b>Capitalism (Free Market Economy)</b>
<b>Regulation of Economy</b>	<u>Policies of the state</u> direct the economy	Regulation through the <u>market</u> (law of supply demand)
<b>Land, Labour, Capital</b>	Owned by the <u>state</u>	Owned by the <u>private actors</u> (the right of property is protected)
<b>Idea of Social Justice</b>	<b>Equality</b> Economic and social differences are reduced by <u>redistributing</u> sources in the population. This can also reduce competitiveness.	<b>Meritocracy</b> <u>Low level of redistribution</u> in the population because it would disturb the market. The market is thought to be the best way of distributing 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> <u>Individuals and the private sector</u> can make their own choices
<b>Role of the State</b>	<b>Direct Regulator</b> The state engages strongly in the economy by <u>deciding on the division of resources and the distribution of income</u> ; the state is active in important sectors (e.g. energy, communication).	<b>Indirect Regulator</b> The state supports the markets with a <u>reliable legal framework</u> to shape an environment friendly to investments and business.

### **2.1.3 Social Market Economy**

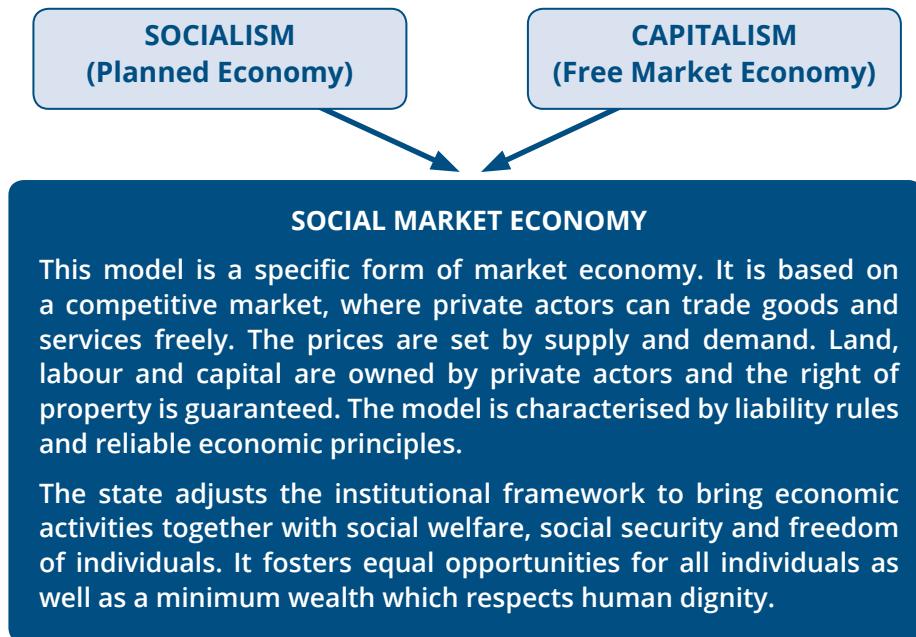
The Social Market Economy model combines economic growth with sustainability and inclusivity to create development for all people. The model suggests a form of market economy, but it makes sure that human beings are the core of all economic activities. Through **social protection**

**mechanisms<sup>1</sup>** and a **regulatory framework<sup>2</sup>**, human beings, along with their skills, needs and motivations, are well-protected. The model also respects them as free individuals.

Social Market Economy balances open markets with a business-friendly framework of state regulations. The model allows fair competition and free determination of prices. This creates jobs, builds a strong private sector and helps the economy to grow.

The model is different from socialist approaches which control the society. It is also different from capitalist models which respect individual freedom but do not protect the disadvantaged. The Social Market Economy model includes and protects the local population in the economic development of their country.

**Figure 1: Social Market Economy**



<sup>1</sup> For example, help for the unemployed, health care for everybody or a pension fund for every elderly person.

<sup>2</sup> For example, the state makes sure that the competition in the market is fair by helping new businesses which would have to compete against big and established companies.

## 2.2 A Successful Social Market Economy

There are some important aspects for a successful Social Market Economy model.

- a) Stable frameworks** attract businesses to take part in the economy. This includes laws, regulations and independent courts. Still, the framework must be flexible enough to adjust to changes in the country. Yet, it must always respect individual choices and social rights.
- b) Supportive state behaviour** helps to set up the model. The government must introduce public services, such as education or health care, but it must also respect its boundaries and give decision-making power to other bodies, for example to the central bank.
- c) Independent media** informs stakeholders about economic activities in the country. Information can cover contents of products, new regulations, or economic development. Effective and reliable media can help to strengthen economic growth.
- d) Freedom and cooperation** is important for participants to accomplish their goals. Participants of the economy must be free in their choices. However, they must also make compromises and work together because they depend on each other.

### 2.2.1 Principles of a Social Market Economy

Social Market Economy is guided by a number of principles. This includes solidarity and subsidiarity.

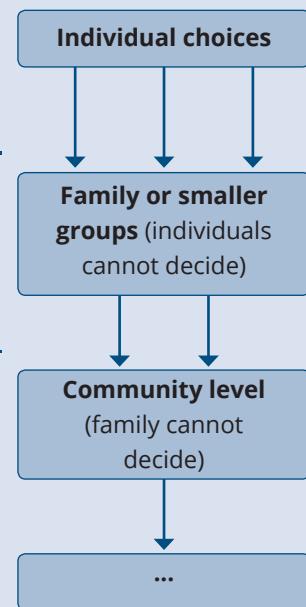
- **Subsidiarity** refers to the idea that individuals and small groups are able to take responsibility for their own matters. The next higher level only comes to help when the lower level can no longer solve a matter. In Tanzania's official administration, these levels are called village, ward, town, district, council, municipality and ministry.

### Example: Subsidiarity

John and Nana are twins. They are about to start the new school year and need new backpacks. Because they are old enough, their parents let them pick the colour and style.

As John and Nana are becoming older, they have to decide on a secondary school. Since they are not well-informed enough about the quality of schools and on how much money their family can spend, John and Nana's parents decide on the school.

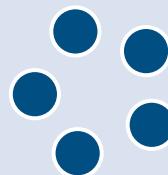
John and Nana's village does not have roads so it is difficult for the children to get to school safely. The decision on where to build a road cannot be taken by John and Nana or their parents because it concerns many people. They have to take the request to the next highest level, for example a village council, which will decide on the matter.



- **Solidarity** means supporting one another. When people are solidary, they help each other without looking at race, gender, religion or other characteristics of a person. Solidarity is linked to standing up for humanity, also in the economy.

### Example: Solidarity happens all the time in daily life

- ❖ Children help to feed and care for their brothers and sisters when the parents are working.
- ❖ Families help each other when one of them falls sick or experiences economic problems.
- ❖ Sometimes, people are accused of false charges. In a trial, witnesses stand with those people and assure that they are free of guilt.



**There are more important principles for the Social Market Economy.**

- Supply and demand regulate the prices of goods and services in the **open market**.
- People have the right to **own property**, which gives them motivation to take part in the market.
- The **state helps** to avoid monopolies, enforces accountability and regulates international trade so that it is fair for local producers.
- **Public goods and services**, for example education, infrastructure and healthcare, are offered by the state. The state sets up a **tax and social security system** to help the disadvantaged who have not profited from economic growth.

### **2.2.2 Actors**

For the Social Market Economy model to work, actors have to fulfil their roles.

- **Central and local government authorities** help the state to work successfully, for example by collecting revenues and giving tasks to competent authorities. According to the principle of subsidiarity, tasks can be assigned to a lower level, when possible.
- **Parastatals are quasi-governmental institutions** which look after community-related tasks. They stand between the governmental authorities and the open market. Typical parastatals are:
  - Protection plans for the areas of unemployment, health, pension and accidental insurance
  - Professional representatives for commerce, trades, industry and agriculture
  - International institutions, such as development aid banks
- **Private and public actors** are both present in the market, but the private sector plays an important role in the economic development of a country because it provides a high number of jobs.
- **Supervisory bodies** control, correct and sanction economic actors. Such bodies can be the central bank, an unemployment agency or a chamber, for example for commerce, industry, or medicine. Also, social partners like work councils, trade unions or employer associations can carry out this task.

### 3. Situation Analysis

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When introducing a new model, it is important to analyse the current situation to find problems and to suggest solutions that deal with them in a proper way. In order to understand how a Social Market Economy model can work for Tanzania, the country's current situation and the needs of the people must be analysed. The most important areas of analysis are

- a) economic developments
- b) social developments
- c) political developments
- d) technological developments
- e) environmental developments

#### 3.1 Background of the Tanzanian Economic Order

First, the history of economic models in Tanzania will be explained to understand today's situation. The economic system of Tanzania has changed many times. All of those changes can be divided into three time periods.

- **1961 – 1967: From independence to *Ujamaa***

After independence, the colonial economic system was carried on and the economy grew. The economy was market-oriented but it was under the control of a few rich and influential individuals. There was a free private sector but local businesses were not developed.

- **The 1967 change: *Ujamaa***

Under Julius K. Nyerere, the Arusha Declaration of 1967 changed the economic system of Tanzania. The new economic model was a form of African socialism, called *Ujamaa*. Large parts of the economy were nationalised, the state controlled and planned the economy and many companies belonged to the state. The private sector became smaller and the economic growth was low.

- **After the mid-1980s: Market Economy**

President Ali Hassan Mwinyi brought back market economy in the 1980s. The markets were opened, the private sector grew and investment was

rising. The structure was adjusted after 1986 so that the state covered parts of education and health services. Today, the government has created new strategies, for example the Tanzania Development Vision 2025.

When comparing the different time periods, data shows that the market economy was the most successful in creating economic growth. Nevertheless, the goal of ensuring that all Tanzanians enjoy a minimum living standard has not been reached.

**Figure 2: Historical Development of Economic Models in Tanzania**



### 3.2 Macro- and Microeconomic Developments

#### 3.2.1 Macroeconomic Key Figures

Sustainable growth is only possible in a stable macroeconomic framework. Macroeconomics looks at general indicators and developments of an economy. When these indicators are developing positively, economic growth can take place. Some core macroeconomic indicators are listed in the following table.

**Table 2: Macroeconomic Indicators**

Macroeconomic Indicators	Meaning
Gross Domestic Product (GDP)	The GDP is the total market value of all final goods and services produced by the economy in one year. It is a financial measure for the strength and size of a country's economy.
Inflation rate	This indicator measures the increase of prices for goods and services over a certain period. It is common to measure the annual inflation rate. The rate should be low and relatively stable.
Interest Rates	This refers to an amount (so-called interest) that is charged for borrowing money. It expresses a percentage relative to the total borrowed sum.

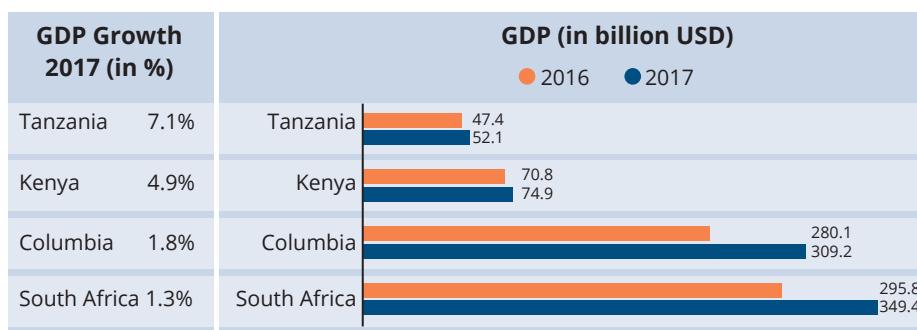
Commodity Prices	A commodity is a basic good that can be traded in the market. Commodity prices are prices for goods and services in the market.
Currency value	The value of a currency is determined by the demand for it in the market. The currency value then measures this demand and expresses it in comparison to bigger currencies, usually the US-Dollar. The exchange rate results from this.
Current Account Balance	This indicator looks at a nation's economy like at a bank account. It measures all the earnings and all the expenses in a national economy. This trade balance can cause a surplus (more income than expenses) or a deficit (more expenses).

### Gross-Domestic Product (GDP)

In Tanzania, the GDP has been growing steadily since the 1990s. The average growth rate is 6.5%, which is amongst the highest growth rates in East Africa. It must be noted that the growth rate is a percentage of an absolute number. The following table shows that, even though Tanzania has the highest GDP growth rate among the countries listed, this refers to a much lower absolute GDP than of the other countries.

The GDP is calculated by all expenses for personal consumption + business investment + expenses of the government + the difference between export and import earnings.

**Figure 3: GDP and GDP growth of selected countries**



## **Middle Income Status**

In Tanzania's industrialisation agenda one of the main goals is to reach middle-income status by 2025. This refers to an average monthly income of 1,006–12,235 USD per person. In 2017, Tanzania has not reached this goal and, with a Gross National Income of 910 USD, falls under the group of low-income countries. 33 other countries, such as Uganda, Rwanda, Burundi, South Sudan, Malawi and Mozambique, also fall into this group.

## **Inflation rate, interest rates and currency value**

The inflation rate shows a positive development. It has been relatively stable with a slight drop to 5.2% in 2016. Interest rates have also remained their status at 14–16%. The Tanzanian Shilling has stayed relatively stable, as well. 1 USD was exchanged for TZS 1,985 in 2015. In October 2018, the exchange rate has risen to TZS 2,278 TZS per 1 USD.

## **Commodity prices and current account balance**

Tanzania is very dependent on foreign prices of trading goods (so-called external commodity prices). In the last years, many prices have gone down due to a change in worldwide needs. The prices for oil, gold or metal were strongly affected. Since Tanzanian exports are not diverse and largely unprocessed, changes in the world market prices affect the country's exports directly. For Tanzanian exports, this means that the value of trading goods has declined, which is problematic for the economy. In total though, Tanzania is one of the few East African countries which has still recorded a trade surplus.

## **Reforms and industrialisation**

Among the most important economic reforms were privatisation of state firms and improvement of Tanzania's infrastructure, of cell phone networks, and of internet access. Recently, the fastest growing sectors have been information and communication, finance and insurance, construction, wholesale and retail trade, and the manufacturing sector.

While the Five Year National Development Plans promote sustainable growth and industrialisation, the manufacturing factor, which should lead this development, faces many challenges. The sector encounters technological, financial, policy-related and administrative constraints and has not maintained its growth. The industries in the sector are not connected and vulnerable to the market as well as to agricultural production.

The indigenous private sector has not benefitted from economic growth like many multinational companies have. Since indigenous companies cannot compete nationally or internationally, they have a hard time to develop. Due to a lack of investment and technology transfer, any transformation taking place is slow. There is no inclusive economic ideology that links the private sector contribution to the lives of the local people or that helps in creating jobs and in improving health and education services.

### 3.2.2 Production Factors

Three main factors contribute to production: labour, land and capital. This table gives an overview on their characteristics:

**Table 3: Factors of Production**

Factors of Production		Characteristics
<b>Labour (work)</b>		Every kind of human activity to fulfil the needs of others and to serve the goal of creating income.
<b>Land</b>		All resources from nature (natural resources). This includes land for building and for agriculture, mineral resources, bodies of water and vegetation.
<b>Capital</b>		All goods produced in the past that have not been utilised and with which companies can manufacture future consumer goods. This includes buildings, machines, tools, and other produced goods.

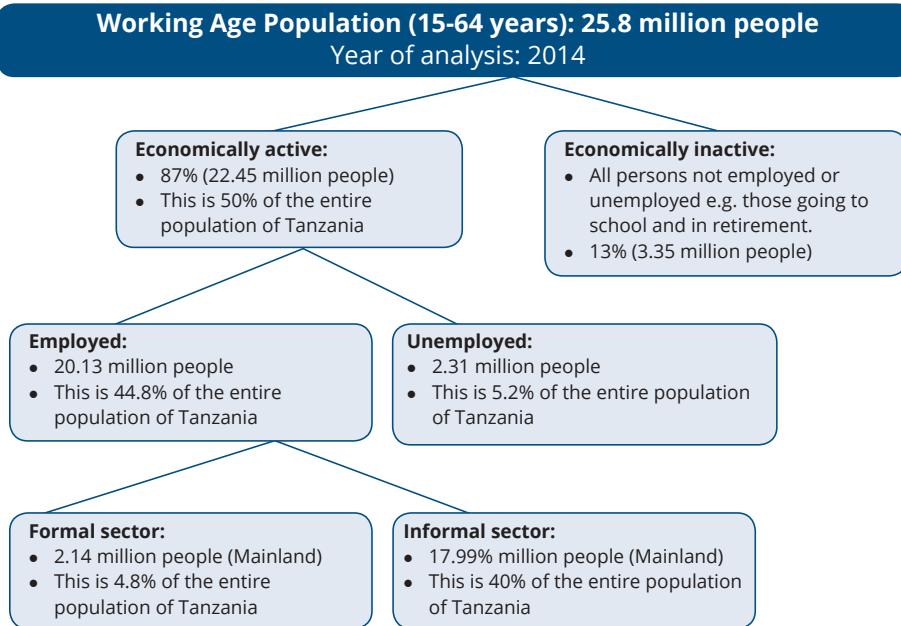
The quality and quantity of **labour** have a direct effect on economic growth. Therefore skills, creative abilities, training and education are important for the economy.

In 2012, Tanzania's population counted 44.9 million people. About half of the 44.9 million Tanzanians were between 15 and 64 years old and were therefore counted as working age population. Out of these, 13% were not economically active, for example, because they attended school or were retired. Out of the remaining 22.45 million people, 20.13 million worked in the formal or informal sector. This means that about 2.31 million people of the working age population were unemployed. Unemployment was higher in rural areas.

The numbers of the working age population are growing and it is estimated that almost 1 million people join this age group every year. However, the

labour market can only create about 60,000 new formal sector jobs yearly. This means that every year, about 940,000 Tanzanians who enter the labour market are either unemployed or work in the informal economy. The provision of new jobs for the new workers is therefore a huge problem.

**Figure 4: Employment in Tanzania**



Also the production factor of **land** is a challenge to the Tanzanian economy. Tanzania has natural resources, such as land, minerals and access to large bodies of water, for example Lake Victoria and the Indian Ocean. Generally, these resource opportunities are not used enough. Land is used poorly and subject to encroachment, the environment is not protected or sustainably used. This is worth mentioning because the majority of Tanzanians depends on the environment for their livelihoods.

### 3.2.3 Key Sectors

In Tanzania's economy, some sectors have special relevance because they employ large numbers of people or because they are strong contributors to economic growth.

	<p>The agricultural sector is important because it employs the majority of people, about two thirds. Since the sector consists mainly of subsistence agriculture, it only contributes to less than one third of the GDP. It is not modernised and heavily dependent on rainfall.</p>
	<p>The energy sector has a key role in the industrialisation process. Tanzania uses mainly water power which suffers from changes in the weather. Solar, wind and geothermal energy are increasing but their potential is not used enough. Most Tanzanian households are not connected to the national grid. About 90% of the population produces its own energy from biomass which makes them dependent on environmental circumstances.</p>
	<p>The transportation sector has developed greatly. The construction of tarmac roads improved national connections and the Standard Gauge Railway Project is under way. It will connect Dar es Salaam with Lake Victoria, Lake Tanganyika, Burundi, Rwanda, Uganda and the Democratic Republic of Congo. Air and water transport still face challenges because facilities and services do not fulfil the standards.</p>
	<p>The communications sector has taken big steps. Tanzania has one of the lowest mobile data costs in Africa and possibilities for broadband internet connections have been installed all throughout Mainland Tanzania.</p>
	<p>Capital and marketplaces still have to be improved. It is difficult for Tanzanians to get access to capital because many of them do not know how to access it or how to invest. There are many banks and financial service providers so that access to financial services has become easier. Especially the spread of mobile money has contributed to this field. Still, for many Tanzanians, access to loans and funding is a challenge because they do not have savings. The business environment in Tanzania has shown positive and negative trends. Access to credit and to electricity has been rated to be average, compared to the rest of the world. However, trading across borders and the ease of starting a business were rated low. There has also been criticism on the difficulty of registering property and on increased land and property registration fees.</p>

Overall, problems in policies, energy provision, access to land and the lack of qualified professionals complicate the process of industrialisation and development in Tanzania.

### 3.3 Social Developments

#### 3.3.1 Poverty

There are different concepts to measure poverty. Some concepts use financial indicators, others include access to services, such as education or health. The extreme poverty line, for example, measures the amount of people whose income is less than \$1.90 per day. The basic needs poverty line includes access to the most relevant needs, such as food, water and shelter.

In Tanzania, basic needs poverty has decreased as health services, education and access to water or food have improved. While the rates of poverty have declined, the absolute number of the poor is still high because of strong population growth. Human development is low and 12 million Tanzanians still live in extreme poverty. This shows that economic growth of the country has mainly benefited a few people and not the indigenous private sector.

#### 3.3.2 Social Security

Social security systems offer medical care and income support to end poverty. They usually pay sickness, disability, maternity and old age benefits. In Tanzania, less than 10% of the population can enter these schemes because only formal employment, i.e. employment with a contract and a registered employer, qualifies. The majority of Tanzanians needs their family or community for support.

Recently, self-employed persons and workers of the informal sector have gotten the option of voluntarily joining social security funds and making contribution payments every month. However, a lot of citizens are not aware of this choice or of the importance of such funds.

Another issue is that social security funds have been allowed to use contributions and to invest them in different places to increase their

capital. However, some funds have been investing in risky projects and were accused of mismanaging the contributions.

### **3.3.3 Health and Demography**



High fertility rates, reduced infant and child mortality rates as well as rising life expectancies are reasons for a strong nationwide population growth. On average, every Tanzanian woman bears 5.5 children in her life. However, this is an average and the rural rates are higher. Infant mortality has gone down to 68 deaths per 1000 live births in 2012. Additionally, population growth has become more noticeable because of higher life expectancies. Whereas a child born in 2002 could expect to live up to 51 years, the life expectancy for children born in 2012 was already 61 years. HIV/AIDS, tuberculosis and malaria are less common. While the HIV rate has dropped slightly, the occurrence of malaria has dropped noticeably, especially among children. Despite these positive trends, the mortality rate of new born babies has remained high. Malnutrition and undernutrition are still a threat to the human development in the country.

The health care sector is marked by a shortage of professional workers and facilities. Especially in the rural areas, the facilities are rare. Only every third position is filled by a qualified health worker. Many Tanzanians cannot visit health care facilities because of poor infrastructure, inefficiencies in the health care system and poverty.

Few citizens have health insurance or can pay for health services. Countrywide, the National Health Insurance Fund covers the formal sector but also offers voluntary health insurance to informal sector workers who are willing to contribute. The so-called Community Health Insurance Fund was started to help people in rural areas to access health care at a low price. The schemes have increased the number of contributors but, still, the overall coverage rate is relatively low.

Another health concern is drug consumption and trafficking. Tanzania has become a transit country for drugs. Cannabis is grown for local consumption and for international sale. Consumption of cocaine, heroin, marijuana and khat leaves has been recorded. The government has tried to campaign against the use of drugs and arrested major dealers.

### 3.3.4 Vulnerable Groups

People that belong to groups with difficulties in society can hardly benefit from development. These so-called vulnerable groups need special attention to gain benefits from economic growth. A Social Market Economy model would especially have to find solutions for their challenges.

- **Households led by women:** In 2012, about 58% of women were married. Nationwide, around one third of the households were headed by women. The numbers were only slightly higher in city areas. Women face strong social and economic inequalities and constraints.
- **Single parent households:** These households have a higher risk of poverty because one person has to take care of different roles. It is difficult for single parents to raise their families and to pay for their needs of food, shelter, education or health at the same time.
- **Elderly (over 60 years):** This is around 6% of Tanzanians. Oftentimes, their age keeps them from working and earning a salary. Elderly who take care of children, this is about every tenth elderly person, are especially likely to suffer from poverty. Elderly women are additionally vulnerable because they sometimes suffer from violence and accusations of witchcraft.
- **Children:** Children depend on others for protection from poverty and violence. They cannot support themselves and require assistance. The more children live in a household, the more likely the household is to fall into extreme poverty. Therefore, many children are forced to leave school to help their parents with generating income. This is not legal because children have a right to education and to be protected from child labour. Young girls have another risk of teenage pregnancy that keeps them from attending school.
- **Disadvantaged communities:** In Tanzania, some communities are disadvantaged because of their location and its resources or infrastructure. Especially nomadic and sedentary groups face problems because their lifestyle makes it difficult for the state to collect information on their challenges. Usually, they have no access to formal education, water or health care. As some of these groups have started to rent land and to settle, they have been more successful at integrating into communities and sharing their struggles.

- **People with Albinism:** Albinos are often excluded from society because of discrimination, violence and death threats. The government, NGOs and civil society programmes have not managed to erase stereotypes and traditional beliefs that exclude them from society.

### 3.4 Political Developments

Since independence, there have been efforts to achieve better living conditions and create inclusive development. Here, political approaches have changed over time and had a large effect on economic growth.

In the development of Tanzania's political system, the multi-party system was brought back in 1992. The Chama cha Mapinduzi (CCM) is still the ruling party, but other parties have emerged, such as the Chama cha Demokrasia na Maendeleo (CHADEMA), the Civic United Front (CUF) and 16 others.

A number of policies has been developed in Tanzania. The areas of education, labour market, employment and integration are especially important and will be introduced.

A **multi-party system** is a political system in which a number of parties have the right to work and stand for elections. This widens democracy and strengthens good governance. The ruling party forms the government while the opposition parties have to offer checks and balances, meaning they review the governmental process.

### Education Policy



Tanzania has worked hard to improve access to education. Since January 2016, every child in the country can access **fee free basic education**. Tuition fees for primary and secondary schools were waived and Tanzania has taken an important step towards achieving the 4<sup>th</sup> Sustainable Development Goal<sup>3</sup> of "**quality and inclusive education**".

<sup>3</sup> The Sustainable Development Goals are a development agenda by the United Nations. It holds 17 goals to develop countries and their living standards. The goals are supposed to be achieved by the year 2030.

The education reforms have brought new challenges. Since hundreds of children registered for school for the first time, the number of teachers is now too small. Additionally, there are not enough facilities, desks, books or materials. There is need to support students whose parents cannot pay for materials like exercise books or pencils and who cannot pay for their children's food at school.

The Tanzanian education curriculum has been reformed many times so that teachers are confused about the content. Hasty adjustment and production of new school books led to many errors. Most of these reforms were introduced because of political interests and have not offered real improvement of the curricular content.

It is not clear how the goal of quality education shall be met. The current education system is not linked to the demands of the labour market or to the economic, social and democratic aspirations of citizens. It does not include opportunities to acquire basic vocational or technical skills, which would help to start businesses or to find a job. Access to university education is very limited. Also in universities, poor teaching, poor curricula and poor facilities lead to a mismatch between the actual skill levels of students and graduates and the demands of the labour market. A link of the education policy to the national development plans and to the actual needs is not established. This calls for a comprehensive education philosophy.

### **Labour Market and Employment Policy**

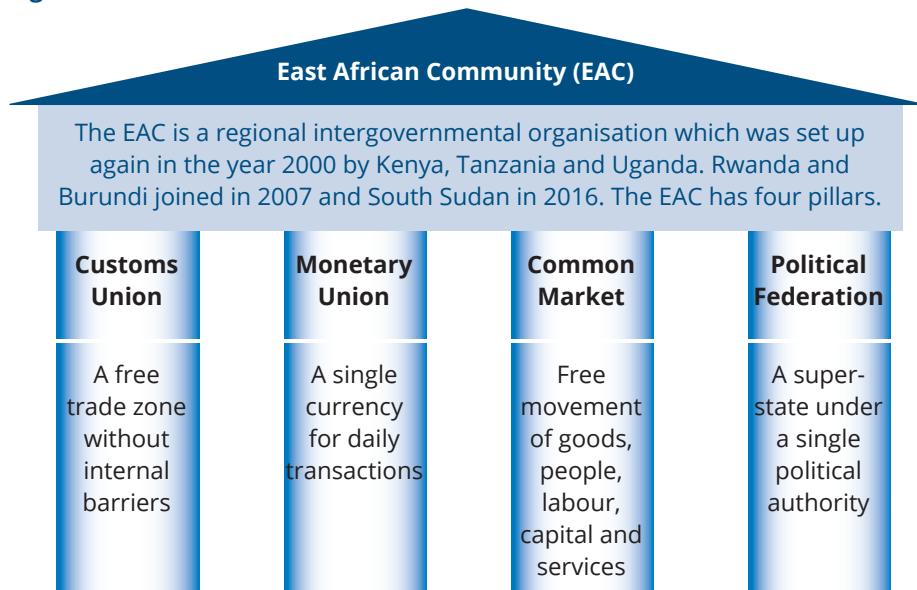
The National Employment Policy of Tanzania tries to reduce the number of unemployed or underemployed people. Currently, unemployment is high, especially amongst the youths. Many of them are vendors and face challenges in sustaining their lives. Tanzania needs a new economic model to create more jobs and to make sure youths have skills suitable for employment. Also the conditions of employment are to be improved.

### **International Integration Policy**

Tanzania aims at economic expansion to become competitive, to attract investors and to promote trade. This will help to integrate into international markets. Tanzania has joined a number of trade regimes, for example, the African Growth Opportunity Act (AGOA) or the Continental Free Trade Area (CFTA) which aim at making international trade easier.

Tanzania is also part of the East African Community (EAC). The EAC is a regional bloc of the countries Burundi, Kenya, Rwanda, South Sudan, Uganda and Tanzania. Around 150 million people live in the EAC. The community is an important market outlet for Tanzanian products but faces difficulties in the integration process and cannot reach its full potential.

**Figure 5: Pillars of the EAC**



### 3.5 Technological Developments

In theory, economic growth is supported by technological development and the use of scientific methods or techniques. When a country invests well in technological development, it can grow faster because the use of relevant technology helps to increase national productivity, even when resources are limited.

Tanzania uses 1% of its Gross Domestic Product for activities in the field of science, technology and innovation. The effect of this investment is small because the government does not invest adequately in research. Since there is only little investment in this sector, there are also few incentives for private actors to invest. The state of research is underdeveloped so that

research findings cannot be compiled or shared and thus cannot be linked to the industries. Compared to other countries, Tanzania ranked low on the introduction of technology and digital transformation. On the Network Readiness Index (NRI) it even ranked behind Uganda, Nigeria and Kenya.

Generally, advanced and modern technologies are not used enough. This is mainly the case because updating them and keeping them running is expensive. There is little understanding and appreciation of the advantages of adopting new technologies. If Tanzania wants to achieve its Industrialization Strategy, it needs to change its mind-set and invest in technology.

### 3.6 Environmental Developments

The most common natural resources are plants, forests, wildlife, landscapes (for example, mountains, rivers, lakes), oil, natural gas, metals and minerals. The use of natural resources depends on available technologies, governmental control mechanisms or the availability of funds to use or protect the resources.

Tanzania has high amounts of natural resources which can contribute to the economy, but which can also attract tourism. The majority of Tanzanians depend on these resources, either because they work in the agricultural sector or because the resources contribute directly to their livelihoods.

Tanzania is rich in renewable energy resources. For decades, large water power has been the main supplier of Tanzania's electricity. However, climatic changes and problems in the transmission system have made it difficult to depend on water power only. Tanzania could use other renewable energy resources to diversify the supply. Geothermal, wind and solar energy as well as biomass, that is wood waste and agricultural waste, have a high potential for energy creation in Tanzania.

As of now, 90% of Tanzania's energy sources come from the forestry sector (e.g. firewood and charcoal). About 1 million Tanzanians are engaged in the preparation and supply of charcoal. The forestry sector also supplies about half of the construction material in the country. It is therefore of high significance.

So far, most of the available resources are not used efficiently or sustainably. Strong population growth and high poverty levels have added on to this problem. Forests are overused and removed, biodiversity is lost and lakes are of bad quality. This leads to fewer resources which then again causes food insecurity and poverty. Since a large part of the population depends on the agricultural sector, this increases the pressure to implement environmental policies, to protect the environment and to use resources sustainably.

### 3.7 SWOT-Analysis for Tanzania

The findings will be summarised in a so-called SWOT-Analysis. This type of analysis brings together the **Strengths**, **Weaknesses**, **Opportunities** and **Threats** to paint a better picture of the overall situation. To implement SMET, strengths and opportunities have to be used well. Weaknesses have to be overcome and threats must be minimised. If this can be achieved, the implementation of SMET is expected to work smoothly.

In this, strengths are advantages whereas weaknesses are disadvantages for implementing Social Market Economy in Tanzania. Opportunities are characteristics of Tanzania that have a potential for the future, while threats are characteristics that could cause trouble.

**Table 4: SWOT Analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Stable economic growth</li> <li>Large and young population (labour force, human resources)</li> <li>Availability of fertile land and diverse natural resources</li> <li>Strategic location (ports, sea, lakes etc.)</li> <li>National unity: peace and harmony, common language and well-grounded principle of solidarity</li> <li>Infrastructure: improved availability of nationwide broadband infrastructure</li> <li>Education: access to education for all and increasing number of universities</li> <li>Health: (small but) increasing number of modern health facilities</li> </ul>	<ul style="list-style-type: none"> <li>Poverty: high poverty rate and widening gap between rich and poor</li> <li>Technology and industrialisation: limited knowledge on technology; low investment in technology, few transfer to Small and Medium Enterprises; heavy dependence on traditional means of farming</li> <li>Private sector and trade: weak indigenous private sector and few indigenous companies for international trade</li> <li>Labour market: large number of unemployed graduates; inadequate skills of the labour force</li> <li>Education: low quality education system</li> <li>Health: poor healthcare system (e. g. shortage of qualified professionals)</li> <li>Energy and natural resources: unstable power supply; unsustainable and inefficient use of natural resources</li> <li>Economic order: lack of economic development philosophy and vision</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Open markets and trade: bilateral and multilateral relations/agreements (EAC, SADC, TFTA, CFTA, AGOA); international markets, e. g. for agricultural products and minerals</li> <li>Technology transfer: flow of technology worldwide</li> <li>Communication: low mobile data cost</li> <li>Health services: availability of health partners to improve current situation (e-health)</li> <li>Capital: improved capital markets and access (e.g. M-PESA) in African countries</li> <li>Conditions of competition: increased demand for Tanzanian products (especially agricultural products) due to regional population growth</li> <li>Some neighbouring countries are landlocked</li> <li>Mifano ya kuiga: presence of role models for Social Market Economy for adaptation in Tanzania</li> </ul>	<ul style="list-style-type: none"> <li>Open markets and trade: multinational companies' dominance at the expense of indigenous businesses</li> <li>Technology: competitive disadvantages due to worldwide fast technological changes</li> <li>Environment: unfavourable weather conditions; environmental and climate change</li> <li>Conditions of competition: better conditions of doing business in other countries</li> <li>Political instability of neighbouring countries</li> </ul>

## 4. The Social Market Economy Model for Tanzania

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After the evaluation of the social and economic situation in Tanzania, this book suggests an economic order that will help Tanzania to achieve its plans for inclusive and sustainable development. This book proposes a Social Market Economy model for Tanzania (SMET) which matches the local situation.

### **What does SMET want to achieve?**

The vision of SMET is to have a strong nation with sustainable and inclusive economic growth that enables participation and development for all. The SMET leads Tanzania to a prosperous future by following guiding values and well-defined strategies for different sectors.

### **How does SMET reach its goals?**

The mission of SMET is to focus the country's development activities towards an inclusive economy in which free trade and competition are balanced. This balance comes from the state and from individuals who are at the centre of Tanzanian actions and decisions.

### **Which values will guide SMET?**

There are 11 core values that support the implementation of SMET. The guiding values can be abbreviated with **KWA NCHI YETU** ("For our country"). The letters stand for:

- K** **nowledge** on relevant information about economic activities ensures efficiency and avoids unnecessary costs. A well-educated workforce will be able to supply better services. Also, knowledge about the operations in the market is important for an effective market economy.
- W** **isdom** is an essential quality for good governance. It rules out corruption and makes sure that politicians develop responsible and sustainable long-term strategies.
- A** **ccountability** makes sure that all stakeholders work reliably and efficiently towards equitable development. It guarantees rule of law, private property and a democratic order. Also a strong independent judiciary and free and fair elections are part of this.

**N**ation first shows the patriotism and pride which Tanzanians should feel. They can be proud of their peaceful and rich culture. While they can also be self-confident about their potential, they must balance this with openness to the outside world.

**C**ommunity is a space for solidarity and working together. In a diverse society, it can be an anchor to build social links and to foster a peaceful and harmonious society.

**H**uman dignity must be respected by political and economic players to make sure that the lives of Tanzanians, their environment and their institutions are well-protected. Above all, it must enable every individual to live a worthy life.

**I**ntegrity is a central value which protects people from power abuses. Through honesty and independent institutions, integrity is ensured.

**Y**ouths are a great potential for the economy of Tanzania. This potential must be used to help them and the country thrive. As leaders of tomorrow, the youth needs access to quality education and they must be able to accomplish their dreams.

**E**valuation of development policies and other activities is necessary to draw conclusions, to learn from past mistakes, and to guide new decisions. This helps to find strengths and weaknesses which can be taken into account for new decisions.

**T**ransparency in decision-making and implementation processes ensures awareness amongst stakeholders of their tasks. It reduces uncertainty and is a crucial component for democratic processes.

**U**nity is a key asset for harmonious and peaceful development and for attracting foreign business and investment. It should be used to lay the foundation for the principles of solidarity and must be improved continuously.

## 4.1 Strategies

Social Market Economy is proposing a number of strategies to push economic progress, to reach equitable development and to increase the general level of wealth in the country. To achieve this, economic growth alone is not enough. There must be strategies for different policy fields to give clear ideas of how inclusive and sustainable economic development can be achieved. Along with the principles and the guiding values (KWA NCHI YETU), the strategies are expected to benefit the development of Tanzania.

The following will show the most relevant policy fields for the SMET model. Additionally to the situation analysis in chapter three, problems of the specific fields will be mentioned. Concrete strategies and examples shall then be proposed to show the way forward.

### Economic Framework

The SMET must be planned and coordinated along an economic framework. This sets targets for the different sectors and makes sure that all the actors know their positions, roles and responsibilities in the economy. Planning and coordination must take place at local, regional and national level.

**Figure 6: Components of the Economic Framework**



#### Set a reliable legal framework

**Strategy:** Regulations have to clarify the distribution of tasks. The framework must point out roles of the state and roles of the private sector. This has to be regulated legally. Also, parastatals and supervisory bodies must be given responsibilities. In this framework, the delegation of tasks from the central government authority to other actors will ensure independence of institutions, strengthen the fight against corruption and ease the amount of workload.

## Protect the Tanzanian people and their human dignity

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**Situation:** In many cases, the people of Tanzania are not protected in their work environment. This includes illegal practises, such as child labour or exploitation of workers.

**Strategy:** The state must ensure regulations that respect human rights and the independence of the courts. Action on behalf of the government must be planned and coordinated at different levels. Additionally, organisations that fight for human rights must be permitted and empowered. This can also happen by allowing civil society to work actively.

## Offer quality public goods and services

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**Situation:** Public goods and services exist, but the people cannot generally rely on them. Sometimes, the state neglects its duty to provide these or their quality is substandard. Social inequalities in the distribution of public goods and services have not been addressed enough.

**Strategy:** The most pressing areas of public goods and services are health care, quality education and infrastructure. The state will have to prioritise these projects to provide them. In this, social differences must be ruled out, for example through affirmative action.

### Strategy example: Health Care for all

The SMET proposes a system in which all citizens are covered by a health care scheme for basic health care needs. This is financed through contributions by all working citizens. Their contributions are collected in a big health care fund. Not everyone who contributes will always fall sick. This is why the contributions are enough to help out those who cannot contribute to the health care fund, for example children, elderly or unemployed persons. The state monitors this and helps out, if necessary.

## Respect and protect private property

**Situation:** Private property is an important incentive for people to generate income. Currently, Tanzania scores low on private property protection because expropriation occurs. Private actors do not have enough power to challenge this. Property registration takes a long time compared to other countries and it is costly.

**Strategy:** Social Market Economy needs intellectual and material property rights to be in place. The right to own property must be protected legally and guaranteed by a functioning court system. Property registration must be easier. Clear agreements on property rights must exist to protect private actors in the market.

## Give incentives for conducting business

**Strategy:** To develop the economy and shape it favourably, SMET uses government incentives. This means that financial support (subsidies) or reduction of payments (e.g. taxation reliefs) can be given in certain sectors of the economy. The manufacturing sector, for example, would benefit from such incentives and likely become more diverse and competitive.

## Macroeconomic Order

Macroeconomic stability is achieved by long-term plans and responsible economic management. This can be addressed in the following policy fields.

## Guarantee independent monetary policy

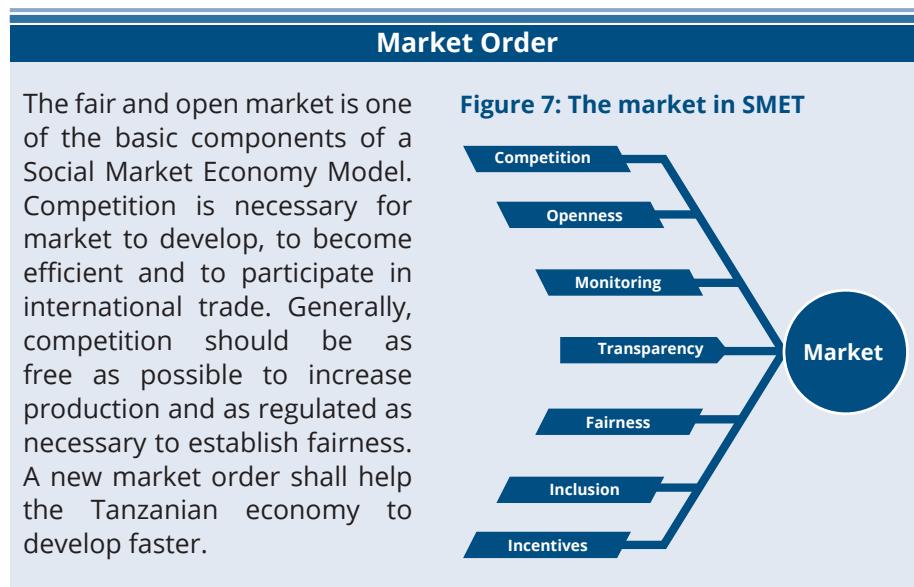
**Situation:** The Bank of Tanzania (BoT) is the central bank of the country and regulates the currency. It aims to guarantee price stability. The BoT received more independence through a new law in 2006, but it is still subject to political influence. The government appoints the workers and determines their salaries and retirement benefits. Thus, the BoT is not independent.

**Strategy:** The BoT must become an independent central bank by largely eliminating government influence. Positions in the BoT can no longer be appointed without a prior application process and a demonstration of skills in a fair interview process. Generally, the BoT needs strong management and has to make sure its positions are filled by qualified professionals. Regulatory mechanism must be put into place to avoid an economic crisis in case of a capital market crash.

### **Guarantee economic stability**

**Situation:** Tanzania joined the International Monetary Fund (IMF) in 1962. The IMF aims at international financial stability and at monetary cooperation. In accordance with IMF recommendations, Tanzania has maintained low and stable inflation rates, stability of currency and stable interest rates.

**Strategy:** To make sure the government can support itself, excessive borrowing has to stop. Responsible macroeconomic management ensures that economic stability prevails. This again, attracts investors and businesses.



## Enhance competition and open markets

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**Situation:** A balance between open market and state regulations ensures that local industries can develop. In Tanzania, the formal private sector cannot develop because this balance is not there. The dominance of international or established enterprises reduces the incentive to invest. There are boards, for example the cotton board, which regulate prices and production.

**Strategy:** The boards must act fairly and be interested in the development of the market. SMET removes price regulations in the majority of cases so the market can flourish and actors can compete freely.

## Monitor markets and ensure fairness

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**Situation:** Monopolies exist in key sectors, for example energy and air transport. The Fair Competition Commission (FCC) is supposed to counter this by monitoring the market, stopping mergers, taking actions against abuses and preventing dominant market positions. The FCC has difficulties to work freely because the nominated workers and their salaries are pressured politically. They are responsible to the President.

**Strategy:** The FCC must be truly independent in order to work properly. It has to make sure that concentration of market power is reduced and that companies at lower levels have a fair chance of competing in the market. For this, enterprises must also be cooperative and work together with other businesses. This will increase efficiency and quality of goods and services.

## Guarantee transparent information to all actors of the market

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**Situation:** It is difficult to access information on the market. This is partially the case because media outlets are controlled and afraid to speak out. This reduces investors' trust in the economy.

**Strategy:** Information must be available through strong, free and independent media. When media and individuals have freedom

of speech, this can contribute positively to development. Journalists and mass media must be allowed to report freely so they can publish relevant information. This creates transparency in the market. Media can be used to teach, inform or warn market actors. Finally, investors rely on media for their investment choices. Here, transparent information increase trust in the government and in the economic system of Tanzania. For this, media laws need to be loosened.

## Enterprise Order

In the market, actors meet to exchange goods and services. To make sure that companies can flourish in the market, there must be a strategy to strengthen the private sector. Competition should exist, but it must be fair for all actors.

### **Strengthen the private sector**

**Situation:** The indigenous private sector is weak and businesses are having a hard time to develop because of challenges in the registration, licensing and taxation process. Some organisations help to inform entrepreneurs about their rights and possibilities, like the Tanzania Chamber of Commerce, Industry and Agriculture. There are monopolies on some key sectors, for example energy and railway. This is because the state has nationalised companies like Tanzania Railways Limited.

**Strategy:** The business environment must become private-sector-friendly by making it easier to start a new business. Aid must be available for administrative questions. Also, the state must refrain from nationalisation and from intervening in the market unless absolutely necessary.

### **Support the creation of Small and Medium Enterprises (SMEs)**

**Situation:** SMEs are enterprises with a headcount of less than 50 or less than 250 staff. Currently, they face a difficult tax system and

little support from the state. It is difficult for them to develop because of initial financial burdens.

**Strategy:** The creation of SMEs must be easier so they can take on an important role in innovation and in the production of goods and services. Support mechanisms also include tax reduction for new SMEs which are not yet generating income. Any incentives to SMEs must be monitored to avoid abuse and to make sure that the businesses are progressing. The state can support SMEs by giving trainings on management and technological matters. Also, enterprises must be able to access information on the legal framework.

#### Strategy example: incentives for SMEs

SMET suggests incentives for new SMEs by reducing their tax burden in the first year of business. Also, incentives for companies that produce environmentally or socially friendly are possible. When a company has additional expenses because it protects the environment, the state will provide subsidies for this company.

#### Ensure dialogue between stakeholders

**Situation:** The trade union congresses of Tanzania and of Zanzibar bring the unions of their areas together to discuss policies. Additionally, employer associations were established and help their members with information on legal frameworks. They also provide workshops on current economic issues.

**Strategy:** Dialogue between the private and public sector will help to exchange views and to identify common working areas. Organisations from the private sector must work together to become stronger and to be able to represent their values effectively.

### Tax Order

A tax system or fiscal policy is necessary to produce public goods and to pay for public administration. The state must fix rates and types of taxes that keep it functioning without having to depend on foreign aid. At the same time, taxes should not be too high to become a heavy burden for tax payers. SMET proposes a tax system that attracts business but that also supports the local people.

### Introduce investment friendly regulations

**Situation:** The current level of taxation has been criticised by investors and entrepreneurs. Some taxes, for instance on mobile money transfers, banking, tourism or cargo transit services, have been increased.

**Strategy:** An investment-friendly tax system will attract business and boost the private sector. This is underlined by **incentives** for new businesses and also for companies who produce environment- or society-friendly. Such incentives can shape the market positively.

### Ensure the tax system is understandable

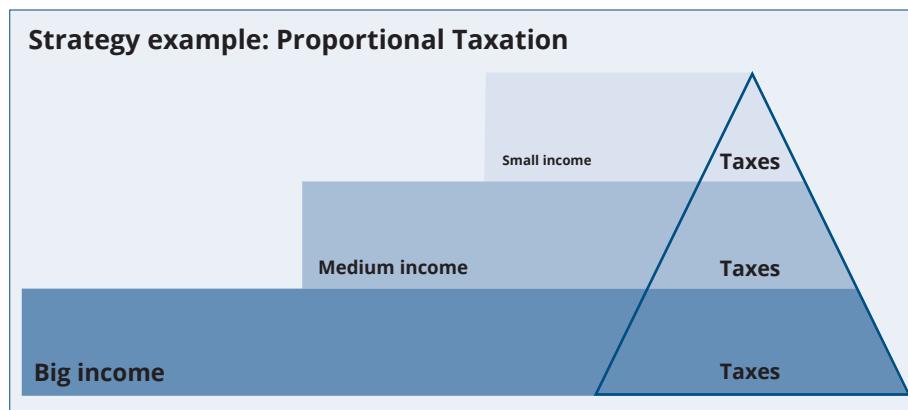
**Situation:** The tax rates in Tanzania change regularly and are unpredictable. Also, the system is difficult to understand for individuals, especially for people without in-depth economic knowledge. Because the system is complex, mistakes, fraud and evasion take place unnoticed.

**Strategy:** The system must be restructured and simplified to avoid mistakes in tax collection. Information on the tax system must be available and accessible to everyone. To make the tax framework more reliable, long-term taxation plans should be stable and not experience major changes. This will promote trust in the tax system.

## Adjust proportional tax rates

**Strategy:** A tax system must aim at social justice. For the citizens of Tanzania, this means that tax duties are adjusted to the amount that they are capable of paying. Taxation will be proportional to the income of a person. Any income earner in the country will have to contribute to this system.

**Figure 8: Proportional Taxation**



## Ensure effective collection

**Situation:** Taxes are collected by local and by governmental authorities. The success of tax collection has varied much in the past years. Often, this was due to administrative shortcomings or ineffective collection systems. Also, many Tanzanians are not aware of the taxes they have to pay or they cannot complete the administrative processes. The informal sector makes it difficult to ensure effective tax collection.

**Strategy:** The state's revenues must increase through an effective tax collection system. SMET suggests information campaigns to inform the people on the types of taxes to be paid and on how to do so. Government must follow up on big companies and make sure they pay their taxes. Electronic Fiscal Devices must be given to every business to record the taxable activities.

## Support fair distribution and allocation system

**Situation:** Tax collection is mainly done at the union level and local authorities only collect a small amount directly. The revenues are then distributed to the local authorities. It is not always clear which actors receive tax money and on what basis the distribution of revenues is decided.

**Strategy:** There must be a national plan for tax collection. Tax collection itself will be decentralised. Under the principle of subsidiarity, the local authorities receive more power to collect taxes. Because they can use the taxes to provide services, this will be an incentive for them to collect taxes more efficiently. The major part of the revenues must remain with the local authorities so that they can provide more services.

## International Order

International and multilateral relations can be used to strengthen economic development.

## Build capacity through international cooperation

**Situation:** Tanzania has many partners that are willing to provide financial and technical support. Important programmes and organisations are the World Bank's "Country Assistance Strategy", the United Nations and its agencies or the World Trade Organisation (WTO). Joining the WTO's General Agreement on Tariffs and Trade in 1961 has helped to integrate Tanzania into world markets. Additionally, embassies and aid organisations are supporting socioeconomic development in the country.

**Strategy:** Tanzania must build its capacity through international trade relations and agreements. This applies especially also to regional trade in the EAC. The EAC provides opportunities that must be used to extend markets and improve living conditions through political, economic and environmental cooperation. SMET also suggests supporting the proposed monetary union

because it will benefit the region through a stable currency. Involvement in international relations helps to compete and learn along international standards.

## Social Order

A Social Market Economy includes social protection mechanisms. The goal is to provide inclusive social protection so that no member of society is left behind. The following needs to be worked on:

### **Offer a transparent and simplified social security system**

**Situation:** The current social security system consists of pension funds and health care in a complicated structure. There are different pension funds that cover different types of professions. Since 2000, employees that were not covered by these funds and self-employed workers can join the pension funds. Some of these funds include a health insurance. Generally, this has led to a complex social security system with different levels of protection, depending on a person's pension status. Efforts to harmonise these funds have been slow and faced resistance.

**Strategy:** Social Market Economy introduces a social security system that fulfils international standards. Health care and pension funds are part of social security and can be combined in one single mechanism. This shall also make it easier to understand the structure of the system. Overall, this will further social inclusion, empower the people and reduce poverty.

### **Strategy example: social security for all**

Social security ensures that people do not easily fall into poverty. It also has the benefit that persons who could not work, for example, because of sickness or giving birth, can recover more easily and then contribute to the economy again. Typical social security benefits are given for the sick, the unemployed, the underemployed, parents or elderly persons.

## Make sure nobody is left behind

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**Situation:** Many Tanzanians are not covered by social security schemes. Since the schemes are only compulsory for the few formal sector employees, the informal sector workers are left on their own. The widening gap between rich and poor makes it more difficult to change this situation. Poverty and lack of education are reasons why people cannot and do not join a scheme.

**Strategy:** Every citizen will have to join the social security system and make contributions depending on their income. For those whose income cannot support a contribution, social security will be available for free or at cheaper rates. Additionally, awareness campaigns make sure that all Tanzanians understand the importance of social security schemes.

## Guarantee access to quality basic education for all

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**Situation:** With the introduction of fee free basic education more students can attend school. However, the educational quality is low and many students lack basic skills. Materials and facilities are not available or in poor condition. Teacher training is insufficient and curricular content is unclear. The school system is not inclusive of children with disabilities. It is difficult for girls to go to school because they lack sanitary pads. They also face sexual harassment as well as exclusion in case of a pregnancy. Still, 1.5 million children cannot attend school because of education-related costs.

**Strategy:** SMET works on improving educational quality and suggests strong investment in teaching facilities and materials. Teachers must be recruited, trained and paid well. Educational reforms must be research-based and their implementation must be well-prepared as information is shared with education staff. The school system must become more inclusive of girls and children with disabilities and address discrimination and obstacles. In SMET, the state sees education as an investment and provides support. Additionally, teachers' organisations

must take a more proactive stance in training educators. Innovative community support programmes and educational projects make sure that also children from poor families can access education by providing meals and materials. Foreign aid must be coordinated to achieve this.

### **Improve higher learning institutions according to labour market needs**

**Situation:** Higher learning is provided in universities, in technical institutions and in vocational education centres. The number of universities and colleges has increased but their curricula do not focus on practical skills. Students struggle with classes in English and lack basic learning skills. Additionally, there are Post-Primary Teaching Centres and Folk Development Colleges. They face challenges like unsuitable curricula or misinformation amongst the population.

**Strategy:** University and college curricula must be adapted to teach more practical skills and to make sure graduates can find a job. The curricula should include internships to support on-the-job-training. Also, youths should be counselled on their choice of learning institution. Technical and vocational trainings must be advertised to the people because they convey relevant skills for the job market. Political-decision makers, education staff and organisations must engage in dialogue.

### **Agricultural Sector and Environment**

Agriculture is a major topic on the economic development agenda. The agricultural sector employs around two thirds of the population, for example in farming or in processing industries. Thus, the sector is important to the rural areas and influences the quality of life.

## Introduce sustainable development

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**Situation:** In Tanzania, there are few effective programmes for environmental protection or sustainable use of resources.

**Strategy:** The integration of sustainable and environmental development goals into social and economic policies is important for the future of Tanzania. This includes reducing environmental pollution, reducing the dependency on fossil fuels and advertising for sustainable consumption.

## Increase environmental awareness

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**Situation:** Weather patterns and climate change are dangerous for the agricultural sector. Global warming and additional negative environmental behaviour, for example deforestation, threatens the lives of the rural population.

**Strategy:** Information must be spread to show how the environment can be protected. This requires strategies for different regions. Also, authorities that deal with climate change will be equipped with suitable resources.

### Strategy example: Reduce reliance on rainfall

Climate change brings droughts and hereby affects the agricultural sector. The sector must address the availability of water and construct infrastructure to use lakes and rivers for water supply. Also, there must be improved solutions for storing water more easily and at lower cost.

## Support agricultural development

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**Situation:** The rural areas are more involved in agriculture and are also poorer. This shows that the performance of the agricultural sector is not high enough. The sector uses traditional farming methods and small-scale businesses. There is lack of technological knowledge and of experts to help the rural population.

**Strategy:** Decisions for the agricultural sector must be guided by a long-term perspective. Modernisation must be introduced with scientific research and new technologies. To make sure this reaches the people, more extension officers with improved skills will be posted. The private sector shall be involved to promote agricultural development. Education in the agricultural field shall include trainings on entrepreneurship and marketing skills. This will increase the competitiveness and efficiency of the agricultural sector.

#### Strategy example: Diversification of Crops

Farmers should use different crops to extend the longevity of their land and resources. This will promote sustainable agriculture and protect them from crop failures. This also provides better income security.

### 4.2 Implementation – The way forward

For Tanzania implement SMET, individuals, organisations and the government should be introduced to the model. Knowledge has to be spread to all levels of society so that SMET can become a model for the people. The following groups shall be approached for the implementation of SMET:

#### The Government of Tanzania

**HOW** The model and its advantages in developmental settings will be introduced to Government functionaries.

**WHY** For an effective implementation of SMET, it is crucial for the Government to consider this model in their budget and in other planning activities. This will make sure that all Tanzanians are included in the advantages of SMET.

## The Private and Public Sector

**HOW** SMET will be introduced to entrepreneurs, small, medium and big businesses as well as associated agencies in business and education.

**WHY** This approach makes sure that players of the private and public sector comprehend processes and expected benefits of the model, resulting in their commitment towards the implementation of SMET.

## Political Representatives

**HOW** Trainings for decision-makers at all levels – national, district, or ward – will be held to inform them on the advantages and values of SMET.

**WHY** Including stakeholders of decision-making processes ensures the flow of information to the grassroots level as well as to the governmental level, where decisions can frame and ease the implementation of SMET.

## Religious Communities

**HOW** Religious leaders will be trained on the principles and values of the SMET model to carry the input to their various institutions.

**WHY** Religion plays a major role in the lives of many Tanzanians. Therefore, religious leaders can transform the vision and structure of institutions, act as custodians of ethical and moral conduct and affect the individuals affiliated with their institutions greatly.

## Civil Society and Organisations

**HOW** SMET will be presented to as well as understood and supported by civil society, which leads to active participation of civil society organisations.

**WHY** This ensures a bottom-up implementation which, guided by the principle of subsidiarity, centres on local interests. Hereby, individual liberties are ensured in the sustainable and inclusive growth agenda.

## The People of Tanzania

<b>HOW</b>	The implementation processes in the different sectors will be paired with trainings for individuals at the grassroots level. The Tanzanian people will therefore be addressed in two ways: They will obtain input from trained stakeholders of the five outlined sectors and receive more information from custom-tailored trainings.
<b>WHY</b>	The population at large is the main beneficiary of the SMET model. To gain the outlined advantages, the people must be aware and educated on the principles and processes of SMET. Only an informed electorate can make profound decisions on their representatives and assess the quality of public policies. By including the voices of individuals, their freedom, self-determination and human dignity are respected.

**Figure 9: Implementation Process**



## 5. Conclusion

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The Government of Tanzania has developed important plans for sustainable development. The successful implementation of these plans however requires every member of society be included and to benefit from economic development. The SMET model seems to be the adequate choice for building a strong, inclusive and sustainable economy.

The general trend in global development has shown that market economy results in economic success, innovation and quality of products and services. Weaknesses of the market economy are resolved by a Social Market Economy model. The SMET offers the opportunity to transform Tanzania into a strong, stable and inclusive country, with economic and social development.

John Kufuor, former President of Ghana, took the view that Africa should adopt Social Market Economy; a view with which Mwalimu Julius K. Nyerere already sympathised as he suggested that true development is within the power of the people. This should encourage Tanzanians that it is now time for change.

The Social Market Economy model for Tanzania also focuses on opportunities in education and social policies to leave nobody behind. These investments enable people to take care of themselves and their families. The poor and the weakest people should never be excluded. Therefore, more attention should be paid to improving their living conditions.

To achieve the best development level possible, it is suggested that the country adopts Social Market Economy as new economic order for Tanzania and promotes inclusive and sustainable economic growth for the nation and all of its people.