

Draft: Organisational behaviour, brokering and trust

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(Part of this paper - with Tom Hewitt and Sam Wangwe - was published recently in Public Administration and Development. I have not had time to get their permission to be co-authors on this version but their work is equally important to the paper)

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1 Introduction

This paper concerns the ‘softer’ elements of regulation - in particular those elements that are often seen as ‘contextual’ rather than core. The focus is on the weak industrial regimes of many African countries and the data comes primarily from Tanzania.

A seeming contradiction in weakly industrialised countries is on the one hand the sense that they are over-rigid, have very formalised industrial support and regulatory systems, the kind of systems that require days to process export licenses in comparison to the half hour it requires in Singapore. On the other hand, they are also portrayed as the kind of place where those companies banned from producing in particular ways in the EU or US can relocate to exploit the lack of institutional capacity. Our recent research has looked both at industry and also at highly regulated science-based crops (gm crops), since scientific knowledge is also contextual and socially and politically embedded, and does not grow simply from implanting science and watching it become applied.

Lall and Pietrobelli, in their recent review of technology development and technology systems, make the obvious but no less important point that simply liberalising trade, getting the macroeconomic situation right, promoting FDI and domestic competition will not be enough (p11). ‘The brunt of future needs has to be met by technology and skill-creating institutions acting on the “supply side” of industry’ (p11). They also make the key point that African countries have most of the necessary institutions in name. ‘The dynamic TIGER economies of East Asia have very similar institutional structures, charged with similar functions. How effective in comparison are the African institutions? Are they capable of meeting the needs of the firms they serve in the new global setting?’ (p11). Their book sets out to answer these and other questions. Later, these authors, focusing on attraction of foreign direct investment, begin to answer their questions by suggesting that improved infrastructure, skills, technological capabilities, supplier networks and support institutions all need massive investment. They call these economic factors rather than ‘narrow policy factors’ (p 239). At the end of their book, they call for further research on the ‘very context specific’ endowments, institutions and competitive needs.

The research calls for by Lall is very much ongoing and suggests how important institutional ‘context’ is. Just in Tanzania, for example, our research on industrial and technology policy is joined by significant new research (see for example Murphy, 2002 and 2003) which acts as a critique of pure transaction cost explanations of technological change. Murphy deconstructs credit, reputation and information relations to show how important trust and power become in explaining success of industrial firms. In South Africa, Kaplinsky et al’s recent study of the factors affecting firm upgrading in the furniture industry, using a value-chain and innovation systems approach, looks at the difficulties involved in moving up the value-chain by improving design capabilities.

Most of this paper details some of the issues associated with industrial policy in Tanzania, in an effort to build knowledge precisely of those ‘context’ issues which are key if we are to go beyond the ‘narrowly economic’ and take micro-dynamics more seriously.

The focus of this paper is organisational behaviour in and around the private sector in Tanzania at a time of transition through liberalisation and the promotion of private sector activity: how the private sector has re-emerged; how it operates as a group or,

more accurately, as a set of groups; and the relationships between its component parts and with other development organisations (notably public actors - the state and aid donors). Within this framework our interest is in how organisational behaviour is mediated and trust is built through the brokering of relations between different organisations which intersect the public and private (and what this means for the public sphere). The paper assesses the usefulness of a three-level framework for analysing organisational and institutional transformation, shows that some tentative but modest change is occurring, and that a range of incomplete but positive political processes are happening. We show that institutional development is the weak link in these processes.

Robinson et al (1999) suggest that organisational relationships are mediated by influences at three levels (between which there are recursive influences): the actor/organisational level (the networking skills and motivations of individuals and/or organisations), ways of organising or the level of pre-existing relations amongst actors and organisations (the extent and history of social embeddedness between individuals and/or organisations), and the institutional level (the guiding sets of norms, values, rules and practices and the social, economic and political context in which relations develop).

This framework is useful, together with two additional important features of organisations pertinent to this paper: 1) they have permeable boundaries and individuals' activities not only occur within them but also across these boundaries; 2) organisations are able to reconfigure themselves in response to changes in the external environment. This means that inter-organisational behaviour is of interest and significance in understanding how private sector development works out in practice.

In our research in Tanzania the organisations we considered included private and state-owned firms, industrial support organisations, business associations, policy making forums and aid organisations. We used the idea of 'networks'¹ to examine the dynamics of policy and industrial development (Hewitt and Wield 1997). This proved useful as a way of thinking about the process of industrial change in Tanzania. Though quite patchy in practice, the possible existence of networks has enabled us to examine interdependencies between industrial producer interests. However, concluding that networks were at best nascent, we had to take a step backwards. Subsequent research (Hewitt 1999) has shown that the principle 'tool' in these efforts has been the promotion of the private sector, through a combination of a privatisation programme for the faltering parastatal sector, a quite broad set of measures aimed at creating an enabling environment for the private sector, a renewed interest in strengthening and expanding the existing private sector and the encouragement of direct foreign investment. Promoting the market in this way has been (and continues to be) a shaky process. Vested interests in the state system compete with naïve enthusiasm for the market. The combination produces unintended outcomes which certainly don't comply with textbook notions of private sector development.

The transition from a state-led and owned economy to a broader vision of an economy based on private initiative has interesting implications for organisational behaviour, amongst which we would include:

¹ Knoke and Kuklinski (1991 p. 173) characterise networks as social systems involving various actors who are reference points in one another's decisions. 'The organisation of social relations becomes a central concept in analysing the structural properties of the networks within which individual actors are embedded, and for detecting emergent social phenomena that have no existence at the level of the individual actor'

- 1 The transformation requires more than a technical transition. Key are changes to perceptions, behaviour and norms - the state redefining its function and the private sector also redefining itself.
- 2 This redefinition, which has the support of multilateral and bilateral donors, is not clear cut in practice and the major players do not necessarily have a clear idea of what kind of government/private relationship will evolve, for example, as between free market, simulated market or governed market (Wade 1990). So there is a move to stimulating the market but not with any clear theory of 'what kind' of intervention (Evans, 1995, p 10).
- 3 Thus in practice, although there is a reasonable sense everywhere of the need to change behaviour, on the ground the game is more complex where the devil is in the detail. The government is not yet prepared for its role, neither is the private sector. Although the donors sometimes sound like they know what to do, they are also unsure of where they are going except in some sense of 'lets prepare the ground for a market economy and relieve the state from what it doesn't do well'. That is, not so much what kind of intervention than how much intervention. For some that is everything, for others not.

In terms of organisational behaviour then, all the main actors – state, private sector, donors - speak a language of private sector promotion, at least on paper. This common voice hides differences in approach as well as differences between rhetoric and reality. In this paper we address the question of what kinds of organisational behaviour are emerging and might emerge in the future, with some policy direction around how to encourage inter-organisational behaviour that builds transparency, honesty and trust.

The emerging private sector and its interactions displays elements of all three modes of inter-organisational relationship: co-ordination, as the traditional state involvement continues: competition, as market reforms bite in most sectors; and, co-operation where new nodes of brokering and trust building appear with the emergence of new economic groupings.²

To this end, this paper examines a) the relation between private and public sectors and donors; and b) the role of brokering change.

2 Actors, Pre-existing relations and institutions in Tanzania

In this section we will set the Tanzanian context for changes in organisational behaviour. Recent years in Tanzania have seen a significant change in attitude towards the market and its role in economic development. The prevailing attitude in the 1970s and 80s was that sustainable long term development required not only strong state control over key institutions within the economy, leading to nationalisation of existing and state investment in new, major productive enterprises. But also there was a strong belief in government that direct state control was a better long term bet for trade and distribution as well, in both urban and rural areas, in agriculture, services as well as industry, leading to the dismantling of the strong, and in some regions, large, co-operative retailing and distribution system. Thus both private and co-operative systems were weakened through the state-led development

² This was notably a mode of operation that was well established in Tanzanian co-operatives before the changes brought on by the Arusha Declaration

strategies of that period.

Although economic growth rates faltered as early as the late 1970s, and structural reform policies have been in place since the mid-1980s, the development of new types of group behaviour, market and non-market, has been slow and uneven. The crisis of the developmental state has led not only to a sense of 'government failure' but more importantly in terms of explanation, to the growth in the use of public office for private gain associated with declining real wages in public services. As Doriye points out, 'insecurity and a search for survival leads to "private interest" behaviour by all levels of employees, and hence the disintegration of a cohesive public administration' (1992, 113), is perhaps the most important change in Tanzania from the state-led period of serious, coherent, and relatively honest public office.

At the same time, there has been private interest behaviour in the private sector towards the state. Beyond being a statement of the obvious, this is manifested in the fragmented way in which parts of the private sector have negotiated with government. Individuals or small sectoral interests have used personal networks of influence to obtain licenses or concessions, rather than approaching government collectively to present a unified voice. Such practices, it might be argued simultaneously reduce efficiency and claims functions, where individuals (in either the state or the private sector) stand to gain at the expense of collective goals. This in turn feeds atomised responses and a breakdown in trust within and between groups.

Thus, in Tanzania, we are not witnessing the 'obvious' results of 'government failure' but a constructed deterioration of public administrative behaviour during marketisation which will be hard to transform.

Doriye's warning that it is precisely during the moves to market-led forms that the public administration has been weakened from a collective and inclusive vision of national development with clear rules on honesty in public behaviour, illustrates the danger that, in Tanzania's case - and Tanzania is not the only case - moves to market-led development can lead to moves to a 'predatory' over a 'developmental' state (Evans, 1995). In Tanzania's case the promotion of the private sector has, certainly in the early period of transformation, been paralleled by 'private interest' weakening of the state institutions. 'Pure' free market visions can, it seems, lead to policies that weaken all institutions of the state, not only those that are seen as overreaching themselves. How can the transformation from state-led to market-led development be accompanied by the strengthening of new behaviours and norms of non-market actors and institutions?

Actor/organizational level

At the actor level, new behaviours and norms are emerging within and around the state, and also within and around the private sector. Going beyond the simple divide state/market, there is the beginning of a process of realignment and emerging relations between individuals, groups and institutions which in turn create new 'configurations' of actors. Arguably, the most important set of group relations is between state institutions (privatising, and rethinking development policies), the private sector (old and new, local - African and Asian - and foreign capital) and donors (supporting private sector promotion but still not comfortable about whether to work with state or private sector).

As mentioned, we analysed these changes using the concept of network (Hewitt and

Wield, 1997) as a device to investigate the possibilities for ‘construction of synergistic relations’ (Evans, 1996). Evans argues that ‘synergy is constructable even in the more adverse circumstances typical of Third World countries’ (p 1119). However embryonic such networks are in Tanzania, given the previous disregard for linkage across sectors and between actors, an opportunity exists for the emergence of market- and non-market actors. We identified a number of networks, all of which include market and non-market actors. Some are seeing new opportunities to craft a more coherent industrial base in Tanzania and are putting pressure on government and donors to mould policy accordingly.

Ways of organising are mediated by pre-existing relations

Pre-existing relations both help and hinder this process. The capacity of the state has not only been significantly eroded during the long economic crisis (Doriye, 1992), but was also by no means prepared for its new role as a market/non-market facilitator. The parastatal sector before privatisation was close knit and, by definition, intimately linked to government. This has meant significant embeddedness of relations within the state but not in the public sphere more widely and difficulties in changing behaviours to new circumstances. The record of the state, and of other non-market groups, responding to manage a market economy, so far, has been variable.

But this is also true of market groups. For example, some cases of privatisation (like the much cited one of Tanzania Breweries Ltd) have shown that previously failing industries can be turned around, partly due to internal reorganisation (not to mention injections of foreign capital) but also to building up relations with suppliers and customers. Other cases have not shown such positive outcomes (Gibbon 1999).

The private sector in Tanzania has historically been weak and divided and has had a precarious history. Colonial priorities and their legacy, longstanding enmities between different communities and the policies of the Tanzanian government squeezed the emergence of a private sector. In the period between the end of WWII and Independence in Tanzania the ‘private sector’ consisted of foreign industrial concerns and Tanzanian Asian business (with strong links to the South Asian Sub-Continent as well as Kenya and Uganda). There was a boom in Asian business in the 1950s (Honey 1982 p. 67). As a result, Tanzanian Asians had become key players in the economy by the time of independence. A fact which caused certain concern amongst newly independent African Tanzanians. A key concern of the government of Nyerere was ‘africanization’ or ‘indigenization’ of the economy. After the Arusha Declaration in 1967 and nationalisation of bigger firms as well as the creation of new firms, the state accounted for 60% of manufacturing output, employment and installed capacity. In other words, there was massive exclusion of private sector activity. Despite some early success in the parastatals, evidence suggests that they have never performed as well as the remnants of the private sector. Both Tanzanian African firms and Tanzanian Asian firms out performed parastatals by a wide margin (Raikes and Gibbon 1996 p. 273).

Within the overall collapse of the development state, the demise of the Basic Industrialisation Strategy had multiple causes amongst which Wangwe (1998) identifies the following: policy failure, poor institutional capacity, poor infrastructure, and poor commitment to technological investment and minimal investment in human resources. This cocktail of factors is significant when examined against the donor agenda for private sector promotion discussed below.

The state of the economy resulted in pressures to reverse the Arusha Declaration. A central point of this pressure was to allow capitalism to emerge from both internal and external sources. Internal pressure came from the huge numbers of people gradually beginning informal sector activities (Tripp 1997) as well as a small but significant sections of the private sector and government. External pressure came from international donors backed by, sometimes vociferous, criticism of Tanzania's model of state-led socialism (for example, Diamond 1987).

The capacity of the private sector to take a leadership role in managing a market economy is weak. Here the private sector is weak in the political dimension, even the politics of trade and the economy, although there is evidence of growing commitment to play such roles. The private sector, for example, has previously been more used to deal individually with policy issues, on a case by case basis, and is less used to more open institutional group activity, like lobbying on trade taxes. The long-standing exclusion particularly of Asian businesses, but also small African businesses, from mainstream development has created mistrust and divisions that fragments the private sector and thereby undermines its potential force. We will see later that there are signs of changing behaviour and more coherence being shaped in this diversity.

Institutional level

The institutional level in Tanzania shapes the context in which private sector development is taking place and in which the emerging market economy is managed. This includes institution building towards making markets function, that might include different types of capacity building in state and private sector to establish means of governing the market. This is turning out to be a long drawn-out process, as both state and privates slowly learn through bitter experience how very much learning is required.

With hindsight, it is extraordinary how rehabilitation of industry in the 1980s was done on a similar basis as the initial investments of the sixties and seventies. It was largely project based, foreign financed, with little attention to ongoing production management problems. There was only limited local participation in pre-investment activities and in the choice of product and process technologies. The relations between foreign engineers, machine suppliers and financiers, with the biggest change being the increased donor dimension, and desire to move quickly, overrode any concerns about technological learning (Wangwe, 1998).

The eighties can thus be seen as wasted years in that they did not allow the emergence of new institutional forms more related to the need to build new market institutions. It was after 1992 when significant restructuring began, with pressure to privatise the large state enterprises, and increased competition from imports as liberalisation began to bite. These changes are fitful with opportunities for retreat to the previous solidity of old governance, and also moves towards less transparency not more, since the 'old' state-dominated structures and institutions cannot function as they did before, and are extremely unstable.

Rather though than look at the constraints on change, we will focus on the emerging institutions that are lubricating the process of restructuring the economy. But institutional behaviour has inertia. There is in process a drawn out set of negotiation and brokering particularly between government, private sector and donors. There are some other non-market actors, including NGOs, media and church, but it is this tripartite set of relations which is key to the future direction of industrial development.

The outcomes are by no means certain.

The balance of behaviour as between co-ordination, competition, and co-operation, is uncertain. The state remains ambiguous over its control function (old habits die hard?), the competitive environment is under negotiation and co-operation and trust is having to be rebuilt almost from scratch.

To summarise, we see an extremely fluid situation as the macro context changes towards some, as yet, unclear, form of market system. We see that both the non-market and market actors lack preparedness in this emerging, and unstable, market situation. But there is some evidence that interesting non-market institutions are emerging that need strengthening if the situation is to stabilise towards a system based more on co-operation and trust in the transformation from a state-dominated to a multi-actor situation. The following section explores the organisational interactions that are taking place in this transformation period.

3 Inter-organisational behaviour and brokering

Getting organisations to work effectively is an important step but institutional development – or what we have called development through institutions³ – is the key to how organisations relate to the bigger picture. In this section, we will look first at the relation between private and public sectors and donors. This lays the ground for discussion of the role of brokers in mediating these relations.

Private sector – public sector – donors

Whilst the relationship between the state and the private sector is the most important one for the future, the present role of donors is also key. The multiplicity of donor initiatives (partly reflected in Table 1) is testament to the scale of the task. In general in Tanzania donor activity has moved towards i) a partnership model that includes government and ii) a sectoral approach with co-ordination between donors to pool basket funds. Interestingly however, such a co-ordinated approach is not so strong in the area of private sector promotion. Co-ordination such as there is tends to occur at a level lower than the private sector itself, for example, over micro-finance programmes, in training initiatives, or in the strengthening of particular organisations such as business associations or the tax authority etc. There is, therefore, a multiplicity of inter-group interactions that require management and brokering.

From the perspective of the state, promotion of the private sector in Tanzania is to try to pull the country out of a severe economic crisis and, along the way, to find ways of securing continued donor financial assistance. The latter is conditional on adopting market led economic policies. In other words, the state has been forced by internal and external pressures to make a major U-turn in its economic policies. The expressed purpose of the original nationalisations from the late 1960s was to build national and African (as opposed to foreign and Asian) capabilities. The intervention was dramatic but had a certain logic (as well as success for a brief period). Reversing that experiment in economic development is a bitter pill to swallow

³ ...deliberate interventions aimed at achieving development goals by promoting certain institutions.... These can be activities at a macro level which involve more than a single organization and are aimed at changing the social structure. They also concern activities at the meso and micro levels: at the meso level, ID means agencies involved in development management relating to each other to achieve common goals; at the micro level, ID refers to changes within organizations when these changes are destined to achieve larger development goals by promoting new norms and patterns of behaviour. (Chataway et al 1998)

On the surface, the state has little choice but to comply with the requirements of structural adjustment to divest itself of parastatals and to promote the private sector. Tied by the donor agenda of market reform because of the financial crisis of the past two decades, the government is in a weak bargaining position. In practice, the state shows an ambivalence towards both donor requirements and private sector pressure. This is for a number of reasons.

First, changing organisational behaviour and, still less, institutional behaviour, is not automatic. Old practices and mind-sets are deeply ingrained. In this way, making a transition to new practices can be described as 'sticky' (Chataway and Hewitt 1998). The transition in Tanzania is forcing policy makers to decide what kind of institutions make markets function most effectively. If the effective functioning of markets depends in part on the way in which they interact with other institutions, it follows that simply taking controls off economies and imposing free trade criteria is not going to deliver uniformly appropriate results. It cannot be assumed that markets themselves give rise to effective institutions. Therefore, the desire to implement market reform needs in part to tackle how to create institutions that can make markets work.

Individual vested interests in the state are also having an influence on the transition. Such security as state employment granted – and this has declined over many years (Doriye 1992) – is difficult to give up at a time of great uncertainty. Individuals are loath to give up long-held (employment and ideological) positions. Many are defensive of a system that has seen better days and which is now under severe criticism from many quarters. Charges of bureaucratic behaviour and corruption are commonplace. This in turn leads to high levels of distrust. As one report notes, 'uncompetitive industries resist liberalisation. Civil servants are reluctant to abandon their position of control. Vested interests are difficult to expose and uproot... The economic rationale for change is clear. However, it will require considerable political muscle to force the changes through' (ESRF 1998 p. 22).

These observations are backed up by views from the private sector where the government's policies of liberalisation do not always get such unreserved support as one would expect. For example, one private sector observer (Kariwa 1997 p. 103) notes:

1. Ambivalence on the part of some political leaders to give up public ownership as an official ideal whilst at the same time informally going with the flow. This has caused fears about privatisation amongst workers and trade union leaders. It has also caused confusion over the governments actual strategy for supporting privatisation.
2. Members of the private sector perceive a deeply held prejudice against 'serious and effective management' brought on by years of central planning. A legacy of mismanagement has made mediocre performance acceptable.

Finally, the combination of poor institutional mechanisms, inertia in state agencies and suspicion of non-state actors has caused problems in transparency of the process of transition to a market economy. As will be seen below, the government has been criticised for not acting on dialogue with the business community.

There are of course no right answers to defining inter-organisational relations and there will inevitably be conflicts of interest in specific situations. The example of mining and the conflict around the formulation of the recent Mining Act is illustrative. Large foreign companies have moved into Tanzania making the sector a growth area,

meanwhile small scale indigenous miners – supported by several donors – have been pushed to the margins of mining areas. During the policy discussions around the Mining Act, small scale miners lobbied the government to give space to the indigenous industry. An action which won a number of concessions. Some observers argue that small scale mining is not in the national interest on the grounds that it is inefficient and does not contribute to wealth creation for the nation (national economy versus local economy). On the other hand, the Tanzania government, local NGOs and donors are balancing the national and local interests more by supporting small scale miners. One aspect of this example is that a number of different interest groups were able to sit down and talk to each other in negotiation over the policy process. Increasingly in Tanzania, as elsewhere, such dialogue is being encouraged and brokering policy outcomes is an interesting area in order to understand between group behaviour.

Brokering change

The glue for bringing diverse interests together and then helping them to stay together is often an outside agency that has an interest in fostering dialogue but does not have a necessary allegiance to one ‘side’ over another. Such brokering agents are playing an important role in Tanzania. The notion of brokers of change stems from the work of Inskip (1994) and Gray (1989). They promote the idea of network agents who are individuals and/or organisations that ‘connect policy and services planning and development by facilitation communications between the macro and micro levels of governance’ (Inskip 1994). This is a particularly important role in a situation that is ‘... underorganised with no structural relations of common intellectual or psychological perceptions among potential stakeholders’ (p.i). The current phase of private sector development in Tanzania resonates with such a description. And there is no shortage of potential network agents. Donors, associations, NGOs and community groups may lay claim to such a role. Here are two examples.

Tanzanian brokers

In this section we will examine a case of brokerage by the Economic and Social Research Foundation (ESRF)⁴ and its links to the Confederation of Tanzanian Industries. A disaffected group of business people, led by Iddi Simba (later to become Minister for Industry and Commerce), representing larger manufacturing concerns, left the Tanzanian Chambers of Commerce (TCCIA) to form the Confederation of Tanzanian Industries (CTI) in the early 1990s. Unlike TCCIA, CTI sought to forge an alliance with government in order to promote industrial business interests. It is CTI that has been most influential in lobbying government and donors to take notice of industrial producers.

CTI jointly with other sectoral associations have made representations to government, although not always successfully, over taxation, industrial policy and privatisation. The ESRF in Dar es Salaam (which has close ties with CTI) has been active in bringing together government, donors and the private sector to discuss liberalisation with the express purpose of opening a policy dialogue in Tanzania. The first time the

⁴ The Economic and Social Research Foundation (ESRF) was set up in 1993 as a policy oriented research and consultancy NGO with an overall objective of capacity building the government and private sector in economic policy analysis. It has specialist expertise in industrial, financial and social sector policy. In addition to its research, ESRF plays an important role in national policy dialogue, acting as brokers between previously remote interests.

brokerage role started three parties were involved: ESRF, USAID and private sector. USAID financed a study on the diversity of the business sector in Tanzania in 1995. In order to disseminate the results of that study, USAID asked ESRF if a workshop could be organised for that purpose. The workshop was organised in March 1996 in which some private sector persons were invited to be discussants and participants.

One theme which came out of that workshop is that tax rates were too high, a factor which encouraged tax evasion. After the workshop two business persons went to see the Minister of Finance about this point. They tried to convince him that he would not get less money by lowering tax rates, if anything he would get more through improved tax compliance. Then the minister challenged them to submit to him a budget proposal which had lower tax rates but could achieve at least Shs.600 billion (US\$800 million) which he needed to raise during 1996/97.

At that point the business people sought the technical assistance of an institution seen as having the capacity to do such an assignment and neutral (not on the side of business or government). That is how ESRF was. Partly because the idea arose from the USAID sponsored workshop the TCCIA and ESRF jointly applied for funding of the study to USAID. USAID funded the study and the business community contributed to the tune of 25% of the total cost. ESRF asked them to do so as a sign of commitment to the study.

The study brought together representatives of all business associations and collected their views and synthesised them into more coherent proposals. The thrust of the proposals was to reduce tax rates and improve tax administration. The report was discussed with the Ministry of Finance and the Tanzania Revenue Authority always jointly with the business representatives and ESRF. Some concessions were given by government. It was agreed that those issues which could not be accommodated in the 1996/97 budget could continue to be discussed after the budget.

A key player that tipped the balance in favour of government in warning against lowering the tax rates was the IMF. They argued that when the government lowered tax rates in 1992 they lost revenue. ESRF argued that the situation in 1992 was different. First the tax administration was inefficient giving too many exemptions. Second, the business community had not been involved. The business community met IMF resident representative several times and met some IMF experts from Washington to try to make their point clear and to convince them not to advise the government to maintain high tax rates. In all these meetings ESRF consultants were present to make presentations and to help clarify issues. In the 1997/98 budget further concessions were made by the government i.e. lower tax rates. This time the government formed a task force on tax matters with members from government, the Tanzania Revenue Authority (TRA) and the business community.

Since then the business community has been seeking assistance from ESRF when they want to negotiate with government on tax issues. The role of ESRF is to synthesise views of the diverse business associations and to give the issues more credibility by addressing some of the technical issues involved.

In 1997 the CTI approached ESRF on the problem they had with local taxes levied by the Dar City Commission. DCC was charging a few enterprises high industrial tax and they complained to DCC. But DCC wanted revenue to rise not to fall. The two, CTI and DCC, agreed to commission ESRF to undertake a study of DCC finances with a view to establishing sources of finance which could be tapped and identify

room for reducing tax rates. This time the new Commissioner of Finance at DCC was the same lead consultant who had worked as ESRF consultant in the budget study of 1996. Their study recommended lowering tax rates but spreading them to many other enterprises. The two sides agreed and tax rates were reduced and broadened. In the end DCC got more revenue and CTI was happy with lower tax rates.

As a result of these independent brokerage interventions, the government has agreed to the principle of involving non-government actors in the policy formulation process. So when new policy initiatives are being proposed and the government wants to involve the other actors, the government often approaches ESRF to organise working teams consisting of government officials and the private sector. Normally the government will have a draft policy document for discussion. ESRF forms a team, works on the draft to improve on it and organises a workshop to discuss the improved draft. Usually, a donor is identified by the Ministry and asked to fund the study. After the results of the study have been discussed in a workshop and the draft is revised again and submitted to government for finalisation. This procedure was followed in the case of several sectoral policies such as in telecommunications, mining and tourism.

Donors as brokers

Donors have simultaneously been trying to salvage some of the material and human infrastructure of previous state-led periods, and to generate some economic dynamism through private sector promotion. To this end, most donors have staff dedicated to private sector promotion based in Tanzania. It is probably also an agenda which marks a transition of the lead agencies from bilateral donors (in particular the Scandinavians) to the multilateral donors (particularly the World Bank but also the European Commission).

There is accord amongst donors on moving towards a market economy⁵ but this does give each the possibility of supporting different parts of the market-led development strategy. Practically, it appears that they have carved up private sector promotion into niche activity areas. This is reflected for some donors in Table 1.⁶

These can be divided roughly into three kinds of activity: 1) small and medium enterprise development and financing through banking intermediaries; 2) institutional development; and 3) micro-enterprise development, micro-credit, income/employment generation. Given their scope it is hardly surprising that inconsistencies and a certain level of policy incoherence results.

The brokerage role of donors has developed over time. Up until the early 1980s, donors played a role of providing technical support to the Government in a fairly mechanistic manner on the assumption that injections of aid and other forms of assistance would keep the economy going and eventually trickle down to form a more sustainable form of development. The crisis of the 1980s led to a degree of despair on the part of donors. By the mid-1980s the government had made a deal over structural adjustment with the World Bank and donors (i.e. bilaterals) gradually returned to providing assistance.

⁵ See, for example, OECD 1994, Danida 1998, SIDA 1999, USAUD 1999, NORAD, DFID 1999

⁶ It should be noted that these are the more direct forms of support to private sector development. Other more indirect forms of support would include infrastructure projects, support to NGOs, administrative support in government, support through national companies, etc.

By then the ground rules had changed and the private sector was judged to be the way forward. Donors, as we have seen above, have put their full weight of support behind this, on certain conditions. First was the new responsibilities of the government in exchange for 'partnership' and second was the inclusion of the private sector as a voice in the development process. The 'unwritten agreement' of 1997 (GoT 1997) marks the beginning of the new brokering role of donors.

Consultation is commonplace – some say too much – and many of the donors now hold consultation meetings with government and private sector. The Tanzanian donor Consultative Group holds annual meetings and, historically, they have been held in Paris. Significantly the December 1997 CG meeting was held in Tanzania and attracted a large number of government and private sector participants.

More recently still there are now monthly donor group and donor-government meetings in Dar es Salaam as well as sectoral level meetings between donors, government and the private sector.

Indeed, the professed new partnership approach to development aid between government and donors has a built-in assumption that donors will broker change rather than direct it. This is part of an agreement between government and all donors that the past 'existence of parallel implementation and staffing arrangements for projects has seriously undermined Tanzanian ownership, accountability and capacity' (GoT 1997). The government in its turn is committed to taking the lead on policy and its implementation as well as taking full responsibility and being accountable for its outcomes. This is something of a departure from past practices where it was perceived that donors called the shots.

A recent report by USAID states, 'to successfully transform the government's philosophy from an inefficient command and control mindset to one of facilitation and partnership will take considerable leadership and political will. Workers will need to be retrained, incentives revamped, agencies eliminated and procedures revised' (USAID 1999 p. vii).

This sums up in stark terms the changes in norms and values of civil servants being pushed (or brokered) by donors. A cynical response might be that one fantasy is being replaced by another. However, there are indications that donors are making serious and genuine efforts to strengthen government's ability to manage a market economy at the same time as strengthening private sector institutions to manage themselves.

4 Conclusions

One participant in a 1999 encounter in Tanzania of government, private sector and donors' came up with the verdict: dialogue excellent, implementation zero! This was harsh but in part reflects the continuing mistrust between public and private sectors. Despite advances, there are still many 'road blocks'. On the side of civil servants there are: continued demoralisation, based on low pay, lack of autonomy and mistrust between departments; a continued belief that the government needs to *guide* business as well as to *enable* it; lack of knowledge and/or interaction between public and private sector outside regulatory functions; resentment that charges of corruption are

⁷ Public-Private Sector Workshop, July 15-16, 1999, Dar es Salaam.

only levelled at government officials. On the side of business, there are: over bureaucratic procedures; mismanagement of resources; hostility; lack of information; ... the list is long.

Grindle and Thomas (1991, p 193), in mapping the boundaries of policy space and actions that can be fruitfully be undertaken towards change, make the point that purposive action can alter the direction and nature of change in however a constrained environment. Even when room for manoeuvre is highly constrained public policy advance depends on public action and opportunity identification.

In Tanzania, a dialogue and a process of brokering this dialogue is occurring. In addition, there has been an important advance on the part of government in moving from privatisation to institution building. The first phase of government restructuring was the privatisation of state owned enterprises. This is a substantial step (and nowhere near completion). The government appeared to equate private sector promotion with privatisation of parastatals with the assumption that the rest would follow automatically (Business Times 30/7/98). However, the next phase might be characterised as improving public service and building institutions that can assist and sustain private sector activity. This is a far more complicated process since it involves fundamental changes in behaviour and norms. These are deeply ingrained on both sides of the divide between public and private. The shift from a single power and control mode of behaviour to one based on a combination of markets and co-operation is incomplete (and has revealed an interesting tussle within the state between resistance and change).

Such an approach is consistent with recent thinking on policy formulation whereby '...Public policy making within networks is about co-operation or non-co-operation between interdependent parties with different and often conflicting rationalities, interests and strategies. Policy processes are not viewed as the implementation of ex ante formulated goals, but as an interaction process in which actors exchange information about problems, preferences and means, and trade off goals and resources. A success criterion for policy is the realization of collective action in order to establish a common purpose or avert common threats' Kickert et al 1997 p. 9).

We wrote earlier 'the devil is in the detail', but we agree with Murphy that 'the factoring out of context is perhaps one reason why industrial development programs, policies and approaches deemed successful in one region have failed to take root in other regions. Instead of focusing on generalizations about what innovative social structures or behaviour patterns look like, scholars should search for trends relating the specific actions of individuals to the creation of effective institutions' Murphy 2003, Conclusion).

Kaplinsky et al's study of furniture (2002) is an excellent example of the importance of putting context centre stage. The unpublished (PhD) research of Temple-Bird on the African medical equipment technology industry shows how different countries are in the complex relations between public and private medical, industrial and regulatory actors.

However, at the end of two decades of neo-liberal attempts to destroy public support for industrial policy, and the growing ability to respond by attention to context, I recently read research suggesting that control of gm crops in Africa depends on the establishment of similar risk regulatory systems to those of the US FDA and the EU!

Table 1 Key donor activities in private sector promotion

World Bank	<ul style="list-style-type: none"> • Macroeconomic incentive structures • Structural adjustment • Privatisation, support to PSRC
USAID	<ul style="list-style-type: none"> • Studies on regulatory framework for private sector to remove procedural impediments to private investment (Investors Roadmap) • Training in business and banking • Assistance in restructuring the Tanzanian Revenue Authority • Financing of the Business Centre training in micro-enterprises • Strengthening business associations in policy dialogue (TCCIA) • Micro-enterprise fund
DANIDA	<ul style="list-style-type: none"> • Vocational training • Micro finance scheme through the training of financial intermediaries (small savings and credit associations) • Support to the Co-operation and Rural Development Bank (formerly state-owned now private with 30% Danish share) and • Risk capital fund (Fedha fund) • Links to Danish companies with activities in Tanzania including contact facility for technology transfer • Support for the Confederation of Tanzanian Industries (CTI) (with Danish Confederation of Industries), support to become membership oriented and sustainable. Soon to support Trades Union movement
SIDA	<ul style="list-style-type: none"> • Financial sector development (including risk capital in several financial institutions and microfinance - through PRIDE Tanzania) • Support for telecommunications and energy sectors • Enterprise Development Programme that encourages commercial relationships between Swedish and Tanzanian companies (through TCCIA) • Support to Ministry of Industry and Commerce: capacity building of Ministry staff; continued but dwindling support for Industrial Support Organisations (ISOs) • TCCIA (Staff secondment) • Tanzanian Bureau of Standards financial support
NORAD	<ul style="list-style-type: none"> • Support for small enterprise credit scheme PRIDE (Promotion of Rural Initiatives and Development Enterprises) • Financial support for the Regional Enterprise Development Institute (REDI) - business and microfinance training • NORFUND (Norwegian risk capital fund) (focus on enterprises) support for Fedha Fund • Government procurement
DFID	<ul style="list-style-type: none"> • Under a five year British Partnership for Enterprise Development Programme (BPED): • Support to the regulatory frameworks for finance and business • Financial sector 'deepening' • Business development • Mining • TCCIA: program on rural development and renewable energy • Whilst not a donor in the strict sense, The Commonwealth Development Corporation has a £60 million investment portfolio in Tanzania in financial services, property, tourism, and agribusiness. This is larger than the UK total bilateral aid annually and is, arguably, having a direct influence on private sector development.
UN	<ul style="list-style-type: none"> • Support for small and micro enterprise • Labour legislation • Support to CTI on how business can encourage poverty alleviation • Support to Civil Service Reform Programme • Restructuring of the Ministry of Industry and Commerce • Aid Management and accountability project (AMAP)

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